Sensata Technologies Holding N.V.
Form 10-Q
October 26, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

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	31-546-879-555
(Address of Principal Executive Offices, including Zip Code)	(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 ý 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 ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. 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	ý	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 ý

As of October 15, 2012, 177,989,030 ordinary shares were outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial statements.
SENSATA TECHNOLOGIES HOLDING N.V.
Condensed Consolidated Balance Sheets
(Thousands of U.S. dollars, except share and per share amounts)
(unaudited)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$348,164	$92,127
Accounts receivable, net of allowances of $10,994 and $11,329 as of September 30, 2012 and December 31, 2011, respectively	296,416	261,425
Inventories	185,970	197,542
Deferred income tax assets	10,067	9,989
Prepaid expenses and other current assets	37,101	32,083
Total current assets	877,718	593,166
Property, plant and equipment at cost	613,915	593,039
Accumulated depreciation	(283,812)	(254,116)
Property, plant and equipment, net	330,103	338,923
Goodwill	1,752,141	1,746,821
Other intangible assets, net	630,154	737,560
Deferred income tax assets	4,010	4,086
Deferred financing costs	23,311	26,477
Other assets	10,104	9,618
Total assets	$3,627,541	$3,456,651
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt, capital lease and other financing obligations	$13,533	$13,741
Accounts payable	151,702	155,346
Income taxes payable	6,682	6,012
Accrued expenses and other current liabilities	114,680	100,674
Deferred income tax liabilities	3,521	3,479
Total current liabilities	290,118	279,252
Deferred income tax liabilities	304,702	262,091
Pension and post-retirement benefit obligations	22,506	22,287
Capital lease and other financing obligations, less current portion	42,565	43,478
Long-term debt, net of discount, less current portion	1,770,830	1,778,491
Other long-term liabilities	26,640	26,101
Commitments and contingencies		
Total liabilities	2,457,361	2,411,700
Shareholders' equity:		
Ordinary shares, €0.01 nominal value per share, 400,000,000 shares authorized; 178,001,003 and 176,466,849 shares issued as of September 30, 2012 and December 31, 2011, respectively	2,283	2,264
Treasury shares, at cost, 11,973 shares as of September 30, 2012 and December 31, 2011	(136)	(136)

Additional paid-in capital	1,577,043	1,557,211
Accumulated deficit	(384,624)	(491,164)
Accumulated other comprehensive loss	(24,386)	(23,224)
Total shareholders’ equity	1,170,180	1,044,951
Total liabilities and shareholders’ equity	$3,627,541	$3,456,651

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

3

Table of Contents

SENSATA TECHNOLOGIES HOLDING N.V.
Condensed Consolidated Statements of Operations
(Thousands of U.S. dollars, except per share amounts)
(unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net revenue	$471,929	$474,313	$1,468,554	$1,373,580
Operating costs and expenses:				
Cost of revenue	308,639	306,286	960,046	868,280
Research and development	13,395	12,250	39,149	33,094
Selling, general and administrative	36,085	41,286	110,194	129,957
Amortization of intangible assets and capitalized software	36,082	35,986	108,407	104,947
Restructuring and special charges	6,487	1,097	14,937	2,830
Total operating costs and expenses	400,688	396,905	1,232,733	1,139,108
Profit from operations	71,241	77,408	235,821	234,472
Interest expense	(24,967)	(26,402)	(75,110)	(73,885)
Interest income	243	228	669	736
Currency translation gain/(loss) and other, net	10,827	(3,157)	4,239	(118,515)
Income before taxes	57,344	48,077	165,619	42,808
Provision for income taxes	15,838	21,830	59,079	60,713
Net income/(loss)	$41,506	$26,247	$106,540	$(17,905)
Basic net income/(loss) per share:	$0.23	$0.15	$0.60	$(0.10)
Diluted net income/(loss) per share:	$0.23	$0.14	$0.59	$(0.10)

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

Table of Contents

SENSATA TECHNOLOGIES HOLDING N.V.
Condensed Consolidated Statements of Comprehensive Income/(Loss)
(Thousands of U.S. dollars)
(unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net income/(loss)	$41,506	$26,247	$106,540	$(17,905)
Other comprehensive (loss)/income, net of tax:				
Net unrealized loss on derivative instruments designated and qualifying as cash flow hedges	(1,847)	(2,453)	(1,471)	(61)
Defined benefit and retiree healthcare plans	59	217	309	621
Other comprehensive (loss)/income	(1,788)	(2,236)	(1,162)	560
Comprehensive income/(loss)	$39,718	$24,011	$105,378	$(17,345)

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

Table of Contents

SENSATA TECHNOLOGIES HOLDING N.V.
Condensed Consolidated Statements of Cash Flows
(Thousands of U.S. dollars)
(unaudited)

	For the nine months ended September 30, 2012	September 30, 2011
Cash flows from operating activities:		
Net income/(loss)	$106,540	$(17,905)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation	40,792	32,835
Amortization of deferred financing costs and original issue discounts	3,861	5,393
Currency translation loss on debt	382	59,958
Loss on repurchase of debt	—	44,014
Share-based compensation	7,250	7,070
Amortization of inventory step-up to fair value	—	1,725
Amortization of intangible assets and capitalized software	108,407	104,947
Gain on disposition of assets	(3,556)	(62)
Deferred income taxes	42,765	45,568
Other non-cash items	(9,209)	9,872
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(34,077)	(34,648)
Inventories	10,454	(28,380)
Prepaid expenses and other current assets	3,626	(4,889)
Accounts payable and accrued expenses	5,469	14,602
Income taxes payable	670	(1,598)
Other	1,284	(16,146)
Net cash provided by operating activities	284,658	222,356
Cash flows from investing activities:		
Acquisition of High Temperature Sensing, net of cash received	—	(320,512)
Acquisition of Magnetic Speed and Position, net of cash received	—	(137,264)
Additions to property, plant and equipment and capitalized software	(36,576)	(64,037)
Proceeds from sale of assets	5,316	600
Net cash used in investing activities	(31,260)	(521,213)
Cash flows from financing activities:		
Proceeds from exercise of stock options and issuance of ordinary shares	12,601	17,519
Proceeds from Revolving Credit Facility, net	—	35,000
Proceeds from issuance of debt	—	1,794,500
Payments on debt	(9,753)	(1,929,780)
Payments of debt issuance costs	(209)	(34,223)
Net cash provided by/(used in) by financing activities	2,639	(116,984)
Net change in cash and cash equivalents	256,037	(415,841)
Cash and cash equivalents, beginning of period	92,127	493,662
Cash and cash equivalents, end of period	$348,164	$77,821

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

6

Table of Contents

SENSATA TECHNOLOGIES HOLDING N.V.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except share and 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 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.” As of September 30, 2012, Sensata Investment Company SCA (“SCA”) owned approximately 51% of our ordinary shares. The share capital of SCA is owned by entities associated with Bain Capital Partners, LLC (“Bain Capital”), a leading global private investment firm, co-investors (Bain Capital and co-investors are collectively referred to as the “Sponsors”), and certain members of our senior management.

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), 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 and improve 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 (“DC”) to alternating current (“AC”) 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, 2012 are not necessarily indicative of the results to be expected for the full year. 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, 2011.

All intercompany balances and transactions have been eliminated.

All amounts presented, except share and per share amounts, are stated in thousands of U.S. dollars, unless otherwise indicated.

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

Table of Contents

2. New Accounting Standards

In July 2012, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment ("ASU 2012-02"), which provides companies with the option to first assess qualitative factors in determining whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that an indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying value. Previously, companies were required to perform the quantitative impairment test at least annually. As permitted, we adopted this guidance in the third quarter of 2012. The adoption of ASU 2012-02 did not have a material impact on our financial position or results of operations.

3. Inventories

The components of inventories as of September 30, 2012 and December 31, 2011 were as follows:

	September 30, 2012	December 31, 2011
Finished goods	$65,318	$68,884
Work-in-process	39,638	45,420
Raw materials	81,014	83,238
Total	$185,970	$197,542

4. Acquisitions

High-Temperature Sensing

On August 1, 2011, we completed the acquisition of all the outstanding shares of the Sensor-NITE Group Companies (“Sensor-NITE”) for total consideration of $324.0 million. We acquired Sensor-NITE to complement our existing sensors portfolio and to provide a new technology platform in the powertrain and related systems. The companies acquired are being integrated into our sensors segment and the acquisition is referred to as High Temperature Sensing (“HTS”). During the nine months ended September 30, 2012, goodwill increased by $5.3 million due to a change in estimated purchase consideration as a result of working capital negotiations with the sellers and the finalization of the valuation of the assets acquired and liabilities assumed.

The HTS acquisition was structured as a stock purchase of the Sensor-NITE Group Companies in Belgium, Bulgaria, U.S., and China. The following table summarizes the final allocation of purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Accounts and notes receivable	$20,330
Inventories	27,792
Prepaid expenses and other current assets	4,947
Property, plant and equipment	32,440
Other intangible assets	112,275
Goodwill	175,238
Other non-current assets	48
Accounts payable and accrued expenses	(22,887)
Other long term liabilities	(30,263)
Fair value of net assets acquired, excluding cash and cash equivalents	319,920
Cash and cash equivalents	4,080
Fair value of net assets acquired	$324,000

The allocation of purchase price was based on management’s judgments after evaluating several factors, including valuation assessments of tangible and intangible assets and estimates of the fair value of liabilities assumed. The goodwill of $175.2 million represents future economic benefits expected to arise from the extension of completed technology platforms. None of the goodwill recorded is expected to be deductible for tax purposes.

Table of Contents

In connection with the allocation of purchase price to the assets acquired and liabilities assumed, we identified certain intangible assets with determinable lives. The following table presents the acquired intangible assets, their estimated fair values and weighted-average lives.

	Acquisition Date Fair Value	Weighted-Average Lives (years)
Intangible Assets with Determinable Lives:		
Completed technologies	$64,656	14
Customer relationships	43,056	5
Tradenames	4,464	8
Computer software	99	3
	$112,275	10

Pro Forma Results

During 2011, we completed the acquisitions of Magnetic Speed and Position ("MSP") and HTS. Net revenue for HTS and MSP included in our condensed consolidated statements of operations for the three and nine months ended September 30, 2011 was $64,263 and $129,443, respectively. We do not believe the earnings of HTS and MSP, in aggregate, for the three and nine months ended September 30, 2011 were significant to our consolidated earnings. The following table presents the pro forma net revenue and earnings for the following period of the combined entity had we acquired HTS and MSP on January 1, 2010.

	For the nine months ended September 30, 2011	
Pro Forma Net Revenue	$1,483,609	
Pro Forma Net Loss	$(4,468	)

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, move certain manufacturing operations to our low-cost sites, and perform other activities aimed at reducing operating costs. As discussed in Note 16, "Subsequent Events", in October 2012, we expanded our 2011 Plan to include costs associated with ceasing manufacturing in our South Korean facility.

The total expected restructuring costs in connection with the 2011 Plan are estimated to be approximately $48.0 million to $53.0 million, consisting of approximately $24.0 million to $25.0 million in severance costs and the remaining in facility exit and other costs. The expected costs related to actions discussed in Note 16, "Subsequent Events", are included in this estimate. In connection with the 2011 Plan, we have incurred cumulative costs of $26,092 excluding the impact of changes in foreign currency, of which, $14,213 was related to severance costs (including $537 of pension settlement charges), $1,873 was associated with a write-down related to assets in our Cambridge, Maryland facility (including a $630 fair value adjustment recognized in the nine months ended September 30, 2012), and $10,006 was related to facility exit and other costs. We expect the actions will be completed and payments will be made through 2013.

The following table outlines the changes to the restructuring liability for the 2011 Plan since December 31, 2011:

9

Table of Contents

	Severance	Facility Exit and Other Costs	Total
Balance as of December 31, 2011	$6,836	$—	$6,836
Charges	5,625	10,006	15,631
Reversal of charges	(894)	—	(894)
Payments	(2,209)	(8,904)	(11,113)
Impact of changes in foreign currency exchange rates	188	—	188
Balance as of September 30, 2012	$9,546	$1,102	$10,648

MSP Plan

On January 28, 2011, we acquired MSP from Honeywell International Inc. On January 31, 2011, we announced a plan ("MSP Plan") to close certain acquired facilities. Restructuring charges related to these actions consist of severance and facility exit and other costs. The actions are expected to cost approximately $7.2 million. As of September 30, 2012, we have incurred cumulative costs of $5,778, of which $4,504 was related to severance costs and $1,274 was related to facility exit and other costs. We anticipate these actions will be completed and payments will be made through the first quarter of 2013.

The following table outlines the changes to the restructuring liability associated with the MSP Plan since December 31, 2011:

	Severance	Facility Exit and Other Costs	Total
Balance as of December 31, 2011	$2,809	$—	$2,809
Charges	1,397	1,274	2,671
Reversal of charges	(157)	—	(157)
Payments	(943)	(1,274)	(2,217)
Impact of changes in foreign currency exchange rates	1	—	1
Balance as of September 30, 2012	$3,107	$—	$3,107

Summary of Restructuring Programs

The following tables outline amounts recorded within the condensed consolidated statements of operations associated with our restructuring activities, and where these amounts were recognized for the three and nine months ended September 30, 2012 and 2011.

	For the three months ended September 30, 2012				For the three months ended September 30, 2011				
	2011 Plan	MSP Plan	Other	Total	2011 Plan	2008 Plan	MSP Plan	Other	Total
Restructuring and special charges	$3,066	$498	$—	$3,564	$291	$(52)	$826	$32	$1,097
Currency translation gain/(loss) and other, net	4,765	(3)	1	4,763	(3)	(19)	(33)	—	(55)
Total	$7,831	$495	$1	$8,327	$288	$(71)	$793	$32	$1,042

Table of Contents

	For the nine months ended September 30, 2012				For the nine months ended September 30, 2011				
	2011 Plan	MSP Plan	Other	Total	2011 Plan	2008 Plan	MSP Plan	Other	Total
Restructuring and special charges	$9,534	$2,514	$(34)	$12,014	$291	$(61)	$2,738	$(138)	$2,830
Currency translation gain/(loss) and other, net	4,761	1	3	4,765	(3)	(11)	(29)	11	(32)
Total	$14,295	$2,515	$(31)	$16,779	$288	$(72)	$2,709	$(127)	$2,798

Special Charges

On September 30, 2012, a fire damaged a portion of our manufacturing facility in JinCheon, South Korea. As a result of the damage to our facility, equipment, and inventory caused by the fire and subsequent fire-fighting activities, we incurred an estimated loss of approximately $2,923 during the three and nine months ended September 30, 2012. This loss was recognized in the Restructuring and special charges line of our condensed consolidated statements of operations. We expect to incur additional costs related to this incident, including clean up and other costs, during the fourth quarter of 2012 and into 2013. We are currently evaluating the extent to which these costs are covered under our insurance policies but, at this time, can provide no assurances that we will be able to successfully recover any of these costs.

Table of Contents

6. Debt

Our debt as of September 30, 2012 and December 31, 2011 consisted of the following:

	September 30, 2012	December 31, 2011
Term Loan Facility	$1,086,250	$1,094,500
Senior Notes	700,000	700,000
Less: Term Loan Facility discount	(4,420)	(5,009)
Less: current portion	(11,000)	(11,000)
Long-term debt, net of discount, less current portion	$1,770,830	$1,778,491
Capital lease and other financing obligations	$45,098	$46,219
Less: current portion	(2,533)	(2,741)
Capital lease and other financing obligations, less current portion	$42,565	$43,478

There were no borrowings outstanding on the revolving credit facility as of September 30, 2012 and December 31, 2011.

2011 Refinancing

In May 2011, we completed a series of refinancing transactions designed to refinance our then existing indebtedness. The transactions included the sale of $700.0 million aggregate principal amount of 6.5% Senior Notes due 2019 (the “Senior Notes”) and the execution of a credit agreement providing for new senior secured credit facilities (the “New Senior Secured Credit Facilities”) consisting of a $1,100.0 million term loan (the “Term Loan Facility”) and a $250.0 million revolving credit facility (the “Revolving Credit Facility”) of which up to $235.0 million may be borrowed as Euro revolver borrowings. In addition, it provides for incremental term loan facilities and/or incremental revolving credit facilities in an aggregate principal amount not to exceed $250.0 million plus an additional $750.0 million in the event certain conditions are satisfied. The incremental facilities rank pari passu in right of payment with the other borrowings under the New Senior Secured Credit Facilities and may be secured by liens that rank pari passu with or junior to those securing the New Senior Secured Credit Facilities or may be unsecured. The incremental facilities may be activated at any time and from time to time during the term of the New Senior Secured Credit Facilities with consent required only from those lenders that agree, at their sole discretion, to participate in such incremental facilities and subject to certain conditions.

New Senior Secured Credit Facilities

The New Senior Secured Credit Facilities were issued under a credit agreement dated as of May 12, 2011, among STBV, Sensata Technologies Finance Company, LLC (“ST Finance”), Sensata Technologies Intermediate Holding B.V., Morgan Stanley Senior Funding, Inc. and Barclays Capital, as joint lead arrangers, and Morgan Stanley Senior Funding, Inc., as administrative agent. The Term Loan Facility was issued at 99.5% of par. The Term Loan Facility bears interest at variable rates which includes a LIBOR index rate (subject to a floor of 100 basis points) plus 300 basis points. The Revolving Credit Facility bears interest at variable rates which includes a LIBOR index rate plus 2.500%, 2.375% or 2.250% depending on the achievement of certain senior secured net leverage ratios.

Revolving loans may be borrowed, repaid and re-borrowed to fund our working capital needs and for other general corporate purposes. No amounts under the term loans, once repaid, may be reborrowed. The principal amount of the term loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount, with the balance payable at maturity.

All obligations under the New Senior Secured Credit Facilities are unconditionally guaranteed by certain of our subsidiaries in the U.S. and certain subsidiaries located in certain non-U.S. jurisdictions including the Netherlands, Mexico, Japan, South Korea, and Malaysia (collectively, the “Guarantors”). The collateral for such borrowings under the New Senior Secured Credit Facilities consists of substantially all present and future property and assets of STBV, ST Finance, and the Guarantors. Under the Revolving Credit Facility, STBV and its restricted subsidiaries are required to maintain a senior secured net leverage ratio not to exceed 5.0:1.0 at the conclusion of certain periods when outstanding loans and letters of credit that are not cash collateralized for the full face amount thereof exceed 10% of the commitments under the Revolving Credit Facility. In addition, STBV and its restricted subsidiaries are required to satisfy this covenant, on a pro forma basis, in connection with any new borrowings (including any letter of credit issuances) under the Revolving Credit Facility as of the time of such borrowings.

The New Senior Secured Credit Facilities also contain non-financial covenants which limit our ability to incur subsequent indebtedness, incur liens, prepay subordinated debt, make loans and investments (including acquisitions), merge, consolidate, dissolve or liquidate, sell assets, enter into affiliate transactions, change our business, change our accounting policies, make capital expenditures, amend the terms of our subordinated debt and our organizational documents, pay dividends and make other restricted payments, enter into certain burdensome contractual obligations and the conduct of certain business at Sensata Technologies Intermediate Holding B.V. These covenants are subject to important exceptions and qualifications set forth in the credit agreement.

Beginning with the fiscal year ending December 31, 2012, the credit agreement stipulates certain events and conditions which may require us to use excess cash flow, as defined by the terms of the credit agreement, generated by operating, investing or financing activities, to prepay some or all of the outstanding borrowings under the Term Loan Facility. The credit agreement also requires mandatory prepayments of the outstanding borrowings under the Term Loan Facility upon certain asset dispositions and casualty events, in each case subject to certain reinvestment rights, and the incurrence of certain indebtedness (excluding any permitted indebtedness).

Pursuant to the credit agreement, we are required to pay to our revolving credit lenders, on a quarterly basis, a commitment fee on $250.0 million regardless of any portion used. The commitment fee is subject to a pricing grid based on our leverage ratio. The spreads on the commitment fee range from 25 to 50 basis points.

Under the Revolving Credit Facility, there was $244.7 million of availability (net of $5.3 million in letters of credit) as of September 30, 2012. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of September 30, 2012, no amounts had been drawn against these outstanding letters of credit. These outstanding letters of credit are scheduled to expire in April 2013.

Senior Notes

The Senior Notes were issued under an indenture dated May 12, 2011 (the "Senior Notes Indenture") among STBV, as issuer, The Bank of New York Mellon, as trustee, and the Guarantors. The Senior Notes were offered at an original issue price of 100.0%. The Senior Notes bear interest at a rate of 6.5% per annum, and interest is payable semi-annually in cash on May 15 and November 15 of each year. Our obligations under the Senior Notes are guaranteed by all of STBV’s existing and future wholly-owned subsidiaries that guarantee our obligations under the New Senior Secured Credit Facilities. The Senior Notes and the guarantees are unsecured senior obligations of STBV and the Guarantors.

Additional securities may be issued under the Senior Notes Indenture in one or more series from time to time, subject to certain limitations. At any time prior to May 15, 2014, we may, at our option, on one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Notes at a redemption price equal to 106.5% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid interest thereon, with the net proceeds of one or more equity offerings by STBV or any of its direct or indirect parent companies or the net proceeds of certain asset sales; provided that at least 50% of the aggregate principal amount of the Senior Notes (including the principal amount of the issuance of additional notes) remain outstanding after such redemption and the redemption occurs within 90 days of such equity offering or asset sale.

On or after May 15, 2015, we may redeem some or all of the Senior Notes at the redemption prices listed below, plus accrued interest:

Beginning May 15	Percentage	
2015	103.25	%
2016	101.63	%
2017 and thereafter	100.00	%

At any time prior to May 15, 2015, we may redeem some or all of the Senior Notes at a redemption price equal to 100% of the principal amount of such Senior Notes redeemed plus the applicable premium set forth in the Senior Notes Indenture and accrued and unpaid interest.

If certain changes in the law of any relevant taxing jurisdiction become effective that would require us or any Guarantor to pay additional amounts in respect of the Senior Notes, we may redeem the Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, and additional amounts, if any, then due

or that will become due on the date of redemption.
If STBV experiences certain change of control events, holders of the Senior Notes may require us to repurchase all or part of the Senior Notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.
Restrictions
As of September 30, 2012 for purposes of the Senior Notes and New Senior Secured Credit Facilities, all of the subsidiaries of STBV were “Restricted Subsidiaries.” Under certain circumstances, STBV will be permitted to designate subsidiaries as “Unrestricted Subsidiaries.” As per the terms of the credit agreement and Senior Notes Indenture, Restricted Subsidiaries are subject to restrictive covenants. Unrestricted Subsidiaries will not be subject to the restrictive covenants of the credit agreement and will not guarantee any of the Senior Notes.

The Senior Notes Indenture contains restrictive covenants that limit the ability of STBV and its Restricted Subsidiaries to, among other things: incur additional debt or issue preferred stock; create liens; create restrictions on STBV’s subsidiaries’ ability to make payments to STBV; pay dividends and make other distributions in respect of STBV’s and its Restricted Subsidiaries’ capital stock; redeem or repurchase STBV’s capital stock, our capital stock or the capital stock of any other direct or indirect parent company of STBV or prepay subordinated indebtedness; make certain investments or certain other restricted payments; guarantee indebtedness; designate unrestricted subsidiaries; sell certain kinds of assets; enter into certain types of transactions with affiliates; and effect mergers or consolidations. These covenants are subject to important exceptions and qualifications set forth in the Senior Notes Indenture. Certain of these covenants will be suspended if the corporate credit rating for STBV is assigned an investment grade rating by Standard & Poor’s Rating Services or Moody’s Investors Service, Inc. and no default has occurred and is continuing at such time. The suspended covenants will be reinstated if the corporate credit rating for STBV is no longer rated investment grade by either rating agency and an event of default has occurred and is continuing at such time.
The Guarantors under the credit agreement and the Senior Notes Indenture are generally not restricted in their ability to pay dividends or otherwise distribute funds to STBV, except for restrictions imposed under applicable corporate law.
STBV, however, is limited in its ability to pay dividends or otherwise make other distributions to its immediate parent company and, ultimately, to us, under the New Senior Secured Credit Facilities and the Senior Notes Indenture. Specifically, the New Senior Secured Credit Facilities prohibit STBV from paying dividends or making any distributions to its parent companies except for limited purposes, including, but not limited to: (i) customary and reasonable operating expenses, legal and accounting fees and expenses and overhead of such parent companies incurred in the ordinary course of business in the aggregate not to exceed $10 million in any fiscal year, plus reasonable and customary indemnification claims made by our directors or officers attributable to the ownership of STBV and its Restricted Subsidiaries, (ii) franchise taxes, certain advisory fees and customary compensation of officers and employees of such parent companies to the extent such compensation is attributable to the ownership or operations of STBV and its Restricted Subsidiaries, (iii) repurchase, retirement or other acquisition of equity interest of the parent from certain present, future and former employees, directors, managers, consultants of the parent companies, STBV or its subsidiaries in an aggregate amount not to exceed $15 million in any fiscal year, plus the amount of cash proceeds from certain equity issuances to such persons, the amount of equity interests subject to a certain deferred compensation plan and the amount of certain key-man life insurance proceeds, (iv) so long as no default or event of default exists and the senior secured net leverage ratio is less than 2.0:1.0 calculated on a pro forma basis, dividends and other distributions in an aggregate amount not to exceed the $100 million, plus certain amounts, including the retained portion of excess cash flow and (v) dividends and other distributions in an aggregate amount not to exceed $40 million in any calendar year (subject to increase upon the achievement of certain ratios).
The Senior Notes Indenture generally provides that STBV can pay dividends and make other distributions to its parent companies upon the achievement of certain conditions and in an amount as determined in accordance with the Senior Notes Indenture.

The net assets of STBV subject to these restrictions totaled $1,145.7 million at September 30, 2012.

Extinguishments and Modifications of Debt

In April 2011, we announced the commencement of cash tender offers related to the 8% Senior Notes due 2014 ("8% Notes") and the 9% Senior Subordinated Notes due 2016 ("9% Notes"). The cash tender offers settled during the three months ended June 30, 2011. The aggregate principal amount of the 8% Notes validly tendered was $13.0 million, representing approximately

Table of Contents

6.5% of the outstanding 8% Notes. The aggregate principal amount of the 9% Notes tendered was €38.1 million, representing approximately 21.5% of the outstanding 9% Notes. We paid $67.7 million in principal ($13.0 million for the 8% Notes and €38.1 million for the 9% Notes), $2.9 million in premiums and $0.2 million of accrued interest to settle the tender offers and retire the debt in May 2011.

Following the conclusion of the cash tender offers, we redeemed the remaining 8% Notes and 9% Notes. The redemption settled during the three months ended June 30, 2011. We paid $385.2 million in principal ($188.2 million for the 8% Notes and €139.0 million for the 9% Notes), $15.4 million in premiums and $1.1 million of accrued interest to settle the redemption and retire the debt in June 2011. The redemption transactions were funded from the issuance of new debt as part of our refinancing transactions.

In connection with our refinancing transactions, during the nine months ended September 30, 2011, we recorded a loss in Currency translation gain/(loss) and other, net of $44.0 million, including the write-off of debt issuance costs of $13.7 million.

We applied the provisions of Accounting Standards Codification ("ASC") Sub Topic 470-50, Modifications and Extinguishments, in accounting for the transactions described above.

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 prepayable 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 must be repaid in full on or prior to such maturity date. The Senior Notes mature on May 15, 2019.

Accrued Interest

Accrued interest associated with our outstanding debt is included as a component of accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheets. As of September 30, 2012 and December 31, 2011, accrued interest totaled $23,067 and $11,727, respectively.

7. Income Taxes

We recorded tax provisions for the three months ended September 30, 2012 and 2011 of $15,838 and $21,830, respectively, and for the nine months ended September 30, 2012 and 2011 of $59,079 and $60,713, respectively. Our tax provision consisted of current tax expense, which related primarily to our profitable operations in foreign tax jurisdictions, and deferred tax expense, which related primarily to the amortization of tax deductible goodwill and the use of net operating losses.

During the nine months ended September 30, 2012, our gross uncertain tax position decreased by approximately $2.4 million due to the expiration of certain statutes of limitations and the settlement of certain examinations and issues with tax authorities. This decrease did not have a material impact on our effective tax rate.

8. Pension and Other Post-Retirement Benefits

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

The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the three months ended September 30, 2012 and 2011 were as follows:

Table of Contents

	U.S. Plans				Non-U.S. Plans			
	Defined Benefit		Retiree Healthcare		Defined Benefit		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Service cost	$20	$485	$34	$37	$802	$810	$856	$1,332
Interest cost	484	681	115	153	289	281	888	1,115
Expected return on plan assets	(914)	(622)	—	—	(251)	(211)	(1,165)	(833)
Amortization of net loss/(gain)	13	227	(41)	18	121	96	93	341
Amortization of prior service cost	—	—	—	—	3	3	3	3
Loss on settlement	—	—	—	—	—	204	—	204
Net periodic benefit cost	$(397)	$771	$108	$208	$964	$1,183	$675	$2,162

The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the nine months ended September 30, 2012 and 2011 were as follows:

	U.S. Plans				Non-U.S. Plans			
	Defined Benefit		Retiree Healthcare		Defined Benefit		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Service cost	$61	$1,624	$154	$163	$2,296	$2,232	$2,511	$4,019
Interest cost	1,452	2,022	401	451	868	815	2,721	3,288
Expected return on plan assets	(2,742)	(1,976)	—	—	(753)	(609)	(3,495)	(2,585)
Amortization of net loss	39	434	13	26	361	279	413	739
Amortization of prior service cost	—	—	—	—	9	9	9	9
Loss on settlement	—	—	—	—	—	204	—	204
Net periodic benefit cost	$(1,190)	$2,104	$568	$640	$2,781	$2,930	$2,159	$5,674

Effective January 31, 2012, we froze our U.S. defined benefit pension plans. The freeze reduced our net periodic benefit cost recorded in the three and nine months ended September 30, 2012 as compared to the three months and nine months ended September 30, 2011.

We are not required to and no longer expect to make contributions to the U.S. defined benefit pension plans during 2012.

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, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Stock options	$2,265	$1,818	$6,193	$5,699
Restricted securities	287	599	1,057	1,371
Total share-based compensation expense	$2,552	$2,417	$7,250	$7,070

16

Table of Contents

We granted the following stock options under the 2010 Equity Plan during the nine months ended September 30, 2012:

Awards Granted to	Number of Stock Options Granted	Weighted Average Grant Date Fair Value	Vesting Period
Various executives and employees	788,600	$ 10.72	25% per year over four years
Directors	116,100	$ 9.31	1 year

We granted the following restricted securities under the 2010 Equity Plan during the nine months ended September 30, 2012:

Awards Granted to	Number of Restricted Securities Granted	Weighted Average Grant Date Fair Value
Various executives and employees	243,500	$ 30.18

Of the total restricted securities granted during the nine months ended September 30, 2012, 124,000 restricted securities were performance based awards that cliff vest in April 2015. The number of shares 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 shares granted.

During the nine months ended September 30, 2012, 1.5 million ordinary shares were issued as a result of stock option exercises.

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 indemnities would generally be triggered by a breach of terms of the contract or by a third-party claim. Historically, we have had only minimal and infrequent losses associated with these indemnities. Consequently, any future liabilities brought about by these indemnities 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 damage 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 if he or she acted in good faith and in a manner he or she 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

Table of Contents

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, 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 indemnities. Consequently, any future liabilities resulting from these indemnities 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. These warranties exist for a period of 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 make 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 material was purchased. Our ability to recover some of the costs will depend on the terms and conditions to which we agreed when the material was 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 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 Paolo, 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 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 Sponsor's acquisition of the sensors and controls business of TI, ("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. Additionally, in 2008, lawsuits were filed against ST Brazil alleging personal injuries suffered by individuals who were exposed to drinking water allegedly contaminated by the Aterro disposal site. These matters are managed and controlled by TI. TI is defending these lawsuits, which are in the early stages. Although ST

Table of Contents

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, 2012 or December 31, 2011.

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 and a facility 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. These estimates 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, 2011, Note 14, “Commitments and Contingencies” for historical details of such claims.

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 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.

As of September 30, 2012 we are a defendant in one case 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. The court issued a revised scheduling order, with a discovery completion deadline of November 26, 2012, and a trial setting of January 14, 2013.

As of September 30, 2012, we were a defendant in 13 additional lawsuits in which plaintiffs have alleged property damage caused by vehicle fires. For the most part, these cases seek an unspecified amount of compensatory and exemplary damages. For the plaintiffs that have requested a specific amount, the range of the demand is $0.1 million to $0.8 million. In aggregate, we believe that the claims total between $4.0 million and $5.0 million. Ford and TI are co-defendants in each of these lawsuits. In accordance with terms of the Acquisition Agreement, we are managing and defending these lawsuits on behalf of both parties. For the cases that are still pending, we have included a reserve in our financial statements in the amount of $0.2 million as of September 30, 2012. There can be no assurances, however, that this reserve will be sufficient to cover the extent of our costs and potential liability from these matters. Any additional liability in excess of this reserve could have a material adverse effect on our financial condition or results of operations.

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 matters. 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 prior to September 30, 2012. We do not believe that aggregate TI and Sensata costs will exceed $300.0 million.

Coffeemakers/SGL Italia: Certain European small appliance customers have made claims alleging defects in one of our electro mechanical controls products. Two customers have conducted recalls of their products and reported several third-party fire incidents. Both of these customers filed lawsuits against us, but only one lawsuit is still pending, 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. The plaintiff is alleging €4.2 million in damages. We filed our first required response in the Milan court in February 2012. We have denied liability in this matter and do not believe a loss is probable. The other lawsuit was resolved during 2011. As of September 30, 2012, we have not recorded a reserve for these matters.

European automaker: A European automaker has alleged defects in certain of our pressure sensor products installed in its vehicles from June 2006 through April 2010. The customer first brought this claim in June 2010, and is seeking reimbursement of incurred and estimated future costs of €6.1 million. We contest the customer’s allegations and do not believe a loss is probable. Accordingly, as of September 30, 2012, we have not recorded a reserve for this claim.

Venmar: We were involved in one lawsuit, and are involved in several claims and pre-claim investigative matters involving products sold by us 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. Claims are unspecified, but two of the matters involve property damage in excess of $1 million. We have recently agreed to contribute, along with Venmar and another defendant, an amount below $0.1 million to settle the lawsuit. Accordingly, as of September 30, 2012, we have recorded a reserve for this settlement. In light of this settlement, we now consider loss in the other matters to be probable but cannot estimate a range of loss. No additional reserve, beyond the specific case settlement, is reflected.

Aircraft: Certain of the our subsidiaries have, along with more than twenty other defendants, been 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. Plaintiffs allege that one of our circuit breakers was a component in the aircraft and bring claims of negligence and strict liability. Damages are unspecified. We have aircraft products liability insurance and the lawsuits have been submitted to our insurer, who has appointed counsel. We are cooperating with this effort. We do not believe that loss is probable in these matters. Accordingly, as of September 30, 2012, we have not recorded a reserve for these matters.

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 (“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 United States Department of Justice ("DOJ") and the Securities and Exchange Commission ("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 accompanying condensed consolidated financial statements.

Table of Contents

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.

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, 2012 and December 31, 2011, aggregated by the level in the fair value hierarchy within which those measurements fell.

	September 30, 2012			December 31, 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Foreign currency forward contracts	$—	$838	$—	$—	$205	$—
Commodity forward contracts	—	9,582	—	—	110	—
Interest rate caps	—	23	—	—	724	—
Total	$—	$10,443	$—	$—	$1,039	$—
Liabilities						
Foreign currency forward contracts	$—	$3,636	$—	$—	$82	$—
Commodity forward contracts	—	138	—	—	6,009	—
Total	$—	$3,774	$—	$—	$6,091	$—

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.”

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 “Non-designated Hedges of Commodity Risk.”

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 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.”

We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for

Table of Contents

the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.
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. However, as of September 30, 2012 and December 31, 2011, we have 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 other 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 September 30, 2012, no such events or changes in circumstances occurred that would have triggered the need for an earlier impairment review.

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, 2012 and December 31, 2011:

	September 30, 2012				December 31, 2011			
	Carrying Value	Fair Value Level 1	Level 2	Level 3	Carrying Value	Fair Value Level 1	Level 2	Level 3
Liabilities								
Term Loan Facility[1]	$1,081,830	$—	$1,090,600	$—	$1,089,491	$—	$1,101,243	$—
Senior Notes	$700,000	$—	$731,500	$—	$700,000	$—	$697,816	$—

(1) The carrying value is presented net of discount.
The fair value of our term loan and our notes is 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 a hedging instrument for accounting purposes, 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 a hedge 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.

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, we primarily use interest rate caps, swaps, and collars 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. During the nine months ended September 30, 2012, such derivatives were used to hedge the variable cash flows associated with existing variable rate debt.

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 the change in fair value of the derivatives is recognized directly in earnings. For the three and nine months ended September 30, 2012 and 2011, we recorded no ineffectiveness in earnings and no amounts were excluded from the assessment of effectiveness.

Amounts recorded 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, 2012, we estimated that $1.3 million will be reclassified from accumulated other comprehensive loss to interest expense during the twelve months ending September 30, 2013.

As of September 30, 2012, we had the following outstanding derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivatives	Notional (in millions)	Effective Date	Amortization	Maturity Date	Index	Strike Rate
Interest rate cap	$100.0	March 5, 2009	Amortizing	April 29, 2013	3-month LIBOR	5.00%
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 derivatives, including currency forward contracts, 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 labor costs.

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 the change in fair value of the derivatives is recognized directly in earnings. For the three and nine months ended September 30, 2012 and 2011, the amount recognized for ineffectiveness in earnings was not material and no amounts were excluded from the assessment of effectiveness. As of September 30, 2012, we estimated that $1.3 million will be reclassified from accumulated other comprehensive loss to earnings during the twelve months ending September 30, 2013.

As of September 30, 2012, 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 were not designated as hedges. In accordance with ASC 815, changes in the fair value of derivatives not designated in hedging relationships are recorded in earnings. We record these changes as a component of Currency translation gain/(loss) and other, net.

As of September 30, 2012, we had the following outstanding foreign currency forward contracts:

Table of Contents

Notional (in millions)	Effective Date	Maturity Date	Index	Weighted Average Strike Rate	Hedge Designation
110.9 EUR	Various from June to September 2012	Various from 2012 through 2014	Euro to U.S. Dollar Exchange Rate	1.27 USD	Designated
90.0 MXN	June 12, 2012	Various in 2012 and Various in 2012	U.S. Dollar to Mexican Peso Exchange Rate	14.19 MXN	Designated
31.0 EUR	Various from June to July 2012	Various in 2012	Euro to U.S. Dollar Exchange Rate	1.24 USD	Non-designated
29.2 MYR	September 25, 2012	December 31, 2012	U.S. Dollar to Malaysian Ringgit Exchange Rate	3.08 MYR	Non-designated
51.0 MXN	September 26, 2012	December 31, 2012	U.S. Dollar to Mexican Peso Exchange Rate	13.05 MXN	Non-designated

The notional amounts above represent the total volume we have hedged over the remaining contracted periods.
In addition, we continue to monitor our exposure to foreign currency risk and generally employ operating and financing activities to offset these exposures.

Non-designated 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, platinum, palladium, copper, aluminum, and nickel, 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 were 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 not designated in hedging relationships are recorded in the statements of operations as a component of Currency translation gain/(loss) and other, net.
We had the following outstanding commodity forward contracts that were not designated as derivatives in qualifying hedging relationships as of September 30, 2012:

Commodity	Notional	Remaining Contracted Periods	Weighted-Average Strike Price Per Unit
Silver	1,038,808 troy oz.	October 2012 -December 2013	$29.66
Gold	9,936 troy oz.	October 2012 -December 2013	$1,645.00
Nickel	541,082 pounds	October 2012 -December 2013	$7.74
Aluminum	3,207,958 pounds	October 2012 -December 2013	$0.93
Copper	3,549,599 pounds	October 2012 -December 2013	$3.43
Platinum	6,768 troy oz.	October 2012 -December 2013	$1,466.62
Palladium	1,128 troy oz.	October 2012 -December 2013	$617.68

The notional amounts above represent the total volumes we have hedged for the remaining contracted periods.

Financial Instrument Presentation

The following table presents the fair values of our derivative financial instruments and their classification on the condensed consolidated balance sheets as of September 30, 2012 and December 31, 2011:

Table of Contents

	Asset Derivatives				Liability Derivatives			
	September 30, 2012		December 31, 2011		September 30, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC 815								
Interest rate caps	Other assets	$23	Other assets	$724		$—		$—
Foreign currency forward contracts	Prepaid expenses and other current assets	740		—	Accrued expenses and other current liabilities	2,221		—
Foreign currency forward contracts	Other assets	80		—		—		—
Total		$843		$724		$2,221		$—
Derivatives not designated as hedging instruments under ASC 815								
Commodity forward contracts	Prepaid expenses and other current assets	$7,492	Prepaid expenses and other current assets	$110	Accrued expenses and other current liabilities	$137	Accrued expenses and other current liabilities	$6,009
Commodity forward contracts	Other assets	2,090		—	Other long-term liabilities	1		—
Foreign currency forward contracts	Prepaid expenses and other current assets	18	Prepaid expenses and other current assets	205	Accrued expenses and other current liabilities	1,415	Accrued expenses and other current liabilities	82
Total		$9,600		$315		$1,553		$6,091

The following table presents a roll forward of amounts recognized in accumulated other comprehensive loss, net of tax, related to our derivative financial instruments for the nine months ended September 30, 2012:

	Net unrealized loss on derivative instruments
Balance as of December 31, 2011	$ (3,127)
Amount of net unrealized loss recognized in accumulated other comprehensive loss	(1,954)

Amount of net unrealized loss reclassified into earnings	483
Balance as of September 30, 2012	$ (4,598)

The following table presents the effect of our derivative financial instruments designated as hedging instruments and their classification on the condensed consolidated statements of operations for the three months ended September 30, 2012 and 2011:

Table of Contents

Derivatives designated as hedging instruments under ASC 815	Amount of Net Gain or (Loss) Recognized in Comprehensive Income/(Loss) on Derivatives (Effective Portion)		Location of Net Loss or Gain Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Amount of Net (Loss)/Gain Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	
	2012	2011		2012	2011
Interest rate products	$(59)	$(2,615)	Interest expense	$(108)	$(162)
Foreign currency forward contracts that hedge revenue	$(2,235)	$—	Net revenue	$(218)	$—
Foreign currency forward contracts that hedge cost of revenue	$346	$—	Cost of revenue	$225	$—

The following table presents the effect of our derivatives not designated as hedging instruments and their classification on the condensed consolidated statements of operations for the three months ended September 30, 2012 and 2011:

Derivatives not designated as hedging instruments under ASC 815	Amount of Gain or (Loss) Recognized in Income on Derivatives		Location of Gain/(Loss) Recognized in Income on Derivatives
	2012	2011	
Commodity forward contracts	$11,529	$(156)	Currency translation gain/(loss) and other, net
Foreign currency forward contracts	$(472)	$1,898	Currency translation gain/(loss) and other, net
Interest rate products	$—	$(14)	Currency translation gain/(loss) and other, net

The following table presents the effect of our derivative financial instruments designated as hedging instruments and their classification on the condensed consolidated statements of operations for the nine months ended September 30, 2012 and 2011:

Derivatives designated as hedging instruments under ASC 815	Amount of Net Gain or (Loss) Recognized in Comprehensive Income/(Loss) on Derivatives (Effective Portion)		Location of Net Loss or Gain Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Amount of Net (Loss)/Gain Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	
	2012	2011		2012	2011
Interest rate products	$(701)	$(2,503)	Interest expense	$(490)	$(2,442)
Foreign currency forward contracts that hedge revenue	$(2,227)	$—	Net revenue	$(218)	$—
Foreign currency forward contracts that hedge cost of	$974	$—	Cost of revenue	$225	$—

revenue

The following table presents the effect of our derivatives not designated as hedging instruments and their classification on the condensed consolidated statements of operations for the nine months ended September 30, 2012 and 2011:

26

Table of Contents

Derivatives not designated as hedging instruments under ASC 815	Amount of Gain or (Loss) Recognized in Income on Derivatives		Location of Gain/(Loss) Recognized in Income on Derivatives
	2012	2011	
Commodity forward contracts	$6,341	$282	Currency translation gain/(loss) and other, net
Foreign currency forward contracts	$1,104	$1,898	Currency translation gain/(loss) and other, net
Interest rate products	$—	$(16)	Currency translation gain/(loss) and other, net

Credit risk related Contingent Features

We have agreements with certain of our derivative counterparties that contain a provision where 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, 2012, the termination value of outstanding derivatives in a liability position, excluding any adjustment for non-performance risk was $3.8 million. We have not posted any collateral related to these agreements. If we breached 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 value.

13. Currency Translation Gain/(Loss) and Other, net

Currency translation gain/(loss) and other, net consisted of the following for the three and nine months ended September 30, 2012 and 2011:

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Currency translation loss on debt	$(461)	$—	$(382)	$(60,391)
Currency translation gain/(loss) on net monetary assets	89	(4,786)	(2,790)	(15,898)
Loss on repurchase of debt	—	—	—	(44,014)
Gain/(loss) on commodity forward contracts	11,529	(156)	6,341	282
(Loss)/gain on foreign currency forward contracts	(472)	1,898	1,104	1,898
Other	142	(113)	(34)	(392)
Total Currency translation gain/(loss) and other, net	$10,827	$(3,157)	$4,239	$(118,515)

14. Segment Reporting

We organize our business into two reportable segments, sensors and controls, based on differences in products included in each segment. The 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. We manage our sensors and controls businesses 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 charges and certain corporate costs not associated with the operations of the segment, including a portion of depreciation and amortization expenses associated with assets recorded in connection with acquisitions. In addition, an operating segment’s performance excludes results from discontinued operations. 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 accounting, treasury, information technology, legal, human resources, and internal audit. 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 other 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, 2011.

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

The controls segment 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 heating and air-conditioning systems, refrigerators, aircraft, automobiles, lighting, and other industrial applications. The controls business also manufactures DC to AC power inverters, which enable the operation of electronic equipment when grid power is not available.

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, 2012 and 2011:

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011