



SENSATA TECHNOLOGIES REPORTS THIRD QUARTER 2019 FINANCIAL RESULTS

Swindon, United Kingdom – October 30, 2019 - Sensata Technologies (NYSE: ST), a global industrial technology company and a leading provider of sensor-rich solutions that create insights for customers, today announced financial results for its third quarter ended September 30, 2019.

Operating results for the third quarter of 2019 compared to the third quarter of 2018 are summarized below. These results include non-GAAP financial measures, each of which is defined and reconciled to the most directly comparable GAAP measure later in this press release.

Revenue:

- Revenue was \$849.7 million, a decrease of \$23.8 million, or 2.7%, compared to \$873.6 million in the third quarter of 2018.
- Revenue declined 2.8% on an organic basis, which excludes the effects of the following:
 - Foreign currency exchange rates: (0.3%) change versus the prior year period.
 - Acquisitions and divestitures, net: 0.4% change versus the prior year period.

Operating income:

- Operating income was \$146.1 million (17.2% of revenue), a decrease of \$76.2 million, or 34.3%, compared to \$222.3 million (25.5% of revenue) in the third quarter of 2018.
- Adjusted operating income was \$199.5 million (23.5% of revenue), a decrease of \$8.2 million, or 3.9%, compared to \$207.6 million (23.8% of revenue) in the third quarter of 2018.

Earnings per share:

- Earnings per share were \$0.44, a decrease of 50.0% compared to \$0.88 per share in the third quarter of 2018.
- Adjusted earnings per share were \$0.90, a decrease of 1.1% compared to \$0.91 per share in the third quarter of 2018
- Changes in foreign currency exchange rates increased Sensata's adjusted earnings per share by \$0.04 in the third quarter of 2019 compared to the prior year period. The net effect of acquisitions and divestitures decreased Sensata's adjusted earnings per share by \$0.03 in the third quarter of 2019 compared to the prior year period.

"Despite lower than expected revenues as a result of sustained end market weakness, we exceeded our guidance for adjusted operating margin in the third quarter, while generating strong free cash flow," said Martha Sullivan, Chief Executive Officer of Sensata. "Our continued focus on margins and profitability coupled with our proven ability to identify and implement cost-cutting initiatives, enables us to react quickly to changing market conditions and limit the impact of weaker end market demand on our bottom-line results."

"Even in the face of these efficiency initiatives, we continued to sustain long-term investments in growth initiatives such as Electrification and Smart & Connected, which we believe are critical to our future success. We anticipate that our end markets will remain weak and that our customers will likely reduce inventory through the remainder of this year. As a result, we are lowering our full year 2019 revenue and EPS guidance to reflect this evolving demand environment, while continuing to position Sensata for future growth opportunities."

During the third quarter of 2019, Sensata repurchased approximately 2.1 million ordinary shares for total consideration of \$97.6 million as part of a previously announced share repurchase program. As of September 30, 2019, approximately \$422 million remains available for future share repurchases.

Nine Months Ended September 30, 2019

Operating results for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are summarized below. These results include non-GAAP financial measures, each of which is defined and reconciled to the most directly comparable GAAP measure later in this press release.

Revenue:

- Revenue was \$2,603.9 million, a decrease of \$69.8 million, or 2.6%, compared to \$2,673.7 million in the nine months ended September 30, 2018.
- Revenue declined 1.2% on an organic basis, which excludes the effects of the following:
 - Foreign currency exchange rates: (0.9%) change versus the prior year period.
 - Acquisitions and divestitures, net: (0.5%) change versus the prior year period.

Operating income:

- Operating income was \$436.2 million (16.8% of revenue), a decrease of \$111.9 million, or 20.4%, compared to \$548.1 million, (20.5% of revenue), in the nine months ended September 30, 2018.
- Adjusted operating income was \$593.2 million (22.8% of revenue), a decrease of \$28.7 million, or 4.6%, compared to \$621.9 million (23.3% of revenue) in the nine months ended September 30, 2018.

Earnings per share:

- Earnings per share were \$1.41, a decrease of 29.9% compared to \$2.01 per share in the nine months ended September 30, 2018.
- Adjusted earnings per share were \$2.67, a decrease of 0.7% compared to \$2.69 per share in the nine months ended September 30, 2018
- Changes in foreign currency exchange rates increased Sensata's adjusted earnings per share by \$0.13 in the first nine months of 2019 compared to the prior year period. The net effect of acquisitions and divestitures decreased Sensata's adjusted earnings per share by \$0.11 in the first nine months of 2019 compared to the prior year period.

Segment Performance

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|--------------------------------------|---|------------|--|--------------|
| \$ in 000s | 2019 | 2018 | 2019 | 2018 |
| Performance Sensing revenue | \$ 628,593 | \$ 649,611 | \$ 1,913,137 | \$ 1,988,657 |
| Performance Sensing operating income | 165,076 | 178,391 | 483,657 | 535,166 |
| % of Performance Sensing revenue | 26.3% | 27.5% | 25.3% | 26.9% |
| Sensing Solutions revenue | \$ 221,122 | \$ 223,941 | \$ 690,803 | \$ 685,048 |
| Sensing Solutions operating income | 70,952 | 73,295 | 223,036 | 224,249 |
| % of Sensing Solutions revenue | 32.1% | 32.7% | 32.3% | 32.7% |

Performance Sensing reported a 26.3% operating margin in the third quarter of 2019. Excluding the impact of changes in foreign currency exchange rates, Performance Sensing's operating margin was 25.3%. Sensing Solutions reported a 32.1% operating margin in the third quarter of 2019. Excluding the impact of changes in foreign currency exchange rates, Sensing Solutions' operating margin was 31.4%.

Performance Sensing reported a 25.3% operating margin in the nine months ended September 30, 2019. Excluding the impact of changes in foreign currency exchange rates, Performance Sensing's operating margin was 24.4%. Sensing Solutions reported a 32.3% operating margin in the nine months ended September 30, 2019. Excluding the impact of changes in foreign exchange rates, Sensing Solutions' operating margin was 32.3%.

Guidance

For the fourth quarter of 2019, Sensata anticipates revenue to be between \$818 and \$842 million compared to \$847.9 million in the fourth quarter of 2018, representing a revenue decline between 1 percent and 3 percent. Excluding changes in foreign currency exchange rates and the net effect of acquisitions and divestitures, Sensata expects to report an organic revenue decline between 1 percent and 4 percent in the fourth quarter. Additionally, the Company expects adjusted net income to be between \$135 and \$141 million and adjusted earnings per share to be between \$0.85 and \$0.89 in the fourth quarter of 2019, representing an adjusted EPS decline between 6 percent and 11 percent, compared to the previous year.

| Fiscal Year 2019 Financial Guidance | | | | |
|-------------------------------------|-----------|---|---|-------------|
| \$ in millions, except EPS | | | | |
| | FY-18 | Previous FY-19 Guidance as of 7/30/19 | Updated FY-19 Guidance as of 10/30/19 | Y/Y Change |
| Revenue | \$3,521.6 | \$3,461 - \$3,523 | \$3,422- \$3,446 | (3%) - (2%) |
| organic growth | | | | (2%) - (1%) |
| Adjusted Operating Income | \$832.0 | \$807 - \$823 | \$779 - \$785 | (6%) - (6%) |
| Adjusted Net Income | \$619.4 | \$596 - \$612 | \$569 - \$575 | (8%) - (7%) |
| Adjusted EPS | \$3.65 | \$3.67 - \$3.77 | \$3.51 - \$3.55 | (4%) - (3%) |

Conference Call & Webcast

Sensata will conduct a conference call today at 8:00 AM eastern time to discuss its third quarter financial results and its outlook for the fourth quarter and full year 2019. The dial-in numbers for the

call are 1-844-784-1726 or +1-412-380-7411 and callers can reference the Sensata third quarter 2019 earnings conference call. A live webcast and a replay of the conference call will also be available on the investor relations page of Sensata's website at <http://investors.sensata.com>. Additionally, a replay of the call will be available until November 6, 2019. To access the replay dial 1-877-344-7529 or 1-412-317-0088 and enter confirmation code: 10135741.

About Sensata Technologies

Sensata Technologies is one of the world's leading suppliers of sensing, electrical protection, control and power management solutions with operations and business centers in 11 countries. Sensata's products improve safety, efficiency, and comfort for millions of people every day in automotive, appliance, aircraft, industrial, military, heavy vehicle, heating, ventilation and air conditioning, data, telecommunications, recreational vehicle, and marine applications. For more information, please visit Sensata's website at www.sensata.com.

Non-GAAP Financial Measures

We supplement the reporting of our financial information determined in accordance with U.S. generally accepted accounting principles ("GAAP") with certain non-GAAP financial measures. We use these non-GAAP financial measures internally to make operating and strategic decisions, including the preparation of our annual operating plan, evaluation of our overall business performance, and as a factor in determining compensation for certain employees. We believe presenting non-GAAP financial measures is useful for period-over-period comparisons of underlying business trends and our ongoing business performance. We also believe presenting these non-GAAP measures provides additional transparency into how management evaluates the business.

Non-GAAP financial measures should be considered as supplemental in nature and are not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, our non-GAAP financial measures may not be the same as, or comparable to, similar non-GAAP measures presented by other companies.

The non-GAAP financial measures referenced by Sensata in this release include: adjusted net income, adjusted earnings per share ("EPS"), adjusted operating income, adjusted operating margin, free cash flow, organic revenue growth, and segment operating margin measured on a constant currency basis. We also refer to changes in certain non-GAAP measures, usually reported either as a percentage or number of basis points, between two periods and measured on either a reported, constant currency, or an organic basis, the latter of which excludes the net impact of acquisitions and divestitures for the 12-month period following the respective transaction date(s) and the effect of foreign currency exchange rate differences between the comparative periods. Such changes are also considered non-GAAP measures.

Adjusted net income is defined as net income, determined in accordance with U.S. GAAP, excluding certain non-GAAP adjustments which are described in the accompanying reconciliation tables. Adjusted EPS is calculated by dividing adjusted net income by the number of diluted weighted-average ordinary shares outstanding in the period. We believe that these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

Adjusted operating income is defined as operating income, determined in accordance with U.S. GAAP, excluding certain non-GAAP adjustments which are described in the accompanying reconciliation tables. Adjusted operating margin is calculated by dividing adjusted operating income by net revenue. We believe that these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

Free cash flow is defined as net cash provided by operating activities, determined in accordance with U.S. GAAP, less additions to property, plant and equipment and capitalized software. We believe that this measure is useful to investors and management as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to fund acquisitions, repurchase ordinary shares, or for the accelerated repayment of debt obligations.

Organic revenue growth is defined as the reported percentage change in net revenue, calculated in accordance with U.S. GAAP, excluding the period-over-period impact of foreign exchange rate differences as well as the net impact of acquisitions and divestitures for the 12-month period following the respective transaction date(s). We believe that this measure is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

Safe Harbor Statement

This earnings release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Sensata believes that its expectations are based on reasonable assumptions. No assurance, however, can be given that such expectations will prove to have been correct. A number of factors could cause actual results to differ materially from the projections, anticipated results, or other expectations expressed in this earnings release, including, without limitation, risks associated with regulatory, legal, governmental, political, economic, and military matters; adverse conditions in the automotive industry; competition in our industry, including pressure from customers to reduce prices; supplier interruptions, which could limit access to manufactured components or raw materials; business disruptions due to natural disasters; labor disruptions; difficulties with or failures integrating acquired businesses; market acceptance of new products; fluctuations in foreign exchange rates; and our level of indebtedness. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak to results only as of the date the statements were made; and we undertake no obligation to publicly update or revise any forward-looking statements, whether to reflect any future events or circumstances or otherwise. See "Risk Factors" in the Company's 2018 Annual Report on Form 10-K and other public filings and press releases. Copies of our filings are available from our Investor Relations department or from the SEC website, www.sec.gov.

SENSATA TECHNOLOGIES HOLDING PLC
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

| | For the three months ended | | For the nine months ended | |
|---|----------------------------|-----------------------|---------------------------|-----------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Net revenue | \$ 849,715 | \$ 873,552 | \$ 2,603,940 | \$ 2,673,705 |
| Operating costs and expenses: | | | | |
| Cost of revenue | 554,910 | 558,334 | 1,710,951 | 1,723,300 |
| Research and development | 38,189 | 37,800 | 109,970 | 111,781 |
| Selling, general and administrative | 68,158 | 73,886 | 210,733 | 235,681 |
| Amortization of intangible assets | 35,905 | 33,911 | 108,079 | 103,574 |
| Restructuring and other charges, net | 6,421 | (52,698) | 28,040 | (48,688) |
| Total operating costs and expenses | 703,583 | 651,233 | 2,167,773 | 2,125,648 |
| Operating income | 146,132 | 222,319 | 436,167 | 548,057 |
| Interest expense, net | (39,556) | (38,058) | (118,417) | (114,808) |
| Other, net | (7,560) | (10,581) | (7,925) | (26,267) |
| Income before taxes | 99,016 | 173,680 | 309,825 | 406,982 |
| Provision for income taxes | 28,341 | 24,562 | 80,649 | 62,086 |
| Net income | \$ 70,675 | \$ 149,118 | \$ 229,176 | \$ 344,896 |
| Net income per share: | | | | |
| Basic | \$ 0.44 | \$ 0.89 | \$ 1.42 | \$ 2.03 |
| Diluted | \$ 0.44 | \$ 0.88 | \$ 1.41 | \$ 2.01 |
| Weighted-average ordinary shares outstanding: | | | | |
| Basic | 160,458 | 167,290 | 161,774 | 170,045 |
| Diluted | 161,308 | 168,594 | 162,769 | 171,381 |

SENSATA TECHNOLOGIES HOLDING PLC
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

| | September 30, 2019 | December 31, 2018 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 721,386 | \$ 729,833 |
| Accounts receivable, net of allowances | 596,814 | 581,769 |
| Inventories | 502,939 | 492,319 |
| Prepaid expenses and other current assets | 128,447 | 113,234 |
| Total current assets | 1,949,586 | 1,917,155 |
| Property, plant and equipment, net | 817,040 | 787,178 |
| Goodwill | 3,104,447 | 3,081,302 |
| Other intangible assets, net | 790,692 | 897,191 |
| Deferred income tax assets | 25,599 | 27,971 |
| Other assets | 156,210 | 86,890 |
| Total assets | \$ 6,843,574 | \$ 6,797,687 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Current portion of long-term debt, finance lease and other financing obligations | \$ 7,863 | \$ 14,561 |
| Accounts payable | 365,823 | 379,824 |
| Income taxes payable | 29,753 | 27,429 |
| Accrued expenses and other current liabilities | 217,064 | 218,130 |
| Total current liabilities | 620,503 | 639,944 |
| Deferred income tax liabilities | 246,216 | 225,694 |
| Pension and other post-retirement benefit obligations | 29,249 | 33,958 |
| Finance lease and other financing obligations, less current portion | 29,415 | 30,618 |
| Long-term debt, net | 3,219,412 | 3,219,762 |
| Other long-term liabilities | 95,891 | 39,277 |
| Total liabilities | 4,240,686 | 4,189,253 |
| Total shareholders' equity | 2,602,888 | 2,608,434 |
| Total liabilities and shareholders' equity | \$ 6,843,574 | \$ 6,797,687 |

SENSATA TECHNOLOGIES HOLDING PLC
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | For the nine months ended | |
|---|---------------------------|-----------------------|
| | September 30, 2019 | September 30, 2018 |
| Cash flows from operating activities: | | |
| Net income | \$ 229,176 | \$ 344,896 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 84,354 | 79,518 |
| Amortization of debt issuance costs | 5,573 | 5,480 |
| Gain on sale of business | — | (63,688) |
| Share-based compensation | 15,188 | 17,813 |
| Loss on debt financing | 4,364 | 2,350 |
| Amortization of intangible assets | 108,079 | 103,574 |
| Deferred income taxes | 20,313 | 9,547 |
| Unrealized loss on derivative instruments and other | 23,545 | 9,020 |
| Changes in operating assets and liabilities | (57,065) | (88,371) |
| Net cash provided by operating activities | 433,527 | 420,139 |
| Cash flows from investing activities: | | |
| Acquisitions, net of cash received | (32,315) | — |
| Additions to property, plant and equipment and capitalized software | (123,206) | (111,275) |
| Proceeds from the sale of business, net of cash sold | — | 149,136 |
| Other | (5,003) | 5,000 |
| Net cash (used in)/provided by investing activities | (160,524) | 42,861 |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options and issuance of ordinary shares | 10,309 | 6,051 |
| Payments of employee restricted stock tax withholdings | (6,953) | (3,673) |
| Proceeds from issuance of debt | 450,000 | — |
| Payments on debt | (461,190) | (14,094) |
| Payments to repurchase ordinary shares | (265,846) | (399,417) |
| Payments of debt and equity issuance costs | (7,770) | (9,931) |
| Other | — | 16,369 |
| Net cash used in financing activities | (281,450) | (404,695) |
| Net change in cash and cash equivalents | (8,447) | 58,305 |
| Cash and cash equivalents, beginning of period | 729,833 | 753,089 |
| Cash and cash equivalents, end of period | \$ 721,386 | \$ 811,394 |

Revenue by Business, Geography, and End Market (Unaudited)

| <i>(percent of total revenue)</i> | Three months ended September 30, | | Nine months ended September 30, | |
|-----------------------------------|---|---------------|--|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Performance Sensing | 74.0% | 74.4% | 73.5% | 74.4% |
| Sensing Solutions | 26.0% | 25.6% | 26.5% | 25.6% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

| <i>(percent of total revenue)</i> | Three months ended September 30, | | Nine months ended September 30, | |
|-----------------------------------|---|---------------|--|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Americas | 44.1% | 43.5% | 43.4% | 42.3% |
| Europe | 27.1% | 28.4% | 28.5% | 29.5% |
| Asia/Rest of World | 28.8% | 28.1% | 28.1% | 28.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

| <i>(percent of total revenue)</i> | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---------------|--|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Automotive* | 59.4% | 59.5% | 58.3% | 60.2% |
| Heavy vehicle and off-road | 15.9% | 16.2% | 16.5% | 15.6% |
| Appliance and heating, ventilation and air-conditioning | 5.9% | 6.1% | 6.0% | 6.1% |
| Industrial | 9.9% | 9.6% | 10.5% | 9.5% |
| Aerospace | 4.9% | 4.7% | 5.0% | 4.6% |
| All other | 4.0% | 3.9% | 3.7% | 4.0% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

* Includes amounts reflected in the Sensing Solutions segment as follows: \$10.7 million and \$11.5 million of revenue in the three months ended September 30, 2019 and 2018, respectively, and \$32.8 million and \$38.4 million of revenue in the nine months ended September 30, 2019 and 2018, respectively.

End Market Growth (Unaudited)

| | For the three months ended September 30, 2019 | | | For the nine months ended September 30, 2019 | | |
|----------------------------|--|-----------------------|--------------------------|---|-----------------------|--------------------------|
| | Reported Growth | Organic Growth | End Market Growth | Reported Growth | Organic Growth | End Market Growth |
| Automotive | (2.8%) | (0.4%) | (1.8%)* | (5.5%) | (0.9%) | (5.2%)* |
| Heavy vehicle and off-road | (4.8%) | (6.2%) | (7.8%) | 2.6 % | 1.7% | (2.4%) |

* Excludes Toyota, adjusted for Sensata's geographic mix.

The following unaudited tables reconcile Sensata's GAAP to non-GAAP financial measures for the three and nine months ended September 30, 2019 and 2018. Amounts presented in these tables may not sum due to the effect of rounding.

Non-GAAP Reconciliation - Three Months Ended September 30, 2019 and 2018

(\$ in thousands, except per share amounts)

For the three months ended September 30, 2019

| | Operating Income | Operating Margin | Income Tax Expense | Net Income | Diluted EPS |
|---|-----------------------------|-----------------------------|-----------------------------------|-----------------------|------------------------|
| Reported (GAAP) | \$ 146,132 | 17.2% | \$ 28,341 | \$ 70,675 | \$ 0.44 |
| <i>Non-GAAP adjustments:</i> | | | | | |
| Restructuring related and other | 15,557 | 1.8% | (700) | 14,857 | 0.09 |
| Financing and other transaction costs | 3,473 | 0.4% | — | 8,605 | 0.05 |
| Step-up depreciation and amortization | 34,966 | 4.1% | — | 34,966 | 0.22 |
| Deferred gain on derivative instruments | (654) | (0.1%) | — | (2,440) | (0.02) |
| Amortization of debt issuance costs | — | —% | — | 1,855 | 0.01 |
| Deferred taxes and other tax related | — | —% | 16,040 | 16,040 | 0.10 |
| Total adjustments | 53,342 | 6.3% | 15,340 | 73,883 | 0.46 |
| Adjusted (non-GAAP) | \$ 199,474 | 23.5% | \$ 13,001 | \$ 144,558 | \$ 0.90 |

(\$ in thousands, except per share amounts)

For the three months ended September 30, 2018

| | Operating Income | Operating Margin | Income Tax Expense | Net Income | Diluted EPS |
|---|-----------------------------|-----------------------------|-----------------------------------|-----------------------|------------------------|
| Reported (GAAP) | \$ 222,319 | 25.5% | \$ 24,562 | \$ 149,118 | \$ 0.88 |
| <i>Non-GAAP adjustments:</i> | | | | | |
| Restructuring related and other | 9,268 | 1.1% | — | 9,268 | 0.05 |
| Financing and other transaction costs | (57,773) | (6.6%) | — | (54,173) | (0.32) |
| Step-up depreciation and amortization | 33,512 | 3.8% | — | 33,512 | 0.20 |
| Deferred loss on derivative instruments | 320 | 0.0% | — | 4,553 | 0.03 |
| Amortization of debt issuance costs | — | —% | — | 1,837 | 0.01 |
| Deferred taxes and other tax related | — | —% | 9,897 | 9,897 | 0.06 |
| Total adjustments | (14,673) | (1.7%) | 9,897 | 4,894 | 0.03 |
| Adjusted (non-GAAP) | \$ 207,646 | 23.8% | \$ 14,665 | \$ 154,012 | \$ 0.91 |

We treat deferred taxes as a non-GAAP adjustment. Accordingly, the tax effect of the non-GAAP adjustments above refers only to the current tax effect, if applicable. With respect to the three months ended September 30, 2018, the current tax effect of the related non-GAAP adjustments was not material, individually or in the aggregate.

Non-GAAP Reconciliation - Nine months ended September 30, 2019 and 2018

(\$ in thousands, except per share amounts)

For the nine months ended September 30, 2019

| | Operating Income | Operating Margin | Income Tax Expense | Net Income | Diluted EPS |
|---|---------------------|---------------------|--------------------------|---------------|----------------|
| Reported (GAAP) | \$ 436,167 | 16.8% | \$ 80,649 | \$ 229,176 | \$ 1.41 |
| <i>Non-GAAP adjustments:</i> | | | | | |
| Restructuring related and other | 44,916 | 1.7% | (1,500) | 43,416 | 0.27 |
| Financing and other transaction costs | 8,069 | 0.3% | — | 14,009 | 0.09 |
| Step-up depreciation and amortization | 105,764 | 4.1% | — | 105,764 | 0.65 |
| Deferred gain on derivative instruments | (1,753) | (0.1%) | — | (4,560) | (0.03) |
| Amortization of debt issuance costs | — | —% | — | 5,573 | 0.03 |
| Deferred taxes and other tax related | — | —% | 40,839 | 40,839 | 0.25 |
| Total adjustments | 156,996 | 6.0% | 39,339 | 205,041 | 1.26 |
| Adjusted (non-GAAP) | \$ 593,163 | 22.8% | \$ 41,310 | \$ 434,217 | \$ 2.67 |

(\$ in thousands, except per share amounts)

For the nine months ended September 30, 2018

| | Operating Income | Operating Margin | Income Tax Expense | Net Income | Diluted EPS |
|---|---------------------|---------------------|--------------------------|---------------|----------------|
| Reported (GAAP) | \$ 548,057 | 20.5% | \$ 62,086 | \$ 344,896 | \$ 2.01 |
| <i>Non-GAAP adjustments:</i> | | | | | |
| Restructuring related and other | 18,271 | 0.7% | — | 18,271 | 0.11 |
| Financing and other transaction costs | (52,364) | (2.0%) | — | (46,414) | (0.27) |
| Step-up depreciation and amortization | 105,023 | 3.9% | — | 105,023 | 0.61 |
| Deferred loss on derivative instruments | 2,868 | 0.1% | — | 13,752 | 0.08 |
| Amortization of debt issuance costs | — | —% | — | 5,480 | 0.03 |
| Deferred taxes and other tax related | — | —% | 20,783 | 20,783 | 0.12 |
| Total adjustments | 73,798 | 2.8% | 20,783 | 116,895 | 0.68 |
| Adjusted (non-GAAP) | \$ 621,855 | 23.3% | \$ 41,303 | \$ 461,791 | \$ 2.69 |

We treat deferred taxes as a non-GAAP adjustment. Accordingly, the tax effect of the non-GAAP adjustments above refers only to the current tax effect, if applicable. With respect to the nine months ended September 30, 2018, the current tax effect of the related non-GAAP adjustments was not material, individually or in the aggregate.

The following unaudited table identifies where in the Condensed Consolidated Statements of Operations the adjustments to reconcile operating income and net income to adjusted operating income and adjusted net income were recorded for the three and nine months ended September 30, 2019 and 2018:

| (\$ in thousands) | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------------|-------------------------------------|-----------------|------------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cost of revenue | \$ 8,226 | \$ 4,102 | \$ 17,538 | \$ 15,375 |
| Selling, general and administrative | 4,480 | 892 | 8,430 | 7,580 |
| Amortization of intangible assets | 34,215 | 32,285 | 102,988 | 98,646 |
| Restructuring and other charges, net | 6,421 | (51,952) | 28,040 | (47,803) |
| Operating income adjustments | 53,342 | (14,673) | 156,996 | 73,798 |
| Interest expense, net | 1,855 | 1,837 | 5,573 | 5,480 |
| Other, net | 3,346 | 7,833 | 3,133 | 16,834 |
| Provision for income taxes | 15,340 | 9,897 | 39,339 | 20,783 |
| Net income adjustments | \$ 73,883 | \$ 4,894 | \$ 205,041 | \$ 116,895 |

Cash Flow Reconciliation

Reconciliation of net cash provided by operating activities to free cash flow

| (\$ in thousands) | Three months ended September 30, | | % Change | Nine months ended September 30, | | % Change |
|---|-------------------------------------|-------------------|--------------|------------------------------------|-------------------|-------------|
| | 2019 | 2018 | | 2019 | 2018 | |
| Net cash provided by operating activities | \$ 181,361 | \$ 166,226 | 9.1% | \$ 433,527 | \$ 420,139 | 3.2% |
| Additions to property, plant and equipment and capitalized software | (41,657) | (44,974) | 7.4% | (123,206) | (111,275) | (10.7%) |
| Free cash flow | \$ 139,704 | \$ 121,252 | 15.2% | \$ 310,321 | \$ 308,864 | 0.5% |

The following unaudited table reconciles Sensata's projected (GAAP) diluted EPS per share to its projected adjusted EPS for the three months ending December 31, 2019 and the full year ending December 31, 2019. The amounts in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not sum due to the effect of rounding.

Non-GAAP Reconciliation of EPS Guidance

| | Three months ending December 31, 2019 | | Full year ending December 31, 2019 | |
|---|--|----------|---------------------------------------|----------|
| | Low End | High End | Low End | High End |
| Projected GAAP Earnings per diluted share | \$ 0.45 | \$ 0.46 | \$ 1.84 | \$ 1.85 |
| Restructuring related and other | 0.10 | 0.11 | 0.37 | 0.38 |
| Financing and other transaction costs | — | 0.01 | 0.09 | 0.10 |
| Deferred (gain)/loss on derivative instruments* | — | — | (0.03) | (0.03) |
| Step-up depreciation and amortization | 0.22 | 0.22 | 0.87 | 0.87 |
| Deferred taxes and other tax related | 0.07 | 0.08 | 0.32 | 0.33 |
| Amortization of debt issuance costs | 0.01 | 0.01 | 0.05 | 0.05 |
| Projected adjusted EPS per diluted share | \$ 0.85 | \$ 0.89 | \$ 3.51 | \$ 3.55 |
| Weighted-average diluted shares outstanding (in 000s) | 159.3 | 159.3 | 161.9 | 161.9 |

* We are unable to predict movements in commodity prices and, therefore, the impact of mark-to-market adjustments on our commodity forward contracts to our projected 2019 diluted net income per share. In prior periods, such adjustments have been significant to our reported GAAP earnings.

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