Gentex Corporation

1998 Annual Report

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Creating an Innovative, Entrepreneurial Culture

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Mission Statement:
Gentex's corporate mission is to be a smarter organization; a world-class manufacturer with superior products and service driven by a supportive work culture that encourages people to innovate, excel and continually improve every aspect of the business.

Exchange/Symbol:
The Nasdaq Stock Market®/GNTX

Certain matters discussed in this annual report are "forward-looking statements," which involve certain risks and uncertainties, and are subject to change based on various market, industry and other important factors. The Company cautions investors that numerous factors (as outlined in the Company's Form 10-K filed with the Securities and Exchange Commission and other interim reports) in some cases may affect in the future the Company's actual results, and may cause those results to differ materially from those expressed in this annual report.

Introduction/Corporate Profile

Corporate Profile

Founded in 1974, Gentex Corporation develops, manufactures and markets proprietary electro-optic products. The Company is the recognized world leader in the manufacture of electrochromic, automatic-dimming mirrors for the auto industry, selling to nearly every automotive manufacturer worldwide. The Company also maintains an extensive line of commercial fire protection products for the North American market.

Fast Facts

1998 Revenues:	$222.3 million
No. of Employees:	1,400
Divisions:	1. Automotive Products (91% of revenues) 2. Fire Protection Products (9% of the revenues)
Main Products:	NVS® auto-dimming mirrors and related features/electronics Smoke detectors and various fire alarms and signaling devices
Locations:	Three facilities in Zeeland, Michigan; an automotive sales office in Livonia, Michigan; automotive sales and engineering subsidiaries in Germany and Japan; and four regional offices for the Fire Protection Products Group.

Creating An Innovative, Entrepreneurial Culture

Good companies generate novel ideas; entrepreneurial organizations make them reality. This distinction is key to understanding Gentex Corporation, the world's leading supplier of proprietary electro-optical products.

When Gentex invented the world's first auto-dimming mirror in the early 1980s, it created an entire industry. That's because Gentex not only developed the then-fledgling technology, but also the supplier base, manufacturing processes, training methods, and testing procedures necessary to support it. Then, as product demand soared, so did the amount of competition.

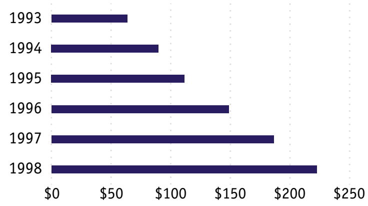
But today, some 18 years and 60 patents later, the Company continues to lead the industry. In addition, investors have enjoyed consistent, double-digit growth over the past decade, and the Company's stock has split three times in the past five years while experiencing five-year compounded annual revenue and net income growth rates of 28 percent and 38 percent, respectively.

And just this past year, Gentex innovation was further celebrated when Chairman and CEO Fred Bauer received the 1998 National Ernst & Young Entrepreneur of the Year Award in the Master Entrepreneur category.

So what's the secret? How does Gentex continue to make novel ideas a reality? The Company attributes its storied success to one thing: the ability to create and sustain an innovative, entrepreneurial culture.

Financial Summary: 6-Year Highlights

Net Sales (in millions)



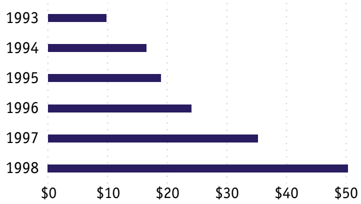
For the years ended December 31,	1993	1994
Net Sales	$63,664	$89,762
Operating Income	13,854	22,972
Net Income	9,845	16,466
Earnings Per Share - Diluted	$ 0.15	$ 0.24
Return on Average Equity	23.2%	27.2%
Weighted Average Shares Outstanding - Diluted	66,975	67,975
Number of Shareholders[1]	9,757	10,127
Total Assets	55,191	80,490
Working Capital	21,537	27,699
Current Ratio	5:1	4:1
Cash, and Short- and Long-Term Investments	26,919	45,613
Plant and Equipment - Net	13,699	17,173
Long-Term Debt	0	0
Shareholders' Investment	49,547	71,375
Return on Average Assets	20.6%	24.3%
Capital Expenditures	3,393	6,160
Depreciation and Amortization	4,041	2,984
Market Performance:		
High	8 13/16	8 13/16
Low	2 17/32	4 1/2
Number of Employees	558	678

[1] Includes registered and estimated "street name" shareholders.

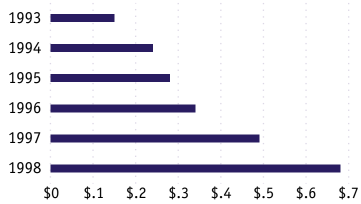
[2] Excluding the patent litigation settlement, net income would have been $26,643,000; earnings per share would have been $0.38; ROE would have been 24.0% and ROA would have been 21.3%.

In thousands, except current ratio, per share data, return on average equity, return on average assets, market performance data, and number of employees and shareholders.

Net Income (in millions)



Earnings Per Share



1995	1996	1997	**1998**	**Change 1998 vs. 1997**
$111,566	$148,708	$186,328	**$222,292**	**19.3%**
24,962	31,840	47,482	**67,343**	**41.8%**
18,895	23,963[2]	35,230	**50,307**	**42.8%**
$ 0.28	$ 0.34[2]	$ 0.49	**$ 0.68**	**38.8%**
22.7%	21.5%[2]	23.4%	**24.5%**	
68,511	71,025	71,962	**73,617**	**2.3%**
12,120	21,458	15,800	**19,669**	**24.5%**
109,244	140,378	189,783	**254,890**	**34.3%**
42,011	61,335	61,328	**100,510**	**63.9%**
4:1	6:1	5:1	**8:1**	
66,424	82,479	111,422	**152,807**	**37.1%**
18,942	31,575	42,239	**59,360**	**40.5%**
0	0	0	**0**	
94,672	127,804	173,205	**237,008**	**36.8%**
19.9%	19.2%[2]	21.3%	**22.6%**	
4,862	16,424	16,383	**24,596**	**50.1%**
3,202	3,919	6,418	**7,523**	**17.2%**
6 7/8	13 3/8	14 1/8	**22**	
3 15/16	5 1/4	8 1/8	**10 3/4**	
791	1,018	1,334	**1,400**	**7.7%**

All per share data have been adjusted to reflect the two-for-one stock splits effected in the form of 100 percent common stock dividends issued in June 1993, June 1996 and June 1998.

A 15-year summary of financial data is on pages 40 and 41.

Letter to Shareholders

March 26, 1999

To Our Shareholders:

1998 was a great year, and we're off to a notable start in 1999!

This year's annual report is intended to show you why Gentex is a unique company – not only because of its stellar financial performance but also because of the unique culture that precipitates the Company's profitability. In the pages following this letter, we'll attempt to illustrate the Gentex culture, both through photographs and copy, to give you a closer look at what makes us tick – above and beyond the numbers.

But, we think you'll agree that the numbers also are important. The Company achieved record revenues of $222.3 million for the year ended December 31, 1998, a 19 percent increase over 1997 revenues of $186.3 million. Net income in 1998 increased by 43 percent to $50.3 million, compared with net income of $35.2 million for calendar 1997. Diluted earnings per share increased by 40 percent from 49 cents in 1997 to 68 cents in 1998.

Our record revenues were fueled by continued strong growth in unit shipments of our electrochromic Night Vision Safety™ (NVS®) Mirrors. Shipments to automotive customers in 1998 increased to a record 4.9 million units, compared with 3.9 million units in 1997. Total exterior mirror units shipped in 1998 were 1.6 million, compared with 1.1 million units in 1997.

Unit shipments of NVS® Mirrors to offshore automakers increased by 18 percent and represented 30 percent of total unit shipments in 1998. Unit shipments to automakers outside North America were 1.5 million in 1998 compared with 1.2 million units in 1997. In North America, NVS Mirror unit shipments increased by 30 percent in 1998 compared with 1997, despite relatively flat North American industry light vehicle production.

Based on our current expectations for light vehicle industry production, we expect our growth in automotive unit shipments to continue at a rate of approximately 20-25 percent in 1999, which would result in shipments of approximately six million units.

Revenues in the Fire Protection Products Group were flat at $20.2 million for 1998 and 1997. The Group experienced decreased sales of certain remote signaling devices during 1998, which was partially offset by increases in sales of its AC/DC smoke detectors and a new, low-current horn/strobe product. As more customers become aware of the advantages of our new horn/strobe product, we hope that demand for it will increase in 1999. In addition, we have worked to strengthen our engineering staff in the Fire Protection Products Group, with the objective of becoming more aggressive in developing and introducing new products for the niche markets we serve.

The Company achieved an excellent gross margin for calendar 1998. The improved gross margin is attributable to higher volume unit shipments of the Company's NVS® Mirrors; higher capacity utilization of the Company's State Street mirror manufacturing facility; and reduced materials cost and higher yields on certain mirror products due to the installation of new coating equipment mid year. The Company previously had outsourced the coating of its mirror products. Given the significant gains we've experienced in the yields on the product lines that are using our new, internally coated glass, our goal is to vertically integrate additional coaters over the next several years so that eventually we will coat most of our own glass internally.

We believe that our culture is the primary reason that Gentex is able to continue to excel, despite the competitive automotive environment in which we do business. Gentex continues to grant price reductions to automakers that equate to as much or more than other suppliers on a percentage basis. The key difference is that we aren't willing to settle for the lower margins that plague many other automotive suppliers, and we continually encourage all Gentex associates to develop ideas for ways that we can work smarter to offset these ongoing price reductions.

Reducing the prices on our mirror products is very much to our long-term advantage, since the rate at which our mirrors will be offered on lower priced vehicles is somewhat proportional to the price of the mirrors. Over the past 12 years, we have reduced the price of our base electrochromic mirror by over 40 percent. However, our overall average price per unit today is still at approximately $41, due to the incorporation of advanced electronic features in the interior mirrors and the addition of exterior mirrors, especially those using curved or thin glass.

Given that a high percentage of our employees own stock and/or hold stock options, they have a vested interest in making sure that the Company does everything in its power to continue to grow the business profitability. Our employees' commitment to these goals is solidified by our profit sharing bonus program, which pays a quarterly bonus to all employees who have been with the Company for a complete calendar quarter.

As our employees develop new ideas, we, as a company, need to continue to be willing to make the investment necessary to implement those ideas. The new coating equipment is a good example of this: the Company invested $6 million in that first coater and its support equipment in 1998, and already we are seeing a significant payback on that investment. At the rate we're going, we should recoup that investment within about two years. This type of smart endeavor is the lifeblood of this organization.

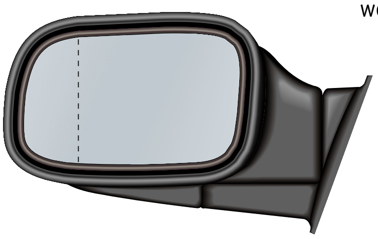
In addition to investing in equipment to improve manufacturing processes and yields, we must continue to invest heavily in research and development (R & D). Our R & D dollars are used to continually improve our existing technology, to add significant new electronic features to mirrors, and to develop new and emerging technologies such as dimmable architectural or automotive windows.

Over the next few years, we expect that you will see automotive mirrors that serve as the primary driver interface for global positioning systems, PC messages such as e-mail, low tire pressure indicators, object detection and more. Some of those new products are likely to incorporate the new, high-resolution "camera-on-a-chip" technology we have secured through our strategic alliance with Photobit Corporation of Pasadena, California.

The Photobit alliance was announced in the first quarter of 1998 to provide Gentex with access to what we believe are the best, high-performance cameras on silicon chips. This technology was originally developed for and used by NASA, and appears to be far better than other similar technologies on the market today. Given that alliance and our significant electronics expertise, we are well positioned to take advantage of the growing demand to incorporate additional electronic features into the automotive mirror and potentially other areas of the vehicle as well.

We also hope that our longtime R & D investment in the development of dimmable windows for the architectural or automotive market will result in a commercial product sometime in the next few years. Encouraging progress has been made in that area to improve the durability of those products, to the extent that we now believe that our dimmable window prototypes may last somewhere in the range of 10-15 years, when last year at this time we had materials that would last only 5-7 years. We believe that there may be niche markets we could initially enter that would accept 15 year life on windows, and we are working steadfastly to complete the essential testing and overcome the engineering hurdles that will be required for us to develop a commercial product.

At Gentex, technology is the golden goose, and fostering a spirit of innovation is the key to ensuring that our people continue to take those giant leaps into the future that will sustain this Company's long-term growth. While many of those ideas initially seem impossible because we're forging paths that have never before been taken, some of the resulting products turn out to be some of the best investments. Some of the most difficult products we've ever made resulted from round after round of ideas that didn't work, followed by a few key ones that worked very well.

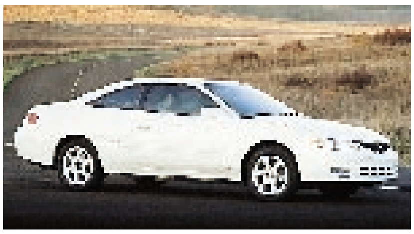


This was very much the case when we developed the wide-angle, "aspheric" exterior mirror. While that product, which eliminates the driver's blind spots, had been available in a non-dimming version in Europe for over ten years, the demand for an auto-dimming version was growing and we stepped up to the challenge. In the beginning we wondered if we would ever be able to develop a process to manufacture the complex curved glass element, and had some doubts that the product would come close to our profit goals, due to the yield losses associated with cutting and matching the multiple radii curved glass. That product went into full production in early 1997, and it took us nearly a year before yields approached acceptable levels. Throughout 1998, yields continued to improve, as they still are today – all of which is due to employee innovation and development of process improvements.

Our employees were recognized for their accomplishments on the aspheric exterior mirror when it received the prestigious Automotive News PACE Award, which recognizes automotive suppliers for their contributions to innovation, technology and industry leadership. This was the third time in four years that a Gentex product won the PACE Award, and this repetition illustrates that technology is no accident. It takes time, a consistent willingness to listen to and invest in ideas and people, and a lot of hard work.

The Company also developed another innovative technology in 1998 that we expect could make a significant impact on vehicle lighting in the future. In the second quarter we introduced an auto-dimming mirror with map lamps utilizing light-emitting diodes (LEDs). This is the first time that LEDs have ever been used for lighting in rearview mirrors, and we believe there are opportunities to use this Gentex invention in other areas of the vehicle. While LEDs have been used in vehicles for years, what we developed is a combination of LEDs that provide the appropriate color of light and level of output for cabin lighting. These new lights emit less heat, last five times longer, and are more durable than the incandescent type.

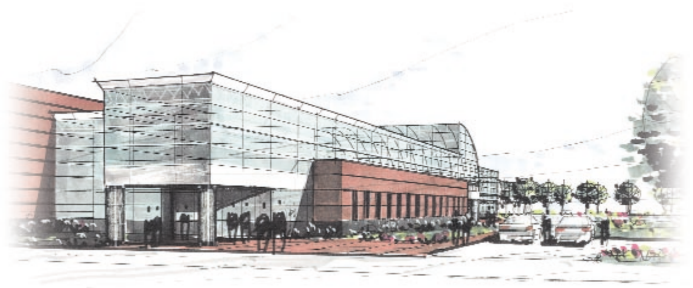
We have a saying that we use at Gentex to encourage our employees to develop stretch goals, and that is to “shoot at more elephants than mice.” Our goal of developing dimmable windows, as well as another growing list of new mirror products, emulates that phrase, since the market for dimmable windows would make the approximately $2.5 billion potential market for auto-dimming mirrors pale in comparison.



We also use that phrase regularly in our automotive sales meetings as we review the progress that is being made in securing new interior and exterior mirror business around the world. For the 1999 model year, we shot at – and bagged – two elephants when we started shipping interior NVS® Mirrors for the new Toyota Camry Solara and the Oldsmobile Intrigue. These programs mark the first time that our mirrors have been offered on vehicles so solidly in the mid-sized, mid-priced segment of the vehicle market. The Camry program is the first time that Gentex has sold its products directly to Toyota, and is also our first transplant business. The Oldsmobile Intrigue was the first vehicle to offer an interior NVS® Mirror with our new LED map lamp technology.

During 1998, we took certain steps to ensure that we have the appropriate organizational structure to guarantee that we can support these and other new programs. In the second quarter, we opened a sales and engineering office in Nagoya, Japan, and also established a warehouse operation in Germany. Gentex Japan Inc. will house sales and engineering operations to service our automotive customers in the Asia/Pacific region. The warehouse in Weinsberg, Germany, which was established to support the Company’s rapidly growing European business, will provide logistics for local, just-in-time parts distribution.

To further support our international marketing efforts, in March 1999 the Company appointed James Hollars as Senior Vice President - International, focusing principally on European operations. Jim comes to Gentex with nearly 35 years of automotive experience, beginning at Chrysler Corporation followed by 26 years with Lear Corporation. He lived in Germany for six years, and we believe that he’ll be a significant asset as we aggressively market our products around the world.



We're also expanding here at our headquarters in Zeeland, Michigan. We're currently shipping mirrors at the rate of nearly six million units per year, and our current annual capacity between our two existing mirror facilities is about seven million units. Because we expect our business to continue to grow at a healthy rate, in late 1998 we began the site work for a new automotive products manufacturing facility that will effectively double our current mirror production capacity. That facility is expected to be completed in mid 2000.

In addition, we hired a new Vice President of Automotive Marketing for North America, and promoted our existing marketing vice president to a senior position that will focus on the world automotive market. John Mulder was promoted to Senior Vice President of Automotive Marketing, and Dennis Alexejun, formerly of Johnson Controls, was named Vice President of North American Automotive Marketing. Our goal in making this change was to provide the required hands-on support for our North American marketing team, while at the same time freeing up John Mulder to aggressively pursue and support new international mirror business, particularly in Europe and Japan. There are many new business opportunities around the world, and we are well positioned to secure our fair share of that new business.

Over the past several years, we have had many inquiries from individuals that want to purchase our mirrors for after-market installations in vehicles that did not come with a factory auto-dimming mirror. Because our manufacturing and distribution methods are geared toward serving worldwide automotive manufacturers, and these mirrors need to be wired into the vehicle's electrical system and require many different mounting brackets, we did not participate in the aftermarket. But in 1998, we contracted with Mito Corporation of Elkhart, Indiana, to sell several of our most popular automatic-dimming mirrors directly to consumers for most U.S. and select foreign models. We believe that this relationship with Mito is the best way for us to determine how much demand there is for aftermarket products.

During 1998, Gentex was once again selected as one of Forbes Magazine's "200 Best Small Companies." Forbes ranked Gentex 10th in profits, 7th in market value, 62nd in sales and 93rd in five-year-average return on equity. The Company previously was named to this prestigious list in 1994, 1996 and 1997.

Two other coveted awards were bestowed on our employees in 1998: the Chrysler Platinum Pentastar award for supplier quality excellence and overall corporate achievement, and General Motors' Supplier of the Year Award. At GM, Gentex was one of only 182 companies to receive the award, chosen from GM's supply base of more than 30,000 companies. Gentex was one of only 14 winners of the 11,000 suppliers that provide products and services to DaimlerChrysler AG (North America). The Platinum Pentastar is Chrysler's highest quality award achievable, and Gentex is the only component supplier to have received the award for five years in a row. We'd like to take this opportunity to again congratulate our employees on these awards.

It may seem a little odd to some shareholders to see the name "DaimlerChrysler," the new name for the company representing the merger of Chrysler Corporation and Daimler AG, the parent company of Mercedes-Benz. Gentex has very good relationships with both Chrysler and Mercedes. In fact, in 1998, we entered into an extended supply agreement with Chrysler to provide it with interior and exterior electrochromic mirrors through the 2003 model year. We also supply Mercedes with the vast majority of its electrochromic mirrors. We believe that the merger was a sound business decision, and that the new company can only be better than the two separate companies. We also look forward to the potential new business opportunities that may come forth as a result of the merger.

New business and growth are the foundations for our business, and fuel the growth in the Company's stock price. During 1998, our shareholders were generously rewarded as the stock price increased 50 percent, and the Company's Board of Directors approved a two-for-one stock split that was effective in June of 1998. We are very pleased to see so many "average" investors doing so well with their Gentex investment. Many people retire very comfortably, and some people even retire early as a result of their investment in Gentex. This makes us very proud to be a part of this Company, and we hope to continue to reward and surprise you in the future.

Best wishes for a happy and prosperous 1999.

Sincerely,

Fred T. Bauer

Fred T. Bauer
Chairman of the Board and Chief Executive Officer

Kenneth La Grand

Kenneth L. La Grand
Executive Vice President and Director

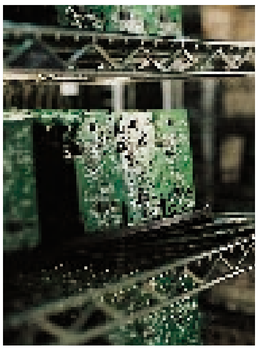
Technology as the Golden Goose

Gentex Products and Technology

Maintaining a competitive advantage in the high-tech electro-optical field requires a devotion to technology that borders on fanaticism. This devotion feeds Gentex's entrepreneurial culture, acting as a catalyst for continued innovation, and keeping the Company years ahead of its competition.

Leveraging Core Technologies

Over the years, Gentex has learned how to leverage core technologies and create synergy between its seemingly incongruous product lines. One such technology is light sensing. Used in conjunction, Gentex's proprietary photoelectric sensing devices can determine the source, type, direction and intensity of light. They allow Gentex smoke detectors to actually "see" smoke and signal an alarm, and the Company's rearview mirrors to sense headlamp glare and correspondingly dim.



A second core technology is electronics. Gentex develops its own hardware and software, designs and manufactures its own circuit boards, and builds its own testing and calibration equipment. This allows the Company to respond to any customer need while continually improving the circuitry that drives its mirrors and fire protection devices.

A third core technology is electrochromics, which is the science of reversibly darkening materials by applying electricity. The Company's solution-phase, organic electrochromic gel can be variably darkened to control the transmission of light through glass. This is the secret behind the Company's auto-dimming mirrors, as well as the auto-dimming automotive glass and architectural windows currently under development.

Preventing Commoditization

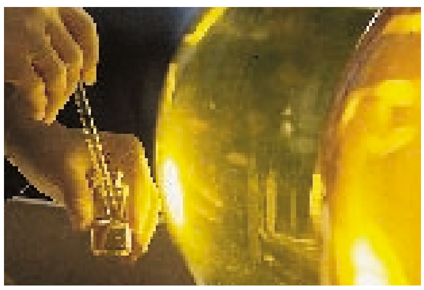
Gentex also leverages technology to prevent its products from becoming commodities – products produced by multiple suppliers with identical function, quality and performance. By continually introducing new, advanced-feature mirrors and fire protection devices, the Company staves off commoditization.

For instance, in addition to dimming, Gentex mirrors can also display the temperature, provide a compass heading, eliminate your blindspot, lock your car, turn on your headlights, open your garage door, and more. These advanced-feature mirrors represented nearly 26 percent of the total mirrors sold by the Company in 1998.

Fire protection products are also continually redesigned to meet evolving code requirements while being improved to make them more user friendly, decrease current draw, and signal brighter and louder.

Improving Processes

The philosophy of continuous improvement lies at the heart of Gentex's technology-deployment strategy. In this past year alone, Gentex has saved significant time and dollars due to technology-driven process improvements and strategic insourcing. The Company's new, $6 million glass coater has helped increase exterior mirror yields to record levels, while a new in-house chemical manufacturing lab has let the Company wean itself away from costly external chemical suppliers.



The Power of Enlightened Self Interest

It's a simple truism: people try harder and reach farther when their own interests are at stake. That's human nature, and that's the power of enlightened self interest. It's about unleashing the human potential through a culture that treats employees like owners, where risks and rewards are equally shared.

Gentex's ultimate goal is to make employees feel like entrepreneurs, empowered to be innovative, take risks, and show initiative while still working within the framework of an established organization.

Creating An Ownership Mentality

To create this ownership mentality, Gentex rewards employees with more than just lip service. When the Company succeeds, so do employees, through:

- a ***stock option plan*** that can substantially augment employee compensation without significantly diluting shareholder value,
- an ***employee stock purchase plan*** that allows employees to purchase stock from the Company at a 15 percent discount from the current market price,
- ***"look-back bonuses"*** that reward employees whose accomplishments in the immediate past will substantially contribute to the Company's performance in the future, and
- ***profit sharing*** bonuses that provide employees a percentage of the Company's quarterly profits.

Creating the Gentex Team

The benefits of Gentex's "enlightened self interest" strategy are many; however, it's the ability to attract and retain talented, motivated employees – from among both the assembly and professional ranks – that provides the real strategic advantage.

Despite operating in a tight labor market, the Company's manufacturing positions remain some of the most sought after in West Michigan. The talent found in Gentex's Engineering, Electronics and Chemical R & D divisions rivals what you'd expect to find at a high-tech, Silicon Valley firm. Employee turnover remains low and job satisfaction high.

Industry Leadership

As a result, Gentex continues to be the industry leader. The incentives serve to fuel a culture that values innovation and causes good ideas to come to market faster. That's why Gentex was the first to offer auto-dimming mirrors with headlamp control, map lamps, compass and temperature displays, remote keyless entry receivers, thin glass, convex glass, aspheric glass, and a host of other features.

The Company's entrepreneurial spirit keeps the "American Dream" alive, which in turn helps ensure Gentex's continued success.

Letting Spirits Soar

Gentex Culture

A corporate culture shouldn't be imposed upon people; it should be drawn out of them. In this sense, the collective culture of the company becomes a composite of the individual personalities it represents. This is key to Gentex's ability to maintain an innovative, entrepreneurial culture.

Spirit is Everything

Gentex believes that belonging to a team shouldn't mean losing your individuality; that you shouldn't have to check your identity at the corporate entrance. Individual spirit is everything. When people feel free to succeed, they will, and so will the Company.

The result at Gentex is a professional yet casual work environment; an eclectic mix of engineers, chemists, assembly workers and other professionals that together comprise the Gentex team. Dress is almost always casual, from the executives on down, further fostering a climate devoid of hierarchy and embracing cooperation.

At Gentex's newest production facilities (one opened in 1996 and another will come on-line in the spring of 2000), factory workers park and enter at the front of the building, not the back. The beautiful, multi-story atriums overlooking glistening ponds house employee cafeterias and lockers, not executive offices.

Avoiding Bureaucracy

To avoid stifling individual spirit, Gentex also intentionally and aggressively shuns bureaucracy. Management layers are kept to a bare minimum, facilitating open communication between the chairman's office and the shop floor. People know that if they see a need, they're empowered to fill it without fear of invading someone else's "turf."

The result is often unorthodox management and reporting relationships. Cross-functional work teams and dotted-line reporting relationships become the norm. But that's OK. Gentex believes that promoting a little irreverence and rebellion toward traditional corporate structures goes a long way toward lifting the human spirit.

Finding Things Gone Right

Gentex also makes a habit out of finding things gone right. The Company believes that rewarding people for even simple accomplishments is much more effective than organizing corporate witch hunts bent on identifying scapegoats for something gone wrong.

The Company strives to approve 90 percent of all project requests. Nothing deflates individual initiative quicker than being told something won't work. And when people take ownership of ideas, they often overcome seemingly insurmountable obstacles through sheer will, tenacity and perseverance.

Perpetual Impatience and the Art of Staying Restless

Nothing squelches innovation faster than a contented, satisfied corporate mindset. As soon as a company begins to think "we've made it," it actually begins to lose it.

That's why Gentex equates complacency with suicide. The Company preaches perpetual impatience – the idea that nothing is "good enough" and that products and processes can always be improved. By purposefully staying restless, Gentex fosters ingenuity and ensures that an endless supply of new and improved products is always on the drawing board.

History of World Firsts

When Gentex introduced the world's first electrochromic auto-dimming mirror in 1987, the product immediately obsoleted its predecessor, the electromechanical (motorized) dimming mirror, which the Company had introduced just five years earlier. Since then, this process has repeated itself time after time as Gentex introduced new products and subsequently redesigned them to continually reduce costs, improve function and enhance quality.

Gentex has a distinct advantage in this area. Because the Company literally invented the auto-dimming mirror industry, it understands what it takes to develop the supplier base, manufacturing processes, testing procedures and distribution system necessary to bring new products and features to market. So while other companies talk about new auto-dimming technologies and features, only Gentex has a history of making them a reality.

Unparalleled Quality

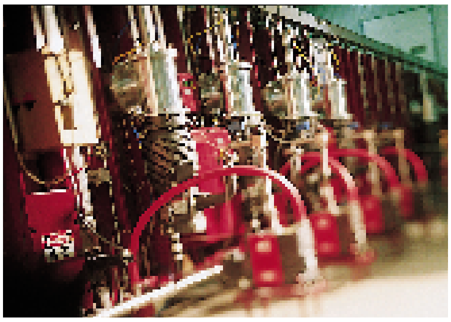
This history of restlessness assures customers of unsurpassed quality. Gentex's lead on the long electrochromic learning curve means that no other supplier can match Gentex's manufacturing capabilities – in yields, quality or volume. In fact, only Gentex mirrors meet or exceed all worldwide automotive specifications for durability and visual acuity. As auto-dimming mirrors continue to grow in popularity and penetrate large-volume vehicle models, Gentex's benchmark quality will take on even greater importance.

Maintaining Margins By Lowering Costs

Avoiding complacency has allowed Gentex to maintain some of the highest gross margins in the automotive supply industry. This profitability has come not by raising customer prices, but through aggressive cost-reduction strategies.

Since we debuted the world's first electrochromic mirror, we've granted price reductions to automakers that are as great or greater on a percentage basis than those provided by other suppliers. In fact, we've cut the price of our base EC mirror nearly in half since its introduction in 1987. But by improving internal processes and procedures, developing new chemicals and circuitry, and introducing new electronic features (which rightfully command a premium), the Company has been able to maintain its enviable margins.

Gentex's ability to remain the industry leader is directly related to the Company's success at preserving its original corporate mindset – that of a hungry, struggling and lean entrepreneurial startup. By avoiding complacency and staying restless, the Company continues to produce Gentex ingenuity.




Only
Deliberate
Pioneers
Control
Their Own
Destiny

Gentex and the Future

Being an industry pioneer is inherently dangerous. While you certainly have a lot to gain, you also assume all the risk.

Gentex believes that to be a successful pioneer, you need to proceed deliberately – cautiously – with a focused action plan that keeps you centered on what the consumer or customer needs, and those new products and ideas that allow you to utilize your core competencies and skills.

Proceeding with Diligence

As a general rule, Gentex rarely speculates on the future or goes into great detail about the products on its drawing board. The Company's R & D efforts are as vigilantly protected as they are prudently managed. That's because it's easy to become enamored by the publicity that often surrounds speculative products. Some companies even attempt to make a living this way, hyping potential product developments that seem to never get past the prototype stage.

Again, this illustrates the difference between companies that have novel ideas and those that make them reality. Being an innovative, entrepreneurial company means figuring out how to actually manufacture and distribute the product, not just how to make the technology work under a controlled laboratory setting. Making exaggerated claims and hyping "potential" products is not fair to customers, consumers or investors.

Developing New Products

That said, the Company realizes various key audiences need a concrete idea of where the company is headed. Investors especially deserve a glimpse into the R & D laboratory and those areas in which the Company is looking to expand.

Gentex has expertise in four primary areas: electronics, chemical development, glass processing and assembly/manufacturing. As the Company looks to the future, its goal is to develop new products and create new markets that allow Gentex to leverage its extensive knowledge/skill base.

For instance, in the electronics area, Gentex is continually exploring ways to add new features to its auto-dimming mirrors. Because the rearview mirror is quickly evolving into an information display and primary driver interface, the Company has begun work on integrating global positioning systems, cell phones, e-mail messaging, tire pressure indicators, intra-vehicle communication systems, object detection devices and other electronic features into the mirror. In addition, the Fire Protection Group is continuing to develop new fire-safety products, lower in-rush current signals and more powerful strobes and signaling devices.

Gentex's chemical and glass processing areas continue their development of electrochromic windows for automobiles and architectural applications. These windows, which would dim on demand or upon sensing sunlight, would help decrease the cooling load demanded from building HVAC systems and automotive air conditioners. They could also provide architects with unique aesthetic options for building atriums and residential applications.

Gentex believes that it's the Company's innovative, entrepreneurial culture that has fueled past success, and will be the key to its continued success well into the future.

Information Regarding Common Stock

The Company's common stock trades on the National Market tier of The Nasdaq Stock Market®. As of March 1, 1999, there were 2,273 record holders of the Company's common stock. Ranges of high and low sale prices of the Company's common stock (adjusted for the 2-for-1 stock split in June 1998) reported through The Nasdaq Stock Market® for the past two fiscal years appear in the following table.

Year	Quarter	High	Low
1997	First	10 13/16	8 3/4
	Second	11 1/16	8 1/8
	Third	13	9 5/16
	Fourth	14 1/8	10 3/8
1998	**First**	**17 1/16**	**12 29/32**
	Second	**19 1/2**	**15 1/2**
	Third	**18 3/4**	**10 3/4**
	Fourth	**22**	**11 1/2**

The Company has never paid any cash dividends on its common stock, and management does not anticipate paying any cash dividends in the foreseeable future.

Quarterly Results of Operations

(in thousands, except per share data)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	1998	1997	**1998**	1997	**1998**	1997	**1998**	1997
Net Sales	**$56,979**	$41,902	**$51,372**	$44,873	**$49,596**	$46,968	**$64,345**	$52,584
Gross Profit	**22,639**	14,732	**19,803**	15,805	**19,184**	16,703	**28,766**	20,147
Operating Income	**17,024**	9,965	**14,036**	10,619	**13,277**	11,710	**23,005**	15,189
Net Income	**12,501**	7,384	**10,765**	8,001	**9,901**	8,667	**17,140**	11,178
Earnings Per Share*	**$ .17**	$ .10	**$ .15**	$ .11	**$ .13**	$ .12	**$ .23**	$ .15

*Diluted; adjusted for 2-for-1 stock split in June 1998

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

The following table sets forth for the periods indicated certain items from the Company's Consolidated Statements of Income expressed as a percentage of net sales and the percentage change of each such item from that in the indicated previous year.

	Percentage of Net Sales			Percentage Change	
Year Ended December 31,	**1998**	1997	1996	**1998-1997**	1997-1996
Net Sales	**100.0 %**	100.0 %	100.0 %	**19.3 %**	25.3 %
Cost of Goods Sold	**59.3**	63.8	62.9	**10.9**	27.1
Gross Profit	**40.7**	36.2	37.1	**34.1**	22.2
Operating Expenses:					
Research and Development	**5.0**	4.9	5.1	**21.0**	20.5
Selling, General and Administrative	**5.4**	5.8	7.9	**11.5**	(7.9)
Patent Settlement	**—**	—	2.7	**N/A**	(100.0)
Total Operating Expenses	**10.4**	10.7	15.7	**15.8**	14.5
Operating Income	**30.3**	25.5	21.4	**41.8**	49.1
Other Income	**3.3**	2.5	2.5	**55.5**	29.2
Income Before Federal Income Taxes	**33.6**	28.0	23.9	**43.1**	47.1
Provision for Federal Income Taxes	**11.0**	9.1	7.8	**43.6**	47.2
Net Income	**22.6 %**	18.9 %	16.1 %	**42.8 %**	47.0 %

Results of Operations: 1998 to 1997

Net Sales. Automotive net sales increased by 22% and mirror shipments increased by 26%, from 3,878,000 to 4,902,000 units, primarily reflecting new thin glass flat, convex and aspheric exterior mirrors, as well as increased penetration on domestic and foreign 1998 and 1999 model year vehicles for interior and exterior electrochromic Night Vision Safety™ (NVS®) Mirrors. North American unit shipments increased by 30%, despite the impact of the General Motors' strikes, while overseas unit shipments increased by 18% during 1998. Net sales of the Company's fire protection products were basically flat, as increased sales of its AC/DC smoke detectors offset a decrease in sales of certain strobe related products.

Cost of Goods Sold. As a percentage of net sales, cost of goods sold decreased from 64% to 59%, primarily reflecting improved glass yields and product cost reductions in connection with the production ramp-up of the new exterior mirror products and the Company's new in-house glass coating equipment, and increased sales volume spread over fixed overhead expenses, partially offset by automotive customer price reductions.

Operating Expenses. Research and development expenses increased approximately $1,904,000, but remained at 5% of net sales, primarily due to additional staffing for new product development. Selling, general and administrative expenses increased approximately $1,240,000, but decreased from 6% to 5% of net sales, primarily reflecting the establishment of an European warehouse operation, the opening of a sales office in Japan and a $200,000 patent settlement payment.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Other Income - Net. Investment income increased $1,485,000 in 1998, primarily due to higher investable fund balances, and other income increased $1,128,000 in 1998, primarily due to realized gains on the sale of equity investments.

Taxes. The provision for federal income taxes varied from the statutory rate in 1998, primarily due to Foreign Sales Corporation exempted taxable income from increased foreign sales, as well as tax-exempt interest income.

Net Income. Net income increased by 43%, primarily reflecting the increased sales level and improved gross margin in 1998.

Results of Operations: 1997 to 1996

Net Sales. Automotive net sales increased by 28% and mirror shipments increased by 26%, from 3,079,000 to 3,878,000 units, primarily reflecting new thin glass flat, convex and aspheric exterior mirrors, as well as increased penetration on domestic and foreign 1997 and 1998 model year vehicles for interior and exterior electrochromic Night Vision Safety™ (NVS®) Mirrors. North American unit shipments increased by 17%, while overseas unit shipments increased by 50% during 1997. Net sales of the Company's fire protection products increased 6%, primarily due to increased sales of its AC/DC smoke detectors and certain strobe related products.

Cost of Goods Sold. As a percentage of net sales, cost of goods sold increased from 63% to 64%, primarily reflecting automotive customer price reductions, lower glass yields in connection with the production ramp-up of the new exterior mirror products, and temporary capacity under-utilization at the new mirror manufacturing facility, partially offset by product cost reductions and increased sales volume spread over fixed overhead expenses.

Operating Expenses. Research and development expenses increased approximately $1,542,000, but remained at 5% of net sales, primarily due to additional staffing for new product development. Selling, general and administrative expenses decreased approximately $923,000, and decreased from 8% to 6% of net sales, primarily reflecting a reduction in patent litigation expense of $1,440,000, as a result of the patent litigation settlement at the end of the first quarter 1996.

Other Income - Net. Investment income increased $968,000 in 1997, primarily due to higher investable fund balances and higher average interest rates.

Taxes. The provision for federal income taxes varied from the statutory rates in 1997, primarily due to Foreign Sales Corporation exempted taxable income from increased foreign sales, as well as tax-exempt interest income.

Net Income. Net income increased by 47%, primarily reflecting the increased sales level in 1997, and the patent litigation settlement in 1996.

Liquidity and Capital Resources

The Company's financial condition throughout the periods presented has remained very strong.

The Company's current ratio increased from 5.2 to 7.8, primarily as a result of increased cash and short-term investments.

Management considers the Company's working capital of approximately $100,511,000 and long-term investments of approximately $78,744,000 at December 31, 1998, together with internally generated cash flow and an unsecured $5,000,000 line of credit from a bank, to be sufficient to cover anticipated cash needs for the foreseeable future.

Inflation, Changing Prices and Other

In addition to price reductions over the life of its long-term agreements, the Company continues to experience pricing pressures from its automotive customers, which have affected, and which will continue to affect, its margins to the extent that the Company is unable to offset the price reductions with productivity and yield improvements, engineering and purchasing cost reductions, and increases in sales volume. In addition, the Company continues to experience some pressure for raw material cost increases.

The Company currently supplies NVS® Mirrors to DaimlerChrysler AG (North America), Ford Motor Company and General Motors Corporation under long-term agreements. The long-term supply agreement with DaimlerChrysler AG runs through the 2003 Model Year. The term of the Ford contract is through December 1999, while the GM contract runs through the 2002 Model Year for inside mirrors.

Year 2000 Readiness Disclosure

The Company has developed a plan to address its computer systems' compliance with the Year 2000. All internal remediation activities have been completed, and the Company expects that all internal acceptance testing will be completed by mid-1999. The Company is in the process of ascertaining the status of its suppliers' Year 2000 compliance efforts, and plans to develop contingency plans by mid-1999 for any key suppliers that will not be compliant on a timely basis. The Company currently believes that the cost of addressing the Year 2000 issue will not be material to the Company's business, operations or financial condition.

While the Company believes all necessary work will be completed, there can be no guarantee that all systems will be in compliance by the year 2000 or that the systems of other companies on which the Company relies will be converted in a timely manner. Such failure to complete the necessary work by the year 2000 could cause delays in the Company's ability to produce or ship its products, process transactions, or otherwise conduct business in its markets, resulting in material financial risk.

Consolidated Balance Sheets
as of December 31, 1998 and 1997

ASSETS	1998	1997
Current Assets:		
Cash and cash equivalents	$ 50,027,747	$ 26,768,647
Short-term investments	24,034,876	14,362,736
Accounts receivable, less allowances of $275,000 and $225,000 in 1998 and 1997	30,256,795	24,515,525
Inventories	8,726,420	8,787,689
Prepaid expenses and other	2,311,581	1,484,839
Total current assets	115,357,419	75,919,436
Plant and Equipment:		
Land, building and improvements	24,004,557	19,689,743
Machinery and equipment	58,255,550	37,158,968
Construction-in-process	4,974,025	6,166,893
	87,234,132	63,015,604
Less-Accumulated depreciation and amortization	(27,874,247)	(20,776,719)
	59,359,885	$ 42,238,885
Other Assets:		
Long-term investments	78,744,138	70,291,142
Patents and other assets, net	1,428,116	1,333,384
	80,172,254	71,624,526
	$254,889,558	$189,782,847
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$ 7,602,933	$ 8,760,256
Accrued liabilities:		
Salaries, wages and vacation	1,349,182	1,567,395
Taxes	3,339,052	2,347,284
Other	2,555,723	1,916,289
Total current liabilities	14,846,890	14,591,224
Deferred Income Taxes	3,034,450	1,986,446
Shareholders' Investment:		
Preferred stock, no par value, 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock, par value $.06 per share; 100,000,000 shares authorized	4,335,535	2,123,949
Additional paid-in capital	64,876,098	53,654,663
Retained earnings	167,805,830	117,498,700
Deferred compensation	(2,054,110)	(1,635,623)
Unrealized gain on investments	2,007,568	1,584,368
Cumulative translation adjustment	37,297	(20,880)
Total shareholders' investment	237,008,218	173,205,177
	$254,889,558	$189,782,847

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

Consolidated Statements of Income for the Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
Net Sales	**$222,292,053**	$186,327,877	$148,708,218
Cost of Goods Sold	**131,900,585**	118,941,030	93,582,756
Gross Profit	**90,391,468**	67,386,847	55,125,462
Operating Expenses:			
Research and Development	**10,983,514**	9,079,472	7,537,933
Selling, general and administrative	**12,065,141**	10,825,389	11,747,961
Patent Settlement	**—**	—	4,000,000
Total operating expenses	**23,048,655**	19,904,861	23,285,894
Operating Income	**67,342,813**	47,481,986	31,839,568
Other Income:			
Interest and dividend income	**5,890,612**	4,405,565	3,437,040
Other, net	**1,429,705**	301,673	205,787
Total other income	**7,320,317**	4,707,238	3,642,827
Income before provision for federal income taxes	**74,663,130**	52,189,224	35,482,395
Provision for Federal Income Taxes	**24,356,000**	16,959,000	11,519,000
Net Income	**$ 50,307,130**	$ 35,230,224	$ 23,963,395
Earnings Per Share			
Basic	**$ 0.70**	$ 0.51	$ 0.35
Diluted	**$ 0.68**	$ 0.49	$ 0.34

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

Consolidated Statements of Shareholder's Investment
for the years ended December 31, 1998, 1997, and 1996

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital
Balance as of December 31, 1995	16,895,859	$1,013,752	$37,128,320
Issuance of common stock and the tax benefit of stock plan transactions	633,754	38,025	8,868,755
Amortization of deferred compensation	—	—	—
Stock split	17,219,669	1,033,180	(1,033,180)
Comprehensive Income: Net income	—	—	—
Other comprehensive income:			
Foreign currency translation adjustment	—	—	—
Unrealized gain on investments	—	—	—
Other comprehensive income	—	—	—
Comprehensive income	—	—	—
Balance as of December 31, 1996	34,749,282	2,084,957	44,963,895
Issuance of common stock and the tax benefit of stock plan transactions	649,865	38,992	8,690,768
Amortization of deferred compensation	—	—	—
Comprehensive Income: Net income	—	—	—
Other comprehensive income: Foreign currency translation adjustment	—	—	—
Unrealized gain on investments	—	—	—
Other comprehensive income	—	—	—
Comprehensive income	—	—	—
Balance as of December 31, 1997	35,399,147	2,123,949	53,654,663
Issuance of common stock and the tax benefit of stock plan transactions	1,023,593	61,416	13,371,605
Amortization of deferred compensation	—	—	—
Stock split	35,836,177	2,150,170	(2,150,170)
Comprehensive Income: Net income	—	—	—
Other comprehensive income:			
Foreign currency translation adjustment	—	—	—
Unrealized gain on investments	—	—	—
Other comprehensive income	—	—	—
Comprehensive income	—	—	—
Balance as of December 31, 1998	**72,258,917**	**$4,335,535**	**$64,876,098**

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

Comprehensive Income	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Investment
—	$58,305,081	($1,721,684)	($53,689)	$94,671,780
—	—	(630,241)	—	8,276,539
—	—	547,821	—	547,821
—	—	—	—	—
$23,963,395	23,963,395	—	—	23,963,395
8,734	—	—	—	—
335,372	—	—	—	—
344,106	—	—	344,106	344,106
$24,307,501	—	—	—	—
	82,268,476	(1,804,104)	290,417	127,803,641
—	—	(421,579)	—	8,308,181
—	—	590,060	—	590,060
$35,230,224	35,230,224	—	—	35,230,224
(20,410)	—	—	—	—
1,293,481	—	—	—	—
1,273,071	—	—	1,273,071	1,273,071
$36,503,295	—	—	—	—
	117,498,700	(1,635,623)	1,563,488	173,205,177
—	—	(990,218)	—	12,442,803
—	—	571,731	—	571,731
—	—	—	—	—
$50,307,130	50,307,130	—	—	50,307,130
58,177	—	—	—	—
423,200	—	—	—	—
481,377	—	—	481,377	481,377
$50,788,507	—	—	—	—
	$167,805,830	**($2,054,110)**	**$2,044,865**	**$237,008,218**

Consolidated Statements of Cash Flows for the Years Ended December 31, 1998, 1997, and 1996

	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$50,307,130**	$35,230,224	$23,963,395
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation and amortization	**7,522,521**	6,418,312	3,918,515
Loss on disposal of equipment	**111,218**	82,862	47,949
Loss (gain) on sale of investments	**(937,360)**	(8,102)	39,295
Deferred income taxes	**456,474**	(289,734)	1,072,582
Amortization of deferred compensation	**571,731**	590,060	547,821
Change in assets and liabilities:			
Accounts receivable, net	**(5,741,270)**	(7,500,351)	(2,309,018)
Inventories	**61,269**	(2,607,267)	(444,903)
Prepaid expenses and other	**(463,089)**	(152,724)	(184,625)
Accounts payable	**(1,157,323)**	2,965,424	372,174
Accrued liabilities	**1,412,989**	264,883	(3,061,324)
Net cash provided by operating activities	**52,144,290**	34,993,587	23,961,861
CASH FLOWS FROM INVESTING ACTIVITIES:			
Activity in Held-To-Maturity Securities			
Maturities and Calls	**12,366,000**	24,765,464	28,840,879
Purchases	**(8,333,178)**	(28,324,553)	(34,915,969)
Activity in Available-For-Sale Securities			
Sales Proceeds	**5,028,187**	12,475,160	1,123,053
Purchases	**(25,597,708)**	(25,822,809)	(8,011,758)
Plant and equipment additions	**(24,596,224)**	(16,383,089)	(16,424,358)
Proceeds from sale of plant and equipment	**52,615**	316,270	11,943
Increase in other assets	**(247,685)**	(289,920)	(246,875)
Net cash used for investing activities	**(41,327,993)**	(33,263,477)	(29,623,085)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock and tax benefit of stock plan transactions	**12,442,803**	8,308,181	8,276,539
Net cash provided by financing activities	**12,442,803**	8,308,181	8,276,539
NET INCREASE IN CASH AND CASH EQUIVALENTS	**23,259,100**	10,038,291	2,615,315
CASH AND CASH EQUIVALENTS, beginning of year	**26,768,647**	16,730,356	14,115,041
CASH AND CASH EQUIVALENTS, end of year	**$50,027,747**	$26,768,647	$16,730,356

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

Notes to Consolidated Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The Company. Gentex Corporation designs, develops, manufactures and markets proprietary electro-optical products: automatic rearview mirrors for the automotive industry and fire protection products for the commercial building industry. A substantial portion of the Company's net sales and accounts receivable result from transactions with domestic and foreign automotive manufacturers and tier one suppliers. The Company's fire protection products are primarily sold to domestic distributors and original equipment manufacturers of fire and security systems.

Significant accounting policies of the Company not described elsewhere are as follows:

Consolidation. The consolidated financial statements include the accounts of Gentex Corporation and all of its wholly-owned subsidiaries (together the "Company"). All significant intercompany accounts and transactions have been eliminated.

Cash Equivalents. Cash equivalents consist of funds invested in money market accounts.

Investments. The amortized cost, unrealized gains and losses, and market value of securities held to maturity and available for sale are shown as of December 31, 1998 and 1997:

	Cost	Gains	Losses	Market Value
1998				
U.S. Treasuries	**$24,729,622**	**$ 613,450**	**$ —**	**$ 25,343,072**
Municipal	**41,168,482**	**510,201**	**(989)**	**41,677,694**
Other Fixed	**5,149,333**	**2,614**	**—**	**5,151,947**
Equity	**28,643,012**	**3,611,957**	**(1,136,842)**	**31,118,127**
	$99,690,449	**$4,738,222**	**$(1,137,831)**	**$103,290,840**
1997				
U.S. Treasuries	$ 15,255,587	$ 344,430	$ —	$ 15,600,017
Municipal	43,874,376	350,279	(2,641)	44,222,014
Other Fixed	6,476,132	8,518	—	6,484,650
Equity	16,610,295	2,172,023	(78,965)	18,703,353
	$ 82,216,390	$ 2,875,250	$ (81,606)	$ 85,010,034

Fixed income securities, excluding U.S. Treasuries, are considered held to maturity, and equity securities and U.S. Treasuries are available for sale. Held to maturity securities as of December 31, 1998, have maturities as follows:

Due within one year:	$15,559,418
Due between one and five years:	$30,758,397

Inventories. Inventories include material, direct labor and manufacturing overhead and are valued at the lower of first-in, first-out (FIFO) cost or market. Inventories consisted of the following as of December 31, 1998 and 1997:

	1998	1997
Raw materials	**$4,301,060**	$ 4,931,434
Work-in-process	**926,466**	600,298
Finished goods	**3,498,894**	3,255,957
	$8,726,420	$ 8,787,689

(1) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES, continued

Plant and Equipment. Plant and equipment are stated at cost. Depreciation and amortization are computed for financial reporting purposes using the straight-line method, with estimated useful lives of 5 to 40 years for building and improvements, and 3 to 10 years for machinery and equipment.

The Company is constructing a new facility scheduled to be completed in 2000. The estimated cost to be incurred in 1999 and 2000 for the facility is approximately $12 million.

Patents. The Company's policy is to capitalize costs incurred to obtain and defend patents. The cost of patents is amortized over their useful lives. The cost of patents in process is not amortized until issuance. Accumulated amortization was approximately $4,890,000 and $4,679,000 at December 31, 1998 and 1997, respectively. Patent amortization expense was approximately $211,000, $1,099,000, and $186,000 in 1998, 1997 and 1996, respectively.

Revenue Recognition. The Company's revenue primarily is generated from sales of its products. Sales are recognized upon the shipment of product to customers.

Advertising and Promotional Materials. All advertising and promotional costs are expensed as incurred and amounted to approximately $640,000, $671,000, and $780,000 in 1998, 1997 and 1996, respectively.

Repairs and Maintenance. Major renewals and improvements of property and equipment are capitalized, and repairs and maintenance are expensed as incurred. The Company incurred expenses relating to the repair and maintenance of plant and equipment of approximately $2,165,000, $2,028,000, and $1,338,000 in 1998, 1997 and 1996, respectively.

Self-Insurance. The Company is self-insured for a portion of its risk on workers' compensation and employee medical costs. The arrangements provide for stop loss insurance to manage the Company's risk. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported.

Earnings Per Share. The following table reconciles the numerators and denominators used in the calculations of basic and diluted earnings per share for each of the last three years:

	1998	1997	1996
Numerators:			
Numerator for both basic and diluted EPS, net income	**$50,307,130**	$35,230,224	$23,963,395
Denominators:			
Denominator for basic EPS,			
weighted-average common shares outstanding	**71,611,401**	69,629,824	68,186,438
Potentially dilutive shares resulting from stock option plans	**2,005,319**	2,331,708	2,838,134
Denominator for diluted EPS	**73,616,720**	71,961,532	71,024,572

(1) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES, continued

Other Comprehensive Income. Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130: "Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components. Comprehensive income reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. For Gentex, comprehensive income represents net income adjusted for items such as unrealized gains and losses on certain investments and foreign currency translation adjustments. The changes in the components of other comprehensive income (loss) are as follows:

Years Ended December 31,	**1998**		1997		1996	
	Pre-Tax Amount	**Tax Exp.**	Pre-Tax Amount	Tax Exp. (Credit)	Pre-Tax Amount	Tax Exp.
Unrealized Gain on Securities:	**$651,075**	**$227,875**	$1,989,971	$696,490	$515,957	$180,585
Foreign Currency Translation Adjustments:	**89,503**	**31,326**	(31,400)	(10,990)	13,437	4,703
Other Comprehensive Income	**$740,578**	**$259,201**	$1,958,571	$685,500	$529,394	$185,288

Foreign Currency Translation. The financial position and results of operations of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities are translated at the exchange rate in effect at year-end. Income statement accounts are translated at the average rate of exchange in effect during the year. The resulting translation adjustment is recorded as a separate component of shareholders' investment.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) LINE OF CREDIT

The Company has available an unsecured $5,000,000 line of credit from a bank at the lower of the bank's prime rate or 1.5% above the LIBOR rate. No borrowings were outstanding under this line in 1998 or 1997. No compensating balances are required under this line.

Notes to Consolidated Financial Statements

(3) FEDERAL INCOME TAXES

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The components of the provision for federal income taxes are as follows:

	1998	1997	1996
Currently payable	**$23,900,000**	$17,249,000	$10,446,000
Net Deferred	**456,000**	(290,000)	1,073,000
	$24,356,000	$16,959,000	$11,519,000

The currently payable provision is further reduced by the tax benefits associated with the exercise, vesting or disposition of stock under the stock plans described in Note 6. These reductions totaled approximately $4,227,000, $3,571,000, and $3,284,000 in the respective years.

The effective income tax rates are different from the statutory federal income tax rates for the following reasons:

	1998	1997	1996
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
Foreign Sales Corporation exempted income	**(1.3)**	(1.4)	(1.5)
Tax-exempt investment income	**(0.8)**	(1.2)	(1.2)
Other	**(0.3)**	0.1	0.2
Effective Income tax rate	**32.6%**	32.5%	32.5%

The tax effect of temporary differences which give rise to deferred tax assets and liabilities at December 31, 1998 and 1997, are as follows:

	1998		1997	
	Current	**Non-Current**	Current	Non-Current
Assets:				
Accruals not currently deductible	**$ 724,379**	**$ 112,700**	$ 500,052	$ 100,100
Deferred compensation	**—**	**490,400**	—	407,379
Other	**736,645**	**29,174**	564,325	44,241
Total deferred tax assets	**1,461,024**	**632,274**	1,064,377	551,720
Liabilities:				
Excess tax over book depreciation	**—**	**(2,379,382)**	—	(1,486,411)
Patent costs	**—**	**(206,343)**	—	(198,633)
Other	**(113,750)**	**(1,080,999)**	(80,756)	(853,122)
Net deferred taxes	**$1,347,274**	**$ (3,034,450)**	$ 983,621	$ (1,986,446)

Income taxes paid in cash were approximately $18,815,000, $14,012,000, and $6,930,000 in 1998, 1997 and 1996, respectively.

(4) EMPLOYEE BENEFIT PLAN

The Company has a 401(k) retirement savings plan in which substantially all of its employees may participate. The plan includes a provision for the Company to match a percentage of the employee's contributions at a rate determined by the Company's Board of Directors. In 1998, 1997 and 1996, the Company's contributions were approximately $378,000, $293,000, and $208,000, respectively.

The Company does not provide health care benefits to retired employees.

(5) SHAREHOLDER PROTECTION RIGHTS PLAN

In August 1991, the Company's Board of Directors adopted a Shareholder Protection Rights Plan (the Plan). The Plan is designed to protect shareholders against unsolicited attempts to acquire control of the Company in a manner that does not offer a fair price to all shareholders.

Under the Plan, one purchase Right automatically trades with each share of the Company's common stock. Each Right entitles a shareholder to purchase 1/100 of a share of junior participating preferred stock at a price of $27, if any person or group attempts certain hostile takeover tactics toward the Company. Under certain hostile takeover circumstances, each Right may entitle the holder to purchase the Company's common stock at one-half its market value or to purchase the securities of any acquiring entity at one-half their market value. Rights are subject to redemption by the Company at $.00125 per Right and, unless earlier redeemed, will expire on August 26, 2001. Rights beneficially owned by holders of 15 percent or more of the Company's common stock, or their transferees, automatically become void.

(6) STOCK-BASED COMPENSATION PLANS

The Company has three stock option plans, including two employee stock option plans ("Employee Plans") and a non-employee directors stock option plan ("Director Plan"), and an employee stock purchase plan. The Company accounts for these plans under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with FASB Statement No. 123, the Company's net income and earnings per share would have been reduced to the following pro-forma amounts:

		1998	1997	1996
Net Income:	As Reported	**$50,307,130**	$35,230,224	$23,963,395
	Pro Forma	**46,098,379**	32,986,461	21,863,375
EPS (diluted):	As Reported	**$ 0.68**	$ 0.49	$ 0.34
	Pro Forma	**0.63**	0.46	0.31

Because the Statement 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

(6) STOCK-BASED COMPENSATION PLANS, continued

The Company may sell up to 1,600,000 shares of stock to its employees under the Employee Stock Purchase Plan. The Company has sold to employees 61,748 shares, 70,204 shares, and 63,786 shares in 1998, 1997 and 1996, respectively, and has sold a total of 374,142 shares through December 31, 1998. The Company sells shares at 85% of the stock's market price at date of purchase. The weighted average fair value of shares sold in 1998 was approximately $14.

The Company may grant options for up to 9,000,000 shares under the Employee Plans. The Company has granted options on 3,809,540 shares through December 31, 1998. Under the Plans, the option exercise price equals the stock's market price on date of grant. The Employee Plan options vest after one to five years, and expire after five to seven years.

A summary of the status of the Company's two employee stock option plans at December 31, 1998, 1997 and 1996, and changes during the years then ended is presented in the table and narrative below:

	1998		1997		1996	
	Shares (000)	**Wtd. Avg. Ex. Price**	Shares (000)	Wtd. Avg. Ex. Price	Shares (000)	Wtd. Avg. Ex. Price
Outstanding at Beginning of Year	**4,706**	**$ 7**	5,058	$ 6	5,798	$ 4
Granted	**761**	**17**	982	12	1,030	9
Exercised	**(1,267)**	**6**	(1,186)	3	(1,756)	3
Forfeited	**(55)**	**10**	(148)	9	(14)	7
Expired	**—**	**—**	—	—	—	—
Outstanding at End of Year	**4,145**	**10**	4,706	7	5,058	6
Exercisable at End of Year	**1,782**	**7**	2,063	6	2,020	4
Weighted Avg. Fair Value of Options Granted		**$ 8**		$ 6		$ 5

Options Outstanding and Exercisable by Price Range As of December 31, 1998:

	Options Outstanding			**Options Exercisable**	
Range of Exercise Prices	Shares Outstanding (000)	Remaining Contractual Life	Weighted Avg. Exercise Price	Shares Exercisable (000)	Weighted Avg. Exercise Price
$1 - $11	2,842	2	$ 7	1,656	$ 6
$11 - $22	1,303	5	$15	126	$13
Total	4,145	3	$10	1,782	$ 7

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: risk-free interest rates of 5.1, 6.2 and 6.4 percent; expected dividend yields of 0.0, 0.0 and 0.0 percent; expected lives ranging from 5 to 7 years, 5 to 7 years and 5 to 7 years; expected volatility of 43, 46 and 47 percent.

The Company may grant options for up to 2,000,000 shares under the Director Plan. The Company has granted options on 1,056,000 shares through December 31, 1998. Under the plan the option exercise price equals the stock's market price on date of grant. The Director Plan options vest after six months, and all expire after ten years.

(6) STOCK-BASED COMPENSATION PLANS, continued

A summary of the status of the Director Plan at December 31, 1998, 1997 and 1996, and changes during the years then ended is presented in the table and narrative below:

	1998		1997		1996	
	Shares (000)	**Wtd. Avg. Ex. Price**	Shares (000)	Wtd. Avg. Ex. Price	Shares (000)	Wtd. Avg. Ex. Price
Outstanding at Beginning of Year	**548**	**$ 5**	568	$ 4	528	$ 4
Granted	**40**	**17**	40	10	80	9
Exercised	**(76)**	**2**	(60)	7	(40)	5
Outstanding at End of Year	**512**	**6**	548	5	568	4
Exercisable at End of Year	**512**	**6**	548	5	568	4
Weighted Avg. Fair Value of Options Granted		**$11**		$ 6		$ 7

Options Outstanding and Exercisable by Price Range As Of December 31, 1998:

	Options Outstanding			**Options Exercisable**	
Range of Exercise Prices	Shares Outstanding (000)	Remaining Contractual Life	Weighted Avg. Exercise Price	Shares Exercisable (000)	Weighted Avg. Exercise Price
$1 - $18	512	5	$6	512	$6

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: risk-free interest rates of 5.7, 6.7 and 6.8 percent; expected dividend yields of 0.0, 0.0 and 0.0 percent; expected lives of 5, 5 and 10 years; expected volatility of 43, 46 and 47 percent.

The Company has a restricted stock plan covering 1,600,000 shares of common stock, the purpose of which is to permit grants of shares, subject to restrictions, to key employees of the Company as a means of retaining and rewarding them for long-term performance and to increase their ownership in the Company. Shares awarded under the plan entitle the shareholder to all rights of common stock ownership except that the shares may not be sold, transferred, pledged, exchanged or otherwise disposed of during the restriction period. The restriction period is determined by a committee, appointed by the Board of Directors, but may not exceed ten years. During 1998, 1997 and 1996, 64,200, 75,000 and 70,000 shares, respectively, were granted with restriction periods of four to six years at market prices ranging from $14.032 to $19.813 in 1998, $10.063 to $12.938 in 1997, and $10.063 to $10.938 in 1996. The related expense is reflected as deferred compensation in the accompanying consolidated financial statements and is being amortized over the applicable restriction periods.

(7) STOCK SPLITS

On May 21, 1998, the Company's Board of Directors declared a two-for-one stock split effected in the form of a 100% common stock dividend to shareholders of record on June 5, 1998. The stock split increased the number of shares of common stock then outstanding from 35,836,177 to 71,672,354.

On May 9, 1996, the Company's Board of Directors declared a two-for-one stock split effected in the form of a 100% common stock dividend to shareholders of record on May 31, 1996. The stock split increased the number of shares of common stock then outstanding from 17,219,669 to 34,439,338.

Earnings per share and all share data have been restated in all prior periods to reflect these stock splits.

(8) CONTINGENCIES

The Company has been involved in patent litigation with Donnelly Corporation since 1990 concerning a number of patents relating to electrochromic mirrors owned by the Company and Donnelly.

During 1996, the Company reached an agreement with Donnelly to resolve all of the patent litigation between the two companies. Under the agreement:

- The companies have cross-licensed certain patents (for the life of the patents) that each company may practice within its own "core" electrochromic mirror technology area.
- The Company paid Donnelly $6 million in April 1996 (plus a $200,000 contingent payment if Donnelly prevailed in its lighted mirror patent appeal) as full and complete satisfaction of all of Donnelly's patent infringement claims.
- The companies agreed not to pursue litigation against each other on certain other patents for a period of four years.

The Company recorded a one-time charge of $4,000,000 ($6,000,000 payment, net of accrued reserves) in 1996, in connection with this settlement.

In 1998, Donnelly's lighted mirror patent appeal was granted by the Court of Appeals for the Federal Circuit, and the Company paid the $200,000 contingent payment to Donnelly.

From time to time, the Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

(9) SEGMENT REPORTING

In fiscal year 1998, the Company adopted Statement of Financial Accounting Standards No. 131: "Disclosures About Segments of an Enterprise and Related Information" (SFAS No. 131). This statement requires that a public enterprise report financial and descriptive information about its reportable operating segments subject to certain aggregation criteria and quantitative thresholds. Operating segments are defined by SFAS No. 131 as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-makers in deciding how to allocate resources and in assessing performance.

(9) SEGMENT REPORTING, continued

	1998	1997	1996
Revenue:			
Automotive Products			
U.S.	**$127,588,319**	$ 98,229,265	$ 81,114,871
Germany	**46,009,639**	39,468,221	23,031,833
Other	**28,518,734**	28,435,911	25,467,548
Fire Protection Products	**20,175,361**	20,194,480	19,093,966
Total	**$222,292,053**	$186,327,877	$148,708,218
Operating Income:			
Automotive Products	**$ 63,718,817**	$ 43,390,801	$ 28,181,704
Fire Protection Products	**3,623,996**	4,091,185	3,657,864
Total	**$ 67,342,813**	$ 47,481,986	$ 31,839,568
Assets:			
Automotive Products	**$ 89,252,971**	$ 69,887,416	$ 50,904,641
Fire Protection Products	**3,864,138**	4,670,554	3,960,633
Other	**161,772,449**	115,224,877	85,513,146
Total	**$254,889,558**	$189,782,847	$140,378,420
Depreciation & Amortization:			
Automotive Products	**$ 6,658,551**	$ 5,811,705	$ 3,399,922
Fire Protection Products	**314,522**	296,601	261,529
Other	**549,448**	310,006	257,064
Total	**$ 7,522,521**	$ 6,418,312	$ 3,918,515
Capital Expenditures:			
Automotive Products	**$ 19,595,844**	$ 15,419,468	$ 16,060,728
Fire Protection Products	**209,867**	443,354	308,964
Other	**4,790,513**	520,267	54,666
Total	**$ 24,596,224**	$ 16,383,089	$ 16,424,358

Other assets are principally cash, investments, deferred income taxes, and corporate fixed assets.

Automotive Products revenues in the "Other" category are sales to U.S. automotive manufacturing plants in Canada, Mexico and other foreign automotive customers. All non-U.S. sales are invoiced and paid in U.S. dollars.

During the years presented, the Company had three automotive customers which individually accounted for 10% or more of net sales as follows:

Customer	#1	#2	#3
1998	**43%**	**25%**	**11%**
1997	43%	25%	*
1996	43%	23%	*

*Less than 10%

Report of Independent Public Accountants

To the Shareholders of Gentex Corporation:

We have audited the accompanying consolidated balance sheets of GENTEX CORPORATION (a Michigan corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements on income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gentex Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

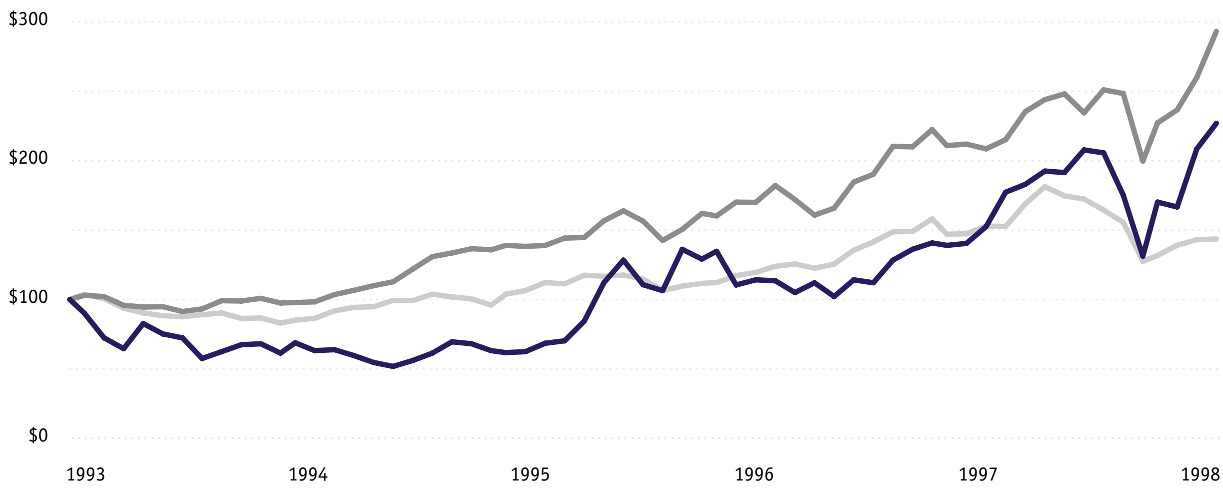
Grand Rapids, Michigan

January 21, 1999

Stock Performance

The following graph depicts the cumulative total return of the Company's common stock compared to the cumulative total return on The Nasdaq Stock Market® index (all U.S. companies) and the Dow Jones Index for Automobile Parts and Equipment Companies (excluding tire and rubber makers). The graph assumes an investment of $100 on the last trading day in 1993, and reinvestment of dividends in all cases.

- Gentex Corporation
- The Nasdaq Stock Market® (U.S. Companies)
- Dow Jones Auto Parts & Equipment Companies (Excluding Tire and Rubber Makers)

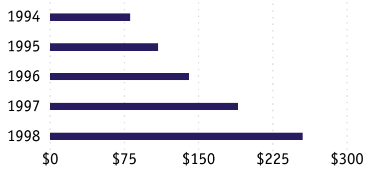


15-Year Summary of Financial Data

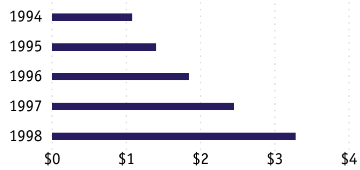
SUMMARY OF OPERATIONS FOR THE YEAR	**1998**	1997	1996	1995	1994	1993
Net Sales	**$222,292**	$186,328	$148,708	$111,566	$89,762	$63,664
Cost of goods sold	**131,901**	118,941	93,583	67,767	51,319	38,452
Gross profit	**90,391**	67,387	55,125	43,799	38,443	25,212
Gross profit margin	**40.7%**	36.2%	37.1%	39.3%	42.8%	39.6%
Research and development expenses	**10,984**	9,079	7,538	5,958	4,904	4,176
Selling, general & administrative expenses	**12,065**	10,825	15,748[1]	12,879	10,567	7,182
Operating income (loss)	**67,343**	47,482	31,840	24,962	22,972	13,854
Percent of net sales	**30.3%**	25.5%	21.4%	22.4%	25.6%	21.8%
Interest expense	**–**	–	–	–	–	8
Interest and other income	**7,320**	4,707	3,642	2,969	1,698	900
Income (loss) before taxes	**74,663**	52,189	35,482	27,931	24,670	14,746
Percent of net sales	**33.6%**	28.0%	23.9%	25.0%	27.5%	23.2%
Income taxes	**24,356**	16,959	11,519	9,036	8,204	4,901
Tax rate	**32.6%**	32.5%	32.5%	32.4%	33.3%	33.2%
Net income (loss)	**50,307**	35,230	23,963[5]	18,895	16,466	9,845
Percent of net sales	**22.6%**	18.9%	16.1%	16.9%	18.3%	15.5%
Return on average equity	**24.5%**	23.4%	21.5%[5]	22.7%	27.2%	23.2%
Earnings (loss) per share - diluted	**$ 0.68**	$ 0.49	$ 0.34[5]	$ 0.28	$ 0.24	$ 0.15
Price/earnings ratio range	**32-16**	28-17	40-16	25-14	36-19	60-17
Wtd. avg. common shares outstanding - diluted	**73,617**	71,962	71,025	68,511	67,975	66,975
Capital expenditures	**$ 24,596**	$ 16,383	$ 16,424	$ 4,862	$ 6,160	$ 3,393
FINANCIAL POSITION AT YEAR END						
Cash and short-term investments	**$ 74,063**	$ 41,131	$ 48,534	$ 34,277	$19,331	$13,307
Long-term investments	**78,744**	70,291	33,945	32,146	26,282	13,612
Total current assets	**115,357**	75,919	72,696	68,611	36,685	27,067
Total current liabilities	**14,847**	14,591	11,361	14,050	8,986	5,530
Working capital	**100,510**	61,328	61,335	42,011	27,699	21,537
Plant and equipment - net	**59,360**	42,239	31,575	18,942	17,173	13,699
Total assets	**254,890**	189,783	140,378	109,244	80,739	55,191
Long-term debt, including current maturities	**–**	–	–	–	–	–
Shareholders' investment	**237,008**	173,205	127,804	94,672	71,375	49,547
Debt/equity ratio (including current maturities)	**–**	–	–	–	–	–
Common shares outstanding	**72,259**	70,798	69,499	67,583	66,038	64,847
Book value per share	**$ 3.28**	$ 2.45	$ 1.84	$ 1.40	$ 1.08	$ 0.76

In thousands, except Gross profit margin, Percent of net sales on Income and Net Income, Tax rate, Return on average equity, Per share data, Price/earnings ratio and Debt/equity ratio. All per share data has been adjusted to reflect the two-for-one stock splits effected in the form of 100 percent common stock dividends issued to shareholders in June 1993, June 1996 and June 1998.

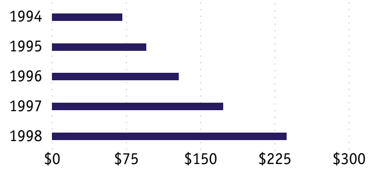
Total Assets (in millions)



Book Value Per Share



Shareholders' Investment (in millions)



1992	1991	1990	1989	1988	1987	1986	1985	1984[2]
$45,106	$26,893	$21,203	$23,759	$14,737	$13,795	$12,833	$9,002	$5,329
28,949	18,080	14,535	16,115	9,983	8,957	7,989	5,815	4,101
16,157	8,813	6,668	7,644	4,754	4,838	4,844	3,187	1,228
35.8%	32.8%	31.4%	32.2%	32.3%	35.1%	37.7%	35.4%	23.01%
3,840	2,308	1,702	1,375	692	698	833	608	620
5,458	4,628	4,450	3,569	3,087	2,303	2,861[1]	2,057	1,266
6,860	1,876	516	2,700	975	1,837	1,149	522	(659)
15.2%	7.0%	2.4%	11.4%	6.6%	13.3%	9.0%	5.8%	NM
173	511	499	224	–	21	23	26	35
874	1,295	1,165	592	73	117	84	80	167
7,561	2,660	1,183	3,069	1,048	1,933	1,210	575	(527)
16.8%	9.9%	5.6%	12.9%	7.1%	14.0%	9.4%	6.4%	(9.9)%
2,495	794	65	979	366	780	210	5[3]	–
33.0%	29.8%	5.5%	31.9%	34.9%	40.4%	17.4%	0.9%	–
5,066	1,654[4]	1,118	2,090	682	1,153	1,000	570	(527)
11.2%	6.1%	5.3%	8.8%	4.6%	8.4%	7.8%	6.3%	(9.9)%
15.9%	6.1%	4.5%	12.2%	9.1%	17.8%	19.6%	7.7%	NM
$ 0.08	$ 0.03	$ 0.02	$ 0.04	$ 0.01	$ 0.02	$ 0.02	$ 0.01	($0.01)
41-21	64-23	95-34	47-15	43-29	32-12	31-17	60-29	NM
64,382	62,133	61,167	54,091	47,324	46,935	46,324	46,249	46,200
$ 4,192	$ 2,218	$ 2,401	$ 4,106	$ 2,824	$ 808	$ 714	$ 448	$ 381

$ 7,751	$14,294	$10,914	$14,138	$ 542	$ 2,102	$ 1,022	$ 1,339	$ 945
6,981	4,330	6,060	1,090	–	–	–	–	–
17,812	20,763	15,643	20,117	5,750	6,335	5,083	4,163	3,226
4,044	8,636	1,685	1,854	2,178	1,431	1,024	829	467
13,768	12,127	13,958	18,263	3,572	4,904	4,059	3,334	2,759
12,504	10,125	9,350	8,003	4,774	2,500	2,062	1,676	876
40,256	37,231	33,877	35,529	10,720	9,012	7,249	5,942	4,161
–	6,095	6,114	6,131	378	269	303	348	–
35,450	28,195	25,940	24,249	7,908	7,088	5,787	4,227	3,674
–	22	24	25	5	4	5	7	–
63,509	62,129	61,112	60,364	47,523	47,087	46,379	46,291	46,233
$ 0.56	$ 0.45	$ 0.42	$ 0.40	$ 0.17	$ 0.15	$ 0.12	$ 0.09	$ 0.08

1 Includes litigation settlements of $4,000,000 in 1996 and $446,000 in 1986.

2 Operating information for 1985 and 1984 and financial position information for 1985 have been restated to reflect the merger with Vanguard Glass Fabricators, Inc. on August 29, 1986.

3 Includes impact of extraordinary item of $229,000 in 1985 relating to the tax benefits from utilization of loss carry-forwards.

4 Includes a non-recurring, extraordinary, after-tax charge of $221,000, or one cent per share, due to the costs associated with the mandatory redemption of $6 million in Industrial Development Revenue Bonds.

5 Excluding the patent litigation settlement, net income would have been $26,643,000; earnings per share would have been $0.38; and ROE would have been 24.0%.

Corporate Data

Corporate Headquarters

Gentex Corporation
600 N. Centennial Street
Zeeland, Michigan 49464
616-772-1800

Analyst/Investor Contact

Connie Hamblin
Corporate Secretary
Gentex Corporation
600 N. Centennial Street
Zeeland, Michigan 49464
616-772-1800

Legal Counsel

Varnum Riddering, Schmidt
and Howlett LLP
Bridgewater Place
333 Bridge Street, N.W.
Grand Rapids, Michigan 49503

Auditors

Arthur Andersen LLP
171 Monroe Avenue, N.W.
Suite 700
Grand Rapids, Michigan 49503

Form 10-K

The Company's Annual Report filed with the Securities Exchange Commission on Form 10-K will be provided without charge to any shareholder upon written request. It also is available electronically through the Company's Web site at http://www.gentex.com

Gentex Common Stock

The Company's common stock trades on the National Market tier of The Nasdaq Stock Market® under the symbol GNTX. The common stock has traded over the counter since December 1981. As of March 1, 1999, the Company's 72,477,316 shares of common stock were owned by 2,273 record holders.

The Company does not have a direct stock purchase plan. Shares of the Company's common stock must be purchased through a stock broker or other registered securities representative.

Inquiries or address changes related to stock certificates should be directed to American Stock Transfer & Trust Company at the address above.

Transfer Agent

American Stock
Transfer & Trust Company
40 Wall Street
New York, New York 10005

Annual Meeting

The Annual Meeting of Shareholders of Gentex Corporation will be held at 4:30 p.m. EDST, May 20, 1999, at the Hilton Hotel, 4747 28th Street, S.E. Grand Rapids, Michigan.

Gentex Market Makers

As of March 1, 1999
A.G. Edwards & Sons, Inc.
Cantor, Fitzgerald & Co.
CIBC Oppenheimer & Co., Inc.
Dean Witter Reynolds, Inc.
First of Michigan Corporation
Gerald Klauer Mattison & Co.
Herzog, Heine, Geduld, Inc.
ING Baring Furman Selz, LLC
Island System Corporation
Instinet Corporation
Jefferies & Company, Inc.
J.J.B. Hilliard, W.L. Lyons
J.P. Morgan Securities Inc.
Knight Securities L.P.
Mayer & Schweitzer Inc.
Midwest Stock Exchange
Natcity Investments Inc.
Olde Discount Corporation
The Ohio Company
Prudential Securities Inc.
Sherwood Securities Corp.
Spear, Leeds & Kellogg
USCC Trading, Div. Fleet Securities

Directors and Officers

Directors

Fred Bauer, 56
Chairman of the Board
and Chief Executive Officer,
Gentex Corporation
Zeeland, Michigan

Mickey Fouts, 67
Chairman of the Board
Equity Services Company
Investment services
Castle Rock, Colorado

John Mulder, 62
Senior Vice President,
Automotive Marketing
Gentex Corporation
Livonia, Michigan

Arlyn Lanting, 58
Vice President, Finance
Aspen Enterprises, Ltd.
Real estate investments
Grand Rapids, Michigan

Kenneth La Grand, 58
Executive Vice President
Gentex Corporation
Zeeland, Michigan

Leo Weber, 69
Retired President
Robert Bosch Corporation
Manufacturer of sophisticated
automotive components
Farmington Hills, Michigan

Ted Thompson, 69
Chairman of the Board
and Chief Executive Officer,
X-Rite Incorporated
Manufacturer of light
and color-measuring
instruments
Grandville, Michigan

Board of Directors, from left to right:
(seated) Kenneth La Grand, Fred Bauer, Arlyn Lanting, Leo Weber, Ted Thompson
(standing) John Mulder, Mickey Fouts

Officers

Fred Bauer, 56
Chairman of the Board
and Chief Executive Officer,

Kenneth La Grand, 58
Executive Vice President

Enoch Jen, 47
Vice President,
Finance and Treasurer

John Mulder, 62
Senior Vice President,
Automotive Marketing

Dennis Alexejun, 47
Vice President,
North American
Automotive Marketing

John Carter, 51
Vice President,
Engineering/Mechanical

Scott Edwards, 45
Vice President,
Fire Protection Products

Connie Hamblin, 37
Corporate Secretary
and Director, Corporate
Communications





Other Officers, from left to right: Dennis Alexejun, John Carter, Scott Edwards, Connie Hamblin, Enoch Jen

GENTEX CORPORATION

A Smarter Vision™

Corporate Headquarters:
600 N. Centennial Street
Zeeland, Michigan 49464

616.772.1800 - phone
616.772.7348 - fax

www.gentex.com