Sensata Technologies Holding N.V.
Form 10-K
February 02, 2017
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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, 2016
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.)
Jan Tinbergenstraat 80, 7559 SP Hengelo The Netherlands (Address of Principal Executive Offices, including Zip Code)	31-74-357-8000 (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	Smaller reporting company o
(Do not check if a 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 x

The aggregate market value of the registrant’s ordinary shares held by non-affiliates at June 30, 2016 was approximately $5.9 billion based on the New York Stock Exchange closing price for such shares on that date.

As of January 13, 2017, 170,879,763 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 18, 2017. 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, 2016.

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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 and similar terms or phrases, or the negative of such 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. Although we believe that our plans, intentions, and expectations reflected in, or suggested by, such forward-looking statements are reasonable, 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:

- risks associated with changes to current policies by the U.S. government;
- 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 acquisitions of August Cayman Company, Inc. ("Schrader") and certain subsidiaries of Custom Sensors & Technologies Ltd. in the U.S., the U.K., and France, as well as certain assets in China (collectively, "CST"), 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, including as a result of the impending exit of the U.K. from the European Union;
- we may incur material losses and costs as a result of intellectual property, 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;
- labor disruptions or increased labor costs could adversely affect our business;
- our level of 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;
- risks associated with security breaches and other disruptions to our information technology infrastructure; 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 U.S. Securities and Exchange Commission. You can read these documents at www.sec.gov or on our website at www.sensata.com.

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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 operations through subsidiary companies that operate business and product development centers primarily 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 primarily in China, Malaysia, Mexico, Bulgaria, Poland, France, Germany, the U.K., and the U.S. We organize our operations into two businesses, Performance Sensing and Sensing Solutions.

Overview

Sensata, a global industrial technology company, engages in the development, manufacture, and sale of sensors and controls. We produce a wide range of sensors and controls for applications such as pressure sensors in automotive systems, thermal circuit breakers in aircraft, and bimetal current and temperature control devices in electric motors. We can trace our origins back to entities that have been engaged in the sensors and controls business since 1916.

Our sensors are customized devices that translate a physical phenomenon, such as pressure 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, speed and position sensors, bimetal electromechanical controls, temperature sensors, power conversion and control products, thermal and magnetic-hydraulic circuit breakers, pressure switches, and interconnection products. We develop customized, innovative solutions for specific customer requirements or applications across a variety of end-markets, including automotive, heavy vehicle 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 are a global business, with significant operations around the world. As of December 31, 2016, 37%, 36%, and 27% of our fixed assets were located in the Americas, Asia, and Europe, respectively. We have a diverse revenue mix by geography, customer, and end-market. We generated 43%, 25%, and 32% of our net revenue in the Americas, Asia, and Europe, respectively, for the year ended December 31, 2016. Our largest customer accounted for approximately 9% of our net revenue for the year ended December 31, 2016. Our net revenue for the year ended December 31, 2016 was derived from the following end-markets: 25.2% from European automotive, 20.1% from North American automotive, 17.8% from Asia and rest of world automotive, 12.8% from HVOR, 9.0% from industrial, 5.9% from appliance and HVAC, 4.7% from aerospace, and 4.5% 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.

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Acquisition History

Over the past ten years, we completed the following significant acquisitions:

Date	Acquired Entity	Segment Performance Sensing	Sensing Solutions	Purchase Price (in Millions)
July 27, 2007	Airpax Holdings, Inc. ("Airpax")		X	$ 277.3
January 28, 2011	Automotive on Board ("MSP")	X		$ 152.5
August 1, 2011	Sensor-NITE Group Companies ("HTS")	X		$ 324.0
January 2, 2014	Wabash Worldwide Holding Corp. ("Wabash")	X		$ 59.6
May 29, 2014	Magnum Energy Incorporated ("Magnum")		X	$ 60.6
August 4, 2014	CoActive U.S. Holdings Inc. ("DeltaTech Controls")	X		$ 177.8
October 14, 2014	August Cayman Company, Inc. ("Schrader")	X		$ 1,004.7
December 1, 2015	Custom Sensors & Technologies ("CST") [(1)]	X	X	$ 1,000.8

(1) Includes the acquisition of all of the outstanding shares of certain subsidiaries of Custom Sensors & Technologies Ltd. in the U.S., the U.K., and France, as well as certain assets in China.

Performance Sensing Business

Overview

Our Performance Sensing business is a leading supplier of automotive and HVOR sensors, including pressure sensors, speed and position sensors, temperature sensors, operator controls, and pressure switches. Our Performance Sensing business accounted for approximately 74% of our 2016 net revenue. Products manufactured by our Performance Sensing business are used in a wide variety of applications, including automotive and HVOR air conditioning, braking, exhaust, fuel oil, tire, and transmission applications. We believe that we are one of the largest suppliers of pressure and high temperature 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 Performance Sensing segment operating income for the years ended December 31, 2016, 2015, and 2014 and total assets as of December 31, 2016 and 2015.

Performance Sensing Business Markets

Sensors are customized devices that translate a physical phenomenon, such as pressure or position, into electronic signals that microprocessors or computer-based control systems can act upon. 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 HVOR sensors are included in the Performance Sensing business results, while industrial and aerospace sensors are included in the Sensing Solutions business results. Refer to the Sensing Solutions Business Markets section for discussion of industrial and aerospace sensors.

Automotive and HVOR Sensors

Revenue growth from the global automotive and HVOR sensor end-markets, which include applications in powertrain, tire, 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, consumer demand for new applications, and productivity for HVOR applications. For example, fuel economy standards such as the Corporate Average Fuel Economy ("CAFE") requirements in the U.S. and emissions requirements such as "Euro VI" in Europe lead to sensor-rich automobile powertrain strategies. Finally, revenue

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growth has been augmented by a continuing shift away from legacy electromechanical products towards higher-value electronic solid-state sensors.

According to the LMC Automotive "Global Car & Truck Forecast" for the fourth quarter 2016, the production of global light vehicles in 2016 was approximately 92.4 million units, an increase of 3.9% from 2015.

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 life-cycle, which in the case of the automotive end-market typically lasts 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.

According to an October 2016 report prepared by Strategy Analytics, Inc., the global automotive sensor market was $21.2 billion in 2016, compared to $20.1 billion in 2015. We believe the increase in the number of sensors per vehicle and the level of global vehicle sales are the primary drivers of the increase in 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 electronic stability control, TPMS, advanced driver assistance, and advanced combustion and exhaust after-treatment, will continue to drive increased sensor usage and content growth.

Performance Sensing Products

We offer the following significant products in the Performance Sensing business:

Product Categories	Key Applications/Solutions	Key End-Markets
Pressure sensors	Air conditioning systems Transmission Engine oil Suspension Fuel rail Braking Tire pressure monitoring Exhaust after treatment	Automotive HVOR Motorcycle
Speed and position sensors	Transmission Braking Engine	Automotive HVOR
Temperature sensors	Exhaust after-treatment	Automotive HVOR
Pressure switches	Air conditioning systems Power steering Transmission	Automotive HVOR

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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:

Product Category	For the year ended December 31,		
(Amounts in thousands)	2016	2015	2014
Pressure sensors	$1,724,677	$1,631,678	$1,164,494
Speed and position sensors	305,287	328,102	275,628
Temperature sensors	185,289	191,369	152,662
Pressure switches	56,005	55,607	65,129
Other	114,122	139,470	97,944
Total	$2,385,380	$2,346,226	$1,755,857

Sensing Solutions Business

Overview

We are a leading provider of bimetal electromechanical controls, thermal and magnetic-hydraulic circuit breakers, power conversion and control products, industrial and aerospace sensors, and interconnection products. Our Sensing Solutions business accounted for approximately 26% of our 2016 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, linear and rotary position sensors, semiconductor burn-in test sockets, solid state relays, and power inverters. Our control products are sold into industrial, aerospace, military, commercial, medical device, and residential end-markets. We derive most of our Sensing Solutions 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 and aerospace sensors, including pressure sensors, temperature sensors, and linear and rotary position 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.

Our Sensing Solutions business benefits from strong agency relationships. For example, a number of electrical standards for motor control products, including portions of the Underwriters' Laboratories ("UL") Standards for Safety, have been written based on the performance and specifications of our control products. We also have U.S. and Canadian Component Recognitions from UL, a U.S.-based organization that issues safety standards for many electrical products in the U.S., for many of our control products, so that customers can use Klixon® and Airpax® products throughout North America. Where our component parts are detailed in our customers' certifications from UL, changes to their certifications may be necessary in order for them to incorporate competitors' motor protection offerings. Similarly, our aerospace products undergo exhaustive qualification procedures to customer or military performance standards; requiring a significant investment in a re-qualification effort to incorporate competitors' 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 Sensing Solutions segment operating income for the years ended December 31, 2016, 2015, and 2014 and total assets as of December 31, 2016 and 2015.

Sensing Solutions Business Markets

Sensing Solutions products include controls, which are customized devices that protect equipment and electrical architecture from excessive heat or current, and sensors, which 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 conversion and control products, interconnection products, and industrial and aerospace sensors, each of which serves a highly diversified base of customers, end-markets, applications, and geographies.

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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. The demand for many of these products tends to follow the general economic environment and is affected by the increasing significance of new electronically-driven applications.

Thermal and Magnetic-Hydraulic Circuit Breakers

Our circuit breaker portfolio includes thermal circuit breakers and customized magnetic-hydraulic circuit breakers, which help prevent damage from thermal or electrical overload. We provide thermal circuit breakers to the commercial and military aircraft markets as well as the industrial and agricultural markets. Our magnetic-hydraulic circuit breaker business serves 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. Demand for these products tends to follow the general economic environment.

Power Conversion and Control

Power conversion and control products include power inverters, charge controllers, and solid state relays.

Our power inverter products enable conversion of electric power from direct current ("DC") power to alternating current ("AC") power, or AC power to DC 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, or in applications where AC power is converted to DC power to charge batteries or power DC loads. Typically, converting AC power to DC power also utilizes a charge controller.

Specific applications for power inverters and charge controllers include powering applications in utility/service trucks or recreational vehicles and providing power conversion and charge control for off-grid and grid-tie battery back-up systems. Demand for these products is driven by economic development, the need to meet new energy efficiency standards, electrification of auxiliary loads on work trucks, emerging opportunities for residential energy storage and off-grid power systems, and a growing interest in clean energy to replace generators, which increases demand for both mobile and stationary power.

With the acquisition of CST in December 2015, this product category was expanded to include solid state relays. Solid state relays are used where it is necessary to control a circuit by a low-power signal, or where several circuits must also be controlled by one signal. Solid state relays have certain advantages over mechanical relays, including long operation life, silent operation, low power, and low electrical interference. Applications for solid state relays primarily include those in the industrial and commercial equipment end-markets.

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 driven by the desire to have smaller, lighter, faster, more functional, and energy conscious devices that make users more productive and interconnected to society.

Industrial and Aerospace Sensors

Industrial sensors employ similar technology to automotive and HVOR sensors discussed in the Performance Sensing Business section above, but often require different customization in terms of packaging, calibration, and electrical output. Applications in which these sensors have historically been 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); applications such as pumps and storage tanks, where measurement of pressure and temperature is required for optimum performance; and commercial and military aircraft applications.

With the acquisition of CST in December 2015, this product category was expanded to include linear and rotary position sensors. Linear and rotary position sensors translate linear or angular mechanical position to an electrical signal, and are typically used in systems where high reliability is desired, such as commercial and military aircraft controls. The primary

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applications for our linear and rotary position sensors are in harsh environments in the aerospace and energy and infrastructure end-markets.

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. For example, 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.

Sensing Solutions Products

We offer the following significant products in the Sensing Solutions business:

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 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 conversion and control	DC/AC inverters Charge controllers Solid state relays	Utility Work Vehicles Recreational vehicles Solar power Industrial equipment Commercial equipment
Industrial and aerospace sensors	System fluid measurement Motion control systems	HVAC/R Industrial equipment Aerospace and defense

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:

Product Category	For the year ended December 31,		
(Amounts in thousands)	2016	2015	2014
Bimetal electromechanical controls	$ 321,202	$ 318,721	$ 359,610
Industrial and aerospace sensors	193,843	69,102	56,779
Power conversion and control	120,357	58,180	35,160
Thermal and magnetic-hydraulic circuit breakers	109,719	110,980	117,816
Interconnection	57,518	61,738	69,332

Other	14,269	10,014	15,249
Total	$ 816,908	$ 628,735	$ 653,946

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 products, and others consist of processes or techniques

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that result in reduced manufacturing costs. Our patents generally relate to improvements on earlier filed Sensata, acquired, or competitor patents. As of December 31, 2016, we had approximately 298 U.S. and 314 non-U.S. patents and approximately 46 U.S. and 275 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. Our patents have expiration dates ranging from 2017 to 2036. We incurred Research and Development expense of $126.7 million, $123.7 million, and $82.2 million for the years ended December 31, 2016, 2015, and 2014, respectively.

We utilize licensing arrangements with respect to certain technology that we use in our sensor products and, to a lesser extent, our control products. In 2006, we entered into a perpetual, royalty-free cross-license agreement with our former owner, Texas Instruments Incorporated ("TI"), 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 primarily in our monosilicon strain gage pressure sensors, from Measurement Specialties, Inc. and its affiliates ("MEAS") and also manufacture them internally as a second source. In March 2013 we entered into an intellectual property licensing arrangement (the "License Agreement") with MEAS, which provides for an indefinite duration license, and which is subject to royalties through 2019 and thereafter is royalty-free. Pursuant to the terms of the License Agreement, 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 $397.7 million in net revenue for the year ended December 31, 2016, of which $150.6 million was related to products that were manufactured by MEAS, and $247.1 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 Sensing Solutions 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.

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 Performance Sensing business includes a wide range of OEMs and Tier 1 suppliers in the automotive and HVOR end-markets. Our customers in the Sensing Solutions business include a wide range of industrial and commercial manufacturers and suppliers across multiple end-markets, primarily OEMs in the climate control, appliance, semiconductor, medical, energy and infrastructure, data/telecom, 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 27 years. Our largest customer accounted for approximately 9% of our net revenue for the year ended December 31, 2016.

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, 2016, 2015, and 2014 and long-lived assets by selected geographic area as of December 31, 2016 and 2015.

Competition

Within each of the principal product categories in our Performance Sensing 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 Sensing Solutions 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 UL and military agencies, and similar organizations outside of the U.S., 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, 2016, we had approximately 20,300 employees, of whom approximately 10% were located in the U.S. As of December 31, 2016, approximately 650 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, 2016, we had approximately 1,670 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, 2016, 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, 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 2017.

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., U.S. 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”). The export of any such ITAR-controlled products requires 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 to eight 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 website (www.sensata.com) our Annual Reports 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 U.S. Securities and Exchange Commission (the "SEC"). Our website and the information contained or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K.

The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NE., Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-202-551-8300. The SEC maintains an Internet site that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents on, or accessible through, this website are not incorporated into this filing. Further, our references to the URLs for the SEC's website and our website are intended to be inactive textual references only.

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ITEM 1A. RISK FACTORS

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

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 63% of our total 2016 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, could 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.

We 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.

We 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 China with respect to the Sensing Solutions business, have entered the markets, or increased their sales in these 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 price reductions. 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 Foreign Corrupt Practices Act (the "FCPA") or similar worldwide anti-bribery laws.

Our subsidiaries located outside of the United States (the "U.S.") generated approximately 64% of our 2016 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 ("USD"), 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 USD because of the significant influence of USD on our operations. In certain instances, we enter into transactions that are denominated in a currency other than USD. 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 USD using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than USD are adjusted to USD 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 may increase because the non-U.S.

currency will translate into more USD. Conversely, during times of a strengthening USD, our reported international sales and earnings may decrease because the local currency will translate into fewer USD.

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;
- 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 other 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”) and the acquired assets and subsidiaries of Custom Sensors & Technologies Ltd. ("CST") into our operations and we may not realize the anticipated efficiencies and synergies of the acquisitions of Schrader and CST (the "Acquisitions"). If the Acquisitions do not achieve their intended results, our business, financial condition, and results of operations could be

materially and adversely affected.
The integrations of Schrader and CST into our operations are significant undertakings and will continue to require significant attention from our management team. The Acquisitions involve the integration of companies that previously

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operated independently, and the unique business cultures of these companies may prove to be incompatible. It is possible that the integration processes 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 Acquisitions. Our results of operations and financial condition could also be adversely affected by any issues attributable to the operations of Schrader or CST that arose or are based on events or actions that occurred prior to the closing of the Acquisitions. We may have difficulty addressing possible differences in corporate cultures and management philosophies. The integration process is subject to a number of uncertainties, and although we currently anticipate significant long-term synergies, no assurance can be given that these anticipated synergies will be realized or, if realized, the timing of their realization. Our actual synergies and the expenses required to realize these synergies could differ materially from our current expectations, and we cannot assure you that these synergies will not have other adverse effects on our business. Failure to achieve the anticipated benefits of the Acquisitions could result in increased costs or decreased revenue and could materially adversely affect our business, financial condition, and results of operations.

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

As a result of the Acquisitions, we have assumed all of the liabilities of Schrader and CST, including known and unknown contingent liabilities. If there are significant unknown obligations of Schrader or CST, or if we incur significant losses arising from known contingent liabilities assumed by us in connection with the Acquisitions, our business could be materially and adversely affected. We may obtain additional information about Schrader's or CST'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 Acquisitions will be successful or that they will not, in fact, harm our business. Among other things, if the liabilities of Schrader or CST 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 unindemnified or uninsured liabilities, these liabilities may have a material adverse effect on our financial condition and results of operations.

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. 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 material intellectual property claims against us.

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 is 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 warranty 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.

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Changes in existing environmental and/or safety laws, regulations, and programs could reduce demand for environmental and/or 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/or safety products, which may have a material adverse effect on our revenue.

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

As of December 31, 2016, we had $3,324.9 million of gross outstanding indebtedness, including $937.8 million of indebtedness under the term loan (the "Term Loan") provided by the sixth amendment to the credit agreement dated as of May 12, 2011 (as amended, the "Credit Agreement"), $500.0 million aggregate principal amount of 4.875% senior notes due 2023 issued under an indenture dated as of April 17, 2013 (the "4.875% Senior Notes"), $400.0 million aggregate principal amount of 5.625% senior notes due 2024 issued under an indenture dated as of October 14, 2014 (the "5.625% Senior Notes"), $700.0 million aggregate principal amount of 5.0% senior notes due 2025 issued under an indenture dated as of March 26, 2015 (the "5.0% Senior Notes"), $750.0 million aggregate principal amount of 6.25% senior notes due 2026 issued under an indenture dated as of November 27, 2015 (together with the 4.875% Senior Notes, the 5.625% Senior Notes, and the 5.0% Senior Notes, the "Senior Notes"), and $37.1 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, the senior secured credit facilities provided for under the Credit Agreement (the "Senior Secured Credit Facilities"), under which the Term Loan and the Revolving Credit Facility were issued, permit us to incur additional indebtedness in the future. As of December 31, 2016, we had $414.4 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, or to fund our other liquidity needs, including capital expenditures.

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 (as defined in the Credit Agreement) are required to satisfy this covenant, on a pro forma basis,

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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, the 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, 2016, we had approximately 20,300 employees, of whom approximately 10% were located in the U.S. As of December 31, 2016, approximately 650 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.

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.

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. 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 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, 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 to transition supply and qualify 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 non-performance 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. Supplier 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 those containing silver, gold, platinum, palladium, copper, aluminum, nickel, zinc, resins, and certain rare earth

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metals, which may experience significant volatility in their price 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. Refer to Note 16, "Derivative instruments and Hedging Activities," of our audited consolidated financial statements, and Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," each included elsewhere in this Annual Report on Form 10-K for further discussion of accounting for hedges of commodity prices, and an analysis of the sensitivity on pretax earnings of a change in the forward price on these hedges, respectively.
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. 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 pending 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 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 is 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 U.S. 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 ITAR and require an individual validated license in order to be exported to certain jurisdictions. These restrictions also apply to technical data for design, development, production, use, repair, and maintenance of such ITAR-controlled products. The export of ITAR-controlled products or technical data requires an individual validated license from the U.S. State Department’s Directorate of Defense Trade Controls. Any delays in obtaining, or our inability to obtain, such licenses could result in a material reduction in revenue.

We export products that are subject to other export regulations, and any changes in these 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. This area remains fluid in terms of regulatory developments. Should we need an export license under existing regulations, the length of time required by the licensing process can vary, potentially delaying the shipment of products and the recognition of the corresponding revenue. We have no control over the time it takes to process an export license. 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 and ITAR compliance programs. Although we continue to enhance these compliance programs, 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 applicable authorities will not raise

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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 U.S. 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 accrued. 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. Adherence to 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.

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.

Sensata Technologies Holding N.V. is 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 financial condition.

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 prices 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 liabilities, interest, and 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. Goodwill and other intangible assets, net totaled approximately $4.1 billion as of December 31, 2016, or 65% of our total assets. Goodwill, which represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized, was approximately $3.0 billion as of December 31, 2016, or 48% of our total assets. Goodwill and other identifiable intangible assets were recognized at fair value as of the corresponding acquisition date. 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. Although no impairment charges have been recorded 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. Refer to Critical Accounting Policies and Estimates, included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this

Annual Report on Form 10-K for further discussion of the assumptions used in the development of the fair value of our reporting units.

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

Sensata Technologies Holding, N.V. is incorporated under the laws of the Netherlands, and a substantial portion of our assets are located outside of the U.S. As a result, although we have appointed an agent for service of process in the U.S., it may be difficult or impossible for U.S. investors to effect service of process upon us within the U.S. or to realize any judgment against us in the U.S., including for civil liabilities under U.S. securities laws. Therefore, any judgment obtained against us in any U.S. federal or state court 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 U.S. and the Netherlands with respect to the recognition and enforcement of legal judgments regarding civil or commercial matters, a judgment rendered by any U.S. 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 U.S. 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 U.S. 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 U.S. courts obtained against us predicated upon the civil liability provisions of the U.S. 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 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 U.S.

Security breaches and other disruptions to our information technology infrastructure could interfere with our operations, compromise confidential information, and expose us to liability which could materially adversely impact our business and reputation.

Security breaches and other disruptions to our information technology infrastructure could interfere with our operations; compromise information belonging to us, our employees, customers, and suppliers; and expose us to liability which could adversely impact our business and reputation. In the ordinary course of business, we rely on information technology networks and systems, some of which are managed by third parties, to process, transmit, and store electronic information, and to manage or support a variety of business processes and activities. Additionally, we collect and store certain data, including proprietary business information and customer and employee data, and may have access to confidential or personal information that is subject to privacy and security laws, regulations, and customer-imposed controls. Despite our cybersecurity measures

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(including employee and third-party training, monitoring of networks and systems, and maintenance of backup and protective systems) which are continuously reviewed and upgraded, our information technology networks and infrastructure may still be vulnerable to damage, disruptions, or shutdowns due to attack by hackers, breaches, employee error or malfeasance, power outages, computer viruses, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to our reputation, which could materially adversely affect our business. While we have experienced, and expect to continue to experience, these types of threats to our information technology networks and infrastructure, to date none of these threats has had a material impact on our business or operations.

The vote by the United Kingdom to leave the European Union could adversely affect us.

The United Kingdom ("U.K.") held a referendum on June 23, 2016 on its membership in the European Union (the "E.U."), in which a majority of voters in the U.K. voted to exit the E.U. (commonly referred to as "Brexit"). The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the U.K. formally initiates a withdrawal process. These negotiations will determine the future terms of the U.K.'s relationship with the E.U., including the terms of trade between the U.K. and the E.U. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate. The referendum has also given rise to calls for the governments of other E.U. member states to consider withdrawal from the E.U.

The effects of Brexit will depend on any agreements the U.K. makes to retain access to E.U. markets either during a transitional period or more permanently. Brexit could adversely affect European or worldwide economic or market conditions and contribute to instability in global financial markets. We have substantial sales and operations in the E.U., and manufacturing operations in the U.K. Any of these effects of Brexit, and others we cannot anticipate, could adversely affect our business, business opportunities, results of operations, and financial condition.

Changes to current policies by the U.S. government could adversely affect our business.

We anticipate possible changes to current policies by the U.S. government that could affect our business, including potentially through (i) increased import tariffs and other influences on U.S. trade relations with other countries (e.g., Mexico and China) and/or (ii) changes to U.S. tax laws. The imposition of tariffs or other trade barriers could increase our costs in certain markets, and may cause our customers to find alternative sourcing. In addition, other countries may change their own policies on business and foreign investment in companies in their respective countries. Tax changes would have different impacts depending on the specific policies enacted. Additionally, it is possible that U.S. policy changes and uncertainty about policy could increase market volatility and currency exchange rate fluctuations. Market volatility and currency exchange rate fluctuations could impact our results of operations and financial condition related to transactions denominated in a foreign currency.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

As of December 31, 2016, we occupied 19 principal manufacturing facilities and business centers totaling approximately 3,675 thousand square feet, with the majority devoted to research, development, engineering, manufacturing, and assembly. We lease approximately 433 thousand square feet for our United States headquarters in Attleboro, Massachusetts. Of our principal facilities, approximately 1,547 thousand square feet are owned and approximately 2,128 thousand 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:

		Operating Segment			
Country	Location	Performance Sensing	Sensing Solutions	Owned or Leased	Approximate Square Footage (in thousands)
Bulgaria	Botevgrad	X		Owned	137
Bulgaria	Plovdiv	X		Owned	125
Bulgaria	Sofia	X		Leased	108
China	Baoying		X	Owned	360
China	Baoying	X	X	Leased	385
China	Changzhou	X	X	Leased	488
France	Pontarlier	X		Owned	178
Germany	Berlin	X		Leased	33
Malaysia	Subang Jaya	X		Owned	123
Mexico	Aguascalientes	X	X	Owned	411
Mexico	Tijuana (1)	X	X	Leased	287
Netherlands	Hengelo(2)	X	X	Leased	94
Poland	Bydgoszcz	X		Leased	54
United Kingdom	Antrim	X		Leased	97
United Kingdom	Carrickfergus	X		Owned	63
United Kingdom	Swindon	X		Leased	34
United States	Attleboro, MA	X	X	Leased	433
United States	Altavista, VA	X		Owned	150
United States	Thousand Oaks, CA	X	X	Leased	115

(1) This location includes two principal manufacturing facilities.
(2) In December 2016, we sold our principal headquarters in Almelo, the Netherlands, and moved into a new facility in Hengelo, the Netherlands.

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.

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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. 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. 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.

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.

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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
2015		
Quarter ended March 31, 2015	$58.16	$48.75
Quarter ended June 30, 2015	$59.04	$52.39
Quarter ended September 30, 2015	$53.51	$41.98
Quarter ended December 31, 2015	$49.73	$42.48
2016		
Quarter ended March 31, 2016	$45.60	$29.92
Quarter ended June 30, 2016	$39.89	$32.07
Quarter ended September 30, 2016	$40.69	$33.81
Quarter ended December 31, 2016	$41.43	$35.10

Performance Graph

The following graph compares the total shareholder return of our ordinary shares since December 31, 2011, to the total shareholder return 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 $100.00 on December 31, 2011.

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Total Shareholder Return of $100.00 Investment from December 31, 2011

	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Sensata	$ 100.00	$ 123.59	$ 147.53	$ 199.43	$ 175.27	$ 148.21
S&P 500	$ 100.00	$ 116.00	$ 153.57	$ 174.60	$ 177.01	$ 198.18
S&P 500 Industrial	$ 100.00	$ 115.35	$ 162.27	$ 178.21	$ 173.70	$ 206.46

The information in the graph and table above is not “soliciting material,” is not deemed “filed” with the United States ("U.S.") Securities and Exchange Commission, and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as 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 total shareholder return shown on the graph represents past performance and should not be considered an indication of future price performance.

Stockholders

As of January 13, 2017, there was one holder of record of our ordinary shares, Cede & Co. (which acts as nominee shareholder for the Depository Trust Company), and approximately 31,600 beneficial owners, including beneficial owners whose shares are held in "street name" by banks, brokers, and other financial institutions.

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.

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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, 2016	293	[1]	$ 38.78	—	$ 250.0
November 1 through November 30, 2016	—		$ —	—	$ 250.0
December 1 through December 31, 2016	1,720	[1]	$ 40.04	—	$ 250.0
Total	2,013		$ 39.86	—	$ 250.0

[1] Pursuant to the “withhold to cover” method for collecting and paying withholding taxes for our employees upon the vesting of restricted securities, we withheld from certain employees the ordinary 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 ordinary share listed in the above table is the weighted-average of the fair market prices at which we calculated the number of ordinary shares withheld to cover tax withholdings for the employees.

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ITEM 6. SELECTED FINANCIAL DATA

We have derived the selected consolidated statement of operations and other financial data for the years ended December 31, 2016, 2015, and 2014, and the selected consolidated balance sheet data as of December 31, 2016 and 2015, 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, 2013 and 2012, and the selected consolidated balance sheet data as of December 31, 2014, 2013, and 2012, 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)	2016	2015	2014	2013	2012
Statement of Operations Data[(a)]:					
Net revenue	$3,202,288	$2,974,961	$2,409,803	$1,980,732	$1,913,910
Operating costs and expenses:					
Cost of revenue	2,084,261	1,977,799	1,567,334	1,256,249	1,257,547
Research and development	126,665	123,666	82,178	57,950	52,072
Selling, general and administrative	293,587	271,361	220,105	163,145	141,894
Amortization of intangible assets	201,498	186,632	146,704	134,387	144,777
Restructuring and special charges	4,113	21,919	21,893	5,520	40,152
Total operating costs and expenses	2,710,124	2,581,377	2,038,214	1,617,251	1,636,442
Profit from operations	492,164	393,584	371,589	363,481	277,468
Interest expense, net	(165,818)	(137,626)	(106,104)	(93,915)	(99,222)
Other, net[(b)]	(4,901)	(50,329)	(12,059)	(35,629)	(5,581)
Income before income taxes	321,445	205,629	253,426	233,937	172,665
Provision for/(benefit from) income taxes [(c)]	59,011	(142,067)	(30,323)	45,812	(4,816)
Net income	$262,434	$347,696	$283,749	$188,125	$177,481
Basic net income per share	$1.54	$2.05	$1.67	$1.07	$1.00
Diluted net income per share	$1.53	$2.03	$1.65	$1.05	$0.98
Weighted-average ordinary shares outstanding—basic	170,709	169,977	170,113	176,091	177,473
Weighted-average ordinary shares outstanding—diluted	171,460	171,513	172,217	179,024	181,623
Other Financial Data[(a)]:					
Net cash provided by/(used in):					
Operating activities	$521,525	$533,131	$382,568	$395,838	$397,313
Investing activities	(174,778)	(1,166,369)	(1,430,065)	(87,650)	(62,501)
Financing activities	(337,582)	764,172	940,930	(403,831)	(13,400)
Capital expenditures	(130,217)	(177,196)	(144,211)	(82,784)	(54,786)

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	2016	2015	2014	2013	2012
Balance Sheet Data (as of December 31)[(a)]:					
Cash and cash equivalents	$351,428	$342,263	$211,329	$317,896	$413,539
Working capital[(d)]	758,189	412,748	441,258	537,139	616,317
Total assets[(e)]	6,240,976	6,298,910	5,087,507	3,479,692	3,626,272
Total debt, including capital lease and other financing obligations, net of discount and deferred financing costs [(e)]	3,273,594	3,600,991	2,812,734	1,704,834	1,802,536
Total shareholders' equity	1,942,007	1,668,576	1,302,892	1,141,588	1,222,294

(a) Amounts shown reflect the acquisitions of Wabash Worldwide Holding Corp., Magnum Energy Incorporated, CoActive US Holdings, Inc. ("DeltaTech Controls"), and August Cayman Company, Inc. ("Schrader") in 2014 and certain assets and subsidiaries of Custom Sensors & Technologies Ltd. ("CST") in 2015. Refer to Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details on our acquisitions.

(b) Other, net for the years ended December 31, 2016, 2015, 2014, 2013, and 2012 primarily includes: (losses) recognized on debt financing transactions of $0.0 million, $(25.5) million, $(1.9) million, $(9.0) million, and $(2.2) million, respectively; gains/(losses) on commodity forward contracts of $7.4 million, $(18.5) million, $(9.0) million, $(23.2) million, and $(0.4) million, respectively; and (losses) related to foreign currency exchange rates (including gains and losses related to currency remeasurement of net monetary assets and gains and losses on forward currency forward contracts) of $(12.5) million, $(6.0) million, ($1.4) million, $(2.4) million, and $(3.1) million, respectively. Refer to Note 2, "Significant Accounting Policies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details of amounts included in Other, net.

(c) For the year ended December 31, 2015, the benefit from income taxes includes a net benefit of approximately $180.0 million, primarily related to the release of a portion of our United States ("U.S.") valuation allowance in connection with the acquisition of CST. For the year ended December 31, 2014, the benefit from income taxes 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 taxes includes a net benefit of approximately $66.0 million related to the release of the Netherlands' 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) In the first quarter of 2016, we adopted ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) ("ASU 2015-03"), which simplifies the presentation of debt issuance costs, by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. As required by ASU 2015-03, we applied its provisions retrospectively. Accordingly, total assets and long term debt as of December 31, 2015, 2014, 2013, and 2012, have been recast to reflect $38.3 million, $29.1 million, $19.1 million, and $22.1 million, respectively, of deferred financing costs as a reduction of long-term debt.

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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 Technologies Holding N.V. ("Sensata Technologies Holding") and its wholly-owned subsidiaries, collectively referred to as the "Company," "Sensata," "we," "our," and "us," is a global industrial technology company engaged in the development, manufacture, and sale of sensors and controls. We can trace our origins back to entities that have been engaged in the sensors and controls business since 1916.

We conduct our operations through subsidiary companies that operate business and product development centers primarily 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 primarily in China, Malaysia, Mexico, Bulgaria, Poland, France, Germany, the U.K., and the U.S. We organize our operations into two businesses, Performance Sensing and Sensing Solutions.

We generated 43%, 25%, and 32% of our net revenue in the Americas, Asia, and Europe, respectively, for the year ended December 31, 2016. Our largest customer accounted for approximately 9% of our net revenue for the year ended December 31, 2016. Our net revenue for the year ended December 31, 2016 was derived from the following end-markets: 25.2% from European automotive, 20.1% from North American automotive, 17.8% from Asia and rest of world automotive, 12.8% from heavy vehicle off-road ("HVOR"), 9.0% from industrial, 5.9% from appliance and heating, ventilation, and air-conditioning ("HVAC"), 4.7% from aerospace, and 4.5% from all other end-markets. Within many of our end-markets, we are a significant supplier to multiple original equipment manufacturers, 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 pressure sensors in automotive systems, thermal circuit breakers in aircraft, 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 presence in China for more than 20 years.

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 Performance Sensing and Sensing Solutions segments and information about our acquisition history.

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Selected Segment Information

We manage our Performance Sensing and Sensing Solutions businesses separately and report their results of operations as two segments. Set forth below is selected information for each of these segments for each of the periods presented. Amounts in the table 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 as a percentage of total net revenue for the identified periods:

	For the year ended December 31,								
	2016			2015			2014		
(Amounts in millions)	Amount	Percent of Net Revenue		Amount	Percent of Net Revenue		Amount	Percent of Net Revenue	
Net revenue									
Performance Sensing	$2,385.4	74.5	%	$2,346.2	78.9	%	$1,755.9	72.9	%
Sensing Solutions	816.9	25.5		628.7	21.1		653.9	27.1	
Total	$3,202.3	100.0	%	$2,975.0	100.0	%	$2,409.8	100.0	%

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

	For the year ended December 31,								
	2016			2015			2014		
(Amounts in millions)	Amount	Percent of Segment Net Revenue		Amount	Percent of Segment Net Revenue		Amount	Percent of Segment Net Revenue	
Segment operating income									
Performance Sensing	$615.5	25.8	%	$598.5	25.5	%	$475.9	27.1	%
Sensing Solutions	261.9	32.1	%	199.7	31.8	%	202.1	30.9	%
Total	$877.4			$798.3			$678.1		

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.

Factors Affecting Our Operating Results

The following discussion sets forth certain components of the 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 and Estimates 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 regulatory requirements for higher fuel efficiency, lower emissions, and safer vehicles, as well as customer demand for operator productivity and convenience, drive the need for advancements in engine management, safety features, and operator controls. These advancements lead to sensor growth rates that exceed 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.

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Because we derive a significant portion of our revenue from sales to customers in the automotive industry (63% in 2016), 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 industries, end-markets, and geographies. As a result, the drivers of demand for these products vary considerably and are influenced by the conditions in these industries, end-markets, or geographic regions. 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.

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 Performance Sensing segment more significantly than the Sensing Solutions 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

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.

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 resins and metals, such as copper, nickel, zinc, aluminum, gold, silver, platinum, and palladium, and the cost of these materials may vary with underlying commodities pricing. However, we enter into forward contracts to economically hedge a portion of our exposure to the potential change in prices associated with certain of these 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.
- Employee Costs. Employee costs include the wage and benefit charges for employees involved in our manufacturing operations. These costs generally fluctuate on an aggregate basis in direct correlation with changes in production volumes. As a percentage of revenue, these costs may decline as a result of economies of scale associated with higher production volumes, and conversely, may increase with lower production volumes. These costs will also fluctuate based on local market conditions. We rely on contract workers for direct labor in certain geographies. As of December 31, 2016, we had approximately 1,670 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.

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- Other. Our remaining cost of revenue primarily consists of:
- gains and losses on certain foreign currency forward contracts that are designated as cash flow hedges;
- depreciation of fixed assets;
- freight costs;
- warehousing expenses;
- maintenance and repair expenses;
- operating supplies; 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 improvement measures aimed at increasing 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;
- fluctuations in foreign currency exchange rates; and
- acquisitions, as acquired businesses may generate higher or lower gross margins than us.

Research and development ("R&D")

We develop products that address increasingly complex engineering requirements. We believe that continued focused investment in R&D activities is critical to our future growth and maintaining 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 the 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 that we believe will increase our longer term net revenue growth. 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 and existing customers in familiar applications are recorded in cost of revenue and not included in R&D expense.

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Selling, general and administrative ("SG&A")

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 cash and share-based incentive compensation expense. Expenses relating to our sales personnel can fluctuate due to prolonged trends in sales volume. 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;
- pricing changes;
- 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.

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.

Depreciation expense will change depending on the age of existing PP&E and the level of capital expenditures. Depreciation expense is computed using the straight-line method. Refer to Note 2, "Significant Accounting Policies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional details on methods for calculating depreciation expense.

Amortization of definite-lived intangible assets

We have recognized a significant amount of identifiable definite-lived intangible assets, which are recorded at fair value on the date of the related acquisition. Definite-lived, 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 definite-lived intangible assets depends on the amount of intangible assets acquired and where previously acquired intangible assets are in their estimated life-cycle. Capitalized software and capitalized software licenses are presented on the consolidated balance sheets as intangible assets. Capitalized software licenses

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are amortized on a straight-line basis over the lesser of the term of the license or the estimated useful life of the software. Capitalized software is amortized on a straight-line basis over its estimated useful life.

Impairment of goodwill and other identifiable intangible assets

Goodwill and other indefinite-lived 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 any period presented.

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, significant unexpected or planned changes in the use of assets, and our ability to project customer spending. 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 impairments of goodwill or other intangible assets. See Critical Accounting Policies and Estimates included elsewhere in 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 and factors that could result in future impairment charges.

Restructuring and special charges

Restructuring and special charges consist of severance, outplacement, other separation benefits, certain pension settlement and curtailment losses, and facility exit and other costs. Restructuring charges may be incurred as part of an announced restructuring plan, or may be individual charges recorded related to acquired businesses or the termination of a limited number of employees that do not represent the initiation of a larger restructuring plan. 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 discussion of our restructuring and special charges.

Interest expense

We are a highly leveraged company, and interest expense is a significant portion of our results of operations. As of December 31, 2016 and 2015 we had gross outstanding indebtedness of $3,324.9 million and $3,659.5 million, respectively.

Our indebtedness at December 31, 2016 included $937.8 million of indebtedness under the term loan (the "Term Loan") provided by the sixth amendment to the credit agreement dated as of May 12, 2011 (as amended, the "Credit Agreement"), $500.0 million aggregate principal amount of 4.875% senior notes due 2023 (the "4.875% Senior Notes"), $400.0 million aggregate principal amount of 5.625% senior notes due 2024 (the "5.625% Senior Notes"), $700.0 million aggregate principal amount of 5.0% senior notes due 2025 (the "5.0% Senior Notes"), $750.0 million aggregate principal amount of 6.25% senior notes due 2026 (the "6.25% Senior Notes," and together with the 4.875% Senior Notes, the 5.625% Senior Notes, and the 5.0% Senior Notes, the "Senior Notes"), and $37.1 million of capital lease and other financing obligations.

We have entered into various debt transactions and amendments to the Credit Agreement, 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 Loan and Revolving Credit Facility accrue interest at variable interest rates. Refer to Item 7A, “Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk,” included elsewhere in this Annual Report on Form 10-K for more information regarding our 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 to competitors that 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.

Other, net

Other, net primarily includes gains and losses associated with the remeasurement of non-U.S. dollar denominated net monetary assets and liabilities into U.S. dollars, changes in the fair value of non-designated derivative financial instruments,

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and debt financing transactions.

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

In order to mitigate the potential exposure to variability in cash flows and earnings related to changes in foreign currency exchange rates, we enter into foreign currency exchange rate forward contracts that may or may not be designated as cash flow hedges. The change in fair value of foreign currency forward contracts that are not designated for hedge accounting purposes are recognized in Other, net, and are driven by changes in the forward prices for the foreign exchange rates that we hedge. We cannot predict the future trends in foreign exchange rates, and there can be no assurance that gains or losses experienced in past periods will not recur in future periods.

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, and nickel, used in the manufacturing of our products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. These derivatives are not designated as accounting hedges. Changes in the 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 periodically enter into debt financing transactions. In accounting for these transactions, costs may be capitalized or they may be recorded in the consolidated statements of operations as Other, net or Interest expense, net, depending on the type of transaction and the nature of the costs.

Refer to Note 2, "Significant Accounting Policies," 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. 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 commodity and foreign exchange forward contracts.

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 and other tax benefits derived from our operating and capital structure, including tax incentives in both the U.K. and China, and favorable tax status in Mexico. In addition, the Dutch participation exemption 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 our various subsidiaries are among the factors that will determine the future book and taxable income of each 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, the most significant of 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 deferred tax assets;
- because we operate in locations outside the U.S., including China, the Netherlands, South Korea, Malaysia, and Bulgaria, that have statutory tax rates 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;

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- 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; and
- losses incurred in certain jurisdictions, predominantly 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.

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 and estimates 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. We have derived these results of operations for the years ended December 31, 2016, 2015, and 2014 from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Amounts and 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,					
	2016		2015		2014	
(Dollars in millions)	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
Net revenue						
Performance Sensing	$2,385.4	74.5 %	$2,346.2	78.9 %	$1,755.9	72.9 %
Sensing Solutions	816.9	25.5	628.7	21.1	653.9	27.1
Net revenue	3,202.3	100.0 %	2,975.0	100.0 %	2,409.8	100.0 %
Operating costs and expenses:						
Cost of revenue	2,084.3	65.1	1,977.8	66.5	1,567.3	65.0
Research and development	126.7	4.0	123.7	4.2	82.2	3.4
Selling, general and administrative	293.6	9.2	271.4	9.1	220.1	9.1
Amortization of intangible assets	201.5	6.3	186.6	6.3	146.7	6.1
Restructuring and special charges	4.1	0.1	21.9	0.7	21.9	0.9
Total operating costs and expenses	2,710.1	84.6	2,581.4	86.8	2,038.2	84.6
Profit from operations	492.2	15.4	393.6	13.2	371.6	15.4
Interest expense, net	(165.8)	(5.2)	(137.6)	(4.6)	(106.1)	(4.4)
Other, net	(4.9)	(0.2)	(50.3)	(1.7)	(12.1)	(0.5)
Income before taxes	321.4	10.0	205.6	6.9	253.4	10.5
Provision for/(benefit from) income taxes	59.0	1.8	(142.1)	(4.8)	(30.3)	(1.3)
Net income	$262.4	8.2 %	$347.7	11.7 %	$283.7	11.8 %

Net revenue - Overall

Net revenue for fiscal year 2016 increased $227.3 million, or 7.6%, to $3,202.3 million from $2,975.0 million for fiscal year 2015. The increase in net revenue was composed of a 1.7% increase in Performance Sensing and a 29.9% increase in Sensing Solutions. Excluding 7.9% growth due to the net impact of an acquisition and exited businesses (described in more detail below) and a 1.9% decline due to changes in foreign currency exchange rates, particularly the Euro to U.S. dollar, organic

revenue growth was 1.6% when compared to fiscal year 2015. Organic revenue growth is a non-GAAP financial measure. Refer to the section entitled Non-GAAP Financial Measures for further information on our use of this measure.

Net revenue for fiscal year 2015 increased $565.2 million, or 23.5%, to $2,975.0 million from $2,409.8 million for fiscal year 2014. The increase in net revenue was composed of a 33.6% increase in Performance Sensing and a 3.9% decrease in Sensing Solutions.

Net revenue - Performance Sensing

Performance Sensing net revenue for fiscal year 2016 increased $39.2 million, or 1.7%, to $2,385.4 million from $2,346.2 million for fiscal year 2015. Excluding 1.9% growth due to the net impact of an acquisition and exited businesses (described in more detail below) and a 2.1% decline due to changes in foreign currency exchange rates, particularly the Euro to U.S. dollar, organic revenue growth was 1.9% when compared to fiscal year 2015. Organic revenue growth is a non-GAAP financial measure. Refer to the section entitled Non-GAAP Financial Measures for further information on our use of this measure.

We acquired CST (as defined in Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K), a portion of which is being integrated into the Performance Sensing segment, in the fourth quarter of 2015. The increase in revenue related to this acquisition was partially offset by the decrease in revenue related to the exit from unprofitable businesses during the last twelve months.

Performance Sensing organic revenue growth was primarily driven by content and market growth, particularly in our automotive end-markets in China and North America. This growth was partially offset by a decline in our HVOR business as a result of weakness in the North American Class 8 truck and global construction markets, which was partially offset by content growth in this business. In addition, price reductions of 1.8%, primarily related to automotive customers, further reduced organic revenue growth. These price reductions are consistent with expectations for future pricing pressures.

In general, regulatory requirements for higher fuel efficiency, lower emissions, and safer vehicles, such as the Corporate Average Fuel Economy ("CAFE") requirements in the U.S., "Euro VI" requirements in Europe, and "China 4" requirements in Asia, as well as consumer demand for operator productivity and convenience, drive the need for advancements in engine management, safety features, and operator controls that in turn lead to greater demand for our sensors.

Performance Sensing net revenue for fiscal year 2015 increased $590.4 million, or 33.6%, to $2,346.2 million from $1,755.9 million for fiscal year 2014. Excluding 33.8% growth due to acquisitions (primarily DeltaTech and Schrader in the third and fourth quarters of 2014, respectively) and a 3.6% decline due to changes in foreign currency exchange rates, particularly the Euro to U.S. dollar, organic revenue growth was 3.4% when compared to fiscal year 2014. The growth in organic revenue was primarily driven by growth in content, partially offset by a 2.3% reduction due to pricing, which is consistent with past trends and expectations for future pricing pressures, and weakening heavy vehicle, agricultural, construction, and Chinese light vehicle markets.

Net revenue - Sensing Solutions

Sensing Solutions net revenue for fiscal year 2016 increased $188.2 million, or 29.9%, to $816.9 million from $628.7 million for fiscal year 2015. Excluding 30.5% growth due to the impact of the acquisition of CST in the fourth quarter of 2015 and a 1.2% decline due to changes in foreign currency exchange rates, organic revenue growth was 0.6% when compared to fiscal year 2015. Organic revenue growth is a non-GAAP financial measure. Refer to the section entitled Non-GAAP Financial Measures for further information on our use of this measure. After experiencing an organic revenue decline in the first half of 2016, Sensing Solutions organic revenue grew in the second half of the year primarily due to a stabilizing market in China and broadly stronger demand for our electromechanical control and pressure sensor products.

Sensing Solutions net revenue for fiscal year 2015 decreased $25.2 million, or 3.9%, to $628.7 million from $653.9 million for fiscal year 2014. Excluding 4.2% growth due to the impact of the acquisition of Magnum in the second quarter of 2014 and CST in the fourth quarter of 2015 and a 1.2% decline due to changes in foreign currency exchange rates, organic revenue decline was 6.9% when compared to fiscal year 2015. Significant drivers of the decline in organic revenue were broadly weaker markets in China and the industrial and appliance and heating, ventilation, and air-conditioning end-markets, including continued inventory destocking, resulting in lower volumes. Organic revenue during the year ended December 31, 2015 was also impacted by weakness in the semiconductor and communications markets.

Cost of revenue

Cost of revenue for fiscal years 2016, 2015, and 2014 was $2,084.3 million (65.1% of net revenue), $1,977.8 million (66.5% of net revenue), and $1,567.3 million (65.0% of net revenue), respectively.

Cost of revenue decreased as a percentage of net revenue in fiscal year 2016 primarily due to lower material and logistics costs and improved operating efficiencies, partially offset by the negative effect of changes in foreign currency exchange rates and amounts accrued in 2016 related to the Automotive customer claim (as described in Note 14, "Commitments and Contingencies" of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K). In addition, there were certain charges recorded in cost of revenue in fiscal year 2015 that did not recur in fiscal year 2016, including a $6.0 million charge related to the settlement in the third quarter of 2015 of litigation brought by Bridgestone, a $5.0 million charge related to the write-down of certain assets associated with the announcement in the second quarter of 2015 of the shutdown of our Schrader Brazil manufacturing facility, and a $4.0 million charge taken in the second quarter of 2015 related to a warranty claim by a U.S. automaker. Refer to Note 14, "Commitments and Contingencies," of the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 for discussion of the settlement of the Bridgestone litigation and the charge taken related to the U.S. automaker warranty claim. Refer to Note 17, "Restructuring and Special Charges," of the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for discussion of the charge related to the announcement of the shutdown of the Schrader Brazil manufacturing facility.

We anticipate that cost of revenue as a percentage of net revenue will further decline as we continue to create new product designs, and drive operational efficiencies and improvements in productivity, including lowering material costs, and as we integrate recently acquired businesses. We expect that these improvements will be partially offset in fiscal year 2017 by the negative effect of changes in foreign currency exchange rates. We generally complete integration activities within 18 to 24 months after the related acquisition. However, the integrations of certain acquisitions, for example Schrader and CST, are anticipated to take three to four years due to their size and scope.

Cost of revenue as a percentage of net revenue increased in 2015 primarily due to the dilutive effect of acquisitions, and certain charges recorded in cost of revenue in 2015, as discussed above, partially offset by lower material costs and productivity gains.

Research and development expense

R&D expense for fiscal years 2016, 2015, and 2014 was $126.7 million, $123.7 million, and $82.2 million, respectively.

R&D expense has increased over the last two years due to continued investment to support new platform and technology developments, both in our recently acquired and existing businesses, in order to drive future revenue growth.

Selling, general and administrative expense

SG&A expense for fiscal years 2016, 2015, and 2014 was $293.6 million, $271.4 million, and $220.1 million, respectively.

SG&A expense increased in 2016 primarily due to the acquisition of CST, which added $35.6 million in SG&A expense (excluding integration costs), and increased compensation costs, partially offset by lower acquisition related transaction costs, the impact of the write-off in 2015 of a $5.0 million tax indemnification asset related to a pre-acquisition tax liability that was favorably resolved, and the positive effect of changes in foreign currency exchange rates.

SG&A expense increased in 2015 due primarily to $57.1 million in SG&A expense of acquired businesses, integration costs, the write-off of the tax indemnification asset discussed above, and increased compensation costs, partially offset by the impact of favorable foreign currency exchange rates, particularly the Euro to U.S. dollar, and lower acquisition-related transaction costs. Acquisition related transaction costs included in SG&A expense were $9.4 million in 2015.

Amortization of intangible assets

Amortization expense associated with definite-lived intangible assets for fiscal years 2016, 2015, and 2014 was $201.5 million, $186.6 million, and $146.7 million, respectively.

Amortization expense has increased each year primarily due to amortization of intangible assets recognized as a result of acquisitions, partially offset by a difference in the pattern of economic benefits over which intangible assets were amortized (i.e. as intangible assets age, there is generally less economic benefit associated with them, and accordingly less amortization expense as compared to previous years). We expect Amortization expense to decrease to approximately $159.8 million in fiscal year 2017, as certain intangible assets, primarily those recognized as a result of the 2006 carve-out and acquisition of our business from Texas Instruments and the 2011 acquisition of the Sensor-NITE Group companies, become fully amortized.

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 additional information regarding intangible assets and the related amortization.

Restructuring and special charges

Restructuring and special charges for fiscal years 2016, 2015, and 2014 were $4.1 million, $21.9 million, and $21.9 million, respectively.

Restructuring and special charges for fiscal year 2016 primarily included facility exit costs related to the relocation of manufacturing lines from our facility in the Dominican Republic to a manufacturing facility in Mexico, and severance charges recorded in connection with acquired businesses and the termination of a limited number of employees in various locations throughout the world. We completed the cessation of manufacturing in our Dominican Republic facility in the third quarter of 2016.

Restructuring and special charges for fiscal year 2015 included $7.6 million of severance charges incurred in order to integrate acquired businesses with ours, $4.0 million of severance charges incurred in the second quarter of 2015 related to the announced closing of our Schrader Brazil manufacturing facility, and the remainder primarily associated with the termination of a limited number of employees in various locations throughout the world.

Restructuring and special charges for fiscal year 2014 consisted primarily of $16.2 million of severance charges recorded in connection with acquired businesses, with the remainder relating to 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.

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 2016, 2015, and 2014 was $165.8 million, $137.6 million, and $106.1 million, respectively.

Interest expense, net increased in 2016 primarily as a result of the issuance of new debt related to the acquisition of CST in the fourth quarter of 2015, partially offset by lower interest rates due to the refinancing of certain debt instruments in 2015. In addition, 2015 included approximately $8.8 million in fees associated with bridge financing obtained for the acquisition of CST that was not ultimately utilized.

Interest expense, net increased in 2015 primarily as a result of the issuance of new debt related to the acquisitions of Schrader and CST in the fourth quarters of 2014 and 2015, respectively, and approximately $8.8 million in fees associated with bridge financing obtained for the acquisition of CST that was not ultimately utilized, partially offset by the impact of lower interest rates due to the refinancing of certain debt instruments in 2015.

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 our financing transactions. Refer to Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," included elsewhere in this Annual Report on Form 10-K for an analysis of the sensitivity of our interest expense to changes in interest rates.

Other, net

Other, net for fiscal years 2016, 2015, and 2014 consisted of net losses of $4.9 million, $50.3 million, and $12.1 million, respectively.

The favorable change in Other, net in 2016 compared to 2015 relates primarily to commodity forward contracts and losses on debt financing transactions incurred during 2015 that did not recur in 2016.

The increase in net losses recognized during fiscal year 2015 as compared to 2014 relate primarily to increased losses associated with our debt financing transactions and increased losses on commodity forward contracts.

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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. Refer to Note 8, "Debt," 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 details on the losses related to our debt financing transactions and commodity forward contracts, respectively. Refer to Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," included elsewhere in this Annual Report on Form 10-K for an analysis of the sensitivity of Other, net on changes in foreign currency exchange rates and commodity prices.

Provision for/(benefit from) income taxes

Provision for/(benefit from) income taxes for fiscal years 2016, 2015, and 2014 was $59.0 million, $(142.1) million, and $(30.3) million, respectively. The Provision for/(benefit from) income taxes each year 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 to adjustments in book-to-tax basis differences, primarily related to the step-up in fair value of fixed and intangible assets and goodwill, utilization of net operating losses, and adjustments to our U.S. valuation allowance in connection with acquisitions made by our U.S. subsidiaries.

Our income tax expense for fiscal years 2016, 2015, and 2014 was less than the amounts computed at the U.S. statutory rate of 35% by $53.5 million, $214.0 million, and $119.0 million, respectively. The most significant reconciling items are noted below.

Foreign tax rate differential. We operate in locations outside the U.S., including China, the U.K., the Netherlands, South Korea, Malaysia, and Bulgaria, that have statutory tax rates lower than the U.S. statutory rate, resulting in an effective rate benefit. This benefit can change from year to year based upon the jurisdictional mix of earnings. Certain of our subsidiaries are currently eligible, or have been eligible, for tax exemptions or holidays in their respective jurisdictions. From 2013 through 2016, a 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. Our operations in the U.K. qualify for a favorable tax regime applicable to intellectual property revenues.

Release of valuation allowances. During the years ended December 31, 2016, 2015 and 2014, we released a portion of our valuation allowance and recognized a benefit from income taxes of $1.9 million, $180.0 million, and $71.1 million, respectively. These benefits arose primarily in connection with the 2015 acquisition of CST, and the 2014 acquisitions of Wabash, DeltaTech, and Schrader. For each of these acquisitions, deferred tax liabilities were established and related primarily to the step-up of intangible assets for book purposes.

Losses not tax benefited. Losses incurred in certain jurisdictions, predominantly 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. For the years ended December 31, 2016, 2015, and 2014, this resulted in a deferred tax expense of $32.5 million, $56.8 million, and $40.2 million, respectively.

Withholding taxes not creditable. 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.

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.

The valuation allowance as of December 31, 2016 and 2015 was $299.7 million and $296.9 million, respectively. 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.

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Non-GAAP Financial Measures

This section provides additional information regarding certain non-GAAP financial measures, including adjusted net income and organic revenue growth (or decline), which are used by our management, Board of Directors, and investors, as further discussed below. Adjusted net income and organic revenue growth (or decline) should be considered as supplemental in nature and are not intended to be considered in isolation or as a substitute for net income or net revenue growth prepared in accordance with U.S. GAAP. In addition, our measures of adjusted net income and organic revenue growth (or decline) may not be the same as, or comparable to, similar non-GAAP financial measures presented by other companies.

Organic revenue growth (or decline)

We believe organic revenue growth (or decline) provides investors with helpful information with respect to our operating performance, and we use organic revenue growth (or decline) to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe organic revenue growth (or decline) provides useful information in evaluating the results of our business because it excludes items that we believe are not indicative of ongoing performance or that we believe impact comparability with the prior year.

Organic revenue growth (or decline) is defined as the reported percentage change in net revenue calculated in accordance with U.S. GAAP, excluding the impact of acquisitions, net of exited businesses that occurred within the previous 12 months, and the effect of changes in foreign currency exchange rates.

Adjusted net income

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 not a measure of liquidity. 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.

We define adjusted net income as follows: net income before certain restructuring and special charges, financing and other transaction costs, deferred loss/(gain) 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 excludes the deferred provision for/(benefit from) income taxes and other tax expense/(benefit). Our deferred provision for/(benefit from) income taxes includes adjustments for book-to-tax basis differences primarily related to the step-up in fair value of fixed and intangible assets and goodwill, utilization of net operating losses, and adjustments to our U.S. valuation allowance in connection with certain acquisitions. Other tax expense/(benefit) includes certain adjustments to unrecognized tax positions. 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 presented below 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.

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

	For the year ended December 31,		
(Amounts in thousands)	2016	2015	2014
Net income	$262,434	$347,696	$283,749
Restructuring and special charges[(a)(g)]	14,982	42,332	9,552
Financing and other transaction costs[(b)]	1,508	43,850	18,594
Deferred (gain)/loss on other hedges[(c)]	(19,347)	11,864	(915)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory[(d)(g)]	210,847	193,370	155,785
Deferred income tax and other tax expense/(benefit)[(e)]	17,086	(173,550)	(61,588)
Amortization of deferred financing costs[(f)]	7,334	6,456	5,118
Total adjustments[(g)]	232,410	124,322	126,546
Adjusted net income	$494,844	$472,018	$410,295

(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 2016, 2015, and 2014 as shown in the above table:

	For the year ended December 31,		
(Amounts in thousands)	2016	2015	2014
Severance costs[(i)]	$ 21	$ 15,560	$ 6,475
Facility related costs[(ii)]	10,945	11,353	—
Special charges and other[(iii)]	4,016	15,419	3,077
Total restructuring and special charges	$ 14,982	$ 42,332	$ 9,552

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i. Consists primarily of severance charges incurred and accounted for as part of ongoing benefit arrangements, excluding those costs recorded in connection with the integration of acquired businesses. Fiscal year 2015 also includes $4.0 million in severance charges associated with our decision to close our Schrader Brazil manufacturing facility and exit that business (refer also to Note 17, "Restructuring and Special Charges" of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K).

ii. Consists primarily of costs associated with line moves and the closing or relocation of various facilities throughout the world. In fiscal year 2016, these costs include $3.7 million of costs associated with the relocation of manufacturing lines from our facility in the Dominican Republic to a manufacturing facility in Mexico, $1.1 million in in non-severance related costs associated with the closing of our Schrader Brazil manufacturing facility, and $3.8 million of costs associated with other exited product lines. In fiscal year 2015, these costs include non-severance related costs associated with our decision to close our Schrader Brazil manufacturing facility, including a $5.0 million charge to write-down certain assets (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 additional information).

iii. Consists of other expenses that do not fall within one of the other specific categories, including, in fiscal year 2015, losses associated with the settlement of certain preacquisition loss contingencies, including the U.S. automaker warranty claim ($4.0 million) and the Bridgestone intellectual property litigation ($6.0 million). Refer to Note 14, "Commitments and Contingencies," of our audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2015 for additional information.

(b) Includes losses related to debt financing transactions, costs incurred in connection with secondary offering transactions, and costs associated with acquisition activity. Costs associated with debt financing transactions are generally recorded in either Other, net or Interest expense, net, and costs associated with secondary transactions and acquisition activity are generally recorded in SG&A expense. Refer to 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 primarily unrealized and deferred losses/(gains), net on commodity and other hedges.

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(d) Represents 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 expense/(benefit), including provisions for, and interest expense and penalties related to, certain unrecognized tax benefits (or benefits from their release). Our deferred income tax includes adjustments for book-to-tax basis differences primarily related to the step-up in fair value of fixed and intangible assets and goodwill, utilization of net operating losses and adjustments to our U.S. valuation allowance in connection with certain acquisitions. Other tax expense/(benefit) includes certain adjustments to unrecognized tax positions. Fiscal years 2016, 2015, and 2014 include $1.9 million, $180.0 million, and $71.1 million, respectively, of deferred income tax benefits related to the release of portions of our U.S. valuation allowance in connection with our 2015 acquisition of CST and our 2014 acquisitions of Wabash, DeltaTech, and Schrader. For each of these acquisitions, deferred tax liabilities were established related primarily to the step-up of intangible assets for book purposes.

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

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

	For the year ended December 31,		
(Amounts in thousands)	2016	2015	2014
Restructuring and special charges	$ (1,001)	$ (2,119)	$ (1,405)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	$ (149)	$ (595)	$ (1,291)

Liquidity and Capital Resources

We held cash and cash equivalents of $351.4 million and $342.3 million at December 31, 2016 and 2015, respectively, of which $37.8 million and $124.6 million, respectively, was held in the Netherlands, $5.7 million and $33.4 million, respectively, was held by U.S. subsidiaries, and $307.9 million and $184.3 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, and the timing of debt issuances and payments, repurchases of ordinary shares, and other financing transactions.

Cash Flows

The table below summarizes our primary sources and uses of cash for the years ended December 31, 2016, 2015, and 2014. 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 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)	2016	2015	2014
Net cash provided by/(used in):			
Operating activities:			
Net income adjusted for non-cash items	$ 615.5	$ 508.7	$ 466.3
Changes in operating assets and liabilities, net of effects of acquisitions	(93.9)	24.4	(83.8)
Operating activities	521.5	533.1	382.6
Investing activities	(174.8)	(1,166.4)	(1,430.1)
Financing activities	(337.6)	764.2	940.9
Net change	$ 9.2	$ 130.9	$ (106.6)

Operating Activities

Net cash provided by operating activities during the years ended December 31, 2016, 2015, and 2014 was $521.5 million, $533.1 million, and $382.6 million, respectively.

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The decrease in net cash provided by operating activities in 2016 compared to 2015 is primarily due to a build up of inventory to support anticipated line moves and timing of supplier payments and customer receipts, partially offset by higher net income (after adjusting for non-cash items).

The increase in net cash provided by operating activities in 2015 compared to 2014 is primarily due to the cumulative effect of the following: (1) the positive cash flow impact in 2015 of improved inventory and supply chain management, (2) the negative cash flow impact in 2014 of a buildup in inventory (partially offset by the related increase in amounts due to suppliers), (3) timing of customer receipts, and (4) growth in net income adjusted for non-cash items, primarily resulting from higher sales and the resulting profit. In 2014, we built inventory to continue to ensure on-time delivery to our customers and in preparation for the implementation of our upgraded enterprise resource planning ("ERP") system.

Investing Activities

Net cash used in investing activities during the years ended December 31, 2016, 2015, and 2014 was $174.8 million, $1,166.4 million, and $1,430.1 million, respectively, which included $130.2 million, $177.2 million, and $144.2 million, respectively, in capital expenditures. Capital expenditures primarily relate to investments associated with increasing our manufacturing capacity, and in 2014 included costs to upgrade our existing ERP system. In 2017, we anticipate capital expenditures of approximately $130.0 million to $150.0 million, which we expect to be funded with cash flows from operations.

In addition, in 2016, net cash used in investing activities included an investment of $50.0 million in preferred stock of Quanergy Systems, Inc. Refer to Note 15, "Fair Value Measures," for further discussion of this investment.

In 2015, we used $996.9 million, net of cash received, to acquire CST, and in 2014 we used $995.3 million, net of cash received, to acquire Schrader. In addition, in 2014 we used $298.4 million, net of cash received, for the acquisitions of Wabash, Magnum, and DeltaTech. 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.

Financing Activities

Net cash (used in)/provided by financing activities during the years ended December 31, 2016, 2015, and 2014 was $(337.6) million, $764.2 million, and $940.9 million, respectively.

Net cash used in financing activities in 2016 consisted primarily of $336.3 million in payments on debt, including $280.0 million in payments on the Revolving Credit Facility and $44.9 million in payments on the Term Loan.

Net cash provided by financing activities during 2015 consisted primarily of $2,795.1 million of proceeds from the issuance of debt, partially offset by $2,000.3 million in payments on debt. These issuances and payments include amounts related to certain debt instruments that were refinanced in 2015, including $700.0 million aggregate principal amount of 6.5% senior notes due 2019 (the "6.5% Senior Notes") that were tendered and redeemed in March and April 2015 using the proceeds from the issuance and sale of the 5.0% Senior Notes, and $990.1 million of previously existing term loans that were prepaid in May 2015 with the proceeds from the entry into the Term Loan.

In addition, proceeds from the issuance of debt include $750.0 million of proceeds from the issuance and sale of the 6.25% Senior Notes in November 2015, and $355.0 million in total aggregate borrowings on the Revolving Credit Facility in 2015. Cash payments on debt also include $205.0 million in total aggregate payments on the Revolving Credit Facility in 2015, and $75.0 million of payments on our then-existing term loan prior to its refinancing. 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.

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 our former principal shareholder, Sensata Investment Company S.C.A. (“SCA”)), and $76.4 million in payments on debt.

The proceeds from the issuance of debt in 2014 relates primarily to $400.0 million in proceeds from the issuance and sale of the 5.625% Senior Notes, $595.5 million in proceeds from the entry into an incremental term loan facility (subsequently refinanced in 2015) at an original issuance price of 99.25%, and the aggregate amount drawn on the

Revolving Credit Facility in 2014. Refer to the Indebtedness and Liquidity section below, 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 payments to repurchase ordinary shares in 2014 are primarily associated with our $250.0 million share repurchase program, discussed

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further in the Capital Resources section below. The cash payments on debt in 2014 primarily include the total aggregate amount paid on the Revolving Credit Facility in 2014.

Indebtedness and Liquidity

Our liquidity requirements are significant due to the highly leveraged nature of our company. The following table details our gross outstanding indebtedness as of December 31, 2016, and the associated interest expense for fiscal year 2016:

Description	Balance at December 31, 2016	Interest expense, net for fiscal year 2016
(Amounts in thousands)		
Term Loan	$937,794	$29,788
4.875% Senior Notes	500,000	24,375
5.625% Senior Notes	400,000	22,500
5.0% Senior Notes	700,000	35,000
6.25% Senior Notes	750,000	46,875
Capital lease and other financing obligations	37,111	3,087
Total	$3,324,905	161,625
Other interest expense, net		4,193
Total interest expense, net		$165,818

Debt Instruments

Summarized information regarding our debt instruments is described below. Refer to Note 8, “Debt,” of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details of the terms of the Senior Notes, the Senior Secured Credit Facilities (as defined below), and the amendments to the Credit Agreement.

Senior Secured Credit Facilities

In May 2011, we completed a series of transactions designed to refinance our then existing indebtedness. These transactions included the execution of the Credit Agreement which provided for senior secured credit facilities (the "Senior Secured Credit Facilities") consisting of a $1,100.0 million term loan facility and the Revolving Credit Facility. The Senior Secured Credit Facilities also allowed for future additional borrowings under certain circumstances.

Term Loan

In May 2015, we entered into an amendment (the "Sixth Amendment") of the Credit Agreement. Pursuant to the Sixth Amendment, all term loans outstanding on that date were prepaid in full, and the Term Loan was entered into in an aggregate principal amount of $990.1 million, equal to the sum of the outstanding balances of the term loans that were prepaid. The Term Loan was offered at 99.75% of par. The maturity date of the Term Loan is October 14, 2021. The principal amount of the 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. The Term Loan accrues interest at a variable rate, based on a LIBOR index rate, subject to a floor of 0.75% plus a spread of 2.25%. At December 31, 2016, the Term Loan accrued interest at a rate of 3.02%.

4.875% Senior Notes

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 our then-existing term loan. The 4.875% Senior Notes were offered at par, and mature on October 15, 2023. Interest on the 4.875% Senior Notes is payable semi-annually on April 15 and October 15 of each year.

5.625% Senior Notes

In October 2014, we completed the issuance and sale of the 5.625% Senior Notes, which were offered at par, and mature on November 1, 2024. Interest on the 5.625% Senior Notes is payable semi-annually on May 1 and November 1 of each year.

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5.0% Senior Notes
In March 2015, we completed the issuance and sale of the 5.0% Senior Notes, in order to refinance the 6.5% Senior Notes. The 5.0% Senior Notes were offered at par, and mature on October 1, 2025. Interest on the 5.0% Senior Notes is payable semi-annually on April 1 and October 1 of each year.
6.25% Senior Notes
On November 27, 2015, we completed the issuance and sale of the 6.25% Senior Notes, which were offered at par, and mature on February 15, 2026. Interest on the 6.25% Senior Notes is payable semi-annually on February 15 and August 15 of each year, with the first payment made on February 15, 2016.
Revolving Credit Facility
The original amount available for borrowing under the Revolving Credit Facility per the terms of the Credit Agreement was $250.0 million. On March 26, 2015, we entered into an amendment (the "Fifth Amendment") to the Credit Agreement, which increased the amount available for borrowing under the Revolving Credit Facility to $350.0 million. On September 29, 2015, we entered into an amendment (the "Seventh Amendment") to the Credit Agreement, which increased the amount available for borrowing under the Revolving Credit Facility to $420.0 million.
As of December 31, 2016, there was $414.4 million of availability under the Revolving Credit Facility (net of $5.6 million of letters of credit). Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2016, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates in 2017.
Capital Resources
Our sources of liquidity include cash on hand, cash flows from operations, and available capacity under the Revolving Credit Facility. In addition, the Senior Secured Credit Facilities provide for incremental facilities (the “Accordion”), under which additional term loans may be issued or the capacity of the Revolving Credit Facility may be increased. As of December 31, 2016, $230.0 million remained available for issuance under the Accordion.
We believe, based on our current level of operations as reflected in our results of operations for the year ended December 31, 2016, 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.
However, 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 or to fund our other liquidity needs. Further, our highly leveraged nature may limit our ability to procure additional financing in the future.
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 disposition and casualty events, in each case subject to certain reinvestment rights, and the incurrence of certain indebtedness (excluding any permitted indebtedness). These provisions were not triggered during the year ended December 31, 2016.
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 27, 2017, Moody’s Investors Service’s corporate credit rating for STBV was Ba2 with a negative outlook and Standard & Poor’s corporate credit rating for STBV was BB with a positive outlook. Any future downgrades to STBV's credit ratings may increase our borrowing costs, but will not reduce availability under the Credit Agreement.
We have a $250.0 million share repurchase program in place. 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, on 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. We did not repurchase any ordinary

shares under this program in 2016 or 2015. During 2014, we repurchased 4.3 million ordinary shares for an aggregate purchase price of $181.8 million. On February

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1, 2016, our Board of Directors amended the terms of this program in order to reset the amount available for share repurchases to $250.0 million. At December 31, 2016, $250.0 million remained available for share repurchase under this program.

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 share repurchase program, 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, should we decide to do so.

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, 2016, 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.

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Contractual Obligations and Commercial Commitments

The table below reflects our contractual obligations as of December 31, 2016. 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)	$3,287.8	$ 9.9	$19.8	$908.1	$ 2,350.0
Debt obligations interest(2)	1,246.7	157.4	313.8	308.2	467.3
Capital lease obligations principal(3)	30.7	2.6	5.8	6.5	15.8
Capital lease obligations interest(3)	14.1	2.5	4.4	3.5	3.7
Other financing obligations principal(4)	6.4	2.2	4.0	0.2	—
Other financing obligations interest(4)	1.1	0.3	0.7	0.1	—
Operating lease obligations(5)	69.8	13.1	17.5	8.7	30.5
Non-cancelable purchase obligations(6)	15.6	9.5	5.9	0.1	0.1
Total(7)(8)	$4,672.2	$ 197.5	$371.9	$1,235.4	$ 2,867.4

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(1) Represents the contractually required principal payments under the Senior Notes and the Term Loan as of December 31, 2016 in accordance with the required payment schedule.

(2) Represents the contractually required interest payments on our debt obligations in existence as of December 31, 2016 in accordance with the required payment schedule. Cash flows associated with the next interest payment to be made on our variable rate debt subsequent to December 31, 2016 were calculated using the interest rates in effect as of the latest interest rate reset date prior to December 31, 2016, plus the applicable spread.

(3) Represents the contractually required payments under our capital lease obligations in existence as of December 31, 2016 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, 2016 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, 2016 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, 2016. 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, 2016.

(8) This table does not include the contractual obligations associated with our defined benefit and other post-retirement benefit plans. As of December 31, 2016, we had recognized a net benefit liability of $37.6 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 $12.0 million of unrecognized tax benefits as of December 31, 2016, 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”). 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 an immaterial amount, 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. A best estimate amount may be 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 operate, our revenue is only moderately impacted by seasonality. However, our Sensing Solutions 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 and estimates 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 ("ASC 605"). 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 these 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. 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.

Goodwill, Intangible Assets, and Long-Lived Assets

Businesses acquired are recorded at their fair value on the date of acquisition, with the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed recognized as goodwill. Assets acquired may include either definite-lived or indefinite-lived intangible assets, or both. As of December 31, 2016, goodwill and other intangible assets, net totaled $3,005.5 million and $1,075.4 million, respectively, or approximately 48% and 17%, respectively, of our total assets.

Identification of reporting units

We have five reporting units: Performance Sensing, Electrical Protection, Power Management, Industrial Sensing, and Interconnection. These reporting units have been identified based on the definitions and guidance provided in ASC Topic 350, Intangibles—Goodwill and Other (“ASC 350”). Identification of reporting units includes an analysis of the components that comprise each of our operating segments, which considers, among other things, the manner in which we operate our business and the availability of discrete financial information. 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.

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Assignment of assets, liabilities, and goodwill to reporting units

In the event we reorganize our business, we reassign the assets (including goodwill) and liabilities among the affected reporting units using a reasonable and supportable methodology. As businesses are acquired, we assign assets acquired (including goodwill) and liabilities assumed to an existing reporting unit or create a new reporting unit, as of the date of acquisition. 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, property, plant and equipment associated with our corporate offices, and debt, as being corporate in nature. Accordingly, we do not assign these assets and liabilities to our reporting units.

Evaluation of goodwill for impairment

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 indicate that the asset is impaired. 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 not to use this option, or we determine 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 goodwill impairment test.

In the first step of the two-step 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 its calculated implied fair value, 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 its identifiable assets and liabilities (including any unrecognized intangible assets) 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 identifiable assets and liabilities is the implied fair value of goodwill.

2016 assessment of goodwill. We evaluated our goodwill for impairment as of October 1, 2016. In connection with this evaluation, 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 Performance Sensing, Electrical Protection, Power Management, Industrial Sensing, 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 the Performance Sensing, Electrical Protection, Power Management, and Interconnection reporting units exceeded their carrying values (301%, 273%, 206%, and 328%, respectively) as of October 1, 2013, and the amount by which the Industrial Sensing reporting unit exceeded its carrying value (340%) as of December 1, 2014, 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, 2016 compared to the previously calculated fair values as of October 1, 2013 (or December 1, 2014 in the case of Industrial Sensing);
- 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;
- demand in the debt markets for our senior notes, the strength of which indicates a view by investors of our strength as a company;

- changes in the value of major U.S. stock indices that could suggest declines in overall market stability that could impact the valuation of our reporting units;

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- 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 ("WACC") rates 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.

We did not prepare updated goodwill impairment analyses as of December 31, 2016 for any reporting unit, as we did not become aware of any indicators after October 1, 2016 that would have required such analysis.

Assessment of fair value in prior years. In 2013 (and in 2014 for Industrial Sensing), 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.

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.

Types of events that could result in a goodwill impairment. As noted above, the assumptions used in the quantitative calculation of fair value of our reporting units in prior years, 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 prior years 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 automotive 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.

Evaluation of other intangible assets for impairment

2016 assessment of indefinite-lived intangible assets. Similar to goodwill, 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 not to 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 estimate the fair value of the indefinite–lived intangible asset and compare that amount to its carrying value. We estimate the fair value by using the relief–from–royalty method which 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, and royalty rates. Impairment, if any, is based on the excess of the carrying value over the fair value of these assets.

We evaluated our indefinite-lived intangible assets for impairment as of October 1, 2016 (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.

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If we determine these facts or circumstances exist, we estimate the recoverability of these assets 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.

Evaluation of long-lived assets for impairment

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 markets we serve. 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.

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 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 other comprehensive (loss)/income. 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 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.

The expected return on plan assets reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. 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.

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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 updated Mortality Projection ("MP") 2016 mortality improvement scale as issued by the Society of Actuaries in 2016 for our U.S. defined benefit plans. The updated MP 2016 mortality improvement scale reflects improvements in longevity as compared to the MP 2015 mortality improvement scale the Society of Actuaries issued in 2015, primarily because it includes actual Social Security mortality data for 2012, 2013, and 2014. 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 securities, 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 ordinary shares on the New York Stock Exchange (the "NYSE") 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 been determined by comparing the terms of our options granted against those of publicly-traded companies within our industry.

We consider 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. Implied volatility provides a forward-looking indication and may offer insight into expected industry volatility.

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 of 0% is based on our history of having never declared or paid any dividends on our ordinary shares, and our current intention of not declaring any such dividends in the foreseeable future. See Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities," included elsewhere in this Annual Report on Form 10-K for further discussion of limitations on our ability to pay dividends.

Restricted securities are valued using the closing price of our ordinary shares on the NYSE 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 units that actually vest.

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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 certain transactions, such as the sale of a business or the issuance of debt or equity securities, the 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 customer contracts, that might contain indemnification provisions relating to product quality, intellectual property infringement, governmental regulations and employment related matters, 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. Historically, we have experienced only immaterial and irregular losses associated with these indemnifications. Consequently, any future liabilities brought about by these indemnifications cannot reasonably be estimated or accrued. 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 specific indemnifications.

Recent Accounting Pronouncements

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

In May 2014, the FASB issued 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, and various other revenue accounting standards for specialized transactions and industries. ASU 2014-09 outlines a comprehensive five-step revenue recognition model based on the principle 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. ASU 2014-09 may be applied using either a full retrospective approach, under which all years included in the financial statements will be presented under the revised guidance, or a modified retrospective approach, under which financial statements will be prepared under the revised guidance for the year of adoption, but not for prior years. Under the latter 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 entity.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date, which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. We have developed an implementation plan to adopt this new guidance. As part of this plan, we are currently assessing the impact of the new guidance on our results of operations. Based on our procedures performed to date, nothing has come to our attention that would indicate that the adoption of ASU 2014-09 will have a material impact on our financial statements, however, we will continue to evaluate this assessment in 2017. We intend to adopt ASU 2014-09 on January 1, 2018. We have not yet selected a transition method, but expect to do so in 2017 upon completion of further analysis.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which establishes new accounting and disclosure requirements for leases. ASU 2016-02 requires lessees to classify most leases as either finance or operating leases and to initially recognize a lease liability and right-of-use asset. Entities may elect to account for certain short-term leases (with a term of 12 months or less) using a method similar to the current operating lease model. The statements of operations will include, for finance leases, separate recognition of interest on the lease liability and amortization of the right-of-use asset and for operating leases, a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a straight-line basis. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual reporting periods, with early adoption permitted. ASU 2016-02 must be applied using a modified retrospective approach, which requires recognition and measurement of leases at the beginning of the earliest period presented, with certain practical expedients available. We are currently evaluating when to adopt ASU 2016-02 and the impact that this adoption will

have on our consolidated financial statements.
In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09") as part of its simplification initiative. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions. The provisions of ASU 2016-09 that will impact us are as follows: (1) an accounting policy election may be made to account for forfeitures as they occur, rather than based on an estimate of future forfeitures, and (2) companies will be allowed to withhold shares, upon either the exercise of options or vesting of restricted securities, with an aggregate fair value in excess of the minimum statutory withholding requirement and still qualify for the exception to liability classification. ASU 2016-09 is effective for annual reporting periods beginning after

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December 15, 2016, including interim periods within those annual reporting periods. Amendments related to the provisions that are applicable to Sensata must be applied using a modified retrospective approach by means of a cumulative-effect adjustment to equity as of the beginning of the period in which ASU 2016-09 is adopted. We do not expect the adoption of ASU 2016-09 to have a material impact on our financial position or results of operations.

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 transact 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 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 foreign currency 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 Accounting Standards Codification Topic 815, Derivatives and Hedging (“ASC 815”).

The significant components of our debt as of December 31, 2016 and 2015 are shown in the following tables (definitions and descriptions of all components of our debt can be found in Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K):

(Dollars in millions)	Maturity date	Interest rate as of December 31, 2016		Outstanding balance as of December 31, 2016 (1)	Fair value as of December 31, 2016
Term Loan (3)	October 14, 2021	3.02	%	$ 937.8	$ 942.5
4.875% Senior Notes	October 15, 2023	4.875	%	500.0	514.4
5.625% Senior Notes	November 1, 2024	5.625	%	400.0	417.8
5.0% Senior Notes	October 1, 2025	5.00	%	700.0	686.0
6.25% Senior Notes	February 15, 2026	6.25	%	750.0	786.1
Total(2)(4)				$ 3,287.8	$ 3,346.7

(1) Outstanding balance is presented excluding discount and deferred financing costs.
(2) Total outstanding balance excludes capital leases and other financing obligations of $37.1 million.
(3) This component of our debt accrues interest at a variable rate.
(4) Total has been calculated based on the unrounded amount, and may not equal the sum of the rounded values in this table.

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(Dollars in millions)	Interest Rate as of December 31, 2015		Outstanding balance as of December 31, 2015 [1]	Fair value as of December 31, 2015
Term Loan[3]	3.00	%	$ 982.7	$ 963.0
4.875% Senior Notes	4.875	%	500.0	484.7
5.625% Senior Notes	5.625	%	400.0	409.3
5.0% Senior Notes	5.00	%	700.0	675.9
6.25% Senior Notes	6.25	%	750.0	781.4
Revolving Credit facility [3]	2.17	%	280.0	266.9
Total[2]			$ 3,612.7	$ 3,581.2

(1) Outstanding balance is presented excluding discount and deferred financing costs.
(2) Total outstanding balance excludes capital leases and other financing obligations of $46.8 million.
(3) This component of our debt accrues interest at a variable rate.

Sensitivity Analysis

As of December 31, 2016, we had total variable rate debt with an outstanding balance of $937.8 million issued under the 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 $9.3 million in 2017. The next 100 basis point increase in the applicable interest rate would result in incremental annual interest expense of $9.3 million in 2017.

As of December 31, 2015, we had total variable rate debt with an outstanding balance of $1,262.7 million issued under the Original Term Loan, the Incremental Term Loan, and the Revolving Credit Facility. Considering the impact of our interest rate floor, an increase of 100 basis points in the applicable interest rate would have resulted in additional annual interest expense of $11.3 million. The next 100 basis point increase in the applicable interest rate would have resulted in incremental annual interest expense of $12.6 million.

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.

Our significant foreign currency exposures include the Euro, Japanese yen, Mexican peso, Chinese renminbi, Korean won, Malaysian ringgit, British pound sterling, Polish zloty, and 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 exchange rate derivatives during the year ended December 31, 2016 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 2016, 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.

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The following foreign currency forward contracts were outstanding as of December 31, 2016:

Notional (in millions)	Effective Date	Maturity Date	Index	Weighted-Average Strike Rate	Cash Flow Hedge Designation
97.7 EUR	Various from February 2015 to December 2016	January 31, 2017	Euro to U.S. Dollar Exchange Rate	1.07 USD	Non-designated
444.9 EUR	Various from March 2015 to December 2016	Various from February 2017 to December 2018	Euro to U.S. Dollar Exchange Rate	1.13 USD	Designated
545.0 CNY	December 22, 2016	January 26, 2017	U.S. Dollar to Chinese Renminbi Exchange Rate	7.01 CNY	Non-designated
720.0 JPY	December 22, 2016	January 31, 2017	U.S. Dollar to Japanese Yen Exchange Rate	117.20 JPY	Non-designated
3,321.6 KRW	Various from February 2015 to August 2016	January 31, 2017	U.S. Dollar to Korean Won Exchange Rate	1,158.87 KRW	Non-designated
50,239.2 KRW	Various from March 2015 to December 2016	Various from February 2017 to November 2018	U.S. Dollar to Korean Won Exchange Rate	1,157.71 KRW	Designated
5.7 MYR	Various from February 2015 to April 2016	January 31, 2017	U.S. Dollar to Malaysian Ringgit Exchange Rate	4.02 MYR	Non-designated
81.8 MYR	Various from March 2015 to November 2016	Various from February 2017 to October 2018	U.S. Dollar to Malaysian Ringgit Exchange Rate	4.17 MYR	Designated
204.0 MXN	Various from February 2015 to December 2016	January 31, 2017	U.S. Dollar to Mexican Peso Exchange Rate	18.62 MXN	Non-designated
2,072.7 MXN	Various from March 2015 to December 2016	Various from February 2017 to December 2018	U.S. Dollar to Mexican Peso Exchange Rate	19.00 MXN	Designated
21.5 GBP	Various from February 2015 to December 2016	January 31, 2017	British Pound Sterling to U.S. Dollar Exchange Rate	1.27 USD	Non-designated
56.2 GBP	Various from March 2015 to December 2016	Various from February 2017 to December 2018	British Pound Sterling to U.S. Dollar Exchange Rate	1.40 USD	Designated

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The following foreign currency forward contracts were outstanding as of December 31, 2015:

Notional (in millions)	Effective Date	Maturity Date	Index	Weighted-Average Strike Rate	Cash Flow Hedge Designation
535.3 EUR	Various from September 2014 to December 2015	Various from February 2016 to December 2017	Euro to U.S. Dollar Exchange Rate	1.15 USD	Designated
92.0 EUR	Various from September 2014 to December 2015	January 29, 2016	Euro to U.S. Dollar Exchange Rate	1.11 USD	Non-designated
89.0 CNY	December 17, 2015	January 29, 2016	U.S. Dollar to Chinese Renminbi Exchange Rate	6.57 CNY	Non-designated
48,640.0 KRW	Various from September 2014 to December 2015	Various from February 2016 to December 2017	U.S. Dollar to Korean Won Exchange Rate	1,132.34 KRW	Designated
33,700.0 KRW	Various from September 2014 to December 2015	January 29, 2016	U.S. Dollar to Korean Won Exchange Rate	1,180.22 KRW	Non-designated
98.5 MYR	Various from September 2014 to December 2015	Various from February 2016 to December 2017	U.S. Dollar to Malaysian Ringgit Exchange Rate	3.89 MYR	Designated
34.7 MYR	Various from September 2014 to December 2015	January 29, 2016	U.S. Dollar to Malaysian Ringgit Exchange Rate	4.19 MYR	Non-designated
2,095.4 MXN	Various from September 2014 to December 2015	Various from February 2016 to December 2017	U.S. Dollar to Mexican Peso Exchange Rate	16.45 MXN	Designated
197.9 MXN	Various from September 2014 to December 2015	January 29, 2016	U.S. Dollar to Mexican Peso Exchange Rate	15.90 MXN	Non-designated
57.1 GBP	Various from October 2014 to December 2015	Various from February 2016 to December 2017	British Pound Sterling to U.S. Dollar Exchange Rate	1.53 USD	Designated
9.2 GBP	Various from October 2014 to December 2015	January 29, 2016	British Pound Sterling to U.S. Dollar Exchange Rate	1.51 USD	Non-designated

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Sensitivity Analysis

The tables below present our foreign currency forward contracts as of December 31, 2016 and 2015 and the estimated impact to future pre-tax earnings as a result of a 10% strengthening/weakening in the foreign currency exchange rate:

(Amounts in millions)		Increase/(decrease) to future pre-tax earnings due to:	
	Net asset (liability) balance as of December 31, 2016	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	$ 30.3	$ (57.6)	$ 57.6
Chinese Renminbi	$ 0.1	$ (7.8)	$ 7.8
British Pound Sterling	$ (10.1)	$ 9.6	$ (9.6)
Japanese Yen	$ 0.0	$ 0.6	$ (0.6)
Korean Won	$ 1.9	$ (4.4)	$ 4.4
Malaysian Ringgit	$ (1.8)	$ 1.9	$ (1.9)
Mexican Peso	$ (14.8)	$ 10.6	$ (10.6)

(Amounts in millions)		Increase/(decrease) to future pre-tax earnings due to:	
	Net asset (liability) balance as of December 31, 2015	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	$ 22.9	$ (65.0)	$ 65.0
Chinese Renminbi	$ (0.1)	$ (1.3)	$ 1.3
British Pound Sterling	$ (3.0)	$ 6.3	$ (6.3)
Korean Won	$ 1.7	$ (7.3)	$ 7.3
Malaysian Ringgit	$ (3.1)	$ 3.1	$ (3.1)
Mexican Peso	$ (10.5)	$ 13.0	$ (13.0)

The tables below present our Euro-denominated net monetary assets as of December 31, 2016 and 2015 and the estimated impact to future 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, 2016		Increase/(decrease) to future pre-tax earnings due to:	
Euro-denominated financial instruments	Euro	$ Equivalent	10% weakening of the value of	10% strengthening of the value of the Euro relative to

			the Euro relative to the U.S. dollar	the U.S. dollar
Net monetary assets	€78.6	$ 82.1	$ (8.2)	$ 8.2

(Amounts in millions)	Net asset balance as of December 31, 2015		Increase/(decrease) to future 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	€64.4	$ 70.3	$ (7.0)	$ 7.0

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, and nickel, used in the manufacturing of our products. The terms of these forward contracts fix the price at a future date for various notional amounts

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associated with these commodities. 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.

Sensitivity Analysis

The tables below present our commodity forward contracts as of December 31, 2016 and 2015 and the estimated impact to pre-tax earnings associated with a 10% increase/(decrease) 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, 2016	Notional	Weighted Average Contract Price Per Unit	Average Forward Price Per Unit as of December 31, 2016	Expiration	10% increase in the forward price	10% decrease in the forward price
Silver	$(0.8)	1,069,914 troy oz.	$17.09	$16.32	Various dates during 2017 and 2018	$1.7	$(1.7)
Gold	$(0.9)	14,113 troy oz.	$1,233.30	$1,167.90	Various dates during 2017 and 2018	$1.6	$(1.6)
Nickel	$(0.1)	339,402 pounds	$4.98	$4.58	Various dates during 2017 and 2018	$0.2	$(0.2)
Aluminum	$0.1	5,807,659 pounds	$0.76	$0.77	Various dates during 2017 and 2018	$0.4	$(0.4)
Copper	$1.4	7,707,228 pounds	$2.32	$2.51	Various dates during 2017 and 2018	$1.9	$(1.9)
Platinum	$(0.9)	8,719 troy oz.	$1,017.41	$911.87	Various dates during 2017 and 2018	$0.8	$(0.8)
Palladium	$0.1	1,923 troy oz.	$641.43	$685.73	Various dates during 2017 and 2018	$0.1	$(0.1)

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

Commodity	Net asset/(liability) balance as of December 31, 2015	Notional	Weighted Average Contract Price Per Unit	Average Forward Price Per Unit as of December 31, 2015	Expiration	to pre-tax earnings due to	
						10% increase in the forward price	10% decrease in the forward price
Silver	$(4.0)	1,554,959 troy oz.	$16.63	$13.98	Various dates during 2016 and 2017	$2.2	$(2.2)
Gold	$(1.5)	13,940 troy oz.	$1,177.94	$1,065.60	Various dates during 2016 and 2017	$1.5	$(1.5)
Nickel	$(1.1)	520,710 pounds	$6.18	$4.03	Various dates during 2016 and 2017	$0.2	$(0.2)
Aluminum	$(0.7)	4,686,080 pounds	$0.85	$0.69	Various dates during 2016 and 2017	$0.3	$(0.3)
Copper	$(4.2)	7,258,279 pounds	$2.72	$2.13	Various dates during 2016 and 2017	$1.5	$(1.5)
Platinum	$(1.8)	6,730 troy oz.	$1,154.61	$881.53	Various dates during 2016 and 2017	$0.6	$(0.6)
Palladium	$(0.2)	2,139 troy oz.	$647.71	$553.56	Various dates during 2016 and 2017	$0.1	$(0.1)
Zinc	$(0.2)	554,992 pounds	$1.04	$0.73	Various dates during 2016	$0.0	$(0.0)

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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.

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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, 2016 and 2015, 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, 2016. Our audits also included the financial statement schedules listed in the Index at Item 15(a). 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, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, 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, 2016, 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 2, 2017 expressed an unqualified opinion thereon.
/s/ ERNST & YOUNG LLP

Boston, Massachusetts
February 2, 2017

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

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 351,428	$ 342,263
Accounts receivable, net of allowances of $11,811 and $9,535 as of December 31, 2016 and 2015, respectively	500,211	467,567
Inventories	389,844	358,701
Prepaid expenses and other current assets	100,002	109,392
Total current assets	1,341,485	1,277,923
Property, plant and equipment, net	725,754	694,155
Goodwill	3,005,464	3,019,743
Other intangible assets, net	1,075,431	1,262,572
Deferred income tax assets	20,695	26,417
Other assets	72,147	18,100
Total assets	$ 6,240,976	$ 6,298,910
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt, capital lease and other financing obligations	$ 14,643	$ 300,439
Accounts payable	299,198	290,779
Income taxes payable	23,889	21,968
Accrued expenses and other current liabilities	245,566	251,989
Total current liabilities	583,296	865,175
Deferred income tax liabilities	392,628	390,490
Pension and other post-retirement benefit obligations	34,878	34,314
Capital lease and other financing obligations, less current portion	32,369	36,219
Long-term debt, net of discount and deferred financing costs, less current portion	3,226,582	3,264,333
Other long-term liabilities	29,216	39,803
Total liabilities	4,298,969	4,630,334
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Ordinary shares, €0.01 nominal value per share, 400,000 shares authorized; 178,437 shares issued	2,289	2,289
Treasury shares, at cost, 7,557 and 8,038 shares as of December 31, 2016 and 2015, respectively	(306,505)	(324,994)
Additional paid-in capital	1,643,449	1,626,024
Retained earnings	636,841	391,247
Accumulated other comprehensive loss	(34,067)	(25,990)
Total shareholders' equity	1,942,007	1,668,576
Total liabilities and shareholders' equity	$ 6,240,976	$ 6,298,910

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

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

	For the year ended December 31,		
	2016	2015	2014
Net revenue	$3,202,288	$2,974,961	$2,409,803
Operating costs and expenses:			
Cost of revenue	2,084,261	1,977,799	1,567,334
Research and development	126,665	123,666	82,178
Selling, general and administrative	293,587	271,361	220,105
Amortization of intangible assets	201,498	186,632	146,704
Restructuring and special charges	4,113	21,919	21,893
Total operating costs and expenses	2,710,124	2,581,377	2,038,214
Profit from operations	492,164	393,584	371,589
Interest expense, net	(165,818)	(137,626)	(106,104)
Other, net	(4,901)	(50,329)	(12,059)
Income before taxes	321,445	205,629	253,426
Provision for/(benefit from) income taxes	59,011	(142,067)	(30,323)
Net income	$262,434	$347,696	$283,749
Basic net income per share	$1.54	$2.05	$1.67
Diluted net income per share	$1.53	$2.03	$1.65

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

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

	For the year ended December 31,		
	2016	2015	2014
Net income	$262,434	$347,696	$283,749
Other comprehensive (loss)/income, net of tax:			
Deferred (loss)/gain on derivative instruments, net of reclassifications	(3,829)	(13,726)	25,190
Defined benefit and retiree healthcare plans	(4,248)	(516)	(3,831)
Other comprehensive (loss)/income	(8,077)	(14,242)	21,359
Comprehensive income	$254,357	$333,454	$305,108

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

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

	For the year ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	$262,434	$347,696	$283,749
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	106,903	96,051	65,804
Amortization of deferred financing costs and original issue discounts	7,334	6,456	5,118
Currency remeasurement gain on debt	(324)	(1,924)	(771)
Share-based compensation	17,425	15,326	12,985
Loss on debt financing	—	34,335	3,750
Amortization of inventory step-up to fair value	2,319	1,820	5,576
Amortization of intangible assets	201,498	186,632	146,704
Deferred income taxes	8,344	(179,009)	(59,156)
Gains from insurance proceeds	—	—	(2,417)
Unrealized loss on hedges and other non-cash items	9,522	1,334	5,003
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(33,013)	18,618	(26,287)
Inventories	(37,500)	40,526	(77,473)
Prepaid expenses and other current assets	6,956	(9,857)	2,915
Accounts payable and accrued expenses	(21,432)	(38,034)	19,189
Income taxes payable	(1,938)	14,452	849
Other	(7,003)	(1,291)	(2,970)
Net cash provided by operating activities	521,525	533,131	382,568
Cash flows from investing activities:			
Acquisition of CST, net of cash received	4,688	(996,871)	—
Acquisition of Schrader, net of cash received	—	(958)	(995,315)
Other acquisitions, net of cash received	—	3,881	(298,423)
Additions to property, plant and equipment and capitalized software	(130,217)	(177,196)	(144,211)
Investment in equity securities	(50,000)	—	—
Insurance proceeds	—	—	2,417
Proceeds from sale of assets	751	4,775	5,467
Net cash used in investing activities	(174,778)	(1,166,369)	(1,430,065)
Cash flows from financing activities:			
Proceeds from exercise of stock options and issuance of ordinary shares	3,944	19,411	24,909
Proceeds from issuance of debt	—	2,795,120	1,190,500
Payments on debt	(336,256)	(2,000,257)	(76,375)
Repurchase of ordinary shares from SCA	—	—	(169,680)
Payments to repurchase ordinary shares	(4,752)	(50)	(12,094)
Payments of debt issuance cost	(518)	(50,052)	(16,330)
Net cash (used in)/provided by financing activities	(337,582)	764,172	940,930
Net change in cash and cash equivalents	9,165	130,934	(106,567)
Cash and cash equivalents, beginning of year	342,263	211,329	317,896
Cash and cash equivalents, end of year	$351,428	$342,263	$211,329
Supplemental cash flow items:			
Cash paid for interest	$155,925	$125,370	$87,774
Cash paid for income taxes	$43,152	$41,301	$41,126

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

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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, 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
Vesting of restricted securities	—	—	49	1,589	—	(1,589)	—	—
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
Issuance of ordinary shares for employee stock plans	—	—	5	195	72	—	—	267
Surrender of shares for tax withholding	—	—	(54)	(2,507)	—	—	—	(2,507)
Stock options exercised	—	—	1,016	38,199	236	(19,291)	—	19,144
Vesting of restricted securities	—	—	115	4,391	—	(4,391)	—	—
Share-based compensation	—	—	—	—	15,326	—	—	15,326
Net income	—	—	—	—	—	347,696	—	347,696
Other comprehensive loss	—	—	—	—	—	—	(14,242)	(14,242)
Balance as of December 31, 2015	178,437	$2,289	(8,038)	$(324,994)	$1,626,024	$391,247	$(25,990)	$1,668,576
Surrender of shares for tax withholding	—	—	(62)	(2,295)	—	—	—	(2,295)
Stock options exercised	—	—	358	13,698	—	(9,754)	—	3,944
Vesting of restricted securities	—	—	185	7,086	—	(7,086)	—	—
Share-based compensation	—	—	—	—	17,425	—	—	17,425
Net income	—	—	—	—	—	262,434	—	262,434
Other comprehensive loss	—	—	—	—	—	—	(8,077)	(8,077)

Balance as of December 31, 2016	178,437	$ 2,289	(7,557)	$ (306,505)	$ 1,643,449	$ 636,841	$ (34,067)	$ 1,942,007

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

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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 primarily 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 primarily in China, Malaysia, Mexico, Bulgaria, Poland, France, Germany, the U.K., and the U.S. We organize our operations into two businesses, Performance Sensing and Sensing Solutions.

Our Performance Sensing business is a manufacturer of pressure, temperature, speed, and position sensors, and electromechanical products used in subsystems of automobiles (e.g., engine, air conditioning, and ride stabilization) and heavy vehicle off-road ("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 Sensing Solutions business is a manufacturer of a variety of control products used in industrial, aerospace, military, commercial, medical device, and residential markets, and sensor products used in aerospace and industrial applications such as heating, ventilation, and air conditioning ("HVAC") systems and military and commercial aircraft. These products include motor and compressor protectors, circuit breakers, semiconductor burn-in test sockets, electronic HVAC sensors and controls, solid state relays, linear and rotary position sensors, 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, lighting, and other industrial applications, and help optimize performance by using sensors which provide feedback to control systems. The Sensing Solutions 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.

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 ("ASC 605"). 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 these 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. Significant factors used in determining these assumptions are detailed below.

The expected term, which is a key factor in measuring the fair value and related compensation cost of share-based payments, has been determined by comparing the terms of our options granted against those of publicly-traded companies within our industry.

We consider 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. Implied volatility provides a forward-looking indication and may offer insight into expected industry volatility.

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 of 0% is based on our history of having never declared or paid any dividends on our ordinary shares, and our current intention of not declaring any such dividends in the foreseeable future. See Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities," included elsewhere in this Annual Report on Form 10-K for further discussion of limitations on our ability to pay dividends.

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.

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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. Compensation expense recognized for each award ultimately reflects the number of units 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 believe there are no significant concentrations of risk associated with our derivative financial instruments.

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. These analyses utilize observable market-based inputs, including foreign exchange rates, and reflect the contractual terms of these instruments, including the period to maturity. Certain of these contracts have not been designated as accounting hedges, and in accordance with ASC 815, we recognize the changes in the fair value of these contracts in the consolidated statements of operations. 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, nickel, aluminum, copper, platinum, and palladium used in the manufacturing of our products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. 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. These analyses utilize observable market-based inputs, including commodity forward curves, and reflect the contractual terms of these instruments, including the period to maturity. These contracts have not been designated as accounting hedges. In accordance with ASC 815, we recognize changes in the fair value of these contracts in the consolidated statements of operations. 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: Trade accounts receivable are recorded at invoiced amounts and do not bear interest. Trade accounts receivable are reduced by an allowance for losses on receivables, as described elsewhere in this Note. 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 9% of our Net revenue for the year ended December 31, 2016.

Goodwill and Other Intangible Assets

Businesses acquired are recorded at their fair value on the date of acquisition, with the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed recognized as goodwill. In accordance with the requirements of 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 indicate that the asset is impaired. 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.

Goodwill: We have five reporting units: Performance Sensing, Electrical Protection, Power Management, Industrial Sensing, and Interconnection. These reporting units have been identified based on the definitions and guidance provided in ASC 350. 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. We view some assets and liabilities, such as cash and cash equivalents, property, plant and equipment associated with our corporate offices, and debt, as being corporate in nature. Accordingly, we do not assign these assets and liabilities to our reporting units.

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 not to use this option, or if we determine 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 goodwill impairment test.

In the first step of the two-step 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 its calculated implied fair value, 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 its identifiable assets and liabilities (including any unrecognized intangible assets) 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. The excess of the fair value of the reporting unit over the sum of the fair values of each of its identifiable assets and liabilities is the implied fair value of goodwill. The calculation of the fair value of our reporting units is considered a level 3 fair value measurement.

We used the qualitative method to assess goodwill for impairment as of October 1, 2016.

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 not to 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 estimate the fair value of the indefinite–lived intangible asset and compare that amount to its carrying value. We estimate the fair value by using the relief–from–royalty method which 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, and royalty rates. Impairment, if any, is based on the excess of the carrying value over the fair value of these assets.

Definite-lived intangible assets: Definite-lived intangible assets are amortized over the estimated 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. 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 estimated useful life of the software.

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. If we determine these facts or circumstances exist, we estimate the recoverability of these assets 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

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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.

Refer to Note 5, "Goodwill and Other Intangible Assets," for further details of our goodwill and other intangible assets.

Debt Instruments

A premium or discount on a debt instrument is recorded on the balance sheet as an adjustment to the carrying amount of the debt liability. In general, amounts paid to creditors are considered a reduction in the proceeds received from the issuance of the debt and are accounted for as a component of the premium or discount on the issuance, not as an issuance cost.

In April 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. As a result of this new guidance, beginning in 2016, direct and incremental costs associated with the issuance of debt instruments such as legal fees, printing costs, and underwriters' fees, among others, paid to parties other than creditors, are reported and presented as a reduction of debt on the consolidated balance sheets.

Debt issuance costs and premiums or discounts are amortized over the term of the respective financing arrangement using the effective interest method. Amortization of these amounts is included as a component of Interest expense, net in the consolidated statements of operations.

In accounting for debt refinancing transactions, we apply the provisions of ASC Subtopic 470-50, Modifications and Extinguishments (“ASC 470-50”). Our evaluation of the accounting under ASC 470-50 is done on a creditor by creditor basis in order to determine if the terms of the debt are substantially different and, as a result, whether to apply modification or extinguishment accounting. In the event that an individual holder of existing debt did not invest in new debt, we apply extinguishment accounting. Borrowings associated with individual holders of new debt that are not holders of existing debt are accounted for as new issuances.

Refer to Note 8, "Debt," for further details of our debt instruments and transactions.

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 the Provision for/(benefit from) income taxes line of the consolidated statements of operations.

Refer to Note 9, "Income Taxes," for further details on our income taxes.

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 Other comprehensive (loss)/income. 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 updated Mortality Projection ("MP") 2016 mortality improvement scale as issued by the Society of Actuaries in 2016 for our U.S. defined benefit plans. The updated MP 2016 mortality improvement scale reflects improvements in longevity as compared to the MP 2015 mortality improvement scale the Society of Actuaries issued in 2015, primarily because it includes actual Social Security mortality data for 2012, 2013 and 2014. 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).

Refer to Note 10, "Pension and Other Post-Retirement Benefits," for further information on our pension and other post-retirement benefit plans.

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 and intent 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 ("FIFO") basis and includes material, labor, and applicable manufacturing overhead. We conduct quarterly inventory reviews for salability and obsolescence, and inventory considered unlikely to be sold is adjusted to net realizable value. Refer to Note 4, "Inventories," for details of our inventory balances.

Property, Plant and Equipment ("PP&E") and Other Capitalized Costs

PP&E is stated at cost, and in the case of plant and equipment, is depreciated on a straight-line basis over its estimated economic useful life. The depreciable lives of plant and equipment are as follows:

Buildings and improvements	2 – 40 years
Machinery and equipment	2 – 15 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.

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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, which is included within depreciation expense, 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 asset were owned.

Expenditures for maintenance and repairs are charged to expense as incurred, whereas major improvements that increase asset values and extend useful lives are capitalized.

Refer to Note 3, "Property, Plant and Equipment," for details of our PP&E balances.

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, 2016, 2015, and 2014 consisted of the following:

	For the year ended December 31,		
	2016	2015	2014
Currency remeasurement loss on net monetary assets	$(10,621)	(9,613)	(6,912)
Loss on debt financing	—	(25,538)	(1,875)
Gain/(loss) on commodity forward contracts	7,399	(18,468)	(9,017)
(Loss)/gain on foreign currency forward contracts	(1,850)	3,606	5,469
Other	171	(316)	276
Total Other, net	$(4,901)	$(50,329)	$(12,059)

Recently issued accounting standards adopted in the current period:

In April 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 was effective for annual reporting periods beginning after December 15, 2015, including interim periods within those annual reporting periods. We adopted ASU 2015-03 on January 1, 2016, and as a result, as of December 31, 2016 and 2015, $33.7 million and $38.3 million, respectively, of deferred financing costs were classified as a reduction of long-term debt on our consolidated balance sheets. The adoption of ASU 2015-03 did not have any impact on our statements of operations. Refer to Note 8, "Debt," for a reconciliation of the various components of long-term debt to the consolidated balance sheets.

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

In May 2014, the FASB issued 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 and various other revenue accounting standards for specialized transactions and industries. ASU 2014-09 outlines a comprehensive five-step revenue recognition model based on the principle 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. ASU 2014-09 may be applied using either a full retrospective approach, under which all years included in the financial statements will be presented under the revised guidance, or a modified retrospective approach, under which financial statements will be prepared under the revised guidance for the year of adoption, but not for prior years. Under the latter 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 entity.

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In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date, which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. We have developed an implementation plan to adopt this new guidance. As part of this plan, we are currently assessing the impact of the new guidance on our results of operations. Based on our procedures performed to date, nothing has come to our attention that would indicate that the adoption of ASU 2014-09 will have a material impact on our financial statements, however, we will continue to evaluate this assessment in 2017. We intend to adopt ASU 2014-09 on January 1, 2018. We have not yet selected a transition method, but expect to do so in 2017 upon completion of further analysis.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which establishes new accounting and disclosure requirements for leases. ASU 2016-02 requires lessees to classify most leases as either finance or operating leases and to initially recognize a lease liability and right-of-use asset. Entities may elect to account for certain short-term leases (with a term of 12 months or less) using a method similar to the current operating lease model. The statements of operations will include, for finance leases, separate recognition of interest on the lease liability and amortization of the right-of-use asset and for operating leases, a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a straight-line basis. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual reporting periods, with early adoption permitted. ASU 2016-02 must be applied using a modified retrospective approach, which requires recognition and measurement of leases at the beginning of the earliest period presented, with certain practical expedients available. We are currently evaluating when to adopt ASU 2016-02 and the impact that this adoption will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09") as part of its simplification initiative. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions. The provisions of ASU 2016-09 that will impact us are as follows: (1) an accounting policy election may be made to account for forfeitures as they occur, rather than based on an estimate of future forfeitures, and (2) companies will be allowed to withhold shares, upon either the exercise of options or vesting of restricted securities, with an aggregate fair value in excess of the minimum statutory withholding requirement and still qualify for the exception to liability classification. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. Amendments related to the provisions that are applicable to Sensata must be applied using a modified retrospective approach by means of a cumulative-effect adjustment to equity as of the beginning of the period in which ASU 2016-09 is adopted. We do not expect the adoption of ASU 2016-09 to have a material impact on our financial position or results of operations.

3. Property, Plant and Equipment

PP&E as of December 31, 2016 and 2015 consisted of the following:

	December 31, 2016	December 31, 2015
Land	$ 23,316	$ 21,715
Buildings and improvements	236,547	227,665
Machinery and equipment	1,025,900	919,287
PP&E, gross	1,285,763	1,168,667
Accumulated depreciation	(560,009)	(474,512)
PP&E, net	$ 725,754	$ 694,155

Depreciation expense for PP&E, including amortization of assets under capital leases, totaled $106.9 million, $96.1 million, and $65.8 million for the years ended December 31, 2016, 2015, and 2014, respectively.

PP&E as of December 31, 2016 and 2015 included the following assets under capital leases:

	December 31, 2016	December 31, 2015
PP&E recognized under capital leases	$ 44,637	$ 44,259

Accumulated amortization	(18,410)	(16,308)
Net PP&E recognized under capital leases	$ 26,227	$ 27,951

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4. Inventories

The components of inventories as of December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Finished goods	$ 169,304	$ 154,827
Work-in-process	74,810	62,084
Raw materials	145,730	141,790
Total	$ 389,844	$ 358,701

As of December 31, 2016 and 2015, inventories totaling $10.3 million and $10.1 million, respectively, had been consigned to customers.

5. Goodwill and Other Intangible Assets

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

	Performance Sensing			Sensing Solutions			Total		
	Gross Goodwill	Accumulated Impairment	Net Goodwill	Gross Goodwill	Accumulated Impairment	Net Goodwill	Gross Goodwill	Accumulated Impairment	Net Goodwill
Balance as of December 31, 2014	$1,994,623	$ —	$1,994,623	$448,638	$(18,466)	$430,172	$2,443,261	$(18,466)	$2,424,795
CST Acquisition	147,433	—	147,433	439,944	—	439,944	587,377	—	587,377
DeltaTech - purchase accounting adjustment	2,441	—	2,441	—	—	—	2,441	—	2,441
Schrader - purchase accounting adjustment	5,130	—	5,130	—	—	—	5,130	—	5,130
Balance as of December 31, 2015	2,149,627	—	2,149,627	888,582	(18,466)	870,116	3,038,209	(18,466)	3,019,743
CST - purchase accounting adjustment	(1,492)	—	(1,492)	(12,787)	—	(12,787)	(14,279)	—	(14,279)
Balance as of December 31, 2016	$2,148,135	$ —	$2,148,135	$875,795	$(18,466)	$857,329	$3,023,930	$(18,466)	$3,005,464

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 liabilities assumed and tangible and intangible assets acquired, as well as an adjustment to arrive at the final allocation of goodwill to our segments based on a methodology utilizing anticipated future earnings of the components of the business.

We have evaluated our goodwill for impairment as of October 1, 2016 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 (other than goodwill) for impairment as of October 1, 2016 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.

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The following table outlines the components of definite-lived intangible assets, excluding goodwill, as of December 31, 2016 and 2015:

	Weighted-Average Life (Years)	December 31, 2016 Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value	December 31, 2015 Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies	14	$729,168	$(358,500)	$(2,430)	$368,238	$726,598	$(293,564)	$(2,430)	$430,604
Customer relationships	11	1,771,198	(1,196,961)	(12,144)	562,093	1,765,704	(1,070,460)	(12,144)	683,100
Non-compete agreements	8	23,400	(23,400)	—	—	23,400	(23,400)	—	—
Tradenames	22	50,754	(8,672)	—	42,082	50,754	(5,901)	—	44,853
Capitalized software [(1)]	7	54,284	(19,736)	—	34,548	55,151	(19,606)	—	35,545
Total	12	$2,628,804	$(1,607,269)	$(14,574)	$1,006,961	$2,621,607	$(1,412,931)	$(14,574)	$1,194,102

(1) During the year ended December 31, 2016, we wrote-off approximately $7.2 million of fully-amortized capitalized software that was not in use.

The following table outlines Amortization of intangible assets for the years ended December 31, 2016, 2015, and 2014:

	December 31, 2016	December 31, 2015	December 31, 2014
Acquisition-related definite-lived intangible assets	$ 194,208	$ 179,785	$ 143,604
Capitalized software	7,290	6,847	3,100
Total Amortization of intangible assets	$ 201,498	$ 186,632	$ 146,704

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

2017	$159,824
2018	$136,154
2019	$127,006
2020	$110,541
2021	$94,727

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 $59.1 million and $9.4 million, respectively, on the consolidated balance sheets related to these tradenames.

6. Acquisitions

The following discussion relates to our acquisitions during the years ended December 31, 2015 and 2014. Refer to Note 5, "Goodwill and Other Intangible Assets," for further discussion of our consolidated Goodwill and Other intangible assets, net balances.

CST

On December 1, 2015, we completed the acquisition of all of the outstanding shares of certain subsidiaries of Custom Sensors & Technologies Ltd. in the U.S., the U.K., and France, as well as certain assets in China (collectively, "CST"), for an aggregate purchase price of $1,000.8 million. The acquisition included the Kavlico, BEI, Crydom, and Newall product lines and brands, and encompassed sales, engineering, and manufacturing sites in the U.S., the U.K., Germany, France, and Mexico. We acquired CST to further extend our sensing content beyond automotive markets and build scale in pressure sensing. Portions of CST are being integrated into each of our segments.

Kavlico is a provider of linear and rotary position sensors to aerospace original equipment manufacturers and Tier 1 suppliers, and pressure sensors primarily to the general industrial and HVOR markets. BEI provides harsh environment position

sensors, optical and magnetic encoders, and motion control sensors to the industrial, aerospace, agricultural, and medical device markets. Crydom manufactures solid state relays for power control applications in industrial markets. Newall provides encoders and digital readouts to machinery and machine tool markets.

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

Accounts receivable	$41,100
Inventories	40,679
Prepaid expenses and other current assets	11,227
Property, plant and equipment	42,109
Other intangible assets	541,010
Goodwill	573,096
Other assets	39
Accounts payable	(19,088)
Accrued expenses and other current liabilities	(29,184)
Deferred income tax liabilities	(204,623)
Pension and other post-retirement benefit obligations	(3,767)
Other long term liabilities	(415)
Fair value of net assets acquired, excluding cash and cash equivalents	992,183
Cash and cash equivalents	8,612
Fair value of net assets acquired	$1,000,795

The allocation of the purchase price related to this acquisition was finalized in the fourth quarter of 2016 and was based on management’s judgments after evaluating several factors, including valuation assessments of tangible and intangible assets, and estimates of the fair values of liabilities assumed. The goodwill of $573.1 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 Life (years)
Acquired definite-lived intangible assets:		
Completed technologies	$ 187,460	16
Customer relationships	311,110	15
Tradenames	41,900	25
Computer software	540	2
Total	$ 541,010	16

The definite-lived intangible assets were valued using the income approach. We used the relief-from-royalty and the multi-period excess earnings methods to value completed technologies. The customer relationships were valued using the multi-period excess earnings and distributor methods. Tradenames were valued using the relief-from-royalty 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.

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

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purchase price of $1,004.7 million. Schrader is a global manufacturer of sensing and valve solutions primarily for automotive manufacturers, including tire pressure monitoring sensors ("TPMS"), and is being integrated into our Performance Sensing segment. We acquired Schrader to add TPMS and additional low pressure sensing capabilities to our current product portfolio. The allocation of the purchase price related to this acquisition was finalized in the fourth quarter of 2015.

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 has been integrated into our Performance Sensing segment. We acquired DeltaTech to expand our magnetic speed and position sensing business with new and existing customers in the HVOR market. The allocation of the purchase price related to this acquisition was finalized in the third quarter of 2015.

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 an aggregate purchase price of $60.6 million. 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 has been integrated into our Sensing Solutions segment. We acquired Magnum to complement our existing inverter business. The majority of the purchase price was allocated to intangible assets, including goodwill. The allocation of the purchase price related to this acquisition was finalized in the second quarter of 2015.

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 an aggregate purchase price of $59.6 million. 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 has been integrated into our Performance Sensing segment.

Pro Forma Results

CST

The following unaudited table presents the pro forma Net revenue and Net income for the following periods of the combined entity had we acquired CST on January 1, 2014. Results for the year ended December 31, 2014 include only the actual results of Schrader from the acquisition date of October 14, 2014 through December 31, 2014.

	(Unaudited) For the year ended	
	December 31, 2015	December 31, 2014
Pro forma net revenue	$3,261,515	$2,747,403
Pro forma net income	$345,229	$255,819

Pro forma net income for the year ended December 31, 2014 includes nonrecurring charges of $4.1 million related to the amortization of the step-up adjustment to record inventory at fair value and $9.3 million and $10.0 million of transaction costs and financing costs, respectively, incurred as a result of the acquisition.

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7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of December 31, 2016 and 2015 consisted of the following:

	December 31, 2016	December 31, 2015
Accrued compensation and benefits	$ 83,008	$ 81,185
Accrued interest	36,805	26,104
Foreign currency and commodity forward contracts	26,151	27,674
Accrued restructuring and severance	14,566	14,089
Current portion of pension and post-retirement benefit obligations	2,750	3,461
Other accrued expenses and current liabilities	82,286	99,476
Total	$ 245,566	$ 251,989

8. Debt

Our long-term debt and capital lease and other financing obligations as of December 31, 2016 and 2015 consisted of the following:

	December 31, 2016	December 31, 2015
Term Loan	$ 937,794	$ 982,695
4.875% Senior Notes	500,000	500,000
5.625% Senior Notes	400,000	400,000
5.0% Senior Notes	700,000	700,000
6.25% Senior Notes	750,000	750,000
Revolving Credit Facility	—	280,000
Less: discount	(17,655)	(20,116)
Less: deferred financing costs	(33,656)	(38,345)
Less: current portion	(9,901)	(289,901)
Long-term debt, net of discount and deferred financing costs, less current portion	$ 3,226,582	$ 3,264,333
Capital lease and other financing obligations	$ 37,111	$ 46,757
Less: current portion	(4,742)	(10,538)
Capital lease and other financing obligations, less current portion	$ 32,369	$ 36,219

Debt Transactions

In May 2011, we completed a series of transactions designed to refinance our then existing indebtedness. These transactions included the issuance and sale of $700.0 million 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 term loan facility (the "Original Term Loan"), which was offered at an original principal amount of $1,100.0 million and an original issue price of 99.5%, and a $250.0 million revolving credit facility (as amended, the "Revolving Credit Facility"). Refer to the section entitled Senior Secured Credit Facilities below for additional details on the Revolving Credit Facility.

In April 2013, we completed the issuance and sale of $500.0 million 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 October 2014, we completed a series of financing transactions (the "2014 Financing Transactions") in order to fund the acquisition of Schrader. The 2014 Financing 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 a third amendment (the

"Third Amendment") to the Credit Agreement that provided for a $600.0 million additional term loan (the "Incremental Term Loan"), which was offered at an original issue price of 99.25%. The net proceeds from the 2014 Financing Transactions, 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 2014 Financing Transactions and the acquisition of Schrader.

On March 26, 2015, we completed a series of financing transactions (the "2015 Financing Transactions"), including the settlement of $620.9 million of the 6.5% Senior Notes that was validly tendered in connection with a cash tender offer that commenced on March 19, 2015, the issuance and sale of $700.0 million aggregate principal amount of 5.0% senior notes due 2025 (the "5.0% Senior Notes"), and the entry into an amendment (the "Fifth Amendment") to the Credit Agreement. The Fifth Amendment (1) increased the amount available for borrowing under the Revolving Credit Facility by $100.0 million to $350.0 million in the aggregate, (2) extended the maturity date of the Revolving Credit Facility to March 26, 2020, and (3) revised certain fees related to the Revolving Credit Facility.

On April 29, 2015, we redeemed the remaining $79.1 million principal amount of 6.5% Senior Notes (the "Redemption").

On May 11, 2015, we entered into an amendment (the "Sixth Amendment") of the Credit Agreement. Pursuant to the Sixth Amendment, the Original Term Loan and the Incremental Term Loan (together, the "Refinanced Term Loans") were prepaid in full, and a new term loan (the "Term Loan") was entered into in an aggregate principal amount equal to the sum of the outstanding balances of the Refinanced Term Loans. Refer to the section entitled Senior Secured Credit Facilities below for additional details on the Term Loan.

On September 29, 2015, we entered into an amendment (the “Seventh Amendment") of the Credit Agreement. The Seventh Amendment increased the amount available for borrowing on the Revolving Credit Facility by $70.0 million to $420.0 million.

On November 27, 2015, we completed the issuance and sale of $750.0 million aggregate principal amount of 6.25% senior notes due 2026 (the “6.25% Senior Notes”). We used the proceeds from the issuance and sale of these notes, together with $250.0 million in borrowings on the Revolving Credit Facility and cash on hand, to fund the acquisition of CST and pay related expenses. Refer to Note 6, “Acquisitions,” for further discussion of the acquisition of CST.

Senior Secured Credit Facilities

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, Bermuda, Luxembourg, France, Ireland, 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). These provisions were not triggered during the year ended December 31, 2016.

We have amended the Credit Agreement on seven occasions since its initial execution. The terms presented herein reflect the changes as a result of these various amendments. Refer to the Debt Transactions section above for additional details of the terms of material amendments.

Term Loan

The Term Loan, which was entered into in May 2015 in order to prepay the Refinanced Term Loans, was offered at 99.75% of par. The principal amount of the 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, under the terms of the Sixth Amendment, the Term Loan may be maintained from time to time as a Base Rate loan or a Eurodollar Rate loan (each as defined in the Sixth Amendment), each with a different determination of interest rates. Pursuant to the terms of the Sixth Amendment, the applicable margins for the Term Loan are 1.25% and 2.25% for

Base Rate loans and Eurodollar Rate loans, respectively, subject to floors of 1.75% and 0.75% for Base Rate loans and Eurodollar Rate loans, respectively. As of December 31, 2016, we maintained the Term Loan as a Eurodollar Rate loan, which accrued interest at a rate of 3.02%.

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Revolving Credit Facility

At our option, the Revolving Credit Facility 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. Interest rates and fees on the Revolving Credit Facility are as follows (each depending on the achievement of certain senior secured net leverage ratios) (i) the index rate spread for Eurodollar Rate loans is 1.75% or 1.50%; (ii) the index rate spread for Base Rate loans is 0.75% or 0.50%; and (iii) the letter of credit fees are 1.625% or 1.375%.

The original amount available for borrowing under the Revolving Credit Facility per the terms of the Credit Agreement was $250.0 million. On March 26, 2015, we executed the Fifth Amendment, which increased the amount available for borrowing under the Revolving Credit Facility to $350.0 million. On September 29, 2015, we executed the Seventh Amendment, which increased the amount available for borrowing under the Revolving Credit Facility to $420.0 million. 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 currently range from 0.25% to 0.375%.

As of December 31, 2016, there was $414.4 million of availability under the Revolving Credit Facility (net of $5.6 million in letters of credit). Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2016, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates in 2017.

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 Loan, once repaid, may be re-borrowed.

Senior Notes

At December 31, 2016, we had various tranches of senior notes outstanding, including the 4.875% Senior Notes, the 5.625% Senior Notes, the 5.0% Senior Notes, and the 6.25% Senior Notes (collectively, the “Senior Notes”).

At any time, we may redeem the Senior Notes (with the exception of the 6.25% Senior Notes, the redemption terms of which are discussed in more detail below), in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption, plus the Applicable Premium (also known as the "make-whole premium") set forth in the indentures under which the Senior Notes were issued (the “Senior Notes Indentures”). Upon the occurrence of certain change in control events, we will be required to make an offer to purchase the Senior Notes then outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. In addition, if certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments of the Senior Notes or the guarantees, we may redeem the Senior Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption.

The Senior Notes Indentures provide 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 Senior Notes Indentures, defaults in payment of certain other indebtedness, certain events of bankruptcy or insolvency, failure to pay certain judgments, 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 Senior Notes may declare the principal of, and accrued but unpaid interest on, all of the Senior Notes to be due and payable immediately. All provisions regarding remedies in an event of default are subject to the Senior Notes Indentures.

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.

Our obligations under the 4.875% 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. The 4.875% Senior Notes and the related guarantees are the senior unsecured obligations of STBV and the Guarantors, respectively. The 4.875%

Senior Notes and the guarantees rank equally in right of payment to all existing and future senior unsecured indebtedness of STBV or the Guarantors.

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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 made on May 1, 2015.

Our obligations under the 5.625% 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. The 5.625% Senior Notes and the related guarantees are the senior unsecured obligations of STBV and the Guarantors, respectively. The 5.625% Senior Notes and the guarantees rank equally in right of payment to all existing and future senior unsecured indebtedness of STBV or the Guarantors.

5.0% Senior Notes

The 5.0% Senior Notes were issued under an indenture dated March 26, 2015 (the "5.0% Senior Notes Indenture") among STBV, as issuer, The Bank of New York Mellon, as trustee, and the Guarantors. The 5.0% Senior Notes were offered at par. Interest on the 5.0% Senior Notes is payable semi-annually on April 1 and October 1 of each year, with the first payment made on October 1, 2015.

Our obligations under the 5.0% 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. The 5.0% Senior Notes and the related guarantees are the senior unsecured obligations of STBV and the Guarantors, respectively. The 5.0% Senior Notes and the guarantees rank equally in right of payment to all existing and future senior unsecured indebtedness of STBV or the Guarantors.

6.25% Senior Notes

The 6.25% Senior Notes were issued by Sensata Technologies UK Financing Co. plc ("STUK") under an indenture dated November 27, 2015 (the "6.25% Senior Notes Indenture") among STUK, as issuer, The Bank of New York Mellon, as trustee, and the Guarantors. The 6.25% Senior Notes were offered at par. Interest on the 6.25% Senior Notes is payable semi-annually on February 15 and August 15 of each year, with the first payment made on February 15, 2016.

We may redeem the 6.25% Senior Notes, in whole or in part, at any time prior to February 15, 2021, at a redemption price equal to 100% of the principal amount of the 6.25% Senior Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption, plus the Applicable Premium (also known as the “make-whole” premium) set forth in the 6.25% Senior Notes Indenture. Thereafter, we may redeem the 6.25% Senior Notes, in whole or in part, at the following prices (plus accrued and unpaid interest, if any, to the date of redemption):

Period beginning February 15,	Price
2021	103.125%
2022	102.083%
2023	101.042%
2024 and thereafter	100.000%

In addition, at any time prior to November 15, 2018, we may redeem up to 40% of the aggregate principal amount of the 6.25% Senior Notes with the net cash proceeds from certain equity offerings at the redemption price of 106.25% plus accrued and unpaid interest, if any, to the date of redemption, provided that at least 60% of the aggregate principal amount of the 6.25% Senior Notes remains outstanding immediately after each such redemption.

Our obligations under the 6.25% Senior Notes are guaranteed by STBV and certain of STBV’s existing and future wholly-owned subsidiaries (other than STUK) that guarantee our obligations under the Senior Secured Credit Facilities. The 6.25% Senior Notes and the related guarantees are the senior unsecured obligations of STUK and the Guarantors, respectively. The 6.25% Senior Notes and the guarantees rank equally in right of payment to all existing and future senior unsecured indebtedness of STUK, STBV, or the Guarantors.

Restrictions

As of December 31, 2016, for purposes of the Senior Notes and the Term Loan, 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 Senior Notes Indentures and the Credit Agreement, Restricted Subsidiaries are subject to

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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, 2016, 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 $1,857.5 million at December 31, 2016.

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Accounting for Debt Financing Transactions

Refer to Note 2, "Significant Accounting Policies," under the heading Debt Instruments for discussion of our accounting policies regarding debt financing transactions.

During the year ended December 31, 2016, we did not enter into any debt financing transactions. During the years ended December 31, 2015 and 2014, we recorded losses of $25.5 million, and $1.9 million, respectively, in Other, net related to our debt financing transactions.

In 2015, the 2015 Financing Transactions, the Redemption, and the entry into the Sixth Amendment and the Seventh Amendment were accounted for in accordance with ASC 470-50. As a result, during the year ended December 31, 2015, we recorded transaction costs of approximately $19.2 million in Other, net. The remaining losses recorded to Other, net primarily relate to the write-off of unamortized deferred financing costs and original issue discount. The issuance and sale of the 6.25% Senior Notes was accounted for as a new issuance and as a result, $12.5 million was capitalized as debt issuance costs. In addition, $8.8 million was recorded in Interest expense, net, which relates to fees associated with bridge financing that was not utilized.

In 2014, in connection with the 2014 Financing Transactions, which were accounted for in accordance with ASC 470-50, we incurred $17.7 million of financing costs, of which $13.9 million was recorded as deferred financing costs, $1.9 million was recorded in Other, net, and $1.9 million was recorded in Interest expense.

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, 2016, 2015, and 2014 was $18.1 million, $14.1 million, and $7.5 million, respectively.

In 2011, we entered into a capital lease for a facility in Baoying, China. As of December 31, 2016 and 2015, the capital lease obligation outstanding for this facility was $5.7 million and $6.4 million, respectively.

In 2005, we entered into a capital lease, which matures in 2025, for a facility in Attleboro, Massachusetts. As of December 31, 2016 and 2015, the capital lease obligation outstanding for this facility was $22.1 million and $23.5 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, 2016 and 2015, we had recognized a liability related to this agreement of $5.2 million and $6.4 million, respectively.

In 2008, we entered into a series of agreements to sell and leaseback the land, building, and certain equipment associated with our manufacturing facility in Subang Jaya, Malaysia, which was accounted for as a financing transaction. As of December 31, 2015, we had recognized a liability related to this agreement of $6.8 million. In the first quarter of 2016, we reacquired this facility, and as a result, there is no associated liability recorded as of December 31, 2016.

Debt Maturities

The final maturity of the Revolving Credit Facility is March 26, 2020. Loans made pursuant to the Revolving Credit Facility must be repaid in full on or prior to such date and are pre-payable at our option at par. All letters of credit issued thereunder will terminate at the final maturity of the Revolving Credit Facility unless cash collateralized prior to such time. The final maturity of the Term Loan is October 14, 2021. The Term Loan must be repaid in full on or prior to this date. The 4.875% Senior Notes, the 5.625% Senior Notes, the 5.0% Senior Notes, and the 6.25% Senior Notes mature on October 15, 2023, November 1, 2024, October 1, 2025, and February 15, 2026, respectively.

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The following table presents the 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, 2017 through 2021 and thereafter.

For the year ended December 31,	Aggregate Maturities
2017	$9,901
2018	9,901
2019	9,901
2020	9,901
2021	898,190
Thereafter	2,350,000
Total long-term debt principal payments	$3,287,794

Compliance with Financial and Non-Financial Covenants

As of, and for the year ended, December 31, 2016, we were in compliance with all of the covenants and default provisions associated with our indebtedness.

9. Income Taxes

Effective April 27, 2006 (inception), and concurrent with the completion of the acquisition of the Sensors & 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). Prior to April 30, 2008, we filed one consolidated tax return in the U.S. On April 30, 2008, our U.S. subsidiaries executed a separation and distribution agreement that divided our U.S. businesses, resulting in two separate U.S. consolidated federal income tax returns. On January 1, 2016, our U.S. subsidiaries resumed filing one consolidated tax return. Our remaining subsidiaries will file income tax returns in the countries in which they are incorporated and/or operate, including the Netherlands, Japan, China, Germany, 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.

Income before taxes for the years ended December 31, 2016, 2015, and 2014 was categorized by jurisdiction as follows:

	U.S.	Non-U.S.	Total
For the year ended December 31,			
2016	$(43,842)	$365,287	$321,445
2015	$(60,707)	$266,336	$205,629
2014	$(92,632)	$346,058	$253,426

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Provision for/(benefit from) income taxes for the years ended December 31, 2016, 2015, and 2014 was categorized by jurisdiction as follows:

	U.S. Federal	Non-U.S.	U.S. State	Total
For the year ended December 31, 2016				
Current	$ 464	$ 49,977	$ 226	$ 50,667
Deferred	10,036	2,010	(3,702)	8,344
Total	$ 10,500	$ 51,987	$ (3,476)	$ 59,011
2015:				
Current	$ (8,187)	$ 45,326	$ (197)	$ 36,942
Deferred	(168,855)	(361)	(9,793)	(179,009)
Total	$ (177,042)	$ 44,965	$ (9,990)	$ (142,067)
2014:				
Current	$ —	$ 28,438	$ 395	$ 28,833
Deferred	(51,564)	(6,280)	(1,312)	(59,156)
Total	$ (51,564)	$ 22,158	$ (917)	$ (30,323)

Effective tax rate reconciliation

The principal reconciling items from income tax computed at the U.S. statutory tax rate for the years ended December 31, 2016, 2015, and 2014 were as follows:

	For the year ended December 31,		
	2016	2015	2014
Tax computed at statutory rate of 35%	$ 112,506	$ 71,970	$ 88,700
Foreign tax rate differential	(86,339)	(66,367)	(70,090)
Losses not tax benefited	32,490	56,778	40,200
Reserve for tax exposure	11,227	(2,949)	