

Sensata Technologies Holding N.V.
Form 10-Q
October 29, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from _____ to _____
Commission File Number 001-34652

SENSATA TECHNOLOGIES HOLDING N.V.
(Exact Name of Registrant as Specified in Its Charter)

THE NETHERLANDS
(State or other jurisdiction of
incorporation or organization)

98-0641254
(I.R.S. Employer
Identification No.)

Kolthofsingel 8, 7602 EM Almelo
The Netherlands
(Address of Principal Executive Offices, including Zip
Code)

31-546-879-555
(Registrant's Telephone Number, Including Area Code)

Former name, former address and former fiscal year, if changed since last report.

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of October 15, 2013, 176,521,241 ordinary shares were outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

SENSATA TECHNOLOGIES HOLDING N.V.

Condensed Consolidated Balance Sheets

(In thousands, except per share amounts)

(unaudited)

| | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$348,199 | \$413,539 |
| Accounts receivable, net of allowances of \$9,279 and \$11,059 as of September 30, 2013 and December 31, 2012, respectively | 303,739 | 258,114 |
| Inventories | 181,605 | 176,233 |
| Deferred income tax assets | 12,655 | 12,871 |
| Prepaid expenses and other current assets | 33,888 | 33,923 |
| Total current assets | 880,086 | 894,680 |
| Property, plant and equipment, at cost | 656,117 | 611,991 |
| Accumulated depreciation | (319,893 |) (283,792 |
| Property, plant and equipment, net | 336,224 | 328,199 |
| Goodwill | 1,754,385 | 1,754,107 |
| Other intangible assets, net of accumulated amortization of \$1,045,922 and \$945,208 as of September 30, 2013 and December 31, 2012, respectively | 521,537 | 603,883 |
| Deferred income tax assets | 39,919 | 38,971 |
| Deferred financing costs | 20,084 | 22,119 |
| Other assets | 6,739 | 6,432 |
| Total assets | \$3,558,974 | \$3,648,391 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Current portion of long-term debt, capital lease and other financing obligations | \$14,078 | \$12,878 |
| Accounts payable | 177,607 | 152,964 |
| Income taxes payable | 12,189 | 8,884 |
| Accrued expenses and other current liabilities | 140,439 | 100,112 |
| Deferred income tax liabilities | 3,525 | 3,525 |
| Total current liabilities | 347,838 | 278,363 |
| Deferred income tax liabilities | 296,971 | 271,902 |
| Pension and post-retirement benefit obligations | 26,417 | 32,747 |
| Capital lease and other financing obligations, less current portion | 49,747 | 43,425 |
| Long-term debt, net of discount, less current portion | 1,561,835 | 1,768,352 |
| Other long-term liabilities | 33,472 | 31,308 |
| Commitments and contingencies | | |
| Total liabilities | 2,316,280 | 2,426,097 |
| Shareholders' equity: | | |
| Ordinary shares, €0.01 nominal value per share, 400,000 shares authorized; 178,434 and 178,392 shares issued as of September 30, 2013 and December 31, 2012, respectively | 2,289 | 2,289 |
| Treasury shares, at cost, 2,161 and 381 shares as of September 30, 2013 and December 31, 2012, respectively | (69,696 |) (11,423 |

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| | | |
|--|-------------|--------------|
| Additional paid-in capital | 1,594,925 | 1,587,202 |
| Accumulated deficit | (245,680 |) (316,368) |
| Accumulated other comprehensive loss | (39,144 |) (39,406) |
| Total shareholders' equity | 1,242,694 | 1,222,294 |
| Total liabilities and shareholders' equity | \$3,558,974 | \$3,648,391 |

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

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SENSATA TECHNOLOGIES HOLDING N.V.
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(unaudited)

| | For the three months ended | | For the nine months ended | |
|-------------------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
| | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| Net revenue | \$498,886 | \$471,929 | \$1,475,717 | \$1,468,554 |
| Operating costs and expenses: | | | | |
| Cost of revenue | 309,061 | 308,639 | 940,442 | 960,046 |
| Research and development | 15,189 | 13,395 | 43,113 | 39,149 |
| Selling, general and administrative | 40,355 | 36,085 | 121,430 | 110,194 |
| Amortization of intangible assets | 33,670 | 36,082 | 100,706 | 108,407 |
| Restructuring and special charges | 512 | 6,487 | 4,538 | 14,937 |
| Total operating costs and expenses | 398,787 | 400,688 | 1,210,229 | 1,232,733 |
| Profit from operations | 100,099 | 71,241 | 265,488 | 235,821 |
| Interest expense | (23,476 |) (24,967 |) (71,573 |) (75,110 |
| Interest income | 232 | 243 | 780 | 669 |
| Other, net | 9,390 | 10,827 | (25,411 |) 4,239 |
| Income before taxes | 86,245 | 57,344 | 169,284 | 165,619 |
| Provision for income taxes | 20,223 | 15,838 | 48,226 | 59,079 |
| Net income | \$66,022 | \$41,506 | \$121,058 | \$106,540 |
| Basic net income per share: | \$0.38 | \$0.23 | \$0.69 | \$0.60 |
| Diluted net income per share: | \$0.37 | \$0.23 | \$0.67 | \$0.59 |

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

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SENSATA TECHNOLOGIES HOLDING N.V.
 Condensed Consolidated Statements of Comprehensive Income
 (In thousands)
 (unaudited)

| | For the three months ended | | For the nine months ended | |
|---|----------------------------|---------------|---------------------------|---------------|
| | September 30, | September 30, | September 30, | September 30, |
| | 2013 | 2012 | 2013 | 2012 |
| Net income | \$66,022 | \$41,506 | \$121,058 | \$106,540 |
| Other comprehensive (loss)/income, net of tax: | | | | |
| Net unrealized loss on derivative instruments designated and qualifying as cash flow hedges | (7,892 |) (1,847 |) (1,044 |) (1,471 |
| Amortization of net loss and prior service cost on defined benefit and retiree healthcare plans | 434 | 59 | 1,306 | 309 |
| Other comprehensive (loss)/income | (7,458 |) (1,788 |) 262 | (1,162 |
| Comprehensive income | \$58,564 | \$39,718 | \$121,320 | \$105,378 |

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

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SENSATA TECHNOLOGIES HOLDING N.V.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

| | For the nine months ended | |
|---|---------------------------|-----------------------|
| | September 30, 2013 | September 30, 2012 |
| Cash flows from operating activities: | | |
| Net income | \$ 121,058 | \$ 106,540 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 38,034 | 40,792 |
| Amortization of deferred financing costs and original issue discounts | 3,291 | 3,861 |
| Currency remeasurement (gain)/loss on debt | (354 |) 382 |
| Share-based compensation | 7,358 | 7,250 |
| Loss on debt refinancing | 7,111 | — |
| Amortization of intangible assets | 100,706 | 108,407 |
| Loss/(gain) on disposition of assets | 946 | (3,556 |
| Deferred income taxes | 24,598 | 42,765 |
| Insurance proceeds | (5,000 |) — |
| Unrealized loss/(gain) on hedges and other non-cash items | 12,203 | (9,209 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable, net | (45,452 |) (34,077 |
| Inventories | (5,546 |) 10,454 |
| Prepaid expenses and other current assets | 2,820 | 3,626 |
| Accounts payable and accrued expenses | 50,464 | 5,469 |
| Income taxes payable | 3,305 | 670 |
| Other | (6,776 |) 1,284 |
| Net cash provided by operating activities | 308,766 | 284,658 |
| Cash flows from investing activities: | | |
| Additions to property, plant and equipment and capitalized software | (55,523 |) (36,576 |
| Insurance proceeds | 6,400 | — |
| Proceeds from sale of assets | 326 | 5,316 |
| Acquisition payments | (411 |) — |
| Net cash used in investing activities | (49,208 |) (31,260 |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options and issuance of ordinary shares | 17,229 | 12,601 |
| Proceeds from issuance of debt | 500,000 | — |
| Payments on debt | (709,816 |) (9,753 |
| Payments to repurchase ordinary shares | (126,155 |) — |
| Payments of debt issuance costs | (6,156 |) (209 |
| Net cash (used in)/provided by financing activities | (324,898 |) 2,639 |
| Net change in cash and cash equivalents | (65,340 |) 256,037 |
| Cash and cash equivalents, beginning of period | 413,539 | 92,127 |
| Cash and cash equivalents, end of period | \$ 348,199 | \$ 348,164 |
| The accompanying notes are an integral part of these condensed consolidated financial statements. | | |

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SENSATA TECHNOLOGIES HOLDING N.V.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts, or unless otherwise noted)

(unaudited)

1. Business Description and Basis of Presentation

Business Description

The accompanying unaudited condensed consolidated financial statements presented herein reflect the financial position, results of operations, comprehensive income, and cash flows of Sensata Technologies Holding N.V. and its wholly-owned subsidiaries, including Sensata Technologies Intermediate Holding B.V. and Sensata Technologies B.V. ("STBV"), collectively referred to as the "Company," "Sensata," "we," "our," and "us."

We are incorporated under the laws of the Netherlands. We conduct our operations through subsidiary companies which operate business and product development centers in the United States ("U.S."), the Netherlands, Belgium, China, and Japan; and manufacturing operations in China, South Korea, Malaysia, Mexico, the Dominican Republic, Bulgaria, and the U.S. We organize our operations into the sensors and controls businesses.

Our sensors business is a manufacturer of pressure, force, temperature, speed and position sensors, and electromechanical products used in subsystems of automobiles (e.g., engine, air-conditioning, and ride stabilization) and heavy off-road vehicles, and in industrial products such as heating, ventilation and air conditioning ("HVAC") systems. These products help improve performance, for example, by making an automobile's heating and air-conditioning systems work more efficiently, thereby improving gas mileage. These products are also used in systems that address safety and environmental concerns, such as improving the stability control of the vehicle and reducing vehicle emissions.

Our controls business is a manufacturer of a variety of control products used in industrial, aerospace, military, commercial, and residential markets. These products include motor and compressor protectors, circuit breakers, semiconductor burn-in test sockets, electronic HVAC controls, power inverters, precision switches, and thermostats. These products help prevent damage from overheating and fires in a wide variety of applications, including commercial HVAC systems, refrigerators, aircraft, automobiles, lighting, and other industrial applications. The controls business also manufactures direct current to alternating current power inverters, which enable the operation of electronic equipment when grid power is not available.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q, and therefore do not include all of the information and note disclosures required by U.S. GAAP for complete financial statements. The accompanying financial information reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the interim period results. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for a full year, nor were those of the comparable 2012 periods necessarily representative of those actually experienced for the full year 2012. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012.

All intercompany balances and transactions have been eliminated.

All amounts presented, except per share amounts, are stated in thousands, unless otherwise indicated.

Certain reclassifications have been made to prior periods to conform to current period presentation.

2. New Accounting Standards

In February 2013, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2013-02, Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). ASU 2013-02 requires an entity to provide information about amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the financial statements or in a single note, any significant amount reclassified out of

accumulated other comprehensive income in its entirety in the period, and the income statement line item affected by the reclassification. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. We adopted this guidance as of January 1, 2013. The

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adoption of ASU 2013-02 impacted disclosure only and did not have any impact on our financial position or results of operations.

In February 2013, the FASB issued ASU No. 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date ("ASU 2013-04"). This guidance changes how an entity measures obligations resulting from joint and several liability arrangements by requiring that when measuring the obligation, an entity will include the amount the entity agreed to pay for the arrangement between the entity and other entities that are also obligated to the liability, and any additional amount the entity expects to pay on behalf of the other entities. ASU 2013-04 also requires additional disclosures surrounding such obligations. ASU 2013-04 is effective for interim and annual reporting periods beginning after December 15, 2013, and is required to be applied retrospectively. We expect to adopt this guidance in the first quarter of 2014. This guidance is not expected to have a material impact on our financial position or results of operations, but will require additional disclosures.

3. Inventories

The components of inventories as of September 30, 2013 and December 31, 2012 were as follows:

| | September 30, 2013 | December 31, 2012 |
|-----------------|-----------------------|----------------------|
| Finished goods | \$75,188 | \$68,621 |
| Work-in-process | 34,493 | 28,909 |
| Raw materials | 71,924 | 78,703 |
| Total | \$181,605 | \$176,233 |

4. Shareholders' Equity

Treasury Shares

In October 2012, our Board of Directors authorized a \$250.0 million share repurchase program. During the three months ended September 30, 2013, we repurchased 25 ordinary shares under this program for an aggregate purchase price of approximately \$0.9 million at an average price of \$36.97 per ordinary share. During the nine months ended September 30, 2013, we repurchased 3,902 ordinary shares under this program for an aggregate purchase price of approximately \$126.2 million at an average price of \$32.33 per ordinary share.

Ordinary shares repurchased by us are recorded at cost as treasury shares and result in a reduction of shareholders' equity. We reissue treasury shares as part of our share-based compensation programs and employee stock purchase plan. When shares are reissued, we determine the cost using the first-in, first-out method. During the three and nine months ended September 30, 2013, we reissued 913 and 2,123 ordinary shares held in treasury, respectively, as part of our share-based compensation programs and employee stock purchase plan. During the nine months ended September 30, 2013, in connection with our treasury share reissuances, we recognized a loss of \$50.3 million that was recorded in accumulated deficit.

Secondary Offerings

In February 2013, we completed a secondary offering of our ordinary shares in which our existing shareholders sold 15,000 ordinary shares at an offering price of \$33.20 per ordinary share. In May 2013, we completed a secondary offering of our ordinary shares in which our existing shareholders sold 12,500 ordinary shares at an offering price of \$35.95 per ordinary share. We did not receive any proceeds from these transactions. As of September 30, 2013, Sensata Investment Company S.C.A. ("SCA") owned approximately 28.0% of our outstanding ordinary shares.

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Accumulated Other Comprehensive Loss

The following is a roll forward of the components of Accumulated other comprehensive loss, net of tax, for the nine months ended September 30, 2013:

| | Derivative Instruments Designated and Qualifying as Cash Flow Hedges | Defined Benefit and Retiree Healthcare Plans | Accumulated Other Comprehensive Loss |
|--|---|--|---|
| Balance as of December 31, 2012 | \$(4,795 |) \$(34,611 |) \$(39,406 |
| Other comprehensive (loss)/income before reclassifications | (1,473 |) — | (1,473 |
| Amounts reclassified from Accumulated other comprehensive loss | 429 | 1,306 | 1,735 |
| Net current period other comprehensive (loss)/income | (1,044 |) 1,306 | 262 |
| Balance as of September 30, 2013 | \$(5,839 |) \$(33,305 |) \$(39,144 |

The details about the amounts reclassified from Accumulated other comprehensive loss for the three and nine months ended September 30, 2013 are as follows:

For the three months ended September 30, 2013

| Component | Amount Reclassified from Accumulated Other Comprehensive Loss ⁽³⁾ | Affected Line in Condensed Consolidated Statement of Operations |
|--|---|---|
| Derivative instruments designated and qualifying as cash flow hedges | | |
| Interest rate caps | \$257 | Interest expense ⁽¹⁾ |
| Foreign currency forward contracts | (93 |) Net revenue ⁽¹⁾ |
| Foreign currency forward contracts | (426 |) Cost of revenue ⁽¹⁾ |
| | (262 |) Total before tax |
| | 65 | Provision for income taxes |
| | \$(197 |) Net of tax |
| Defined benefit and retiree healthcare plans | \$462 | Various ⁽²⁾ |
| | (28 |) Provision for income taxes |
| | \$434 | Net of tax |

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For the nine months ended September 30, 2013

| Component | Amount Reclassified from Accumulated Other Comprehensive Loss ⁽³⁾ | Affected Line in Condensed Consolidated Statement of Operations |
|--|---|---|
| Derivative instruments designated and qualifying as cash flow hedges | | |
| Interest rate caps | \$772 | Interest expense ⁽¹⁾ |
| Interest rate caps | 1,097 | Other, net ⁽¹⁾ |
| Foreign currency forward contracts | 195 | Net revenue ⁽¹⁾ |
| Foreign currency forward contracts | (1,491) |) Cost of revenue ⁽¹⁾ |
| | 573 | Total before tax |
| | (144) |) Provision for income taxes |
| | \$429 | Net of tax |
| Defined benefit and retiree healthcare plans | \$1,392 | Various ⁽²⁾ |
| | (86) |) Provision for income taxes |
| | \$1,306 | Net of tax |

⁽¹⁾ See Note 12, "Derivative Instruments and Hedging Activities" for additional details on amounts to be reclassified in the future from Accumulated other comprehensive loss.

⁽²⁾ Amounts related to defined benefit and retiree healthcare plans reclassified from Accumulated other comprehensive loss affect the Cost of revenue, Research and development, and Selling, general and administrative line items in the condensed consolidated statement of operations. These amounts reclassified are included in the computation of net periodic benefit cost. See Note 8, "Pension and Other Post-Retirement Benefits" for additional details of net periodic benefit cost.

⁽³⁾ Amounts in parentheses indicate credits in the condensed consolidated statement of operations.

5. Restructuring and Special Charges

Restructuring

Our restructuring programs are described below.

2011 Plan

During fiscal year 2011, we committed to a restructuring plan (the "2011 Plan") to reduce the workforce in several business centers and manufacturing facilities throughout the world, and move certain manufacturing operations to our low-cost sites. During fiscal year 2012, we expanded the 2011 Plan to include additional costs associated with ceasing manufacturing in our JinCheon, South Korea facility.

The total expected restructuring costs in connection with the 2011 Plan are estimated to be approximately \$48 million to \$50 million, consisting of approximately \$24 million to \$25 million in severance costs and the remaining \$24 million to \$25 million in facility exit and other costs. As of September 30, 2013, we have incurred cumulative costs of \$47,388, of which \$24,033 was related to severance costs (including \$1,513 of pension settlement charges), \$19,963 was related to facility exit and other costs, \$1,873 was associated with a write-down related to assets in our Cambridge, Maryland facility, and the remainder related to other non-cash charges. The 2011 Plan was initiated to manage our cost structure, therefore the total related costs were not allocated to our reporting segments. We anticipate these actions will be completed and substantially all remaining payments will be made in the fourth quarter of 2013.

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The following table outlines the changes to the restructuring liability for the 2011 Plan since December 31, 2012, excluding non-cash charges:

| | Severance | Facility Exit and Other Costs | Total |
|--|-----------|----------------------------------|----------|
| Balance as of December 31, 2012 | \$6,157 | \$1,525 | \$7,682 |
| Charges | (276 |) 4,370 | 4,094 |
| Payments | (2,368 |) (5,716 |) (8,084 |
| Impact of changes in foreign currency exchange rates | (42 |) — | (42 |
| Balance as of September 30, 2013 | \$3,471 | \$179 | \$3,650 |

MSP Plan

On January 28, 2011, we acquired MSP from Honeywell International Inc. On January 31, 2011, we announced a plan (the "MSP Plan") to close the manufacturing facilities in Freeport, Illinois and Brno, Czech Republic. Restructuring charges related to these actions consist primarily of severance and facility exit and other costs, and are related to the sensors segment. Severance is recognized through the expected service period of the affected employees. As of September 30, 2013, we have incurred cumulative costs of \$6,835, of which \$4,675 related to severance costs and \$2,160 related to facility exit and other costs. We do not expect to incur any additional charges related to this plan and expect that the remaining payments will be made in the fourth quarter of 2013.

The following table outlines the changes to the restructuring liability associated with the MSP Plan since December 31, 2012:

| | Severance | Facility Exit and Other Costs | Total |
|----------------------------------|-----------|----------------------------------|----------|
| Balance as of December 31, 2012 | \$2,818 | \$63 | \$2,881 |
| Charges | — | 451 | 451 |
| Payments | (2,612 |) (514 |) (3,126 |
| Balance as of September 30, 2013 | \$206 | \$— | \$206 |

Special Charges

On September 30, 2012, a fire damaged a portion of our manufacturing facility in JinCheon, South Korea. During the nine months ended September 30, 2013, we recognized \$7.5 million of insurance proceeds related to this fire, of which \$0.8 million was recognized in the Restructuring and special charges line of our condensed consolidated statements of operations, and the remainder in Cost of revenue. During the three months ended September 30, 2013, we recognized \$5.0 million of insurance proceeds related to this fire, all of which was recorded in Cost of revenue. As discussed in Note 10, "Commitments and Contingencies," we classify insurance proceeds in our condensed consolidated statements of operations in a manner consistent with the related losses.

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Summary of Restructuring Programs

The following tables outline costs/(gains) recorded within the condensed consolidated statements of operations associated with our restructuring activities and special charges, and where these amounts were recognized, for the three and nine months ended September 30, 2013 and September 30, 2012:

| | For the three months ended September 30, 2013 | | | | |
|-----------------------------------|---|----------|-------|-----------------|------------|
| | 2011 Plan | MSP Plan | Other | Special Charges | Total |
| Restructuring and special charges | \$498 | \$— | \$14 | \$— | \$512 |
| Other, net | (12) | — | 13 | — | 1 |
| Cost of revenue | 71 | — | — | (5,000) | (4,929) |
| Total | \$557 | \$— | \$27 | \$(5,000) | \$(4,416) |

| | For the three months ended September 30, 2012 | | | | |
|-----------------------------------|---|----------|-------|-----------------|----------|
| | 2011 Plan | MSP Plan | Other | Special Charges | Total |
| Restructuring and special charges | \$3,066 | \$498 | \$— | \$2,923 | \$6,487 |
| Other, net | 4,765 | (3) | 1 | — | 4,763 |
| Total | \$7,831 | \$495 | \$1 | \$2,923 | \$11,250 |

| | For the nine months ended September 30, 2013 | | | | |
|-----------------------------------|--|----------|---------|-----------------|----------|
| | 2011 Plan | MSP Plan | Other | Special Charges | Total |
| Restructuring and special charges | \$4,094 | \$451 | \$1,213 | \$(1,220) | \$4,538 |
| Other, net | (42) | — | 15 | — | (27) |
| Cost of revenue | 1,233 | — | — | (5,530) | (4,297) |
| Total | \$5,285 | \$451 | \$1,228 | \$(6,750) | \$214 |

| | For the nine months ended September 30, 2012 | | | | |
|-----------------------------------|--|----------|---------|-----------------|----------|
| | 2011 Plan | MSP Plan | Other | Special Charges | Total |
| Restructuring and special charges | \$9,534 | \$2,514 | \$(34) | \$2,923 | \$14,937 |
| Other, net | 4,761 | 1 | 3 | — | 4,765 |
| Total | \$14,295 | \$2,515 | \$(31) | \$2,923 | \$19,702 |

The “other” restructuring charges of \$14 and \$1,213 recognized during the three and nine months ended September 30, 2013, respectively, represent the termination of a limited number of employees in various locations throughout the world, and not the initiation of a larger restructuring program.

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6. Debt

Our debt as of September 30, 2013 and December 31, 2012 consisted of the following:

| | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| Term Loan Facility | \$375,250 | \$1,083,500 |
| 6.5% Senior Notes | 700,000 | 700,000 |
| 4.875% Senior Notes | 500,000 | — |
| Less: discount | (2,415 |) (4,148 |
| Less: current portion | (11,000 |) (11,000 |
| Long-term debt, net of discount, less current portion | \$1,561,835 | \$1,768,352 |
| Capital lease and other financing obligations | \$52,825 | \$45,303 |
| Less: current portion | (3,078 |) (1,878 |
| Capital lease and other financing obligations, less current portion | \$49,747 | \$43,425 |

There were no borrowings outstanding on the \$250.0 million revolving credit facility (the "Revolving Credit Facility") as of September 30, 2013 and December 31, 2012.

As of September 30, 2013, there was \$245.0 million of availability under the Revolving Credit Facility (net of \$5.0 million in letters of credit). Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of September 30, 2013, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates through 2014.

On April 17, 2013, we completed the issuance and sale of \$500.0 million in aggregate principal amount of 4.875% senior notes due 2023 (the "4.875% Senior Notes"). We used the proceeds from the issuance and sale of these notes, together with cash on hand, to (1) repay \$700.0 million of our existing \$1,100.0 million term loan (the "Term Loan Facility") under our senior secured credit facilities (the "Senior Secured Credit Facilities"), (2) pay all accrued interest on such indebtedness, and (3) pay all fees and expenses in connection with the sale of the 4.875% Senior Notes. In connection with these transactions, during the nine months ended September 30, 2013, we recorded a \$7.1 million loss to Other, net which is comprised of the write-off of unamortized deferred financing costs and original issue discount of \$4.4 million and transaction costs of \$2.7 million. For holders of the Term Loan Facility who did not invest in the 4.875% Senior Notes, we wrote-off a pro rata portion of the related unamortized deferred financing costs and original issue discount. For holders of the Term Loan Facility who were also investors in the 4.875% Senior Notes, we applied the provisions of Accounting Standards Codification ("ASC") Subtopic 470-50, Modifications and Extinguishments ("ASC 470-50"). Our evaluation of the accounting under ASC 470-50 was done on a creditor by creditor basis in order to determine if the terms of the debt were substantially different and, as a result, whether to apply modification or extinguishment accounting. Borrowings associated with holders of the 4.875% Senior Notes that were not also holders of the Term Loan Facility were accounted for as new issuances as we did not have a previous financing relationship with these creditors. As such, we capitalized \$3.9 million (i.e. pro rata portion) of third party costs, primarily associated with issuances to these creditors, as deferred financing costs.

The 4.875% Senior Notes were issued under an indenture dated April 17, 2013 (the "4.875% Senior Notes Indenture") among STBV, as issuer, The Bank of New York Mellon, as trustee, and certain subsidiaries located in certain jurisdictions, including the U.S., the Netherlands, Mexico, Japan, Malaysia, and Bermuda (collectively, the "Guarantors"). The 4.875% Senior Notes were offered at par. Interest on the 4.875% Senior Notes is payable semi-annually on April 15 and October 15 of each year, and commenced on October 15, 2013. Our obligations under the 4.875% Senior Notes are guaranteed by all of STBV's subsidiaries that guarantee our obligations under the Senior Secured Credit Facilities. The 4.875% Senior Notes and the guarantees are senior unsecured obligations of STBV and the Guarantors and rank equally in right of payment to all existing and future senior unsecured indebtedness of STBV or the Guarantors, including the 6.5% senior notes due 2019 (the "6.5% Senior Notes").

At any time we may redeem the 4.875% Senior Notes, in whole or in part, at a price equal to 100.0% of the principal amount of the 4.875% Senior Notes redeemed, plus accrued and unpaid interest to the date of redemption, plus the applicable premium set forth in the 4.875% Senior Notes Indenture. In addition, if STBV experiences certain change of control events, holders of the 4.875% Senior Notes may require us to repurchase all or part of the 4.875% Senior Notes at 101.0% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. If certain changes in the tax law of any relevant taxing

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jurisdiction become effective that would impose withholding taxes or other deductions on the payments of the 4.875% Senior Notes or the guarantees, we may redeem the 4.875% Senior Notes in whole, but not in part, at any time, at a redemption price of 100.0% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

The 4.875% Senior Notes Indenture contains certain restrictions that limit our ability to, among other things: incur liens; engage in sale and leaseback transactions; incur indebtedness; or consolidate, merge with, or convey, transfer, or lease substantially all of our assets to, another party. These covenants are subject to important exceptions and qualifications set forth in the 4.875% Senior Notes Indenture. Certain of these covenants will be suspended if the 4.875% Senior Notes are assigned an investment grade rating by Standard & Poor's or Moody's Investors Service, Inc. and are not in default. The suspended covenants will be reinstated if the 4.875% Senior Notes are no longer rated investment grade by either rating agency or an event of default has occurred and is continuing at such time.

The 4.875% Senior Notes Indenture provides for events of default (subject in certain cases to customary grace and cure periods) which include, among others, nonpayment of principal or interest when due, breach of covenants or other agreements in the 4.875% Senior Notes Indenture, defaults in payment of certain other indebtedness, certain events of bankruptcy or insolvency, and when the guarantees of significant subsidiaries cease to be in full force and effect. Generally, if an event of default occurs, the trustee or the holders of at least 25% in principal amount of the then outstanding 4.875% Senior Notes may declare the principal of, and accrued but unpaid interest on, all of the 4.875% Senior Notes to be due and payable immediately. All provisions regarding remedies in an event of default are subject to the 4.875% Senior Notes Indenture.

See Note 8, "Debt" of our Annual Report on Form 10-K for the year ended December 31, 2012 for a detailed discussion of the restrictions related to the 6.5% Senior Notes and the Senior Secured Credit Facilities, the credit agreement under which the Senior Secured Credit Facilities were issued, and the indenture related to the 6.5% Senior Notes.

Debt Maturities

The final maturity of the Revolving Credit Facility is on May 12, 2016. Loans made pursuant to the Revolving Credit Facility must be repaid in full on or prior to such date and are pre-payable at our option at par. All letters of credit issued thereunder will terminate at the final maturity of the Revolving Credit Facility unless cash collateralized prior to such time. The final maturity of the Term Loan Facility is on May 12, 2018. The Term Loan Facility must be repaid in full on or prior to such maturity date. The 6.5% Senior Notes and the 4.875% Senior Notes mature on May 15, 2019 and October 15, 2023, respectively.

Accrued Interest

Accrued interest associated with our outstanding debt is included as a component of Accrued expenses and other current liabilities in the condensed consolidated balance sheets. As of September 30, 2013 and December 31, 2012, accrued interest totaled \$30,205 and \$11,070, respectively.

Other Financing Obligations

In 2013, we entered into an agreement with one of our suppliers, Measurement Specialties, Inc., under which we acquired the rights to certain intellectual property in exchange for quarterly royalty payments through the fourth quarter of 2019. As of September 30, 2013, we have recognized a liability of \$8,674 within Capital lease and other financing obligations related to this agreement.

7. Income Taxes

We recorded tax provisions for the three months ended September 30, 2013 and September 30, 2012 of \$20,223 and \$15,838, respectively, and for the nine months ended September 30, 2013 and September 30, 2012 of \$48,226 and \$59,079, respectively. Our tax provision consists of current tax expense, which relates primarily to our profitable operations in non-US tax jurisdictions, and deferred tax expense, which relates primarily to the amortization of tax deductible goodwill and the use of net operating losses.

8. Pension and Other Post-Retirement Benefits

We provide various retirement and other post-employment plans for current and former employees, including defined benefit, defined contribution, and retiree healthcare benefit plans.

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The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the three months ended September 30, 2013 and September 30, 2012 were as follows:

| | U.S. Plans | | Retiree Healthcare | | Non-U.S. Plans | | Total | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Defined Benefit | Retiree Healthcare | Defined Benefit | Retiree Healthcare | Defined Benefit | Retiree Healthcare | Defined Benefit | Retiree Healthcare |
| | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| Service cost | \$— | \$ 20 | \$63 | \$ 34 | \$588 | \$ 802 | \$651 | \$ 856 |
| Interest cost | 361 | 484 | 147 | 115 | 286 | 289 | 794 | 888 |
| Expected return on plan assets | (627) | (914) | — | — | (225) | (251) | (852) | (1,165) |
| Amortization of net loss/(gain) | 238 | 13 | 123 | (41) | 99 | 121 | 460 | 93 |
| Amortization of prior service cost | — | — | — | — | 2 | 3 | 2 | 3 |
| Net periodic benefit cost | \$(28) | \$(397) | \$333 | \$ 108 | \$750 | \$ 964 | \$1,055 | \$ 675 |

The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the nine months ended September 30, 2013 and September 30, 2012 were as follows:

| | U.S. Plans | | Retiree Healthcare | | Non-U.S. Plans | | Total | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Defined Benefit | Retiree Healthcare | Defined Benefit | Retiree Healthcare | Defined Benefit | Retiree Healthcare | Defined Benefit | Retiree Healthcare |
| | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| Service cost | \$— | \$ 61 | \$189 | \$ 154 | \$1,732 | \$ 2,296 | \$1,921 | \$ 2,511 |
| Interest cost | 1,080 | 1,452 | 442 | 401 | 870 | 868 | 2,392 | 2,721 |
| Expected return on plan assets | (1,881) | (2,742) | — | — | (685) | (753) | (2,566) | (3,495) |
| Amortization of net loss | 715 | 39 | 368 | 13 | 302 | 361 | 1,385 | 413 |
| Amortization of prior service cost | — | — | — | — | 7 | 9 | 7 | 9 |
| Net periodic benefit cost | \$(86) | \$(1,190) | \$999 | \$ 568 | \$2,226 | \$ 2,781 | \$3,139 | \$ 2,159 |

9. Share-Based Payment Plans

Share-Based Compensation Expense

The table below presents non-cash compensation expense related to our equity awards recorded within Selling, general and administrative expense in the condensed consolidated statements of operations during the identified periods:

| | For the three months ended | | For the nine months ended | |
|--|----------------------------|--------------------|---------------------------|--------------------|
| | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| Stock options | \$1,804 | \$2,265 | \$5,083 | \$6,193 |
| Restricted securities | 952 | 287 | 2,275 | 1,057 |
| Total share-based compensation expense | \$2,756 | \$2,552 | \$7,358 | \$7,250 |

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We granted the following options under the Sensata Technologies Holding N.V. 2010 Equity Incentive Plan (the "2010 Equity Plan") during the nine months ended September 30, 2013:

| Awards Granted to | Number of Options Granted | Weighted-Average Grant Date Fair Value | Vesting Period |
|----------------------------------|---------------------------|--|------------------------------|
| Various executives and employees | 762 | \$10.37 | 25% per year over four years |
| Directors | 120 | \$10.25 | 1 year |

We granted the following restricted securities under the 2010 Equity Plan during the nine months ended September 30, 2013:

| Awards Granted to | Number of Restricted Securities Granted | Weighted- Average Grant Date Fair Value |
|----------------------------------|---|---|
| Various executives and employees | 226 | \$32.32 |

Of the restricted securities granted during the nine months ended September 30, 2013, 121 were performance based securities that cliff vest in 2016. The number of performance based securities that vest will depend on the extent to which certain performance criteria are met and could range between 0% and 150% of the number of securities granted. The remaining securities granted are non-performance based securities that vest on various dates between April 2014 and April 2016.

During the nine months ended September 30, 2013, 2,100 stock options were exercised, 2,058 of which were settled with shares reissued from treasury.

On May 22, 2013, our shareholders approved an amendment to the 2010 Equity Plan to increase the number of ordinary shares authorized for issuance under the 2010 Equity Plan by 5,000 ordinary shares to a total of 10,000 ordinary shares. As of September 30, 2013, there were 1,612 shares available for issuance under the 2010 Equity Plan, which does not include the additional 5,000 ordinary shares authorized, as they have not yet been registered with the U.S. Securities and Exchange Commission (the "SEC").

10. Commitments and Contingencies

Off-Balance Sheet Commitments

We execute contracts involving indemnifications standard in the relevant industry and indemnifications specific to certain transactions such as the sale of a business. These indemnifications might include claims relating to the following: environmental matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier and other commercial contractual relationships; and financial matters. Performance under these indemnifications would generally be triggered by a breach of terms of the contract or by a third-party claim. Historically, we have experienced only minimal and infrequent losses associated with these indemnifications. Consequently, any future liabilities brought about by these indemnifications cannot reasonably be estimated or accrued.

Indemnifications Provided As Part of Contracts and Agreements

We are party to the following types of agreements pursuant to which we may be obligated to indemnify a third party with respect to certain matters:

Officers and Directors: In connection with our initial public offering ("IPO"), we entered into indemnification agreements with each of our board members and executive officers pursuant to which we agree to indemnify, defend and hold harmless, and also advance expenses as incurred, to the fullest extent permitted under applicable law, from damages arising from the fact that such person is or was one of our directors or officers or that of any of our subsidiaries.

Our articles of association provide for indemnification of directors and officers by us to the fullest extent permitted by applicable law, as it now exists or may hereinafter be amended (but, in the case of an amendment, only to the extent

such amendment permits broader indemnification rights than permitted prior thereto), against any and all liabilities including all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding, provided he or she acted in good faith and in a manner he or she

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reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful or outside of his or her mandate. The articles do not provide a limit to the maximum future payments, if any, under the indemnification. No indemnification is provided for in respect of any claim, issue, or matter as to which such person has been adjudged to be liable for gross negligence or willful misconduct in the performance of his or her duty on our behalf.

In addition, we have a liability insurance policy which insures directors and officers against the cost of defense, settlement, or payment of claims and judgments under some circumstances. Certain indemnification payments may not be covered under our directors' and officers' insurance coverage.

Underwriters: Pursuant to the terms of the underwriting agreements entered into in connection with our IPO and secondary public equity offerings, we are obligated to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make in respect thereof. The underwriting agreements do not provide a limit to the maximum future payments, if any, under these indemnifications.

Intellectual Property and Product Liability Indemnification: We routinely sell products with a limited intellectual property and product liability indemnification included in the terms of sale. Historically, we have had only minimal and infrequent losses associated with these indemnifications. Consequently, any future liabilities resulting from these indemnifications cannot reasonably be estimated or accrued.

Product Warranty Liabilities

Our standard terms of sale provide our customers with a warranty against faulty workmanship and the use of defective materials which, depending on the product, exists for a period of twelve to eighteen months after the date we ship the product to our customer or for a period of twelve months after the customer resells our product, whichever comes first. We do not offer separately priced extended warranty or product maintenance contracts. Our liability associated with this warranty is, at our option, to repair the product, replace the product, or provide the customer with a credit.

We also sell products to customers under negotiated agreements or where we have accepted the customer's terms of purchase. In these instances, we may provide additional warranties for longer durations consistent with differing end-market practices, and where our liability is not limited. Finally, many sales take place in situations where commercial or civil codes, or other laws, would imply various warranties and restrict limitations on liability.

In the event a warranty claim based on defective materials exists, we may be able to recover some of the cost of the claim from the vendor from whom the materials were purchased. Our ability to recover some of the costs will depend on the terms and conditions to which we agreed when the materials were purchased. When a warranty claim is made, the only collateral available to us is the return of the inventory from the customer making the warranty claim.

Historically, when customers make a warranty claim, we either replace the product or provide the customer with a credit. We generally do not rework the returned product.

Our policy is to accrue for warranty claims when a loss is both probable and estimable. This is accomplished by reserving for estimated returns and estimated costs to replace the product at the time the related revenue is recognized.

Liabilities for warranty claims have historically not been material. In some instances, customers may make claims for costs they incurred related to a claim or other damages. Any potentially material liabilities associated with these claims are discussed in this Note under the heading Legal Proceedings and Claims.

Environmental Remediation Liabilities

Our operations and facilities are subject to U.S. and foreign laws and regulations governing the protection of the environment and our employees, including those governing air emissions, water discharges, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines or civil or criminal sanctions, or third-party property damage or personal injury claims, in the event of violations or liabilities under these laws and regulations, or non-compliance with the environmental permits required at our facilities. Potentially significant expenditures could be required in order to comply with environmental laws that may be adopted or imposed in the future. We are, however, not aware of any threatened or pending material environmental investigations, lawsuits, or claims involving us or our operations.

In 2001, Texas Instruments ("TI") Brazil was notified by the State of São Paulo, Brazil, regarding its potential cleanup liability as a generator of wastes sent to the Aterro Mantovani disposal site, which operated near Campinas from 1972 to 1987. The site is a landfill contaminated with a variety of chemical materials, including petroleum products, allegedly disposed at the site. TI

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Brazil is one of over 50 companies notified of potential cleanup liability. There have been several lawsuits filed by third parties alleging personal injuries caused by exposure to drinking water contaminated by the disposal site. Our subsidiary, Sensata Technologies Brazil ("ST Brazil"), is the successor in interest to TI Brazil. However, in accordance with the terms of the acquisition agreement entered into in connection with the acquisition of the Sensors and Controls business of TI (the "Acquisition Agreement"), TI retained these liabilities (subject to the limitations set forth in that agreement) and has agreed to indemnify us with regard to these excluded liabilities. In 2008, five lawsuits were filed against ST Brazil alleging personal injuries suffered by individuals who were exposed to drinking water allegedly contaminated by the Aterro Mantovani disposal site. These matters are managed and controlled by TI. TI is defending these five lawsuits in the 1st Civil Court of Jaquariuna, San Paolo. Although ST Brazil cooperates with TI in this process, we do not anticipate incurring any non-reimbursable expenses related to the matters described above. Accordingly, no amounts have been accrued for these matters as of September 30, 2013 or December 31, 2012.

Control Devices, Inc. ("CDI"), a wholly-owned subsidiary of Sensata Technologies, Inc. acquired through our acquisition of First Technology Automotive, holds a post-closure license, along with GTE Operations Support, Inc. ("GTE"), from the Maine Department of Environmental Protection with respect to a closed hazardous waste surface impoundment located on real property owned by CDI in Standish, Maine. The post-closure license obligates GTE to operate a pump and treatment process to reduce the levels of chlorinated solvents in the groundwater under the property. The post-closure license obligates CDI to maintain the property and provide access to GTE. We do not expect the costs to comply with the post-closure license to be material. As a related but separate matter, pursuant to the terms of an environmental agreement dated July 6, 1994, GTE retained liability and agreed to indemnify CDI for certain liabilities related to the soil and groundwater contamination from the surface impoundments and an out-of-service leach field at the Standish, Maine facility, and CDI and GTE have certain obligations related to the property and each other. The site is contaminated primarily with chlorinated solvents. We do not expect the remaining cost associated with addressing the soil and groundwater contamination to be material.

Legal Proceedings and Claims

We account for litigation and claims losses in accordance with ASC Topic 450, Contingencies, ("ASC 450"). ASC 450 loss contingency provisions are recorded for probable and estimable losses at our best estimate of a loss, or when a best estimate cannot be made, at our estimate of the minimum loss. These estimates are often developed prior to knowing the amount of the ultimate loss and are refined each accounting period as additional information becomes known. Accordingly, we are often initially unable to develop a best estimate of loss and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected.

We are regularly involved in a number of claims and litigation matters in the ordinary course of business. Most of our litigation matters are third-party claims for property damage allegedly caused by our products, but some involve allegations of personal injury or wrongful death. We believe that the ultimate resolution of the current litigation matters pending against us, except potentially those matters described below, will not have a material effect on our financial condition or results of operations. See our Annual Report on Form 10-K for the year ended December 31, 2012, Note 14, "Commitments and Contingencies," for historical details of such claims.

Insurance Claims

The accounting for insurance claims depends on a variety of factors, including the nature of the claim, the evaluation of coverage, the amount of proceeds (or anticipated proceeds), the ability of an insurer to satisfy the claim, and the timing of the loss and corresponding recovery. In accordance with ASC 450, receipts from insurance up to the amount of loss recognized are considered recoveries. Recoveries are recognized in the financial statements when they are probable of receipt. Insurance proceeds in excess of the amount of loss recognized are considered gains. Gains are recognized in the financial statements in the period in which contingencies related to the claim (or a specific portion of the claim) have been resolved. We classify insurance proceeds in our condensed consolidated statements of operations

in a manner consistent with the related losses.

Pending Litigation and Claims

Ford Speed Control Deactivation Switch Litigation: We are involved in a number of litigation matters relating to a pressure switch that TI sold to Ford Motor Company (“Ford”) for several years until 2002. Ford incorporated the switch into a cruise control deactivation switch system that it installed in certain vehicles. Due to concerns that, in some circumstances, this system

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and switch may cause fires, Ford and related companies issued numerous separate recalls of vehicles between 1999 and 2009, which covered approximately fourteen million vehicles in the aggregate.

We are a defendant in one case related to this switch that involves wrongful death allegations. This case, *Romans vs. Ford et al*, Case No. CVH 20100126, Court of Common Pleas, Madison County, Ohio, involves claims for property damage, personal injury, and three fatalities resulting from an April 5, 2008 residential fire alleged to involve a Ford vehicle. On April 1, 2010, the plaintiff filed suit against TI and Sensata and this case was subsequently consolidated with an earlier lawsuit, former Case No. CVC 20090074, filed against Ford. On March 18, 2013, the court granted our motion for dismissal. The case continues against Ford. The plaintiff has filed an appeal of the decision dismissing Sensata. On April 22, 2013, the court issued a stay of the proceedings until the appeal is completed.

As of September 30, 2013, we are a defendant in six lawsuits in which plaintiffs have alleged property damage and various personal injuries caused by vehicle fires. For the most part, these cases seek an unspecified amount of compensatory and exemplary damages, however one plaintiff has submitted a demand in the amount of \$0.5 million. Ford and TI are co-defendants in each of these lawsuits. In accordance with the terms of the Acquisition Agreement, we are managing and defending these lawsuits on behalf of both parties. Of these six cases, five are now active and one resulted in a dismissal that has been appealed by the plaintiff.

Pursuant to the terms of the Acquisition Agreement, and subject to the limitations set forth in that agreement, TI has agreed to indemnify us for certain claims and litigations, including the Ford matter. The Acquisition Agreement provides that when the aggregate amount of costs and/or damages from such claims exceeds \$30.0 million, TI will reimburse us for amounts incurred in excess of that threshold up to a cap of \$300.0 million. We entered into an agreement with TI, called the Contribution and Cooperation Agreement, dated October 24, 2011, whereby TI acknowledged that amounts we paid through September 30, 2011, plus an additional cash payment, would be deemed to satisfy the \$30.0 million threshold. Accordingly, TI will not contest the claims or the amounts claimed through September 30, 2011. Costs that we have incurred since September 30, 2011, or may incur in the future, will be reimbursed by TI up to a cap of \$300.0 million, less amounts incurred by TI. TI has reimbursed us for expenses incurred through June 30, 2013 and we have submitted expenses through September 30, 2013. We do not believe that aggregate TI and Sensata costs will exceed \$300.0 million.

SGL Italia: Our subsidiaries, STBV and ST Italia, are defendants in a lawsuit, *Luigi Lavazza s.p.a and SGL Italia s.r.l. v. Sensata Technologies Italia s.r.l., Sensata Technologies, B.V., and Komponent s.r.l.*, Court of Milan, bench 7, brought in the court in Milan, Italy. The lawsuit alleges defects in one of our electro-mechanical control products. The plaintiffs are alleging €4.2 million in damages. We have denied liability in this matter. We filed our most recent answer to the lawsuit in November 2012 and the most recent hearing occurred in December 2012. The next scheduled hearing is set in November 2013. We are actively defending the case, but we believe that a loss is probable. We estimate the range of loss to be between \$0.3 million and the full amount of the claim. As of September 30, 2013, we have accrued \$0.3 million, the low end of the range, as we believe that no amount within the range is a better estimate of loss than any other amount.

Venmar: We have been involved in a related series of claims and lawsuits involving products we sold to one of our customers, Venmar, that sold ventilation and air exchanger equipment containing an electro-mechanical control product. Venmar conducted recalls in conjunction with the U.S. Consumer Product Safety Commission on similar equipment in 2007, 2008, and 2011. In April 2013, two of the pending claims were filed as lawsuits. These are *Cincinnati Ins. Co. v. Sensata Technologies, Inc.*, Case No. 13105170NP, 52nd Cir. Ct., Huron Co., MI and *Auto-Owners Ins. Co. v. Venmar Ventilation*, Case No. 13917CZ, 37th Cir. Ct., Calhoun Co., MI. These lawsuits involve claims for damages in the amount of \$0.9 million and \$6.2 million, respectively. In light of a related lawsuit settlement in 2012, we believe losses resulting from these matters are reasonably possible, however, we cannot estimate a range of loss at this time. As of September 30, 2013, we have not recorded an accrual for these matters.

Aircraft: In 2012, certain of our subsidiaries, along with more than twenty other defendants, were named in lawsuits involving a plane crash on May 25, 2011 that resulted in four deaths. The first lawsuit was filed on May 24, 2012 in Pike Circuit Court, Kentucky. This lawsuit is styled *Campbell vs. Aero Resources Corporation et al*, Civil Action 12-C1-652, Commonwealth of Kentucky, Pike Circuit Court, Div. No. I. A second lawsuit was filed on July 5, 2012

in Jessamine Circuit Court, Kentucky. This lawsuit is styled Shuey v. Hawker Beechcraft, Inc. et al, Civil Action 12-C1-650, Commonwealth of Kentucky, Jessamine Circuit Court, Civil Division. The plaintiffs allege that one of our circuit breakers was a component in the aircraft and have brought claims of negligence and strict liability. Damages are unspecified. We are cooperating with this effort. We do not believe that a loss is probable in these matters. Accordingly, as of September 30, 2013, we have not recorded an accrual for these matters. We have aircraft product liability insurance and the lawsuits have been submitted to our insurer, who has appointed counsel.

Termination of Customer Relationship: In April 2013, one of our subsidiaries terminated its relationship with a minor customer in South Korea. We are currently engaged in a dispute with this former customer relating to significant damages the customer allegedly has incurred and/or will incur due to the termination. This dispute has not resulted in any litigation. At this time, we

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cannot reasonably estimate a range of loss relating to this matter. As of September 30, 2013, we have not recorded an accrual for this matter. If any litigation arises from this dispute, we intend to defend ourselves vigorously under all defenses that may be available.

FCPA Voluntary Disclosure

During 2010, an internal investigation was conducted under the direction of the Audit Committee of our Board of Directors to determine whether any laws, including the Foreign Corrupt Practices Act (the "FCPA"), may have been violated in connection with a certain business relationship entered into by one of our operating subsidiaries involving business in China. We believe the amount of payments and the business involved was immaterial. We discontinued the specific business relationship and our investigation has not identified any other suspect transactions. We contacted the U.S. Department of Justice (the "DOJ") and the SEC to make a voluntary disclosure of the possible violations, the investigation, and the initial findings. We have been fully cooperating with their review. During 2012, the DOJ informed us that it has closed its inquiry into the matter but indicated that it could reopen its inquiry in the future in the event it were to receive additional information or evidence. We have not received an update from the SEC concerning the status of its inquiry. The FCPA (and related statutes and regulations) provides for potential monetary penalties, criminal and civil sanctions, and other remedies. We are unable to estimate the potential penalties and/or sanctions, if any, that might be assessed and, accordingly, no provision has been made in the condensed consolidated financial statements.

Termination of Administrative Services Agreement

In 2009, we entered into a fee for service arrangement with SCA for ongoing consulting, management advisory, and other services (the "Administrative Services Agreement"). On May 10, 2013, the Administrative Services Agreement was terminated, upon a mutual agreement between us and SCA.

11. Fair Value Measures

Our assets and liabilities reported at fair value have been categorized based upon a fair value hierarchy in accordance with ASC Topic 820, Fair Value Measurements and Disclosures. The levels of the fair value hierarchy are described below:

• Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.

• Level 2 inputs utilize inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

• Level 3 inputs are unobservable inputs for the asset or liability, allowing for situations where there is little, if any, market activity for the asset or liability.

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Measured on a Recurring Basis

The following table presents information about our assets and liabilities measured at fair value on a recurring basis as of September 30, 2013 and December 31, 2012, aggregated by the level in the fair value hierarchy within which those measurements fell:

| | September 30, 2013 | | | December 31, 2012 | | |
|------------------------------------|--|---|--|--|---|--|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | | | |
| Foreign currency forward contracts | \$— | \$1,579 | \$— | \$— | \$957 | \$— |
| Commodity forward contracts | — | 523 | — | — | 3,150 | — |
| Interest rate caps | — | — | — | — | 8 | — |
| Total | \$— | \$2,102 | \$— | \$— | \$4,115 | \$— |
| Liabilities | | | | | | |
| Foreign currency forward contracts | \$— | \$9,292 | \$— | \$— | \$7,049 | \$— |
| Commodity forward contracts | — | 9,907 | — | — | 263 | — |
| Total | \$— | \$19,199 | \$— | \$— | \$7,312 | \$— |

The valuations of the foreign currency forward contracts are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. This analysis utilizes observable market-based inputs, including foreign currency exchange rates, and reflects the contractual terms of these instruments, including the period to maturity. The specific contractual terms utilized as inputs in determining fair value and a discussion of the nature of the risks being mitigated by these instruments are detailed in Note 12, "Derivative Instruments and Hedging Activities," under the caption "Hedges of Foreign Currency Risk."

The valuations of the commodity forward contracts are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. This analysis utilizes observable market-based inputs, including commodity forward curves, and reflects the contractual terms of these instruments, including the period to maturity. The specific contractual terms utilized as inputs in determining fair value and a discussion of the nature of the risks being mitigated by these instruments are detailed in Note 12, "Derivative Instruments and Hedging Activities," under the caption "Hedges of Commodity Risk."

The valuations of the interest rate caps are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. This analysis utilizes observable market-based inputs, including interest rate curves and interest rate volatility, and reflects the contractual terms of these instruments, including the period to maturity. The specific contractual terms utilized as inputs in determining fair value and a discussion of the nature of the risks being mitigated by these instruments are detailed in Note 12, "Derivative Instruments and Hedging Activities," under the caption "Hedges of Interest Rate Risk."

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to appropriately reflect both our own nonperformance risk and the respective

counterparties' nonperformance risk in the fair value measurement. As of September 30, 2013 and December 31, 2012, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

Measured on a Nonrecurring Basis

We evaluate the recoverability of goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate that goodwill or other intangible assets may be impaired. As of

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October 1, 2012, we evaluated our goodwill and indefinite-lived intangible assets for impairment and determined that the fair values of our reporting units and indefinite-lived intangible assets exceeded their carrying values on that date. As of September 30, 2013, no events or changes in circumstances occurred that would have triggered the need for an additional impairment review.

Goodwill and indefinite-lived intangible assets are valued primarily using discounted cash flow models that incorporate assumptions for a reporting unit's short-term and long-term revenue growth rates, operating margins and discount rates, which represent our best estimates of current and forecasted market conditions, current cost structure, and the implied rate of return that management believes a market participant would require for an investment in a company having similar risks and business characteristics to the reporting unit being assessed.

The fair value of assets held for sale is determined based on the use of appraisals, input from market participants, our experience selling similar assets, and/or internally developed cash flow models. The fair value of these assets is considered to be a Level 3 fair value measurement. There have been no material changes in the fair value of our assets held for sale during the nine months ended September 30, 2013.

Financial Instruments Not Recorded at Fair Value

The following table presents the carrying values and fair values of financial instruments not recorded at fair value in the condensed consolidated balance sheets as of September 30, 2013 and December 31, 2012:

| | September 30, 2013 | | | | December 31, 2012 | | | |
|---------------------|-------------------------------|--------------------|-----------|---------|-------------------------------|--------------------|-------------|---------|
| | Carrying Value ⁽¹⁾ | Fair Value Level 1 | Level 2 | Level 3 | Carrying Value ⁽¹⁾ | Fair Value Level 1 | Level 2 | Level 3 |
| Liabilities | | | | | | | | |
| Term Loan Facility | \$375,250 | \$— | \$367,093 | \$— | \$1,083,500 | \$— | \$1,081,427 | \$— |
| 6.5% Senior Notes | \$700,000 | \$— | \$745,500 | \$— | \$700,000 | \$— | \$742,000 | \$— |
| 4.875% Senior Notes | \$500,000 | \$— | \$465,000 | \$— | \$— | \$— | \$— | \$— |

⁽¹⁾ The carrying value is presented excluding discount.

The fair values of our Term Loan Facility, 4.875% Senior Notes, and 6.5% Senior Notes are determined using observable prices in markets where these instruments are generally not traded on a daily basis.

Cash and cash equivalents, trade receivables, and trade payables are carried at their cost, which approximates fair value, because of their short-term nature.

12. Derivative Instruments and Hedging Activities

As required by ASC Topic 815, Derivatives and Hedging ("ASC 815"), we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative as being in a hedging relationship, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as hedges of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge, or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of our risks, even though we elect not to apply hedge accounting under ASC 815. Specific information about the valuations of derivatives and classification in the fair value hierarchy are described in Note 11, "Fair Value Measures."

We do not offset fair value amounts recognized for derivative instruments against fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral. As of September 30, 2013 and December 31, 2012, we had posted \$0.9 million and \$0.0 million in cash collateral, respectively.

Table of Contents**Hedges of Interest Rate Risk**

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements on our floating rate debt. To accomplish these objectives, during the nine months ended September 30, 2013 and September 30, 2012, we used interest rate caps to hedge the variable cash flows associated with existing variable rate debt as part of our interest rate risk management strategy. Interest rate caps designated as cash flow hedges involve the receipt of variable rate amounts if interest rates rise above the cap strike rate on the contract.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in Accumulated other comprehensive loss and is subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. The ineffective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized directly in earnings. For the three and nine months ended September 30, 2013 and September 30, 2012, we recorded no ineffectiveness in earnings and no amounts were excluded from the assessment of effectiveness.

Amounts reported in Accumulated other comprehensive loss related to interest rate derivatives are reclassified to Interest expense as interest payments are made on our variable rate debt. As of September 30, 2013, we estimate that an additional \$1.3 million will be reclassified from Accumulated other comprehensive loss to Interest expense during the twelve months ending September 30, 2014.

As of September 30, 2013, we had the following outstanding derivative contract, \$367.0 million of which is designated as a cash flow hedge of floating interest payments on our Term Loan Facility:

| Interest Rate Derivative | Notional (in millions) | Effective Date | Amortization | Maturity Date | Index | Strike Rate |
|--------------------------|------------------------|-----------------|--------------|-----------------|---------------|-------------|
| Interest rate cap | \$600.0 | August 12, 2011 | NA | August 12, 2014 | 3-month LIBOR | 2.75% |

Hedges of Foreign Currency Risk

We are exposed to fluctuations in various foreign currencies against our functional currency, the U.S. dollar. We use foreign currency forward agreements to manage this exposure. We currently have outstanding foreign currency forward contracts that qualify as cash flow hedges intended to offset the effect of exchange rate fluctuations on forecasted sales and certain manufacturing costs. We also have outstanding foreign currency forward contracts which are intended to preserve the economic value of foreign currency denominated monetary assets and liabilities. These instruments are not designated for hedge accounting treatment in accordance with ASC 815.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in Accumulated other comprehensive loss and is subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. The ineffective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized directly in earnings. For the three and nine months ended September 30, 2013 and September 30, 2012, the ineffective portion recognized directly in earnings was not material and no amounts were excluded from the assessment of effectiveness. As of September 30, 2013, we estimate that \$5.4 million in net losses will be reclassified from Accumulated other comprehensive loss to earnings during the twelve months ending September 30, 2014.

Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings as a component of Other, net.

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As of September 30, 2013, we had the following outstanding foreign currency forward contracts:

| Notional (in millions) | Effective Date | Maturity Date | Index | Weighted- Average Strike Rate | Hedge Designation |
|---------------------------|---|---|--|-------------------------------------|----------------------|
| 181.6 EUR | Various from September 2012 to September 2013 | Various from November 2013 to December 2014 | Euro to U.S. Dollar Exchange Rate | 1.31 USD | Designated |
| 52.8 EUR | Various from September 2012 to September 2013 | October 28, 2013 and October 31, 2013 | Euro to U.S. Dollar Exchange Rate | 1.33 USD | Non-Designated |
| 1,225.4 JPY | Various from January to September 2013 | Various from November 2013 to December 2014 | U.S. Dollar to Japanese Yen Exchange Rate | 96.32 JPY | Designated |
| 628.0 JPY | Various from January to September 2013 | October 31, 2013 | U.S. Dollar to Japanese Yen Exchange Rate | 94.59 JPY | Non-Designated |
| 24,480.0 KRW | January 11, 2013 and September 19, 2013 | Various from November 2013 to December 2014 | U.S. Dollar to Korean Won Exchange Rate | 1,089.56 KRW | Designated |
| 13,820.0 KRW | January 11, 2013 and September 25, 2013 | October 31, 2013 | U.S. Dollar to Korean Won Exchange Rate | 1,079.79 KRW | Non-Designated |
| 28.1 MYR | September 26, 2013 | December 31, 2013 | U.S. Dollar to Malaysian Ringgit Exchange Rate | 3.23 MYR | Non-Designated |
| 596.0 MXN | Various from October 2012 to June 2013 | Various from November 2013 to December 2014 | U.S. Dollar to Mexican Peso Exchange Rate | 13.54 MXN | Designated |
| 73.0 MXN | Various from October 2012 to September 2013 | October 28, 2013 and October 31, 2013 | U.S. Dollar to Mexican Peso Exchange Rate | 13.34 MXN | Non-Designated |

The notional amounts above represent the total quantities we have outstanding over the remaining contracted periods.

Hedges of Commodity Risk

Our objective in using commodity forward contracts is to offset a portion of our exposure to the potential change in prices associated with certain commodities, including silver, gold, nickel, aluminum, copper, platinum, and palladium, used in the manufacturing of our products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. These instruments are not designated for hedge accounting treatment in accordance with ASC 815. Derivatives not designated as hedges are not speculative and are used to manage our exposure to commodity price movements, but do not meet the hedge accounting requirements. In accordance with ASC 815, changes in the fair value of these derivatives are recorded in the condensed consolidated statements of operations as a component of Other, net.

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We had the following outstanding commodity forward contracts, none of which were designated as derivatives in qualifying hedging relationships, as of September 30, 2013:

| Commodity | Notional | Remaining Contracted Periods | Weighted-Average Strike Price Per Unit |
|-----------|--------------------|------------------------------|--|
| Silver | 1,754,236 troy oz. | October 2013 - December 2015 | \$24.81 |
| Gold | 19,556 troy oz. | October 2013 - December 2015 | \$1,461.54 |
| Nickel | 975,560 pounds | October 2013 - December 2015 | \$7.25 |
| Aluminum | 3,950,053 pounds | October 2013 - December 2015 | \$0.92 |
| Copper | 5,286,926 pounds | October 2013 - December 2015 | \$3.39 |
| Platinum | 12,956 troy oz. | October 2013 - December 2015 | \$1,507.41 |
| Palladium | 1,585 troy oz. | October 2013 - December 2015 | \$709.74 |

The notional amounts above represent the total quantities we have outstanding over the remaining contracted periods.

Financial Instrument Presentation

The following table presents the fair values of our derivative financial instruments in the condensed consolidated balance sheets as of September 30, 2013 and December 31, 2012:

| | Asset Derivatives | | Liability Derivatives | | | |
|---|---|----------------------------------|-----------------------|--|----------------------------------|-------------------|
| | Balance Sheet Location | Fair Value September 30, 2013 | December 31, 2012 | Balance Sheet Location | Fair Value September 30, 2013 | December 31, 2012 |
| Derivatives designated as hedging instruments under ASC 815 | | | | | | |
| Interest rate caps | Other assets | \$— | \$ 8 | | \$— | \$ — |
| Foreign currency forward contracts | Prepaid expenses and other current assets | 1,047 | 937 | Accrued expenses and other current liabilities | 6,761 | 3,679 |
| Foreign currency forward contracts | Other assets | 143 | — | Other long term liabilities | 1,306 | 790 |
| Total | | \$1,190 | \$ 945 | | \$8,067 | \$ 4,469 |
| Derivatives not designated as hedging instruments under ASC 815 | | | | | | |
| Commodity forward contracts | Prepaid expenses and other current assets | \$95 | \$ 3,150 | Accrued expenses and other current liabilities | \$7,355 | \$ 263 |
| Commodity forward contracts | Other assets | 428 | — | Other long term liabilities | 2,552 | — |
| Foreign currency forward contracts | Prepaid expenses and other current assets | 389 | 20 | Accrued expenses and other current liabilities | 1,225 | 2,580 |

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| | | | | |
|-------|-------|----------|----------|----------|
| Total | \$912 | \$ 3,170 | \$11,132 | \$ 2,843 |
|-------|-------|----------|----------|----------|

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The following tables present the effect of our derivative financial instruments on the condensed consolidated statements of operations for the three months ended September 30, 2013 and September 30, 2012:

| Derivatives designated as hedging instruments under ASC 815 | Amount of (Loss)/Gain Recognized in Other Comprehensive (Loss)/Income | | Location of Net (Loss)/Gain Reclassified from Accumulated Other Comprehensive Loss into Income | Amount of Net (Loss)/Gain Reclassified from Accumulated Other Comprehensive Loss into Income | |
|---|---|--------------------|--|--|--------------------|
| | September 30, 2013 | September 30, 2012 | | September 30, 2013 | September 30, 2012 |
| Interest rate caps | \$ (2) | \$ (59) | Interest expense | \$ (257) | \$ (108) |
| Foreign currency forward contracts | \$ (10,149) | \$ (2,235) | Net revenue | \$ 93 | \$ (218) |
| Foreign currency forward contracts | \$ (106) | \$ 346 | Cost of revenue | \$ 426 | \$ 225 |

| Derivatives not designated as hedging instruments under ASC 815 | Amount of Gain/(Loss) Recognized in Income on Derivatives | | Location of Gain/(Loss) Recognized in Income on Derivatives |
|---|---|--------------------|---|
| | September 30, 2013 | September 30, 2012 | |
| Commodity forward contracts | \$ 9,791 | \$ 11,529 | Other, net |
| Foreign currency forward contracts | \$ (3,671) | \$ (472) | Other, net |
| Interest rate caps | \$ (2) | \$ — | Other, net |

The following tables present the effect of our derivative financial instruments on the condensed consolidated statements of operations for the nine months ended September 30, 2013 and September 30, 2012:

| Derivatives designated as hedging instruments under ASC 815 | Amount of (Loss)/Gain Recognized in Other Comprehensive (Loss)/Income | | Location of Net (Loss)/Gain Reclassified from Accumulated Other Comprehensive Loss into Income | Amount of Net (Loss)/Gain Reclassified from Accumulated Other Comprehensive Loss into Income | |
|---|---|--------------------|--|--|--------------------|
| | September 30, 2013 | September 30, 2012 | | September 30, 2013 | September 30, 2012 |
| Interest rate caps | \$ (6) | \$ (701) | Interest expense | \$ (772) | \$ (490) |
| Interest rate caps ⁽¹⁾ | \$ — | \$ — | Other, net | \$ (1,097) | \$ — |
| Foreign currency forward contracts | \$ (3,026) | \$ (2,227) | Net revenue | \$ (195) | \$ (218) |
| Foreign currency forward contracts | \$ 1,075 | \$ 974 | Cost of revenue | \$ 1,491 | \$ 225 |

⁽¹⁾ As discussed in Note 6, "Debt," in April 2013 we completed the issuance and sale of the 4.875% Senior Notes. The proceeds from this issuance and sale, along with cash on hand, were used to, among other things, repay \$700.0 million of the Term Loan Facility. As a result of this repayment, it was probable that a portion of the hedged forecasted transactions associated with our interest rate caps would not occur. Accordingly, we reclassified \$1.1 million from

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Accumulated other comprehensive loss to Other, net, in the nine months ended September 30, 2013.

| Derivatives not designated as hedging instruments under ASC 815 | Amount of (Loss)/Gain Recognized in Income on Derivatives | | Location of (Loss)/Gain Recognized in Income on Derivatives |
|--|---|-----------------------|--|
| | September 30, 2013 | September 30, 2012 | |
| Commodity forward contracts | \$(16,401 |) \$6,341 | Other, net |
| Foreign currency forward contracts | \$(1,718 |) \$1,104 | Other, net |
| Interest rate caps | \$(2 |) \$— | Other, net |

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Credit Risk Related Contingent Features

We have agreements with certain of our derivative counterparties that contain a provision whereby if we default on our indebtedness, where repayment of the indebtedness has been accelerated by the lender, then we could also be declared in default on our derivative obligations.

As of September 30, 2013, the termination value of outstanding derivatives in a liability position, excluding any adjustment for non-performance risk, was \$19.9 million. As of September 30, 2013, we have posted \$0.9 million in cash collateral related to these agreements. If we breach any of the default provisions on any of our indebtedness, as described above, we could be required to settle our obligations under the derivative agreements at their termination values.

13. Other, Net

Other, net consisted of the following for the three and nine months ended September 30, 2013 and September 30, 2012:

| | For the three months ended | | For the nine months ended | |
|---|----------------------------|---------------|---------------------------|---------------|
| | September 30, | September 30, | September 30, | September 30, |
| | 2013 | 2012 | 2013 | 2012 |
| Currency remeasurement gain/(loss) on debt | \$169 | \$(461) | \$354 | \$(382) |
| Currency remeasurement gain/(loss) on net monetary assets | 2,948 | 89 | 406 | (2,790) |
| Gain/(loss) on commodity forward contracts | 9,791 | 11,529 | (16,401) | 6,341 |
| (Loss)/gain on foreign currency forward contracts | (3,671) | (472) | (1,718) | 1,104 |
| Loss on debt refinancing | — | — | (7,111) | — |
| Loss on interest rate cap | — | — | (1,097) | — |
| Other | 153 | 142 | 156 | (34) |
| Total Other, net | \$9,390 | \$10,827 | \$(25,411) | \$4,239 |

14. Segment Reporting

We organize our business into two reportable segments, sensors and controls, based on differences in products included in each segment. These reportable segments are consistent with how management views the markets served by us and the financial information that is reviewed by our chief operating decision maker. Our operating segments, sensors and controls, which each comprise one of our reportable segments, are businesses that we manage as components of an enterprise, for which separate information is available and is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and assess performance.

An operating segment's performance is primarily evaluated based on segment operating income, which excludes share-based compensation expense, restructuring and special charges, and certain corporate costs not associated with the operations of the segment, including amortization expense and a portion of depreciation expense associated with assets recorded in connection with acquisitions. In addition, an operating segment's performance excludes results from discontinued operations, if any. Corporate costs excluded from an operating segment's performance are separately stated below and also include costs that are related to functional areas such as finance, information technology, legal, and human resources. We believe that segment operating income, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, this measure should be considered in addition to, and not as a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with U.S. GAAP. The accounting policies of each of the two reporting segments are the same as those in the summary of significant accounting policies as described in Note 2, "Significant Accounting Policies," included in our Annual Report on Form 10-K for the year ended December 31, 2012.

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The following table presents net revenue and operating income for the reported segments and other operating results not allocated to the reported segments for the three and nine months ended September 30, 2013 and September 30, 2012:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|--|---|-----------------------|--|-----------------------|
| | 2013 | September 30, 2012 | 2013 | September 30, 2012 |
| Net revenue: | | | | |
| Sensors | \$358,159 | \$339,845 | \$1,052,124 | \$1,059,533 |
| Controls | 140,727 | 132,084 | 423,593 | 409,021 |
| Total net revenue | \$498,886 | \$471,929 | \$1,475,717 | \$1,468,554 |
| Segment operating income (as defined above): | | | | |
| Sensors | \$109,918 | \$94,843 | \$311,948 | \$293,639 |
| Controls | 41,638 | 39,623 | 130,708 | 129,410 |
| Total segment operating income | 151,556 | 134,466 | 442,656 | 423,049 |
| Corporate and other | (17,275) | (20,656) | (71,924) | (63,884) |
| Amortization of intangible assets | (33,670) | (36,082) | (100,706) | (108,407) |
| Restructuring and special charges | (512) | (6,487) | (4,538) | (14,937) |
| Profit from operations | 100,099 | 71,241 | 265,488 | 235,821 |
| Interest expense | (23,476) | (24,967) | (71,573) | (75,110) |
| Interest income | 232 | 243 | 780 | 669 |
| Other, net | 9,390 | 10,827 | (25,411) | 4,239 |
| Income before taxes | \$86,245 | \$57,344 | \$169,284 | \$165,619 |

15. Net Income per Share

Basic and diluted net income per share are calculated by dividing net income by the number of basic and diluted weighted-average ordinary shares outstanding during the period. For the three and nine months ended September 30, 2013 and September 30, 2012, the weighted-average shares outstanding for basic and diluted net income per share were as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|--|---|-----------------------|--|-----------------------|
| | 2013 | September 30, 2012 | 2013 | September 30, 2012 |
| Basic weighted-average ordinary shares outstanding | 175,941 | 177,761 | 176,362 | 177,328 |
| Dilutive effect of stock options | 2,559 | 3,766 | 2,993 | 4,151 |
| Dilutive effect of unvested restricted securities | 129 | 127 | 164 | 168 |
| Diluted weighted-average ordinary shares outstanding | 178,629 | 181,654 | 179,519 | 181,647 |

Net income and net income per share are presented in the condensed consolidated statements of operations. For the three and nine months ended September 30, 2013 and September 30, 2012, certain potential ordinary shares were excluded from our calculation of diluted weighted-average shares outstanding because they would have had an anti-dilutive effect on net income per share, or because they related to share-based awards associated with restricted securities that were contingently issuable, for which the contingency had not been satisfied.

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|-------------------------------|---|-----------------------|--|-----------------------|
| | 2013 | September 30, 2012 | 2013 | September 30, 2012 |
| Anti-dilutive shares excluded | 1,669 | 1,782 | 1,709 | 1,449 |

| | | | | |
|---------------------------------------|-----|-----|-----|-----|
| Contingently issuable shares excluded | 524 | 434 | 466 | 360 |
|---------------------------------------|-----|-----|-----|-----|

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16. Subsequent Events

In October 2012, our Board of Directors authorized a \$250.0 million share buyback program. Since the share buyback program was authorized, we have repurchased 4.4 million ordinary shares under this program for an aggregate purchase price of approximately \$141.3 million. On October 28, 2013, the Board of Directors amended the terms of the share buyback program, and reset the amount available for share repurchases to \$250.0 million. Under the amended program, we may repurchase ordinary shares from time to time, at such times and in amounts to be determined by management, based on market conditions, legal requirements and other corporate considerations, in the open market or in privately negotiated transactions. We expect that any repurchase of shares will be funded by cash from operations.

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CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains forward-looking statements within the meaning of the federal securities laws. These statements relate to analyses and other information, which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments, and business strategies.

These forward looking statements are identified by the use of terms and phrases such as “anticipate,” “believe,” “could,” “should,” “estimate,” “expect,” “intend,” “may,” “will,” “plan,” “predict,” “project,” and similar terms and phrases, or the negative of such terms and phrases, including references to assumptions. However, these words are not the exclusive means of identifying such statements. These statements are contained in many sections of this report, including “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Although we believe that our plans, intentions, and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we cannot assure you that we will achieve those plans, intentions, or expectations.

We believe that the following factors, among others (including those described in our Annual Report on Form 10-K for the year ended December 31, 2012 and those described in Part II, Item 1A of this Quarterly Report on Form 10-Q), could affect our future performance and the liquidity and value of our securities and cause our actual results to differ materially from those expressed or implied by forward-looking statements made by us or on our behalf: general conditions in the automotive industry; continued fundamental changes in the industries in which we operate; risks associated with our non-U.S. operations; continued pricing and other pressures from our customers; our ability to attract and retain key personnel; our ability to maintain existing relationships with customers and our exposure to industry and customer-specific demand fluctuations; and competitive pressures in the markets in which we compete, which could require us to lower our prices or result in reduced demand for our products.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. Our actual results, performance, or achievements could differ materially from those expressed in, or implied by, the forward-looking statements. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. You should carefully read the factors described in the “Risk Factors” section of this report and in our Annual Report on Form 10-K for the year ended December 31, 2012 for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement, and we undertake no obligation to revise or update this Quarterly Report on Form 10-Q to reflect events or circumstances after the date hereof.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC in February 2013, and the unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Results of Operations

The tables below present our results of operations in millions of dollars and as a percentage of net revenue for the three and nine months ended September 30, 2013 compared to the three and nine months ended September 30, 2012. We have derived the results of operations from the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Amounts and percentages have been calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effect of rounding.

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

| (Dollars in millions) | For the three months ended September 30, 2013 | | September 30, 2012 | | |
|-------------------------------------|--|---------------------------|--------------------|---------------------------|---|
| | Amount | Percent of Net Revenue | Amount | Percent of Net Revenue | |
| Net revenue: | | | | | |
| Sensors | \$358.2 | 71.8 | % \$339.8 | 72.0 | % |
| Controls | 140.7 | 28.2 | 132.1 | 28.0 | |
| Net revenue | 498.9 | 100.0 | 471.9 | 100.0 | |
| Operating costs and expenses: | | | | | |
| Cost of revenue | 309.1 | 62.0 | 308.6 | 65.4 | |
| Research and development | 15.2 | 3.0 | 13.4 | 2.8 | |
| Selling, general and administrative | 40.4 | 8.1 | 36.1 | 7.6 | |
| Amortization of intangible assets | 33.7 | 6.7 | 36.1 | 7.6 | |
| Restructuring and special charges | 0.5 | 0.1 | 6.5 | 1.4 | |
| Total operating costs and expenses | 398.8 | 79.9 | 400.7 | 84.9 | |
| Profit from operations | 100.1 | 20.1 | 71.2 | 15.1 | |
| Interest expense, net | (23.2 |) (4.7 |) (24.7 |) (5.2 |) |
| Other, net | 9.4 | 1.9 | 10.8 | 2.3 | |
| Income before taxes | 86.2 | 17.3 | 57.3 | 12.2 | |
| Provision for income taxes | 20.2 | 4.1 | 15.8 | 3.4 | |
| Net income | \$66.0 | 13.2 | % \$41.5 | 8.8 | % |

Net revenue. Net revenue for the three months ended September 30, 2013 increased \$27.0 million, or 5.7%, to \$498.9 million from \$471.9 million for the three months ended September 30, 2012. The increase in net revenue was composed of a 5.4% increase in sensors and a 6.5% increase in controls.

Sensors net revenue for the three months ended September 30, 2013 increased \$18.3 million, or 5.4%, to \$358.2 million from \$339.8 million for the three months ended September 30, 2012, largely due to growth in organic revenue (defined as sales excluding the impact of acquisitions and the effect of foreign currency exchange), particularly within the heavy vehicle and off-road ("HVOR") end market.

Controls net revenue for the three months ended September 30, 2013 increased \$8.6 million, or 6.5%, to \$140.7 million from \$132.1 million for the three months ended September 30, 2012. Net revenue for controls increased 5% due to the effect of an acquisition completed in the fourth quarter of 2012 and 2% due to organic revenue growth, partially offset by a decrease of 1% related to the effect of unfavorable foreign currency exchange rates, primarily the U.S. Dollar to Japanese Yen.

Cost of revenue. Cost of revenue for the three months ended September 30, 2013 and September 30, 2012 was \$309.1 million (62.0% of net revenue) and \$308.6 million (65.4% of net revenue), respectively. Cost of revenue decreased as a percentage of

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net revenue largely due to \$5.0 million of insurance proceeds recognized, as well as cost reduction initiatives, favorable trends in metal pricing, notably gold and silver, and a reduction in costs associated with integration activities, primarily related to the Magnetic Speed and Position ("MSP") acquisition.

Research and development expense. Research and development ("R&D") expense for the three months ended September 30, 2013 and September 30, 2012 was \$15.2 million (3.0% of net revenue) and \$13.4 million (2.8% of net revenue), respectively. R&D expense consists of costs related to direct product design, development, and process engineering. The level of R&D expense is related to the number of products in development, the stage of development process, the complexity of the underlying technology, the potential scale of the product upon successful commercialization, and the level of our exploratory research. These factors may impact our level of R&D expense in the future.

Selling, general and administrative expense. Selling, general and administrative ("SG&A") expense for the three months ended September 30, 2013 and September 30, 2012 was \$40.4 million (8.1% of net revenue) and \$36.1 million (7.6% of net revenue), respectively. SG&A expense consists of all expenditures incurred in connection with the sales and marketing of our products, as well as administrative overhead costs. These costs may be fixed or variable in nature, and we may at times experience increased or decreased variable costs for reasons other than increased or decreased net revenue. As a result, SG&A expense will not necessarily remain consistent as a percentage of net revenue. During the three months ended September 30, 2013, SG&A expense increased as a percentage of net revenue primarily due to increased compensation related to non-production headcount compared to the third quarter of 2012.

Amortization of intangible assets. Amortization expense associated with definite-lived intangible assets for the three months ended September 30, 2013 and September 30, 2012 was \$33.7 million and \$36.1 million, respectively.

Amortization expense decreased primarily due to the completion of amortization during the first quarter of 2013 of certain intangible assets initially recognized upon the acquisition of the Sensors and Controls business in 2006.

Restructuring and special charges. Restructuring and special charges for the three months ended September 30, 2013 and September 30, 2012 were \$0.5 million and \$6.5 million, respectively. Restructuring and special charges decreased from the prior period as we have completed the actions attributable to the execution of the MSP Plan and are approaching the completion of the actions attributable to the execution of the 2011 Plan. In addition, in the three months ended September 30, 2012, we incurred \$2.9 million in special charges associated with the fire at our South Korean facility. We expect the actions related to the 2011 Plan will be completed in the fourth quarter of 2013. These actions and events are discussed further in Note 5, "Restructuring and Special Charges," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Interest expense, net. Interest expense, net for the three months ended September 30, 2013 and September 30, 2012 was \$23.2 million and \$24.7 million, respectively. Interest expense, net for the three months ended September 30, 2013 decreased primarily due to the net repayment of \$200.0 million on our long term debt in the second quarter of 2013.

Other, net. Other, net for the three months ended September 30, 2013 and September 30, 2012 was \$9.4 million and \$10.8 million, respectively. The change was primarily due to lower gains on commodity forward contracts. See Note 13, "Other, Net," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details of the gains and losses included within this account.

Provision for income taxes. Provision for income taxes for the three months ended September 30, 2013 and September 30, 2012 totaled \$20.2 million and \$15.8 million, respectively. Our tax provision consists of current tax expense, which relates primarily to our profitable operations in non-US tax jurisdictions, and deferred tax expense, which relates primarily to the amortization of tax deductible goodwill and the use of net operating losses. The increase in the provision was primarily due to the change in the distribution of income recorded in profitable jurisdictions, changes in the applicable tax rates and the impact of changes in foreign currency exchange rates.

Deferred taxes, in part, involve accounting for differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. The future related consequences of these differences result in deferred tax assets and liabilities. We assess the recoverability of deferred tax assets by assessing whether it is more likely than not that some or all of the deferred tax asset will be realized. To the extent we believe that a more likely than not standard cannot be met, we record a valuation allowance. Significant management judgment is required in

determining the need for a valuation allowance against deferred tax assets. We review the need for valuation allowances jurisdictionally during each reporting period based on information available to us at that time. We have significant valuation allowances in certain jurisdictions where our businesses have historically incurred operating losses. Should our judgment change about the need for a valuation allowance, it may result in the recognition of a valuation allowance or the reduction of some or all of the previously recognized valuation allowances, possibly resulting in a material tax provision or benefit in the period of such change.

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We believe a change of ownership within the meaning of Section 382 of the Internal Revenue Code occurred in fiscal year 2012. As a result, our U.S. federal net operating loss utilization will be limited to an amount equal to the market capitalization of our U.S. subsidiaries at the time of the ownership change multiplied by the federal long-term tax exempt rate. A change of ownership under Section 382 of the Internal Revenue Code is defined as a cumulative change of fifty percentage points or more in the ownership positions of certain stockholders owning five percent or more of our common stock over a three year rolling period. We do not believe the resulting change will prohibit the utilization of our U.S. federal net operating loss.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

| (Dollars in millions) | For the nine months ended | | September 30, 2012 | |
|-------------------------------------|---------------------------|--------------------|--------------------|------------------------|
| | September 30, 2013 | September 30, 2012 | Amount | Percent of Net Revenue |
| Net revenue: | | | | |
| Sensors | \$1,052.1 | 71.3 | % \$1,059.5 | 72.1 |
| Controls | 423.6 | 28.7 | 409.0 | 27.9 |
| Net revenue | 1,475.7 | 100.0 | 1,468.6 | 100.0 |
| Operating costs and expenses: | | | | |
| Cost of revenue | 940.4 | 63.7 | 960.0 | 65.4 |
| Research and development | 43.1 | 2.9 | 39.1 | 2.7 |
| Selling, general and administrative | 121.4 | 8.2 | 110.2 | 7.5 |
| Amortization of intangible assets | 100.7 | 6.8 | 108.4 | 7.4 |
| Restructuring and special charges | 4.5 | 0.3 | 14.9 | 1.0 |
| Total operating costs and expenses | 1,210.2 | 82.0 | 1,232.7 | 83.9 |
| Profit from operations | 265.5 | 18.0 | 235.8 | 16.1 |
| Interest expense, net | (70.8) | (4.8) | (74.4) | (5.1) |
| Other, net | (25.4) | (1.7) | 4.2 | 0.3 |
| Income before taxes | 169.3 | 11.5 | 165.6 | 11.3 |
| Provision for income taxes | 48.2 | 3.3 | 59.1 | 4.0 |
| Net income | \$121.1 | 8.2 | % \$106.5 | 7.3 |

Net revenue. Net revenue for the nine months ended September 30, 2013 increased \$7.2 million, or 0.5%, to \$1,475.7 million from \$1,468.6 million for the nine months ended September 30, 2012. The increase in net revenue was composed of a 0.7% decrease in sensors and a 3.6% increase in controls.

Sensors net revenue for the nine months ended September 30, 2013 decreased \$7.4 million, or 0.7%, to \$1,052.1 million from \$1,059.5 million for the nine months ended September 30, 2012, primarily due to organic revenue. Controls net revenue for the nine months ended September 30, 2013 increased \$14.6 million, or 3.6%, to \$423.6 million from \$409.0 million for the nine months ended September 30, 2012, primarily due to the effect of an acquisition completed in the fourth quarter of 2012.

Cost of revenue. Cost of revenue for the nine months ended September 30, 2013 and September 30, 2012 was \$940.4 million (63.7% of net revenue) and \$960.0 million (65.4% of net revenue), respectively. Cost of revenue decreased as a percentage of net revenue primarily due to cost reduction initiatives and favorable trends in metal pricing, notably gold and silver. In addition, during the nine months ended September 30, 2013, we recognized \$6.7 million of insurance proceeds in cost of revenue.

Research and development expense. R&D expense for the nine months ended September 30, 2013 and September 30, 2012 was \$43.1 million (2.9% of net revenue) and \$39.1 million (2.7% of net revenue), respectively.

Selling, general and administrative expense. SG&A expense for the nine months ended September 30, 2013 and September 30, 2012 was \$121.4 million (8.2% of net revenue) and \$110.2 million (7.5% of net revenue), respectively. During the nine months ended September 30, 2013, SG&A expense increased as a percentage of net revenue primarily due to increased compensation related to non-production headcount.

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Amortization of intangible assets. Amortization expense associated with definite-lived intangible assets for the nine months ended September 30, 2013 and September 30, 2012 was \$100.7 million and \$108.4 million, respectively. Amortization expense decreased primarily due to the completion of amortization during the first quarter of 2013 of certain intangible assets initially recognized upon the acquisition of the Sensors and Controls business in 2006. Restructuring and special charges. Restructuring and special charges for the nine months ended September 30, 2013 and September 30, 2012 were \$4.5 million and \$14.9 million, respectively. Restructuring and special charges decreased from the prior period as we have completed the actions attributable to the execution of the MSP Plan and are approaching the completion of actions attributable to the execution of the 2011 Plan. In addition, in the nine months ended September 30, 2012, we incurred \$2.9 million in special charges associated with the fire at our South Korean facility. We expect the actions related to the 2011 Plan will be completed in the fourth quarter of 2013. These actions and events are discussed in further detail in Note 5, "Restructuring and Special Charges," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Interest expense, net. Interest expense, net for the nine months ended September 30, 2013 and September 30, 2012 was \$70.8 million and \$74.4 million, respectively. Interest expense, net for the nine months ended September 30, 2013 decreased primarily due to the net repayment of \$200.0 million on our long-term debt in the second quarter of 2013.

Other, net. Other, net for the nine months ended September 30, 2013 and September 30, 2012 was \$(25.4) million and \$4.2 million, respectively. The loss recognized in the nine months ended September 30, 2013 was primarily due to losses on commodity forward contracts and losses related to the refinancing of our debt. This compares to the gain recognized in the nine months ended September 30, 2012 which primarily related to gains on commodity forward contracts. See Note 13, "Other, Net," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details of the gains and losses included within this account.

Provision for income taxes. Provision for income taxes for the nine months ended September 30, 2013 and September 30, 2012 totaled \$48.2 million and \$59.1 million, respectively. Our tax provision consists of current tax expense, which relates primarily to our profitable operations in non-US tax jurisdictions, and deferred tax expense, which relates primarily to the amortization of tax deductible goodwill and the use of net operating losses. The decrease in the provision was primarily due to the change in the distribution of income recorded in profitable jurisdictions, changes in the applicable tax rates and the impact of changes in foreign currency exchange rates.

Liquidity and Capital Resources

We held cash and cash equivalents of \$348.2 million and \$413.5 million at September 30, 2013 and December 31, 2012, respectively, of which \$105.8 million and \$259.1 million, respectively, was held in the Netherlands, \$128.7 million and \$77.2 million, respectively, was held by U.S. subsidiaries, and \$113.7 million and \$77.2 million, respectively, was held by other foreign subsidiaries. The amount of cash and cash equivalents held in the Netherlands and in our U.S. and other foreign subsidiaries fluctuates throughout the year due to a variety of factors, including timing of cash receipts and disbursements in the normal course of business.

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Cash Flows:

The table below summarizes our primary sources and uses of cash for the nine months ended September 30, 2013 and September 30, 2012. We have derived the summarized statements of cash flows for the nine months ended September 30, 2013 and September 30, 2012 from the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Amounts in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effect of rounding.

| (Dollars in millions) | For the nine months ended | |
|---|---------------------------|-----------------------|
| | September 30, 2013 | September 30, 2012 |
| Net cash provided by/(used in): | | |
| Operating activities: | | |
| Net income adjusted for non-cash items | \$310.0 | \$297.2 |
| Changes in operating assets and liabilities | (1.2 |) (12.6 |
| Operating activities | 308.8 | 284.7 |
| Investing activities | (49.2 |) (31.3 |
| Financing activities | (324.9 |) 2.6 |
| Net change | \$(65.3 |) \$256.0 |

Operating activities. Net cash provided by operating activities for the nine months ended September 30, 2013 and September 30, 2012 was \$308.8 million and \$284.7 million, respectively. The increase in net cash provided by operating activities was primarily due to increased profitability and timing of customer receipts and supplier payments, partially offset by an increase of \$5.5 million in cash contributions to our defined benefit and retiree healthcare plans during the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012.

Investing activities. Net cash used in investing activities for the nine months ended September 30, 2013 and September 30, 2012 was \$49.2 million and \$31.3 million, respectively, which consisted primarily of \$55.5 million and \$36.6 million, respectively, in capital expenditures. Capital expenditures primarily relate to investments associated with increasing our manufacturing capacity. In 2013, we anticipate capital expenditures of approximately \$75 million to \$85 million, which we plan to fund with cash flows from operations.

During the nine months ended September 30, 2013, we received \$9.3 million of insurance proceeds, associated with the fire at our South Korean facility in September 2012, of which \$6.4 million are classified as cash flows from investing activities as they related to the replacement of manufacturing equipment damaged as a result of the fire. We expect to be reimbursed for further amounts in future periods, a portion of which may be included within cash flows from investing activities.

Financing activities. Net cash (used in)/provided by financing activities for the nine months ended September 30, 2013 and September 30, 2012 was \$(324.9) million and \$2.6 million, respectively. Net cash used in financing activities for the nine months ended September 30, 2013 primarily related to the net cash paid as a result of the refinancing of a portion of our existing \$1,100.0 million term loan (the "Term Loan Facility") and cash paid to repurchase ordinary shares. See *Indebtedness and Liquidity* for further discussion of the issuance and sale of the 4.875% Senior Notes and the partial repayment of the Term Loan Facility. The payments to repurchase ordinary shares are associated with the \$250.0 million share buyback program discussed further in *Capital Resources*, under which, as of September 30, 2013, there is approximately \$108.7 million remaining.

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Indebtedness and Liquidity:

Our liquidity requirements are significant due to our highly leveraged nature. As of September 30, 2013, we had \$1,628.1 million in gross outstanding indebtedness, including our outstanding capital lease and other financing obligations.

A summary of our indebtedness as of September 30, 2013 is as follows:

| | | |
|---|-----------------------|---|
| | September 30, 2013 | |
| Term Loan Facility | \$375,250 | |
| 6.5% Senior Notes | 700,000 | |
| 4.875% Senior Notes | 500,000 | |
| Less: discount | (2,415 |) |
| Less: current portion | (11,000 |) |
| Long-term debt, net of discount, less current portion | \$1,561,835 | |
| Capital lease and other financing obligations | \$52,825 | |
| Less: current portion | (3,078 |) |
| Capital lease and other financing obligations, less current portion | \$49,747 | |

There were no borrowings outstanding on the Revolving Credit Facility as of September 30, 2013.

As of September 30, 2013, there was \$245.0 million of availability under the Revolving Credit Facility (net of \$5.0 million in letters of credit). Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of September 30, 2013, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates through 2014.

On April 17, 2013, we completed the issuance and sale of the 4.875% Senior Notes. We used the proceeds from the issuance and sale of the 4.875% Senior Notes, together with cash on hand, to (1) repay \$700.0 million of the Term Loan Facility, (2) pay all accrued interest on such indebtedness, and (3) pay all fees and expenses in connection with the sale of the 4.875% Senior Notes. The agreements governing the 4.875% Senior Notes contain restrictive covenants and place limitations on us and certain of our subsidiaries. Restrictions on our indebtedness and liquidity related to the 4.875% Senior Notes are described in Note 6, "Debt" of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

See Note 8, "Debt" of our Annual Report on Form 10-K for the year ended December 31, 2012 for a detailed discussion of the restrictions related to the 6.5% Senior Notes and the Senior Secured Credit Facilities, the credit agreement under which the Senior Secured Credit Facilities were issued and the indenture related to the 6.5% Senior Notes.

Capital Resources

Our sources of liquidity include cash on hand, cash flows from operations, and amounts available under the Revolving Credit Facility. We believe, based on our current level of operations as reflected in our results of operations for the three and nine months ended September 30, 2013, that these sources of liquidity will be sufficient to fund our operations, capital expenditures, ordinary share repurchases, and debt service for at least the next twelve months.

Our ability to raise additional financing and our borrowing costs may be impacted by short-term and long-term debt ratings assigned by independent rating agencies, which are based, in part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of October 25, 2013, Moody's Investors Service's corporate credit rating for Sensata Technologies B.V. was Ba3 with a positive outlook and Standard & Poor's corporate credit rating for Sensata Technologies B.V. was BB with a stable outlook.

We cannot make assurances that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under our Revolving Credit Facility in an amount sufficient to enable us to pay our indebtedness, including the 6.5% Senior Notes and the 4.875% Senior Notes, or to fund our other liquidity needs.

Further, our highly leveraged nature may limit our ability to procure additional financing in the future.

In October 2012, we announced that our Board of Directors approved a \$250.0 million share buyback program. Execution of share repurchases under this program are to be funded from available cash and cash flows from operations. During the nine

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months ended September 30, 2013, we used \$126.2 million of cash for the repurchase of approximately 3.9 million shares under this program.

As discussed in Note 8, "Debt" of our Annual Report on Form 10-K for the year ended December 31, 2012, the credit agreement and indenture under which the Senior Secured Credit Facilities and the 6.5% Senior Notes, respectively, were issued contain covenants that limit the ability of Sensata Technologies B.V. and certain of its subsidiaries to, among other things, incur subsequent indebtedness, sell assets, make capital expenditures, pay dividends, and make other restricted payments. These covenants, which are subject to important exceptions and qualifications set forth in the credit agreement and indenture, were taken into consideration in establishing our share buyback program. We do not believe that the covenants described above, or the covenants related to the 4.875% Senior Notes described in Note 6, "Debt," included within this Quarterly Report on Form 10-Q, will prevent us from funding share repurchases under our existing buyback program with available cash and cash flows from operations. As of September 30, 2013, we were in compliance with all the covenants and default provisions under our credit arrangements.

New Accounting Standards

In February 2013, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2013-02, Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). ASU 2013-02 requires an entity to provide information about amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the financial statements or in a single note, any significant amount reclassified out of accumulated other comprehensive income in its entirety in the period, and the income statement line item affected by the reclassification. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 is effective for interim and annual periods beginning after December 15, 2012. We adopted this guidance as of January 1, 2013, as required. The adoption of ASU 2013-02 impacted disclosure only and did not have any impact on our financial position or results of operations.

In February 2013, the FASB issued ASU 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date ("ASU 2013-04"). This guidance changes how an entity measures obligations resulting from joint and several liability arrangements by requiring that when measuring the obligation, an entity will include the amount the entity agreed to pay for the arrangement between the entity and other entities that are also obligated to the liability, and any additional amount the entity expects to pay on behalf of the other entities. ASU 2013-04 also requires additional disclosures surrounding such obligations. ASU 2013-04 is effective for interim and annual reporting periods beginning after December 15, 2013, and is to be applied retrospectively. We expect to adopt this guidance in the first quarter of 2014. This guidance is not expected to have a material impact on our financial position or results of operations, but will require additional disclosures.

Critical Accounting Policies and Estimates

For a discussion of the critical accounting policies that require the use of significant judgments and estimates by management, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" included in the Annual Report on Form 10-K for the year ended December 31, 2012.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant changes to our market risk since December 31, 2012. For a discussion of market risk affecting us, refer to Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk,” included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures.

The required certifications of our Chief Executive Officer and Chief Financial Officer, as well as one from our Chief Accounting Officer, are included as exhibits to this Quarterly Report on Form 10-Q. The disclosures set forth in this Item 4 contain information concerning the evaluation of our disclosure controls and procedures, management’s report on internal control over financial reporting, and change in internal control over financial reporting referred to in those certifications. Those certifications should be read in conjunction with this Item 4 for a more complete understanding of the matters covered by the certifications.

Evaluation of disclosure controls and procedures

With the participation of our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, we have evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2013. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2013, our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

There are inherent limitations to the effectiveness of any system of internal control over financial reporting. Accordingly, even an effective system of internal control over financial reporting can only provide reasonable assurance with respect to financial statement preparation and presentation in accordance with U.S. generally accepted accounting principles. Our internal controls over financial reporting are subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Information regarding legal proceedings is discussed in Part I, Item 3—“Legal Proceedings,” in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 1A. Risk Factors.

Information regarding risk factors appears in Part I, Item 1A—“Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2012. The information presented below updates and should be read in connection with the risk factors and information previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

Export of our products are subject to various export control regulations and may require a license from either the U.S. Department of State, the U.S. Department of Commerce, or the U.S. Department of the Treasury.

We must comply with the United States Export Administration Regulations, International Traffic in Arms Regulation (“ITAR”) and the sanctions, regulations, and embargoes administered by the Office of Foreign Assets Control (“OFAC”). Certain of our products that have military applications are on the munitions list of the ITAR and require an individual validated license in order to be exported to certain jurisdictions. Any changes in export regulations may further restrict the export of our products, and we may cease to be able to procure export licenses for our products under existing regulations. For example, recent changes in the OFAC administrated embargo on trade with Iran have eliminated exceptions that may have previously permitted direct or indirect sales to that country. Additionally, an executive order of the President of the United States, effective July 1, 2013, specifically targets the Iranian automotive sector. Should we need an export license, the length of time required by the licensing process can vary, potentially delaying the shipment of products and the recognition of the corresponding revenue. Any restriction on the export of a significant product line or a significant amount of our products could cause a significant reduction in revenue. Violations of these various laws and regulations could expose us to fines or other restrictions on our ability to export products.

We are dependent on our Enterprise Resource Planning (“ERP”) system, and any technology disruption or delay resulting from our upgrade of this ERP system could have a material negative impact on our business.

We are in the process of upgrading our existing Oracle ERP system to a newer version of Oracle. We expect this upgrade to be complete in 2014. Our ability to decrease costs and increase profits, as well as our ability to serve customers most effectively, depends on the reliability of our technology network. We depend on information systems to process and ship customer orders, manage inventory and accounts receivable collections, purchase products, manage payment processes, maintain cost-effective operations, provide superior service to customers, and accumulate financial results. Any disruption to these information systems could adversely impact our ability to serve customers, decrease the volume of our business, and result in increased costs and lower profits. Furthermore, process changes will be required as we continue to use our existing warehousing, delivery, and payroll systems to support operations as we implement the upgraded ERP system. Despite extensive planning, we could experience disruptions in our business operations because of the project's complexity. The potential material adverse consequences could include project and other delays, loss of information, diminished internal and external reporting capabilities, impaired ability to process transactions, harm to our control environment, diminished employee productivity, and unanticipated increases in costs. While we have invested, and will continue to invest, in technology security initiatives and disaster recovery plans, these measures cannot fully insulate us from technology disruption that could result in adverse effects on our operations and profits.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs ⁽¹⁾ | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Programs (in millions) ⁽¹⁾ |
|--|----------------------------------|------------------------------|--|--|
| July 1 through July 31, 2013 | — | \$ — | — | \$109.6 |
| August 1 through August 31, 2013 | — | \$ — | — | \$109.6 |
| September 1 through September 30, 2013 | 25,339 | \$ 36.97 | 25,339 | \$108.7 |
| Total | 25,339 | \$ 36.97 | 25,339 | \$108.7 |

⁽¹⁾ All shares were purchased in open-market transactions under a 10b5-1 plan pursuant to our share repurchase program authorization by our Board of Directors, announced on October 23, 2012, to repurchase \$250.0 million of our ordinary shares. The share repurchase program expires after three years and may be modified or terminated by our Board of Directors at any time.

Item 3. Defaults Upon Senior Securities.

None.

Item 6. Exhibits.

Exhibit No. Description

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Section 1350 Certification of Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer.

101 The following materials from Sensata's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows and (v) Notes to the Condensed Consolidated Financial Statements.

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SIGNATURES

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

Date: October 29, 2013

SENSATA TECHNOLOGIES HOLDING N.V.

/s/ Martha Sullivan
(Martha Sullivan)
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Jeffrey Cote
(Jeffrey Cote)
Executive Vice President, Chief Operating Officer and Interim Chief Financial Officer
(Principal Financial Officer)

/s/ Christine Creighton
(Christine Creighton)
Vice President, Finance and Chief Accounting Officer
(Principal Accounting Officer)