Sensata Technologies Holding N.V.
Form 10-K
February 03, 2015
Table of Contents

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

FORM 10-K

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

For the fiscal year ended December 31, 2014

OR

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

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)

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

Title of each class	Name of each exchange on which registered
Ordinary Shares—nominal value €0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by a 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 x 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K. x

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 “small reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the registrant’s ordinary shares held by non-affiliates at June 30, 2014 was approximately $7.7 billion based on the New York Stock Exchange closing price for such shares on that date.

As of January 15, 2015, 169,316,477 ordinary shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Report incorporates information from certain portions of the registrant’s Definitive Proxy Statement for its Annual Meeting of Shareholders to be held on May 21, 2015. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2014.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Cautionary Statements Concerning Forward-Looking Statements

In addition to historical facts, this Annual Report on Form 10-K, including any documents incorporated by reference herein, includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements also relate to our future prospects, developments, and business strategies. These forward-looking statements may be identified by terminology such as “may,” “will,” “could,” “should,” “expect,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “forecast,” “contin or the negative of such terminology or comparable terminology, including references to assumptions. However, these terms are not the exclusive means of identifying such statements. Forward-looking statements contained herein, or in other statements made by us, are made based on management’s expectations and beliefs concerning future events impacting us, and are subject to uncertainties and other important factors relating to our operations and business environment, all of which are difficult to predict, and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed or implied by forward-looking statements. We can give no assurances that any of the events anticipated by these forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition.

We believe that the following important factors, among others (including those described in Item 1A, “Risk Factors,” included elsewhere in this Annual Report on Form 10-K), 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:

- adverse conditions in the automotive industry have had, and may in the future have, adverse effects on our businesses;
- competitive pressures could require us to lower our prices or result in reduced demand for our products;
- integration of acquired companies, including the acquisition of August Cayman Company, Inc. ("Schrader") and any future acquisitions and joint ventures or dispositions, may require significant resources and/or result in significant unanticipated losses, costs, or liabilities, and we may not realize all of the anticipated operating synergies and cost savings from acquisitions;
- risks associated with our non-U.S. operations, including compliance with export control regulations, foreign currency risks, and the potential for changes in socio-economic conditions and/or monetary and fiscal policies;
- we may incur material losses and costs as a result of product liability, warranty, and recall claims that may be brought against us;
- taxing authorities could challenge our historical and future tax positions or our allocation of taxable income among our subsidiaries, or tax laws to which we are subject could change in a manner adverse to us;
- our substantial indebtedness could adversely affect our financial condition and our ability to operate our business, and we may not be able to generate sufficient cash flows to meet our debt service obligations or comply with the covenants contained in the credit agreements; and
- the other risks set forth in Item 1A, “Risk Factors,” included elsewhere in this Annual Report on Form 10-K.

All forward-looking statements attributable to us or persons acting on our behalf speak only as of the date of this Annual Report on Form 10-K and are expressly qualified in their entirety by the cautionary statements contained in this Annual Report on Form 10-K. We undertake no obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events. We urge readers to review carefully the risk factors described in this Annual Report on Form 10-K and in the other documents that we file with the Securities and Exchange Commission. You can read these documents at www.sec.gov or on our website at www.sensata.com.

Table of Contents

PART I

ITEM 1. BUSINESS

The Company

The reporting company is Sensata Technologies Holding N.V. (“Sensata Technologies Holding”) and its wholly-owned subsidiaries, collectively referred to as the “Company,” “Sensata,” “we,” “our,” and “us.”

Sensata Technologies Holding is incorporated under the laws of the Netherlands, and conducts its business through subsidiary companies, which operate business and product development centers in the United States (the "U.S."), the Netherlands, Belgium, China, Germany, Japan, South Korea, and the United Kingdom (the "U.K."); and manufacturing operations in China, Malaysia, Mexico, the Dominican Republic, Bulgaria, Poland, France, Brazil, the U.K., and the U.S. We organize our operations into the Sensors and Controls businesses.

Overview

Sensata, a global industrial technology company, engages in the development, manufacture, and sale of sensors and controls. We produce sensors and controls for applications such as thermal circuit breakers in aircraft, pressure sensors in automotive systems, and bimetal current and temperature control devices in electric motors.

Our sensors are customized devices that translate a physical phenomenon, such as force or position, into electronic signals that microprocessors or computer-based control systems can act upon. Our controls are customized devices embedded within systems to protect them from excessive heat or current. Underlying these sensors and controls are core technology platforms—thermal and magnetic-hydraulic circuit protection, micro electromechanical systems, ceramic capacitance, and monosilicon strain gage—that we leverage across multiple products and applications, enabling us to optimize our research, development, and engineering investments and achieve economies of scale.

Our primary products include low-, medium-, and high-pressure sensors, temperature sensors, speed sensors, position sensors, force sensors, motor protectors, and thermal and magnetic-hydraulic circuit breakers and switches. We develop customized, innovative solutions for specific customer requirements or applications across a variety of end-markets, including automotive, heavy vehicle on- and off-road ("HVOR"), appliance, heating, ventilation, and air conditioning (“HVAC”), industrial, aerospace, data/telecom, semiconductor, and mobile power, among others. We have long-standing relationships with a geographically diverse base of leading global original equipment manufacturers (“OEMs”) and other multinational companies.

We develop products that address increasingly complex engineering requirements by investing substantially in research, development, and application engineering. By locating our global engineering team in close proximity to key customers in regional business centers, we are exposed to many development opportunities at an early stage and work closely with our customers to deliver solutions that meet their needs. As a result of the long development lead times and embedded nature of our products, we collaborate closely with our customers throughout the design and development phase of their products. Systems development by our customers typically requires significant multi-year investment for certification and qualification, which are often government or customer mandated. We believe the capital commitment and time required for this process significantly increases the switching costs once a customer has designed and installed a particular sensor or control into a system.

We use a broad range of manufactured components, subassemblies, and raw materials in the manufacture of our products, including silver, gold, platinum, palladium, copper, aluminum, nickel, zinc, and resins. Certain of our Sensors product lines use magnets containing rare earth metals, of which a large majority of the world's production is in China. A reduction in the export of rare earth materials from China could limit the worldwide supply of these rare earth materials, significantly increasing the price of magnets, which could materially impact our Sensors business.

We are a global business with a diverse revenue mix by geography, customer, and end-market, and we have significant operations around the world. We generated 40%, 31%, and 29% of our net revenue in the Americas, Asia, and Europe, respectively, for the year ended December 31, 2014. Our largest customer accounted for approximately 7% of our net revenue for the year ended December 31, 2014. Our net revenue for the year ended December 31, 2014 was derived from the following end-markets: 24% from European automotive, 20% from Asia and rest of world automotive, 18% from North American automotive, 8% from appliances and HVAC, 13% from HVOR, 7% from industrial, and 10% from all other end-markets. Within many of our end-markets, we are a significant supplier to multiple OEMs, reducing our exposure to fluctuations in market share within individual end-markets.

Table of Contents

Acquisition History
We can trace our origins back to entities that have been engaged in the sensors and controls business since 1916. We operated as a part of Texas Instruments Incorporated ("Texas Instruments" or "TI") from 1959 until April 27, 2006, when Sensata Technologies B.V. ("STBV"), an indirect, wholly-owned subsidiary of Sensata Technologies Holding, completed the carve-out and acquisition of the Sensors and Controls business from Texas Instruments (the "2006 Acquisition"), which was effected through a number of STBV's subsidiaries that collectively purchased the assets and assumed the liabilities being transferred.
Between the 2006 Acquisition and December 31, 2013, we completed the following significant acquisitions:
•First Technology Automotive and Special Products (2006);
•Airpax Holdings, Inc. (2007);
•Automotive on Board sensors business of Honeywell International Inc. (2011); and
•Sensor-NITE Group Companies (2011).
On January 2, 2014, we acquired Wabash Worldwide Holding Corp. ("Wabash") for $59.6 million in cash. Wabash develops, manufactures, and sells a broad range of custom-designed sensors and has operations in the U.S., Mexico, and the U.K. We acquired Wabash in order to complement our existing magnetic speed and position sensor product portfolio and to provide new capabilities in throttle position and transmission range sensing, while enabling additional entry points into the HVOR end-market. Wabash is being integrated into our Sensors segment.
On May 29, 2014, we acquired Magnum Energy Incorporated ("Magnum") for $60.6 million in cash. Magnum is a supplier of pure sine, low-frequency inverters and inverter/chargers based in Everett, Washington. Magnum products are used in recreational vehicles and the solar/off-grid applications market. We acquired Magnum to complement our existing inverter business. Magnum is being integrated into our Controls segment.
On August 4, 2014, we acquired CoActive US Holdings, Inc., the direct or indirect parent of companies comprising the DeltaTech Controls business ("DeltaTech") for an aggregate purchase price of $177.8 million. DeltaTech is a manufacturer of customized electronic operator controls based on magnetic position sensing technology for the construction, agriculture, and material handling industries, and is being integrated into our Sensors segment. DeltaTech was acquired to expand our magnetic speed and position sensing business with new and existing customers in the HVOR market.
On October 14, 2014, we acquired August Cayman Company, Inc. ("Schrader") for an aggregate purchase price of $1,004.7 million. Schrader is a manufacturer of tire pressure monitoring sensors (“TPMS”), a vehicle safety feature now standard on all cars and light trucks sold in the United States and growing in use globally in Europe and Asia. Fuel economy and safety regulations in each region are driving the rapid adoption of TPMS. Schrader was acquired to add TPMS and additional low pressure sensing capabilities to our current product portfolio. Schrader is being integrated into our Sensors segment.
Segment Realignment
Prior to the fourth quarter of 2014, our segment organization was based on product families included in each segment (sensor products in the Sensors segment and control products in the Controls segment). In the fourth quarter of 2014, we realigned our segments as a result of organizational changes that better allocate our resources to support our ongoing business strategy. The portion of the Sensors segment that has historically served the HVAC and industrial end-markets (the industrial sensing product line) was moved to the Controls segment because the Controls segment is active in the end-markets that this product line serves, and has available resources and capacity to drive content growth in existing channels and systems.
Throughout this Annual Report on Form 10-K, we have recast information provided on our reportable segments for the periods presented to reflect this change. Refer to Note 18, "Segment Reporting," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of how we organize our segments.
Sensors Business
Overview
Our Sensors business is a leading supplier of automotive and HVOR sensors, including pressure sensors, speed and position sensors, temperature sensors, pressure switches, and force sensors. Our Sensors business accounted for

approximately

5

Table of Contents

73% of our 2014 net revenue. Products manufactured by our Sensors business are used in a wide variety of applications, including automotive air conditioning, braking, transmission, tire, and air bag applications, as well as HVOR applications, including operator controls. We have historically derived most of the revenue in our Sensors business from the sale of medium and high-pressure sensors. With the acquisition of Schrader, we have added significant low pressure sensing capabilities, primarily TPMS, to our existing portfolio. We believe that we are one of the largest suppliers of sensors in the majority of the key applications in which we compete. Our customers consist primarily of leading global automotive and HVOR OEMs and their Tier 1 suppliers. Our products are ultimately used by the majority of global automotive OEMs, providing us with a balanced customer portfolio, which, we believe, helps to protect us against shifts in market share between different OEMs.

Refer to Note 18, "Segment Reporting," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of the Sensors segment operating income for the years ended December 31, 2014, 2013, and 2012 and total assets as of December 31, 2014 and 2013.

Sensors Business Markets

Sensors are customized devices that translate physical phenomenon into electronic signals for use by microprocessors or computer-based control systems. The market is characterized by a broad range of products and applications across a diverse set of end-markets. We believe large OEMs and other multinational companies are increasingly demanding a global presence to supply sensors for their key global platforms.

Automotive and heavy vehicle on- and off-road ("HVOR") sensors are included in the Sensors business results, while industrial sensors are included in the Controls business results. Refer to the Controls Business Markets section for discussion of industrial sensors. Refer to Note 18, "Segment Reporting," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details regarding the rationale for organizing our segments.

Automotive and HVOR Sensors

Revenue from the global automotive and HVOR sensor end-markets, which include applications in powertrain, air conditioning, and chassis control, is driven, we believe, by three principal trends. First, global automotive vehicle unit sales have demonstrated moderate but consistent annual growth since the global recession in 2008 and 2009 and are expected to continue to increase over the long-term due to population growth and increased usage of cars in emerging markets. Second, the number of sensors used per vehicle has expanded, driven by a combination of factors including government regulation of safety, emissions, and greater fuel efficiency, and consumer demand for new applications, as well as productivity for HVOR sensors. For example, governments have mandated sensor-intensive advanced braking systems in both Europe and the United States. Finally, revenue growth has been augmented by a continuing shift away from legacy electromechanical products towards higher-value electronic solid-state sensors.

Based on the LMC Automotive "Global Car & Truck Forecast" for the fourth quarter 2014, we believe the production of global light vehicles was approximately 86.6 million units in 2014, an increase of 2.2% from 2013.

The automotive and HVOR sensor markets are characterized by high switching costs and barriers to entry, benefiting incumbent market leaders. Sensors are critical components that enable a wide variety of applications, many of which are essential to the proper functioning of the product in which they are incorporated. Sensor application-specific products require close engineering collaboration between the sensor supplier and the OEM or the Tier 1 supplier. As a result, OEMs and Tier 1 suppliers make significant investments in selecting, integrating, and testing sensors as part of their product development. Switching to a different sensor results in considerable additional work, both in terms of sensor customization and extensive platform/product retesting. This results in high switching costs for automotive and HVOR manufacturers once a sensor is designed-in, and we believe is one of the reasons that sensors are rarely changed during a platform lifecycle, which is typically five to seven years. Given the importance of reliability and the fact that the sensors have to be supported through the length of a product life, our experience has been that OEMs and Tier 1 suppliers tend to work with suppliers that have a long track record of quality and on-time delivery and the scale and resources to meet their needs as the car platform evolves and grows. In addition, the automotive segment is one of the largest markets for sensors, giving participants with a presence in this end-market significant scale advantages over those participating only in smaller, more niche industrial and medical markets.

Based on an October 2014 report prepared by Strategy Analytics, Inc., we believe the global automotive sensor market was approximately $19.5 billion in 2014, compared to $18.1 billion in 2013. The increase in the number of sensors per vehicle and the level of global vehicle sales are the primary drivers in the increase of the global automotive sensor market. We believe that the increasing installation in vehicles of safety, emissions, efficiency, and comfort-related features that depend on sensors for proper functioning, such as airbags, electronic stability control, TPMS, advanced driver assistance, and advanced combustion and exhaust after-treatment, will continue to drive increased sensor usage and content growth.

Table of Contents

Sensor Products

We offer the following significant products in the Sensors business:

Product Categories	Key Applications/Solutions	Key End-Markets
Pressure sensors	Air conditioning systems Transmission Engine oil Suspension Fuel rail Braking Marine engine Tire pressure monitoring Exhaust after treatment	Automotive HVOR Marine
Speed and position sensors	Transmission Braking Engine	Automotive
Temperature sensors	Exhaust after-treatment	Automotive HVOR
Pressure switches	Air conditioning systems Power steering Transmission	Automotive
Force sensors	Airbag (occupant weight sensing)	Automotive

The table below sets forth the amount of net revenue we generated from each of these product categories in each of the last three fiscal years (prior year information has been recast to reflect our segment realignment):

Product Category	For the year ended December 31,		
(Amounts in thousands)	2014	2013	2012
Pressure sensors	$1,164,494	$924,505	$848,300
Speed and position sensors	194,076	153,537	164,777
Temperature sensors	152,662	137,016	123,730
Pressure switches	65,129	58,088	63,599
Force sensors	20,653	49,579	81,871
Other	158,843	35,513	34,627
Total	$1,755,857	$1,358,238	$1,316,904

Controls Business

Overview

We are a leading provider of bimetal electromechanical controls, thermal and magnetic-hydraulic circuit breakers, power inverters, industrial sensors, and interconnection products. Our Controls business accounted for approximately 27% of our 2014 net revenue. We market and manufacture a broad portfolio of application-specific products, including motor and compressor protectors, circuit breakers, pressure sensors and switches, temperature sensors and switches/thermostats, semiconductor burn-in test sockets, and power inverters. Our control products are sold into industrial, aerospace, military, commercial, and residential end-markets. We derive most of our Controls business revenue from products that prevent damage from excess heat or current in a variety of applications within these end-markets, such as internal and external motor and compressor protectors, circuit protection, motor starters, thermostats, switches, semiconductor testing, and light industrial systems. Our industrial sensors, including pressure and temperature sensors, provide real time information about the state of a specific system or subsystem, so control adjustments can be made to optimize system performance. We believe that we are one of the largest suppliers of controls in the majority of the key applications in which we compete. For our industrial sensors, we have a strategic plan to build leading positions over time, leveraging the significant scale advantage and innovative capability of our Sensors business portfolio.

Our Controls business also benefits from strong agency relationships. For example, a number of electrical standards for motor control products, including portions of the Underwriters' Laboratories Standards for Safety, have been written based on

Table of Contents

the performance and specifications of our control products. We also have U.S. and Canadian Component Recognitions from Underwriters' Laboratories for many of our control products, so that customers can use Klixon® products throughout North America. Where our component parts are detailed in our customers' certifications from Underwriters' Laboratories, changes to their certifications may be necessary in order for them to incorporate competitors' motor protection offerings.

We continue to focus our efforts on expanding our presence in all global geographies, both emerging and mature. Our customers include established multinationals, as well as local producers in emerging markets such as China, India, Eastern Europe, and Turkey. China continues to remain a priority for us because of its export focus and domestic consumption of products that utilize our devices. We continue to focus on managing our costs and increasing our productivity in these lower-cost manufacturing regions.

Refer to Note 18, "Segment Reporting," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of the Controls segment operating income for the years ended December 31, 2014, 2013, and 2012 and total assets as of December 31, 2014 and 2013.

Controls Business Markets

Control products are customized devices that protect equipment and electrical architecture from excessive heat or current, and that also measure specific fluid based system parameters, including pressure and temperature. Our products help our customers' systems run safely and in an energy efficient and environmentally friendly manner. Our product lines encompass bimetal electromechanical controls, thermal and magnetic-hydraulic circuit breakers, power inverters, interconnection, and industrial sensors, each of which serves a highly diversified base of customers, end-markets, applications, and geographies.

Bimetal Electromechanical Controls

Bimetal electromechanical controls include motor protectors, motor starters, thermostats, and switches, each of which helps prevent damage from excessive heat or current. Our bimetal electromechanical controls business serves a diverse group of end-markets, including commercial and residential HVAC systems, lighting, refrigeration, industrial motors, household appliances, and commercial and military aircraft. In developed markets such as the U.S., Europe, and Japan, the demand for many of these products, and their respective applications, tends to track to the general economic environment, with historical growth moderately above increases in Gross Domestic Product. In emerging markets, a growing middle class and rapid overall industrialization is creating growth for our control products in electric motors, consumer conveniences such as appliances and HVAC, and communication infrastructure.

Thermal and Magnetic-Hydraulic Circuit Breakers

Our circuit breaker portfolio includes customized magnetic-hydraulic circuit breakers and thermal circuit breakers, which help prevent damage from electrical or thermal overload. Our magnetic-hydraulic circuit breakers serve a broad spectrum of OEMs and other multinational companies in the telecommunication, industrial, recreational vehicle, HVAC, refrigeration, marine, medical, information processing, electronic power supply, power generation, over-the-road trucking, construction, agricultural, and alternative energy markets. We provide thermal circuit breakers to the commercial and military aircraft markets. Although demand for these products tends to pace the general economic environment, demand in certain end-markets, such as electrical protection for network power and critical, high-reliability mobile power applications, is projected to exceed the growth of the general economic environment.

Power Inverters

Our power inverter products allow an electronic circuit to convert direct current ("DC") power to alternating current ("AC") power. Power inverters are used mainly in applications where DC power, such as that stored in a battery, must be converted for use in an electrical device that runs on AC power. Specific applications for power inverters include powering applications in utility/service trucks or recreational vehicles and providing power backup for critical applications such as traffic light signals and key business/computer systems. Demand for these products is driven by economic development, the need to meet new energy efficiency standards, and a growing interest in clean energy to replace generators, which increases demand for both portable and stationary power.

Interconnection

Our interconnection products consist of semiconductor burn-in test sockets used by semiconductor manufacturers to verify packaged semiconductor reliability. Demand in the semiconductor market is driven by consumer and business computational, entertainment, transportation, and communication needs. These needs are manifested in the desire to have

Table of Contents

smaller, lighter, faster, more functional, and energy conscious devices that make users more productive and interconnected to society.

Industrial Sensors

Industrial sensors employ similar technology to automotive sensors discussed in the Sensors Business section above, but often require greater customization in terms of packaging, calibration, and electrical output. Commercial and industrial applications in which our sensors are widely used include: multiple HVAC and refrigeration systems, where refrigerant, water, or air is the sensed fluid media used to optimize performance of the heating and cooling application; discrete industrial equipment applications that have a fluid-based subsystem (e.g., air compressors and hydraulic machinery such as molding and metal machining); and applications such as pumps and storage tanks, where measurement of pressure and temperature is required for optimum performance. We believe that sensor usage in industrial and commercial applications is driven by many of the same factors as in the automotive sensor market: regulation of safety, emissions, and greater energy efficiency, and consumer demand for new features. Many HVAC/Refrigeration ("HVAC/R") and industrial systems are converting to more energy efficient variable speed control, which inherently requires more sensor feedback than traditional fixed speed control systems. Global trends towards environmentally friendly refrigerants also require more sensors to deliver the desired system performance.

Control Products

We offer the following control products:

Product Categories	Key Applications/Solutions	Key End-Markets
Bimetal electromechanical controls	Internal motor and compressor protectors External motor and compressor protectors Motor starters Thermostats Switches	HVAC/R Medical connectors Small/large appliances Lighting Industrial motors Auxiliary DC motors Commercial aircraft Military Marine/industrial
Thermal and magnetic-hydraulic circuit breakers	Circuit protection	Commercial aircraft Data communications Telecommunications Computer servers Marine/industrial HVAC/R Military
Interconnection	Semiconductor testing	Semiconductor manufacturing
Power inverters	DC/AC motors	Mobile repair trucks Recreational vehicles Solar power
Pressure sensors and switches	System fluid measurement	HVAC/R Industrial equipment

Table of Contents

The table below sets forth the amount of revenue we generated from each of these product categories in each of the last three fiscal years (prior year information has been recast to reflect our segment realignment):

Product Category	For the year ended December 31,		
(Amounts in thousands)	2014	2013	2012
Bimetal electromechanical controls	$359,610	$355,089	$349,337
Thermal and magnetic-hydraulic circuit breakers	117,816	113,228	118,699
Interconnection	69,332	72,206	50,317
Power inverters	35,160	19,994	20,387
Pressure sensors and switches	56,779	49,016	44,731
Other	15,249	12,961	13,535
Total	$653,946	$622,494	$597,006

Technology and Intellectual Property

We rely primarily on patents and trade secret laws, confidentiality procedures, and licensing arrangements to protect our intellectual property rights. While we consider our patents to be valuable assets, we do not believe that our overall competitive position is dependent on patent protection or that our overall operations are dependent upon any single patent or group of related patents. Many of our patents protect specific functionality in our sensor and control products, and others consist of processes or techniques that result in reduced manufacturing costs. Our patents generally relate to improvements on earlier filed Sensata, acquired, or competitor patents. We acquired ownership and license rights to a portfolio of patents and patent applications, as well as certain registered trademarks and service marks for discrete product offerings, from Texas Instruments in the 2006 Acquisition. We have also acquired intellectual property as part of our various acquisitions. We have continued to have issued to us, and to file for, additional U.S. and non-U.S. patents since the 2006 Acquisition. As of December 31, 2014, excluding our recent Schrader acquisition, we had approximately 182 U.S. and 213 non-U.S. patents and approximately 43 U.S. and 172 non-U.S. pending patent applications that were filed within the last five years. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. The Schrader acquisition added approximately 64 U.S. and 107 non-US patents and approximately 5 U.S. and 43 non-U.S. pending patent applications that were filed within the last five years. Our patents have expiration dates ranging from 2015 to 2030. We incurred Research and Development ("R&D") expense of $82.2 million, $58.0 million, and $52.1 million for the years ended December 31, 2014, 2013, and 2012, respectively.

We utilize licensing arrangements with respect to some technology that we use in our sensor products and, to a lesser extent, our control products. We entered into a perpetual, royalty-free cross-license agreement with our former owner, Texas Instruments, in connection with the 2006 Acquisition, which permits each party to use specified technology owned by the other party in its business. No license may be terminated under the agreement, even in the event of a material breach.

We purchase sense element assemblies, which are components used in both our monosilicon strain gage pressure sensors and our occupancy weight-sensing force sensors, from Measurement Specialties, Inc. and its affiliates ("MEAS") and also manufacture them internally as a second source. Prior to March 2013, this internal sourcing was under a license provided for by an agreement entered into between MEAS and TI in May 2002 (the "2002 Agreement"), which was on a year-to-year basis, and limited our internal production to forty percent of our needs. In March 2013 we entered into an intellectual property licensing arrangement (the "License Agreement") with MEAS to replace the 2002 Agreement, which was terminated in its entirety without penalty. The License Agreement provides for an indefinite duration license subject to royalties through 2019 and thereafter is royalty-free. The forty percent limitation on internal production under the 2002 Agreement has been eliminated, and we are authorized to produce our entire need for these sense elements within the passenger vehicle and heavy duty truck fields of use. The License Agreement can be terminated by either party in the event of an uncured material breach. The sense element assemblies subject to the License Agreement accounted for $393.9 million in net revenue for the year ended December 31, 2014, of which $222.3 million was related to products that were manufactured by MEAS, and $171.6 million was related to products that were manufactured by us.

Seasonality

Because of the diverse nature of the markets in which we compete, our revenue is only moderately impacted by seasonality. However, our Controls business has some seasonal elements, specifically in its air conditioning and refrigeration products, which tend to peak in the first two quarters of the year as end-market inventory is built up for spring and summer sales.

Table of Contents

Sales and Marketing

The sales and marketing function within our business is organized into regions—the Americas, Asia, and Europe—but also organizes globally across all geographies according to market segments, so as to facilitate knowledge sharing and coordinate activities involving our larger customers through global account managers.

Customers

Our customer base in the Sensors business includes a wide range of OEMs and Tier 1 suppliers in the automotive and HVOR end-markets. Our customers in the Controls business include a wide range of industrial and commercial manufacturers and suppliers across multiple end-markets, primarily OEMs in the climate control, appliance, semiconductor, datacomm, telecommunications, and aerospace industries, as well as Tier 1 motor and compressor suppliers. In geographic and product markets where we lack an established base of customers, we rely on third-party distributors to sell our sensor and control products. We have had relationships with our top ten customers for an average of 23 years. Our largest customer accounted for approximately 7% of our net revenue for the year ended December 31, 2014.

Selected Geographic Information

Refer to Note 18, "Segment Reporting," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of our net revenue by selected geographic areas for the years ended December 31, 2014, 2013, and 2012 and long-lived assets by selected geographic area as of December 31, 2014 and 2013.

Competition

Within each of the principal product categories in our Sensors business, we compete with a variety of independent suppliers and with the in-house operations of Tier 1 systems suppliers. We believe that the key competitive factors in this market are product quality and reliability, the ability to produce customized solutions on a global basis, technical expertise and development capability, breadth and scale of product offerings, product service and responsiveness, and price.

Within each of the principal product categories in our Controls business, we compete with divisions of large multinational industrial corporations and fragmented companies, which compete primarily in specific end-markets or applications. We believe that the key competitive factors in these markets are product quality and reliability, although manufacturers in certain markets also compete based on price. Physical proximity to the facilities of the OEM/Tier 1 manufacturer customer has, in our experience, also increasingly become a basis for competition. We have additionally found that certain of the product categories have specific competitive factors. For example, in the thermal circuit breaker, thermostat, and switch markets, strength of technology, quality, and the ability to provide custom solutions are particularly important. In the hydraulic-magnetic circuit breaker markets, as another example, we have encountered heightened competition on price and a greater emphasis on agency approvals, including approvals by Underwriters' Laboratories, a U.S.-based organization that issues safety standards for many electrical products used in the United States, and similar organizations outside of the United States, such as Verband der Elektrotechnik, Elektronik und Informationstechnik, and TÜV Rheinland in Europe, China Compulsory Certification in China, and Canadian Standards Association in Canada.

Employees

As of December 31, 2014, we had approximately 17,150 employees, of whom approximately 10% are located in the United States. As of December 31, 2014, approximately 800 of our employees were covered by collective bargaining agreements. In addition, in various countries, local law requires our participation in works councils. We also utilize contract workers in multiple locations in order to cost-effectively manage variations in manufacturing volume. As of December 31, 2014, we had approximately 1,620 contract workers on a worldwide basis. We believe that our relations with our employees are good.

Environmental Matters and Governmental Regulation

Our operations and facilities are subject to U.S. and non-U.S. 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 are, however, not aware of any threatened or pending material environmental investigations, lawsuits, or claims involving us or our operations, other than as set forth in Note 14, "Commitments and Contingencies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. As of December 31, 2014, compliance with federal, state, and local provisions that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment,

Table of Contents

has not had a material effect on our capital expenditures, earnings, or competitive position. We have not budgeted any material capital expenditures for environmental control facilities during 2015.

Our products are governed by material content restrictions and reporting requirements, examples of which include the European Union regulations, such as REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals), RoHS (Restriction of Hazardous Substances), and ELV (End of Life Vehicles), etc., United States regulations, such as the conflict minerals requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and similar regulations in other countries. Numerous customers, across all end-markets, are requiring us to provide declarations of compliance or, in some cases, full material content disclosure as a requirement of doing business with them.

We are subject to compliance with laws and regulations controlling the export of goods and services. Certain of our products are subject to International Traffic in Arms Regulation (“ITAR”). These products represent an immaterial portion of our net revenue, and we have not exported an ITAR-controlled product. However, if in the future we decided to export ITAR-controlled products, such transactions would require an individual validated license from the U.S. State Department’s Directorate of Defense Trade Controls. The State Department makes licensing decisions based on type of product, destination of end use, end user, national security, and foreign policy. The length of time involved in the licensing process varies but currently averages approximately six weeks. The license processing time could result in delays in the shipping of products. These laws and regulations are subject to change, and any such change may require us to change technology or incur expenditures to comply with such laws and regulations.

Available Information

We make available free of charge on our Internet Web site (www.sensata.com) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Our website and the information contained or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Adverse conditions in the automotive industry have had, and may in the future have, adverse effects on our businesses.

Much of our business depends on, and is directly affected by, the global automobile industry. Sales to customers in the automotive industry accounted for approximately 62% of our total 2014 net revenue. Adverse developments like those we have seen in past years in the automotive industry, including but not limited to declines in demand, customer bankruptcies, and increased demands on us for pricing decreases, would have adverse effects on our results of operations and could impact our liquidity position and our ability to meet restrictive debt covenants. In addition, these same conditions could adversely impact certain of our vendors’ financial solvency, resulting in potential liabilities or additional costs to us to ensure uninterrupted supply to our customers.

Continued pricing and other pressures from our customers may adversely affect our business.

Many of our customers, including automotive manufacturers and other industrial and commercial original equipment manufacturers ("OEMs"), have policies that require annual price reductions. If we are not able to offset continued price reductions through improved operating efficiencies and reduced expenditures, those price reductions may have a material adverse effect on our results of operations and cash flows. In addition, our customers occasionally require engineering, design, or production changes. In some circumstances, we may be unable to cover the costs of these changes with price increases. Additionally, as our customers grow larger, they may increasingly require us to provide them with our products on an exclusive basis, which could cause an increase in the number of products we must carry and, consequently, increase our inventory levels and working capital requirements. Certain of our customers, particularly domestic automotive manufacturers, are increasingly requiring their suppliers to agree to their standard purchasing terms without deviation as a condition to engage in future business transactions. As a result, we may find it difficult to enter into agreements with such customers on terms that are commercially reasonable to us.

Our businesses operate in markets that are highly competitive, and competitive pressures could require us to lower our prices or result in reduced demand for our products.

Our businesses operate in markets that are highly competitive, and we compete on the basis of product performance, quality, service, and/or price across the industries and markets we serve. A significant element of our competitive strategy is to manufacture high-quality products at low-cost, particularly in markets where low-cost country-based suppliers, primarily in

Table of Contents

China with respect to the Controls business, have entered our markets, or increased their sales in our markets, by delivering products at low cost to local OEMs. In addition, certain of our competitors in the automotive sensor market are controlled by major OEMs or suppliers, limiting our access to certain customers. Many of our customers also rely on us as their sole source of supply for many of the products that we have historically sold to them. These customers may choose to develop relationships with additional suppliers or elect to produce some or all of these products internally, in each case in order to reduce risk of delivery interruptions or as a means of extracting pricing concessions. Certain of our customers currently have, or may develop in the future, the capability to internally produce the products that we sell to them and may compete with us with respect to those and other products and with respect to other customers. Competitive pressures such as these, and others, could affect prices or customer demand for our products, negatively impacting our profit margins and/or resulting in a loss of market share.

We are subject to risks associated with our non-U.S. operations, which could adversely impact the reported results of operations from our international businesses, or subject us to potential penalties and/or sanctions in the event of non-compliance with the FCPA or similar worldwide anti-bribery laws.

Our subsidiaries located outside of the United States (the "U.S.") generated approximately 62% of our 2014 net revenue, and we expect sales from non-U.S. markets to continue to represent a significant portion of our total sales. International sales and operations are subject to changes in local government regulations and policies, including those related to tariffs and trade barriers, investments, taxation, exchange controls, and repatriation of earnings.

A portion of our revenue, expenses, receivables, and payables are denominated in currencies other than U.S. dollars, in particular the Euro. We are, therefore, subject to foreign currency risks and foreign exchange exposure. Changes in the relative values of currencies occur from time to time and could affect our operating results. For financial reporting purposes, the functional currency that we use is the U.S. dollar because of the significant influence of the U.S. dollar on our operations. In certain instances, we enter into transactions that are denominated in a currency other than the U.S. dollar. At the date that such transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in U.S. dollars using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the U.S. dollar are adjusted to the U.S. dollar using the exchange rate at the balance sheet date, with gains or losses recorded in Other, net. During times of a weakening U.S. dollar, our reported international sales and earnings will increase because the non-U.S. currency will translate into more U.S. dollars. Conversely, during times of a strengthening U.S. dollar, our reported international sales and earnings will be reduced because the local currency will translate into fewer U.S. dollars.

There are other risks that are inherent in our non-U.S. operations, including the potential for changes in socio-economic conditions and/or monetary and fiscal policies, intellectual property protection difficulties and disputes, the settlement of legal disputes through certain foreign legal systems, the collection of receivables, exposure to possible expropriation or other government actions, unsettled political conditions, and possible terrorist attacks. These and other factors may have a material adverse effect on our non-U.S. operations and, therefore, on our business and results of operations.

In addition, we could be adversely affected by violations of the FCPA and similar worldwide anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to non-U.S. government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these laws. Many of the countries in which we operate have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our compliance program, we cannot assure you that our internal control policies and procedures always will protect us from reckless or negligent acts committed by our employees or agents. Violations of these laws, or allegations of such violations, may have a negative effect on our results of operations, financial condition, and reputation.

Integration of acquired companies, and any future acquisitions, joint ventures, and/or dispositions, may require significant resources and/or result in significant unanticipated losses, costs, or liabilities, and we may not realize all of the anticipated operating synergies and cost savings from acquisitions.

We have grown, and in the future we intend to continue to grow, by making acquisitions or entering into joint ventures or similar arrangements. There can be no assurance that our acquisitions will perform as expected in the future. Any future acquisitions will depend on our ability to identify suitable acquisition candidates, to negotiate acceptable terms for their acquisition, and to finance those acquisitions. We will also face competition for suitable acquisition candidates, which may increase our costs. In addition, acquisitions or investments require significant managerial attention, which may be diverted from our other operations. Furthermore, acquisitions of businesses or facilities entail a number of additional risks, including:

- problems with effective integration of operations;

Table of Contents

- the inability to maintain key pre-acquisition customer, supplier, and employee relationships;
- increased operating costs; and
- exposure to unanticipated liabilities.

Subject to the terms of our indebtedness, we may finance future acquisitions with cash from operations, additional indebtedness, and/or by issuing additional equity securities. In addition, we could face financial risks associated with incurring additional indebtedness such as reducing our liquidity, limiting our access to financing markets, and increasing the amount of service on our debt. The availability of debt to finance future acquisitions may be restricted, and our ability to make future acquisitions may be limited.

We may also seek to restructure our business in the future by disposing of certain of our assets or by consolidating operations. There can be no assurance that any restructuring of our business will not adversely affect our financial position, leverage, or results of operations. In addition, any significant restructuring of our business will require significant managerial attention, which may be diverted from our operations.

There can be no assurance that any anticipated synergies or cost savings generated through acquisitions will be achieved or that they will be achieved in our estimated time frame. We may not be able to successfully integrate and streamline overlapping functions from future acquisitions, and integration may be more costly to accomplish than we expect. In addition, we could encounter difficulties in managing our combined company due to its increased size and scope.

We may be unable to successfully integrate the operations of August Cayman Company, Inc. (“Schrader”) into our operations and we may not realize the anticipated efficiencies and synergies of the acquisition of Schrader (the "Schrader Acquisition"). If the Schrader Acquisition does not achieve its intended results, our business, financial condition, and results of operations could be materially and adversely affected.

The integration of Schrader into our operations is a significant undertaking and will continue to require significant attention from our management team. The Schrader Acquisition involves the integration of two companies that previously operated independently, and the unique business cultures of the two companies may prove to be incompatible. It is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees, the disruption of each company’s ongoing businesses, processes, and systems, or inconsistencies in standards, controls, procedures, practices, policies, and compensation arrangements, any of which could adversely affect our ability to achieve the anticipated benefits of the Schrader Acquisition. Our results of operations and financial condition could also be adversely affected by any issues attributable to Schrader’s operations that arose or are based on events or actions that occurred prior to the closing of the Schrader Acquisition. We may have difficulty addressing possible differences in corporate cultures and management philosophies between Schrader and us. The integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized or, if realized, the timing of their realization. Although we currently anticipate significant long-term synergies, we cannot assure you that these expected synergies will be fully realized, if at all. Our actual synergies and the expenses required to realize these synergies could differ materially from our current expectations, and we cannot assure you that we will achieve the full amount of expected synergies on the schedule anticipated, or at all, or that these synergies will not have other adverse effects on our business. Failure to achieve the anticipated benefits of the Schrader Acquisition could result in increased costs or decreased revenue and could materially adversely affect our business, financial condition, and results of operations. Refer to Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of the acquisition of Schrader.

The assumption of known and unknown liabilities in the Schrader Acquisition may harm our financial condition and results of operations.

As a result of the Schrader Acquisition, we have assumed all of Schrader’s liabilities, including known and unknown contingent liabilities. If there are significant unknown Schrader obligations, or if we incur significant losses arising from known contingent liabilities assumed by us upon closing of the Schrader Acquisition, the combined company’s business could be materially and adversely affected. We may obtain additional information about Schrader’s business that adversely affects the combined company, such as unknown liabilities, or issues that could affect our ability to comply with applicable laws. As a result, we cannot assure you that the Schrader Acquisition will be successful or that it will not, in fact, harm our business. Among other things, if Schrader's liabilities are greater than expected, or if there are material obligations of which we are not aware, our business could be materially and adversely affected. If we become responsible for substantial uninsured liabilities, these liabilities may have a material adverse effect on our financial condition and results of operations. We have no recourse (whether through indemnity or otherwise) to recover any such liabilities.

Table of Contents

We may be subject to claims that our products or processes infringe on the intellectual property rights of others, which may cause us to pay unexpected litigation costs or damages, modify our products or processes, or prevent us from selling our products.

Third parties may claim that our processes and products infringe on their intellectual property rights. Whether or not these claims have merit, we may be subject to costly and time consuming legal proceedings, and this could divert our management's attention from operating our business. If these claims are successfully asserted against us, we could be required to pay substantial damages, make future royalty payments, and/or could be prevented from selling some or all of our products. We may also be obligated to indemnify our business partners or customers in any such litigation. Furthermore, we may need to obtain licenses from these third parties or substantially re-engineer or rename our products in order to avoid infringement. In addition, we might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer or rename our products successfully. If we are prevented from selling some or all of our products, our sales could be materially adversely affected.

We may incur material losses and costs as a result of product liability, warranty, and recall claims that may be brought against us.

We have been, and may continue to be, exposed to product liability and warranty claims in the event that our products actually or allegedly fail to perform as expected, or the use of our products results, or are alleged to result, in death, bodily injury, and/or property damage. Accordingly, we could experience material warranty or product liability losses in the future and incur significant costs to defend these claims. In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall of the underlying end product, particularly if the defect or the alleged defect relates to product safety. Depending on the terms under which we supply products, an OEM may hold us responsible for some or all of the repair or replacement costs of these products under warranties when the product supplied did not perform as represented. In addition, a product recall could generate substantial negative publicity about our business and interfere with our manufacturing plans and product delivery obligations as we seek to repair affected products. Our costs associated with product liability, warranty, and recall claims could be material. Refer to Note 14, "Commitments and Contingencies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our product liability, warranty, and recall claims.

Changes in existing environmental and/or safety laws, regulations, and programs could reduce demand for environmental and safety-related products, which could cause our revenue to decline.

A significant amount of our business is generated either directly or indirectly as a result of existing laws, regulations, and programs related to environmental protection, fuel economy, energy efficiency, and safety regulation. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation, or enforcement of these programs, could result in a decline in demand for environmental and safety products, which may have a material adverse effect on our revenue.

Our substantial indebtedness could adversely affect our financial condition and our ability to operate our business.

As of December 31, 2014, we had $2,848.1 million of gross outstanding indebtedness, including $469.3 million of indebtedness under our existing term loan (the "Original Term Loan"), $598.5 million of indebtedness under an incremental term loan (the "Incremental Term Loan," and together with the Original Term Loan, the "Term Loans"), $700.0 million of 6.5% senior notes issued under an indenture dated as of May 12, 2011 (the “6.5% Senior Notes”), $500.0 million of 4.875% senior notes issued under an indenture dated as of April 17, 2013 (the "4.875% Senior Notes"), $400.0 million of 5.625% senior notes issued under an indenture dated as of October 14, 2014 (the "5.625% Senior Notes," and together with the 6.5% Senior Notes and the 4.875% Senior Notes, the "Senior Notes"), $130.0 million outstanding under our $250.0 million revolving credit facility (the "Revolving Credit Facility"), $2.2 million of other debt, and $48.2 million of capital lease and other financing obligations. We may incur additional indebtedness in the future. Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our debt obligations;
- restrict us from making strategic acquisitions;
- limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities, thereby placing us at a competitive disadvantage if our competitors are not as highly-leveraged;

- increase our vulnerability to general adverse economic and industry conditions; or

- require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness if we do not maintain specified financial ratios or are not able to refinance our indebtedness as it comes due, thereby reducing the availability of our cash flows for other purposes.

In addition, our senior secured credit facilities (the "Senior Secured Credit Facilities"), under which the Term Loans and the Revolving Credit Facility were issued, permit us to incur additional indebtedness in the future. As of December 31, 2014, we had $113.7 million available to us under the Revolving Credit Facility. If we increase our indebtedness by borrowing under the Revolving Credit Facility or incur other new indebtedness, the risks described above would increase. Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our outstanding indebtedness.

Our business may not generate sufficient cash flows from operations, or future borrowings under the Senior Secured Credit Facilities or from other sources may not be available to us in an amount sufficient to enable us to service and/or repay our indebtedness when it becomes due, including the Term Loans and the Senior Notes, or to fund our other liquidity needs, including capital expenditure requirements.

We cannot guarantee that we will be able to obtain enough capital to service our debt and fund our planned capital expenditures and business plan. If we complete additional acquisitions, our debt service requirements could also increase. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity investments, or reducing or delaying capital expenditures, strategic acquisitions, investments, and alliances, any of which could have a material adverse effect on our operations. Additionally, we may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all.

Our failure to comply with the covenants contained in our credit arrangements, including non-compliance attributable to events beyond our control, could result in an event of default, which could materially and adversely affect our operating results and our financial condition.

The Revolving Credit Facility requires us 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, Sensata Technologies B.V. 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. Additionally, the Revolving Credit Facility and the indentures governing the Senior Notes require us to comply with various operational and other covenants.

If we experienced an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to the debt to become due and payable immediately, which, in turn, would result in cross defaults under our other debt instruments. Our assets and cash flows may not be sufficient to fully repay borrowings if accelerated upon an event of default.

If, when required, we are unable to repay, refinance, or restructure our indebtedness under, or amend the covenants contained in, our credit agreement, or if a default otherwise occurs, the lenders under the Senior Secured Credit Facilities could: elect to terminate their commitments thereunder; cease making further loans; declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable; institute foreclosure proceedings against those assets that secure the borrowings under the Senior Secured Credit Facilities; and prevent us from making payments on the Senior Notes. Any such actions could force us into bankruptcy or liquidation, and we might not be able to repay our obligations in such an event.

Labor disruptions or increased labor costs could adversely affect our business.

As of December 31, 2014, we had approximately 17,150 employees, of whom approximately 10% were located in the United States. As of December 31, 2014, approximately 800 of our employees were covered by collective bargaining agreements. In addition, in various countries, local law requires our participation in works councils.

A material labor disruption or work stoppage at one or more of our manufacturing facilities could have a material adverse effect on our business. In addition, work stoppages occur relatively frequently in the industries in which many of our customers operate, such as the automotive industry. If one or more of our larger customers were to experience a material work stoppage for any reason, that customer may halt or limit the purchase of our products. This could cause us to shut down production facilities relating to those products, which could have a material adverse effect on our business, results of operations, and financial condition.

Table of Contents

The loss, or significant non-performance, of one or more of our suppliers of manufactured components or raw materials may interrupt our supplies and materially harm our business.

We purchase raw materials and components from a wide range of suppliers. For certain raw materials or components, however, we are dependent on sole source suppliers. We generally obtain these raw materials and components through individual purchase orders executed on an as needed basis, rather than pursuant to long-term supply agreements. Our ability to meet our customers' needs depends on our ability to maintain an uninterrupted supply of raw materials and finished products from our third-party suppliers and manufacturers. Our business, financial condition, and/or results of operations could be adversely affected if any of our principal third-party suppliers or manufacturers experience production problems, lack of capacity, or transportation disruptions, or otherwise determine to cease producing such raw materials or components. The magnitude of this risk depends upon the timing of the changes, the materials or products that the third-party manufacturers provide, and the volume of the production. We may not be able to make arrangements for transition supply and qualifying replacement suppliers in a cost-effective or timely manner, or at all.

Our dependence on third parties for raw materials and components subjects us to the risk of supplier failure and customer dissatisfaction with the quality of our products. Quality failures by our third-party manufacturers or changes in their financial or business condition that affect their production could disrupt our ability to supply quality products to our customers and thereby materially harm our business.

Because we purchase various types of raw materials and component parts from suppliers, we may be materially and adversely affected by the failure of those suppliers to perform as expected. This non-performance may consist of delivery delays or failures caused by production issues or delivery of non-conforming products. The risk of non-performance may also result from the insolvency or bankruptcy of one or more of our suppliers.

Our efforts to protect against and to minimize these risks may not always be effective. We may occasionally seek to engage new suppliers with which we have little or no experience. The use of new suppliers can pose technical, quality, and other risks.

Increasing costs for, or limitations on the supply of or access to, manufactured components and raw materials may adversely affect our business and results of operations.

We use a broad range of manufactured components, subassemblies, and raw materials in the manufacture of our products, including silver, gold, platinum, palladium, copper, aluminum, nickel, zinc, resins, and certain rare earth metals, which may experience significant volatility in their prices and availability. We have entered into hedge arrangements in an attempt to minimize commodity pricing volatility and may continue to do so from time to time in the future. Such hedges might not be economically successful. In addition, these hedges do not qualify as accounting hedges in accordance with U.S. generally accepted accounting principles. Accordingly, the change in fair value of these hedges is recognized in earnings immediately, which could cause volatility in our results of operations from quarter to quarter. The availability and price of raw materials and manufactured components may be subject to change due to, among other things, new laws or regulations, global economic or political events including strikes, terrorist actions, war, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates, and prevailing price levels. For example, certain of our product lines utilize magnets containing certain rare earth metals. A large majority of the world's production of rare earth metals is in China. If China limits the export of such materials, there could be a world-wide shortage, leading to a lack of supply and higher prices for magnets made using these materials. It is generally difficult to pass increased prices for manufactured components and raw materials through to our customers in the form of price increases. Therefore, a significant increase in the price or a decrease in the availability of these items could materially increase our operating costs and materially and adversely affect our business and results of operations.

We may not realize all of the revenue or achieve anticipated gross margins from products subject to existing purchase orders or for which we are currently engaged in development.

Our ability to generate revenue from products subject to customer awards is subject to a number of important risks and uncertainties, many of which are beyond our control, including the number of products our customers will actually produce, as well as the timing of such production. Many of our customer contracts provide for supplying a certain share of the customer's requirements for a particular application or platform, rather than for manufacturing a specific quantity of products. In some cases, we have no remedy if a customer chooses to purchase less than we expect. In cases where customers do make minimum volume commitments to us, our remedy for their failure to meet those minimum volumes is limited to increased pricing on those products that the customer does purchase from us or renegotiating other contract terms. There is no assurance that such price increases or new terms will offset a shortfall in expected revenue. In addition, some of our customers may have the right to discontinue a program or replace us with another supplier under certain circumstances. As a result, products for which we are currently incurring development expenses may not be manufactured by customers at all, or may be manufactured in smaller amounts than currently anticipated. Therefore, our anticipated future revenue from products relating to existing customer

Table of Contents

awards or product development relationships may not result in firm orders from customers for the originally contracted amount. We also incur capital expenditures and other costs, and price our products, based on estimated production volumes. If actual production volumes were significantly lower than estimated, our anticipated revenue and gross margin from those new products would be adversely affected. We cannot predict the ultimate demand for our customers' products, nor can we predict the extent to which we would be able to pass through unanticipated per-unit cost increases to our customers.

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. Any failure to comply with such regulations could result in governmental enforcement actions, fines, penalties, or other remedies, which could have a material adverse effect on our business, results of operations, or financial condition.

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, 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. This area remains fluid in terms of regulatory developments. 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.

We have discovered in the past, and may discover in the future, deficiencies in our OFAC compliance program. Although we continue to enhance our OFAC compliance program, we cannot assure you that any such enhancements will ensure that we are in compliance with applicable laws and regulations at all times, or that OFAC (or other applicable authorities) will not raise compliance concerns or perform audits to confirm our compliance with applicable laws and regulations. Any failure by us to comply with applicable laws and regulations could result in governmental enforcement actions, fines or penalties, criminal and/or civil proceedings, or other remedies, any of which could have a material adverse effect on our business, results of operations, or financial condition.

We may be adversely affected by environmental, safety, and governmental regulations or concerns.

We are subject to the requirements of environmental and occupational safety and health laws and regulations in the United States and other countries, as well as product performance standards established by quasi governmental and industrial standards organizations. We cannot assure you that we have been, and will continue to be, in compliance with all of these requirements on account of circumstances or events that have occurred or exist but that we are unaware of, or that we will not incur material costs or liabilities in connection with these requirements in excess of amounts we have reserved. In addition, these requirements are complex, change frequently, and have tended to become more stringent over time. These requirements may change in the future in a manner that could have a material adverse effect on our business, results of operations, and financial condition. In addition, certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act require us to report on "conflict minerals" used in our products and the due diligence plan we put in place to track whether such minerals originate from the Democratic Republic of Congo and adjoining countries. The continuing implementation of these requirements could affect the sourcing and availability of minerals used in certain of our products. We have made, and may be required in the future to make, capital and other expenditures to comply with environmental requirements. In addition, certain of our subsidiaries are subject to pending litigation raising various environmental and human health and safety claims. We cannot assure you that our costs to defend and/or settle these claims will not be material. Refer to Note 14, "Commitments and Contingencies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of our existing environmental matters under remediation.

Taxing authorities could challenge our historical and future tax positions or our allocation of taxable income among our subsidiaries, or tax laws to which we are subject could change in a manner adverse to us.

We are a Dutch public limited liability company that operates through various subsidiaries in a number of countries throughout the world. Consequently, we are subject to tax laws, treaties, and regulations in the countries in which we operate, and these laws and treaties are subject to interpretation. We have taken, and will continue to take, tax positions based on our interpretation of such tax laws. There can be no assurance that a taxing authority will not have a different interpretation of applicable law and assess us with additional taxes. Should we be assessed with additional taxes, this may result in a material adverse effect on our results of operations and/or financial condition.

Table of Contents

We conduct operations through manufacturing and distribution subsidiaries in numerous tax jurisdictions around the world. Our transfer pricing arrangements are not generally binding on applicable tax authorities. Our transfer pricing methodology is based on economic studies. The price charged for products, services, and financing among our companies, or the royalty rates and other amounts paid for intellectual property rights, could be challenged by the various tax authorities, resulting in additional tax liability, interest, and/or penalties.

Tax laws are subject to change in the various countries in which we operate. Such future changes could be unfavorable and result in an increased tax burden to us. Refer to Note 9, "Income Taxes," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion related to income taxes.

We have recorded a significant amount of goodwill and other identifiable intangible assets, and we may be required to recognize goodwill or intangible asset impairments, which would reduce our earnings.

We have recorded a significant amount of goodwill and other identifiable intangible assets, including tradenames. Goodwill and other net identifiable intangible assets totaled approximately $3,335.6 million as of December 31, 2014, or 65% of our total assets. Goodwill, which represents the excess of cost over the fair value of the net assets of businesses acquired, was approximately $2,424.8 million as of December 31, 2014, or 47% of our total assets. Goodwill and other net identifiable intangible assets were recorded at fair value on the respective dates of acquisition. Impairment of goodwill and other identifiable intangible assets may result from, among other things, deterioration in our performance, adverse market conditions, adverse changes in laws or regulations, unexpected significant or planned changes in the use of assets, and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge that is included in operating income, which may impact our ability to raise capital. No impairment charges were required during the past three fiscal years. Should certain assumptions used in the development of the fair value of our reporting units change, we may be required to recognize goodwill or other intangible asset impairments. Refer to Note 5, "Goodwill and Other Intangible Assets," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more details on our goodwill and other identifiable intangible assets.

We are a Netherlands public limited liability company, and it may be difficult for shareholders to obtain or enforce judgments against us in the United States.

We are incorporated under the laws of the Netherlands, and a substantial portion of our assets are located outside of the United States. As a result, although we have appointed an agent for service of process in the U.S., it may be difficult or impossible for United States investors to effect service of process within the United States upon us or to realize in the United States on any judgment against us, including for civil liabilities under the United States securities laws. Therefore, any judgment obtained in any United States federal or state court against us may have to be enforced in the courts of the Netherlands, or such other foreign jurisdiction, as applicable. Because there is no treaty or other applicable convention between the United States and the Netherlands with respect to the recognition and enforcement of legal judgments regarding civil or commercial matters, a judgment rendered by any United States federal or state court will not be enforced by the courts of the Netherlands unless the underlying claim is relitigated before a Dutch court. Under current practice, however, a Dutch court will generally grant the same judgment without a review of the merits of the underlying claim (i) if that judgment resulted from legal proceedings compatible with Dutch notions of due process, (ii) if that judgment does not contravene public policy of the Netherlands, and (iii) if the jurisdiction of the United States federal or state court has been based on internationally accepted principles of private international law.

To date, we are aware of only limited published case law in which Dutch courts have considered whether such a judgment rendered by a United States federal or state court would be enforceable in the Netherlands. In all of these cases, Dutch lower courts applied the aforementioned criteria with respect to the U.S. judgment. If all three criteria were satisfied, the Dutch courts granted the same judgment without a review of the merits of the underlying claim. Investors should not assume, however, that the courts of the Netherlands, or such other foreign jurisdiction, would enforce judgments of United States courts obtained against us predicated upon the civil liability provisions of the United States securities laws, or that such courts would enforce, in original actions, liabilities against us predicated solely upon such laws.

Our shareholders' rights and responsibilities are governed by Dutch law and differ in some respects from the rights and responsibilities of shareholders under U.S. law, and shareholder rights under Dutch law may not be as clearly established as shareholder rights are established under the laws of some U.S. jurisdictions.

Our corporate affairs are governed by our articles of association and by the laws governing companies incorporated in the Netherlands. The rights of our shareholders and the responsibilities of members of our Board of Directors under Dutch law may not be as clearly established as under the laws of some U.S. jurisdictions. In the performance of its duties, our Board of

Table of Contents

Directors is required by Dutch law to consider the interests of our company and our business, including our shareholders, our employees, and other stakeholders, in all cases with reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, the interests of our shareholders. It is anticipated that all of our shareholder meetings will take place in the Netherlands.

In addition, the rights of holders of ordinary shares, and many of the rights of shareholders as they relate to, for example, the exercise of shareholder rights, are governed by Dutch law and our articles of association and differ from the rights of shareholders under U.S. law. For example, Dutch law does not grant appraisal rights to a company's shareholders who wish to challenge the consideration to be paid upon a merger or consolidation of the company.

The provisions of Dutch corporate law and our articles of association have the effect of concentrating control over certain corporate decisions and transactions in the hands of our Board of Directors. As a result, holders of our shares may have more difficulty in protecting their interests in the face of actions by members of our Board of Directors than if we were incorporated in the United States.

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

We upgraded our existing ERP system to a newer version 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. 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

As of December 31, 2014, we occupied 16 principal manufacturing facilities and business centers totaling approximately 3,161,000 square feet, with the majority devoted to research, development, and engineering, manufacturing, and assembly. We lease approximately 433,000 square feet for our U.S. headquarters in Attleboro, Massachusetts. Of our principal facilities, approximately 1,484,000 square feet are owned and approximately 1,677,000 square feet are occupied under leases. A significant portion of our owned properties and equipment is subject to a lien under the Senior Secured Credit Facilities. Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information on the Senior Secured Credit Facilities. We consider our manufacturing facilities sufficient to meet our current operational requirements. The table below lists the location of our principal executive and operating facilities:

Location	Operating Segment	Owned or Leased	Approximate Square Footage
Almelo, Netherlands	Sensors and Controls	Owned	185,000
Attleboro, Massachusetts	Sensors and Controls	Leased	433,000
Aguascalientes, Mexico	Sensors and Controls	Owned	411,000
Altavista, Virginia	Sensors	Owned	150,000
Antrim, United Kingdom	Sensors	Leased	97,000
Antrim, United Kingdom	Sensors	Owned	63,000
Baoying, China	Controls	Owned	360,000
Baoying, China	Sensors and Controls	Leased	385,000
Berlin, Germany	Sensors	Leased	33,000
Botevgrad, Bulgaria	Sensors	Owned	137,000
Bydgoszcz, Poland	Sensors	Leased	54,000
Changzhou, China	Sensors and Controls	Leased	488,000
Haina, Dominican Republic	Sensors and Controls	Leased	45,000
Pontarlier, France	Sensors	Owned	178,000
Subang Jaya, Malaysia	Sensors	Leased	108,000
Swindon, United Kingdom	Sensors	Leased	34,000

Leases covering our currently occupied principal leased facilities expire at varying dates within the next 20 years. We do not anticipate difficulty in retaining occupancy through lease renewals, month-to-month occupancy, or by replacing the leased facilities with equivalent facilities. An increase in demand for our products may require us to expand our production capacity, which could require us to identify and acquire or lease additional manufacturing facilities. We believe that suitable additional or substitute facilities will be available as required; however, if we are unable to acquire, integrate, and move into production the facilities, equipment, and personnel necessary to meet such increase in demand, our customer relationships, results of operations, and/or financial condition may suffer materially.

ITEM 3. LEGAL PROCEEDINGS

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 related to patent infringement allegations or for property damage allegedly caused by our products, but some involve allegations of personal injury or wrongful death. From time to time, we are also involved in disagreements with vendors and customers. We believe that the ultimate resolution of the current litigation matters that are pending against us will not have a material effect on our financial condition or results of operations. Information on certain legal proceedings in which we are involved is included in Note 14, "Commitments and Contingencies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

The Internal Revenue Code requires that companies disclose in their Annual Report on Form 10-K whether they have been required to pay penalties to the Internal Revenue Service (“IRS”) for certain transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose. We have not been required to pay any such penalties.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our ordinary shares trade on the New York Stock Exchange ("NYSE") under the symbol "ST." The following table sets forth the high and low intraday sales prices per share of our ordinary shares, as reported by the NYSE, for the periods indicated:

	Price Range	
	High	Low
2013		
Quarter ended March 31, 2013	$35.55	$31.06
Quarter ended June 30, 2013	$37.06	$30.80
Quarter ended September 30, 2013	$38.97	$34.44
Quarter ended December 31, 2013	$41.09	$36.75
2014		
Quarter ended March 31, 2014	$43.28	$36.50
Quarter ended June 30, 2014	$46.81	$41.30
Quarter ended September 30, 2014	$49.97	$44.40
Quarter ended December 31, 2014	$54.14	$41.56

Performance Graph

The following graph compares the cumulative return of our ordinary shares since we began trading on the NYSE on March 11, 2010, to the total returns since that date on the Standard & Poor's ("S&P") 500 Stock Index and the S&P 500 Industrial Index.

The graph assumes that the value of the investment in our ordinary shares and each index was $100 on March 11, 2010.

Cumulative Value of $100 Investment from March 11, 2010

	3/11/2010	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Sensata	$100.00	$162.76	$142.05	$175.57	$209.57	$283.30
S&P 500	$100.00	$111.06	$113.41	$131.56	$174.17	$198.01
S&P 500 Industrial	$100.00	$112.52	$118.60	$136.12	$180.12	$202.38

The information in the graph and table above is not "soliciting material," is not deemed "filed" with the Securities and Exchange Commission, and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as

Table of Contents
amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, except to the extent that we specifically incorporate such information by reference. The share price performance shown on the graph represents past performance and should not be considered an indication of future price performance.

Stockholders

As of January 15, 2015, there was one holder of record of our ordinary shares. This holder of record is Cede & Co., which acts as nominee shareholder for the Depository Trust Company. All of our ordinary shares traded on the New York Stock Exchange are held by Cede & Co.

Dividends

We have never declared or paid any dividends on our ordinary shares, and we currently do not plan to declare any such dividends in the foreseeable future. Because we are a holding company, our ability to pay cash dividends on our ordinary shares may be limited by restrictions on our ability to obtain sufficient funds through dividends from our subsidiaries, including restrictions under the terms of the agreements governing our indebtedness. In that regard, our indirect, wholly-owned subsidiary, Sensata Technologies B.V. ("STBV"), is limited in its ability to pay dividends or otherwise make distributions to its immediate parent company and, ultimately, to us. Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information on our dividend restrictions.

In addition, under Dutch law, STBV, Sensata Technologies Intermediate Holding B.V., and certain of our other subsidiaries that are Dutch private limited liability companies may only pay dividends or make other distributions to the extent that the shareholders' equity of such subsidiary exceeds the reserves required to be maintained by law or under its articles of association.

Under Dutch law, we may only pay dividends out of profits as shown in our adopted annual accounts prepared in accordance with International Financial Reporting Standards. Should we wish to do so, we would only be able to declare and pay dividends to the extent our equity exceeds the sum of the paid and called up portion of our ordinary share capital and the reserves that must be maintained in accordance with the provisions of Dutch law and our articles of association. Subject to these limitations, the payment of cash dividends in the future, if any, will depend upon such factors as earnings levels, capital requirements, contractual restrictions, our overall financial condition, and any other factors deemed relevant by our shareholders and Board of Directors.

U.S. holders of our ordinary shares are generally not subject to any Dutch taxes on income or capital gains derived from ownership or disposal of such ordinary shares. However, we are generally required to withhold Dutch income tax (at a rate of 15%) on actual or deemed dividend distributions. There is no reciprocal tax treaty between the U.S. and the Netherlands regarding withholding.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased		Weighted-Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Programs (in millions)
October 1 through October 31, 2014	2,099	(1)	$43.71	—	$74.7
November 1 through November 30, 2014	623	(1)	$49.65	—	$74.7
December 1 through December 31, 2014	—		$—	—	$74.7
Total	2,722		$45.07	—	$74.7

(1) In the second quarter of 2014, we began allowing “withhold to cover” as a method for collecting and paying withholding taxes upon the vesting of restricted securities for our employees. Pursuant to the “withhold to cover” method, we withheld from such employees the shares noted in the table above to cover such statutory minimum tax withholdings. These transactions took place outside of a publicly-announced repurchase plan. The weighted-average price per share listed in the above table is the weighted-average of the fair market prices at which we calculated the number of shares withheld to cover tax withholdings for the employees.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

We have derived the selected consolidated statement of operations and other financial data for the years ended December 31, 2014, 2013, and 2012, and the selected consolidated balance sheet data as of December 31, 2014 and 2013, from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. We have derived the selected consolidated statement of operations and other financial data for the years ended December 31, 2011 and 2010, and the consolidated balance sheet data as of December 31, 2012, 2011, and 2010, from audited consolidated financial statements not included in this Annual Report on Form 10-K.

You should read the following information in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our audited consolidated financial statements and accompanying notes thereto included elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results to be expected in any future period.

	Sensata Technologies Holding N.V. (consolidated)				
	For the year ended December 31,				
(Amounts in thousands, except per share data)	2014	2013	2012	2011	2010
Statement of Operations Data[e]:					
Net revenue	$2,409,803	$1,980,732	$1,913,910	$1,826,945	$1,540,079
Operating costs and expenses:					
Cost of revenue	1,567,334	1,256,249	1,257,547	1,166,842	948,070
Research and development	82,178	57,950	52,072	44,597	24,664
Selling, general and administrative[a]	220,105	163,145	141,894	164,790	194,106
Amortization of intangible assets	146,704	134,387	144,777	141,575	144,514
Restructuring and special charges	21,893	5,520	40,152	15,012	(138)
Total operating costs and expenses	2,038,214	1,617,251	1,636,442	1,532,816	1,311,216
Profit from operations	371,589	363,481	277,468	294,129	228,863
Interest expense	(107,210)	(95,101)	(100,037)	(99,557)	(105,416)
Interest income	1,106	1,186	815	813	1,020
Other, net[b]	(12,059)	(35,629)	(5,581)	(120,050)	45,388
Income before income taxes	253,426	233,937	172,665	75,335	169,855
(Benefit from)/provision for income taxes [c]	(30,323)	45,812	(4,816)	68,861	39,805
Net income	$283,749	$188,125	$177,481	$6,474	$130,050
Basic net income per share	$1.67	$1.07	$1.00	$0.04	$0.78
Diluted net income per share	$1.65	$1.05	$0.98	$0.04	$0.75
Weighted–average ordinary shares outstanding—basic	170,113	176,091	177,473	175,307	166,278
Weighted-average ordinary shares outstanding—diluted	172,217	179,024	181,623	181,212	172,946
Other Financial Data[e]:					
Net cash provided by/(used in):					
Operating activities	$382,568	$395,838	$397,313	$305,867	$300,046
Investing activities	(1,430,065)	(87,650)	(62,501)	(554,458)	(52,548)
Financing activities	940,930	(403,831)	(13,400)	(152,944)	97,696
Capital expenditures	(144,211)	(82,784)	(54,786)	(89,807)	(52,912)

Table of Contents

	2014	2013	2012	2011	2010
Balance Sheet Data (as of December 31)(e):					
Cash and cash equivalents	$211,329	$317,896	$413,539	$92,127	$493,662
Working capital(d)	441,258	537,139	616,317	313,914	609,887
Total assets	5,116,609	3,498,824	3,648,391	3,456,651	3,387,438
Total debt, including capital lease and other financing obligations	2,841,836	1,723,966	1,824,655	1,835,710	1,889,693
Total shareholders’ equity	1,302,892	1,141,588	1,222,294	1,044,951	1,007,781

(a) For the year ended December 31, 2010, selling, general and administrative expense includes $18.9 million recorded as a cumulative catch-up adjustment for previously unrecognized compensation expense associated with certain option awards under the First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Option Plan, and the related modification thereof, and $22.4 million in fees related to the termination of the advisory agreement with Bain Capital Partners, LLC and its co-investors, at their option.

(b) Other, net for the years ended December 31, 2014, 2013, 2012, 2011, and 2010 includes losses recognized on debt repurchases or financings of $1.9 million, $9.0 million, $2.2 million, $44.0 million, and $23.5 million, respectively; currency remeasurement gains/(losses) associated with debt of $0.8 million, $0.5 million, $(0.4) million, $(60.1) million, and $72.8 million, respectively; and (losses)/gains on commodity contracts of $(9.0) million, $(23.2) million, $(0.4) million, $(1.1) million, and $9.1 million, respectively.

(c) For the year ended December 31, 2014, the benefit from income tax includes a net benefit of approximately $71.1 million related to the release of a portion of our U.S. valuation allowance in connection with certain 2014 acquisitions. Refer to Note 9, "Income Taxes," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information. For the year ended December 31, 2012, the benefit from income tax includes a net benefit of approximately $66.0 million related to the release of the Netherlands' deferred tax asset valuation allowance. For the year ended December 31, 2010, the benefit from income tax includes a net benefit of approximately $18.5 million related to the release of Japan's deferred tax asset valuation allowance.

(d) We define working capital as current assets less current liabilities. Working capital amounts for prior years have not been recast to include assets designated as held for sale in any year.

(e) As discussed in Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, we acquired Wabash Worldwide Holding Corp., Magnum Energy Incorporated, CoActive US Holdings, Inc. ("DeltaTech Controls"), and August Cayman Company, Inc. ("Schrader") during the year ended December 31, 2014, which are reflected in the 2014 amounts shown above.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity, and capital resources. You should read the following discussion in conjunction with Item 1, "Business," Item 6, "Selected Financial Data," and our audited consolidated financial statements and the accompanying notes thereto included elsewhere in this Annual Report on Form 10-K.

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources, and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Item 1A, "Risk Factors," included elsewhere in this Annual Report on Form 10-K. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

Sensata, a global industrial technology company, is a leader in the development, manufacture, and sale of sensors and controls. We conduct our operations through subsidiary companies that operate business and product development centers in the United States (the "U.S."), the Netherlands, Belgium, China, Germany, Japan, South Korea, and the United Kingdom (the "U.K."); and manufacturing operations in China, Malaysia, Mexico, the Dominican Republic, Bulgaria, Poland, France, Brazil, the U.K., and the U.S. We organize our operations into the Sensors and Controls businesses.

We generated 40%, 31%, and 29% of our net revenue in the Americas, Asia, and Europe, respectively, for the year ended December 31, 2014. Our largest customer accounted for approximately 7% of our net revenue for the year ended December 31, 2014. Our net revenue for the year ended December 31, 2014 was derived from the following end-markets: 24% from European automotive, 20% from Asia and rest of world automotive, 18% from North American automotive, 8% from appliances and HVAC, 13% from HVOR, 7% from industrial, and 10% from all other end-markets. Within many of our end-markets, we are a significant supplier to multiple OEMs, reducing our exposure to fluctuations in market share within individual end-markets.

We produce a wide range of sensors and controls for applications such as thermal circuit breakers in aircraft, pressure sensors in automotive systems, and bimetal current and temperature control devices in electric motors. We compete in growing global market segments driven by demand for products that are safe, energy efficient, and environmentally friendly. We have a long-standing position in emerging markets, including a nearly 20-year presence in China.

Refer to Item 1, "Business," included elsewhere in this Annual Report on Form 10-K for more detailed discussion of factors affecting our business, including those specific to our Sensors and Controls segments.

History

We can trace our origins back to entities that have been engaged in the sensors and controls business since 1916. We operated as a part of Texas Instruments Incorporated ("Texas Instruments" or "TI") from 1959 until April 27, 2006, when Sensata Technologies B.V. ("STBV"), an indirect, wholly-owned subsidiary of Sensata Technologies Holding N.V., completed the acquisition of the Sensors and Controls business from TI (the "2006 Acquisition"). Since then, we have expanded our operations in part through acquisitions, including, most recently, Wabash Worldwide Holding Corp. ("Wabash Technologies" or "Wabash") in January 2014, Magnum Energy Incorporated ("Magnum Energy" or "Magnum") in May 2014, CoActive US Holdings, Inc. ("DeltaTech Controls" or "DeltaTech") in August 2014, and August Cayman Company, Inc. ("Schrader") in October 2014.

Prior to our initial public offering ("IPO") in March 2010, we were a direct, 99% owned subsidiary of Sensata Investment Company S.C.A. ("SCA"), a Luxembourg company, which is owned by investment funds or vehicles advised or managed by Bain Capital Partners, LLC ("Bain Capital"), its co-investors (Bain Capital and its co-investors are collectively referred to as the "Sponsors"), and certain members of our senior management. As of December 31, 2014, SCA no longer owned any of our outstanding ordinary shares.

Selected Segment Information

We manage our Sensors and Controls businesses separately and report their results of operations as two segments. Set forth below is selected information for each of these business segments for each of the periods presented. In the fourth quarter of 2014, we realigned our segments. Refer to Note 18, "Segment Reporting," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of this realignment. Prior year information in the following tables has been recast to reflect this realignment.

Table of Contents

Amounts and percentages in the tables below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effect of rounding.

The following table presents net revenue by segment and segment operating income for the identified periods:

	For the year ended December 31,		
	2014	2013	2012
(Amounts in millions)			
Net revenue			
Sensors	$1,755.9	$1,358.2	$1,316.9
Controls	653.9	622.5	597.0
Total	$2,409.8	$1,980.7	$1,913.9
Segment operating income			
Sensors	$475.9	$401.6	$362.8
Controls	202.1	195.8	189.4
Total	$678.1	$597.4	$552.2

The following table presents net revenue by segment as a percentage of total net revenue and segment operating income as a percentage of segment net revenue for the identified periods:

	For the year ended December 31,					
	2014		2013		2012	
Net revenue						
Sensors	72.9	%	68.6	%	68.8	%
Controls	27.1		31.4		31.2	
Total	100.0	%	100.0	%	100.0	%
Segment operating income						
Sensors	27.1	%	29.6	%	27.6	%
Controls	30.9	%	31.5	%	31.7	%

For a reconciliation of total segment operating income to profit from operations, refer to Note 18, "Segment Reporting," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Acquisitions

Recent business combinations include the acquisition of Wabash in January 2014 for total consideration of $59.6 million, the acquisition of Magnum in May 2014 for total consideration of $60.6 million, the acquisition of DeltaTech in August 2014 for total consideration of $177.8 million, and the acquisition of Schrader in October 2014 for total consideration of $1,004.7 million. Refer to Item 1, "Business," included elsewhere in this Annual Report on Form 10-K for a summary of acquisitions in 2014.

Material unrecognized pre-acquisition contingencies are discussed further in Note 14, "Commitments and Contingencies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. As of December 31, 2014, we do not believe that any loss related to these contingencies is probable of occurring.

Refer to Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for discussion of the valuation of intangible assets related to our acquired businesses.

Material Changes in Financial Position

The following sets forth a discussion of factors driving balances in certain captions on our consolidated balance sheets for which there was a material change in balance between December 31, 2014 and 2013.

Accounts Receivable

Accounts receivable at December 31, 2014 and 2013 was $444.9 million and $291.7 million, respectively. The increase in accounts receivable primarily relates to accounts receivable of our acquired businesses.

Table of Contents

Inventories
Inventories at December 31, 2014 and 2013 was $356.4 million and $183.4 million, respectively. The increase in inventories primarily relates to inventory of our acquired businesses, and a buildup of inventory to continue to ensure on-time delivery to our customers and as we optimize our operating systems enabled by our upgraded Enterprise Resource Planning ("ERP") System. Refer to Note 4, "Inventories," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of the components of Inventory.
Property, Plant & Equipment, net ("PP&E")
PP&E, net at December 31, 2014 and 2013 was $589.5 million and $344.7 million, respectively. The increase in PP&E, net primarily relates to acquisitions and capital expenditures, partially offset by depreciation expense. Refer to Note 3, "Property, Plant & Equipment," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of the components of PP&E.
Goodwill and Other Intangible Assets, net
Goodwill at December 31, 2014 and 2013 was $2,424.8 million and $1,756.0 million, respectively. The increase in the goodwill balance relates to acquisitions.
Other intangible assets, net at December 31, 2014 and 2013 was $910.8 million and $502.4 million, respectively. The increase in the other intangible assets, net balance relates to acquisitions and, to a lesser extent, capitalized software costs related to our upgraded ERP system, partially offset by amortization expense recorded during the year ended December 31, 2014. Refer to Note 5, "Goodwill and Other Intangible Assets," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more details of our goodwill and other intangible assets balances.
Accounts Payable
Accounts payable at December 31, 2014 and 2013 was $287.8 million and $177.5 million, respectively. The increase in accounts payable primarily relates to accounts payable of our acquired businesses.
Accrued Expenses and Other Current Liabilities
Accrued expenses and other current liabilities at December 31, 2014 and 2013 was $222.8 million and $123.2 million, respectively. Refer to Note 7, "Accrued Expenses and Other Current Liabilities," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of this balance. The increase in accrued expenses and other current liabilities primarily relates to accrued expenses and other current liabilities of our acquired businesses, accrued restructuring and severance (refer to Note 17, "Restructuring and Special Charges," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our restructuring charges), and accrued interest (related to our new debt as discussed below).
Long-term debt, gross, including current portion
Gross outstanding indebtedness (including capital leases and other financing obligations, and the current portion of long-term debt) at December 31, 2014 and 2013 was $2,848.1 million and $1,726.3 million, respectively. The increase in gross outstanding indebtedness was due primarily to new debt incurred as a result of our 2014 acquisitions. Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our debt.
Factors Affecting Our Operating Results
The following discussion sets forth certain components of our consolidated statements of operations, as well as factors that impact those components. Refer to Note 2, "Significant Accounting Policies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, and Critical Accounting Policies included elsewhere in this Management's Discussion and Analysis for further discussion of the accounting policies and estimates made related to these components.
Net revenue
We generate revenue from the sale of sensor and control products across all major geographic areas. We believe increased regulation of safety and emissions, as well as a growing emphasis on energy efficiency and consumer demand for electronic products with advanced features, are driving sensor growth rates exceeding underlying end-market demand in many of our key

markets and will continue to offer us significant growth opportunities. The technology-driven, highly customized, and integrated nature of our products require customers to invest heavily in certification and qualification to ensure proper functioning of the system in which our products are embedded. We believe the capital commitment and time required for this process significantly increases the switching costs for customers once a particular sensor or control has been designed and installed in a system. As a result, our sensors and controls are rarely substituted during a product lifecycle, which in the case of the automotive end-market typically lasts five to seven years. We focus on new applications that will help us secure new business and drive long-term growth. New applications for sensors typically provide an opportunity to define a leading application technology in collaboration with our customers.

Our net revenue from product sales includes total sales less estimates of returns for product quality reasons and for price allowances. Price allowances include discounts for prompt payment as well as volume-based incentives.

Because we sell a significant portion of our products in the automotive industry (62% in 2014), demand for our products is driven in large part by conditions in this industry. However, outside of the automotive industry, we sell our products to end-users in a wide range of end-markets and geographies. As a result, demand for these products is generally driven more by the level of general economic activity rather than conditions in one particular industry or geographic region. Our overall net revenue is generally impacted by the following factors:

- fluctuations in overall economic activity within the geographic markets in which we operate;
- underlying growth in one or more of our core end-markets, either worldwide or in particular geographies in which we operate;
- the number of sensors and/or controls used within existing applications, or the development of new applications requiring sensors and/or controls, due to regulations or other factors;
- the “mix” of products sold, including the proportion of new or upgraded products and their pricing relative to existing products;
- changes in product sales prices (including quantity discounts, rebates, and cash discounts for prompt payment);
- changes in the level of competition faced by our products, including the launch of new products by competitors;
- our ability to successfully develop and launch new products and applications;
- fluctuations in exchange rates; and
- acquisitions.

Refer to Effects of Acquisitions and Other Significant Transactions - Purchase Accounting below for discussion of the impact of acquisitions on our revenue in 2014. While the factors described above impact net revenue in each of our operating segments, the impact of these factors on our operating segments can differ. For example, adverse changes in the automotive industry will impact the Sensors segment more significantly than the Controls segment. For more information about revenue risks relating to our business, refer to Item 1A, “Risk Factors,” included elsewhere in this Annual Report on Form 10-K.

Cost of revenue

We currently manufacture a majority of our products in low-cost countries including China, Mexico, Bulgaria, Malaysia, and the Dominican Republic. Our strategy of leveraging core technology platforms and focusing on high-volume applications enables us to provide our customers with highly customized products at a relatively low cost, as compared to the costs of the systems in which our products are embedded. We have achieved our current cost position through a continuous process of migration to low-cost manufacturing locations, transformation of our supply chain to low-cost sourcing, product design improvements, and ongoing productivity-enhancing initiatives. Over the past fifteen years, we have aggressively shifted our manufacturing base from countries with higher labor costs, such as the United States, Australia, Canada, Italy, Japan, South Korea, and the Netherlands, to low-cost countries.

We manufacture the majority of our products and subcontract only a limited number of products to third parties. As such, our cost of revenue consists principally of the following:

- Production Materials Costs. We purchase much of the materials used in production on a global lowest-cost basis, but we are still impacted by global and local market conditions. A portion of our production materials contains metals, such as copper, nickel, zinc, and aluminum, and precious metals, such as gold, silver, platinum, and

palladium, and the costs of these materials may vary with underlying metals pricing. We enter into forward contracts to economically hedge a portion of our exposure to the potential change in prices associated with certain of our commodities. The terms of these contracts fix the price at a future date for various notional amounts associated with these commodities. Gains and losses recognized on these non-designated derivatives are included in Other, net.
Certain of our product lines use magnets containing rare earth metals, of which a large majority of the world's production is in China. A reduction in the export of rare earth materials from China could limit the worldwide supply of these rare earth materials, significantly increasing the price of magnets.

- Employee Costs. Employee costs include the salary costs and benefit charges for employees involved in our manufacturing operations. These costs generally increase on an aggregate basis as sales and production volumes increase and may decline as a percentage of net revenue as a result of economies of scale associated with higher production volumes. We rely significantly on contract workers for direct labor in certain geographies. As of December 31, 2014, we had approximately 1,620 contract workers on a worldwide basis.
- Sustaining Engineering Activity costs. These costs relate to modifications of existing products for use by new and existing customers in familiar applications.
- Other. Our remaining cost of revenue primarily consists of:
- depreciation of fixed assets;
- freight costs;
- warehousing expenses;
- purchasing costs; and
- other general manufacturing expenses, such as expenses for energy consumption, and operating lease expense.

The main factors that influence our cost of revenue as a percent of net revenue include:

- changes in the price of raw materials, including certain metals;
- the implementation of cost control measures aimed at improving productivity, including reduction of fixed production costs, refinements in inventory management, design driven changes, and the coordination of procurement within each subsidiary and at the business level;
- production volumes—production costs are capitalized in inventory based on normal production volumes, as revenue increases, the fixed portion of these costs does not;
- transfer of production to our lower cost production facilities;
- product lifecycles, as we typically incur higher cost of revenue associated with excess manufacturing capacity during the initial stages of product launches and during phase-out of discontinued products;
- the increase in the carrying value of inventory that is adjusted to fair value as a result of the application of purchase accounting associated with acquisitions;
- depreciation expense, including amounts arising from the adjustment of PP&E to fair value associated with acquisitions; and
- fluctuations in exchange rates.

Research and development

We develop products that address increasingly complex engineering requirements by investing substantially in research and development ("R&D"). We believe that continued focused investment in R&D activities is critical to our future growth and maintenance of our leadership position. Our R&D efforts are directly related to timely development of new and enhanced products that are central to our core business strategy. We develop our technologies to meet an evolving set of customer requirements and new product introductions.
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. We conduct such activities in areas we believe will accelerate our longer term net revenue growth. Our basic technologies have been developed through a combination of internal development and third-party efforts (often by parties with whom we have joint development relationships). Our development expense is typically associated with:

- engineering core technology platforms to specific applications; and
- engineering major upgrades that improve the functionality or reduce the cost of existing products.

Costs related to modifications of existing products for use by new customers in familiar applications is accounted for in cost of revenue and not included in R&D expense.

Selling, general and administrative

Selling, general and administrative ("SG&A") expense consists of all expenditures incurred in connection with the sale and marketing of our products, as well as administrative overhead costs, including:

- salary and benefit costs for sales personnel and administrative staff, including share-based compensation expense. Expenses relating to our sales personnel generally increase or decrease principally with changes in sales volume due to the need to increase or decrease sales headcount to meet changes in demand. Expenses relating to administrative personnel generally do not increase or decrease directly with changes in sales volume;
- expenses related to the use and maintenance of administrative offices, including depreciation expense;
- other administrative expenses, including expenses relating to information systems, human resources, and legal and accounting services;
- other selling expenses, such as expenses incurred in connection with travel and communications; and
- transaction costs associated with acquisitions.

Changes in SG&A expense as a percent of net revenue have historically been impacted by a number of factors, including:

- changes in sales volume, as higher volumes enable us to spread the fixed portion of our administrative expense over higher revenue;
- changes in the mix of products we sell, as some products may require more customer support and sales effort than others;
- changes in our customer base, as new customers may require different levels of sales and marketing attention;
- new product launches in existing and new markets, as these launches typically involve a more intense sales activity before they are integrated into customer applications;
- customer credit issues requiring increases to the allowance for doubtful accounts;
- volume and timing of acquisitions; and
- fluctuations in exchange rates.

The sales and marketing function within our business is organized into regions—the Americas, Asia, and Europe—but also organizes globally across all geographies according to market segments.

Amortization of definite-lived intangible assets

We have recorded a significant amount of identifiable intangible assets since the 2006 Acquisition, which are recorded at fair value on the date of the related acquisition. Acquisition-related intangible assets are amortized on an economic benefit basis according to the useful lives of the assets or on a straight-line basis if a pattern of economic benefits cannot be reliably determined. The amount of amortization expense related to intangible assets depends on the amount of intangibles acquired, and where previously acquired intangible assets are in their estimated life-cycle. Capitalized software licenses, which are considered intangible assets, are amortized on a straight-line basis over the lesser of the term of the license or the useful life of the software. Capitalized software, which is also considered an intangible asset, is amortized on a straight-line basis over its estimated useful life.

Impairment of goodwill and intangible assets
Goodwill and intangible assets are reviewed for impairment on an annual basis, unless events or circumstances occur that trigger the need for an earlier impairment review. No impairment charges were recorded during 2014, 2013, or 2012.
Impairment of goodwill and other identifiable intangible assets may result from a change in revenue and earnings forecasts. Our revenue and earnings forecasts may be impacted by many factors, including deterioration in our performance, adverse market conditions, adverse changes in laws or regulations, unexpected significant or planned changes in use of assets, and our ability to project customer spending, particularly within the semiconductor industry. Changes in the level of spending in the industry and/or by our customers could result in a change to our forecasts, which could result in a future impairment of goodwill and/or intangible assets.
Should certain other assumptions used in the development of the fair value of our reporting units change, we may be required to recognize goodwill or other intangible asset impairments. See the “Critical Accounting Policies and Estimates” section of this Management’s Discussion and Analysis for more discussion of the key assumptions that are used in the determination of the fair value of our reporting units.
Restructuring and special charges
Restructuring charges consist of severance, outplacement, other separation benefits, certain pension settlement and curtailment losses, and facility exit and other costs. Special charges included in this line item for 2012 include costs associated with the retirement of our former Chief Executive Officer and costs incurred as a result of the fire at our South Korea facility. Special charges included in this line item for 2013 primarily include insurance proceeds recognized related to the fire at our South Korea facility. There were no special charges incurred in 2014. Refer to Note 17, “Restructuring and Special Charges,” of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more discussion of our restructuring costs and special charges.
Depreciation expense
Depreciation expense includes depreciation of PP&E, amortization of leasehold improvements, and amortization of assets held under capital leases. Depreciation expense is included in either cost of revenue or SG&A expense depending on the use of the asset as a manufacturing or administrative asset.
PP&E are stated at cost and depreciated on a straight-line basis over their estimated useful lives.
Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.
Assets held under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. These assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the period of the related lease, unless ownership is transferred by the end of the lease or there is a bargain purchase option, in which case the asset is amortized, normally on a straight-line basis, over the useful life that would be assigned if the asset were owned.
Interest expense
Interest expense consists primarily of interest expense on institutional borrowings, interest rate derivative instruments, and capital lease and other financing obligations. Interest expense also includes the amortization of deferred financing costs and original issue discounts. As of December 31, 2014, we had $2,848.1 million in gross outstanding indebtedness, including both variable- and fixed-rate debt and outstanding capital lease and other financing obligations. Refer to Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," included elsewhere in this Annual Report on Form 10-K, under the heading Interest Rate Risk, for discussion of the sensitivity of our exposure to future fluctuations in interest rates.
Other, net
Other, net includes gains and losses on foreign currency remeasurement, gains and losses on our non-designated derivatives used to hedge commodity prices and certain foreign currency exposures, losses on debt financing transactions, and various other items.
We enter into forward contracts with third parties to offset a portion of our exposure to the potential change in prices associated with certain commodities, including silver, gold, platinum, palladium, copper, aluminum, nickel, and zinc, used in the manufacturing of our products. The terms of these forward contracts fix the price at a future date for

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32

Table of Contents

amounts associated with these commodities. Currently, these derivatives are not designated as accounting hedges. Changes in fair value of these forward contracts are recognized within Other, net, and are driven by changes in the forward prices for the commodities that we hedge. We cannot predict the future trends in commodity prices, and there can be no assurance that commodity losses experienced in past periods will not recur in future periods.

We continue to derive a significant portion of our revenue in markets outside of the U.S., primarily Europe and Asia. For financial reporting purposes, the functional currency of all our subsidiaries is the U.S. dollar. In certain instances, we enter into transactions that are denominated in a currency other than the U.S. dollar. At the date the transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in U.S. dollars using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the U.S. dollar are adjusted to the U.S. dollar using the current exchange rate, with gains or losses recognized within Other, net.

Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of the amounts recorded in Other, net related to losses on debt financing transactions. Refer to Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," included elsewhere in this Annual Report on Form 10-K for further discussion of the sensitivity of amounts recorded in Other, net related to our non-designated derivatives.

Provision for income taxes

We are subject to income tax in the various jurisdictions in which we operate. We have a low effective cash tax rate due to the amortization of intangible assets resulting from the carve-out and acquisition of the Sensors and Controls business in the 2006 Acquisition and other tax benefits derived from our operating and capital structure, including tax incentives in China, operations in a Dominican Republic tax-free zone, favorable tax status in Mexico, and the Dutch participation exemption, which permits the payment of intercompany dividends without incurring taxable income in the Netherlands.

While the extent of our future tax liability is uncertain, the impact of purchase accounting for past and future acquisitions, changes to debt and equity capitalization of our subsidiaries, and the realignment of the functions performed and risks assumed by the various subsidiaries are among the factors that will determine the future book and taxable income of the respective subsidiary and Sensata as a whole.

Our effective tax rate will generally not equal the U.S. statutory rate of 35% due to various factors, which are described below. As these factors fluctuate from year to year, our effective tax rate will change. The factors include, but are not limited to, the following:

- changes in tax law;
- establishing or releasing the valuation allowance related to our gross tax assets;
- because we operate in locations outside the U.S., including China, the Netherlands, Malaysia, and Bulgaria, that have statutory tax rates significantly lower than the U.S. statutory rate, we generally see an effective rate benefit, which changes from year to year based upon the mix of earnings;
- as income tax audits related to our subsidiaries are closed, either as a result of negotiated settlements or final assessments, we may recognize a tax expense or benefit;
- due to lapses of the applicable statute of limitations related to unrecognized tax benefits, we may recognize a tax benefit, including a benefit from the reversal of interest and penalties;
- in certain jurisdictions, we record withholding and other taxes on intercompany payments, including dividends;
- in the event we determine that it is more likely than not that we will realize a deferred tax asset in a certain jurisdiction, we will release the related valuation allowance, resulting in a fluctuation in our effective tax rate; and
- losses incurred in the U.S. are not currently benefited, as it is not more likely than not that the associated deferred tax asset will be realized in the foreseeable future.

Table of Contents

Effects of Acquisitions and Other Significant Transactions
Shareholders' Equity
Subsequent to our IPO in March 2010, we have executed a number of secondary public offerings, most recently in May 2014 and September 2014. We did not receive any proceeds from secondary offerings executed in 2013 or 2014. We incurred approximately $0.6 million in costs related to our secondary offerings executed in 2014. See Note 12, "Shareholders' Equity," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more details of our IPO and secondary offerings. As of December 31, 2014, SCA no longer owned any of our outstanding ordinary shares.
On May 22, 2012, at our 2012 Annual General Meeting of Shareholders, our shareholders extended to our Board of Directors, for a period of 18 months from the date of that meeting, the authority to repurchase up to 10% of the outstanding shares in the capital of Sensata Technologies Holding N.V. on the open market, through privately negotiated transactions, or in one or more tender offers, at prices per share not less than the nominal value of an ordinary share and not higher than 110% of the market price at the time of such transaction. This authority was extended at our 2013 and 2014 Annual General Meetings.
In the fourth quarter of 2012, based on this authority, our Board of Directors authorized a $250.0 million share repurchase program. In October 2013 and February 2014, the Board of Directors authorized amendments to the terms of the program, in each case to reset the amount available for share repurchases to $250.0 million. Under this program, we may repurchase ordinary shares from time to time, at such times and in amounts to be determined by our management, based on market conditions, legal requirements, and other corporate considerations, in the open market or in privately negotiated transactions. We expect that any future repurchase of shares will be funded by cash from operations. The share repurchase program may be modified or terminated by our Board of Directors at any time. During the year ended December 31, 2014, we repurchased 4.3 million ordinary shares, of which 4.0 million ordinary shares were repurchased from SCA, concurrent with the closing of the May 2014 secondary offering, in a private, non-underwritten transaction, at $42.42 per ordinary share. At December 31, 2014, $74.7 million remained available for share repurchase under the amended program.
Our authorized share capital consists of 400.0 million ordinary shares with a nominal value of €0.01 per share, of which 178.4 million ordinary shares were issued and 169.3 million were outstanding as of December 31, 2014. Issued and outstanding shares exclude 0.7 million unvested restricted securities and 4.1 million outstanding stock options. We also have authorized 400.0 million preference shares with a nominal value of €0.01 per share, none of which are issued or outstanding. At December 31, 2014, there were 6.0 million and 0.5 million ordinary shares available for grant under the Sensata Technologies Holding N.V. 2010 Equity Incentive Plan and the Sensata Technologies Holding N.V. 2010 Employee Stock Purchase Plan, respectively.
Purchase Accounting
We account for business combinations using the acquisition method of accounting. Application of this method of accounting requires that (i) identifiable assets acquired and liabilities assumed generally be measured and recognized at fair value as of the acquisition date and (ii) the excess of the purchase price over the net fair value of identifiable assets acquired and liabilities assumed be recognized as goodwill, which is not amortized for accounting purposes but is subject to testing for impairment at least annually. The application of the acquisition method of accounting resulted in an increase in amortization and depreciation expense in the periods subsequent to the business combinations relating to our acquired intangible assets and PP&E. In addition to the increase in the carrying value of PP&E, we extended the remaining depreciable lives of certain PP&E to reflect the estimated remaining useful lives for purposes of calculating periodic depreciation. We also adjusted the value of the acquired inventory to fair value, increasing the costs recognized upon its sale.
Recent business combinations for which the acquisition method of accounting has been applied include the acquisition of Wabash in January 2014 for total consideration of $59.6 million, the acquisition of Magnum in May 2014 for total consideration of $60.6 million, the acquisition of DeltaTech in August 2014 for total consideration of $177.8 million, and the acquisition of Schrader in October 2014 for total consideration of $1,004.7 million.
Net revenue and income/(loss) before taxes of Schrader included in our consolidated statement of operations for the year ended December 31, 2014 were $133.3 million and $(3.6) million, respectively. The income/(loss) before taxes

does not include interest expense recorded related to the indebtedness incurred in order to finance the acquisition of Schrader, and also does not include approximately $12.5 million in transaction costs recorded in connection with this acquisition, which are included within SG&A expense in our consolidated statement of operations.

Table of Contents

Net revenue for DeltaTech, Magnum, and Wabash included in our consolidated statements of operations for the year ended December 31, 2014 was $148.5 million. Net income for DeltaTech, Magnum, and Wabash included in our consolidated statements of operations for the year ended December 31, 2014 was not material to our consolidated results.
Refer to Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding amounts recognized in purchase accounting transactions.

Leverage

We are a highly leveraged company, and interest expense is a significant portion of our results of operations. As of December 31, 2014 and 2013 we had gross outstanding indebtedness of $2,848.1 million and $1,726.3 million, respectively.
Our indebtedness at December 31, 2014 includes $469.3 million of indebtedness under our existing term loan (the "Original Term Loan"), $598.5 million of indebtedness under an incremental term loan (the "Incremental Term Loan," and together with the Original Term Loan, the "Term Loans"), $700.0 million of 6.5% senior notes issued under an indenture dated as of May 12, 2011 (the “6.5% Senior Notes”), $500.0 million of 4.875% senior notes issued under an indenture dated as of April 17, 2013 (the "4.875% Senior Notes"), $400.0 million of 5.625% senior notes issued under an indenture dated as of October 14, 2014 (the "5.625% Senior Notes," and together with the 6.5% Senior Notes and the 4.875% Senior Notes, the "Senior Notes"), $130.0 million outstanding under our $250.0 million revolving credit facility (the "Revolving Credit Facility"), $2.2 million of other debt, and $48.2 million of capital lease and other financing obligations.
The increase in indebtedness from December 31, 2013 primarily relates to a series of transactions in October 2014, including the issuance and sale of the 5.625% Senior Notes and the entry into an amendment to our existing credit agreement, dated as of May 12, 2011 (the "Credit Agreement"), which amendment provided for the Incremental Term Loan. These transactions increased interest expense in 2014 and will likely increase interest expense in 2015.
We also entered into various debt transactions and amendments to the Credit Agreement in 2013, which had varying levels of impact on interest expense. Refer to Debt Transactions included elsewhere in this Management's Discussion and Analysis, and Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding our debt transactions.
The Term Loans accrue interest at variable interest rates. Refer to Item 7A, “Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk,” and Note 16, "Derivative Instruments and Hedging Activities," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding our hedging activities and exposure to potential changes in variable interest rates.
Our large amount of indebtedness may limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities, since a substantial portion of our cash flows from operations will be dedicated to the servicing of our debt, and this may place us at a competitive disadvantage as some of our competitors are less leveraged. Our leverage may make us more vulnerable to a downturn in our business, industry, or the economy in general. Refer to Item 1A, “Risk Factors,” included elsewhere in this Annual Report on Form 10-K.

Results of Operations

Our discussion and analysis of results of operations and financial condition are based upon our audited consolidated financial statements. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the amounts reported in the financial statements. We base our estimates on historical experiences and assumptions believed to be reasonable under the circumstances and re-evaluate them on an ongoing basis. These estimates form the basis for our judgments that affect the amounts reported in the financial statements. Actual results could differ from our estimates under different assumptions or conditions. Our significant accounting policies are more fully described in Note 2, "Significant Accounting Policies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, and "Critical Accounting Policies and Estimates," included elsewhere in this Management's Discussion and Analysis.
The table below presents our historical results of operations in millions of dollars and as a percentage of net revenue. As discussed further in Note 18, "Segment Reporting," of our audited consolidated financial statements included

elsewhere in this Annual Report on Form 10-K, we have realigned our segments. The prior year information included below has been recast to reflect this realignment. We have derived the statements of operations for the years ended December 31, 2014, 2013, and 2012 from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Amounts and

Table of Contents

percentages in the table and discussion below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effect of rounding.

	For the year ended December 31,					
	2014		2013		2012	
(Dollars in millions)	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
Net revenue						
Sensors	$1,755.9	72.9 %	$1,358.2	68.6 %	$1,316.9	68.8 %
Controls	653.9	27.1	622.5	31.4	597.0	31.2
Net revenue	2,409.8	100.0 %	1,980.7	100.0 %	1,913.9	100.0 %
Operating costs and expenses:						
Cost of revenue	1,567.3	65.0	1,256.2	63.4	1,257.5	65.7
Research and development	82.2	3.4	58.0	2.9	52.1	2.7
Selling, general and administrative	220.1	9.1	163.1	8.2	141.9	7.4
Amortization of intangible assets	146.7	6.1	134.4	6.8	144.8	7.6
Restructuring and special charges	21.9	0.9	5.5	0.3	40.2	2.1
Total operating costs and expenses	2,038.2	84.6	1,617.3	81.6	1,636.4	85.5
Profit from operations	371.6	15.4	363.5	18.4	277.5	14.5
Interest expense, net	(106.1)	(4.4)	(93.9)	(4.7)	(99.2)	(5.2)
Other, net	(12.1)	(0.5)	(35.6)	(1.8)	(5.6)	(0.3)
Income before taxes	253.4	10.5	233.9	11.8	172.7	9.0
(Benefit from)/provision for income taxes	(30.3)	(1.3)	45.8	2.3	(4.8)	(0.3)
Net income	$283.7	11.8 %	$188.1	9.5 %	$177.5	9.3 %

Year Ended December 31, 2014 (“fiscal year 2014”) Compared to the Year Ended December 31, 2013 (“fiscal year 2013”)

Net revenue

Net revenue for fiscal year 2014 increased $429.1 million, or 21.7%, to $2,409.8 million from $1,980.7 million for fiscal year 2013. The increase in net revenue was composed of a 29.3% increase in Sensors and a 5.1% increase in Controls.

Sensors net revenue for fiscal year 2014 increased $397.6 million, or 29.3%, to $1,755.9 million from $1,358.2 million for fiscal year 2013. The increase in Sensors net revenue was primarily composed of 20.1% growth due to the impact of acquisitions in 2014, including Wabash, DeltaTech, and Schrader, and 8.8% growth in organic revenue (defined as sales, including the impact of pricing, but excluding the impact of acquisitions and the effect of foreign currency exchange). The growth in organic revenue was primarily driven by growth in content (including the offsetting impact of product obsolescence, primarily in the occupant weight sensing application). In general, regulatory requirements for higher fuel efficiency, lower emissions, and safer vehicles drives the need for advancements in engine management and safety features that in turn lead to a greater demand for our sensors. The growth in content was primarily the result of significant design wins on new business opportunities that are now in production, and reflect the ongoing evolution and impact of new regulations including the Corporate Average Fuel Economy ("CAFE") requirements in the U.S, "Euro 6" requirements in Europe, and "China 4" requirements in Asia. Organic revenue also includes the impact of a 1.7% reduction due to pricing, which is consistent with past trends and our expectations for continued pricing pressure.

Controls net revenue for fiscal year 2014 increased $31.5 million, or 5.1%, to $653.9 million from $622.5 million for fiscal year 2013. The increase in Controls net revenue was primarily composed of 2.7% growth in organic revenue and 2.6% growth due to the impact of the acquisition of Magnum in the second quarter of 2014. The growth in organic revenue was primarily driven by growth in the commercial aerospace, industrial, and European and Asian automotive end-markets, partially offset by a decline in the semiconductor manufacturing end-market.

Table of Contents

Cost of revenue

Cost of revenue for fiscal years 2014 and 2013 was $1,567.3 million (65.0% of net revenue) and $1,256.2 million (63.4% of net revenue), respectively. Cost of revenue increased as a percentage of net revenue primarily due to the dilutive effect of acquisitions. We anticipate that cost of revenue as a percentage of net revenue will decline towards levels more consistent with our core business historical results as we continue to integrate these acquired businesses. We generally complete integration activities within 18 to 24 months after the related acquisition, however the integration of Schrader is anticipated to take up to three years, due to the size and scope of this integration.

Research and development expense

R&D expense for fiscal years 2014 and 2013 was $82.2 million (3.4% of net revenue) and $58.0 million (2.9% of net revenue), respectively. The increase in R&D expense as a percentage of revenue was primarily due to continued investment to support new platform and technology developments with our customers in order to drive future revenue growth. R&D investment in acquired businesses is comparable on a percentage of net revenue basis with investment in our core business.

Selling, general and administrative expense

SG&A expense for fiscal years 2014 and 2013 was $220.1 million and $163.1 million, respectively. SG&A expense increased primarily due to SG&A of acquired businesses of $22.0 million, acquisition related transaction costs of $14.3 million, and increased compensation related to selling and administrative headcount.

Amortization of intangible assets

Amortization expense associated with definite-lived intangible assets for fiscal years 2014 and 2013 was $146.7 million and $134.4 million, respectively. Amortization expense increased primarily due to additional amortization related to intangible assets recognized as a result of recent acquisitions, partially offset by a difference in the pattern of economic benefits over which intangible assets were amortized between fiscal year 2014 and fiscal year 2013. Refer to Note 5, "Goodwill and Other Intangible Assets," and Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for information regarding expected amortization expense for the next five years and discussion of intangible assets acquired as a result of recent acquisitions.

Restructuring and special charges

Restructuring and special charges for fiscal years 2014 and 2013 was $21.9 million and $5.5 million, respectively. Restructuring and special charges for fiscal year 2014 consisted of severance charges recorded in connection with acquired businesses and charges incurred in connection with the termination of a limited number of employees in various locations throughout the world in order to align our structure with our strategy. Restructuring and special charges for fiscal year 2013 consisted of actions attributable to the execution of the 2011 Plan and the MSP Plan. The amounts included in restructuring and special charges are discussed in detail in Note 17, "Restructuring and Special Charges," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Interest expense, net

Interest expense, net for fiscal years 2014 and 2013 was $106.1 million and $93.9 million, respectively. Interest expense, net increased primarily due to the issuance and sale of the 5.625% Senior Notes and the Incremental Term Loan in October 2014, as discussed in more detail in Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Interest expense, net for fiscal years 2014 and 2013 consisted primarily of $96.6 million and $85.0 million, respectively, of interest on our outstanding debt, $5.1 million and $4.3 million, respectively, in amortization of deferred financing costs and original issue discounts, and $4.1 million and $4.1 million, respectively, associated with capital lease and other financing obligations.

Other, net

Other, net for fiscal years 2014 and 2013 was $(12.1) million and $(35.6) million, respectively. Other, net for fiscal year 2014 consisted primarily of the following losses.

- Losses on commodity forward contracts of $9.0 million (compared to losses of $23.2 million in fiscal year 2013).
- Losses on currency remeasurement of net monetary assets of $7.7 million (compared to gains of $0.4 million in

Table of Contents
fiscal year 2013). These losses were partially offset by gains of $5.5 million related to foreign currency forward contracts (compared to losses of $3.3 million in fiscal year 2013).

- Losses of $1.9 million incurred related to our debt transactions in October 2014 (compared to losses of $9.0 million in fiscal year 2013 related to our debt transactions in April 2013 and December 2013). Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more details on the losses related to our debt financing transactions.

Refer to Note 2, "Significant Accounting Policies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more details on the gains and losses included within Other, net.

(Benefit from)/provision for income taxes

(Benefit from)/provision for income taxes for fiscal years 2014 and 2013 was $(30.3) million and $45.8 million, respectively. The (benefit from)/provision for income taxes consists of current tax expense, which relates primarily to our profitable operations in non-U.S. tax jurisdictions and withholding taxes on interest and royalty income, and deferred tax expense, which relates primarily to the amortization of tax deductible goodwill, utilization of net operating losses, withholding taxes on subsidiary earnings, and other temporary book to tax differences, net of a deferred tax benefit relating to a release of a portion of the U.S. valuation allowance.

Our income tax expense for fiscal year 2014 was $119.0 million less than the amount computed at the U.S. statutory rate of 35%. The most significant reconciling items are noted below.

We operate in locations outside the U.S., including China, the Netherlands, South Korea, Malaysia, and Bulgaria, that have statutory tax rates significantly lower than the U.S. statutory rate, resulting in an effective rate benefit. This benefit can change from year to year based upon the mix of earnings.

In fiscal year 2014, we released a portion of our U.S. valuation allowance and recognized $71.1 million of benefit from income taxes in connection with the Wabash, DeltaTech, and Schrader acquisitions, for which deferred tax liabilities were established related primarily to the step-up of intangible assets for book purposes.

Any remaining differences between our income tax expense and the amount computed at the U.S. statutory rate are primarily due to losses not tax benefited. Losses incurred in the U.S are not currently benefited, as it is not more likely than not that the associated deferred tax asset will be realized in foreseeable future.

Our income tax expense for fiscal year 2013 was $36.1 million less than the amount computed at the U.S. statutory rate of 35%. The most significant reconciling items are noted below.

We operate in locations outside the U.S., including China, the Netherlands, South Korea, Malaysia, and Bulgaria, that have statutory tax rates significantly lower than the U.S. statutory rate, resulting in an effective rate benefit. This benefit can change from year to year based upon the mix of earnings.

During fiscal year 2013, we closed income tax audits related to several subsidiaries in Asia and the Americas. As a result of negotiated settlements and final assessments, we recognized $4.1 million of tax benefit in the fourth quarter. Additionally, as a result of certain lapses of the applicable statute of limitations related to unrecognized tax benefits, we recognized $0.9 million of tax benefit. The benefit recorded in tax expense related to interest and penalties totaled $8.7 million. The net effect of these items on our provision for income taxes was a benefit of $13.7 million.

In certain jurisdictions we record withholding and other taxes on intercompany payments including dividends. For fiscal year 2013, this amount totaled $16.1 million.

In December 2013, Mexico enacted a comprehensive tax reform package, which is effective January 1, 2014. As a result of this change, we adjusted our deferred taxes in that jurisdiction, resulting in the recognition of a tax benefit of $4.7 million for fiscal year 2013.

Any remaining differences between our income tax expense and the amount computed at the U.S. statutory rate are primarily due to losses not tax benefited. Losses incurred in the U.S are not currently benefited, as it is not more likely than not that the associated deferred tax asset will be realized in foreseeable future.

The valuation allowance as of December 31, 2014 was $394.8 million. It is more likely than not that the related net operating losses will not be utilized in the foreseeable future. However, any future release of all or a portion of this valuation allowance resulting from a change in this assessment will impact our future (benefit from)/provision for income taxes.

38

Table of Contents

Refer to Note 9, "Income Taxes," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more details on the tax rate reconciliation.

We do not believe that there are any known trends related to the reconciling items noted above that are reasonably likely to result in our liquidity increasing or decreasing in any material way.

Year Ended December 31, 2013 ("fiscal year 2013") Compared to the Year Ended December 31, 2012 ("fiscal year 2012")

Net revenue

Net revenue for fiscal year 2013 increased $66.8 million, or 3.5%, to $1,980.7 million from $1,913.9 million for fiscal year 2012. The increase in net revenue was composed of a 3.1% increase in Sensors and a 4.3% increase in Controls.

Sensors net revenue for fiscal year 2013 increased $41.3 million, or 3.1%, to $1,358.2 million from $1,316.9 million for fiscal year 2012. The increase in Sensors net revenue was primarily composed of 4.0% growth in organic revenue partially offset by reductions of 0.9% due to other factors. The growth in organic revenue was primarily driven by growth in the HVOR and North American automotive end-markets, partially offset by larger than normal product obsolescence in the occupant weight sensing application. The growth in the HVOR end-market was due in large part to significant design wins resulting in new business opportunities that began shipping to customers in 2013. These new business opportunities were driven by upcoming emissions requirements, for example the Euro 6 requirements in Europe and CAFE requirements in the U.S. The growth in the North American automotive end-market was due in large part to unit and content growth in the region. In general, regulatory requirements for higher fuel efficiency, lower emissions, and safer vehicles continue to drive the need for advancements in engine management and safety features that in turn lead to a greater demand for our sensors in vehicles. Organic revenue also includes the impact of a 2.0% reduction due to pricing, which is consistent with past trends and our expectations for continued pricing pressure in the foreseeable future.

Controls net revenue for fiscal year 2013 increased $25.5 million, or 4.3%, to $622.5 million from $597.0 million for fiscal year 2012. The increase in Controls net revenue was primarily composed of 2.9% growth due to the effect of an acquisition completed in the fourth quarter of 2012 and 1.9% growth in organic revenue, partially offset by reductions of 0.5% due to the impact of foreign currency.

Cost of revenue

Cost of revenue for fiscal years 2013 and 2012 was $1,256.2 million (63.4% of net revenue) and $1,257.5 million (65.7% of net revenue), respectively. Cost of revenue decreased as a percentage of net revenue primarily due to best cost sourcing, favorable trends in metal pricing, notably gold and silver, and the leverage effect of higher volumes on certain fixed manufacturing costs. In addition, during fiscal year 2013, we recognized $9.2 million of insurance proceeds in cost of revenue.

Research and development expense

R&D expense in fiscal years 2013 and 2012 was $58.0 million (2.9% of net revenue) and $52.1 million (2.7% of net revenue), respectively. The increase in R&D expense was primarily due to continued investment to support new platform and technology developments with our customers in order to drive future revenue growth.

Selling, general and administrative expense

SG&A expense for fiscal years 2013 and 2012 was $163.1 million and $141.9 million, respectively. SG&A expense increased primarily due to increased compensation related to selling and administrative headcount.

Amortization of intangible assets

Amortization expense associated with definite-lived intangible assets for fiscal years 2013 and 2012 was $134.4 million and $144.8 million, respectively. Amortization expense decreased primarily due to the completion of amortization, in the first quarter of 2013, of certain intangible assets initially recognized in the 2006 Acquisition.

Restructuring and special charges

Restructuring and special charges for fiscal years 2013 and 2012 was $5.5 million and $40.2 million, respectively. Restructuring and special charges decreased from fiscal year 2012 as the actions attributable to the execution of the 2011 Plan and the MSP Plan were substantially completed in the fourth quarter of 2013. In addition, in fiscal year 2012, we recorded a net loss of $1.3 million in special charges associated with the fire at our South Korean facility and $11.7 million in special charges

Table of Contents

related to the retirement of our former Chief Executive Officer, including $5.3 million related to benefits payable in cash and $6.4 million related to charges associated with modifications to outstanding equity awards. The amounts included in Restructuring and special charges are discussed in detail in Note 17, "Restructuring and Special Charges," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Interest expense, net

Interest expense, net for fiscal year 2013 and 2012 was $93.9 million and $99.2 million, respectively. Interest expense, net decreased primarily due to the net repayment of $200.0 million on our long-term debt in the second quarter of 2013. Also, in December 2012, we amended the terms of the Original Term Loan, lowering the applicable interest rate spread by 0.25%. In December 2013, we further amended the terms of Original Term Loan, expanding it by $100.0 million and lowering both the interest rate spread and the interest rate floor by 0.25%.

Interest expense, net for fiscal year 2013 and 2012 consisted primarily of $85.0 million and $89.7 million, respectively, of interest on our outstanding debt, $4.3 million and $5.1 million, respectively, in amortization of deferred financing costs and original issue discounts, and $4.1 million and $3.4 million, respectively, associated with capital lease and other financing obligations.

Other, net

Other, net for fiscal years 2013 and 2012 was $(35.6) million and $(5.6) million, respectively. Other, net for fiscal year 2013 consisted primarily of losses on commodity forward contracts of $23.2 million (compared to losses of $0.4 million in fiscal year 2012) and losses of $9.0 million incurred related to our debt transactions in April 2013 and December 2013 (compared to losses of $2.2 million in fiscal year 2012 related to the December 2012 amendment to the Original Term Loan).

Provision for/(benefit from) income taxes

Provision for/(benefit from) income taxes for fiscal years 2013 and 2012 was $45.8 million and $(4.8) million, respectively. The provision for/(benefit from) income taxes consists of current tax expense, which relates primarily to our profitable operations in non-U.S. tax jurisdictions and withholding taxes on interest and royalty income, and deferred tax expense, which relates primarily to the amortization of tax deductible goodwill, utilization of net operating losses, withholding taxes on subsidiary earnings, and other temporary book to tax differences.

Our income tax expense for fiscal year 2013 was $36.1 million less than the amount computed at the U.S. statutory rate of 35%. The most significant reconciling items are noted below.

We operate in locations outside the U.S., including China, the Netherlands, South Korea, Malaysia, and Bulgaria, that have statutory tax rates significantly lower than the U.S. statutory rate, resulting in an effective rate benefit. This benefit can change from year to year based upon the mix of earnings.

During fiscal year 2013, we closed income tax audits related to several subsidiaries in Asia and the Americas. As a result of negotiated settlements and final assessments, we recognized $4.1 million of tax benefit in the fourth quarter. Additionally, as a result of certain lapses of the applicable statute of limitations related to unrecognized tax benefits, we recognized $0.9 million of tax benefit. The benefit recorded in tax expense related to interest and penalties totaled $8.7 million. The net effect of these items on our provision for income taxes was a benefit of $13.7 million.

In certain jurisdictions we record withholding and other taxes on intercompany payments including dividends. For fiscal year 2013, this amount totaled $16.1 million.

In December 2013, Mexico enacted a comprehensive tax reform package, which is effective January 1, 2014. As a result of this change, we adjusted our deferred taxes in that jurisdiction, resulting in the recognition of a tax benefit of $4.7 million for fiscal year 2013.

Any remaining differences between our income tax expense and the amount computed at the U.S. statutory rate are primarily due to losses not tax benefited. Losses incurred in the U.S are not currently benefited, as it is not more likely than not that the associated deferred tax asset will be realized in foreseeable future.

Refer to Note 9, “Income Taxes,” of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more details on the tax rate reconciliation.

Our income tax expense for fiscal year 2012 was $65.2 million less than the amount computed at the U.S. statutory rate of 35%. The most significant reconciling item relates to the release of valuation allowances during 2012. During the fourth quarter

Table of Contents

of 2012, based upon an analysis of our cumulative history of earnings in the Netherlands over a twelve-quarter period and an assessment of our expected future results of operations, we determined that it had become more likely than not that we would be able to realize our Netherlands' deferred tax assets. As a result, during the fourth quarter of 2012, we released the Netherlands' deferred tax asset valuation allowance, resulting in a net benefit in our deferred tax expense of approximately $66.0 million.

The valuation allowance as of December 31, 2013 was $379.0 million. It is more likely than not that the related net operating losses will not be utilized in the foreseeable future, and the additional benefit from release of the valuation allowance in 2012 will not recur in future years. However, any future release of all or a portion of this valuation allowance resulting from a change in this assessment will impact our future provision for/(benefit from) income taxes.

We do not believe that there are any known trends related to the reconciling items noted above that are reasonably likely to result in our liquidity increasing or decreasing in any material way.

Other Important Performance Measures

Adjusted Net Income, which we believe is a useful performance measure, is used by our management, Board of Directors, and investors. Management uses Adjusted Net Income as a measure of operating performance, for planning purposes (including the preparation of our annual operating budget), to allocate resources to enhance the financial performance of our business, to evaluate the effectiveness of our business strategies, and in communications with our Board of Directors and investors concerning our financial performance. We believe investors and securities analysts also use Adjusted Net Income in their evaluation of our performance and the performance of other similar companies. Adjusted Net Income is a non-GAAP financial measure.

We define Adjusted Net Income as follows: net income before certain restructuring and special charges, costs associated with financing and other transactions, deferred (gain)/loss on other hedges, depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory, deferred income tax and other tax (benefit)/expense, amortization of deferred financing costs, and other costs as outlined in the reconciliation below. Our definition of Adjusted Net Income includes the current tax expense/(benefit) that will be payable/(realized) on our income tax return and excludes deferred income tax and other tax expense/(benefit). As we treat deferred income tax and other tax expense/(benefit) as an adjustment to compute Adjusted Net Income, the deferred income tax effect associated with the reconciling items would not change Adjusted Net Income for any period presented. Refer to note (g) to the table below for the theoretical current income tax expense/(benefit) associated with the reconciling items indicated, which relate to jurisdictions where such items would provide tax expense/(benefit).

Many of these adjustments to net income relate to a series of strategic initiatives developed by our management aimed at better positioning us for future revenue growth and an improved cost structure. These initiatives have been modified from time to time to reflect changes in overall market conditions and the competitive environment facing our business. These initiatives include, among other items, acquisitions, divestitures, restructurings of certain operations, and various financing transactions. We describe these adjustments in more detail below.

The use of Adjusted Net Income has limitations, and this performance measure should not be considered in isolation from, or as an alternative to, U.S. GAAP measures such as net income.

Table of Contents

The following unaudited table provides a reconciliation of net income, the most directly comparable financial measure presented in accordance with U.S. GAAP, to Adjusted Net Income for the periods presented:

	For the year ended December 31,		
(Amounts in thousands)	2014	2013	2012
Net income	$283,749	$188,125	$177,481
Restructuring and special charges[(a)(g)]	9,552	8,309	51,901
Financing and other transaction costs[(b)]	18,594	12,183	2,916
Deferred (gain)/loss on other hedges[(c)]	(915)	17,900	(8,925)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory[(d)(g)]	155,785	136,245	150,946
Deferred income tax and other tax (benefit)/expense[(e)]	(61,588)	17,756	(22,868)
Amortization of deferred financing costs[(f)]	5,118	4,307	5,108
Total Adjustments[(g)]	126,546	196,700	179,078
Adjusted Net Income	$410,295	$384,825	$356,559

(a) The following unaudited table provides a detail of the components of restructuring and special charges, the total of which is included as an adjustment to arrive at Adjusted Net Income for fiscal years 2014, 2013, and 2012 as shown in the above table:

	For the year ended December 31,		
(Amounts in thousands)	2014	2013	2012
Severance costs[(i)]	$6,475	$(348)	$14,827
Facility related costs[(ii)]	—	6,984	15,249
Special charges and other[(iii)]	3,077	1,673	21,825
Total restructuring and special charges	$9,552	$8,309	$51,901

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i. Fiscal year 2014 includes severance costs incurred and accounted for as part of an ongoing benefit arrangement, excluding those costs recorded in connection with acquired businesses. Fiscal years 2013 and 2012 include severance costs (including pension settlement charges) related to the 2011 Plan, excluding the impact of foreign exchange.

ii. Represents facility exit and other costs related to the 2011 Plan.

iii. Represents costs incurred, offset by insurance proceeds recognized, as a result of a fire in our South Korean facility, restructuring related charges, and certain other corporate related expenses. Fiscal year 2012 also includes $11.7 million of costs associated with the retirement of our former Chief Executive Officer.

(b) Includes losses related to debt financing transactions and costs incurred in connection with secondary offering transactions. Fiscal years 2014 and 2013 also include costs associated with acquisition activity. Costs associated with debt financing transactions are generally recorded in Other, net, and costs associated with secondary transactions and acquisition activity are generally recorded in SG&A. See Note 8, "Debt," and Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

(c) Reflects (gains)/losses on hedging transactions.

(d) Reflects depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory related to acquisitions.

(e) Represents deferred income tax and other tax (benefit)/expense, including provisions for, and interest expense and penalties related to, unrecognized tax benefits. Fiscal year 2014 includes a $71.1 million benefit from income taxes related to the release of our U.S. valuation allowance in connection with the Wabash, DeltaTech, and Schrader acquisitions, for which deferred tax liabilities were established related primarily to the step-up of intangible assets for book purposes. Fiscal year 2012 includes a $66.0 million benefit associated with the release of the Netherlands' deferred tax asset valuation allowance.

(f) Represents amortization expense of deferred financing costs and original issue discounts.

Table of Contents

(g) The theoretical current income tax expense/(benefit) associated with the reconciling items presented above is shown below for each period presented. The theoretical current income tax was calculated by multiplying the reconciling items, which relate to jurisdictions where such items would provide tax expense/(benefit), by the applicable tax rates.

	For the year ended December 31,		
(Amounts in thousands)	2014	2013	2012
Restructuring and special charges	$(1,405)	$(1,476)	$(5,452)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	$(1,291)	$(1,036)	$(1,081)

Liquidity and Capital Resources

We held cash and cash equivalents of $211.3 million and $317.9 million at December 31, 2014 and 2013, respectively, of which $65.7 million and $131.3 million, respectively, was held in the Netherlands, $21.3 million and $83.3 million, respectively, was held by U.S. subsidiaries, and $124.3 million and $103.3 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 the timing of cash receipts and disbursements in the normal course of business.

Cash Flows

The table below summarizes our primary sources and uses of cash for the years ended December 31, 2014, 2013, and 2012. We have derived these summarized statements of cash flows from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Amounts in the table and discussion below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effect of rounding.

	For the year ended December 31,		
(Amounts in millions)	2014	2013	2012
Net cash provided by/(used in):			
Operating activities:			
Net income adjusted for non-cash items	$466.3	$421.8	$373.6
Changes in operating assets and liabilities, net of effects of acquisitions	(83.8)	(25.9)	23.7
Operating activities	382.6	395.8	397.3
Investing activities	(1,430.1)	(87.7)	(62.5)
Financing activities	940.9	(403.8)	(13.4)
Net change	$(106.6)	$(95.6)	$321.4

Operating Activities

Net cash provided by operating activities during 2014 decreased compared to 2013. This decrease was composed of an increase in cash used related to changes in operating assets and liabilities, net of the effects of acquisitions, partially offset by an increase in net income adjusted for non-cash items. The increase in cash used related to changes in operating assets and liabilities, net of effects of acquisitions was primarily due to an increase in our inventory balance as of December 31, 2014 compared to December 31, 2013. Refer to Material Changes in Financial Position included elsewhere in this Management's Discussion and Analysis for detailed discussion of the drivers of this increase in inventory. Other changes in operating assets and liabilities are due primarily to timing of payments to third parties.

Net cash provided by operating activities during 2013 was essentially flat compared to 2012. Net income adjusted for non-cash items increased primarily due to the effects of our increased net revenue. This increase was offset by decreases in cash flows related to changes in operating assets and liabilities, net of the effects of acquisitions. An increase in net revenue during the fourth quarter of 2013 compared to the fourth quarter of 2012 resulted in additional accounts receivable and inventory as of December 31, 2013 compared to December 31, 2012. This effect was partially offset by an increase in accounts payable, which was a result of both an increase of cost of revenue during the fourth quarter of 2013 compared to the fourth quarter of 2012 and timing of payments to suppliers. Other changes in operating assets and liabilities are due primarily to timing of payments to other third parties.

Table of Contents

As of December 31, 2014, we had commitments to purchase certain raw materials and components that contain various commodities, such as gold, silver, platinum, palladium, copper, nickel, aluminum, and zinc. In general, the prices for these products vary with the market price for the related commodity. In addition, when we place orders for materials, we do so in quantities that will satisfy our production demand for various periods of time. In general, we place these orders for quantities that will satisfy our production demand over a one-, two-, or three-month period. We do not have a significant number of long-term supply contracts that contain fixed-price commitments. Accordingly, we believe that our exposure to a decline in the spot prices for those commodities under contract is not material.

Investing Activities

Net cash used in investing activities during 2014, 2013, and 2012 was $1,430.1 million, $87.7 million, and $62.5 million, respectively. Cash used in investing activities in 2014 consisted primarily of $995.3 million paid for the acquisition of Schrader, net of cash received. Cash used in investing activities in 2014, 2013, and 2012 also included $298.4 million, $15.5 million, and $13.3 million, respectively, of cash paid for other acquisitions, net of cash received, and $144.2 million, $82.8 million, and $54.8 million, respectively, in capital expenditures.

Refer to Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details of cash used for acquisitions.

Capital expenditures in 2014 primarily relate to investments associated with increasing our manufacturing capacity and upgrading our existing ERP system. In 2015, we anticipate capital expenditures of approximately $175 million to $200 million, which we anticipate will be funded with cash flows from operations. During 2014 and 2013, we received $7.3 million and $11.8 million, respectively, of insurance proceeds associated with the fire at our South Korean facility in September 2012, of which $2.4 million and $8.9 million, respectively, are classified as cash flows from investing activities as they relate to the replacement of manufacturing equipment damaged as a result of the fire. The remaining proceeds were classified as cash flows from operating activities as they relate to the replacement of damaged inventory and other costs associated with the cleanup of the facility. We do not expect to receive further reimbursements in 2015.

Financing Activities

Net cash provided by/(used in) financing activities during 2014, 2013, and 2012 was $940.9 million, $(403.8) million, and $(13.4) million, respectively. Net cash provided by financing activities during 2014 consisted primarily of $1,190.5 million of proceeds from the issuance of debt, partially offset by $181.8 million used to repurchase ordinary shares (which includes $169.7 million paid to SCA), and $76.4 million in payments on debt.

The proceeds from the issuance of debt relates primarily to the issuance and sale of the 5.625% Senior Notes ($400.0 million in proceeds), the execution of the Incremental Term Loan at an original issuance price of 99.25% ($595.5 million in proceeds), and borrowings under the Revolving Credit Facility ($160.0 million in proceeds used as partial payment for the acquisition of DeltaTech in the third quarter of 2014 and $35.0 million in proceeds used as partial payment for the acquisition of Magnum in the second quarter of 2014). Refer to Indebtedness and Liquidity, and Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of these transactions.

The net cash payments on debt includes $35.0 million paid on the Revolving Credit Facility in the second quarter of 2014 and $30.0 million paid on the Revolving Credit Facility in the fourth quarter of 2014, along with normal debt servicing activity. Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our normal debt servicing requirements.

The payments to repurchase ordinary shares are primarily associated with the $250.0 million share repurchase program initially approved by the Board of Directors in October 2012 and subsequently amended by the Board of Directors in October 2013 and February 2014, as discussed further in Capital Resources. As of December 31, 2014, there was $74.7 million remaining available for share repurchases under the amended program.

Net cash used in financing activities during 2013 consisted primarily of $305.1 million used to repurchase ordinary shares (which includes $172.1 million paid to SCA) and $200.0 million in net cash paid as a result of our debt transactions in April 2013 (excluding transaction costs), partially offset by $100.0 million of proceeds received as a result of the December 2013 amendment to the Original Term Loan.

Net cash used in financing activities during 2012 consisted primarily of $15.2 million used to repurchase ordinary shares and $13.3 million of repayments on our debt, partially offset by $16.2 million of proceeds from the exercise of stock options.

Table of Contents

Indebtedness and Liquidity

Our liquidity requirements are significant due to the highly leveraged nature of our company. As of December 31, 2014, we had $2,848.1 million in gross outstanding indebtedness, including our debt and outstanding capital lease and other financing obligations.

The following table outlines our outstanding indebtedness as of December 31, 2014 and the associated interest expense for fiscal year 2014:

Description	Balance at December 31, 2014	Interest expense for fiscal year 2014
(Amounts in thousands)		
Original Term Loan	$469,308	$15,561
Incremental Term Loan	598,500	4,608
6.5% Senior Notes	700,000	45,503
4.875% Senior Notes	500,000	24,440
5.625% Senior Notes	400,000	4,813
Revolving Credit Facility	130,000	1,635
Other debt	2,153	68
Less: discount	(6,312)	—
Capital lease and other financing obligations	48,187	4,146
Amortization of financing costs and original issue discounts	—	5,118
Other	—	1,318
Total	$2,841,836	$107,210

There was $113.7 million of availability (net of $6.3 million of letters of credit) under the Revolving Credit Facility as of December 31, 2014. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2014, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates in 2015.

Debt Transactions

In May 2011, we completed a series of transactions designed to refinance our then existing indebtedness. The transactions included the issuance and sale of the 6.5% Senior Notes and the execution of the Credit Agreement providing for senior secured credit facilities (the "Senior Secured Credit Facilities"), consisting of the Original Term Loan, which was offered at an original issue price of 99.5%, and the Revolving Credit Facility. At our option, the Original Term Loan may be maintained from time to time as a Base Rate loan or a Eurodollar Rate loan (each as defined in the Credit Agreement), each with a different determination of interest rates. As of December 31, 2014 we maintained the Original Term Loan as a Eurodollar Rate loan, which accrues interest at a LIBOR index rate (subject to a floor of 0.75%) plus a spread of 2.50% (subsequent to the Second Amendment, as defined below).

In December 2012, we amended the Credit Agreement (the "First Amendment") to reduce the interest rate spread with respect to the Original Term Loan by 0.25%, to 1.75% and 2.75% for Base Rate loans and Eurodollar Rate loans, respectively. No changes were made to the terms of the Revolving Credit Facility.

In April 2013, we completed the issuance and sale of the 4.875% Senior Notes. We used the proceeds from the issuance and sale of these notes, together with cash on hand, to, among other things, repay $700.0 million of the Original Term Loan.

In December 2013, we amended the Credit Agreement (the "Second Amendment") to (1) expand the Original Term Loan by $100.0 million, (2) reduce the interest rate spread with respect to the Original Term Loan by 0.25%, to 1.50% and 2.50% for Base Rate loans and Eurodollar Rate loans, respectively, (3) reduce the interest rate floor with respect to term loans that are Eurodollar Rate loans from 1.00% to 0.75%, (4) extend the maturity date of the Original Term Loan from May 12, 2018 to May 12, 2019, and (5) modify two negative covenants under the Credit Agreement, specifically (i) the amount of investments that may be made by Loan Parties (as defined in the Credit Agreement) in Restricted Subsidiaries that are not Loan Parties was increased from $100.0 million to $300.0 million, and (ii) Loan Parties and their Restricted Subsidiaries may make an additional $150.0 million of restricted payments so long as no default or event of default has occurred and is continuing or would result therefrom. In addition, under the Terms of the Second Amendment, the principal amount of the Original Term Loan amortizes

Table of Contents

in equal quarterly installments in an aggregate annual amount equal to 1.0% of the loan balance at the time of the Second Amendment, with the balance payable at maturity. No changes were made to the terms of the Revolving Credit Facility.

In October 2014, we completed a series of financing transactions in order to fund the acquisition of Schrader. These transactions included the issuance and sale of the 5.625% Senior Notes and an amendment to the Credit Agreement (the "Third Amendment") that provides for the Incremental Term Loan, which was offered at an original issue price of 99.25%. The principal amount of the Incremental Term Loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount, with the balance due at maturity. At our option, the Incremental Term Loan may be maintained from time to time as a Base Rate loan or a Eurodollar Rate loan (each as defined in the Third Amendment), each with a different determination of interest rates. As of December 31, 2014, we maintained the Incremental Term Loan as a Eurodollar Rate loan, which accrues interest at a LIBOR index rate, subject to a floor of 0.75% and a spread of 2.75%. Under the terms of the Third Amendment, we are required to pay a fee of 1.0% of the aggregate principal amount of the portion of the Incremental Term Loan prepaid or converted in connection with any repricing transaction occurring before April 14, 2015.

On November 4, 2014, we amended the Credit Agreement (the "Fourth Amendment") to revise the calculation used to determine the commitment fee on the Revolving Credit Facility to be equal to the Applicable Rate (as defined in the Credit Agreement) times the unused portion of the Revolving Credit Facility. Prior to the Fourth Amendment, the commitment fee was calculated as the Applicable Rate times the total amount available to be borrowed under the Revolving Credit Facility, regardless of the portion used.

Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of the terms of the Senior Notes, the Senior Secured Credit Facilities, and the amendments to the Credit Agreement. The terms presented herein reflect the changes as a result of these various amendments.

Capital Resources

Our sources of liquidity include cash on hand, cash flows from operations, and amounts available under the Senior Secured Credit Facilities. We believe, based on our current level of operations as reflected in our results of operations for the year ended December 31, 2014, and taking into consideration the restrictions and covenants discussed below, 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.

The Credit Agreement stipulates certain events and conditions that 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 Loans. The Credit Agreement also requires mandatory prepayments of the outstanding borrowings under the Term Loans 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). The Credit Agreement requires that the proceeds of such mandatory prepayments be applied first to the tranche of term loans with the earliest maturity. These provisions were not triggered during the year ended December 31, 2014.

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 significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of January 28, 2015, Moody’s Investors Service’s corporate credit rating for STBV was Ba2 with a stable outlook and Standard & Poor’s corporate credit rating for STBV 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 in an amount sufficient to enable us to pay our indebtedness, including the Term Loans, the Revolving Credit Facility, or the 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, our Board of Directors authorized a $250.0 million share repurchase program. In October 2013 and February 2014, the Board of Directors authorized amendments to the terms of the program, in each case to reset the amount available for share repurchases to $250.0 million. Under this program, we may repurchase ordinary shares from time to time, at such times and in amounts to be determined by our management, based on market conditions, legal requirements, and other corporate considerations, in the open market or in privately negotiated transactions. We expect that any future repurchases of ordinary shares will be funded by cash from operations. The share repurchase program may be modified or terminated by our Board of Directors at any time. During the year ended December 31, 2014, we repurchased 4.3 million ordinary shares for an aggregate purchase price of $181.8 million. At December 31, 2014, $74.7 million remained available for share repurchase under the amended program.

Table of Contents

The Credit Agreement and the indentures under which the Senior Notes were issued (the "Senior Notes Indentures") contain restrictions and covenants that limit the ability of STBV 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 restrictions and covenants, which are subject to important exceptions and qualifications set forth in the Credit Agreement and Senior Notes Indentures, and which are described in more detail below and in Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, were taken into consideration in establishing our initial and amended share repurchase programs, and are evaluated periodically with respect to future potential funding. We do not believe that these restrictions and covenants will prevent us from funding share repurchases under our share repurchase program with available cash and cash flows from operations. STBV is limited in its ability to pay dividends or otherwise make distributions to its immediate parent company and, ultimately, to us, under the Credit Agreement and the Senior Notes Indentures. Specifically, the Credit Agreement prohibits 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 $10.0 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 (currently all of the subsidiaries of STBV); (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 $15.0 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 $100.0 million, plus certain amounts, including the retained portion of excess cash flow; (v) dividends and other distributions in an aggregate amount not to exceed $40.0 million in any calendar year (subject to increase upon the achievement of certain ratios); and (vi) so long as no default or event of default exists, dividends and other distributions in an aggregate amount not to exceed $150.0 million.
As of December 31, 2014, we were in compliance with all the covenants and default provisions under the Credit Agreement. For more information on our indebtedness and related covenants and default provisions, refer to Note 8, "Debt," of our audited consolidated financial statements, and Item 1A, “Risk Factors,” each included elsewhere in this Annual Report on Form 10-K.

Contractual Obligations and Commercial Commitments

The table below reflects our contractual obligations as of December 31, 2014. Amounts we pay in future periods may vary from those reflected in the table. Amounts in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effect of rounding.

	Payments Due by Period				
(Amounts in millions)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt obligations principal[1]	$2,800.0	$142.9	$21.5	$1,167.1	$1,468.5
Debt obligations interest[2]	847.7	129.8	257.1	219.5	241.3
Capital lease obligations principal[3]	32.1	1.8	3.9	4.6	21.7
Capital lease obligations interest[3]	19.4	2.7	5.0	4.3	7.4
Other financing obligations principal[4]	16.0	1.3	3.1	11.6	—
Other financing obligations interest[4]	3.7	0.9	1.9	0.9	—
Operating lease obligations[5]	41.7	9.8	15.0	8.0	8.9
Non-cancelable purchase obligations[6]	54.9	32.3	18.6	4.0	—
Total[7][8]	$3,815.5	$321.5	$326.1	$1,420.0	$1,747.8

(1) Represents the contractually required principal payments under the Senior Notes, the Term Loans, and the Revolving Credit Facility as of December 31, 2014 in accordance with the required payment schedule.

(2) Represents the contractually required interest payments on the debt obligations in existence as of December 31, 2014 in accordance with the required payment schedule. Cash flows associated with the next interest payment to be made on the

Table of Contents

variable rate debt subsequent to December 31, 2014 were calculated using the interest rates in effect as of the latest interest rate reset date prior to December 31, 2014, plus the applicable spread.

(3) Represents the contractually required payments under our capital lease obligations in existence as of December 31, 2014 in accordance with the required payment schedule. No assumptions were made with respect to renewing the lease term at its expiration date.

(4) Represents the contractually required payments under our financing obligations in existence as of December 31, 2014 in accordance with the required payment schedule. No assumptions were made with respect to renewing the financing arrangements at their expiration dates.

(5) Represents the contractually required payments under our operating lease obligations in existence as of December 31, 2014 in accordance with the required payment schedule. No assumptions were made with respect to renewing the lease obligations at the expiration date of their initial terms.

(6) Represents the contractually required payments under our various purchase obligations in existence as of December 31, 2014. No assumptions were made with respect to renewing the purchase obligations at the expiration date of their initial terms, and no amounts were assumed to be prepaid.

(7) Contractual obligations denominated in a foreign currency were calculated utilizing the U.S. dollar to local currency exchange rates in effect as of December 31, 2014.

(8) This table does not include the contractual obligations associated with our defined benefit and other post-retirement benefit plans. As of December 31, 2014, we had recognized a net benefit liability of $34.3 million, representing the net unfunded benefit obligations of the defined benefit and retiree healthcare plans. Refer to Note 10, "Pension and Other Post-Retirement Benefits," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information on pension and other post-retirement benefits, including expected benefit payments for the next 10 years. This table also does not include $22.8 million of unrecognized tax benefits as of December 31, 2014, as we are unable to make reasonably reliable estimates of when cash settlement, if any, will occur with a tax authority as the timing of the examination and the ultimate resolution of the examination is uncertain. Refer to Note 9, "Income Taxes," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information on income taxes.

Legal Proceedings

We account for litigation and claims losses in accordance with Accounting Standards Codification ("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, require the application of considerable judgment, 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 or a best estimate can be made, generally 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. There can be no assurances that our recorded provisions will be sufficient to cover the extent of our costs and potential liability. Refer to Note 14, "Commitments and Contingencies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for discussion of material outstanding legal proceedings.

Inflation

We do not believe that inflation has had a material effect on our financial condition or results of operations in recent years.

Seasonality

Because of the diverse nature of the markets in which we compete, our revenue is only moderately impacted by seasonality. However, our Controls business has some seasonal elements, specifically in its air conditioning and refrigeration products, which tend to peak in the first two quarters of the year as end-market inventory is built up for spring and summer sales.

Critical Accounting Policies and Estimates

To prepare our financial statements in conformity with generally accepted accounting principles, we must make complex and subjective judgments in the selection and application of accounting policies. The accounting policies that we believe are most critical to the portrayal of our financial position and results of operations are listed below. We believe these policies require our most difficult, subjective, and complex judgments in estimating the effect of inherent uncertainties. This section should be read in conjunction with Note 2, "Significant Accounting Policies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, which includes other significant accounting policies.

Revenue Recognition

We recognize revenue in accordance with ASC Topic 605, Revenue Recognition. Revenue and related cost of revenue from product sales are recognized when the significant risks and rewards of ownership have been transferred, title to the product and risk of loss transfers to our customers, and collection of sales proceeds is reasonably assured. Based on the above criteria, revenue is generally recognized when the product is shipped from our warehouse or, in limited instances, when it is received by the customer, depending on the specific terms of the arrangement. Product sales are recorded net of trade discounts (including volume and early payment incentives), sales returns, value-added tax, and similar taxes. Amounts billed to our customers for shipping and handling are recorded in revenue. Shipping and handling costs are included in cost of revenue. Sales to customers generally include a right of return for defective or non-conforming product. Sales returns have not historically been significant in relation to our net revenue and have been within our estimates.

Many of our products are designed and engineered to meet customer specifications. These activities, and the testing of our products to determine compliance with those specifications, occur prior to any revenue being recognized. Products are then manufactured and sold to customers. Customer arrangements do not involve post-installation or post-sale testing and acceptance.

Impairment of Goodwill, Intangible Assets, and Long-Lived Assets

Identification of reporting units. On October 1, 2014, we had four reporting units: Sensors, Electrical Protection, Power Management, and Interconnection. As discussed in Note 18, “Segment Reporting,” of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, in the fourth quarter of 2014, we realigned our operating segments to move the portion of the Sensors segment that has historically served the HVAC and industrial end-markets (the industrial sensing product line) to the Controls segment. As a result, a new reporting unit, Industrial Sensing, was created subsequent to October 1, 2014.

These reporting units have been identified based on the definitions and guidance provided in ASC Topic 350, Intangibles—Goodwill and Other (“ASC 350”), which considers, among other things, the manner in which we operate our business and the availability of discrete financial information. We periodically review these reporting units to ensure that they continue to reflect the manner in which the business is operated. As businesses are acquired, we assign them to an existing reporting unit or create a new reporting unit. All acquisitions in fiscal year 2014 were assigned to existing reporting units.

Assignment of assets, liabilities, and goodwill to each reporting unit. Assets acquired and liabilities assumed are assigned to a reporting unit as of the date of acquisition. In the event we reorganize our business, we reassign the assets (including goodwill) and liabilities among the affected reporting units, such as the Industrial Sensing reporting unit discussed above. Some assets and liabilities relate to the operations of multiple reporting units. We allocate these assets and liabilities to the reporting units based on methods that we believe are reasonable and supportable. We apply that allocation method on a consistent basis from year to year. We view some assets and liabilities, such as cash and cash equivalents, our corporate offices, debt, and deferred financing costs, as being corporate in nature. Accordingly, we do not assign these assets and liabilities to our reporting units.

Accounting policies relating to goodwill and the goodwill impairment test. Businesses acquired are recorded at their fair value on the date of acquisition. The excess of the purchase price over the fair value of assets acquired and liabilities assumed is recognized as goodwill. As of December 31, 2014, goodwill and other intangible assets, net totaled $2,424.8 million and $910.8 million, respectively, or approximately 47% and 18%, respectively, of our total assets.

In accordance with the requirements of ASC 350, goodwill and intangible assets determined to have an indefinite useful life are not amortized. Instead, these assets are evaluated for impairment on an annual basis and whenever events or business conditions change that could more likely than not reduce the fair value of a reporting unit below its net book value. Our judgments regarding the existence of impairment indicators are based on several factors, including the performance of the end-markets served by our customers, as well as the actual financial performance of our reporting units and their respective financial forecasts over the long-term. We evaluate goodwill and indefinite-lived intangible assets for impairment in the fourth quarter of each fiscal year, unless events occur which trigger the need for an earlier impairment review.

We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its net book value. If we elect to not use this option, or we determine, using the qualitative method, that it is more likely than not that the fair value of a reporting unit is less than its net book value, we then perform the two-step impairment test. In the first step of the goodwill impairment test, we compare the estimated fair values of our reporting units to their respective net book values, including goodwill, to determine whether there is an indicator of potential impairment. If the net book value of a reporting unit exceeds its estimated fair value, we conduct a second step in which we calculate the implied fair value of goodwill. If the carrying value of the reporting unit's goodwill exceeds the calculated implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) based on their fair values, as if the reporting unit had been acquired in a business combination at the date of assessment and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the sum of the fair values of each of its components is the implied fair value of goodwill.

Estimated fair value for each reporting unit. In connection with our annual impairment review as of October 1, 2014, we used the qualitative method of assessing goodwill, and determined that it was not more likely than not that the fair values of each of our Sensors, Electrical Protection, Power Management, and Interconnection reporting units were less than their net book values. In making this determination, we considered several factors, including the following:

- the amount by which the fair value of these reporting units exceeded their carrying values (301%, 273%, 206%, and 328%, respectively) as of October 1, 2013, indicating that there would need to be substantial negative developments in the markets in which these reporting units operate in order for there to be a potential impairment;
- the carrying values of these reporting units as of October 1, 2014 compared to the previously calculated fair values as of October 1, 2013;
- public information from competitors and other industry information to determine if there were any significant adverse trends in our competitors' businesses, such as significant declines in market capitalization or significant goodwill impairment charges that could be an indication that the goodwill of our reporting units was potentially impaired;
- changes in our market capitalization and overall enterprise valuation to determine if there were any significant decreases that could be an indication that the valuation of our reporting units had significantly decreased; and
- whether there had been any significant increases to the weighted-average cost of capital rates ("WACC") for each reporting unit, which could materially lower our prior valuation conclusions under a discounted cash flow approach.

Changes to the factors considered above could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. We may be unaware of one or more significant factors that, if we had been aware of, would cause our conclusion that it is not more likely than not that the fair values of our reporting units are less than their carrying values to change, which could result in a goodwill impairment charge in a future period.

2013 and 2012 Goodwill Impairment Testing. In 2013 and 2012, we estimated the fair value of our reporting units using the discounted cash flow method. For this method, we prepared detailed annual projections of future cash flows for each reporting unit for the following five fiscal years (the "Discrete Projection Period"). We estimated the value of the cash flows beyond the fifth fiscal year (the "Terminal Year"), by applying a multiple to the projected Terminal Year net earnings before interest, taxes, depreciation, and amortization ("EBITDA"). The cash flows from the Discrete Projection Period and the Terminal Year were discounted at an estimated WACC appropriate for each reporting unit. The estimated WACC was derived, in part, from comparable companies appropriate to each reporting unit. We believe that our procedures for estimating discounted future cash flows, including the Terminal Year valuation, were reasonable and consistent with accepted valuation practices.

In 2013 and 2012, we also estimated the fair value of our reporting units using the guideline company method. Under this method, we performed an analysis to identify a group of publicly-traded companies that were comparable to each reporting unit. We calculated an implied EBITDA multiple (e.g., invested capital/EBITDA) for each of the guideline companies and selected either the high, low, or average multiple, depending on various facts and circumstances surrounding the reporting unit, and applied it to that reporting unit's trailing twelve month EBITDA. Although we estimated the fair value of our reporting units using the guideline method, we did so for corroborative purposes and placed primary weight on the discounted cash flow method.

The preparation of forecasts of revenue growth and profitability for use in the long-range forecasts, the selection of the discount rates, and the estimation of the multiples used in valuing the Terminal Year involved significant judgments. Changes to

Table of Contents

these assumptions could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

Goodwill impairment. We evaluated our goodwill for impairment as of October 1, 2014 using the qualitative method as described above, and determined that it was not more likely than not that the fair values of our reporting units were less than their carrying values on that date. We did not prepare updated goodwill impairment analyses as of December 31, 2014 for any reporting unit, as there were no indicators after October 1, 2014 that would have required such analysis.

Types of events that could result in a goodwill impairment. As noted above, the assumptions used in the prior year calculation of fair value of our reporting units, including the long-range forecasts, the selection of the discount rates, and the estimation of the multiples or long-term growth rates used in valuing the Terminal Year involve significant judgments. Changes to these assumptions could affect the estimated fair value of our reporting units calculated in the prior year and could result in a goodwill impairment charge in a future period. We believe that certain factors, such as a future recession, any material adverse conditions in the auto industry and other industries in which we operate, and other factors identified in Item 1A, "Risk Factors," included elsewhere in this Annual Report on Form 10-K could require us to revise our long-term projections and could reduce the multiples applied to the Terminal Year value. Such revisions could result in a goodwill impairment charge in the future.

Impairment of indefinite-lived intangible assets. We perform an annual impairment review of our indefinite-lived intangible assets, unless events occur that trigger the need for an earlier impairment review. We have the option to first assess qualitative factors in determining whether it is more likely than not that an indefinite-lived intangible asset is impaired. If we elect to not use this option or we determine that it is more likely than not that the asset is impaired, we perform a quantitative impairment review that requires us to make assumptions about future conditions impacting the value of the indefinite-lived intangible assets, including projected growth rates, cost of capital, effective tax rates, royalty rates, market share, and other conditions. Impairment, if any, is based on the excess of the carrying value over the fair value of these assets. We determine fair value by using the appropriate income approach methodology.

We evaluated our indefinite-lived intangible assets for impairment as of October 1, 2014 (using the quantitative method) and determined that the estimated fair values of these assets exceeded their carrying values at that date. Should certain assumptions used in the development of the fair value of our indefinite-lived intangible assets change, we may be required to recognize impairments of these intangible assets.

Impairment of definite-lived intangible assets. Reviews are regularly performed to determine whether facts or circumstances exist that indicate that the carrying values of our definite-lived intangible assets to be held and used are impaired. The recoverability of these assets is assessed by comparing the projected undiscounted net cash flows associated with these assets to their respective carrying values. If the sum of the projected undiscounted net cash flows falls below the carrying value of the assets, the impairment charge is based on the excess of the carrying value over the fair value of those assets. We determine fair value by using the appropriate income approach valuation methodology depending on the nature of the intangible asset. There were no impairments of definite-lived intangible assets during 2014.

Impairment of long-lived assets. We periodically re-evaluate carrying values and estimated useful lives of long-lived assets whenever events or changes in circumstances indicate that the carrying value of the related assets may not be recoverable. We use estimates of undiscounted cash flows from long-lived assets to determine whether the carrying value of such assets is recoverable over the assets' remaining useful lives. These estimates include assumptions about our future performance and the performance of the industry. If an asset is determined to be impaired, the impairment is the amount by which the carrying value of the asset exceeds its fair value. These evaluations are performed at a level where discrete cash flows may be attributed to either an individual asset or a group of assets. There were no impairments of long-lived assets during 2014.

Income Taxes

As part of the process of preparing our financial statements, we are required to estimate our provision for income taxes in each of the jurisdictions in which we operate. This involves estimating our actual current tax exposure, including assessing the risks associated with tax audits, together with assessing temporary differences resulting from the different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and record a valuation allowance to reduce the deferred tax assets to an amount that, in our judgment, is more likely than not to be recovered.

Management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our deferred tax assets. The valuation allowance is based on our estimates of future taxable income and the period over which we expect the deferred tax assets to be recovered. Our assessment of future taxable income is based on historical experience and current and anticipated market and economic conditions and trends. In the

Table of Contents

event that actual results differ from these estimates, or we adjust our estimates in the future, we may need to adjust our valuation allowance, which could materially impact our consolidated financial position and results of operations.

Pension and Other Post-Retirement Benefit Plans

We sponsor various pension and other post-retirement benefit plans covering our current and former employees in several countries. The estimates of the obligations and related expense of these plans recorded in the financial statements are based on certain assumptions. The most significant assumptions relate to discount rate, expected return on plan assets, and rate of increase in healthcare costs. Other assumptions used include employee demographic factors such as compensation rate increases, retirement patterns, employee turnover rates, and mortality rates. We review these assumptions annually. Our review of demographic assumptions includes analyzing historical patterns and/or referencing industry standard tables, combined with our expectations around future compensation and staffing strategies. The difference between these assumptions and our actual experience results in the recognition of an actuarial gain or loss. Actuarial gains or losses are recorded directly to accumulated other comprehensive loss. If the total net actuarial gain or loss included in accumulated other comprehensive loss exceeds a threshold of 10% of the greater of the projected benefit obligation or the market related value of plan assets, it is subject to amortization and recorded as a component of net periodic pension cost over the average remaining service lives of the employees participating in the pension plan.

The discount rate reflects the current rate at which the pension and other post-retirement liabilities could be effectively settled, considering the timing of expected payments for plan participants. It is used to discount the estimated future obligations of the plans to the present value of the liability reflected in the financial statements. In estimating this rate in countries that have a market of high-quality fixed-income investments, we considered rates of return on these investments included in various bond indices, adjusted to eliminate the effect of call provisions and differences in the timing and amounts of cash outflows related to the bonds. In other countries where a market of high-quality fixed-income investments do not exist, we estimate the discount rate using government bond yields or long-term inflation rates.

To determine the expected return on plan assets, we consider the historical returns earned by similarly invested assets, the rates of return expected on plan assets in the future, and our investment strategy and asset mix with respect to the plans’ funds.

The rate of increase of healthcare costs directly impacts the estimate of our future obligations in connection with our post-retirement medical benefits. Our estimate of healthcare cost trends is based on historical increases in healthcare costs under similarly designed plans, the level of increase in healthcare costs expected in the future, and the design features of the underlying plan.

We have adopted use of the Retirement Plans ("RP") 2014 mortality tables with the Mortality Projection ("MP") scale as issued by the Society of Actuaries in 2014 for our U.S. defined benefit plans. The RP 2014 mortality tables represent the new standard for defined benefit mortality assumptions due to longer life expectancies. The MP projection scale is used to factor in projected mortality improvements over time, based on age and date of birth (i.e., two-dimension generational).

Future changes to assumptions, or differences between actual and expected outcomes, can significantly affect our future net periodic pension cost, projected benefit obligations, and accumulated other comprehensive loss.

Share-Based Payment Plans

ASC Topic 718, Compensation—Stock Compensation (“ASC 718”), requires that a company measure at fair value any new or modified share-based compensation arrangements with employees, such as stock options and restricted stock units, and recognize as compensation expense that fair value over the requisite service period.

We estimate the fair value of options on the date of grant using the Black-Scholes-Merton option-pricing model. Key assumptions used in estimating the grant-date fair value of these options are as follows: the fair value of the ordinary shares, expected term, expected volatility, risk-free interest rate, and expected dividend yield. Material changes to any of these assumptions may have a significant effect on our valuation of options, and ultimately the share-based compensation expense recorded in the consolidated statements of operations. Significant factors used in determining these assumptions are detailed below.

We use the closing price of our stock on the New York Stock Exchange on the date of the grant as the fair value of ordinary shares in the Black-Scholes-Merton option-pricing model.
The expected term, which is a key factor in measuring the fair value and related compensation cost of share-based payments, has historically been based on the “simplified” methodology originally prescribed by Staff Accounting Bulletin (“SAB”) No. 107, in which the expected term is determined by computing the mathematical mean of the average vesting period

and the contractual life of the options. While the widespread use of the simplified method under SAB No. 107 expired on December 31, 2007, the U.S. Securities and Exchange Commission issued SAB No. 110 in December 2007, which allowed the simplified method to continue to be used in certain circumstances. These circumstances include when a company does not have sufficient historical data surrounding option exercises to provide a reasonable basis upon which to estimate expected term and during periods prior to its equity shares being publicly traded.

We utilized the simplified method for options granted during 2013 and 2012 due to the lack of historical exercise data necessary to provide a reasonable basis upon which to estimate the term. During 2014, rather than using the simplified method, we benchmarked the terms of our options granted against those of publicly-traded companies within our industry in order to estimate our expected term.

Also, because of our lack of history as a public company during 2013 and 2012, we considered the historical and implied volatilities of publicly-traded companies within our industry when selecting the appropriate volatility to apply to the options granted in those years. Implied volatility provides a forward-looking indication and may offer insight into expected industry volatility. During 2014, with additional historical data available, we considered our own historical volatility, as well as the historical and implied volatilities of publicly-traded companies within our industry, in estimating expected volatility for options granted in 2014.

The risk-free interest rate is based on the yield for a U.S. Treasury security having a maturity similar to the expected term of the related grant.

The dividend yield is based on our judgment with input from our Board of Directors.

Restricted securities are valued using the closing price of our stock on the New York Stock Exchange on the date of the grant. Certain of our restricted securities include performance conditions that require us to estimate the probable outcome of the performance condition. This assessment is based on management's judgment using internally developed forecasts and is assessed at each reporting period. Compensation cost is recorded if it is probable that the performance condition will be achieved.

Under the fair value recognition provisions of ASC 718, we recognize share-based compensation net of estimated forfeitures and, therefore, only recognize compensation cost for those shares expected to vest over the requisite service period. The forfeiture rate is based on our estimate of forfeitures by plan participants after consideration of historical forfeiture rates. Compensation expense recognized for each award ultimately reflects the number of shares that actually vest.

Off-Balance Sheet Arrangements

From time to time, we execute contracts that require us to indemnify the other parties to the contracts. These indemnification obligations generally arise in two contexts. First, in connection with any asset sales by us, the asset sale agreement typically contains standard provisions requiring us to indemnify the purchaser against breaches by us of representations and warranties contained in the agreement. These indemnities are generally subject to time and liability limitations. Second, we enter into agreements in the ordinary course of business, such as sales agreements, which contain indemnification provisions relating to product quality, intellectual property infringement, and other typical indemnities. In certain cases, indemnification obligations arise by law. We believe that our indemnification obligations are consistent with other companies in the markets in which we compete. Performance under any of these indemnification obligations would generally be triggered by a breach of the terms of the contract or by a third-party claim. Any future liabilities due to these indemnities cannot be reasonably estimated or accrued.

Recent Accounting Pronouncements

Recently issued accounting standards to be adopted in a future period:

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which modifies how all entities recognize revenue, and consolidates into one ASC Topic (ASC Topic 606, Revenue from Contracts with Customers) the current guidance found in ASC Topic 605, Revenue Recognition, and various other revenue accounting standards for specialized transactions and industries. The core principle of the guidance is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” In achieving this objective, an entity must perform five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations of the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a

Table of Contents

performance obligation. ASU 2014-09 also clarifies how an entity should account for costs of obtaining or fulfilling a contract in a new ASC Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers.

ASU 2014-09 is effective for public companies for annual periods beginning after December 15, 2016 and interim periods within those annual periods, and early adoption is not permitted. ASU 2014-09 may be applied using either a full retrospective approach, in which all years included in the financial statements are presented under the revised guidance, or a modified retrospective approach. Under the modified retrospective approach, financial statements will be prepared using the new standard for the year of adoption, but not for prior years. Under this method, entities will recognize a cumulative catch-up adjustment to the opening balance of retained earnings at the effective date for contracts that still require performance by the company and disclose all line items in the year of adoption as if they were prepared under the old revenue guidance. We will adopt ASU 2014-09 on January 1, 2017 and are currently evaluating the impact that this adoption will have on our consolidated financial statements. At this time, we have not determined the transition method that will be used.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through fixed and variable rate debt instruments and denominate our transactions in a variety of foreign currencies. We are also exposed to changes in the prices of certain commodities (primarily metals) that we use in production. Changes in these rates and commodity prices may have an impact on future cash flows and earnings. We generally manage and minimize these risks through the use of derivative financial instruments.

We do not enter into derivative financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. The fair market value of these derivative instruments is based upon valuation models whose inputs are derived using market observable inputs, including interest rate yield curves, as well as foreign exchange and commodity spot and forward rates, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty is liable to us, thus creating a receivable risk for us. We are exposed to counterparty credit risk in the event of non-performance by counterparties to our derivative agreements. We minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating.

Interest Rate Risk

Given the leveraged nature of our company, we have exposure to changes in interest rates. From time to time, we may execute a variety of interest rate derivative instruments to manage interest rate risk. For example, in the past, we have entered into interest rate collars and interest rate caps to reduce exposure to variability in cash flows relating to interest payments on our outstanding debt. These derivatives are accounted for in accordance with ASC Topic 815, Derivatives and Hedging ("ASC 815").

In August 2011, we purchased an interest rate cap in order to hedge the risk of changes in cash flows attributable to changes in interest rates above the cap rates on a portion of our U.S. dollar denominated term loans. In August 2014 this interest rate cap matured, and as of December 31, 2014, we do not have any remaining interest rate caps.

The terms of our outstanding interest rate cap as of December 31, 2013 are shown in the following table:

As of December 31,	Notional Principal Amount (in millions)	Amortization	Effective Date	Maturity Date	Cap
2013	$600	NA	August 12, 2011	August 12, 2014	2.75%

Table of Contents

The significant components of our debt as of December 31, 2014 and 2013 are shown in the following tables:

(Dollars in millions)	Maturity Date	Interest Rate as of December 31, 2014		Outstanding balance as of December 31, 2014 (1)	Fair value as of December 31, 2014
Original Term Loan(3)	May 12, 2019	3.25	%	$469.3	$467.0
Incremental Term Loan(3)	October 14, 2021	3.50	%	598.5	595.5
6.5% Senior Notes	May 15, 2019	6.50	%	700.0	730.7
4.875% Senior Notes	October 15, 2023	4.875	%	500.0	495.7
5.625% Senior Notes	November 1, 2024	5.625	%	400.0	415.0
Revolving Credit Facility(3)	May 12, 2016	2.41	%	130.0	128.3
Other debt(4)	Various	15.27	%	2.2	2.2
Total(2)				$2,800.0	$2,834.4

(1) Outstanding balance is presented excluding discount.
(2) Total outstanding balance excludes capital leases and other financing obligations of $48.2 million.
(3) This component of our debt accrues interest at a variable rate.
(4) Other debt consists of multiple instruments that accrue interest at various rates. Interest rate shown is a weighted-average interest rate at December 31, 2014.

(Dollars in millions)	Interest Rate as of December 31, 2013		Outstanding balance as of December 31, 2013 (1)	Fair value as of December 31, 2013
Original Term Loan(3)	3.25	%	$474.1	$475.0
6.5% Senior Notes	6.50	%	700.0	752.5
4.875% Senior Notes	4.875	%	500.0	472.5
Total(2)			$1,674.1	$1,700.0

(1) Outstanding balance is presented excluding discount.
(2) Total outstanding balance excludes capital leases and other financing obligations of $52.2 million.
(3) This component of our debt accrues interest at a variable rate.

Sensitivity Analysis

As of December 31, 2014, we had total variable rate debt with an outstanding balance of $1,197.8 million issued under our Term Loans and Revolving Credit Facility. Considering the impact of our interest rate floor, an increase of 100 basis points in the applicable interest rate would result in additional annual interest expense of $6.7 million. The next 100 basis point increase in the applicable interest rate would result in incremental annual interest expense of $12.0 million.

As of December 31, 2013, we had total variable rate debt with an outstanding balance of $474.1 million issued under the Original Term Loan. Considering the impact of our interest rate floor, an increase of 100 basis points in the applicable interest rate would result in additional annual interest expense of $2.3 million. The next 100 basis point increase in the applicable interest rate would result in incremental annual interest expense of $4.7 million. Neither increase would have been offset by our variable to fixed interest rate cap as of December 31, 2013.

Foreign Currency Risks

We are exposed to market risk from changes in foreign currency exchange rates, which could affect operating results as well as our financial position and cash flows. We monitor our exposures to these market risks and may employ derivative financial instruments, such as swaps, collars, forwards, options, or other instruments, to limit the volatility to earnings and cash flows generated by these exposures. We employ derivative contracts that may or may not be designated for hedge accounting treatment under ASC 815, which can result in volatility to earnings depending upon fluctuations in the underlying markets.

Derivative financial instruments are executed solely as risk management tools and not for trading or speculative purposes.

Table of Contents

Our foreign currency exposures include the Euro, Japanese yen, Mexican peso, Chinese renminbi, Korean won, Malaysian ringgit, Dominican Republic peso, British pound, Brazilian real, Singapore dollar, Polish zloty, and the Bulgarian lev. However, the primary foreign currency exposure relates to the U.S. dollar to Euro exchange rate. Consistent with our risk management objective and strategy to reduce exposure to variability in cash flows and variability in earnings, we entered into foreign currency rate derivatives during the year ended December 31, 2014 that qualify as cash flow hedges intended to offset the effect of exchange rate fluctuations on forecasted sales and certain manufacturing 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. During 2014, we also entered into foreign currency forward contracts that were not designated for hedge accounting purposes. In accordance with ASC 815, we recognized the change in the fair value of these non-designated derivatives in the consolidated statements of operations.

The following foreign currency forward contracts were outstanding as of December 31, 2014:

Notional (in millions)	Effective Date	Maturity Date	Index	Weighted Average Strike Rate	Hedge Designation
287.8 EUR	Various from October 2013 to December 2014	Various from February 2015 to November 2016	Euro to U.S. Dollar Exchange Rate	1.31 USD	Designated
58.1 EUR	Various from October 2013 to December 2014	January 30, 2015	Euro to U.S. Dollar Exchange Rate	1.25 USD	Non-designated
87.0 CNY	December 23, 2014	January 30, 2015	U.S. Dollar to Chinese Renminbi Exchange Rate	6.18 CNY	Non-designated
264.0 JPY	December 23, 2014	January 30, 2015	U.S. Dollar to Japanese Yen Exchange Rate	120.54 JPY	Non-designated
51,750.0 KRW	Various from March 2014 to December 2014	Various from February 2015 to November 2016	U.S. Dollar to Korean Won Exchange Rate	1,063.28 KRW	Designated
37,800.0 KRW	Various from March 2014 to December 2014	January 30, 2015	U.S. Dollar to Korean Won Exchange Rate	1,105.21 KRW	Non-designated
85.7 MYR	Various from January 2014 to December 2014	Various from February 2015 to November 2016	U.S. Dollar to Malaysian Ringgit Exchange Rate	3.36 MYR	Designated
26.7 MYR	Various from January 2014 to December 2014	January 30, 2015	U.S. Dollar to Malaysian Ringgit Exchange Rate	3.47 MYR	Non-designated
1,222.2 MXN	Various from January 2014 to December 2014	Various from February 2015 to November 2016	U.S. Dollar to Mexican Peso Exchange Rate	13.97 MXN	Designated
101.6 MXN	Various from January 2014 to December 2014	January 30, 2015	U.S. Dollar to Mexican Peso Exchange Rate	13.95 MXN	Non-designated
42.4 GBP	Various from October 2014 to December 2014	Various from February 2015 to November 2016	Pound Sterling to U.S. Dollar Exchange Rate	1.58 USD	Designated

5.3 GBP	Various from October 2014 to December 2014	January 30, 2015	Pound Sterling to U.S. Dollar Exchange Rate	1.56 USD	Non-designated

Table of Contents

The following foreign currency forward contracts were outstanding as of December 31, 2013:

Notional (in millions)	Effective Date	Maturity Date	Index	Weighted Average Strike Rate	Hedge Designation
217.4 EUR	Various from September 2012 to October 2013	Various from February 2014 to December 2015	Euro to U.S. Dollar Exchange Rate	1.34 USD	Designated
53.8 EUR	Various from September 2012 to December 2013	January 28, 2014 and January 31, 2014	Euro to U.S. Dollar Exchange Rate	1.36 USD	Non-designated
1,402.0 JPY	September 5, 2013 and November 7, 2013	Various from February to December 2014	U.S. Dollar to Japanese Yen Exchange Rate	98.91 JPY	Designated
305.8 JPY	Various from September to December 2013	January 31, 2014	U.S. Dollar to Japanese Yen Exchange Rate	102.68 JPY	Non-designated
38,500.0 KRW	Various from September to November 2013	Various from February to December 2014	U.S. Dollar to Korean Won Exchange Rate	1,083.56 KRW	Designated
17,000.0 KRW	Various from September to December 2013	January 29, 2014	U.S. Dollar to Korean Won Exchange Rate	1,067.17 KRW	Non-designated
41.8 MYR	November 22, 2013	Various from February to December 2014	U.S. Dollar to Malaysian Ringgit Exchange Rate	3.25 MYR	Designated
39.8 MYR	November 22, 2013 and December 26, 2013	January 30, 2014 and January 31, 2014	U.S. Dollar to Malaysian Ringgit Exchange Rate	3.29 MYR	Non-designated
541.2 MXN	Various from June to November 2013	Various from February to December 2014	U.S. Dollar to Mexican Peso Exchange Rate	13.53 MXN	Designated
89.2 MXN	Various from June to December 2013	January 31, 2014	U.S. Dollar to Mexican Peso Exchange Rate	13.25 MXN	Non-designated

Sensitivity Analysis

The table below presents our foreign currency forward contracts as of December 31, 2014 and 2013 and the estimated impact to pre-tax earnings as a result of a 10% strengthening/(weakening) in the foreign currency exchange rate:

(Amounts in millions)		Increase/(decrease) to pre-tax earnings due to	
	Asset (liability) balance as of December 31, 2014	10% strengthening of the value of the foreign currency relative to the U.S. Dollar	10% weakening of the value of the foreign currency relative to the U.S. Dollar
Euro to U.S. Dollar	$29.9	$(37.6)	$37.6
Chinese Renminbi to U.S. Dollar	$(0.1)	$(1.4)	$1.4
Pound Sterling to U.S. Dollar	$(0.9)	$4.7	$(4.7)
Japanese Yen to U.S. Dollar	$—	$(0.2)	$0.2
Korean Won to U.S. Dollar	$1.3	$(8.4)	$8.4
Malaysian Ringgit to U.S. Dollar	$(1.6)	$3.2	$(3.2)

Mexican Peso to U.S. Dollar	$(6.5)	$8.8	$(8.8)

57

Table of Contents

(Amounts in millions)	Asset (liability) balance as of December 31, 2013	Increase/(decrease) to pre-tax earnings due to	
		10% strengthening of the value of the foreign currency relative to the U.S. Dollar	10% weakening of the value of the foreign currency relative to the U.S. Dollar
Euro to U.S. Dollar	$(10.5)	$(34.6)	$34.6
Japanese Yen to U.S. Dollar	$0.9	$(1.8)	$1.8
Korean Won to U.S. Dollar	$(0.8)	$(5.0)	$5.0
Malaysian Ringgit to U.S. Dollar	$(0.3)	$2.5	$(2.5)
Mexican Peso to U.S. Dollar	$0.7	$4.7	$(4.7)

The tables below present our Euro-denominated net monetary assets as of December 31, 2014 and 2013 and the estimated impact to pre-tax earnings as a result of revaluing these assets and liabilities associated with a 10% strengthening/(weakening) in the Euro to U.S. Dollar currency exchange rate:

(Amounts in millions)	Net asset balance as of December 31, 2014		Increase/(decrease) to pre-tax earnings due to	
Euro-denominated financial instruments	Euro	$ Equivalent	10% weakening of the value of the Euro relative to the U.S. Dollar	10% strengthening of the value of the Euro relative to the U.S. Dollar
Net monetary assets[1]	€38.3	$46.6	$(4.7)	$4.7

(Amounts in millions)	Net asset balance as of December 31, 2013		Increase/(decrease) to pre-tax earnings due to	
Euro-denominated financial instruments	Euro	$ Equivalent	10% weakening of the value of the Euro relative to the U.S. Dollar	10% strengthening of the value of the Euro relative to the U.S. Dollar
Net monetary assets[1]	€31.1	$42.8	$(4.3)	$4.3

(1) Includes cash, accounts receivable, other current assets, accounts payable, accrued expenses, income taxes payable, deferred tax liabilities, pension obligations, and other long-term liabilities.

Commodity Risk

We enter into forward contracts with third parties to offset a portion of our exposure to the potential change in prices associated with certain commodities, including silver, gold, platinum, palladium, copper, aluminum, nickel, and zinc, 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. Currently, these derivatives are not designated as accounting hedges. In accordance with ASC 815, we recognize the change in fair value of these derivatives in the consolidated statements of operations.

Table of Contents

Sensitivity Analysis

The tables below present our commodity forward contracts as of December 31, 2014 and 2013 and the estimated impact to pre-tax earnings associated with a 10% increase/(decrease) in the change in the related forward price for each commodity:

(Amounts in millions, except price per unit and notional amounts)

						Increase/(decrease) to pre-tax earnings due to	
Commodity	Net asset/(liability) balance as of December 31, 2014	Notional	Weighted Average Contract Price Per Unit	Average Forward Price Per Unit as of December 31, 2014	Expiration	10% increase in the forward price	10% decrease in the forward price
Silver	$(6.1)	2,095,639 troy oz.	$19.07	$16.06	Various dates during 2015 and 2016	$3.4	$(3.4)
Gold	$(1.5)	15,272 troy oz.	$1,295.09	$1,194.13	Various dates during 2015 and 2016	$1.8	$(1.8)
Nickel	$(0.2)	648,798 pounds	$7.20	$6.90	Various dates during 2015 and 2016	$0.4	$(0.4)
Aluminum	$(0.4)	5,989,386 pounds	$0.92	$0.85	Various dates during 2015 and 2016	$0.5	$(0.5)
Copper	$(2.3)	9,780,235 pounds	$3.09	$2.84	Various dates during 2015 and 2016	$2.8	$(2.8)
Platinum	$(1.4)	8,323 troy oz.	$1,385.74	$1,214.44	Various dates during 2015 and 2016	$1.0	$(1.0)
Palladium	$0.1	1,293 troy oz.	$772.86	$804.30	Various dates during 2015 and 2016	$0.1	$(0.1)
Zinc	$(0.1)	1,755,012 pounds	$1.04	$0.99	Various dates during	$0.2	$(0.2)

2015 and 2016

(Amounts in millions, except price per unit and notional amounts)

Commodity	Net asset/(liability) balance as of December 31, 2013	Notional	Weighted Average Contract Price Per Unit	Average Forward Price Per Unit as of December 31, 2013	Expiration	Increase/(decrease) to pre-tax earnings due to 10% increase in the forward price	10% decrease in the forward price
Silver	$(6.7)	1,535,792 troy oz.	$24.29	$19.80	Various dates during 2014 and 2015	$3.0	$(3.0)
Gold	$(3.6)	16,582 troy oz.	$1,432.62	$1,211.05	Various dates during 2014 and 2015	$2.0	$(2.0)
Nickel	$(0.7)	831,997 pounds	$7.22	$6.38	Various dates during 2014 and 2015	$0.5	$(0.5)
Aluminum	$(0.2)	3,338,340 pounds	$0.92	$0.85	Various dates during 2014 and 2015	$0.3	$(0.3)
Copper	$(0.3)	4,543,861 pounds	$3.39	$3.32	Various dates during 2014 and 2015	$1.5	$(1.5)
Platinum	$(1.5)	11,264 troy oz.	$1,514.09	$1,372.70	Various dates during 2014 and 2015	$1.5	$(1.5)
Palladium	$0.0	1,336 troy oz.	$727.00	$713.48	Various dates during 2014 and 2015	$0.1	$(0.1)

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. Financial Statements

The following audited consolidated financial statements of Sensata Technologies Holding N.V. are included in this Annual Report on Form 10-K:

2. Financial Statement Schedules

The following schedules are included elsewhere in this Annual Report on Form 10-K.

Schedule I — Condensed Financial Information of the Registrant

Schedule II — Valuation and Qualifying Accounts

Schedules other than those listed above have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the audited consolidated financial statements or the notes thereto.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Sensata Technologies Holding N.V.

We have audited the accompanying consolidated balance sheets of Sensata Technologies Holding N.V. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, cash flows and changes in shareholders’ equity for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedules listed in the Index at Item 15(a)2. These financial statements and schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sensata Technologies Holding N.V. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sensata Technologies Holding N.V.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 3, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts
February 3, 2015

Table of Contents

SENSATA TECHNOLOGIES HOLDING N.V.
Consolidated Balance Sheets
(In thousands, except per share amounts)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$211,329	$317,896
Accounts receivable, net of allowances of $10,364 and $9,199 as of December 31, 2014 and 2013, respectively	444,852	291,723
Inventories	356,364	183,395
Deferred income tax assets	15,301	20,975
Prepaid expenses and other current assets	90,918	41,642
Total current assets	1,118,764	855,631
Property, plant and equipment, at cost	975,543	675,690
Accumulated depreciation	(386,059)	(331,033)
Property, plant and equipment, net	589,484	344,657
Goodwill	2,424,795	1,756,049
Other intangible assets, net	910,774	502,388
Deferred income tax assets	16,750	10,623
Deferred financing costs	29,102	19,132
Other assets	26,940	10,344
Total assets	$5,116,609	$3,498,824
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt, capital lease and other financing obligations	$145,979	$8,100
Accounts payable	287,800	177,539
Income taxes payable	7,516	5,785
Accrued expenses and other current liabilities	222,781	123,239
Deferred income tax liabilities	13,430	3,829
Total current liabilities	677,506	318,492
Deferred income tax liabilities	362,738	281,364
Pension and post-retirement benefit obligations	35,799	19,508
Capital lease and other financing obligations, less current portion	45,113	48,845
Long-term debt, net of discount, less current portion	2,650,744	1,667,021
Other long-term liabilities	41,817	22,006
Commitments and contingencies		
Total liabilities	3,813,717	2,357,236
Shareholders' equity:		
Ordinary shares, €0.01 nominal value per share, 400,000 shares authorized; 178,437 shares issued as of December 31, 2014 and 2013	2,289	2,289
Treasury shares, at cost, 9,120 and 6,462 shares as of December 31, 2014 and 2013, respectively	(365,272)	(236,346)
Additional paid-in capital	1,610,390	1,596,544
Retained earnings/(accumulated deficit)	67,233	(187,792)
Accumulated other comprehensive loss	(11,748)	(33,107)
Total shareholders' equity	1,302,892	1,141,588
Total liabilities and shareholders' equity	$5,116,609	$3,498,824

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

Table of Contents

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

	For the year ended December 31,		
	2014	2013	2012
Net revenue	$2,409,803	$1,980,732	$1,913,910
Operating costs and expenses:			
Cost of revenue	1,567,334	1,256,249	1,257,547
Research and development	82,178	57,950	52,072
Selling, general and administrative	220,105	163,145	141,894
Amortization of intangible assets	146,704	134,387	144,777
Restructuring and special charges	21,893	5,520	40,152
Total operating costs and expenses	2,038,214	1,617,251	1,636,442
Profit from operations	371,589	363,481	277,468
Interest expense	(107,210)	(95,101)	(100,037)
Interest income	1,106	1,186	815
Other, net	(12,059)	(35,629)	(5,581)
Income before taxes	253,426	233,937	172,665
(Benefit from)/provision for income taxes	(30,323)	45,812	(4,816)
Net income	$283,749	$188,125	$177,481
Basic net income per share:	$1.67	$1.07	$1.00
Diluted net income per share:	$1.65	$1.05	$0.98

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

Table of Contents

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

	For the year ended December 31,		
	2014	2013	2012
Net income	$283,749	$188,125	$177,481
Other comprehensive income/(loss), net of tax:			
Net unrealized gain/(loss) on derivative instruments designated and qualifying as cash flow hedges	25,190	(2,817)	(1,668)
Defined benefit and retiree healthcare plans	(3,831)	9,116	(14,514)
Other comprehensive income/(loss)	21,359	6,299	(16,182)
Comprehensive income	$305,108	$194,424	$161,299

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

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

	For the year ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net income	$283,749	$188,125	$177,481
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	65,804	50,889	54,688
Amortization of deferred financing costs and original issue discounts	5,118	4,307	5,108
Currency remeasurement (gain)/loss on debt	(771)	(457)	433
Share-based compensation	12,985	8,967	14,714
Loss on debt financing	3,750	9,010	2,216
Amortization of inventory step-up to fair value	5,576	—	23
Amortization of intangible assets	146,704	134,387	144,777
Gain on disposition or write-down of assets, net	(578)	(303)	(214)
Deferred income taxes	(59,156)	25,711	(26,611)
Gains from insurance proceeds	(2,417)	(7,500)	(1,750)
Unrealized loss on hedges and other non-cash items	5,581	8,627	2,748
(Decrease)/increase from changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(26,287)	(33,436)	6,858
Inventories	(77,473)	(7,336)	22,091
Prepaid expenses and other current assets	2,915	1,214	3,470
Accounts payable and accrued expenses	19,189	23,902	(13,877)
Income taxes payable	849	(3,099)	2,872
Other	(2,970)	(7,170)	2,286
Net cash provided by operating activities	382,568	395,838	397,313
Cash flows from investing activities:			
Acquisition of Schrader, net of cash received	(995,315)	—	—
Other acquisitions, net of cash received	(298,423)	(15,470)	(13,346)
Additions to property, plant and equipment and capitalized software	(144,211)	(82,784)	(54,786)
Insurance proceeds	2,417	8,900	—
Proceeds from sale of assets	5,467	1,704	5,631
Net cash used in investing activities	(1,430,065)	(87,650)	(62,501)
Cash flows from financing activities:			
Proceeds from exercise of stock options and issuance of ordinary shares	24,909	20,999	16,520
Proceeds from issuance of debt	1,190,500	600,000	—
Payments on debt	(76,375)	(711,665)	(13,349)
Repurchase of ordinary shares from SCA	(169,680)	(172,125)	—
Payments to repurchase ordinary shares	(12,094)	(132,971)	(15,190)
Payments of debt issuance cost	(16,330)	(8,069)	(1,381)
Net cash provided by/(used in) financing activities	940,930	(403,831)	(13,400)
Net change in cash and cash equivalents	(106,567)	(95,643)	321,412
Cash and cash equivalents, beginning of year	317,896	413,539	92,127
Cash and cash equivalents, end of year	$211,329	$317,896	$413,539

Supplemental cash flow items:			
Cash paid for interest	$87,774	$84,714	$91,733
Cash paid for income taxes	$41,126	$33,557	$14,153

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

Table of Contents

SENSATA TECHNOLOGIES HOLDING N.V.
Consolidated Statements of Changes in Shareholders' Equity
(In thousands)

	Ordinary Shares		Treasury Shares		Additional Paid-In Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Share-holders' Equity
	Number	Amount	Number	Amount				
Balance as of December 31, 2011	176,467	$2,264	(12)	$(136)	$1,557,211	$(491,164)	$(23,224)	$1,044,951
Issuance of ordinary shares for employee stock plans	8	—	—	—	276	—	—	276
Repurchase of ordinary shares	—	—	(511)	(15,190)	—	—	—	(15,190)
Stock options exercised	1,807	24	142	3,903	15,002	(2,685)	—	16,244
Vesting of restricted securities	110	1	—	—	(1)	—	—	—
Share-based compensation	—	—	—	—	14,714	—	—	14,714
Net income	—	—	—	—	—	177,481	—	177,481
Other comprehensive loss	—	—	—	—	—	—	(16,182)	(16,182)
Balance as of December 31, 2012	178,392	$2,289	(381)	$(11,423)	$1,587,202	$(316,368)	$(39,406)	$1,222,294
Issuance of ordinary shares for employee stock plans	—	—	7	233	—	(1)	—	232
Repurchase of ordinary shares	—	—	(8,582)	(305,096)	—	—	—	(305,096)
Stock options exercised	43	—	2,432	77,911	375	(57,519)	—	20,767
Vesting of restricted securities	2	—	62	2,029	—	(2,029)	—	—
Share-based compensation	—	—	—	—	8,967	—	—	8,967
Net income	—	—	—	—	—	188,125	—	188,125
Other comprehensive income	—	—	—	—	—	—	6,299	6,299
Balance as of December 31, 2013	178,437	$2,289	(6,462)	$(236,346)	$1,596,544	$(187,792)	$(33,107)	$1,141,588
Issuance of ordinary shares for employee stock plans	—	—	9	264	128	—	—	392
Repurchase of ordinary shares	—	—	(4,305)	(181,774)	—	—	—	(181,774)
Stock options exercised	—	—	1,589	50,995	657	(27,135)	—	24,517
	—	—	49	1,589	—	(1,589)	—	—

Vesting of restricted securities								
Share-based compensation	—	—	—	—	13,061	—	—	13,061
Net income	—	—	—	—	—	283,749	—	283,749
Other comprehensive income	—	—	—	—	—	—	21,359	21,359
Balance as of December 31, 2014	178,437	$2,289	(9,120)	$(365,272)	$1,610,390	$ 67,233	$ (11,748)	$1,302,892

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

66

Table of Contents

SENSATA TECHNOLOGIES HOLDING N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts, or unless otherwise noted)

1. Business Description and Basis of Presentation

Description of Business

The accompanying consolidated financial statements reflect the financial position, results of operations, comprehensive income, cash flows, and changes in shareholders' equity of Sensata Technologies Holding N.V. ("Sensata Technologies Holding") and its wholly-owned subsidiaries, collectively referred to as the “Company,” “Sensata,” “we,” “our,” or “us.”

Sensata Technologies Holding is incorporated under the laws of the Netherlands and conducts its operations through subsidiary companies that operate business and product development centers in the United States (the "U.S."), the Netherlands, Belgium, China, Germany, Japan, South Korea, and the United Kingdom (the "U.K."); and manufacturing operations in China, Malaysia, Mexico, the Dominican Republic, Bulgaria, Poland, France, Brazil, the U.K., and the U.S. We organize our operations into the Sensors and Controls businesses.

In the fourth quarter of 2014, we realigned our segments as a result of organizational changes to better allocate our resources to support our ongoing business strategy. Refer to Note 18, "Segment Reporting," for further discussion of this realignment. The discussion below, relating to our Sensors and Controls businesses, reflects this realignment.

Our Sensors business is a manufacturer of pressure, temperature, speed, position, and force sensors, and electromechanical products used in subsystems of automobiles (e.g., engine, air conditioning, and ride stabilization) and heavy on- and off-road vehicles ("HVOR"). 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, for example, by 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, and sensor products used in industrial applications such as heating, ventilation, and air conditioning ("HVAC") systems. These products include motor and compressor protectors, circuit breakers, semiconductor burn-in test sockets, electronic HVAC sensors and 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, and help optimize performance by using sensors which provide feedback to control systems. 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 consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The accompanying consolidated financial statements present separately our financial position, results of operations, comprehensive income, cash flows, and changes in shareholders’ equity.

All intercompany balances and transactions have been eliminated.

All U.S. dollar and share 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. Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires us to exercise our judgment in the process of applying our accounting policies. It also requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods.

Table of Contents

Estimates are used when accounting for certain items such as allowances for doubtful accounts and sales returns, depreciation and amortization, inventory obsolescence, asset impairments (including goodwill and other intangible assets), contingencies, the value of share-based compensation, the determination of accrued expenses, certain asset valuations including deferred tax asset valuations, the useful lives of property and equipment, post-retirement obligations, and the accounting for business combinations. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and/or as the operating environment changes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash comprises cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have original maturities of three months or less.

Revenue Recognition

We recognize revenue in accordance with Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition. Revenue and related cost of revenue from product sales are recognized when the significant risks and rewards of ownership have been transferred, title to the product and risk of loss transfers to our customers, and collection of sales proceeds is reasonably assured. Based on the above criteria, revenue is generally recognized when the product is shipped from our warehouse or, in limited instances, when it is received by the customer, depending on the specific terms of the arrangement. Product sales are recorded net of trade discounts (including volume and early payment incentives), sales returns, value-added tax, and similar taxes. Amounts billed to our customers for shipping and handling are recorded in revenue. Shipping and handling costs are included in cost of revenue. Sales to customers generally include a right of return for defective or non-conforming product. Sales returns have not historically been significant in relation to our revenue and have been within our estimates.

Many of our products are designed and engineered to meet customer specifications. These activities, and the testing of our products to determine compliance with those specifications, occur prior to any revenue being recognized. Products are then manufactured and sold to customers. Customer arrangements do not involve post-installation or post-sale testing and acceptance.

Share-Based Compensation

ASC Topic 718, Compensation—Stock Compensation (“ASC 718”), requires that a company measure at fair value any new or modified share-based compensation arrangements with employees, such as stock options and restricted stock units, and recognize as compensation expense that fair value over the requisite service period.

We estimate the fair value of options on the date of grant using the Black-Scholes-Merton option-pricing model. Key assumptions used in estimating the grant-date fair value of these options are as follows: the fair value of the ordinary shares, expected term, expected volatility, risk-free interest rate, and expected dividend yield.

We use the closing price of our ordinary shares on the New York Stock Exchange on the date of the grant as the fair value of ordinary shares in the Black-Scholes-Merton option-pricing model.

The expected term, which is a key factor in measuring the fair value and related compensation cost of share-based payments, has historically been based on the “simplified” methodology originally prescribed by Staff Accounting Bulletin (“SAB”) No. 107, in which the expected term is determined by computing the mathematical mean of the average vesting period and the contractual life of the options. While the widespread use of the simplified method under SAB No. 107 expired on December 31, 2007, the U.S. Securities and Exchange Commission (the "SEC") issued SAB No. 110 in December 2007, which allowed the simplified method to continue to be used in certain circumstances. These circumstances include when a company does not have sufficient historical data surrounding option exercises to provide a reasonable basis upon which to estimate expected term and during periods prior to its equity shares being publicly traded.

We utilized the simplified method for options granted during 2013 and 2012 due to the lack of historical exercise data necessary to provide a reasonable basis upon which to estimate the expected term. During 2014, rather than using the simplified method, we benchmarked the terms of our options granted against those of publicly-traded companies within our industry in order to estimate our expected term.

Also, because of our lack of history as a public company during 2013 and 2012, we considered the historical and implied volatilities of publicly-traded companies within our industry when selecting the appropriate volatility to apply to the options

Table of Contents

granted in those years. Implied volatility provides a forward-looking indication and may offer insight into expected industry volatility. During 2014, with additional historical data available, we considered our own historical volatility, as well as the historical and implied volatilities of publicly-traded companies within our industry, in estimating expected volatility for options granted in 2014.

The risk-free interest rate is based on the yield for a U.S. Treasury security having a maturity similar to the expected term of the related option grant.

The dividend yield is based on our judgment with input from our Board of Directors.

Restricted securities are valued using the closing price of our ordinary shares on the New York Stock Exchange on the date of the grant. Certain of our restricted securities include performance conditions that require us to estimate the probable outcome of the performance condition. This assessment is based on management's judgment using internally developed forecasts and is assessed at each reporting period. Compensation cost is recorded if it is probable that the performance condition will be achieved.

Under the fair value recognition provisions of ASC 718, we recognize share-based compensation net of estimated forfeitures and, therefore, only recognize compensation cost for those awards expected to vest over the requisite service period. The forfeiture rate is based on our estimate of forfeitures by plan participants based on historical forfeiture rates. Compensation expense recognized for each award ultimately reflects the number of awards that actually vest.

Share-based compensation expense is generally recognized as a component of Selling, general and administrative (“SG&A”) expense, which is consistent with where the related employee costs are recorded. Refer to further discussion of share-based payments in Note 11, "Share-Based Payment Plans."

Financial Instruments

Derivative financial instruments: We maintain derivative financial instruments with major financial institutions of investment grade credit rating and monitor the amount of credit exposure to any one issuer.

We account for our derivative financial instruments in accordance with ASC Topic 820, Fair Value Measurements and Disclosures (“ASC 820”) and with ASC Topic 815, Derivatives and Hedging (“ASC 815”). In accordance with ASC 815, we record all derivatives on the balance sheet at fair value. The accounting for the change 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. In addition, ASC 815 provides that, for derivative instruments that qualify for hedge accounting, changes in the fair value are either (a) offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or (b) recognized in equity until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge changes in fair value or cash flows. The ineffective portion of a derivative’s change in fair value is immediately recognized in earnings. We do not use derivative financial instruments for trading or speculation purposes.

We are exposed to fluctuations in various foreign currencies against our functional currency, the U.S. dollar. We enter into forward contracts for certain foreign currencies, including the Euro, Japanese yen, Mexican peso, Chinese renminbi, Korean won, Malaysian ringgit, and British pound sterling. The fair value of foreign currency forward contracts is 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 16, “Derivative Instruments and Hedging Activities,” under the caption “Hedges of Foreign Currency Risk.”

We enter into forward contracts for certain commodities, including silver, gold, platinum, palladium, copper, aluminum, nickel, and zinc 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. The fair value of our commodity forward contracts is 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. These contracts have not been designated as accounting hedges. We recognize changes in the fair value of these contracts in the consolidated statements of operations, in accordance with ASC 815. 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 16, “Derivative Instruments and Hedging Activities,” under the caption “Hedges of Commodity Risk.”

We incorporate credit valuation adjustments to appropriately reflect both our own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of non-performance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.
We report cash flows arising from our derivative financial instruments consistent with the classification of cash flows from the underlying hedged items.
Refer to further discussion on derivative instruments in Note 16, "Derivative Instruments and Hedging Activities."
Trade accounts receivable: Concentrations of risk with respect to trade accounts receivable are generally limited due to the large number of customers in various industries and their dispersion across several geographic areas. Although we do not foresee that credit risk associated with these receivables will deviate from historical experience, repayment is dependent upon the financial stability of these individual customers. Our largest customer accounted for approximately 7% of our Net revenue for the year ended December 31, 2014.
Goodwill and Other Intangible Assets
Businesses acquired in purchase transactions are recorded at their fair value on the date of acquisition, with the excess of the purchase price over the fair value of assets acquired and liabilities assumed recognized as goodwill. In accordance with ASC Topic 350, Intangibles—Goodwill and Other ("ASC 350"), goodwill and intangible assets determined to have an indefinite useful life are not amortized. Instead these assets are evaluated for impairment on an annual basis, and whenever events or business conditions change that could more likely than not reduce the fair value of a reporting unit below its net book value. We evaluate goodwill and indefinite-lived intangible assets for impairment in the fourth quarter of each fiscal year, unless events occur which trigger the need for earlier impairment review.
On October 1, 2014, we had four reporting units: Sensors, Electrical Protection, Power Management, and Interconnection. As discussed in Note 18, "Segment Reporting," in the fourth quarter of 2014 we realigned our operating segments to move the portion of the Sensors segment that has historically served the HVAC and industrial end-markets (the industrial sensing product line) to the Controls segment. As a result, a new reporting unit, Industrial Sensing, was created subsequent to October 1, 2014.
We establish our reporting units based on the definitions and guidance provided in ASC 350, which includes an analysis of the components that comprise each of our operating segments. Components of an operating segment are aggregated to form one reporting unit if the components have similar economic characteristics. We periodically review these reporting units to ensure that they continue to reflect the manner in which the business is operated. As businesses are acquired, we assign them to an existing reporting unit or create a new reporting unit. Goodwill is assigned to reporting units as of the date of the related acquisition. All acquisitions in fiscal year 2014 were assigned to existing reporting units. If goodwill is assigned to more than one reporting unit, we utilize an allocation methodology that is consistent with the manner in which the amount of goodwill in a business combination is determined.
Goodwill: Our judgments regarding the existence of impairment indicators are based on several factors, including the performance of the end-markets served by our customers, as well as the actual financial performance of our reporting units and their respective financial forecasts over the long-term. We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its net book value. If we elect to not use this option or we determine, using the qualitative method, that it is more likely than not that the fair value of a reporting unit is less than its net book value, then we perform the two-step impairment test. In the first step of the goodwill impairment test, we estimate the fair value of reporting units using discounted cash flow models based on our most recent long-range plans and an estimated weighted-average cost of capital appropriate for each reporting unit, giving consideration to valuation multiples (e.g., Invested Capital/EBITDA) for peer companies. We then compare the estimated fair value of each reporting unit to its net book value, including goodwill.
If the net book value of a reporting unit exceeds its estimated fair value, we conduct a second step in which we calculate the implied fair value of goodwill. If the carrying value of the reporting unit's goodwill exceeds the calculated implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business

combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that reporting unit (including any unrecognized intangible assets) based on their fair values as if the reporting unit had been acquired in a business combination at the date of assessment, and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the sum of the fair values of each component of the reporting unit is the implied fair value of goodwill.

Intangible assets: Identified definite-lived intangible assets are amortized over the useful life of the asset, using a method of amortization that reflects the pattern in which the economic benefits of the intangible asset are consumed over its estimated useful life. If that pattern cannot be reliably determined, then we amortize the intangible asset using the straight-line method. Capitalized software is amortized on a straight-line basis over its estimated useful life. Capitalized software licenses are amortized on a straight-line basis over the lesser of the term of the license, or the useful life of the software.

Impairment of definite-lived intangible assets: Reviews are regularly performed to determine whether facts or circumstances exist that indicate that the carrying values of our definite-lived intangible assets to be held and used are impaired. The recoverability of these assets is assessed by comparing the projected undiscounted net cash flows associated with these assets to their respective carrying values. If the sum of the projected undiscounted net cash flows falls below the carrying value of the assets, the impairment charge is based on the excess of the carrying value over the fair value of those assets. We determine fair value by using the appropriate income approach valuation methodology, depending on the nature of the intangible asset.

Impairment of indefinite-lived intangible assets: We perform an annual impairment review of our indefinite-lived intangible assets in the fourth quarter of each fiscal year, unless events occur that trigger the need for an earlier impairment review. We have the option to first assess qualitative factors in determining whether it is more likely than not that an indefinite-lived intangible asset is impaired. If we elect to not use this option, or we determine that it is more likely than not that the asset is impaired, we perform a quantitative impairment review that requires us to make assumptions about future conditions impacting the value of the indefinite-lived intangible assets, including projected growth rates, cost of capital, effective tax rates, royalty rates, market share, and other items. Impairment, if any, is based on the excess of the carrying value over the fair value of these assets. We determine fair value by using the appropriate income approach valuation methodology.

Deferred Financing Costs and Original Issue Discounts

Expenses associated with the issuance of debt instruments are capitalized and amortized over the term of the respective financing arrangement using the effective interest method (periods ranging from 2 to 10 years). Amortization of these costs is included as a component of Interest expense in the consolidated statements of operations.

In accordance with ASC Subtopic 470-50, Modifications and Extinguishments ("ASC 470-50"), we analyze refinancing transactions to assess whether terms are substantially different in order to determine whether to account for the refinancing as an extinguishment or a modification. Our evaluation of the accounting under ASC 470-50 is done on a creditor by creditor basis. Our accounting for refinancing transactions is described in more detail in Note 8, "Debt."

Income Taxes

We provide for income taxes utilizing the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to reverse or settle. If it is determined that it is more likely than not that future tax benefits associated with a deferred tax asset will not be realized, a valuation allowance is provided. The effect on deferred tax assets and liabilities of a change in statutory tax rates is recognized in the consolidated statements of operations as an adjustment to income tax expense in the period that includes the enactment date.

In accordance with ASC Topic 740, Income Taxes ("ASC 740"), penalties and interest related to unrecognized tax benefits may be classified as either income taxes or another expense line item in the consolidated statements of operations. We classify interest and penalties related to unrecognized tax benefits within our Provision for/(benefit from) income taxes line of our consolidated statements of operations.

Pension and Other Post-Retirement Benefit Plans

We sponsor various pension and other post-retirement benefit plans covering our current and former employees in several countries. The estimates of the obligations and related expense of these plans recorded in the financial statements are based on certain assumptions. The most significant assumptions relate to discount rate, expected return on plan assets, and rate of increase in healthcare costs. Other assumptions used include employee demographic factors such as compensation rate increases, retirement patterns, employee turnover rates, and mortality rates. We review these assumptions annually. Our review of demographic assumptions includes analyzing historical patterns and/or referencing industry standard tables, combined with our expectations around future compensation and staffing strategies. The difference between these assumptions and our actual experience results in the recognition of an actuarial gain or loss. Actuarial gains and losses are recorded directly to Accumulated other comprehensive loss. If the total net actuarial gain or loss included in Accumulated other comprehensive loss exceeds a threshold of 10% of the greater of the projected benefit obligation or the market related value of plan assets, it is subject to amortization and recorded as a component of net periodic pension cost over the average remaining service lives of the employees participating in the pension or post-retirement benefit plan.

The discount rate reflects the current rate at which the pension and other post-retirement liabilities could be effectively settled, considering the timing of expected payments for plan participants. It is used to discount the estimated future obligations of the plans to the present value of the liability reflected in the financial statements. In estimating this rate in countries that have a market of high-quality, fixed-income investments, we consider rates of return on these investments included in various bond indices, adjusted to eliminate the effect of call provisions and differences in the timing and amounts of cash outflows related to the bonds. In other countries where a market of high-quality, fixed-income investments does not exist, we estimate the discount rate using government bond yields or long-term inflation rates.

To determine the expected return on plan assets, we consider the historical returns earned by similarly invested assets, the rates of return expected on plan assets in the future, and our investment strategy and asset mix with respect to the plans' funds.

The rate of increase of healthcare costs directly impacts the estimate of our future obligations in connection with our post-retirement medical benefits. Our estimate of healthcare cost trends is based on historical increases in healthcare costs under similarly designed plans, the level of increase in healthcare costs expected in the future, and the design features of the underlying plan.

We have adopted use of the Retirement Plan ("RP") 2014 mortality tables with the Mortality Projection ("MP") scale as issued by the Society of Actuaries in 2014 for our U.S. defined benefit plans. The RP 2014 mortality tables represent the new standard for defined benefit mortality assumptions due to longer life expectancies. The MP projection scale is used to factor in projected mortality improvements over time, based on age and date of birth (i.e., two-dimension generational).

Allowance for Losses on Receivables

The allowance for losses on receivables is used to provide for potential impairment of receivables. The allowance represents an estimate of probable but unconfirmed losses in the receivable portfolio. We estimate the allowance on the basis of specifically identified receivables that are evaluated individually for impairment and a statistical analysis of the remaining receivables determined by reference to past default experience. Customers are generally not required to provide collateral for purchases. The allowance for losses on receivables also includes an allowance for sales returns.

Management judgments are used to determine when to charge off uncollectible trade accounts receivable. We base these judgments on the age of the receivable, credit quality of the customer, current economic conditions, and other factors that may affect a customer's ability to pay.

Losses on receivables have not historically been significant.

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost for raw materials, work-in-process, and finished goods is determined based on a first-in, first-out basis ("FIFO") and includes material, labor, and applicable manufacturing overhead, as well as transportation and handling costs. We conduct quarterly inventory reviews for salability and obsolescence, and inventory considered unlikely to be sold is adjusted to net realizable value.

Property, Plant and Equipment and Other Capitalized Costs

Property, plant and equipment ("PP&E") are stated at cost, and in the case of plant and equipment, are depreciated on a straight-line basis over their estimated economic useful lives. In general, depreciable lives of plant and equipment are as follows:

Buildings and improvements	2 – 40 years
Machinery and equipment	2 – 10 years

Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated economic useful lives of the improvements. Assets held under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease.

Amortization expense associated with capital leases is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease, unless ownership is transferred by the end of the lease or there is a bargain purchase option, in which case the asset is amortized, normally on a straight-line basis, over the useful life that would be assigned if the

Table of Contents

asset were owned. Amortization expense associated with capital leases is included within depreciation expense. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major improvements that increase asset values and extend useful lives are capitalized.

Foreign Currency

For financial reporting purposes, the functional currency of all of our subsidiaries is the U.S. dollar because of the significant influence of the U.S. dollar on our operations. In certain instances, we enter into transactions that are denominated in a currency other than the U.S. dollar. At the date the transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in U.S. dollars using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the U.S. dollar are adjusted to the U.S. dollar using the current exchange rate, with gains or losses recorded in Other, net in the consolidated statements of operations.

Other, net

Other, net for the years ended December 31, 2014, 2013, and 2012 consisted of the following:

	For the year ended December 31,		
	2014	2013	2012
Currency remeasurement gain/(loss) on debt	$771	$457	$(433)
Currency remeasurement (loss)/gain on net monetary assets	(7,683)	402	(2,036)
Loss on debt financing	(1,875)	(9,010)	(2,216)
Loss on commodity forward contracts	(9,017)	(23,218)	(436)
Gain/(loss) on foreign currency forward contracts	5,469	(3,290)	(607)
Loss on interest rate cap	—	(1,097)	—
Other	276	127	147
Total Other, net	$(12,059)	$(35,629)	$(5,581)

Recently issued accounting standards to be adopted in a future period:

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which modifies how all entities recognize revenue, and consolidates into one Accounting Standards Codification ("ASC") Topic (ASC Topic 606, Revenue from Contracts with Customers) the current guidance found in ASC Topic 605, Revenue Recognition, and various other revenue accounting standards for specialized transactions and industries. The core principle of the guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." In achieving this objective, an entity must perform five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations of the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 also clarifies how an entity should account for costs of obtaining or fulfilling a contract in a new ASC Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers.

ASU 2014-09 is effective for public companies for annual periods beginning after December 15, 2016 and interim periods within those annual periods, and early adoption is not permitted. ASU 2014-09 may be applied using either a full retrospective approach, in which all years included in the financial statements are presented under the revised guidance, or a modified retrospective approach. Under the modified retrospective approach, financial statements will be prepared using the new standard for the year of adoption, but not for prior years. Under this method, entities will recognize a cumulative catch-up adjustment to the opening balance of retained earnings at the effective date for contracts that still require performance by the company and disclose all line items in the year of adoption as if they were prepared under the old revenue guidance. We will adopt ASU 2014-09 on January 1, 2017 and are currently evaluating the impact that this adoption will have on our consolidated financial statements. At this time, we have not determined the transition method that will be used.

Table of Contents

3. Property, Plant and Equipment

PP&E as of December 31, 2014 and 2013 consisted of the following:

	December 31, 2014	December 31, 2013
Land	$22,405	$10,969
Buildings and improvements	190,646	152,304
Machinery and equipment	762,492	512,417
	975,543	675,690
Accumulated depreciation	(386,059)	(331,033)
Total	$589,484	$344,657

Depreciation expense for PP&E, including amortization of assets under capital leases, totaled $65.8 million, $50.9 million, and $54.7 million for the years ended December 31, 2014, 2013, and 2012, respectively.

PP&E is identified as held for sale when it meets the held for sale criteria of ASC Topic 360, Property, Plant, and Equipment ("ASC 360"). We cease recording depreciation on assets that are classified as held for sale. When an asset meets the held for sale criteria, its carrying value is reclassified out of PP&E and into Prepaid expenses and other current assets, where it remains until either it is sold or it no longer meets the held for sale criteria. In the year that an asset meets the held for sale criteria, its carrying value as of the end of the prior year is reclassified from PP&E to Other assets. As of December 31, 2014, we did not have any PP&E held for sale.

The fair value of assets held for sale is considered to be a Level 3 fair value measurement, and is determined based on the use of appraisals, input from market participants, our experience selling similar assets, and/or internally developed cash flow models.

In 2013, in an effort to move to space more suited for our business needs, we decided to pursue the sale of our facility in Oyama, Japan, which was utilized in both our Sensors and Controls segments. We determined that this facility met the held for sale criteria as specified in ASC 360. No write-down was recorded upon this designation, as we determined that the fair value of the facility, less costs to sell, was greater than its then carrying value of $4.8 million. This carrying value was reclassified from PP&E to Prepaid expenses and other current assets as of December 31, 2013. In the second quarter of 2014, we completed the sale of our Oyama, facility for $5.6 million. The gain on this sale was recorded within the Cost of revenue line of our consolidated statement of operations.

In 2012, in an effort to move to space more suited for our business needs, we decided to pursue the sale of our facility in Almelo, the Netherlands, which is utilized in both our Sensors and Controls segments. We determined that this facility met the held for sale criteria as specified in ASC 360, and, accordingly, we measured the facility at the lower of its then carrying value or fair value less costs to sell, which was determined to be approximately $3.5 million as of December 31, 2012. This resulted in the recognition of a write-down of approximately $3.8 million during the three months ended December 31, 2012. This charge was recorded within the Cost of revenue line of our consolidated statements of operations. In 2014, we decided to construct a new building to replace this facility. We intend to use our existing facility in Almelo, the Netherlands until construction of the new facility is completed. Therefore, we determined that the facility did not meet all the held for sale criteria in ASC 360, and as of December 31, 2014, the carrying value of the asset was classified as PP&E.

PP&E as of December 31, 2014 and 2013 included the following assets under capital leases:

	December 31, 2014	December 31, 2013
PP&E recognized under capital leases	$39,397	$39,397
Accumulated amortization	(14,263)	(13,237)
Net PP&E recognized under capital leases	$25,134	$26,160

Table of Contents

4. Inventories

The components of inventories as of December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
Finished goods	$127,407	$82,350
Work-in-process	69,218	32,790
Raw materials	159,739	68,255
Total	$356,364	$183,395

As of December 31, 2014 and 2013, inventories totaling $11.1 million and $8.1 million, respectively, had been consigned to customers.

5. Goodwill and Other Intangible Assets

The following table outlines the changes in goodwill, by segment:

	Sensors			Controls			Total		
	Gross Goodwill	Accumulated Impairment	Net Goodwill	Gross Goodwill	Accumulated Impairment	Net Goodwill	Gross Goodwill	Accumulated Impairment	Net Goodwill
Balance at December 31, 2012	$1,336,981	$—	$1,336,981	$435,592	$(18,466)	$417,126	$1,772,573	$(18,466)	$1,754,107
Other acquisitions - purchase accounting adjustment	—	—	—	278	—	278	278	—	278
Other acquisitions	1,664	—	1,664	—	—	—	1,664	—	1,664
Balance at December 31, 2013	1,338,645	—	1,338,645	435,870	(18,466)	417,404	1,774,515	(18,466)	1,756,049
Wabash acquisition	18,807	—	18,807	—	—	—	18,807	—	18,807
Magnum acquisition	—	—	—	12,768	—	12,768	12,768	—	12,768
DeltaTech acquisition	99,254	—	99,254	—	—	—	99,254	—	99,254
Schrader acquisition	538,019	—	538,019	—	—	—	538,019	—	538,019
Other acquisitions - purchase accounting adjustment	(102)	—	(102)	—	—	—	(102)	—	(102)
Balance at December 31, 2014	$1,994,623	$—	$1,994,623	$448,638	$(18,466)	$430,172	$2,443,261	$(18,466)	$2,424,795

Goodwill attributed to acquisitions reflects our allocation of purchase price to the estimated fair value of certain assets acquired and liabilities assumed. The purchase accounting adjustments above generally reflect revisions in fair value estimates of acquired tangible and intangible assets.

In the fourth quarter of 2014, we realigned our segments as a result of organizational changes to better allocate our resources to support our ongoing business strategy. Refer to Note 18, "Segment Reporting," for further discussion of this realignment. The table above has been recast to reflect this realignment.

We have evaluated our goodwill for impairment as of October 1, 2014 using the qualitative method, and have determined that it was more likely than not that the fair values of our reporting units exceeded their carrying values on that date. We have evaluated our indefinite-lived intangible assets (i.e. other than goodwill) for impairment as of October 1, 2014 using the quantitative method, and have determined that the fair values of these indefinite-lived intangible assets exceeded their carrying values on that date. Should certain assumptions change that were used in the qualitative analysis of goodwill, or in the development of the fair value of our indefinite-lived intangible assets, we may be required to recognize goodwill or intangible asset impairments.

Table of Contents

The following table outlines the components of definite-lived intangible assets, excluding goodwill, as of December 31, 2014 and 2013:

	Weighted-Average Life (Years)	December 31, 2014				December 31, 2013			
		Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies	14	$541,708	$(242,506)	$(2,430)	$296,772	$373,159	$(203,320)	$(2,430)	$167,409
Customer relationships	11	1,460,088	(943,375)	(12,144)	504,569	1,098,098	(840,143)	(12,144)	245,811
Non-compete agreements	8	23,400	(23,400)	—	—	23,400	(23,400)	—	—
Tradenames	9	8,854	(4,259)	—	4,595	5,184	(3,073)	—	2,111
Capitalized software	7	49,127	(12,759)	—	36,368	28,246	(9,659)	—	18,587
Total	11	$2,083,177	$(1,226,299)	$(14,574)	$842,304	$1,528,087	$(1,079,595)	$(14,574)	$433,918

The following table outlines Amortization of intangible assets for the years ended December 31, 2014, 2013, and 2012:

	December 31, 2014	December 31, 2013	December 31, 2012
Acquisition-related definite-lived intangible assets	$143,604	$132,984	$142,983
Capitalized software	3,100	1,403	1,794
Total Amortization of intangible assets	$146,704	$134,387	$144,777

The table below presents estimated Amortization of intangible assets for the following future periods:

2015	$177,458
2016	$149,433
2017	$111,474
2018	$90,382
2019	$83,301

In addition to the above, we own the Klixon® and Airpax® tradenames, which are indefinite-lived intangible assets, as they have each been in continuous use for over 65 years, and we have no plans to discontinue using them. We have recorded on the consolidated balance sheets $59.1 million and $9.4 million, respectively, related to these tradenames.

6. Acquisitions

The following discussion relates to our acquisitions during the year ended December 31, 2014. Refer to Note 5, "Goodwill and Other Intangible Assets," for further discussion of our consolidated Goodwill and Other intangible assets, net balances.

Schrader

On October 14, 2014, we completed the acquisition of all of the outstanding shares of August Cayman Company, Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands ("Schrader"), for an aggregate purchase price of $1,004.7 million. Schrader is a global manufacturer of sensing and valve solutions for automotive manufacturers, including tire pressure monitoring sensors ("TPMS"), and is being integrated into our Sensors segment. We acquired Schrader to add TPMS and additional low pressure sensing capabilities to our current product portfolio.

Net revenue and Income/(loss) before taxes of Schrader included in our consolidated statement of operations for the year ended December 31, 2014 were $133.3 million and $(3.6) million, respectively. The Income/(loss) before taxes does not include interest expense recorded related to the indebtedness incurred in order to finance the acquisition of Schrader, and also does not include approximately $12.5 million in transaction costs recorded in connection with this acquisition, which are included within SG&A expense in our consolidated statement of operations.

Table of Contents

The following table summarizes the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Accounts receivable	$96,811
Inventories	72,153
Prepaid expenses and other current assets	17,545
Property, plant and equipment	149,646
Other intangible assets	363,000
Goodwill	538,019
Other assets	5,489
Accounts payable	(66,461)
Accrued expenses and other current liabilities	(69,504)
Deferred income tax liabilities	(95,138)
Other long term liabilities	(15,287)
Fair value of net assets acquired, excluding cash and cash equivalents	996,273
Cash and cash equivalents	8,420
Fair value of net assets acquired	$1,004,693

The allocation of the purchase price related to this acquisition is preliminary and is based on management’s judgments after evaluating several factors, including preliminary valuation assessments of tangible and intangible assets, and preliminary estimates of the fair value of liabilities assumed. The final allocation of the purchase price to the assets acquired and liabilities assumed will be completed when the final valuations are completed and estimates of the fair value of liabilities assumed are finalized. The preliminary goodwill of $538.0 million represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. None of the goodwill recorded is expected to be deductible for tax purposes.

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

	Acquisition Date Fair Value	Weighted Average Lives (years)
Acquired definite-lived intangible assets:		
Completed technologies	$100,000	10
Customer relationships	260,000	10
Computer software	3,000	3
	$363,000	10

The definite-lived intangible assets were valued using the income approach. We used the relief-from-royalty method to value completed technologies. The customer relationships were valued using the multi-period excess earnings method. These valuation methods incorporate assumptions including expected discounted future cash flows resulting from either the future estimated after-tax royalty payments avoided as a result of owning the completed technologies, or the future earnings related to existing customer relationships. The fair value of these assets is considered to be a Level 3 fair value measurement.

The valuation of certain tangible assets acquired were determined using cost and market approaches. For personal property, we primarily used the cost approach to develop the estimated reproduction or replacement cost. For real property, we used a market approach based on the use of appraisals and input from market participants. The fair value of these assets is considered to be a Level 3 fair value measurement.

Refer to Note 14, "Commitments and Contingencies," for discussion of pre-acquisition contingencies assumed as a result of this acquisition.

Table of Contents

DeltaTech Controls

On August 4, 2014, we completed the acquisition of all of the outstanding shares of CoActive US Holdings, Inc., the direct or indirect parent of companies comprising the DeltaTech Controls business ("DeltaTech"), from CoActive Holdings, LLC for an aggregate purchase price of $177.8 million. DeltaTech is a manufacturer of customized electronic operator controls based on magnetic position sensing technology for the construction, agriculture, and material handling industries, and is being integrated into our Sensors segment. We acquired DeltaTech to expand our magnetic speed and position sensing business with new and existing customers in the HVOR market.

The following table summarizes the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Net working capital	$12,974
Property, plant and equipment	8,421
Other intangible assets	111,277
Goodwill	99,254
Other noncurrent assets	5,663
Deferred income tax liabilities	(39,424)
Other long term liabilities	(21,237)
Fair value of net assets acquired, excluding cash and cash equivalents	176,928
Cash and cash equivalents	919
Fair value of net assets acquired	$177,847

The allocation of the purchase price related to this acquisition is preliminary and is based on management's judgments after evaluating several factors, including preliminary valuation assessments of tangible and intangible assets, and preliminary estimates of the fair value of liabilities assumed. The final allocation of the purchase price to the assets acquired and liabilities assumed will be completed when the final valuations are completed and estimates of the fair value of liabilities assumed are finalized. The preliminary goodwill of $99.3 million represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. None of the goodwill recorded is expected to be deductible for tax purposes.

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

	Acquisition Date Fair Value	Weighted Average Lives (years)
Acquired definite-lived intangible assets:		
Customer relationships	$82,420	8
Completed technologies	26,139	10
Tradenames	1,820	5
Computer software	898	7
	$111,277	8

The definite-lived intangible assets were valued using the income approach. We used the relief-from-royalty method to value completed technologies and tradename intangibles. The customer relationships were valued using the multi-period excess earnings method. These valuation methods incorporate assumptions including expected discounted future cash flows resulting from either the future estimated after-tax royalty payments avoided as a result of owning the completed technologies and tradename intangibles, or the future earnings related to existing customer relationships. The fair value of these assets is considered to be a Level 3 fair value measurement.

The valuation of certain tangible assets acquired was determined using the cost approach to develop the estimated reproduction or replacement cost. The fair value of these assets is considered to be a Level 3 fair value measurement.

Table of Contents

Magnum Energy

On May 29, 2014, we completed the acquisition of all of the outstanding shares of Magnum Energy Incorporated ("Magnum Energy" or "Magnum") for $60.6 million in cash. Magnum is a supplier of pure sine, low-frequency inverters and inverter/chargers based in Everett, Washington. Magnum products are used in recreational vehicles and the solar/off-grid applications market. Magnum is being integrated into our Controls segment. We acquired Magnum to complement our existing inverter business.

The allocation of the purchase price related to this acquisition is preliminary, and is based on management’s judgments after evaluating several factors, including preliminary valuation assessments of tangible and intangible assets. The final allocation of the purchase price will be completed when the estimates of the fair value of liabilities assumed are finalized. The majority of the purchase price was allocated to intangible assets, including goodwill.

The preliminary goodwill recognized as a result of this acquisition was approximately $12.8 million, which represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. In accordance with the terms of the agreement to purchase Magnum, we have treated this acquisition as an asset purchase as allowed under U.S. tax rules, and therefore all of the goodwill recorded is expected to be deductible for tax purposes.

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

	Acquisition Date Fair Value	Weighted Average Lives (years)
Acquired definite-lived intangible assets:		
Completed technologies	$28,810	12
Customer relationships	11,670	7
Tradename	1,850	12
	$42,330	11

The completed technologies and tradename intangibles were valued using the income approach (the multi-period excess earnings method and the relief-from-royalty method, respectively). The customer relationships were valued using the cost approach. These valuation methods incorporate assumptions including future earnings related to completed technologies, expected discounted future cash flows resulting from the future estimated after-tax royalty payments avoided as a result of owning the tradename, and the estimated cost of replacement of existing customer relationships. The fair value of these assets is considered to be a Level 3 fair value measurement.

Wabash Technologies

On January 2, 2014, we completed the acquisition of all the outstanding shares of Wabash Worldwide Holding Corp. ("Wabash Technologies" or "Wabash") from an affiliate of Sun Capital Partners, Inc. for $59.6 million in cash. Wabash develops, manufactures, and sells a broad range of custom-designed sensors and has operations in the U.S., Mexico, and the U.K. We acquired Wabash in order to complement our existing magnetic speed and position sensor product portfolio and to provide new capabilities in throttle position and transmission range sensing, while enabling additional entry points into the heavy vehicle and off-road end-market. Wabash is being integrated into our Sensors segment.

Table of Contents

The following table summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Net working capital	$8,289
Property, plant and equipment	17,210
Other intangible assets	21,500
Goodwill	18,807
Deferred income tax liabilities	(6,658)
Other long term liabilities	(867)
Fair value of net assets acquired, excluding cash and cash equivalents	58,281
Cash and cash equivalents	1,304
Fair value of net assets acquired	$59,585

The allocation of the purchase price related to this acquisition 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 $18.8 million represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. None of the goodwill recorded is expected to be deductible for tax purposes.

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

	Acquisition Date Fair Value	Weighted Average Lives (years)
Acquired definite-lived intangible assets:		
Completed technologies	$13,600	9
Customer relationships	7,900	7
	$21,500	8

The definite-lived intangible assets were valued using the income approach. We used the relief-from-royalty method to value completed technologies and the multi-period excess earnings method to value customer relationships. These valuation methods incorporate assumptions including expected discounted future cash flows resulting from either the future estimated after-tax royalty payments avoided as a result of owning the completed technologies or the future earnings related to existing customer relationships. The fair value of these assets is considered to be a Level 3 fair value measurement.

The valuation of certain tangible assets acquired were determined using cost and market approaches. For personal property, we primarily used the cost approach to develop the estimated reproduction or replacement cost. For real property, we used a market approach based on the use of appraisals and input from market participants. The fair value of these assets is considered to be a Level 3 fair value measurement.

Aggregated Information on Business Combinations

Net revenue for DeltaTech, Magnum, and Wabash included in our consolidated statements of operations for the year ended December 31, 2014 was $148.5 million. Net income for DeltaTech, Magnum, and Wabash included in our consolidated statements of operations for the year ended December 31, 2014 was not material to our consolidated results.

Pro Forma Results

Had the DeltaTech, Magnum, and Wabash acquisitions closed at the beginning of 2013, Net revenue and Net income would not have been materially different from the amounts reported for the years ended December 31, 2014 and December 31, 2013.

Table of Contents

The following unaudited table presents the pro forma net revenue and earnings for the following periods of the combined entity had we acquired Schrader on January 1, 2013:

	Unaudited December 31, 2014	December 31, 2013
Pro forma net revenue	$2,849,547	$2,436,159
Pro forma net income	$264,907	$117,885

Pro forma net income for the year ended December 31, 2013 includes nonrecurring adjustments of $3.8 million related to the amortization of the step-up adjustment to record inventory at fair value and $9.0 million and $3.8 million of transaction costs and financing costs, respectively, incurred as a result of the acquisition.

7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of December 31, 2014 and 2013 consisted of the following:

	December 31, 2014	December 31, 2013
Accrued compensation and benefits	$63,066	$39,331
Foreign currency and commodity forward contracts	18,037	21,471
Accrued interest	22,587	12,634
Accrued freight, utility, and insurance	14,717	9,812
Value-added taxes	6,489	2,863
Accrued taxes	10,819	6,640
Accrued professional fees	10,301	5,577
Accrued restructuring and severance	14,046	3,373
Deferred income	15,089	663
Current portion of pension and post-retirement benefit obligations	2,360	1,717
Other accrued expenses and current liabilities	45,270	19,158
Total	$222,781	$123,239

Table of Contents

8. Debt

Our debt as of December 31, 2014 and 2013 consisted of the following:

	December 31, 2014	December 31, 2013
Original Term Loan	$469,308	$474,062
Incremental Term Loan	598,500	—
6.5% Senior Notes	700,000	700,000
4.875% Senior Notes	500,000	500,000
5.625% Senior Notes	400,000	—
Revolving Credit Facility	130,000	—
Other debt	2,153	—
Less: discount	(6,312)	(2,289)
Less: current portion	(142,905)	(4,752)
Long-term debt, net of discount, less current portion	$2,650,744	$1,667,021
Capital lease and other financing obligations	$48,187	$52,193
Less: current portion	(3,074)	(3,348)
Capital lease and other financing obligations, less current portion	$45,113	$48,845

In May 2011, we completed a series of transactions designed to refinance our then existing indebtedness. The transactions included the issuance and sale of $700.0 million in aggregate principal amount of 6.5% senior notes due 2019 (the "6.5% Senior Notes") and the execution of a credit agreement (the "Credit Agreement") providing for senior secured credit facilities (the "Senior Secured Credit Facilities"), consisting of a $1,100.0 million term loan (the "Original Term Loan"), which was offered at an original issue price of 99.5%, 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 April 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 the Original Term Loan, (2) pay all accrued interest on such indebtedness, and (3) pay all fees and expenses in connection with the issuance and sale of the 4.875% Senior Notes.

In August 2014, we acquired DeltaTech for $177.8 million. Refer to Note 6, "Acquisitions," for further discussion of this acquisition. We borrowed $160.0 million on the Revolving Credit Facility to fund a portion of the purchase price of this acquisition. The remaining balance on the Revolving Credit Facility as of December 31, 2014 was $130.0 million. The weighted-average interest rate on the Revolving Credit Facility for the year ended December 31, 2014 was 2.41%.

In October 2014, we completed a series of financing transactions (the "Transactions") in order to fund the acquisition of Schrader. The Transactions included the issuance and sale of $400.0 million in aggregate principal amount of 5.625% senior notes due 2024 (the "5.625% Senior Notes") and the entry into the third amendment to the Credit Agreement that provides for a $600.0 million incremental term loan (the "Incremental Term Loan," and together with the Original Term Loan, the "Term Loans"), which was offered at an original issue price of 99.25%. The net proceeds from the issuance and sale of the 5.625% Senior Notes and borrowings under the Incremental Term Loan, together with cash on hand, were used to (1) fund the acquisition of Schrader, (2) permanently repay all outstanding indebtedness under Schrader's existing credit facilities, and (3) pay all related fees and expenses in connection with the Transactions and the acquisition of Schrader.

Senior Secured Credit Facilities

The Original Term Loan, issued under the Senior Secured Credit Facilities, bears interest at variable rates. At our option, the Original Term Loan may be maintained from time to time as a Base Rate loan or a Eurodollar Rate loan (each as defined in the Credit Agreement), each with a different determination of interest rates. We currently maintain the Original Term Loan as a Eurodollar Rate loan, which includes a LIBOR index rate (subject to a floor of 75 basis points) plus a spread of 250 basis points. The interest rate on the Original Term Loan was 3.25% at December 31, 2014 and 2013. 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.
We have amended the Credit Agreement on four occasions since its initial execution. The terms presented herein reflect

the changes as a result of these various amendments.

In December 2012, we amended the Credit Agreement (the "First Amendment") to reduce the interest rate spread with respect to the Original Term Loan by 0.25%, to 1.75% and 2.75% for Base Rate loans and Eurodollar Rate loans, respectively. No changes were made to the terms of the Revolving Credit Facility.

In December 2013, we amended the Credit Agreement (the "Second Amendment") to (1) expand the Original Term Loan by $100.0 million, (2) reduce the interest rate spread with respect to the Original Term Loan by 0.25%, to 1.50% and 2.50% for Base Rate loans and Eurodollar Rate loans, respectively, (3) reduce the interest rate floor with respect to term loans that are Eurodollar Rate loans from 1.00% to 0.75%, (4) extend the maturity date of the Original Term Loan from May 12, 2018 to May 12, 2019, and (5) modify two negative covenants under the Credit Agreement, specifically (i) the amount of investments that may be made by Loan Parties (as defined in the Credit Agreement) in Restricted Subsidiaries that are not Loan Parties was increased from $100.0 million to $300.0 million, and (ii) Loan Parties and their Restricted Subsidiaries may make an additional $150.0 million of restricted payments so long as no default or event of default has occurred and is continuing or would result therefrom. Under the terms of the Second Amendment, the principal amount of the Original Term Loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the loan balance at the time of the Second Amendment, with the balance payable at maturity. No changes were made to the terms of the Revolving Credit Facility.

In October 2014, we amended the Credit Agreement (the "Third Amendment") to provide for the Incremental Term Loan. The principal amount of the Incremental Term Loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount, with the balance due at maturity. At our option, the Incremental Term Loan may be maintained from time to time as a Base Rate loan or a Eurodollar Rate loan (each as defined in the Third Amendment), each with a different determination of interest rates. As of December 31, 2014, we maintain the Incremental Term Loan as a Eurodollar Rate loan, which accrues interest at a rate that is indexed to LIBOR, subject to a floor of 0.75% and a spread of 2.75%. Under the terms of the Third Amendment, we are required to pay a fee of 1.0% of the aggregate principal amount of the portion of the Incremental Term Loan prepaid or converted in connection with any repricing transaction occurring before April 14, 2015. The interest rate on the Incremental Term Loan at December 31, 2014 was 3.50%.

In November 2014, we amended the Credit Agreement (the "Fourth Amendment") to revise the calculation used to determine the commitment fee on the Revolving Credit Facility to be equal to the Applicable Rate (as defined in the Credit Agreement) times the unused portion of the Revolving Credit Facility. Prior to the Fourth Amendment, the commitment fee was calculated as the Applicable Rate times the total amount available to be borrowed under the Revolving Credit Facility, regardless of the portion used.

Pursuant to the Fourth Amendment, we are required to pay to our revolving credit lenders, on a quarterly basis, a commitment fee on the unused portion of the Revolving Credit Facility. 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.

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 re-borrowed.

All obligations under the Senior Secured Credit Facilities are unconditionally guaranteed by certain of our subsidiaries in the U.S., the Netherlands, Mexico, Japan, Belgium, Bulgaria, Malaysia, and Bermuda, Luxembourg, Brazil, France, and the U.K. (collectively, the "Guarantors"). The collateral for such borrowings under the Senior Secured Credit Facilities consists of substantially all present and future property and assets of STBV, Sensata Technologies Finance Company, LLC, and the Guarantors.

The Credit Agreement stipulates certain events and conditions that 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 Senior Secured Credit Facilities. The Credit Agreement also requires mandatory prepayments of the outstanding borrowings under the Senior Secured Credit Facilities 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). The Credit Agreement requires that the proceeds of such mandatory prepayments be applied first to the tranche of term loans with the earliest maturity. These provisions were not triggered during the year ended December 31, 2014.

As of December 31, 2014, there was $113.7 million of availability under the Revolving Credit Facility, (net of $6.3 million in letters of credit). Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2014, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates in 2015.

6.5% Senior Notes

The 6.5% Senior Notes were issued under an indenture dated May 12, 2011 (the "6.5% Senior Notes Indenture") among STBV, as issuer, The Bank of New York Mellon, as trustee, and the Guarantors. The 6.5% Senior Notes were offered at par. The 6.5% 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 6.5% Senior Notes are guaranteed by all of STBV's existing and future wholly-owned subsidiaries that guarantee our obligations under the Senior Secured Credit Facilities, including a newly formed U.K. subsidiary. The 6.5% Senior Notes and the related guarantees are unsecured senior obligations of STBV and the Guarantors.

Additional securities may be issued under the 6.5% Senior Notes Indenture in one or more series from time to time, subject to certain limitations. At any time prior to May 15, 2015, we may redeem some or all of the 6.5% Senior Notes at a redemption price equal to 100.0% of the principal amount of such 6.5% Senior Notes redeemed, plus accrued and unpaid interest to the date of redemption, plus the Applicable Premium (also known as the "make-whole premium") set forth in the 6.5% Senior Notes Indenture.

On or after May 15, 2015, we may redeem some or all of the 6.5% 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	%

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 6.5% Senior Notes, we may redeem the 6.5% Senior Notes, in whole but not in part, at a redemption price equal to 100.0% 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 6.5% Senior Notes may require us to repurchase all or part of the 6.5% Senior Notes at 101.0% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

4.875% Senior Notes

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 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, with the first payment made 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, including a newly formed U.K. subsidiary. 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.

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 (also known as the "make-whole 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 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 provides for events of default (subject in certain cases to customary grace and cure periods) that 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

Table of Contents

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.

5.625% Senior Notes

The 5.625% Senior Notes were issued under an indenture dated October 14, 2014 (the "5.625% Senior Notes Indenture") among STBV, as issuer, The Bank of New York Mellon, as trustee, and the Guarantors. The 5.625% Senior Notes were offered at par. Interest on the 5.625% Senior Notes is payable semi-annually on May 1 and November 1 of each year, with the first payment to be made on May 1, 2015. Our obligations under the 5.625% Senior Notes are guaranteed by all of STBV's subsidiaries that guarantee STBV's obligations under the Senior Secured Credit Facilities, including a newly formed U.K. subsidiary, which became the direct parent of August Cayman Company, Inc. immediately following the consummation of the acquisition of Schrader. The 5.625% 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 indebtedness of STBV or the Guarantors, including the Senior Secured Credit Facilities, the 6.5% Senior Notes, and the 4.875% Senior Notes.

At any time, we may redeem the 5.625% Senior Notes, in whole or in part, at a price equal to 100.0% of the principal amount of the 5.625% Senior Notes redeemed, plus accrued and unpaid interest to the date of redemption, plus the Applicable Premium (also known as the "make-whole premium") set forth in the 5.625% Senior Notes Indenture. In addition, if STBV experiences certain change of control events, holders of the 5.625% Senior Notes may require STBV to repurchase all or part of the 5.625% Senior Notes at 101.0% of the principal amount on the date of purchase, plus accrued and unpaid interest, if any, to the repurchase date. Upon changes in certain tax laws or treaties, or any change in the official application, administration, or interpretation thereof, STBV may, at its option, redeem the 5.625% Senior Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, plus all Additional Amounts (as defined in the 5.625% Senior Notes Indenture), if any, then due, and which will become due on the date of redemption.

The 5.625% Senior Notes Indenture provides for events of default (subject in certain cases to customary grace and cure periods) that include, among others, nonpayment of principal or interest when due, breach of covenants or other agreements in the 5.625% 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 5.625% Senior Notes may declare the principal of, and accrued but unpaid interest on, all of the 5.625% Senior Notes to be due and payable immediately. All provisions regarding remedies in an event of default are subject to the 5.625% Senior Notes Indenture.

Restrictions

As of December 31, 2014, for purposes of the 6.5% Senior Notes, the 4.875% Senior Notes, the 5.625% Senior Notes (collectively, the "Senior Notes"), and the Term Loans, 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 6.5% Senior Notes Indenture, the 4.875% Senior Notes Indenture, and the 5.625% Senior Notes Indenture (collectively, the "Senior Notes Indentures"), and the Credit Agreement, 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.

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 Credit Agreement also contains non-financial covenants that 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, and enter into certain burdensome contractual obligations. These covenants are subject to important exceptions and qualifications set forth in the Credit Agreement.

The Senior Notes Indentures contain 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 Indentures. Certain of these covenants will be suspended if the Senior Notes are 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 Senior Notes are no longer rated investment grade by either rating agency and an event of default has occurred and is continuing at such time. As of December 31, 2014, the Senior Notes were not rated investment grade by either rating agency.

The Guarantors under the Credit Agreement and the Senior Notes Indentures 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 distributions to its immediate parent company and, ultimately, to us, under the Credit Agreement and the Senior Notes Indentures. Specifically, the Credit Agreement prohibits 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 $10.0 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 $15.0 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 $100.0 million, plus certain amounts, including the retained portion of excess cash flow; (v) dividends and other distributions in an aggregate amount not to exceed $40.0 million in any calendar year (subject to increase upon the achievement of certain ratios); and (vi) so long as no default or event of default exists, dividends and other distributions in an aggregate amount not to exceed $150.0 million.

The Senior Notes Indentures generally provide 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 Indentures.

The net assets of STBV subject to these restrictions totaled $1,249.1 million at December 31, 2014.

Accounting for Debt Transactions

In connection with our debt financing transactions in the fourth quarter of 2014, we incurred $17.7 million of financing costs, of which $1.9 million was recorded in Other, net, $1.9 million was recorded in Interest expense, and $13.9 million was recorded as deferred financing costs.

In connection with the issuance and sale of the 4.875% Senior Notes in April 2013, and the related repayment of $700.0 million of the Original Term Loan, in the year ended December 31, 2013, we recorded a $7.1 million loss to Other, net, which is composed 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 Original Term Loan 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 Original Term Loan who were also investors in the 4.875% Senior Notes, we applied the provisions of 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 Original Term Loan 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. a pro rata portion) of third party costs, primarily associated with issuances to these creditors, as deferred financing costs.

In connection with the Second Amendment, we recorded a $1.9 million loss to Other, net, which is composed primarily of transaction costs, in the three months ended December 31, 2013.

Table of Contents

In connection with the First Amendment, we recorded a loss in Other, net of $2.2 million, including the write-off of debt issuance costs and original issue discount of $0.2 million, in the three months ended December 31, 2012.
We applied the provisions of ASC 470-50 in accounting for the transactions described above.
Leases
We operate in leased facilities with initial terms ranging up to 20 years. The lease agreements frequently include options to renew for additional periods or to purchase the leased assets and generally require that we pay taxes, insurance, and maintenance costs. Depending on the specific terms of the leases, our obligations are in two forms: capital leases and operating leases. Rent expense for the years ended December 31, 2014, 2013, and 2012 was $7.5 million, $6.5 million, and $6.1 million, respectively.
In 2011, we recorded a capital lease obligation for a new facility in Baoying, China. The obligation recorded as of December 31, 2014 and 2013 was $7.1 million and $8.5 million, respectively.
We have recorded a capital lease, which matures in 2025, for a facility in Attleboro, Massachusetts. As of December 31, 2014 and 2013, the capital lease obligation outstanding for this facility was $24.7 million and $25.9 million, 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 December 31, 2014 and 2013, we had recognized a liability of $7.6 million and $8.3 million, respectively, within Capital lease and other financing obligations related to this agreement.
In 2008, our Malaysian operating subsidiary entered into a series of agreements to sell and leaseback the land, building, and certain equipment associated with its manufacturing facility in Subang Jaya, Malaysia. The transaction, which was valued at RM41.0 million (or $12.6 million based on the closing date exchange rate), was accounted for as a financing transaction. Accordingly, the land, building, and equipment remains on the consolidated balance sheets, and the cash received was recorded as a liability as a component of Capital lease and other financing obligations. As of December 31, 2014 and 2013, the outstanding liability recorded was $8.4 million and $9.0 million, respectively.
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 Original Term Loan is May 12, 2019. The final maturity of the Incremental Term Loan is October 14, 2021. The Term Loans must be repaid in full on or prior to their respective maturity dates. The 6.5% Senior Notes, the 4.875% Senior Notes, and the 5.625% Senior Notes mature on May 15, 2019, October 15, 2023, and November 1, 2024, respectively.
Remaining mandatory principal repayments of long-term debt, excluding capital lease payments, other financing obligations, and discretionary repurchases of debt, in each of the years ended December 31, 2015 through 2019 and thereafter are as follows:

For the year ended December 31,	Aggregate Maturities
2015	$142,905
2016	10,753
2017	10,753
2018	10,753
2019	1,156,299
Thereafter	1,468,498
Total long-term debt principal payments	$2,799,961

Compliance with Financial and Non-Financial Covenants
As of, and for the year ended, December 31, 2014, we were in compliance with all of the covenants and default provisions associated with our indebtedness.

Table of Contents

9. Income Taxes

Effective April 27, 2006 (inception), and concurrent with the completion of the acquisition of the Sensors and Controls business ("S&C") of Texas Instruments Incorporated ("TI") (the "2006 Acquisition"), we commenced filing tax returns in the Netherlands as a stand-alone entity. Several of our Dutch resident subsidiaries are taxable entities in the Netherlands and file tax returns under Dutch fiscal unity (i.e., consolidation). On April 30, 2008, our U.S. subsidiaries executed a separation and distribution agreement that divided our U.S. Sensors and Controls businesses, resulting in two separate U.S. consolidated federal income tax returns. Prior to April 30, 2008, we filed one consolidated tax return in the United States. Our remaining subsidiaries will file income tax returns in the countries in which they are incorporated and/or operate, including the Netherlands, Japan, China, Belgium, Bulgaria, South Korea, Malaysia, the U.K., France, and Mexico. The 2006 Acquisition purchase accounting and the related debt and equity capitalization of the various subsidiaries of the consolidated company, and the realignment of the functions performed and risks assumed by the various subsidiaries, are of significant consequence to the determination of future book and taxable income of the respective subsidiaries and Sensata as a whole.

Since our inception, we have incurred tax losses in the U.S., resulting in allowable tax net operating loss carryforwards. In measuring the related deferred tax assets, we considered all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of the deferred tax assets. Judgment is required in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary, and the more difficult it is to support a conclusion that a valuation allowance is not needed. Additionally, we utilize the “more likely than not” criteria established in ASC 740 to determine whether the future benefit from the deferred tax assets should be recognized. As a result, we have established a full valuation allowance on the deferred tax assets in jurisdictions in which it is more likely than not that such assets will not be utilized in the foreseeable future.

Income before taxes for the years ended December 31, 2014, 2013, and 2012 was as follows:

	U.S.	Non-U.S.	Total
For the year ended December 31,			
2014	$(92,632)	$346,058	$253,426
2013	$(80,426)	$314,363	$233,937
2012	$(100,156)	$272,821	$172,665

Provision for/(benefit from) income taxes for the years ended December 31, 2014, 2013, and 2012 was as follows:

	U.S. Federal	Non-U.S.	U.S. State	Total
For the year ended December 31,				
2014:				
Current	$—	$28,438	$395	$28,833
Deferred	(51,564)	(6,280)	(1,312)	(59,156)
Total	$(51,564)	$22,158	$(917)	$(30,323)
2013:				
Current	$—	$19,826	$275	$20,101
Deferred	11,857	13,919	(65)	25,711
Total	$11,857	$33,745	$210	$45,812
2012:				
Current	$—	$21,500	$295	$21,795
Deferred	16,039	(42,754)	104	(26,611)
Total	$16,039	$(21,254)	$399	$(4,816)

Table of Contents

Principal reconciling items from income tax computed at the U.S. statutory tax rate for the years ended December 31, 2014, 2013, and 2012 were as follows:

	For the year ended December 31,		
	2014	2013	2012
Tax computed at statutory rate of 35%	$88,700	$81,878	$60,433
Foreign tax rate differential	(70,090)	(66,835)	(31,352)
Unrealized foreign exchange (gains) and losses, net	(15,195)	(4,029)	(10,649)
Change in tax law or rates	(12,017)	(4,402)	(402)
Withholding taxes not creditable	4,940	16,101	3,247
Losses not tax benefited	40,200	25,192	49,761
Release of valuation allowances	(71,111)	—	(82,553)
U.S. state taxes, net of U.S. federal benefit	432	114	293
Reserve for tax exposure	308	(13,674)	4,483
Other	3,510	11,467	1,923
	$(30,323)	$45,812	$(4,816)

During the year ended December 31, 2014, we released a portion of our U.S. valuation allowance and recognized $71.1 million of benefit from income taxes in connection with the Wabash, DeltaTech, and Schrader acquisitions, for which deferred tax liabilities were established related primarily to the step-up of intangible assets for book purposes.
In December 2013, Mexico enacted a comprehensive tax reform package, which was effective January 1, 2014. As a result of this change, we adjusted our deferred taxes in that jurisdiction, resulting in the recognition of a tax benefit, which reduced deferred income tax expense by $4.7 million for fiscal year 2013.
In the fourth quarter of 2012, we determined, based on available facts, that it was more likely than not that our Netherlands net operating losses would be utilized in the foreseeable future. Therefore, we released the Netherlands' deferred tax asset valuation allowance. A net benefit of approximately $66.0 million is reflected in our 2012 deferred tax provision.

Table of Contents

The primary components of deferred income tax assets and liabilities as of December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
Deferred tax assets:		
Inventories and related reserves	$9,781	$2,358
Accrued expenses	36,613	26,176
Property, plant and equipment	15,685	10,972
Intangible assets	48,747	84,080
Net operating loss, interest expense, and other carryforwards	401,803	332,730
Pension liability and other	10,106	3,531
Share-based compensation	11,633	11,765
Other	8,596	598
Total deferred tax assets	542,964	472,210
Valuation allowance	(394,838)	(379,003)
Net deferred tax asset	148,126	93,207
Deferred tax liabilities:		
Property, plant and equipment	(31,208)	(9,668)
Intangible assets and goodwill	(411,320)	(289,804)
Unrealized exchange gain	(12,959)	—
Tax on undistributed earnings of subsidiaries	(31,210)	(39,834)
Other	(5,546)	(7,496)
Total deferred tax liabilities	(492,243)	(346,802)
Net deferred tax liability	$(344,117)	$(253,595)

Subsequently reported tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 2014 will be allocated to income tax benefit recognized in the consolidated statements of operations.

A full valuation allowance has been established on the net deferred tax assets in jurisdictions that have incurred net operating losses and in which it is more likely than not that such losses will not be utilized in the foreseeable future. For tax purposes, goodwill and indefinite-lived intangible assets are generally amortizable over 6 to 20 years. For book purposes, goodwill and indefinite-lived intangible assets are not amortized, but are tested for impairment annually. The tax amortization of goodwill and indefinite-lived intangible assets will result in a taxable temporary difference, which will not reverse unless the related book goodwill and/or intangible asset is impaired or written off. This liability may not be used to support deductible temporary differences, such as net operating loss carryforwards, which may expire within a definite period. The net change in the total valuation allowance for the year ended December 31, 2014 was an increase of $15.8 million, and for the year ended December 31, 2013 was an increase of $36.7 million.

Certain of our subsidiaries are currently eligible, or have been eligible, for tax exemptions or holidays in their respective jurisdictions. Our subsidiary in Changzhou, China, is eligible for a five-year tax holiday that began in 2008. Starting in 2013, our subsidiary in Changzhou, China was eligible for a reduced tax rate of 15%. The impact of the tax holidays and exemptions on our effective rate is included in the Foreign tax rate differential line in the reconciliation of the statutory rate to effective rate.

Withholding taxes may apply to intercompany interest, royalty, management fees, and certain payments to third parties. Such taxes are expensed if they cannot be credited against the recipient’s tax liability in its country of residence. Additional consideration also has been given to the withholding taxes associated with the remittance of presently unremitted earnings and the recipient's ability to obtain a tax credit for such taxes. Earnings are not considered to be indefinitely reinvested in the jurisdictions in which they were earned.

As of December 31, 2014, we have U.S. federal net operating loss carryforwards of $571.8 million. Our U.S. federal net operating loss and interest carryforwards include $225.2 million related to excess tax deductions from share-based payments, the tax benefit of which will be recorded as an increase in additional paid-in capital when the deductions reduce current taxes payable. U.S. federal net operating loss carryforwards will expire from 2026 to 2034 and state net operating loss carryforwards will expire from 2014 to 2034. It is more likely than not that these net operating losses will not be utilized in the foreseeable

Table of Contents

future. We also have non-U.S. net operating loss carryforwards of $94.6 million, which will begin to expire in 2015. Additionally, we have tax credits in the Netherlands related to branch profits totaling $5.5 million that have an unlimited life.

We believe a change of ownership within the meaning of Section 382 of the Internal Revenue Code occurred in the fourth quarter of 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.

A reconciliation of the amount of unrecognized tax benefits is as follows:

Balance at December 31, 2011	$15,796
Increases related to prior year tax positions	8,191
Increases related to current year tax positions	2,574
Decreases related to lapse of applicable statute of limitations	(1,447)
Decreases related to settlements with tax authorities	(3,341)
Balance at December 31, 2012	21,773
Increases related to prior year tax positions	456
Increases related to current year tax positions	9,694
Decreases related to lapse of applicable statute of limitations	(905)
Decreases related to settlements with tax authorities	(8,774)
Balance at December 31, 2013	22,244
Increases related to prior year tax positions	7,540
Increases related to current year tax positions	4,204
Decreases related to lapse of applicable statute of limitations	(3,025)
Decreases related to settlements with tax authorities	(8,189)
Balance at December 31, 2014	$22,774

We have accrued potential interest and penalties relating to unrecognized tax benefits. For the year ended December 31, 2014, we recognized interest and penalties of $(1.2) million and $0.5 million, respectively, in the consolidated statements of operations, and as of December 31, 2014, we recognized interest and penalties of $1.8 million and $1.0 million, respectively, in the consolidated balance sheets. For the year ended December 31, 2013, we recognized interest and penalties of $(4.4) million and $(4.7) million, respectively, in the consolidated statements of operations, and as of December 31, 2013, we recognized interest and penalties of $1.8 million and $0.1 million, respectively, in the consolidated balance sheets. For the year ended December 31, 2012, we recognized interest and penalties of $1.5 million and $0.7 million, respectively, in the consolidated statements of operations, and as of December 31, 2012, we recognized interest and penalties of $6.1 million and $4.8 million, respectively, in the consolidated balance sheets.

The liability for unrecognized tax benefits generally relates to the allocation of taxable income to the various jurisdictions where we are subject to tax. At December 31, 2014, we anticipate that the liability for unrecognized tax benefits could decrease by up to $0.1 million within the next twelve months due to the expiration of certain statutes of limitation or the settlement of examinations or issues with tax authorities. The amount of unrecognized tax benefits as of December 31, 2014 and 2013 that will impact our effective tax rate are $20.9 million and $20.1 million, respectively.

Our major tax jurisdictions include the Netherlands, United States, Japan, Mexico, China, South Korea, Belgium, Bulgaria, and Malaysia. These jurisdictions generally remain open to examination by the relevant tax authority for the tax years 2008 through 2014.

We have various indemnification provisions in place with TI, Honeywell, William Blair, CoActive Holdings, LLC, and Tomkins Limited. These provisions provide for the reimbursement by TI, Honeywell, William Blair, CoActive Holdings, LLC, and Tomkins Limited of future tax liabilities paid by us that relate to the pre-acquisition periods of the acquired businesses including S&C, First Technology Automotive, Airpax, DeltaTech, and Schrader, respectively.

Table of Contents

10. Pension and Other Post-Retirement Benefits

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

U.S. Benefit Plans

The principal retirement plans in the U.S. include a qualified defined benefit pension plan and a defined contribution plan. In addition, we provide post-retirement medical coverage and non-qualified benefits to certain employees.

Defined Benefit Pension Plans

The benefits under the qualified defined benefit pension plan are determined using a formula based upon years of service and the highest five consecutive years of compensation.

TI closed the qualified defined benefit pension plan to participants hired after November 1997. In addition, participants eligible to retire under the TI plan as of April 26, 2006 were given the option of continuing to participate in the qualified defined benefit pension plan or retiring under the qualified defined benefit pension plan and thereafter participating in an enhanced defined contribution plan.

We intend to contribute amounts to the qualified defined benefit pension plan in order to meet the minimum funding requirements of federal laws and regulations, plus such additional amounts as we deem appropriate. We do not expect to contribute to the qualified defined benefit pension plan during 2015.

We also sponsor a non-qualified defined benefit pension plan, which is closed to new participants and is unfunded.

Effective January 31, 2012, we froze the defined benefit pension plans and eliminated future benefit accruals.

Defined Contribution Plans

Prior to August 1, 2012, we offered two defined contribution plans. Both defined contribution plans offered an employer matching savings option that allowed employees to make pre-tax contributions to various investment choices.

Employees who elected not to remain in the qualified defined benefit pension plan, and new employees hired after November 1997, could participate in an enhanced defined contribution plan, where employer matching contributions were provided for up to 4% of the employee’s annual eligible earnings. In addition, this plan provided for an additional fixed employer contribution of 2% of the employee’s annual eligible earnings for employees who elected not to remain in the qualified defined benefit pension plan and employees hired between November 1997 and December 31, 2003. Effective in 2012, we discontinued the additional fixed employer contribution of 2%.

Employees who remained in the qualified defined benefit pension plan were permitted to participate in a defined contribution plan, where 50% employer matching contributions were provided for up to 2% of the employee’s annual eligible earnings. Effective in 2012, we increased the employer matching contribution to 100% for up to 4% of the employee's annual eligible earnings.

In 2012, we merged the two defined contribution plans into one plan. The combined plan provides for an employer matching contribution of up to 4% of the employee's annual eligible earnings. Our matching of employees’ contributions under our defined contribution plan is discretionary and is based on our assessment of our financial performance.

The aggregate expense related to the defined contribution plans for U.S. employees was $3.2 million, $2.8 million, and $2.7 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Retiree Healthcare Benefit Plan

We offer access to group medical coverage during retirement to some of our U.S. employees. We make contributions toward the cost of those retiree medical benefits for certain retirees. The contribution rates are based upon varying factors, the most important of which are an employee’s date of hire, date of retirement, years of service, and eligibility for Medicare benefits. The balance of the cost is borne by the participants in the plan. For the year ended December 31, 2014, we did not, and do not expect to, receive any amount of Medicare Part D Federal subsidy. Our projected benefit obligation as of December 31, 2014 and 2013 did not include an assumption for a Federal subsidy.

U.S. retiree healthcare benefit plan obligations for employees that retired prior to the 2006 Acquisition have been assumed by TI.

Table of Contents

In the fourth quarter of 2013, we amended the retiree healthcare benefit plan to eliminate supplemental medical coverage offered to Medicare eligible retirees, effective January 1, 2014. As a result of the amendment, we recognized a gain of $7.2 million that was recorded in Accumulated other comprehensive loss in the fourth quarter of 2013, which will be amortized as a component of net periodic benefit cost over a period of approximately 5 years from the date of recognition, which represents the remaining average service period to the full eligibility dates of the active plan participants.

Non-U.S. Benefit Plans

Retirement coverage for non-U.S. employees is provided through separate defined benefit and defined contribution plans. Retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. We expect to contribute approximately $2.0 million to non-U.S. defined benefit plans during 2015.

Impact on Financial Statements

The following table outlines the net periodic benefit cost of the defined benefit and retiree healthcare benefit plans for the years ended December 31, 2014, 2013, and 2012:

	For the year ended December 31,								
	2014			2013			2012		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Service cost	$—	$107	$2,480	$—	$252	$2,274	$81	$262	$2,989
Interest cost	1,792	329	1,185	1,441	589	1,156	1,936	654	1,155
Expected return on plan assets	(2,450)	—	(865)	(2,509)	—	(908)	(3,655)	—	(1,000)
Amortization of net loss	262	482	179	954	491	399	52	317	480
Amortization of prior service cost	—	(1,335)	—	—	—	10	—	—	12
Loss on settlement	—	—	51	779	—	18	613	—	384
Net periodic benefit cost	$(396)	$(417)	$3,030	$665	$1,332	$2,949	$(973)	$1,233	$4,020

Table of Contents

The following table outlines the rollforward of the benefit obligation and plan assets for the defined benefit and retiree healthcare benefit plans for the years ended December 31, 2014 and 2013:

	For the year ended December 31,					
	2014			2013		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Change in Benefit Obligation						
Beginning balance	$56,999	$10,576	$40,106	$64,179	$18,094	$44,576
Service cost	—	107	2,480	—	252	2,274
Interest cost	1,792	329	1,185	1,441	589	1,156
Plan participants' contributions	—	—	192	—	—	158
Plan amendment	—	—	(698)	—	(7,195)	(168)
Actuarial loss/(gain)	1,236	(735)	9,450	(3,142)	(626)	(1,069)
Settlements	—	—	(175)	(5,231)	—	(191)
Benefits paid	(1,560)	(304)	(1,794)	(248)	(538)	(947)
Acquisitions (1)	—	—	15,743	—	—	—
Foreign currency exchange rate changes	—	—	(6,812)	—	—	(5,683)
Ending balance	$58,467	$9,973	$59,677	$56,999	$10,576	$40,106
Change in Plan Assets						
Beginning balance	$55,933	$—	$35,729	$53,950	$—	$38,222
Actual return on plan assets	3,543	—	4,376	1,413	—	1,774
Employer contributions	241	304	2,040	6,049	538	2,686
Plan participants' contributions	—	—	192	—	—	158
Settlements	—	—	(175)	(5,231)	—	(191)
Benefits paid	(1,560)	(304)	(1,794)	(248)	(538)	(947)
Foreign currency exchange rate changes	—	—	(4,716)	—	—	(5,973)
Ending balance	$58,157	$—	$35,652	$55,933	$—	$35,729
Funded status at end of year	$(310)	$(9,973)	$(24,025)	$(1,066)	$(10,576)	$(4,377)
Accumulated benefit obligation at end of year	$58,467	NA	$50,959	$56,999	NA	$32,748

(1) Relates to unfunded defined benefit plans assumed as part of the acquisitions of Wabash, DeltaTech, and Schrader.

The following table outlines the funded status amounts recognized in the consolidated balance sheets as of December 31, 2014 and 2013:

	December 31, 2014			December 31, 2013		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Noncurrent assets	$3,311	$—	$540	$2,625	$—	$2,581
Current liabilities	(496)	(910)	(954)	(473)	(815)	(429)
Noncurrent liabilities	(3,125)	(9,063)	(23,611)	(3,218)	(9,761)	(6,529)
	$(310)	$(9,973)	$(24,025)	$(1,066)	$(10,576)	$(4,377)

Table of Contents

Balances recognized within Accumulated other comprehensive loss that have not been recognized as components of net periodic benefit costs, net of tax, as of December 31, 2014, 2013, and 2012 are as follows:

	2014			2013			2012		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Prior service cost	$—	$(3,182)	$ (594)	$—	$(4,517)	$ (4)	$—	$—	$ 141
Net loss	$17,194	$3,697	$ 12,212	$17,312	$4,914	$ 7,790	$19,661	$5,615	$ 9,194

We expect to amortize a gain of $(0.2) million from accumulated other comprehensive loss to net periodic benefit costs during 2015.

Information for plans with an accumulated benefit obligation in excess of plan assets as of December 31, 2014 and 2013 is as follows:

	December 31, 2014		December 31, 2013	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Projected benefit obligation	$3,622	$31,908	$3,691	$12,042
Accumulated benefit obligation	$3,622	$27,299	$3,691	$9,099
Plan assets	$—	$7,215	$—	$5,084

Information for plans with a projected benefit obligation in excess of plan assets as of December 31, 2014 and 2013 is as follows:

	December 31, 2014		December 31, 2013	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Projected benefit obligation	$13,595	$31,908	$14,267	$12,042
Plan assets	$—	$7,215	$—	$5,084

Other changes in plan assets and benefit obligations, net of tax, recognized in Other comprehensive (income)/loss for the years ended December 31, 2014, 2013, and 2012 are as follows:

	For the year ended December 31,								
	2014			2013			2012		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Net (gain)/loss	$143	$(735)	$4,640	$(1,284)	$(393)	$(1,072)	$11,159	$3,984	$1,096
Amortization of net loss	(262)	(482)	(167)	(576)	(308)	(314)	(52)	(317)	(350)
Amortization of prior service cost	—	1,335	2	—	—	(6)	—	—	(8)
Plan amendment	—	—	(592)	—	(4,517)	(139)	—	—	—
Settlement loss	—	—	(51)	(489)	—	(18)	(613)	—	(385)
Total recognized in other comprehensive (income)/loss	$(119)	$118	$3,832	$(2,349)	$(5,218)	$(1,549)	$10,494	$3,667	$353

95

Table of Contents

Assumptions and Investment Policies

Weighted-average assumptions used to calculate the projected benefit obligations of our defined benefit and retiree healthcare benefit plans as of December 31, 2014 and 2013 are as follows:

	December 31, 2014		December 31, 2013	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	2.90 %	2.90 %	3.50 %	3.40 %
Non-U.S. assumed discount rate	1.99 %	NA	2.73 %	NA
Non-U.S. average long-term pay progression	3.05 %	NA	3.23 %	NA

Weighted-average assumptions used to calculate the net periodic benefit cost of our defined benefit and retiree healthcare benefit plans for the years ended December 31, 2014, 2013, and 2012 are as follows:

	For the year ended December 31,					
	2014		2013		2012	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	3.50 %	3.40 %	2.50 %	3.40 %	4.00 %	4.30 %
Non-U.S. assumed discount rate	2.66 %	NA	2.85 %	NA	2.85 %	NA
U.S. average long-term rate of return on plan assets	4.75 %	— (1)	4.75 %	— (1)	7.00 %	— (1)
Non-U.S. average long-term rate of return on plan assets	2.17 %	NA	2.61 %	NA	2.79 %	NA
U.S. average long-term pay progression	— %	— (2)	— %	— (2)	4.00 %	— (2)
Non-U.S. average long-term pay progression	3.13 %	NA	3.21 %	NA	3.18 %	NA

(1) Long-term rate of return on plan assets is not applicable to our U.S. retiree healthcare benefit plan as we do not hold assets for this plan.

(2) Rate of compensation increase is not applicable to our U.S. retiree healthcare benefit plan as compensation levels do not impact earned benefits.

Assumed healthcare cost trend rates for the U.S. retiree healthcare benefit plan as of December 31, 2014, 2013, and 2012 are as follows:

	Retiree Healthcare		
	December 31, 2014	December 31, 2013	December 31, 2012
Assumed healthcare trend rate for next year:			
Attributed to less than age 65	7.60 %	7.60 %	7.90 %
Attributed to age 65 or greater	7.00 %	7.00 %	7.20 %
Ultimate trend rate	4.50 %	4.50 %	4.50 %
Year in which ultimate trend rate is reached:			
Attributed to less than age 65	2029	2029	2029
Attributed to age 65 or greater	2029	2029	2029

Table of Contents

Assumed healthcare trend rates could have a significant effect on the amounts reported for retiree healthcare plans. A one percentage point change in the assumed healthcare trend rates for the year ended December 31, 2014 would have the following effect:

	1 percentage point increase	1 percentage point decrease
Effect on total service and interest cost components	$2	