Sensata Technologies Holding N.V.
Form 10-Q
July 29, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from to

Commission File Number 001-34652

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

THE NETHERLANDS (State or other jurisdiction of incorporation or organization)	98-0641254 (I.R.S. Employer Identification No.)
Kolthofsingel 8, 7602 EM Almelo The Netherlands	31-546-879-555
(Address of Principal Executive Offices, including Zip Code)	(Registrant’s Telephone Number, Including Area Code)

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

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

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

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

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

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

As of July 15, 2014, 168,361,657 ordinary shares were outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.
SENSATA TECHNOLOGIES HOLDING N.V.
Condensed Consolidated Balance Sheets
(In thousands, except per share amounts)
(unaudited)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$184,638	$317,896
Accounts receivable, net of allowances of $9,308 and $9,199 as of June 30, 2014 and December 31, 2013, respectively	352,623	291,723
Inventories	226,058	183,395
Deferred income tax assets	21,817	20,975
Prepaid expenses and other current assets	33,051	41,642
Total current assets	818,187	855,631
Property, plant and equipment, at cost	752,636	675,690
Accumulated depreciation	(360,166)	(331,033)
Property, plant and equipment, net	392,470	344,657
Goodwill	1,787,224	1,756,049
Other intangible assets, net of accumulated amortization of $1,144,172 and $1,079,595 as of June 30, 2014 and December 31, 2013, respectively	513,427	502,388
Deferred income tax assets	9,992	10,623
Deferred financing costs	17,329	19,132
Other assets	11,595	10,344
Total assets	$3,550,224	$3,498,824
Liabilities and shareholders’ equity		
Current liabilities:		
Current portion of long-term debt, capital lease and other financing obligations	$7,984	$8,100
Accounts payable	223,163	177,539
Income taxes payable	7,679	5,785
Accrued expenses and other current liabilities	135,929	123,239
Deferred income tax liabilities	3,859	3,829
Total current liabilities	378,614	318,492
Deferred income tax liabilities	307,653	281,364
Pension and post-retirement benefit obligations	19,568	19,508
Capital lease and other financing obligations, less current portion	47,359	48,845
Long-term debt, net of discount, less current portion	1,664,812	1,667,021
Other long-term liabilities	18,102	22,006
Commitments and contingencies		
Total liabilities	2,436,108	2,357,236
Shareholders’ equity:		
Ordinary shares, €0.01 nominal value per share, 400,000 shares authorized; 178,437 shares issued as of June 30, 2014 and December 31, 2013	2,289	2,289
Treasury shares, at cost, 10,075 and 6,462 shares as of June 30, 2014 and December 31, 2013, respectively	(395,424)	(236,346)
Additional paid-in capital	1,603,162	1,596,544

Accumulated deficit	(66,657)	(187,792)
Accumulated other comprehensive loss	(29,254)	(33,107)
Total shareholders' equity	1,114,116	1,141,588
Total liabilities and shareholders' equity	$3,550,224	$3,498,824

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

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

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net revenue	$575,853	$506,418	$1,127,447	$976,831
Operating costs and expenses:				
Cost of revenue	368,446	322,699	725,645	631,381
Research and development	18,492	14,308	36,156	27,924
Selling, general and administrative	50,638	42,821	95,310	81,075
Amortization of intangible assets	32,561	33,650	64,577	67,036
Restructuring and special charges	1,740	2,350	2,605	4,026
Total operating costs and expenses	471,877	415,828	924,293	811,442
Profit from operations	103,976	90,590	203,154	165,389
Interest expense	(23,587)	(23,962)	(47,099)	(48,097)
Interest income	281	400	589	548
Other, net	3,932	(32,200)	4,470	(34,801)
Income before taxes	84,602	34,828	161,114	83,039
Provision for income taxes	20,709	14,457	28,848	28,003
Net income	$63,893	$20,371	$132,266	$55,036
Basic net income per share:	$0.37	$0.12	$0.77	$0.31
Diluted net income per share:	$0.37	$0.11	$0.76	$0.31

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

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

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net income	$63,893	$20,371	$132,266	$55,036
Other comprehensive income/(loss), net of tax:				
Net unrealized gain/(loss) on derivative instruments designated and qualifying as cash flow hedges	1,888	(1,759)	4,053	6,848
Amortization of net loss and prior service (credit)/cost on defined benefit and retiree healthcare plans	(129)	418	(200)	872
Other comprehensive income/(loss)	1,759	(1,341)	3,853	7,720
Comprehensive income	$65,652	$19,030	$136,119	$62,756

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

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

	For the six months ended	
	June 30, 2014	June 30, 2013
Cash flows from operating activities:		
Net income	$132,266	$55,036
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	30,209	25,361
Amortization of deferred financing costs and original issue discounts	2,386	2,263
Currency remeasurement loss/(gain) on debt	49	(185)
Share-based compensation	6,351	4,602
Loss on debt refinancing	—	7,111
Amortization of inventory step-up to fair value	907	—
Amortization of intangible assets	64,577	67,036
(Gain)/loss on disposition of assets	(578)	806
Deferred income taxes	16,695	12,621
Gains from insurance proceeds	(2,417)	—
Unrealized (gain)/loss on hedges and other non-cash items	(3,475)	24,037
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(49,044)	(51,849)
Inventories	(30,796)	2,684
Prepaid expenses and other current assets	4,444	1,681
Accounts payable and accrued expenses	43,381	33,030
Income taxes payable	1,894	2,120
Other	526	(6,228)
Net cash provided by operating activities	217,375	180,126
Cash flows from investing activities:		
Additions to property, plant and equipment and capitalized software	(67,199)	(33,853)
Insurance proceeds	2,417	1,400
Proceeds from sale of assets	5,467	—
Acquisition payments, net of cash received	(117,085)	(411)
Net cash used in investing activities	(176,400)	(32,864)
Cash flows from financing activities:		
Proceeds from exercise of stock options and issuance of ordinary shares	11,197	11,163
Proceeds from issuance of debt	35,000	500,000
Payments on debt	(39,291)	(706,658)
Repurchase of ordinary shares from SCA	(169,680)	—
Payments to repurchase ordinary shares	(11,459)	(125,218)
Payments of debt issuance costs	—	(5,741)
Net cash used in financing activities	(174,233)	(326,454)
Net change in cash and cash equivalents	(133,258)	(179,192)
Cash and cash equivalents, beginning of period	317,896	413,539
Cash and cash equivalents, end of period	$184,638	$234,347

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

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

1. Business Description and Basis of Presentation

Business Description

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

We are incorporated under the laws of the Netherlands. 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, and Japan; and manufacturing operations in China, South Korea, Malaysia, Mexico, the Dominican Republic, Bulgaria, and the U.S. We organize our operations into the sensors and controls businesses.

Our sensors business is a manufacturer of pressure, temperature, speed, position, and force sensors, and electromechanical products used in subsystems of automobiles (e.g., engine, air conditioning, and ride stabilization), heavy on- and off-road vehicles, and in industrial products such as heating, ventilation, and air conditioning (“HVAC”) systems. These products help improve performance, for example, by making an automobile’s heating and air conditioning systems work more efficiently, thereby improving gas mileage. These products are also used in systems that address safety and environmental concerns, 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. These products include motor and compressor protectors, circuit breakers, semiconductor burn-in test sockets, electronic HVAC controls, power inverters, precision switches, and thermostats. These products help prevent damage from overheating and fires in a wide variety of applications, including commercial HVAC systems, refrigerators, aircraft, automobiles, lighting, and other industrial applications. The controls business also manufactures direct current to alternating current power inverters, which enable the operation of electronic equipment when grid power is not available.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q, and therefore do not include all of the information and note disclosures required by U.S. GAAP for complete financial statements. The accompanying financial information reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the interim period results. The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results to be expected for the full year, nor were those of the comparable 2013 periods necessarily representative of those actually experienced for the full year 2013. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013.

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. New Accounting Standards

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

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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.

3. Inventories

The components of inventories as of June 30, 2014 and December 31, 2013 were as follows:

	June 30, 2014	December 31, 2013
Finished goods	$86,513	$82,350
Work-in-process	40,974	32,790
Raw materials	98,571	68,255
Total	$226,058	$183,395

4. Shareholders' Equity

Treasury Shares

In October 2012, our Board of Directors authorized a $250.0 million share repurchase program. On October 28, 2013, the Board of Directors amended the terms of the share buyback program, resetting the amount available for share repurchases to $250.0 million. On February 3, 2014, our Board of Directors again amended the terms of our share buyback program, resetting the amount available for share repurchase to $250.0 million. Under the current amended 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. The current amended share repurchase program may be modified or terminated by our Board of Directors at any time.

During the six months ended June 30, 2014, we repurchased 4,291 ordinary shares for an aggregate purchase price of approximately $181.1 million at a weighted-average price of $42.21 per ordinary share. Of the ordinary shares repurchased, 4,000 were repurchased from Sensata Investment Company S.C.A. ("SCA") in a private, non-underwritten transaction, concurrent with the closing of the May 2014 secondary offering, at $42.42 per ordinary share, which was equal to the price paid by the underwriters.

During the six months ended June 30, 2013, we repurchased 3,877 ordinary shares for an aggregate purchase price of approximately $125.2 million at a weighted-average price of $32.30 per ordinary share.

Ordinary shares repurchased by us are recorded at cost as treasury shares and result in a reduction of shareholders' equity. We reissue treasury shares as part of our share-based compensation programs and employee stock purchase plan. When shares are reissued, we determine the cost using the first-in, first-out method. During the six months ended June 30, 2014 and June 30, 2013, we reissued 678 and 1,210 treasury shares, respectively, as part of our share-based compensation programs and employee stock purchase plan. During the six months ended June 30, 2014, in connection with our treasury share reissuances, we recognized a loss of $11.1 million that was recorded in Accumulated deficit.

Secondary Offering

In May 2014, we completed a secondary offering of our ordinary shares in which one of our existing shareholders, SCA, sold 11.5 million ordinary shares at an offering price of $42.42 per ordinary share. We did not receive any proceeds from this offering. As of June 30, 2014, SCA owned approximately 8.9% of our outstanding ordinary shares.

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Accumulated Other Comprehensive Loss

The following is a roll forward of the components of Accumulated other comprehensive loss, net of tax, for the six months ended June 30, 2014:

	Derivative Instruments Designated and Qualifying as Cash Flow Hedges	Defined Benefit and Retiree Healthcare Plans	Accumulated Other Comprehensive Loss
Balance as of December 31, 2013	$(7,612)	$(25,495)	$(33,107)
Other comprehensive income before reclassifications	183	—	183
Amounts reclassified from Accumulated other comprehensive loss	3,870	(200)	3,670
Net current period other comprehensive income/(loss)	4,053	(200)	3,853
Balance as of June 30, 2014	$(3,559)	$(25,695)	$(29,254)

The details of the amounts reclassified from Accumulated other comprehensive loss for the three and six months ended June 30, 2014 and June 30, 2013 are as follows:

For the three months ended June 30, 2014 and June 30, 2013

Component	Amount of Loss/(Gain) Reclassified from Accumulated Other Comprehensive Loss		Affected Line in Condensed Consolidated Statement of Operations
	For the three months ended June 30, 2014	For the three months ended June 30, 2013	
Derivative instruments designated and qualifying as cash flow hedges			
Interest rate caps	$415	$208	Interest expense (1)
Interest rate caps	—	1,097	Other, net (1)
Foreign currency forward contracts	2,797	(922)	Net revenue (1)
Foreign currency forward contracts	(217)	(658)	Cost of revenue (1)
	2,995	(275)	Total before tax
	(750)	69	Provision for income taxes
	$2,245	$(206)	Net of tax
Defined benefit and retiree healthcare plans	$(103)	$448	Various (2)
	(26)	(30)	Provision for income taxes
	$(129)	$418	Net of tax

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For the six months ended June 30, 2014 and June 30, 2013

Component	Amount of Loss/(Gain) Reclassified from Accumulated Other Comprehensive Loss For the six months ended June 30, 2014	For the six months ended June 30, 2013	Affected Line in Condensed Consolidated Statement of Operations
Derivative instruments designated and qualifying as cash flow hedges			
Interest rate caps	$740	$515	Interest expense [1]
Interest rate caps	—	1,097	Other, net [1]
Foreign currency forward contracts	4,721	288	Net revenue [1]
Foreign currency forward contracts	(299)	(1,065)	Cost of revenue [1]
	5,162	835	Total before tax
	(1,292)	(209)	Provision for income taxes
	$3,870	$626	Net of tax
Defined benefit and retiree healthcare plans	$(186)	$930	Various [2]
	(14)	(58)	Provision for income taxes
	$(200)	$872	Net of tax

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

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

5. Restructuring and Special Charges

Restructuring

Our restructuring programs are described below.

2011 Plan

In 2011, we committed to a restructuring plan (the "2011 Plan") to reduce the workforce in several business centers and manufacturing facilities throughout the world and to move certain manufacturing operations to our low-cost sites. In 2012, we expanded the 2011 Plan to include additional costs associated with ceasing manufacturing in our JinCheon, South Korea facility. These actions were completed in 2013, and we do not expect to incur any additional charges related to this plan.

MSP Plan

On January 28, 2011, we acquired the Magnetic Speed and Position business ("MSP") from Honeywell International Inc. On January 31, 2011, we announced a plan (the “MSP Plan”) to close the manufacturing facilities in Freeport, Illinois and Brno, Czech Republic. Restructuring charges related to these actions consisted primarily of severance and facility exit and other costs. These actions were completed in 2013, and we do not expect to incur any additional charges related to this plan. Substantially all remaining payments have been made.

Special Charges

On September 30, 2012, a fire damaged a portion of our manufacturing facility in JinCheon, South Korea. During the three months ended June 30, 2014, we recognized $4.9 million of insurance proceeds related to this fire, which were largely offset by

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certain charges and expenses incurred during the three months ended June 30, 2014 related to the completed transformation of our South Korean operations. During the six months ended June 30, 2014, we recognized a total of $7.3 million of insurance proceeds related to this fire. The insurance proceeds received during the three and six months ended June 30, 2014, and the offsetting charges and expenses incurred during the three months ended June 30, 2014, were recognized in the Cost of revenue line of our condensed consolidated statements of operations. During the six months ended June 30, 2013, we recognized $2.5 million of insurance proceeds related to this fire, of which $0.8 million was recorded in Restructuring and special charges, and the remainder in Cost of revenue. We did not recognize any insurance proceeds related to this fire during the three months ended June 30, 2013. As discussed in Note 10, "Commitments and Contingencies," we classify insurance proceeds in our condensed consolidated statements of operations in a manner consistent with the related losses.

Summary of Restructuring Programs

The following tables present costs/(gains) recorded within the condensed consolidated statements of operations associated with our restructuring activities and special charges, and where these amounts were recognized, for the three and six months ended June 30, 2014 and June 30, 2013:

	For the three months ended June 30, 2014				
	2011 Plan	MSP Plan	Other	Special Charges	Total
Restructuring and special charges	$(68)	$—	$1,808	$—	$1,740
Other, net	(3)	—	—	—	(3)
Cost of revenue	—	—	—	(1,655)	(1,655)
Total	$(71)	$—	$1,808	$(1,655)	$82

	For the three months ended June 30, 2013				
	2011 Plan	MSP Plan	Other	Special Charges	Total
Restructuring and special charges	$1,581	$—	$769	$—	$2,350
Other, net	(17)	—	3	—	(14)
Cost of revenue	71	—	—	193	264
Total	$1,635	$—	$772	$193	$2,600

	For the six months ended June 30, 2014				
	2011 Plan	MSP Plan	Other	Special Charges	Total
Restructuring and special charges	$(198)	$—	$2,803	$—	$2,605
Other, net	—	—	—	—	—
Cost of revenue	—	—	—	(4,072)	(4,072)
Total	$(198)	$—	$2,803	$(4,072)	$(1,467)

	For the six months ended June 30, 2013				
	2011 Plan	MSP Plan	Other	Special Charges	Total
Restructuring and special charges	$3,596	$451	$1,199	$(1,220)	$4,026
Other, net	(30)	—	2	—	(28)
Cost of revenue	1,162	—	—	(530)	632
Total	$4,728	$451	$1,201	$(1,750)	$4,630

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The “other” restructuring charges of $1.8 million and $2.8 million recognized during the three and six months ended June 30, 2014 consist primarily of severance charges recorded in connection with acquired businesses. The "other" restructuring charges of $0.8 million and $1.2 million recognized during the three and six months ended June 30, 2013 represent the termination of a limited number of employees in various locations throughout the world, and not the initiation of a larger restructuring program.

6. Debt

Our debt as of June 30, 2014 and December 31, 2013 consisted of the following:

	June 30, 2014	December 31, 2013
Term Loan Facility	$471,686	$474,062
6.5% Senior Notes	700,000	700,000
4.875% Senior Notes	500,000	500,000
Less: discount	(2,122)	(2,289)
Less: current portion	(4,752)	(4,752)
Long-term debt, net of discount, less current portion	$1,664,812	$1,667,021
Capital lease and other financing obligations	$50,591	$52,193
Less: current portion	(3,232)	(3,348)
Capital lease and other financing obligations, less current portion	$47,359	$48,845

There were no borrowings outstanding on the $250.0 million revolving credit facility (the "Revolving Credit Facility") as of June 30, 2014 and December 31, 2013.

As of June 30, 2014, there was $245.0 million of availability under the Revolving Credit Facility (net of $5.0 million in letters of credit). Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of June 30, 2014, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates in 2015.

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 existing term loan (the "Term Loan Facility") is on May 12, 2019. The Term Loan Facility must be repaid in full on or prior to such maturity date. The 6.5% senior notes due 2019 (the "6.5% Senior Notes") and the 4.875% senior notes due 2023 (the "4.875% Senior Notes") mature on May 15, 2019 and October 15, 2023, respectively.

Accrued Interest

Accrued interest associated with our outstanding debt is included as a component of Accrued expenses and other current liabilities in the condensed consolidated balance sheets. As of June 30, 2014 and December 31, 2013, accrued interest totaled $12.9 million and $12.6 million, respectively.

7. Income Taxes

We recorded tax provisions for the three months ended June 30, 2014 and June 30, 2013 of $20.7 million and $14.5 million, respectively, and for the six months ended June 30, 2014 and June 30, 2013 of $28.8 million and $28.0 million, respectively. Our tax provision consists of current tax expense, which relates primarily to our profitable operations in non-US tax jurisdictions, and deferred tax expense, which relates primarily to the amortization of tax deductible goodwill, the release of a portion of the U.S. valuation allowance, and the use of net operating losses. The provision for income taxes for the six months ended June 30, 2014 included an $8.3 million benefit from income taxes due to the release of a portion of the U.S. valuation allowance in connection with the Wabash Technologies acquisition, for which deferred tax liabilities were established related to acquired intangible assets.

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At June 30, 2014 and December 31, 2013, the liability for income taxes associated with unrecognized tax benefits was $11.6 million and $22.2 million, respectively. If all of our unrecognized tax benefits as of June 30, 2014 were to be recognizable in the future, we would record a $9.4 million benefit to the provision for income taxes. The reduction to the liability for unrecognized tax benefits was primarily due to the lapse of the applicable statute of limitations and decreases related to a prior year tax position.

8. 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.

The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the three months ended June 30, 2014 and June 30, 2013 were as follows:

	U.S. Plans				Non-U.S. Plans			
	Defined Benefit		Retiree Healthcare		Defined Benefit		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Service cost	$—	$—	$33	$53	$636	$563	$669	$616
Interest cost	446	335	86	144	265	287	797	766
Expected return on plan assets	(614)	(590)	—	—	(220)	(224)	(834)	(814)
Amortization of net loss	55	227	129	119	46	100	230	446
Amortization of prior service (credit)/cost	—	—	(333)	—	—	2	(333)	2
Net periodic benefit cost	$(113)	$(28)	$(85)	$316	$727	$728	$529	$1,016

The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the six months ended June 30, 2014 and June 30, 2013 were as follows:

	U.S. Plans				Non-U.S. Plans			
	Defined Benefit		Retiree Healthcare		Defined Benefit		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Service cost	$—	$—	$66	$126	$1,230	$1,144	$1,296	$1,270
Interest cost	896	719	173	295	528	584	1,597	1,598
Expected return on plan assets	(1,225)	(1,254)	—	—	(439)	(460)	(1,664)	(1,714)
Amortization of net loss	131	477	258	245	91	203	480	925
Amortization of prior service (credit)/cost	—	—	(666)	—	—	5	(666)	5
Net periodic benefit cost	$(198)	$(58)	$(169)	$666	$1,410	$1,476	$1,043	$2,084

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9. Share-Based Payment Plans

Share-Based Compensation Expense

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

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Stock options	$2,328	$1,799	$3,950	$3,279
Restricted securities	1,438	854	2,401	1,323
Total share-based compensation expense	$3,766	$2,653	$6,351	$4,602

We granted the following options under the Sensata Technologies Holding N.V. 2010 Equity Incentive Plan (the "2010 Equity Plan") during the six months ended June 30, 2014:

Awards Granted to	Number of Options Granted	Weighted-Average Grant Date Fair Value	Vesting Period
Various executives and employees	626	$14.30	25% per year over four years
Directors	88	$13.89	1 year

We granted the following restricted securities under the 2010 Equity Plan during the six months ended June 30, 2014:

Awards Granted to	Number of Restricted Securities Granted	Weighted- Average Grant Date Fair Value
Various executives and employees	227	$42.89

Of the restricted securities granted during the six months ended June 30, 2014, 102 were performance based securities that cliff vest in 2017. The number of these performance based securities that vest will depend on the extent to which certain performance criteria are met and could range between 0% and 150% of the number of securities granted. The remaining restricted securities granted are non-performance based restricted securities that vest on various dates between April 2015 and April 2018.

During the six months ended June 30, 2014, 668 stock options were exercised, all of which were settled with shares reissued from treasury.

10. Commitments and Contingencies

Off-Balance Sheet Commitments

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

Indemnifications Provided As Part of Contracts and Agreements

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

Sponsors: Upon the closing of the acquisition of the Sensors and Controls businesses of Texas Instruments Incorporated ("TI") on April 27, 2006, we entered into customary indemnification agreements with entities associated with Bain Capital Partners, LLC ("Bain Capital") and co-investors (Bain Capital and co-investors are collectively referred to as the “Sponsors”). Pursuant to these indemnification agreements, we agreed to indemnify the Sponsors, either during or after the term of the agreements, against certain liabilities arising out of performance of a consulting agreement between us and each of the Sponsors and certain other claims and liabilities, including liabilities arising out of financing arrangements and securities offerings. There is no limit to the maximum future payments, if any, under these indemnifications.

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

Our articles of association provide for indemnification of directors and officers by us to the fullest extent permitted by applicable law, as it now exists or may hereinafter be amended (but, in the case of an amendment, only to the extent such amendment permits broader indemnification rights than permitted prior thereto), against any and all liabilities including all expenses (including attorneys’ fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding, provided he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful or outside of his or her mandate. The articles do not provide a limit to the maximum future payments, if any, under the indemnification. No indemnification is provided for in respect of any claim, issue, or matter as to which such person has been adjudged to be liable for gross negligence or willful misconduct in the performance of his or her duty on our behalf.

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

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

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

Product Warranty Liabilities

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

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

In the event a warranty claim based on defective materials exists, we may be able to recover some of the cost of the claim from the vendor from whom the materials were purchased. Our ability to recover some of the costs will depend on the terms and conditions to which we agreed when the materials were purchased. When a warranty claim is made, the only collateral available to us is the return of the inventory from the customer making the warranty claim. Historically, when customers make a warranty claim, we either replace the product or provide the customer with a credit. We generally do not rework the returned product.

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

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

Environmental Remediation Liabilities

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

In 2001, TI Brazil was notified by the State of São Paolo, Brazil regarding its potential cleanup liability as a generator of wastes sent to the Aterro Mantovani disposal site, which operated near Campinas from 1972 to 1987. The site is a landfill contaminated with a variety of chemical materials, including petroleum products, allegedly disposed at the site. TI Brazil is one of over 50 companies notified of potential cleanup liability. There have been several lawsuits filed by third parties alleging personal injuries caused by exposure to drinking water contaminated by the disposal site. Our subsidiary, Sensata Technologies Brazil ("ST Brazil"), is the successor in interest to TI Brazil. However, in accordance with the terms of the acquisition agreement entered into in connection with the acquisition of the Sensors & Controls business of TI (the “Acquisition Agreement”), TI retained these liabilities (subject to the limitations set forth in that agreement) and has agreed to indemnify us with regard to these excluded liabilities. Additionally, in 2008, five lawsuits were filed against ST Brazil alleging personal injuries suffered by individuals who were exposed to drinking water allegedly contaminated by the Aterro Mantovani disposal site. These matters are managed and controlled by TI. TI is defending these five lawsuits in the 1st Civil Court of Jaquariuna, San Paolo. Although ST Brazil cooperates with TI in this process, we do not anticipate incurring any non-reimbursable expenses related to the matters described above. Accordingly, no amounts have been accrued for these matters as of June 30, 2014 or December 31, 2013.

Control Devices, Inc. (“CDI”), a wholly-owned subsidiary of one of our U.S. operating subsidiaries, Sensata Technologies, Inc., acquired through our acquisition of First Technology Automotive, is party to a post-closure license, along with GTE Operations Support, Inc. (“GTE”), from the Maine Department of Environmental Protection with respect to a closed hazardous waste surface impoundment located on real property owned by CDI in Standish, Maine. The post-closure license obligates GTE to operate a pump and treatment process to reduce the levels of chlorinated solvents in the groundwater under the property. The post-closure license obligates CDI to maintain the property and provide access to GTE. We do not expect the costs to comply with the post-closure license to be material. As a related but separate matter, pursuant to the terms of an environmental agreement dated July 6, 1994, GTE retained liability and agreed to indemnify CDI for certain liabilities related to the soil and groundwater contamination from the surface impoundment and an out-of-service leach field at the Standish, Maine facility, and CDI and GTE have certain obligations related to the property and each other. The site is contaminated primarily with chlorinated solvents. In 2013, CDI subdivided and sold a portion of the property subject to the post-closure license, including a manufacturing building, but retained the portion of the property that contains the closed hazardous waste surface impoundment, for which it and GTE continue to be subject to the obligations of the post closure license. The buyer of the facility is also now subject to certain restrictions of the post-closure license. CDI has agreed to complete an ecological risk assessment on sediments in an unnamed stream crossing the sold and retained land and to indemnify the buyer for any remediation costs in excess of $30 associated with sediments in the unnamed stream. We do not expect the remaining cost associated with addressing the soil and groundwater contamination, or our obligations relating to the indemnification of the buyer of the facility, to be material.

Legal Proceedings and Claims

We account for litigation and claims losses in accordance with ASC Topic 450, Contingencies (“ASC 450”). Under 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.

We are regularly involved in a number of claims and litigation matters in the ordinary course of business. Most of our litigation matters are third-party claims for property damage allegedly caused by our products, but some involve allegations of personal injury or wrongful death. We believe that the ultimate resolution of the current litigation matters pending against us, except potentially those matters described below, will not have a material effect on our financial condition or results of operations.

Insurance Claims

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

Pending Litigation and Claims

Ford Speed Control Deactivation Switch Litigation: We are involved in a number of litigation matters relating to a pressure switch that TI sold to Ford Motor Company (“Ford”) for several years until 2002. Ford incorporated the switch into a cruise control deactivation switch system that it installed in certain vehicles. Due to concerns that, in some circumstances, this system and switch may cause fires, Ford and related companies issued numerous separate recalls of vehicles between 1999 and 2009, which covered approximately fourteen million vehicles in the aggregate.

We were a defendant in one case related to this system and switch that involves wrongful death allegations. This case, Romans vs. Ford et al, Case No. CVH 20100126, Court of Common Pleas, Madison County, Ohio, involves claims for property damage, personal injury, and three fatalities resulting from an April 5, 2008 residential fire alleged to involve a Ford vehicle. On April 1, 2010, the plaintiff filed suit against TI and Sensata and this case was subsequently consolidated with an earlier lawsuit, former Case No. CVC 20090074, filed against Ford. On March 18, 2013, the court granted our motion for dismissal, with the case continuing against Ford. The plaintiff subsequently filed an appeal of the decision dismissing Sensata. On April 22, 2013, the court issued a stay of the proceedings until the appeal was completed. On November 18, 2013, the Court of Appeals, 12th Appellate District of Ohio, Madison County (Case No. CA2013-04-012), issued an opinion affirming the summary judgment dismissal granted in our favor. On December 31, 2013, the plaintiff filed notice of appeal in the Supreme Court of Ohio. On March 28, 2014, we were informed that the Ohio Supreme Court had rejected the plaintiff’s request, leaving the appellate court decision in place. We have been dismissed from the litigation in accordance with the trial court's previous ruling.

As of June 30, 2014, we are a defendant in seven lawsuits in which plaintiffs have alleged property damage and various personal injuries caused by vehicle fires related to the system and switch. For the most part, these cases seek an unspecified amount of compensatory and exemplary damages, however one plaintiff has submitted a demand in the amount of $0.2 million. Ford and TI are co-defendants in each of these lawsuits. In accordance with the terms of the Acquisition Agreement, we are managing and defending these lawsuits on behalf of both parties.

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

incurred through June 30, 2014. We do not believe that aggregate TI and Sensata costs will exceed $300.0 million.
SGL Italia: Our subsidiaries, Sensata Technologies B.V. and Sensata Technologies Italia, are defendants in a lawsuit, Luigi Lavazza s.p.a. and SGL Italia s.r.l. v. Sensata Technologies Italia s.r.l., Sensata Technologies, B.V., and Komponent s.r.l., Court of Milan, bench 7, brought in the court in Milan, Italy. The lawsuit alleges defects in one of our electromechanical control products. The plaintiffs are alleging €4.2 million in damages. We have denied liability in this matter. We filed our most recent

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answer to the lawsuit in November 2012 and the most recent hearing occurred on November 19, 2013. On January 21, 2014, the Milan court issued an order calling for a hearing on February 14, 2014 for purposes of appointing an independent technical expert. At that hearing, the court appointed the independent technical expert and set a calendar for the process, to include a meeting of the expert with both parties on March 3, 2014 and a series of milestones leading up to a court hearing on October 23, 2014. We are actively defending the case, but we believe that a loss is probable. We estimate the range of loss to be between \$0.3 million and the full amount of the claim. As of June 30, 2014, we have recorded an accrual of \$0.3 million, the low end of the range, as we believe that no amount within the range represents a better estimate of loss than any other amount.

Venmar: We have been involved in a related series of claims and lawsuits involving products we sold to one of our customers, Venmar, that sold ventilation and air exchanger equipment containing an electromechanical control product. Venmar conducted recalls in conjunction with the U.S. Consumer Product Safety Commission on similar equipment in 2007, 2008, and 2011. In April 2013, two of the pending claims were filed as lawsuits. These are Cincinnati Ins. Co. v. Sensata Technologies, Inc., Case No. 13105170NP, 52nd Cir. Ct., Huron Co., MI and Auto-Owners Ins. Co. v. Venmar Ventilation, Case No. 13917CZ, 37th Cir. Ct., Calhoun Co., MI. These lawsuits involve claims for damages in the amount of \$0.9 million and \$6.2 million, respectively. On March 28, 2014, the lawsuit filed by Cincinnati Ins. Co. was settled out of court with no contribution from us. In light of a similar lawsuit settlement in 2012, we believe a loss resulting from the Auto-Owners Ins. Co. matter is reasonably possible, however, we cannot estimate a range of loss at this time. As of June 30, 2014, we have not recorded an accrual for this matter.

Aircraft: In 2012, certain of our subsidiaries, along with more than twenty other defendants, were named in lawsuits involving a plane crash on May 25, 2011 that resulted in four deaths. The first lawsuit was filed on May 24, 2012 in Pike Circuit Court, Kentucky. This lawsuit is styled Campbell vs. Aero Resources Corporation et al, Civil Action 12-C1-652, Commonwealth of Kentucky, Pike Circuit Court, Div. No. I (the "Campbell case"). A second lawsuit was filed on July 5, 2012 in Jessamine Circuit Court, Kentucky. This lawsuit is styled Shuey v. Hawker Beechcraft, Inc. et al, Civil Action 12-C1-650, Commonwealth of Kentucky, Jessamine Circuit Court, Civil Division (the "Shuey case"). The plaintiffs alleged that one of our circuit breakers was a component in the aircraft and brought claims of negligence and strict liability. Damages were unspecified. On December 5, 2013, the plaintiff in the Shuey case filed a stipulation dismissing us without prejudice. On March 24, 2014, we were informed that the Campbell plaintiffs have filed a motion to dismiss us without prejudice. With the dismissals of the lawsuits, we do not expect further proceedings in these matters. Accordingly, as of June 30, 2014, we have not recorded an accrual for these matters.

Automotive Customers: In the fourth quarter of 2013, one of our automotive customers alleged defects in certain of our sensor products installed in the customer's vehicles during 2013. In the first quarter of 2014, another customer alleged similar defects. The alleged defects are not safety related. We consider a loss related to these matters to be probable. As of June 30, 2014, we have recorded an accrual of \$2.8 million, representing our best estimate of the potential loss.

Korean Supplier: In the first quarter of 2014, one of our Korean suppliers, Yukwang Co. Ltd. ("Yukwang"), notified us that they were terminating our existing agreement with them and stopped shipping product to us. We brought legal proceedings against Yukwang in Seoul Central District Court, seeking an injunction to protect Sensata-owned manufacturing equipment physically at Yukwang’s facility. Yukwang has countered that we are in breach of contract and has alleged damages of approximately \$7.6 million. We are litigating these proceedings, with the most recent hearing held on May 23, 2014. Yukwang has also filed a complaint against us with a Korean government agency for unfair trade practices. There are no actual damages specified in this claim, but the government agency can impose awards, including punitive damages of up to three times actual damages. We are responding to this claim. Both matters are in their preliminary stages. Additionally, on May 27, 2014, Yukwang filed a patent infringement action against us and our equipment supplier with the Suwon district court seeking a preliminary injunction for infringement of Korean patent number 847,738. Yukwang also filed a patent scope action on the same patent with the Korean Intellectual Property Tribunal and sought police investigation into the alleged infringement. We are responding to these various actions. We do not believe that a loss is probable, and as of June 30, 2014, we have not recorded an accrual for these matters.

FCPA Voluntary Disclosure

In 2010, an internal investigation was conducted under the direction of the Audit Committee of our Board of Directors to determine whether any laws, including the Foreign Corrupt Practices Act (the “FCPA”), may have been violated in connection with a certain business relationship entered into by one of our operating subsidiaries involving business in China. We believe the amount of payments and the business involved was immaterial. We discontinued the specific business relationship, and our investigation has not identified any other suspect transactions. We contacted the United States Department of Justice (the "DOJ") and the SEC to make a voluntary disclosure of the possible violations, the investigation, and the initial findings. We have been fully cooperating with their review. During 2012, the DOJ informed us that it has closed its inquiry into the matter but indicated that it could reopen its inquiry in the future in the event it were to receive additional information or evidence. We

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have not received an update from the SEC concerning the status of its inquiry. The FCPA (and related statutes and regulations) provides for potential monetary penalties, criminal and civil sanctions, and other remedies. We are unable to estimate the potential penalties and/or sanctions, if any, that might be assessed and, accordingly, no provision has been made in the condensed consolidated financial statements.

11. Fair Value Measures

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

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.
- Level 2 inputs utilize inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable inputs for the asset or liability, allowing for situations where there is little, if any, market activity for the asset or liability.

Measured on a Recurring Basis

The following table presents information about our assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013, aggregated by the level in the fair value hierarchy within which those measurements fell:

	June 30, 2014			December 31, 2013		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets						
Foreign currency forward contracts	$—	$2,206	$ —	$—	$1,863	$ —
Commodity forward contracts	—	1,867	—	—		