Sensata Technologies Holding N.V.
Form 10-K
February 02, 2016
Table of Contents

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-34652

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by a check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K. x

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	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, 2015 was approximately $8.9 billion based on the New York Stock Exchange closing price for such shares on that date.

As of January 15, 2016, 170,344,681 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 19, 2016. 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, 2015.

Table of Contents

TABLE OF CONTENTS

PART I		4
Item 1.	Business	4
Item 1A.	Risk Factors	13
Item 1B.	Unresolved Staff Comments	21
Item 2.	Properties	22
Item 3.	Legal Proceedings	22
Item 4.	Mine Safety Disclosures	23
PART II		24
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	24
Item 6.	Selected Financial Data	27
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	29
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	56
Item 8.	Financial Statements and Supplementary Data	62
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	138
Item 9A.	Controls and Procedures	138
Item 9B.	Other Information	141
PART III		141
Item 10.	Directors, Executive Officers and Corporate Governance	141
Item 11.	Executive Compensation	141
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	141
Item 13.	Certain Relationships and Related Transactions, and Director Independence	141
Item 14.	Principal Accountant Fees and Services	141
PART IV		142
Item 15.	Exhibits and Financial Statement Schedules	142
	Signatures	147

Table of Contents

Cautionary Statements Concerning Forward-Looking Statements

In addition to historical facts, this Annual Report on Form 10-K, including any documents incorporated by reference herein, includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements also relate to our future prospects, developments, and business strategies. These forward-looking statements may be identified by terminology such as "may," "will," "could," "should," "expect," "anticipate," "believe," "estimate," "predict," "project," "forecast," "contin 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:

- 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;
- 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 substantial indebtedness could adversely affect our financial condition and our ability to operate our business, and we may not be able to generate sufficient cash flows to meet our debt service obligations or comply with the covenants contained in the credit agreements;
- 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.

Table of Contents

PART I

ITEM 1. BUSINESS

The Company

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

Sensata Technologies Holding is incorporated under the laws of the Netherlands and conducts its 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, the Dominican Republic, Bulgaria, Poland, France, Brazil, Germany, the U.K., and the U.S. We organize our operations into two businesses, Performance Sensing (formerly referred to as "Sensors") and Sensing Solutions (formerly referred to as "Controls").

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 thermal circuit breakers in aircraft, pressure sensors in automotive systems, and bimetal current and temperature control devices in electric motors.

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

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

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

We are a global business, with significant operations around the world. As of December 31, 2015, 36%, 37%, 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 41%, 26%, and 33% of our net revenue in the Americas, Asia, and Europe, respectively, for the year ended December 31, 2015. Our largest customer accounted for approximately 9% of our net revenue for the year ended December 31, 2015. Our net revenue for the year ended

December 31, 2015 was derived from the following end-markets: 27.4% from European automotive, 18.5% from Asia and rest of world automotive, 21.5% from North American automotive, 5.8% from appliance and HVAC, 12.3% from HVOR, 6.5% from industrial, and 8.0% from all other end-markets. Within many of our end-markets, we are a significant supplier to multiple OEMs, reducing our exposure to fluctuations in market share within individual end-markets.

Table of Contents

Acquisition History

We can trace our origins back to entities that have been engaged in the sensors and controls business since 1916. We operated as a part of Texas Instruments Incorporated ("TI") from 1959 until April 27, 2006, when Sensata Technologies B.V. ("STBV"), an indirect, wholly-owned subsidiary of Sensata Technologies Holding, completed the carve-out and acquisition of the Sensors & Controls business from TI (the "2006 Acquisition"), which was effected through a number of STBV's subsidiaries that collectively purchased the assets and assumed the liabilities being transferred.

Between the 2006 Acquisition and December 31, 2013, we completed the following significant acquisitions:

•First Technology Automotive and Special Products (2006);
•Airpax Holdings, Inc. (2007);
•Automotive on Board sensors business of Honeywell International Inc. (2011); and
•Sensor-NITE Group Companies (2011).

On January 2, 2014, we acquired Wabash Worldwide Holding Corp. ("Wabash") for 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.

On May 29, 2014, we acquired Magnum Energy Incorporated ("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. We acquired Magnum to complement our existing inverter business. Magnum has been integrated into our Sensing Solutions segment.

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

On October 14, 2014, we acquired August Cayman Company, Inc. ("Schrader") for an aggregate purchase price of $1,004.7 million. Schrader is a manufacturer of tire pressure monitoring sensors (“TPMS”), a vehicle safety feature now standard on all cars and light trucks sold in the U.S. and growing in use globally in Europe and Asia. Schrader was acquired to add TPMS and additional low pressure sensing capabilities to our current product portfolio. Schrader is being integrated into our Performance Sensing segment.

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 approximately $1,008.8 million, subject to customary post-closing adjustments. 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 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.

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, and pressure switches. Our Performance Sensing business accounted for approximately 79% of our 2015 net revenue. Products manufactured by our Performance Sensing business are used in a wide

Table of Contents

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

Refer to Note 18, "Segment Reporting," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of the Performance Sensing segment operating income for the years ended December 31, 2015, 2014, and 2013 and total assets as of December 31, 2015 and 2014.

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 sensors are included in the Sensing Solutions business results. Refer to the Sensing Solutions Business Markets section for discussion of industrial 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, governments have mandated sensor-intensive technologies in Europe for TPMS. Finally, revenue 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 2015, the production of global light vehicles in 2015 was approximately 88.4 million units, an increase of 1.2% from 2014.

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

According to an October 2015 report prepared by Strategy Analytics, Inc., the global automotive sensor market was $19.9 billion in 2015, compared to $19.1 billion in 2014. 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 airbags, electronic stability control, TPMS, advanced driver assistance, and advanced combustion and exhaust after-treatment, will continue to drive increased sensor usage and content growth.

Table of Contents

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 Marine engine Tire pressure monitoring Exhaust after treatment	Automotive HVOR Marine
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

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)	2015	2014	2013
Pressure sensors	$1,631,678	$1,164,494	$924,505
Speed and position sensors	328,102	275,628	153,537
Temperature sensors	191,369	152,662	137,016
Pressure switches	55,607	65,129	58,088
Other	139,470	97,944	85,092
Total	$2,346,226	$1,755,857	$1,358,238

In 2015, we determined that force sensors were no longer a significant product category for our business, and we reclassified the revenue related to this product category to "other." In addition, we determined that the products of certain businesses acquired in 2014 that were previously included in "other" were more appropriately categorized as speed and position sensors. Prior periods have been recast to reflect these changes.

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 sensors, and interconnection products. Our Sensing Solutions business accounted for approximately 21% of our 2015 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 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. For our industrial sensors, we have a strategic plan to build leading positions over time, leveraging the significant scale advantage and innovative

Table of Contents

capability of our Performance Sensing business portfolio. In addition, on December 1, 2015, we acquired CST, which has expanded our product offerings in industrial sensors and power conversion and controls, as disclosed in the Sensing Solutions Business Markets section below.

Our Sensing Solutions business also 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® 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.

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, 2015, 2014, and 2013 and total assets as of December 31, 2015 and 2014.

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 sensors, each of which serves a highly diversified base of customers, end-markets, applications, and geographies.

Bimetal Electromechanical Controls

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

Thermal and Magnetic-Hydraulic Circuit Breakers

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

Power Conversion and Control

Power conversion and control products include power inverters, and with the acquisition of CST, solid state relays. Our power inverter products allow an electronic circuit to convert direct current ("DC") power to alternating current ("AC") power. Power inverters are used mainly in applications where DC power, such as that stored in a battery, must be converted for use in an electrical device that runs on AC power. Specific applications for power inverters include powering applications in utility/service trucks or recreational vehicles and providing power backup for critical applications such as traffic light signals and key business/computer systems. Demand for these products is driven by

economic development, the need to meet new energy efficiency standards, and a growing interest in clean energy to replace generators, which increases demand for both portable and stationary power.

Table of Contents

With the acquisition of CST in December 2015, this product category was expanded to include solid state relays, which 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. Applications for solid state relays include those in the industrial equipment end-market.

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 Sensors

Industrial sensors employ similar technology to automotive sensors discussed in the Performance Sensing Business section above, but often require greater customization in terms of packaging, calibration, and electrical output. Commercial and industrial applications in which our industrial 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); and applications such as pumps and storage tanks, where measurement of pressure and temperature is required for optimum performance.

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 aircraft controls. The primary 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.

Table of Contents

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 Medical connectors Small/large appliances Lighting Industrial motors Auxiliary DC motors Commercial aircraft Military Marine/industrial
Thermal and magnetic-hydraulic circuit breakers	Circuit protection	Commercial aircraft Data communications Telecommunications Computer servers Marine/industrial HVAC/R Military
Interconnection	Semiconductor testing	Semiconductor manufacturing
Power conversion and control	DC/AC inverters Solid state relays	Mobile power equipment Recreational vehicles Solar power Industrial equipment
Industrial 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)	2015	2014	2013
Bimetal electromechanical controls	$318,721	$359,610	$355,089
Thermal and magnetic-hydraulic circuit breakers	110,980	117,816	113,228
Industrial sensors	69,102	56,779	49,016
Interconnection	61,738	69,332	72,206
Power conversion and control	58,180	35,160	19,994
Other	10,014	15,249	12,961
Total	$628,735	$653,946	$622,494

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 that result in reduced manufacturing costs. Our patents generally relate to improvements on earlier filed Sensata, acquired, or competitor patents. We acquired ownership and license rights to a

portfolio of patents and patent applications, as well as certain registered trademarks and service marks for discrete product offerings, from TI in the 2006 Acquisition. We have also acquired intellectual property as part of our various acquisitions. We have continued to have issued to us, and to file for, additional U.S. and non-U.S. patents since the 2006 Acquisition. As of December 31, 2015, excluding the recent acquisition of CST, we had approximately 239 U.S. and 244 non-U.S. patents and approximately 47 U.S. and 172 non-U.S. pending patent applications that were filed within the last five years. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. The acquisition of CST added

approximately 83 U.S. and 175 non-U.S. patents and approximately 12 U.S. and 35 non-U.S. pending patent applications that were filed within the last five years. Our patents have expiration dates ranging from 2016 to 2035. We incurred Research and Development expense of $123.7 million, $82.2 million, and $58.0 million for the years ended December 31, 2015, 2014, and 2013, 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. We entered into a perpetual, royalty-free cross-license agreement with our former owner, TI, in connection with the 2006 Acquisition, which permits each party to use specified technology owned by the other party in its business. No license may be terminated under the agreement, even in the event of a material breach.

We purchase sense element assemblies, which are components used 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. Prior to March 2013, this internal sourcing was under a license provided for by an agreement entered into between MEAS and TI in May 2002 (the "2002 Agreement"), which was on a year-to-year basis, and limited our internal production to 40% of our needs. In March 2013 we entered into an intellectual property licensing arrangement (the "License Agreement") with MEAS to replace the 2002 Agreement, which was terminated in its entirety without penalty. The License Agreement provides for an indefinite duration license, which is subject to royalties through 2019 and thereafter is royalty-free. Pursuant to the terms of the License Agreement, the 40% limitation on internal production under the 2002 Agreement has been eliminated, and we are authorized to produce our entire need for these sense elements within the passenger vehicle and heavy duty truck fields of use. The License Agreement can be terminated by either party in the event of an uncured material breach. The sense element assemblies subject to the License Agreement accounted for $386.3 million in net revenue for the year ended December 31, 2015, of which $206.7 million was related to products that were manufactured by MEAS, and $179.6 million was related to products that were manufactured by us.

Seasonality

Because of the diverse nature of the markets in which we compete, our revenue is only moderately impacted by seasonality. However, our 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 26 years. Our largest customer accounted for approximately 9% of our net revenue for the year ended December 31, 2015.

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, 2015, 2014, and 2013 and long-lived assets by selected geographic area as of December 31, 2015 and 2014.

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.

Table of Contents

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 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, 2015, we had approximately 19,650 employees, of whom approximately 11% were located in the U.S. As of December 31, 2015, approximately 830 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, 2015, we had approximately 1,790 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, 2015, 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 2016.

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”). These products represent an immaterial portion of our net revenue, and we have not exported ITAR-controlled products. However, if in the future we decided to export ITAR-controlled products, such transactions would require an individual validated license from the U.S. State Department’s Directorate of Defense Trade Controls. The State Department makes licensing decisions based on type of product, destination of end use, end user, national security, and foreign policy. The length of time involved in the licensing process varies but currently averages approximately six 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 is 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.

ITEM 1A. RISK FACTORS

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

Much of our business depends on, and is directly affected by, the global automobile industry. Sales to customers in the automotive industry accounted for approximately 67% of our total 2015 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.

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

Our businesses operate in markets that are highly competitive, and we compete on the basis of product performance, quality, service, and/or price across the industries and markets we serve. A significant element of our competitive strategy is to manufacture high-quality products at low cost, particularly in markets where low-cost country-based suppliers, primarily in China with respect to the Sensing Solutions business, have entered our markets, or increased their sales in our markets, by delivering products at low cost to local OEMs. In addition, certain of our competitors in the automotive sensor market are controlled by major OEMs or suppliers, limiting our access to certain customers. Many of our customers also rely on us as their sole source of supply for many of the products that we have historically sold to them. These customers may choose to develop relationships with additional suppliers or elect to produce some or all of these products internally, in each case in order to reduce risk of delivery interruptions or as a means of extracting pricing concessions. Certain of our customers currently have, or may develop in the future, the capability to internally produce the products that we sell to them and may compete with us with respect to those and other products and with respect to other customers. Competitive pressures such as these, and others, could affect prices or customer demand for our products, negatively impacting our profit margins and/or resulting in a loss of market share.

We are subject to risks associated with our non-U.S. operations, which could adversely impact the reported results of operations from our international businesses, or subject us to potential penalties and/or sanctions in the event of non-compliance with the 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 67% of our 2015 net revenue, and we expect sales from non-U.S. markets to continue to represent a significant portion of our total sales. International sales and operations are subject to changes in local government regulations and policies, including those related to tariffs and trade barriers, investments, taxation, exchange controls, and repatriation of earnings.

A portion of our revenue, expenses, receivables, and payables are denominated in currencies other than U.S. dollars, in particular the Euro. We are, therefore, subject to foreign currency risks and foreign exchange exposure. Changes in

the relative values of currencies occur from time to time and could affect our operating results. For financial reporting purposes, the functional currency that we use is the U.S. dollar because of the significant influence of the U.S. dollar on our operations. In

---

certain instances, we enter into transactions that are denominated in a currency other than the U.S. dollar. At the date that such transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in U.S. dollars using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the U.S. dollar are adjusted to the U.S. dollar using the exchange rate at the balance sheet date, with gains or losses recorded in Other, net. During times of a weakening U.S. dollar, our reported international sales and earnings will increase because the non-U.S. currency will translate into more U.S. dollars. Conversely, during times of a strengthening U.S. dollar, our reported international sales and earnings will be reduced because the local currency will translate into fewer U.S. dollars.

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

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

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

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

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition customer, supplier, and employee relationships;
- increased operating costs; and
- exposure to unanticipated liabilities.

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

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

There can be no assurance that any anticipated synergies or cost savings generated through acquisitions will be achieved or that they will be achieved in our estimated time frame. We may not be able to successfully integrate and streamline overlapping functions from future acquisitions, and integration may be more costly to accomplish than we

expect. In addition, we could encounter difficulties in managing our combined company due to its increased size and scope.

Table of Contents

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 integration 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 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. Refer to Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of the Acquisitions.

The assumption of known and 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

Table of Contents

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.

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

As of December 31, 2015, we had $3,659.5 million of gross outstanding indebtedness, including $982.7 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"), $280.0 million outstanding under our $420.0 million revolving credit facility (the "Revolving Credit Facility") provided by the Credit Agreement, and $46.8 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, 2015, we had $134.5 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 expenditure requirements.

We cannot guarantee that we will be able to obtain enough capital to service our debt and fund our planned capital expenditures and business plan. If we complete additional acquisitions, our debt service requirements could also increase. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity investments, or reducing or delaying capital expenditures, strategic acquisitions, investments, and alliances, any

of which could have a material adverse effect on our operations. Additionally, we may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all.

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

The Revolving Credit Facility requires us to maintain a senior secured net leverage ratio not to exceed 5.0:1.0 at the conclusion of certain periods when outstanding loans and letters of credit that are not cash collateralized for the full face amount thereof exceed 10% of the commitments under the Revolving Credit Facility. In addition, Sensata Technologies B.V. and its Restricted Subsidiaries (as defined in the Credit Agreement) are required to satisfy this covenant, on a pro forma basis, in connection with any new borrowings (including any letter of credit issuances) under the Revolving Credit Facility as of the time of such borrowings. Additionally, the Revolving Credit Facility and the indentures governing the Senior Notes require us to comply with various operational and other covenants.

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

If, when required, we are unable to repay, refinance, or restructure our indebtedness under, or amend the covenants contained in, 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, 2015, we had approximately 19,650 employees, of whom approximately 11% were located in the U.S. As of December 31, 2015, approximately 830 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.

Table of Contents

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

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

We use a broad range of manufactured components, subassemblies, and raw materials in the manufacture of our products, including silver, gold, platinum, palladium, copper, aluminum, nickel, zinc, resins, and certain rare earth metals, which may experience significant volatility in their 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 included elsewhere in this Annual Report on Form 10-K for further discussion of accounting for hedges of commodity prices.

The availability and price of raw materials and manufactured components may be subject to change due to, among other things, new laws or regulations, global economic or political events including strikes, terrorist actions, war, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates, and prevailing price levels. For example, certain of our product lines utilize magnets containing certain rare earth metals. A large majority of the world's production of rare earth metals is in China. If China limits the export of such materials, there could be a world-wide shortage, leading to a lack of supply and higher prices for magnets made using these materials. It is generally difficult to pass increased prices for manufactured components and raw materials through to our customers in the form of price increases. Therefore, a significant increase in the price or a decrease in the availability of these items could materially increase our operating costs and materially and adversely affect our business and results of operations.

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

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

Table of Contents

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

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

We are subject to the requirements of environmental and occupational safety and health laws and regulations in the 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 reserved. In addition, these requirements are complex, change frequently, and have tended to become more stringent over time. These requirements may change in the future in a manner that could have a material adverse effect on our business, results of operations, and financial condition. In addition, certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act require us to report on "conflict minerals" used in our products and the due diligence plan we put in place to track whether such minerals originate from the Democratic Republic of Congo and adjoining countries. The continuing implementation of these requirements could affect the sourcing and availability of minerals used in certain of our products. We have made, and may be required in the future to make, capital and other expenditures to comply with environmental requirements. In addition, certain of our subsidiaries are subject to pending litigation raising various environmental and human health and safety claims. We cannot assure you that our costs to defend and/or settle these claims will not be material.

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/or 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 price charged for products, services, and financing among our companies, or the royalty rates and other amounts paid for intellectual property rights, could be challenged by the various tax authorities, resulting in additional tax liability, interest, and/or penalties.

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

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

We have recorded a significant amount of goodwill and other identifiable intangible assets. Goodwill and other net identifiable intangible assets totaled approximately $4,282.3 million as of December 31, 2015, or 68% of our total assets.

Goodwill, which represents the excess of cost over the fair value of the net assets of businesses acquired, was approximately $3,019.7 million as of December 31, 2015, or 48% of our total assets. Goodwill and other identifiable intangible assets were recorded at fair value on the respective dates of acquisition. Impairment of goodwill and other identifiable intangible assets may result from, among other things, deterioration in our performance, adverse market conditions, adverse changes in laws or regulations, unexpected significant or planned changes in the use of assets, and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge that is included in operating income, which may impact our ability to raise capital. 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 the 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.

Table of Contents

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 in certain of our businesses that is subject to privacy and security laws, regulations, and customer-imposed controls. Despite our cybersecurity measures (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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

As of December 31, 2015, we occupied 17 principal manufacturing facilities and business centers totaling approximately 3,518 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 1,484 thousand square feet are owned and approximately 2,034 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
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		Leased [1]	108
Mexico	Aguascalientes	X	X	Owned	411
Mexico	Tijuana [2]	X	X	Leased	287
Netherlands	Almelo	X	X	Owned	185
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 [2]	X	X	Leased	115

[1] In December 2015, we reached an agreement to reacquire this facility. This transaction is expected to close in 2016.

[2] These facilities were included in the acquisition of certain assets and subsidiaries of Custom Sensors & Technologies Ltd ("CST"). The Tijuana location includes two principal manufacturing facilities.

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

ITEM 3. LEGAL PROCEEDINGS

We are regularly involved in a number of claims and litigation matters in the ordinary course of business. Most of our litigation matters are third-party claims related to patent infringement allegations or for property damage allegedly caused by our products, but some involve allegations of personal injury or wrongful death. From time to time, we are also involved in disagreements with vendors and customers. 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

Table of Contents

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.

Table of Contents

PART II

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

Market Information

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

	Price Range	
	High	Low
2014		
Quarter ended March 31, 2014	$43.28	$36.50
Quarter ended June 30, 2014	$46.81	$41.30
Quarter ended September 30, 2014	$49.97	$44.40
Quarter ended December 31, 2014	$54.14	$41.56
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

Performance Graph

The following graph compares the total cumulative return of our ordinary shares since December 31, 2010, to the total cumulative 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, 2010.

Table of Contents

Cumulative Value of $100.00 Investment from December 31, 2010						
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Sensata	$100.00	$87.28	$107.87	$128.76	$174.06	$152.97
S&P 500	$100.00	$100.00	$113.40	$146.97	$163.71	$162.52
S&P 500 Industrial	$100.00	$97.08	$109.17	$150.26	$161.55	$153.93

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 share price performance shown on the graph represents past performance and should not be considered an indication of future price performance.

Stockholders

As of January 15, 2016, there was one holder of record of our ordinary shares. This holder of record is Cede & Co., which acts as nominee shareholder for the Depository Trust Company. All of our ordinary shares traded on the NYSE are held by Cede & Co.

Dividends

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

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

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

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

Table of Contents

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, 2015	—		$—	—	$74.7
November 1 through November 30, 2015	—		$—	—	$74.7
December 1 through December 31, 2015	53,336	(1)	$46.06	—	$74.7
Total	53,336		$46.06	—	$74.7

(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.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

We have derived the selected consolidated statement of operations and other financial data for the years ended December 31, 2015, 2014, and 2013, and the selected consolidated balance sheet data as of December 31, 2015 and 2014, 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, 2012 and 2011, and the selected consolidated balance sheet data as of December 31, 2013, 2012, and 2011, 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)	2015	2014	2013	2012	2011
Statement of Operations Data[(a)]:					
Net revenue	$2,974,961	$2,409,803	$1,980,732	$1,913,910	$1,826,945
Operating costs and expenses:					
Cost of revenue	1,977,799	1,567,334	1,256,249	1,257,547	1,166,842
Research and development	123,666	82,178	57,950	52,072	44,597
Selling, general and administrative	271,361	220,105	163,145	141,894	164,790
Amortization of intangible assets	186,632	146,704	134,387	144,777	141,575
Restructuring and special charges	21,919	21,893	5,520	40,152	15,012
Total operating costs and expenses	2,581,377	2,038,214	1,617,251	1,636,442	1,532,816
Profit from operations	393,584	371,589	363,481	277,468	294,129
Interest expense, net	(137,626)	(106,104)	(93,915)	(99,222)	(98,744)
Other, net[(b)]	(50,329)	(12,059)	(35,629)	(5,581)	(120,050)
Income before income taxes	205,629	253,426	233,937	172,665	75,335
(Benefit from)/provision for income taxes [(c)]	(142,067)	(30,323)	45,812	(4,816)	68,861
Net income	$347,696	$283,749	$188,125	$177,481	$6,474
Basic net income per share	$2.05	$1.67	$1.07	$1.00	$0.04
Diluted net income per share	$2.03	$1.65	$1.05	$0.98	$0.04
Weighted-average ordinary shares outstanding—basic	169,977	170,113	176,091	177,473	175,307
Weighted-average ordinary shares outstanding—diluted	171,513	172,217	179,024	181,623	181,212
Other Financial Data[(a)]:					
Net cash provided by/(used in):					
Operating activities	$533,131	$382,568	$395,838	$397,313	$305,867
Investing activities	(1,166,369)	(1,430,065)	(87,650)	(62,501)	(554,458)
Financing activities	764,172	940,930	(403,831)	(13,400)	(152,944)
Capital expenditures	(177,196)	(144,211)	(82,784)	(54,786)	(89,807)

27

Table of Contents

	2015	2014	2013	2012	2011
Balance Sheet Data (as of December 31)[(a)]:					
Cash and cash equivalents	$342,263	$211,329	$317,896	$413,539	$92,127
Working capital[(d)]	412,748	441,258	537,139	616,317	313,914
Total assets	6,337,255	5,116,609	3,498,824	3,648,391	3,456,651
Total debt, including capital lease and other financing obligations	3,639,336	2,841,836	1,723,966	1,824,655	1,835,710
Total shareholders' equity	1,668,576	1,302,892	1,141,588	1,222,294	1,044,951

(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, 2015, 2014, 2013, 2012, and 2011 primarily includes losses recognized on debt financing transactions of $25.5 million, $1.9 million, $9.0 million, $2.2 million, and $44.0 million, respectively, and losses on commodity contracts of $18.5 million, $9.0 million, $23.2 million, $0.4 million, and $1.1 million, respectively. The year ended December 31, 2011 also includes a loss of $60.1 million on currency remeasurement associated with debt. 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.

Table of Contents

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

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

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

Overview

Sensata 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 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, the Dominican Republic, Bulgaria, Poland, France, Brazil, Germany, the U.K., and the U.S. We organize our operations into two businesses, Performance Sensing (formerly referred to as "Sensors") and Sensing Solutions (formerly referred to as "Controls").

We generated 41%, 26%, and 33% of our net revenue in the Americas, Asia, and Europe, respectively, for the year ended December 31, 2015. Our largest customer accounted for approximately 9% of our net revenue for the year ended December 31, 2015. Our net revenue for the year ended December 31, 2015 was derived from the following end-markets: 27.4% from European automotive, 18.5% from Asia and rest of world automotive, 21.5% from North American automotive, 5.8% from appliance and HVAC, 12.3% from HVOR, 6.5% from industrial, and 8.0% 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 thermal circuit breakers in aircraft, pressure sensors in automotive systems, and bimetal current and temperature control devices in electric motors. We compete in growing global market segments driven by demand for products that are safe, energy efficient, and environmentally friendly. We have a long-standing position in emerging markets, including a 20-year presence in China.

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

History

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

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 $1,008.8 million, subject to customary post-closing adjustments. 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.

Prior to our initial public offering ("IPO") in March 2010, we were a direct, 99% owned subsidiary of Sensata Investment Company S.C.A. (“SCA”), a Luxembourg company, which was owned by investment funds or vehicles

advised or managed by Bain Capital Partners, LLC, its co-investors, and certain members of our senior management. Subsequent to our IPO, we

Table of Contents

completed various secondary offerings of our ordinary shares in which SCA and certain members of senior management participated. The last offering of our ordinary shares was completed in September 2014, after which SCA no longer owned any of our outstanding ordinary shares.

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,								
	2015			2014			2013		
(Amounts in millions)	Amount	Percent of Net Revenue		Amount	Percent of Net Revenue		Amount	Percent of Net Revenue	
Net revenue									
Performance Sensing	$2,346.2	78.9	%	$1,755.9	72.9	%	$1,358.2	68.6	%
Sensing Solutions	628.7	21.1		653.9	27.1		622.5	31.4	
Total	$2,975.0	100.0	%	$2,409.8	100.0	%	$1,980.7	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,								
	2015			2014			2013		
(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	$598.5	25.5	%	$475.9	27.1	%	$401.6	29.6	%
Sensing Solutions	199.7	31.8	%	202.1	30.9	%	195.8	31.5	%
Total	$798.3			$678.1			$597.4		

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

Acquisitions

Recent business combinations include the acquisitions of Wabash in January 2014 for $59.6 million, Magnum in May 2014 for $60.6 million, DeltaTech in August 2014 for $177.8 million, Schrader in October 2014 for $1,004.7 million, and CST in December 2015 for $1,008.8 million, subject to customary post-closing adjustments. Refer to Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of our acquisitions and a discussion of the valuation of the related intangible assets.

Material Changes in Financial Position

The following sets forth a discussion of factors impacting certain amounts recorded in our consolidated balance sheets for which there was a material change in balance from December 31, 2014.

Property, Plant & Equipment, net ("PP&E")

PP&E at December 31, 2015 and 2014 was $694.2 million and $589.5 million, respectively. The increase in PP&E primarily relates to capital expenditures and the acquisition of CST, partially offset by depreciation expense recorded during the year ended December 31, 2015. Refer to Note 3, "Property, Plant & Equipment," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for details of the components of PP&E.

Table of Contents

Goodwill and Other Intangible Assets, net

Goodwill at December 31, 2015 and 2014 was $3,019.7 million and $2,424.8 million, respectively. Other intangible assets, net at December 31, 2015 and 2014 was $1,262.6 million and $910.8 million, respectively. The increase in the goodwill balance relates primarily to the acquisition of CST. The increase in the other intangible assets, net balance relates to the acquisition of CST, partially offset by amortization expense recorded during the year ended December 31, 2015. Refer to Note 5, "Goodwill and Other Intangible Assets," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more details of our goodwill and other intangible assets balances.

Long-term debt, gross, including current portion

Gross outstanding indebtedness (including capital leases and other financing obligations and the current portion of long-term debt, excluding discounts) at December 31, 2015 and 2014 was $3,659.5 million and $2,848.1 million, respectively. The increase in gross outstanding indebtedness was due primarily to new debt incurred as a result of the acquisition of CST. Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our debt.

Factors Affecting Our Operating Results

The following discussion sets forth certain components of our consolidated statements of operations, as well as factors that impact those components. Refer to Note 2, "Significant Accounting Policies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, and Critical Accounting Policies 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 increased regulation of safety and emissions, as well as a growing emphasis on energy efficiency and consumer demand for electronic products with advanced features, are driving sensor growth rates exceeding underlying end-market demand in many of our key markets and will continue to offer us significant growth opportunities. The technology-driven, highly-customized, and integrated nature of our products require customers to invest heavily in certification and qualification to ensure proper functioning of the system in which our products are embedded. We believe the capital commitment and time required for this process significantly increases the switching costs for customers once a particular sensor or control has been designed and installed in a system. As a result, our sensors and controls are rarely substituted during a product lifecycle, which in the case of the automotive end-market typically lasts five to seven years. We focus on new applications that will help us secure new business and drive long-term growth. New applications for sensors typically provide an opportunity to define a leading application technology in collaboration with our customers.

Because we sell a significant portion of our products in the automotive industry (67% in 2015), demand for our products is driven in large part by conditions in this industry. However, outside of the automotive industry, we sell our products to end-users in a wide range of end-markets and geographies. As a result, demand for these products is generally driven more by the level of general economic activity rather than conditions in one particular industry or geographic region. Our overall net revenue is generally impacted by the following factors:

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

Table of Contents

- 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. Over the past sixteen years, we have aggressively shifted our manufacturing base from countries with higher labor costs, such as the U.S., Australia, Canada, Italy, Japan, South Korea, and the Netherlands, to low-cost countries, such as China, Mexico, Bulgaria, and Malaysia.

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 costs 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. Certain of our product lines use magnets containing rare earth metals, of which a large majority of the world's production is in China. A reduction in the export of rare earth materials from China could limit the worldwide supply of these rare earth materials, significantly increasing the price of magnets.
- Employee Costs. Employee costs include the wage and benefit charges for employees involved in our manufacturing operations. These costs generally increase on an aggregate basis as production volumes increase and may decline as a percentage of net revenue as a result of economies of scale associated with higher production volumes. We rely significantly on contract workers for direct labor in certain geographies. As of December 31, 2015, we had approximately 1,790 contract workers on a worldwide basis.
- Sustaining Engineering Activity costs. These costs relate to modifications of existing products for use by new and existing customers in familiar applications.
- Other. Our remaining cost of revenue primarily consists of:
- depreciation of fixed assets;
- freight costs;
- warehousing expenses;
- purchasing costs; and
- other general manufacturing expenses, such as expenses for energy consumption and operating lease expense.

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

- changes in the price of raw materials, including certain metals;
- the implementation of cost control measures aimed at improving productivity, including reduction of fixed production costs, refinements in inventory management, design driven changes, and the coordination of procurement within each subsidiary and at the business level;

Table of Contents

- production volumes—production costs are capitalized in inventory based on normal production volumes, as revenue increases, the fixed portion of these costs does not;
- transfer of production to our lower cost production facilities;
- product lifecycles, as we typically incur higher cost of revenue associated with excess manufacturing capacity during the initial stages of product launches and during phase-out of discontinued products;
- the increase in the carrying value of inventory that is adjusted to fair value as a result of the application of purchase accounting associated with acquisitions;
- depreciation expense, including amounts arising from the adjustment of PP&E to fair value associated with acquisitions; and
- fluctuations in foreign currency exchange rates.

Research and development ("R&D")

We develop products that address increasingly complex engineering requirements by investing substantially in R&D. We believe that continued focused investment in R&D activities is critical to our future growth and maintenance of our leadership position. Our R&D efforts are directly related to timely development of new and enhanced products that are central to our core business strategy. We develop our technologies to meet an evolving set of customer requirements and new product introductions.

R&D expense consists of costs related to direct product design, development, and process engineering. The level of R&D expense is related to the number of products in development, the stage of development process, the complexity of the underlying technology, the potential scale of the product upon successful commercialization, and the level of our exploratory research. We conduct such activities in areas that we believe will accelerate 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 customers in familiar applications are recorded in cost of revenue and not included in R&D expense.

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

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

- changes in sales volume, as higher volumes enable us to spread the fixed portion of our administrative expense over higher revenue;
- changes in the mix of products we sell, as some products may require more customer support and sales effort than others;
- changes in our customer base, as new customers may require different levels of sales and marketing attention;

Table of Contents

- new product launches in existing and new markets, as these launches typically involve a more intense sales activity before they are integrated into customer applications;
- customer credit issues requiring increases to the allowance for doubtful accounts;
- volume and timing of acquisitions; and
- fluctuations in exchange rates.

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

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 since the 2006 Acquisition, 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 licenses, which are considered intangible assets, are amortized on a straight-line basis over the lesser of the term of the license or the useful life of the software. Capitalized software, which is also considered an intangible asset, is amortized on a straight-line basis over its estimated useful life.

Impairment of goodwill and 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, particularly within the semiconductor industry. Changes in the level of spending in the industry and/or by our customers could result in a change to our forecasts, which could result in a future impairment of goodwill and/or intangible assets.

Should certain other assumptions used in the development of the fair value of our reporting units change, we may be required to recognize impairments in 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 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 costs and special charges.

Table of Contents

Interest expense

Interest expense consists primarily of interest incurred related to institutional borrowings and capital lease and other financing obligations. Interest expense also includes the amortization of deferred financing costs and original issue discounts. As of December 31, 2015, we had $3,659.5 million in gross outstanding indebtedness, including both variable-rate and fixed-rate debt and outstanding capital lease and other financing obligations. Refer to Effects of Other Significant Transactions-Leverage included elsewhere in this Management’s Discussion and Analysis for further discussion of transactions and risks impacting our interest expense.

Other, net

Other, net primarily includes gains and losses on foreign currency remeasurement of net monetary assets, gains and losses on our non-designated derivatives used to hedge commodity prices and certain foreign currency exposures, and losses on debt financing transactions.

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

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 were 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, nickel, and zinc, used in the manufacturing of our products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. 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 as either an asset or a reduction in long-term debt, or they may be recorded in the consolidated statements of operations as Other, net or interest expense, net, with each treatment 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 resulting from the carve-out and acquisition of the Sensors & Controls business in the 2006 Acquisition and other tax benefits derived from our operating and capital structure, including tax incentives in both the U.K. and China, favorable tax status in Mexico, and the Dutch participation exemption, which permits the payment of intercompany dividends without incurring taxable income in the Netherlands.

While the extent of our future tax liability is uncertain, the impact of purchase accounting for past and future acquisitions, changes to debt and equity capitalization of our subsidiaries, and the realignment of the functions performed and risks assumed by 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.

Table of Contents

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

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

Effects of Other Significant Transactions

Purchase Accounting

We account for business combinations using the acquisition method of accounting. Application of this method of accounting requires that (i) identifiable assets acquired (including identifiable intangible assets) and liabilities assumed generally be measured and recognized at fair value as of the acquisition date and (ii) the excess of the purchase price over the net fair value of identifiable assets acquired and liabilities assumed be recognized as goodwill, which is not amortized for accounting purposes but is subject to testing for impairment at least annually. The application of the acquisition method of accounting in 2015 and 2014 resulted in an increase in amortization and depreciation expense in the periods subsequent to the business combinations relating to acquired intangible assets and PP&E, respectively. The application of the acquisition method of accounting also resulted in the adjustment of the value of the acquired inventory to fair value, increasing the costs recognized upon its sale.

Refer to Note 6, "Acquisitions," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding amounts recognized in purchase accounting transactions and the methodology and principal assumptions used in determining the fair value of each class of identifiable intangible assets acquired.

Leverage

We are a highly leveraged company, and interest expense is a significant portion of our results of operations. As of December 31, 2015 and 2014 we had gross outstanding indebtedness of $3,659.5 million and $2,848.1 million, respectively.

Our indebtedness at December 31, 2015 included $982.7 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"), $280.0 million outstanding under our $420.0 million revolving credit facility (the "Revolving Credit Facility") provided by the Credit Agreement, and $46.8 million of capital lease and other financing obligations.

The increase in indebtedness from December 31, 2014 primarily relates to additional indebtedness incurred as a result of the acquisition of CST in December 2015. We have also entered into various other 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.

Table of Contents

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 as some of our competitors are less leveraged. Our leverage may make us more vulnerable to a downturn in our business, industry, or the economy in general. Refer to Item 1A, "Risk Factors," included elsewhere in this Annual Report on Form 10-K.
Results of Operations
Our discussion and analysis of results of operations and financial condition are based upon our audited consolidated financial statements. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the amounts reported in the financial statements. We base our estimates on historical experiences and assumptions believed to be reasonable under the circumstances and re-evaluate them on an ongoing basis. These estimates form the basis for our judgments that affect the amounts reported in the financial statements. Actual results could differ from our estimates under different assumptions or conditions. Our significant accounting policies are more fully described in Note 2, "Significant Accounting Policies," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, and Critical Accounting Policies and Estimates included elsewhere in this Management's Discussion and Analysis.
The table below presents our historical results of operations in millions of dollars and as a percentage of net revenue. We have derived the statements of operations for the years ended December 31, 2015, 2014, and 2013 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,												
	2015				2014				2013				
(Dollars in millions)	Amount		Percent of Net Revenue		Amount		Percent of Net Revenue		Amount		Percent of Net Revenue		
Net revenue													
Performance Sensing	$2,346.2		78.9	%	$1,755.9		72.9	%	$1,358.2		68.6	%	
Sensing Solutions	628.7		21.1		653.9		27.1		622.5		31.4		
Net revenue	2,975.0		100.0	%	2,409.8		100.0	%	1,980.7		100.0	%	
Operating costs and expenses:													
Cost of revenue	1,977.8		66.5		1,567.3		65.0		1,256.2		63.4		
Research and development	123.7		4.2		82.2		3.4		58.0		2.9		
Selling, general and administrative	271.4		9.1		220.1		9.1		163.1		8.2		
Amortization of intangible assets	186.6		6.3		146.7		6.1		134.4		6.8		
Restructuring and special charges	21.9		0.7		21.9		0.9		5.5		0.3		
Total operating costs and expenses	2,581.4		86.8		2,038.2		84.6		1,617.3		81.6		
Profit from operations	393.6		13.2		371.6		15.4		363.5		18.4		
Interest expense, net	(137.6	)	(4.6	)	(106.1	)	(4.4	)	(93.9	)	(4.7	)	
Other, net	(50.3	)	(1.7	)	(12.1	)	(0.5	)	(35.6	)	(1.8	)	
Income before taxes	205.6		6.9		253.4		10.5		233.9		11.8		
(Benefit from)/provision for income taxes	(142.1	)	(4.8	)	(30.3	)	(1.3	)	45.8		2.3		
Net income	$347.7		11.7	%	$283.7		11.8	%	$188.1		9.5	%	

Table of Contents

Net revenue - Overall

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

Net revenue - Performance Sensing

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. The increase in Performance Sensing net revenue was primarily composed of 33.8% growth due to acquisitions (primarily DeltaTech and Schrader in the third and fourth quarters of 2014, respectively) and 3.4% growth in organic revenue (defined as sales, including the impact of pricing, but excluding the impact of acquisitions and the effect of foreign currency exchange), partially offset by a 3.6% decline due to changes in foreign currency exchange rates, particularly the Euro to U.S. dollar. 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. In general, regulatory requirements for higher fuel efficiency, lower emissions, and safer vehicles drive the need for advancements in engine management and safety features that in turn lead to greater demand for our sensors. We expect the heavy vehicle and off-road markets to continue to be weak in 2016. We expect that the impact of foreign currency exchange rates on Performance Sensing net revenue in fiscal year 2016 will be a decline of approximately 2% to 3% when compared to fiscal year 2015.

Performance Sensing net revenue for fiscal year 2014 increased $397.6 million, or 29.3%, to $1,755.9 million from $1,358.2 million for fiscal year 2013. The increase in Performance Sensing net revenue was primarily composed of 20.1% growth due to the impact of acquisitions in 2014, including Wabash, DeltaTech, and Schrader, and 8.8% growth in organic revenue. The growth in organic revenue was primarily driven by growth in content (including the offsetting impact of product obsolescence, primarily in the occupant weight sensing application). The growth in content was primarily the result of significant design wins on new business opportunities that are now in production, and reflect the ongoing evolution and impact of new regulations including the Corporate Average Fuel Economy ("CAFE") requirements in the U.S, "Euro VI" requirements in Europe, and "China 4" requirements in Asia. Organic revenue in 2014 also included a 1.7% reduction due to pricing.

Net revenue - Sensing Solutions

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. The decrease in Sensing Solutions net revenue was primarily composed of a 6.9% decline in organic revenue and a 1.2% decline due to changes in foreign currency exchange rates, particularly the Euro to U.S. dollar, partially offset by 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. 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. We expect weakness through 2016 in the industrial, semiconductor, and communications markets, as well as a continued unfavorable impact of foreign currency exchange rates, which we expect will represent a decline of approximately 1% to 2% compared to fiscal year 2015.

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

Cost of revenue

Cost of revenue for fiscal years 2015, 2014, and 2013 was $1,977.8 million (66.5% of net revenue), $1,567.3 million (65.0% of net revenue), and $1,256.2 million (63.4% of net revenue), respectively.
Cost of revenue as a percentage of net revenue increased in 2015 primarily due to the dilutive effect of acquisitions, the additional charges related to the settlement of the U.S. Automaker warranty claim ($4.0 million) and the Bridgestone intellectual property litigation ($6.0 million) recorded in the second and third quarters of 2015, respectively, and $5.0 million

related to the write-down of certain assets during the second quarter of 2015 in connection with the closing of our manufacturing facility in Brazil that was part of the Schrader acquisition. Regarding the dilutive effect of acquisitions, we anticipate that cost of revenue as a percentage of net revenue will decline towards levels more consistent with our historical results as we continue to integrate recently acquired businesses. We generally complete integration activities within 18 to 24 months after the related acquisition. However, the integrations of Schrader and CST are anticipated to take up to three years due to their size, scope, and complexity.

Refer to Note 14, "Commitments and Contingencies," and Note 17, "Restructuring and Special Charges," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, for further discussion of the additional charges recorded related to the U.S. Automaker and Bridgestone settlement matters and the charges related to the closing of our manufacturing facility in Brazil, respectively.

Cost of revenue as a percentage of net revenue increased in 2014 primarily due to the dilutive effect of acquisitions.

Research and development expense

R&D expense for fiscal years 2015, 2014, and 2013 was $123.7 million (4.2% of net revenue), $82.2 million (3.4% of net revenue), and $58.0 million (2.9% of net revenue), respectively.

R&D expense has increased each year as a percentage of net revenue 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 2015, 2014, and 2013 was $271.4 million (9.1% of net revenue), $220.1 million (9.1% of net revenue), and $163.1 million (8.2% of net revenue), respectively.

SG&A expense increased in 2015 due primarily to SG&A expense of acquired businesses of $57.1 million, integration costs, and increased compensation related to selling and administrative headcount, 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.

SG&A expense increased in 2014 due primarily to SG&A of acquired businesses of $22.0 million, acquisition related transaction costs of $14.3 million, and increased compensation related to selling and administrative headcount.

Amortization of intangible assets

Amortization expense associated with definite-lived intangible assets for fiscal years 2015, 2014, and 2013 was $186.6 million, $146.7 million, and $134.4 million, respectively.

Amortization expense has increased each year due primarily to amortization of additional intangible assets recognized as a result of recent acquisitions, partially offset by a difference in the pattern of economic benefits over which intangible assets were amortized (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).

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 2015, 2014, and 2013 were $21.9 million, $21.9 million, and $5.5 million, respectively.

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 related to the closing of our manufacturing facility in Brazil that was part of the Schrader acquisition, 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

Table of Contents

throughout the world in order to align our structure with our strategy. Restructuring and special charges for fiscal year 2013 consisted primarily of actions attributable to the execution of the 2011 Plan.

The amounts included in restructuring and special charges are discussed in detail in Note 17, "Restructuring and Special Charges," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Interest expense, net

Interest expense, net for fiscal years 2015, 2014, and 2013 was $137.6 million, $106.1 million, and $93.9 million, respectively.

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, partially offset by the impact of lower interest rates due to the refinancing of certain debt instruments in the first half of 2015. Interest expense, net increased in 2014 primarily due to the issuance and sale of new debt related to the acquisition of Schrader in the fourth quarter of 2014. 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.

Interest expense, net for fiscal years 2015, 2014, and 2013 consisted primarily of $123.8 million, $96.6 million, and $85.0 million, respectively, of interest on our outstanding debt, $6.5 million, $5.1 million, and $4.3 million, respectively, in amortization of deferred financing costs and original issue discounts, and $3.9 million, $4.1 million, and $4.1 million, respectively, associated with capital lease and other financing obligations.

Other, net

Other, net for fiscal years 2015, 2014, and 2013 consisted of net losses of $50.3 million, $12.1 million, and $35.6 million, respectively.

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. The decrease in net losses recognized during fiscal year 2014 as compared to 2013 relate primarily to lower losses on commodity forward contracts and lower losses associated with our debt financing transactions.

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 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 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.

(Benefit from)/provision for income taxes

(Benefit from)/provision for income taxes for fiscal years 2015, 2014, and 2013 was $(142.1) million, $(30.3) million, and $45.8 million, respectively. The (Benefit from)/provision for 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 primarily to the amortization of tax deductible goodwill, utilization of net operating losses, withholding taxes on subsidiary earnings, and other temporary book to tax differences, net of a deferred tax benefit relating to a release of a portion of the U.S. valuation allowance.

Our income tax expense for fiscal years 2015, 2014, and 2013 was less than the amounts computed at the U.S. statutory rate of 35% by $214.0 million, $119.0 million, and $36.1 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 significantly lower than the U.S. statutory rate, resulting in an effective rate benefit. This benefit can change from year to year based upon the jurisdictional mix of earnings.

Release of valuation allowances. During the years ended December 31, 2015 and 2014, we released a portion of our U.S. valuation allowance and recognized a deferred tax benefit of $180.0 million and $71.1 million, respectively. These benefits

Table of Contents

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 the U.S. are not currently benefited, as it is not more likely than not that the associated deferred tax asset will be realized in foreseeable future. For the years ended December 31, 2015, 2014, and 2013, this resulted in a deferred tax expense of $56.8 million, $40.2 million, and $25.2 million, respectively.

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

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.

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

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

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, 2015 and 2014 was $296.9 million and $394.8 million. It is more likely than not that the related net operating losses will not be utilized in the foreseeable future. However, any future release of all or a portion of this valuation allowance resulting from a change in this assessment will impact our future (benefit from)/provision for income taxes.

Other Important Performance Measures

Adjusted Net Income, which we believe is a useful performance measure, is used by our management, Board of Directors, and investors. Management uses Adjusted Net Income as a measure of operating performance, for planning purposes (including the preparation of our annual operating budget), to allocate resources to enhance the financial performance of our business, to evaluate the effectiveness of our business strategies, and in communications with our Board of Directors and investors concerning our financial performance. We believe investors and securities analysts also use Adjusted Net Income in their evaluation of our performance and the performance of other similar companies. Adjusted Net Income is a non-GAAP financial measure, and 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, costs associated with financing and other transactions, 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 includes the current tax expense/(benefit) that will be payable/(realized) on our income tax return and excludes deferred income tax and other tax expense/(benefit). As we treat deferred income tax and other tax expense/(benefit) as an adjustment to compute Adjusted Net Income, the deferred income tax effect associated with the reconciling items would not change Adjusted Net Income for any period presented. Refer to note (g) to the table below for the theoretical current income tax expense/(benefit) associated with the reconciling items

indicated, which relate to jurisdictions where such items would provide tax expense/(benefit).

Table of Contents

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

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

	For the year ended December 31,		
(Amounts in thousands)	2015	2014	2013
Net income	$347,696	$283,749	$188,125
Restructuring and special charges[a][g]	42,332	9,552	8,309
Financing and other transaction costs[b]	43,850	18,594	12,183
Deferred loss/(gain) on other hedges[c]	11,864	(915)	17,900
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory[d][g]	193,370	155,785	136,245
Deferred income tax and other tax (benefit)/expense[e]	(173,550)	(61,588)	17,756
Amortization of deferred financing costs[f]	6,456	5,118	4,307
Total Adjustments[g]	124,322	126,546	196,700
Adjusted Net Income	$472,018	$410,295	$384,825

(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 2015, 2014, and 2013 as shown in the above table:

	For the year ended December 31,		
(Amounts in thousands)	2015	2014	2013
Severance costs[i]	$15,560	$6,475	$(348)
Facility related costs[ii]	11,353	—	6,984
Special charges and other[iii]	15,419	3,077	1,673
Total restructuring and special charges	$42,332	$9,552	$8,309

i. Fiscal year 2015 comprises severance charges associated with our decision to close our Schrader Brazil manufacturing facility ($4.0 million) and other employment related costs associated with the termination of a limited number of employees in various locations throughout the world. Fiscal year 2014 includes severance costs incurred and accounted for as part of ongoing benefit arrangements, excluding those costs recorded in connection with acquired businesses. Fiscal year 2013 includes severance costs (including pension settlement charges) related to the 2011 Plan, excluding the impact of foreign exchange.

ii. Fiscal year 2015 primarily comprises 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, as well as net operating losses as we execute this plan. Refer to Note 17, "Restructuring and Special Charges," for additional information. Fiscal year 2013 includes facility exit and other costs related to the 2011 Plan.

iii. Fiscal year 2015 primarily comprises 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," for additional information. Fiscal year 2014 and 2013 primarily represent costs incurred, offset by insurance proceeds recognized, as a result of a fire in our South Korean facility, restructuring related charges, and certain other corporate related expenses..

(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.

Table of Contents

(c) Reflects primarily unrealized and deferred losses/(gains), net on commodity and other hedges.

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

(e) Represents deferred income tax and other tax (benefit)/expense, including provisions for, and interest expense and penalties related to, unrecognized tax benefits. Fiscal year 2015 includes a $180.0 million benefit from income taxes primarily related to the release of our U.S. valuation allowance in connection with the acquisition of CST, for which deferred tax liabilities were established related primarily to the step-up of intangible assets for book purposes. Fiscal year 2014 includes a $71.1 million benefit from income taxes related to the release of our U.S. valuation allowance in connection with the Wabash, DeltaTech, and Schrader acquisitions, for which deferred tax liabilities were established related primarily to the step-up of intangible assets for book purposes.

(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 tax (benefit)/expense, by the applicable tax rates.

	For the year ended December 31,		
(Amounts in thousands)	2015	2014	2013
Restructuring and special charges	$(2,119)	$(1,405)	$(1,476)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	$(595)	$(1,291)	$(1,036)

Liquidity and Capital Resources

We held cash and cash equivalents of $342.3 million and $211.3 million at December 31, 2015 and 2014, respectively, of which $124.6 million and $65.7 million, respectively, was held in the Netherlands, $33.4 million and $21.3 million, respectively, was held by U.S. subsidiaries, and $184.3 million and $124.3 million, respectively, was held by other foreign subsidiaries. The amount of cash and cash equivalents held in the Netherlands and in our U.S. and other foreign subsidiaries fluctuates throughout the year due to a variety of factors, including the timing of cash receipts and disbursements in the normal course of business.

Cash Flows

The table below summarizes our primary sources and uses of cash for the years ended December 31, 2015, 2014, and 2013. We have derived these summarized statements of cash flows from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Amounts in the table and discussion below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effect of rounding.

	For the year ended December 31,		
(Amounts in millions)	2015	2014	2013
Net cash provided by/(used in):			
Operating activities:			
Net income adjusted for non-cash items	$508.7	$466.3	$421.8
Changes in operating assets and liabilities, net of effects of acquisitions	24.4	(83.8)	(25.9)
Operating activities	533.1	382.6	395.8
Investing activities	(1,166.4)	(1,430.1)	(87.7)
Financing activities	764.2	940.9	(403.8)
Net change	$130.9	$(106.6)	$(95.6)

Operating Activities

The increase in net cash provided by operating activities 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) as discussed further below, (3) timing of customer receipts, and (4) growth in net income adjusted for non-cash items, primarily resulting from higher sales

Table of Contents

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.

The decrease in net cash provided by operating activities in 2014 compared to 2013 was due primarily to an increase in cash used related to changes in operating assets and liabilities, net of the effects of acquisitions, partially offset by an increase in net income adjusted for non-cash items. The increase in cash used related to changes in operating assets and liabilities, net of effects of acquisitions was primarily due to an increase in our inventory balance as of December 31, 2014 compared to December 31, 2013. Other changes in operating assets and liabilities are due primarily to timing of payments to third parties.

As of December 31, 2015, we had commitments to purchase certain raw materials and components that contain various commodities, such as gold, silver, platinum, palladium, copper, nickel, aluminum, and zinc. In general, the prices for these products vary with the market price for the related commodity. In addition, when we place orders for materials, we do so in quantities that will satisfy our production demand for various periods of time. In general, we place these orders for quantities that will satisfy our production demand over a one-, two-, or three-month period. We do not have a significant number of long-term supply contracts that contain fixed-price commitments. Accordingly, we believe that our exposure to a decline in the spot prices for those commodities under contract is not material.

Investing Activities

Net cash used in investing activities during 2015, 2014, and 2013 was $1,166.4 million, $1,430.1 million, and $87.7 million, respectively. 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. During 2015, 2014, and 2013, we also incurred $177.2 million, $144.2 million, and $82.8 million, respectively, in capital expenditures.

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

Capital expenditures primarily relate to investments associated with increasing our manufacturing capacity. In addition, capital expenditures in 2014 included costs to upgrade our existing ERP system. In 2016, we anticipate capital expenditures of approximately $150 million to $175 million, which we anticipate will be funded with cash flows from operations.

Financing Activities

Net cash provided by/(used in) financing activities during 2015, 2014, and 2013 was $764.2 million, $940.9 million, and $(403.8) million, respectively.

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 Refinanced Term Loans (as defined in the Debt Instruments-Term Loan section below), 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. Net cash payments on debt include $205.0 million in total aggregate payments on the Revolving Credit Facility in 2015, $75.0 million of payments on the Original Term Loan (as defined in the Debt Instruments-Senior Secured Credit Facilities section below) prior to its refinancing, and normal debt servicing activity. Refer to Note 8, "Debt," of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our normal debt servicing requirements.

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

The proceeds from the issuance of debt 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 the Incremental Term Loan (as

defined in the Debt Instruments-Incremental Term Loan section below) at an original issuance price of 99.25%, and the aggregate amount drawn on

---

Table of Contents

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 further in the Capital Resources section below. The net cash payments on debt in 2014 primarily include the total aggregate amount paid on the Revolving Credit Facility in 2014, along with normal debt servicing activity.

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

Indebtedness and Liquidity

Our liquidity requirements are significant due to the highly leveraged nature of our company. As of December 31, 2015, we had $3,659.5 million in gross outstanding indebtedness, including our debt and outstanding capital lease and other financing obligations.

The following table outlines our outstanding indebtedness (net of discount) as of December 31, 2015 and the associated interest expense for fiscal year 2015:

Description	Balance at December 31, 2015	Interest expense, net for fiscal year 2015
(Amounts in thousands)		
Original Term Loan	$—	$5,240
Incremental Term Loan	—	7,790
Term Loan	982,695	19,018
6.5% Senior Notes	—	11,215
4.875% Senior Notes	500,000	24,375
5.625% Senior Notes	400,000	22,500
5.0% Senior Notes	700,000	26,739
6.25% Senior Notes	750,000	4,427
Revolving Credit Facility	280,000	2,492
Less: discount	(20,116)	—
Capital lease and other financing obligations	46,757	3,862
Amortization of financing costs and original issue discounts	—	6,456
Other	—	3,512
Total	$3,639,336	$137,626

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 (the "Original Term Loan") and the Revolving Credit Facility. The Senior Secured Credit Facilities also allowed for future additional borrowings under certain circumstances.

Original Term Loan

The Original Term Loan was offered under the Senior Secured Credit Facilities at an original issue price of 99.5%. The Original Term Loan was partially prepaid in April 2013 as discussed in the 4.875% Senior Notes section below. In December

Table of Contents

2013, we entered into an amendment to the Credit Agreement to expand the Original Term Loan by $100.0 million. The remaining balance of the Original Term Loan was prepaid in May 2015, as described in the Term Loan section below.

Incremental Term Loan

In October 2014, we entered into an amendment to the Credit Agreement (the “Third Amendment”) 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 remaining balance of the Incremental Term Loan was prepaid in May 2015, as described in the Term Loan section below.

Term Loan

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 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 Refinanced Term Loans. 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, 2015, the Term Loan accrued interest at a rate of 3.0%. The Term Loan is subject to a repricing prepayment premium of 1.0% if there is a repricing event that occurs prior to May 11, 2016.

6.5% Senior Notes

In May 2011, we completed the issuance and sale of the 6.5% Senior Notes. On March 26, 2015, we completed a series of 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 remaining $79.1 million of the 6.5% Senior Notes was redeemed on April 29, 2015.

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 the Original 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. The 5.625% Senior Notes 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, with the first payment made on May 1, 2015.

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 as described in more detail above under the heading 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, with the first payment made on October 1, 2015.

6.25% Senior Notes

On November 27, 2015, we completed the issuance and sale of the 6.25% Senior Notes. The 6.25% Senior Notes 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, commencing 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.

46

Table of Contents

As of December 31, 2015, there was $134.5 million of availability under the Revolving Credit Facility (net of $5.5 million of letters of credit). Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2015, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates in 2016.

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. The Incremental Term Loan issued under the Third Amendment (which has been prepaid in full) and the increases to the Revolving Credit Facility provided by the Fifth Amendment and the Seventh Amendment were provided for by the Accordion. As of December 31, 2015, $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, 2015, 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, including the Term Loan, the Revolving Credit Facility, or the Senior Notes, or to fund our other liquidity needs. Further, our highly leveraged nature may limit our ability to procure additional financing in the future.

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, 2015.

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. In August 2015, Moody's Investors Service and Standard & Poor's each affirmed their respective long-term ratings for STBV and revised their outlook from stable to negative. The change in outlook by the credit rating agencies resulted from reviews initiated upon the announcement of our proposed acquisition of CST. In November 2015, Standard & Poor's downgraded STBV's corporate credit rating one notch and revised its outlook from negative to stable. As of January 28, 2016, 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 stable 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 2015. During 2014 and 2013, we repurchased 4.3 million and 8.6 million ordinary shares, respectively, for an aggregate purchase price of $181.8 million and $305.1 million, respectively. At December 31, 2015, $74.7 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.

Table of Contents

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, 2015, we were in compliance with all the covenants and default provisions under the Credit Agreement. For more information on our indebtedness and related covenants and default provisions, refer to Note 8, "Debt," of our audited consolidated financial statements, and Item 1A, “Risk Factors,” each included elsewhere in this Annual Report on Form 10-K.

Contractual Obligations and Commercial Commitments

The table below reflects our contractual obligations as of December 31, 2015. 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]	$3,612.7	$289.9	$19.8	$19.8	$3,283.2
Debt obligations interest[2]	1,401.3	147.8	316.2	315.1	622.2
Capital lease obligations principal[3]	33.7	2.5	5.4	6.4	19.4
Capital lease obligations interest[3]	17.0	2.7	4.8	4.0	5.5
Other financing obligations principal[4]	13.1	8.0	3.4	1.7	—
Other financing obligations interest[4]	1.3	0.4	0.6	0.3	—
Operating lease obligations[5]	41.6	9.9	13.9	5.7	12.1
Non-cancelable purchase obligations[6]	22.6	12.0	9.7	1.0	—
Total[7][8]	$5,143.3	$473.2	$373.8	$354.0	$3,942.4

---

(1) Represents the contractually required principal payments under the Senior Notes and the Term Loan as of December 31, 2015 in accordance with the required payment schedule. Also represents full payment on the Revolving Credit Facility (which is not contractually due until March 26, 2020) within the next year, consistent with the presentation as current on the balance sheet.

(2) Represents the contractually required interest payments on our debt obligations in existence as of December 31, 2015 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, 2015 were calculated using the interest rates in effect as of the latest interest rate reset date prior to December 31, 2015, plus the applicable spread.

(3)

Represents the contractually required payments under our capital lease obligations in existence as of December 31, 2015 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, 2015 in accordance with the required payment schedule. In December 2015, we reached an agreement to reacquire our

48

Table of Contents

manufacturing facility in Subang Jaya, Malaysia, which is accounted for as an "other financing obligation." This transaction is expected to close in 2016, and as a result, the remaining obligation is presented on our consolidated balance sheet as of December 31, 2015 as a current liability. Accordingly, the remaining obligation related to this facility is presented in the table above as being due within the next year. 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, 2015 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, 2015. 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, 2015.

(8) This table does not include the contractual obligations associated with our defined benefit and other post-retirement benefit plans. As of December 31, 2015, we had recognized a net benefit liability of $35.0 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 $38.1 million of unrecognized tax benefits as of December 31, 2015, 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.

Table of Contents

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 the above criteria, revenue is generally recognized when the product is shipped from our warehouse or, in limited instances, when it is received by the customer, depending on the specific terms of the arrangement. Product sales are recorded net of trade discounts (including volume and early payment incentives), sales returns, value-added tax, and similar taxes. 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 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, 2015, goodwill and other intangible assets, net totaled $3,019.7 million and $1,262.6 million, respectively, or approximately 48% and 20%, 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.

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, our corporate offices, debt, and deferred financing costs, as being corporate in nature. Accordingly, we do not assign these assets and liabilities to our reporting units.

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 more likely than not reduce the fair value of a reporting unit below its net book value. Our judgments regarding the existence of impairment indicators are based on several factors, including the performance of the end-markets served by our customers, as well as the actual financial performance of our reporting units and their respective financial forecasts over the long-term. We evaluate goodwill and indefinite-lived intangible assets for impairment in the fourth quarter of each fiscal year, unless events occur which trigger the need for an earlier impairment review.

We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its net book value. If we elect to not use this option, or we determine, using the qualitative method, that it is more likely than not that the fair value of a reporting unit is less than its net book value, we then perform the two-step 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 the calculated implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that reporting unit (including any unrecognized intangible assets) based on their

Table of Contents

fair values, as if the reporting unit had been acquired in a business combination at the date of assessment and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the sum of the fair values of each of its components is the implied fair value of goodwill.

2015 assessment of goodwill. We evaluated our goodwill for impairment as of October 1, 2015. 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, 2015 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;
- 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, 2015 for any reporting unit, as we did not become aware of any indicators after October 1, 2015 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.

Table of Contents

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 auto industry and other industries in which we operate, and other factors identified in Item 1A, "Risk Factors," included elsewhere in this Annual Report on Form 10-K could require us to revise our long-term projections and could reduce the multiples applied to the Terminal Year value. Such revisions could result in a goodwill impairment charge in the future.

Evaluation of other intangible assets for impairment

2015 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 to not use this option, or we determine that it is more likely than not that the asset is impaired, we perform a quantitative impairment review that requires us to make assumptions about future conditions impacting the value of the indefinite-lived intangible assets, including projected growth rates, cost of capital, effective tax rates, royalty rates, market share, and other conditions. Impairment, if any, is based on the excess of the carrying value over the fair value of these assets. We determine fair value by using the appropriate income approach valuation methodology.

We evaluated our indefinite-lived intangible assets for impairment as of October 1, 2015 (using the quantitative method) and determined that the estimated fair values of these assets exceeded their carrying values at that date. Should certain assumptions used in the development of the fair value of our indefinite-lived intangible assets change, we may be required to recognize impairments of these intangible assets.

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

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 industry. If an asset is determined to be impaired, the impairment is the amount by which the carrying value of the asset exceeds its fair value. These evaluations are performed at a level where discrete cash flows may be attributed to either an individual asset or a group of assets.

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.

Table of Contents

Pension and Other Post-Retirement Benefit Plans

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

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") 2015 mortality improvement scale as issued by the Society of Actuaries in 2015 for our U.S. defined benefit plans. The updated MP 2015 mortality improvement scale reflects improvements in longevity as compared to the MP 2014 mortality improvement scale the Society of Actuaries issued in 2014, primarily because it includes actual Social Security mortality data for 2010 and 2011. The MP projection scale is used to factor in projected mortality improvements over time, based on age and date of birth (i.e., two-dimension generational).

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

Share-Based Payment Plans

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

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

We use the closing price of our 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 historically been based on the “simplified” methodology originally prescribed by Staff Accounting Bulletin

Table of Contents

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

We utilized the simplified method for options granted during 2013 due to the lack of historical exercise data necessary to provide a reasonable basis upon which to estimate the expected term. During 2015 and 2014, rather than using the simplified method, we benchmarked the terms of our options granted against those of publicly-traded companies within our industry in order to estimate our expected term.

Also, because of our lack of history as a public company, during 2013 we considered the historical and implied volatilities of publicly-traded companies within our industry when selecting the expected volatility assumption to apply to the options granted in those years. Implied volatility provides a forward-looking indication and may offer insight into expected industry volatility. During 2015 and 2014, with additional historical data available, we considered our own historical volatility, as well as the historical and implied volatilities of publicly-traded companies within our industry, in estimating expected volatility for options granted in 2015 and 2014.

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

The dividend yield 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 shares that actually vest.

Off-Balance Sheet Arrangements

From time to time, we execute contracts that require us to indemnify the other parties to the contracts. These indemnification obligations generally arise in two contexts. First, in connection with 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, which 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 Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which modifies how all entities recognize revenue, and consolidates into one ASC Topic (ASC Topic 606, Revenue from Contracts with Customers), the current guidance

Table of Contents

found in ASC 605, and various other revenue accounting standards for specialized transactions and industries. The core principle of the guidance is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” In achieving this objective, an entity must perform five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations of the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 also clarifies how an entity should account for costs of obtaining or fulfilling a contract in a new ASC Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers.

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 that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

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, and disclose all line items in the year of adoption as if they were prepared under the old revenue guidance. We will adopt ASU 2014-09 on January 1, 2018 and are currently evaluating the impact that this adoption will have on our consolidated financial statements. At this time, we have not determined the transition method that will be used.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) (“ASU 2015-03”), which simplifies the presentation of debt issuance costs. ASU 2015-03 requires 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. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015 (and interim periods within those fiscal years) with early adoption permitted and retrospective application required. As of December 31, 2015 and December 31, 2014, we had recorded deferred financing costs of $38.3 million and $29.1 million, respectively, which would have been classified as a reduction of long-term debt in our condensed consolidated balance sheets had we adopted this standard in the fourth quarter of 2015. There will not be a material impact on our results of operations upon adoption of ASU 2015-03.

Recently issued accounting standards adopted in the current period:

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”), which simplifies the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for fiscal years beginning after December 15, 2016 (and interim periods within those fiscal years) with early adoption permitted. ASU 2015-17 may be either applied prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. We have elected to early adopt ASU 2015-17 prospectively in the fourth quarter of 2015. As a result, we have presented all deferred tax assets and liabilities as noncurrent on our consolidated balance sheet as of December 31, 2015, but have not reclassified current deferred tax assets and liabilities on our consolidated balance sheet as of December 31, 2014. There was no impact on our results of operations as a result of the adoption of ASU 2015-17.

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

In August 2011, we purchased an interest rate cap in order to hedge the risk of changes in cash flows attributable to changes in interest rates above the cap rates on a portion of our U.S. dollar denominated term loans. In August 2014 this interest rate cap matured, and as of December 31, 2015, we do not have any remaining interest rate caps.

The significant components of our debt as of December 31, 2015 and 2014 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, 2015		Outstanding balance as of December 31, 2015 [1]	Fair value as of December 31, 2015
Term Loan [3]	October 14, 2021	3.00	%	$982.7	$963.0
4.875% Senior Notes	October 15, 2023	4.875	%	500.0	484.7
5.625% Senior Notes	November 1, 2024	5.625	%	400.0	409.3
5.0% Senior Notes	October 1, 2025	5.00	%	700.0	675.9
6.25% Senior Notes	February 15, 2026	6.25	%	750.0	781.4
Revolving Credit Facility[3]	March 26, 2020	2.17	%	280.0	266.9
Total[2]				$3,612.7	$3,581.2

(1) Outstanding balance is presented excluding discount.
(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.

Table of Contents

(Dollars in millions)	Interest Rate as of December 31, 2014	Outstanding balance as of December 31, 2014 [1]	Fair value as of December 31, 2014
Original Term Loan[3]	3.25 %	$469.3	$467.0
Incremental Term Loan[3]	3.50 %	598.5	595.5
6.5% Senior Notes	6.50 %	700.0	730.7
4.875% Senior Notes	4.875 %	500.0	495.7
5.625% Senior Notes	5.625 %	400.0	415.0
Revolving Credit facility [3]	2.41 %	130.0	128.3
Other debt [4]	15.27 %	2.2	2.2
Total[2]		$2,800.0	$2,834.4

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

Sensitivity Analysis

As of December 31, 2015, we had total variable rate debt with an outstanding balance of $1,262.7 million issued under the 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 result in additional annual interest expense of $11.3 million. The next 100 basis point increase in the applicable interest rate would result in incremental annual interest expense of $12.6 million.

As of December 31, 2014, we had total variable rate debt with an outstanding balance of $1,197.8 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 $6.7 million. The next 100 basis point increase in the applicable interest rate would have resulted in incremental annual interest expense of $12.0 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 foreign currency exposures include the Euro, Japanese yen, Mexican peso, Chinese renminbi, Korean won, Malaysian ringgit, Dominican Republic peso, British pound sterling, Brazilian real, Singapore dollar, 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, 2015 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 2015, 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.

57

Table of Contents

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	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

Table of Contents

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

Notional (in millions)	Effective Date	Maturity Date	Index	Weighted-Average Strike Rate	Hedge Designation
287.8 EUR	Various from October 2013 to December 2014	Various from February 2015 to November 2016	Euro to U.S. Dollar Exchange Rate	1.31 USD	Designated
58.1 EUR	Various from October 2013 to December 2014	January 30, 2015	Euro to U.S. Dollar Exchange Rate	1.25 USD	Non-designated
87.0 CNY	December 23, 2014	January 30, 2015	U.S. Dollar to Chinese Renminbi Exchange Rate	6.18 CNY	Non-designated
264.0 JPY	December 23, 2014	January 30, 2015	U.S. Dollar to Japanese Yen Exchange Rate	120.54 JPY	Non-designated
51,750.0 KRW	Various from March 2014 to December 2014	Various from February 2015 to November 2016	U.S. Dollar to Korean Won Exchange Rate	1,063.28 KRW	Designated
37,800.0 KRW	Various from March 2014 to December 2014	January 30, 2015	U.S. Dollar to Korean Won Exchange Rate	1,105.21 KRW	Non-designated
85.7 MYR	Various from January 2014 to December 2014	Various from February 2015 to November 2016	U.S. Dollar to Malaysian Ringgit Exchange Rate	3.36 MYR	Designated
26.7 MYR	Various from January 2014 to December 2014	January 30, 2015	U.S. Dollar to Malaysian Ringgit Exchange Rate	3.47 MYR	Non-designated
1,222.2 MXN	Various from January 2014 to December 2014	Various from February 2015 to November 2016	U.S. Dollar to Mexican Peso Exchange Rate	13.97 MXN	Designated
101.6 MXN	Various from January 2014 to December 2014	January 30, 2015	U.S. Dollar to Mexican Peso Exchange Rate	13.95 MXN	Non-designated
42.4 GBP	Various from October 2014 to December 2014	Various from February 2015 to November 2016	British Pound Sterling to U.S. Dollar Exchange Rate	1.58 USD	Designated
5.3 GBP	Various from October 2014 to December 2014	January 30, 2015	British Pound Sterling to U.S. Dollar Exchange Rate	1.56 USD	Non-designated

Sensitivity Analysis

The tables below present our foreign currency forward contracts as of December 31, 2015 and 2014 and the estimated impact to pre-tax earnings as a result of a 10% strengthening/weakening in the foreign currency exchange rate:

(Amounts in millions)		Increase/(decrease) to pre-tax earnings due to	
	Net asset (liability) balance as of December 31, 2015	10% strengthening of the value of the	10% weakening of the value of the

		foreign currency relative to the U.S. dollar	foreign currency relative to the U.S. dollar
Euro to U.S. Dollar	$22.9	$(65.0)	$65.0
Chinese Renminbi to U.S. Dollar	$(0.1)	$(1.3)	$1.3
British Pound Sterling to U.S. Dollar	$(3.0)	$6.3	$(6.3)
Korean Won to U.S. Dollar	$1.7	$(7.3)	$7.3
Malaysian Ringgit to U.S. Dollar	$(3.1)	$3.1	$(3.1)
Mexican Peso to U.S. Dollar	$(10.5)	$13.0	$(13.0)

59

Table of Contents

(Amounts in millions)	Asset (liability) balance as of December 31, 2014	Increase/(decrease) to pre-tax earnings due to	
		10% strengthening of the value of the foreign currency relative to the U.S. dollar	10% weakening of the value of the foreign currency relative to the U.S. dollar
Euro to U.S. Dollar	$29.9	$(37.6)	$37.6
Chinese Renminbi to U.S. Dollar	$(0.1)	$(1.4)	$1.4
British Pound Sterling to U.S. Dollar	$(0.9)	$4.7	$(4.7)
Japanese Yen to U.S. Dollar	$(0.0)	$(0.2)	$0.2
Korean Won to U.S. Dollar	$1.3	$(8.4)	$8.4
Malaysian Ringgit to U.S. Dollar	$(1.6)	$3.2	$(3.2)
Mexican Peso to U.S. Dollar	$(6.5)	$8.8	$(8.8)

The tables below present our Euro-denominated net monetary assets as of December 31, 2015 and 2014 and the estimated impact to pre-tax earnings as a result of revaluing these assets and liabilities associated with a 10% strengthening/weakening in the Euro to U.S. dollar currency exchange rate:

(Amounts in millions)	Net asset balance as of December 31, 2015		Increase/(decrease) to pre-tax earnings due to	
Euro-denominated financial instruments	Euro	$ Equivalent	10% weakening of the value of the Euro relative to the U.S. dollar	10% strengthening of the value of the Euro relative to the U.S. dollar
Net monetary assets[1]	€64.4	$ 70.3	$(7.0)	$7.0

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

---

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

Commodity Risk

We enter into forward contracts with third parties to offset a portion of our exposure to the potential change in prices associated with certain commodities, including silver, gold, platinum, palladium, copper, aluminum, nickel, and zinc, used in the manufacturing of our products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. These derivatives are not designated as accounting hedges. In accordance with ASC 815, we recognize the change in fair value of these derivatives in the consolidated statements of operations.

Table of Contents

Sensitivity Analysis

The tables below present our commodity forward contracts as of December 31, 2015 and 2014 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, 2015	Notional	Weighted Average Contract Price Per Unit	Average Forward Price Per Unit as of December 31, 2015	Expiration	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)

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

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. Financial Statements

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

Report of Independent Registered Public Accounting Firm	63
Consolidated Balance Sheets	64
Consolidated Statements of Operations	65
Consolidated Statements of Comprehensive Income	66
Consolidated Statements of Cash Flows	67
Consolidated Statements of Changes in Shareholders' Equity	68
Notes to Consolidated Financial Statements	69

2. Financial Statement Schedules

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

Schedule I — Condensed Financial Information of the Registrant

Schedule II — Valuation and Qualifying Accounts

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

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Sensata Technologies Holding N.V. as of December 31, 2015 and 2014, 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, 2015. 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, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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, 2015, 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, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts
February 2, 2016

Table of Contents

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

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$342,263	$211,329
Accounts receivable, net of allowances of $9,535 and $10,364 as of December 31, 2015 and 2014, respectively	467,567	444,852
Inventories	358,701	356,364
Deferred income tax assets	—	15,301
Prepaid expenses and other current assets	109,392	90,918
Total current assets	1,277,923	1,118,764
Property, plant and equipment, at cost	1,168,667	975,543
Accumulated depreciation	(474,512)	(386,059)
Property, plant and equipment, net	694,155	589,484
Goodwill	3,019,743	2,424,795
Other intangible assets, net	1,262,572	910,774
Deferred income tax assets	26,417	16,750
Deferred financing costs	38,345	29,102
Other assets	18,100	26,940
Total assets	$6,337,255	$5,116,609
Liabilities and shareholders’ equity		
Current liabilities:		
Current portion of long-term debt, capital lease and other financing obligations	$300,439	$145,979
Accounts payable	290,779	287,800
Income taxes payable	21,968	7,516
Accrued expenses and other current liabilities	251,989	222,781
Deferred income tax liabilities	—	13,430
Total current liabilities	865,175	677,506
Deferred income tax liabilities	390,490	362,738
Pension and post-retirement benefit obligations	34,314	35,799
Capital lease and other financing obligations, less current portion	36,219	45,113
Long-term debt, net of discount, less current portion	3,302,678	2,650,744
Other long-term liabilities	39,803	41,817
Commitments and contingencies		
Total liabilities	4,668,679	3,813,717
Shareholders’ equity:		
Ordinary shares, €0.01 nominal value per share, 400,000 shares authorized; 178,437 shares issued as of December 31, 2015 and 2014	2,289	2,289
Treasury shares, at cost, 8,038 and 9,120 shares as of December 31, 2015 and 2014, respectively	(324,994)	(365,272)
Additional paid-in capital	1,626,024	1,610,390
Retained earnings	391,247	67,233
Accumulated other comprehensive loss	(25,990)	(11,748)
Total shareholders’ equity	1,668,576	1,302,892
Total liabilities and shareholders’ equity	$6,337,255	$5,116,609

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

Table of Contents

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

	For the year ended December 31,		
	2015	2014	2013
Net revenue	$2,974,961	$2,409,803	$1,980,732
Operating costs and expenses:			
Cost of revenue	1,977,799	1,567,334	1,256,249
Research and development	123,666	82,178	57,950
Selling, general and administrative	271,361	220,105	163,145
Amortization of intangible assets	186,632	146,704	134,387
Restructuring and special charges	21,919	21,893	5,520
Total operating costs and expenses	2,581,377	2,038,214	1,617,251
Profit from operations	393,584	371,589	363,481
Interest expense, net	(137,626)	(106,104)	(93,915)
Other, net	(50,329)	(12,059)	(35,629)
Income before taxes	205,629	253,426	233,937
(Benefit from)/provision for income taxes	(142,067)	(30,323)	45,812
Net income	$347,696	$283,749	$188,125
Basic net income per share:	$2.05	$1.67	$1.07
Diluted net income per share:	$2.03	$1.65	$1.05

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

Table of Contents

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

	For the year ended December 31,		
	2015	2014	2013
Net income	$347,696	$283,749	$188,125
Other comprehensive (loss)/income, net of tax:			
Net unrealized (loss)/gain on derivative instruments designated and qualifying as cash flow hedges	(13,726)	25,190	(2,817)
Defined benefit and retiree healthcare plans	(516)	(3,831)	9,116
Other comprehensive (loss)/income	(14,242)	21,359	6,299
Comprehensive income	$333,454	$305,108	$194,424

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

Table of Contents

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

	For the year ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	$347,696	$283,749	$188,125
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	96,051	65,804	50,889
Amortization of deferred financing costs and original issue discounts	6,456	5,118	4,307
Currency remeasurement gain on debt	(1,924)	(771)	(457)
Share-based compensation	15,326	12,985	8,967
Loss on debt financing	34,335	3,750	9,010
Amortization of inventory step-up to fair value	1,820	5,576	—
Amortization of intangible assets	186,632	146,704	134,387
Deferred income taxes	(179,009)	(59,156)	25,711
Gains from insurance proceeds	—	(2,417)	(7,500)
Unrealized loss on hedges and other non-cash items	1,334	5,003	8,324
Increase/(decrease) from changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	18,618	(26,287)	(33,436)
Inventories	40,526	(77,473)	(7,336)
Prepaid expenses and other current assets	(9,857)	2,915	1,214
Accounts payable and accrued expenses	(38,034)	19,189	23,902
Income taxes payable	14,452	849	(3,099)
Other	(1,291)	(2,970)	(7,170)
Net cash provided by operating activities	533,131	382,568	395,838
Cash flows from investing activities:			
Acquisition of CST, net of cash received	(996,871)	—	—
Acquisition of Schrader, net of cash received	(958)	(995,315)	—
Other acquisitions, net of cash received	3,881	(298,423)	(15,470)
Additions to property, plant and equipment and capitalized software	(177,196)	(144,211)	(82,784)
Insurance proceeds	—	2,417	8,900
Proceeds from sale of assets	4,775	5,467	1,704
Net cash used in investing activities	(1,166,369)	(1,430,065)	(87,650)
Cash flows from financing activities:			
Proceeds from exercise of stock options and issuance of ordinary shares	19,411	24,909	20,999
Proceeds from issuance of debt	2,795,120	1,190,500	600,000
Payments on debt	(2,000,257)	(76,375)	(711,665)
Repurchase of ordinary shares from SCA	—	(169,680)	(172,125)
Payments to repurchase ordinary shares	(50)	(12,094)	(132,971)
Payments of debt issuance cost	(50,052)	(16,330)	(8,069)
Net cash provided by/(used in) financing activities	764,172	940,930	(403,831)
Net change in cash and cash equivalents	130,934	(106,567)	(95,643)
Cash and cash equivalents, beginning of year	211,329	317,896	413,539
Cash and cash equivalents, end of year	$342,263	$211,329	$317,896
Supplemental cash flow items:			

Cash paid for interest	$125,370	$87,774	$84,714
Cash paid for income taxes	$41,301	$41,126	$33,557

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

Table of Contents

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

	Ordinary Shares		Treasury Shares		Additional Paid-In Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Share-holders' Equity
	Number	Amount	Number	Amount				
Balance as of December 31, 2012	178,392	$2,289	(381)	$(11,423)	$1,587,202	$ (316,368)	$ (39,406)	$1,222,294
Issuance of ordinary shares for employee stock plans	—	—	7	233	—	(1)	—	232
Repurchase of ordinary shares	—	—	(8,582)	(305,096)	—	—	—	(305,096)
Stock options exercised	43	—	2,432	77,911	375	(57,519)	—	20,767
Vesting of restricted securities	2	—	62	2,029	—	(2,029)	—	—
Share-based compensation	—	—	—	—	8,967	—	—	8,967
Net income	—	—	—	—	—	188,125	—	188,125
Other comprehensive income		—	—	—			6,299	6,299
Balance as of December 31, 2013	178,437	$2,289	(6,462)	$(236,346)	$1,596,544	$ (187,792)	$ (33,107)	$1,141,588
Issuance of ordinary shares for employee stock plans	—	—	9	264	128	—	—	392
Repurchase of ordinary shares	—	—	(4,305)	(181,774)	—	—	—	(181,774)
Stock options exercised	—	—	1,589	50,995	657	(27,135)	—	24,517
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
	—	—	115	4,391	—	(4,391)	—	—

Vesting of restricted securities								
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

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

Table of Contents

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

1. Business Description and Basis of Presentation
Description of Business
The accompanying consolidated financial statements reflect the financial position, results of operations, comprehensive income, cash flows, and changes in shareholders' equity of Sensata Technologies Holding N.V. ("Sensata Technologies Holding") and its wholly-owned subsidiaries, collectively referred to as the “Company,” “Sensata,” “we,” “our,” or “us.”
Sensata Technologies Holding is incorporated under the laws of the Netherlands and conducts its operations through subsidiary companies that operate business and product development centers 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, the Dominican Republic, Bulgaria, Poland, France, Brazil, Germany, the U.K., and the U.S. We organize our operations into two businesses, Performance Sensing (formerly referred to as "Sensors") and Sensing Solutions (formerly referred to as "Controls").
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 on- and off-road vehicles ("HVOR"). These products help improve performance, for example by making an automobile's heating and air conditioning systems work more efficiently, thereby improving gas mileage. These products are also used in systems that address safety and environmental concerns, for example, by improving the stability control of the vehicle and reducing vehicle emissions.
Our 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, automobiles, 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),

69

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 the above criteria, revenue is generally recognized when the product is shipped from our warehouse or, in limited instances, when it is received by the customer, depending on the specific terms of the arrangement. Product sales are recorded net of trade discounts (including volume and early payment incentives), sales returns, value-added tax, and similar taxes. Amounts billed to our customers for shipping and handling are recorded in revenue. Shipping and handling costs are included in cost of revenue. Sales to customers generally include a right of return for defective or non-conforming product. Sales returns have not historically been significant in relation to our revenue and have been within our estimates.

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

Share-Based Compensation

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

We estimate the fair value of options on the date of grant using the Black-Scholes-Merton option-pricing model. Key assumptions used in estimating the grant-date fair value of these options are as follows: the fair value of the ordinary shares, expected term, expected volatility, risk-free interest rate, and expected dividend yield. 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 historically been based on the “simplified” methodology originally prescribed by Staff Accounting Bulletin (“SAB”) No. 107, in which the expected term is determined by computing the mathematical mean of the average vesting period and the contractual life of the options. While the widespread use of the simplified method under SAB No. 107 expired on December 31, 2007, the U.S. Securities and Exchange Commission issued SAB No. 110 in December 2007, which allowed the simplified method to continue to be used in certain circumstances. These circumstances include when a company does not have sufficient historical data surrounding option exercises to provide a reasonable basis upon which to estimate expected term and during periods prior to its equity shares being publicly traded.

We utilized the simplified method for options granted during 2013 due to the lack of historical exercise data necessary to provide a reasonable basis upon which to estimate the expected term. During 2015 and 2014, rather than using the simplified method, we benchmarked the terms of our options granted against those of publicly-traded companies within our industry in order to estimate our expected term.

Also, because of our lack of history as a public company, during 2013 we considered the historical and implied volatilities of publicly-traded companies within our industry when selecting the expected volatility assumption to apply to the options granted in those years. Implied volatility provides a forward-looking indication and may offer insight into expected industry volatility. During 2015 and 2014, with additional historical data available, we

considered our own historical volatility, as well as the historical and implied volatilities of publicly-traded companies within our industry, in estimating expected volatility for options granted in 2015 and 2014.

Table of Contents

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.

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 awards that actually vest.

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

Financial Instruments

Derivative financial instruments: We maintain derivative financial instruments with major financial institutions of investment grade credit rating and monitor the amount of credit exposure to any one issuer. We 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 statments 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, palladium, and zinc used in the manufacturing of our products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. The fair value of our commodity forward contracts is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. 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.

Table of Contents

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, 2015.
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 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 more likely than not reduce the fair value of a reporting unit below its net book value. We evaluate goodwill and indefinite-lived intangible assets for impairment in the fourth quarter of each fiscal year, unless events occur which trigger the need for 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, our corporate offices, debt, and deferred financing costs, as being corporate in nature. Accordingly, we do not assign these assets and liabilities to our reporting units.
We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its net book value. If we elect to not use this option, or if we determine, using the qualitative method, that it is more likely than not that the fair value of a reporting unit is less than its net book value, then we perform the two-step 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 the calculated implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that reporting unit (including any unrecognized intangible assets) based on their fair values as if the reporting unit had been acquired in a business combination at the date of assessment, and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the sum of the fair values of each of its components 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 at October 1, 2015.
Indefinite-lived intangible assets: We perform an annual impairment review of our indefinite-lived intangible assets in the fourth quarter of each fiscal year, unless events occur that trigger the need for an earlier impairment review. We

have the option to first assess qualitative factors in determining whether it is more likely than not that an indefinite-lived intangible asset is impaired. If we elect to not use this option, or we determine that it is more likely than not that the asset is impaired, we perform a quantitative impairment review that requires us to make assumptions about future conditions impacting the value of the indefinite-lived intangible assets, including projected growth rates, cost of capital, effective tax rates, royalty rates, market

share, and other conditions. Impairment, if any, is based on the excess of the carrying value over the fair value of these assets. We determine fair value by using the appropriate income approach valuation methodology.

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

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

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. 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 capitalized and reported as deferred financing costs on the balance sheet. Such costs are amortized over the term of the respective financing arrangement using the effective interest method (periods ranging from 5 to 10 years). Amortization of these costs 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 our (Benefit from)/provision for income taxes line of our 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 Accumulated other comprehensive loss. If the total net actuarial gain or loss included in Accumulated other comprehensive loss exceeds a threshold of 10% of the greater of the projected benefit obligation or the market related value of plan assets, it is subject to amortization and recorded as a component of net periodic pension cost over the average remaining service lives of the employees participating in the pension or post-retirement benefit plan.

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

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

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

We have adopted use of the Retirement Plan ("RP") 2014 mortality tables with the updated Mortality Projection ("MP") 2015 mortality improvement scale as issued by the Society of Actuaries in 2015 for our U.S. defined benefit plans. The updated MP 2015 mortality improvement scale reflects improvements in longevity as compared to the MP 2014 mortality improvement scale the Society of Actuaries issued in 2014, primarily because it includes actual Social Security mortality data for 2010 and 2011. 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 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, as well as transportation and handling costs. We conduct quarterly inventory reviews for salability and obsolescence, and inventory considered unlikely to be sold is adjusted to net realizable

value. Refer to Note 4, "Inventories," for details of our inventory balances.

Table of Contents

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. In general, depreciable lives of plant and equipment are as follows:

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

Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated economic useful lives of the improvements. Assets held under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense associated with capital leases is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease, unless ownership is transferred by the end of the lease or there is a bargain purchase option, in which case the asset is amortized, normally on a straight-line basis, over the useful life that would be assigned if the asset were owned. Amortization expense associated with capital leases is included within depreciation expense.

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

PP&E is identified as held for sale when it meets the held for sale criteria of ASC Topic 360, Property, Plant, and Equipment. We cease recording depreciation on assets that are classified as held for sale. When an asset meets the held for sale criteria, its carrying value is reclassified out of PP&E and into Prepaid expenses and other current assets, where it remains until either it is sold or it no longer meets the held for sale criteria. In the year that an asset meets the held for sale criteria, its carrying value as of the end of the prior year is reclassified from PP&E to Other assets.

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, 2015, 2014, and 2013 consisted of the following:

	For the year ended December 31,		
	2015	2014	2013
Currency remeasurement (loss)/gain on net monetary assets	$(9,613)	$(6,912)	$859
Loss on debt financing	(25,538)	(1,875)	(9,010)
Loss on commodity forward contracts	(18,468)	(9,017)	(23,218)
Gain/(loss) on foreign currency forward contracts	3,606	5,469	(3,290)
Loss on interest rate cap	—	—	(1,097)
Other	(316)	276	127
Total Other, net	$(50,329)	$(12,059)	$(35,629)

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

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which modifies how all entities recognize revenue, and consolidates into one ASC Topic (ASC Topic 606, Revenue from Contracts with Customers), the current guidance found in ASC 605, and various other revenue accounting standards for specialized transactions and industries. The core principle of the guidance is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or

75

Table of Contents

services." In achieving this objective, an entity must perform five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations of the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 also clarifies how an entity should account for costs of obtaining or fulfilling a contract in a new ASC Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers.

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 that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

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, and disclose all line items in the year of adoption as if they were prepared under the old revenue guidance. We will adopt ASU 2014-09 on January 1, 2018 and are currently evaluating the impact that this adoption will have on our consolidated financial statements. At this time, we have not determined the transition method that will be used.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) ("ASU 2015-03"), which simplifies the presentation of debt issuance costs. ASU 2015-03 requires 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. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015 (and interim periods within those fiscal years) with early adoption permitted and retrospective application required. As of December 31, 2015 and December 31, 2014, we had recorded deferred financing costs of $38.3 million and $29.1 million, respectively, which would have been classified as a reduction of long-term debt in our condensed consolidated balance sheets had we adopted this standard in the fourth quarter of 2015. There will not be a material impact on our results of operations upon adoption of ASU 2015-03.

Recently issued accounting standards adopted in the current period:

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"), which simplifies the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for fiscal years beginning after December 15, 2016 (and interim periods within those fiscal years) with early adoption permitted. ASU 2015-17 may be either applied prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. We have elected to early adopt ASU 2015-17 prospectively in the fourth quarter of 2015. As a result, we have presented all deferred tax assets and liabilities as noncurrent on our consolidated balance sheet as of December 31, 2015, but have not reclassified current deferred tax assets and liabilities on our consolidated balance sheet as of December 31, 2014. There was no impact on our results of operations as a result of the adoption of ASU 2015-17.

3. Property, Plant and Equipment

PP&E as of December 31, 2015 and 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Land	$21,715	$22,405
Buildings and improvements	227,665	190,646
Machinery and equipment	919,287	762,492
	1,168,667	975,543
Accumulated depreciation	(474,512)	(386,059)
Total	$694,155	$589,484

Depreciation expense for PP&E, including amortization of assets under capital leases, totaled $96.1 million, $65.8 million, and $50.9 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Table of Contents

PP&E as of December 31, 2015 and 2014 included the following assets under capital leases:

	December 31, 2015	December 31, 2014
PP&E recognized under capital leases	$44,259	$39,397
Accumulated amortization	(16,308)	(14,263)
Net PP&E recognized under capital leases	$27,951	$25,134

4. Inventories

The components of inventories as of December 31, 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014
Finished goods	$154,827	$127,407
Work-in-process	62,084	69,218
Raw materials	141,790	159,739
Total	$358,701	$356,364

As of December 31, 2015 and 2014, inventories totaling $10.1 million and $11.1 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 at December 31, 2013	$1,338,645	$—	$1,338,645	$435,870	$(18,466)	$417,404	$1,774,515	$(18,466)	$1,756,049
Wabash Acquisition	18,807	—	18,807	—	—	—	18,807	—	18,807
Magnum Acquisition	—	—	—	12,768	—	12,768	12,768	—	12,768
DeltaTech Acquisition	99,254	—	99,254	—	—	—	99,254	—	99,254
Schrader Acquisition	538,019	—	538,019	—	—	—	538,019	—	538,019
Other acquisitions - purchase accounting adjustment	(102)	—	(102)	—	—	—	(102)	—	(102)
Balance 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	5,130	—	5,130	—	—	—	5,130	—	5,130

accounting adjustment									
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

Goodwill attributed to acquisitions reflects our allocation of purchase price to the estimated fair value of certain assets acquired and liabilities assumed. Preliminary goodwill attributed to the acquisition of CST (as defined in Note 6,

Table of Contents

"Acquisitions") has been assigned to our segments in the above table based on a methodology utilizing anticipated future earnings of the components of the business. This allocation is preliminary.

The purchase accounting adjustments above generally reflect revisions in fair value estimates of liabilities assumed and tangible and intangible assets acquired.

We have evaluated our goodwill for impairment as of October 1, 2015 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, 2015 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.

The following table outlines the components of definite-lived intangible assets, excluding goodwill, as of December 31, 2015 and 2014:

		December 31, 2015				December 31, 2014			
	Weighted-Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies	14	$726,598	$(293,564)	$(2,430)	$430,604	$541,708	$(242,506)	$(2,430)	$296,772
Customer relationships	11	1,765,704	(1,070,460)	(12,144)	683,100	1,460,088	(943,375)	(12,144)	504,569
Non-compete agreements	8	23,400	(23,400)	—	—	23,400	(23,400)	—	—
Tradenames	22	50,754	(5,901)	—	44,853	8,854	(4,259)	—	4,595
Capitalized software	7	55,151	(19,606)	—	35,545	49,127	(12,759)	—	36,368
Total	12	$2,621,607	$(1,412,931)	$(14,574)	$1,194,102	$2,083,177	$(1,226,299)	$(14,574)	$842,304

The following table outlines Amortization of intangible assets for the years ended December 31, 2015, 2014, and 2013:

	December 31, 2015	December 31, 2014	December 31, 2013
Acquisition-related definite-lived intangible assets	$179,785	$143,604	$132,984
Capitalized software	6,847	3,100	1,403
Total Amortization of intangible assets	$186,632	$146,704	$134,387

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

2016	$200,454
2017	$159,086
2018	$135,494
2019	$126,389
2020	$110,049

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.

Table of Contents

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 $1,008.8 million, subject to customary post-closing adjustments. 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 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.

Net revenue of CST included in our consolidated statement of operations for the year ended December 31, 2015 was $19.9 million. Earnings associated with CST included in our consolidated statement of operations for the year ended December 31, 2015, excluding integration costs, transaction costs, and interest expense recorded related to the indebtedness incurred in order to finance the acquisition of CST, were not material.

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

Accounts receivable	$41,469	
Inventories	44,717	
Prepaid expenses and other current assets	14,808	
Property, plant and equipment	29,840	
Other intangible assets	533,004	
Goodwill	587,377	
Other assets	39	
Accounts payable	(19,088	)
Accrued expenses and other current liabilities	(26,004	)
Deferred income tax liabilities	(203,144	)
Pension and post-retirement benefit obligations	(3,232	)
Other long term liabilities	(415	)
Fair value of net assets acquired, excluding cash and cash equivalents	999,371	
Cash and cash equivalents	9,472	
Fair value of net assets acquired	$1,008,843	

The allocation of the purchase price related to this acquisition is preliminary and is based on management’s judgments after evaluating several factors, including preliminary valuation assessments of tangible and intangible assets, and preliminary estimates of the fair value of liabilities assumed. The final allocation of the purchase price to the assets acquired and liabilities assumed will be completed when the final valuation assessments of tangible and intangible assets are completed and estimates of the fair value of liabilities assumed are finalized. The preliminary goodwill of $587.4 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.

Table of Contents

In connection with the preliminary 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 preliminary estimated fair values, and preliminary weighted-average lives:

	Acquisition Date Fair Value	Weighted-Average Life (years)
Acquired definite-lived intangible assets:		
Completed technologies	$184,890	16
Customer relationships	305,616	15
Tradenames	41,900	25
Computer software	598	2
	$533,004	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 purchase price of $1,004.7 million. Schrader is a global manufacturer of sensing and valve solutions for automotive manufacturers, including tire pressure monitoring sensors ("TPMS"), and is being integrated into our Performance Sensing segment. We acquired Schrader to add TPMS and additional low pressure sensing capabilities to our current product portfolio.

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

Accounts receivable	$96,675
Inventories	72,118
Prepaid expenses and other current assets	16,783
Property, plant and equipment	149,475
Other intangible assets	362,694
Goodwill	543,149
Other assets	4,814
Accounts payable	(66,461)
Accrued expenses and other current liabilities	(70,302)
Deferred income tax liabilities	(95,235)
Other long term liabilities	(17,437)
Fair value of net assets acquired, excluding cash and cash equivalents	996,273
Cash and cash equivalents	8,420
Fair value of net assets acquired	$1,004,693

The allocation of the purchase price related to this acquisition was finalized in the fourth quarter of 2015 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 $543.1 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.

Table of Contents

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	$100,000	10
Customer relationships	260,000	10
Computer software	2,694	3
	$362,694	10

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

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

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

DeltaTech Controls

On August 4, 2014, we completed the acquisition of all of the outstanding shares of CoActive US Holdings, Inc., the direct or indirect parent of companies comprising the DeltaTech Controls business ("DeltaTech"), from CoActive Holdings, LLC for an aggregate purchase price of $177.8 million. DeltaTech is a manufacturer of customized electronic operator controls based on magnetic position sensing technology for the construction, agriculture, and material handling industries, and is being integrated into our 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 following table summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed:

Net working capital	$10,695
Property, plant and equipment	8,421
Other intangible assets	111,277
Goodwill	101,695
Other noncurrent assets	5,663
Deferred income tax liabilities	(39,586)
Other long term liabilities	(21,237)
Fair value of net assets acquired, excluding cash and cash equivalents	176,928
Cash and cash equivalents	919
Fair value of net assets acquired	$177,847

The allocation of the purchase price related to this acquisition was finalized in the third quarter of 2015, and was based on management’s judgments after evaluating several factors, including valuation assessments of tangible and intangible assets, and estimates of the fair value of liabilities assumed. The goodwill of $101.7 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.

Table of Contents

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	$26,139	10
Customer relationships	82,420	8
Tradenames	1,820	5
Computer software	898	7
	$111,277	8

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

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

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.

Aggregated Information on Business Combinations

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

Table of Contents

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 only include 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.

Schrader

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

	(Unaudited) For the year ended	
	December 31, 2014	December 31, 2013
Pro forma net revenue	$2,849,547	$2,436,159
Pro forma net income	$264,907	$117,885

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

Other Acquisitions

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

7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of December 31, 2015 and 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Accrued compensation and benefits	$81,185	$63,066
Foreign currency and commodity forward contracts	27,674	18,037
Accrued interest	26,104	22,587
Accrued restructuring and severance	14,089	14,046
Current portion of pension and post-retirement benefit obligations	3,461	2,360
Other accrued expenses and current liabilities	99,476	102,685
Total	$251,989	$222,781

Table of Contents

8. Debt

Our long-term debt and capital lease and other financing obligations as of December 31, 2015 and 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Original Term Loan	$—	$469,308
Incremental Term Loan	—	598,500
Term Loan	982,695	—
6.5% Senior Notes	—	700,000
4.875% Senior Notes	500,000	500,000
5.625% Senior Notes	400,000	400,000
5.0% Senior Notes	700,000	—
6.25% Senior Notes	750,000	—
Revolving Credit Facility	280,000	130,000
Other debt	—	2,153
Less: discount	(20,116)	(6,312)
Less: current portion	(289,901)	(142,905)
Long-term debt, net of discount, less current portion	$3,302,678	$2,650,744
Capital lease and other financing obligations	$46,757	$48,187
Less: current portion	(10,538)	(3,074)
Capital lease and other financing obligations, less current portion	$36,219	$45,113

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 (the "Revolving Credit Facility"). Refer to the section entitled Senior Secured Credit Facilities below for additional details on the Revolving Credit Facility.

In December 2012, we amended the Credit Agreement (the "First Amendment") to reduce the interest rate spread with respect to the Original Term Loan by 0.25%, to 1.75% and 2.75% for Base Rate loans and Eurodollar Rate loans, respectively (each as defined in the Credit Agreement).

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

In 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. Refer to Note 6, “Acquisitions,” for further discussion of the acquisition of Schrader.

In November 2014, we amended the Credit Agreement (the "Fourth Amendment") to revise the calculation used to determine the Revolving Credit Facility commitment fee to be equal to the Applicable Rate (as defined in the Credit Agreement) times the unused portion of the Revolving Credit Facility. Prior to the Fourth Amendment, the commitment fee was calculated as the Applicable Rate times the total amount available to be borrowed under the Revolving Credit Facility, regardless of the portion used. The commitment fee is subject to a pricing grid based on our leverage ratio. Pursuant to the terms of the Fourth Amendment, the spreads on the commitment fee ranged from 0.25% to 0.50%.

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, (3) lowered the maximum commitment fee on the unused portion of the Revolving Credit Facility from 0.50% to 0.375%; and (4) revised certain index rate spreads and letter of credit fees on the Revolving Credit Facility (each of which depends on the achievement of certain senior secured net leverage ratios) as follows: (i) lower the index rate spread for Eurodollar Rate loans from 2.500%, 2.375%, or 2.250% to 1.75% or 1.50%; (ii) lower the index rate spread for Base Rate loans from 1.500%, 1.375%, or 1.250% to 0.75% or 0.50%; and (iii) lower the letter of credit fees from 2.500%, 2.375%, or 2.250% to 1.625% or 1.375%.

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, 2015.

We have amended the Credit Agreement on seven occasions since its initial execution. The terms presented herein reflect

Table of Contents

the changes as a result of these various amendments. Refer to the Debt Transactions section above for additional details of the terms of these 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, 2015, we maintained the Term Loan as a Eurodollar Rate loan, which accrued interest at a rate of 3.0%. The Term Loan is subject to a repricing prepayment premium of 1.0% if there is a repricing event that occurs prior to May 11, 2016.

Refinanced Term Loans

The Original Term Loan and the Incremental Term Loan each bore interest at variable rates, as defined in the Second Amendment and Third Amendment, respectively. At December 31, 2014, the interest rate on the Original Term Loan and the Incremental Term Loan was 3.25% and 3.50%, respectively.

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. Pursuant to the terms of the Fifth Amendment, interest rates and fees on the Revolving Credit Facility were as follows (each depending on the achievement of certain senior secured net leverage ratios) (i) the index rate spread for Eurodollar Rate loans was 1.75% or 1.50%; (ii) the index rate spread for Base Rate loans was 0.75% or 0.50%; and (iii) the letter of credit fees were 1.625% or 1.375%. We currently maintain the Revolving Credit Facility as a Eurodollar Rate loan. The weighted-average interest rate on the Revolving Credit Facility for the year ended December 31, 2015 was 2.05%. 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, 2015, there was $134.5 million of availability under the Revolving Credit Facility (net of $5.5 million in letters of credit). Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2015, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates through 2016.

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 various times during 2015 and 2014, we had various tranches of senior notes outstanding, including the 6.5% Senior Notes, 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 6.5% Senior Notes, which were redeemed in April 2015, and 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

86

Table of Contents

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.

6.5% Senior Notes

The 6.5% Senior Notes were issued under an indenture dated May 12, 2011 (the "6.5% Senior Notes Indenture") among STBV, as issuer, The Bank of New York Mellon, as trustee, and the Guarantors. The 6.5% Senior Notes were offered at par. Interest on the 6.5% Senior Notes was payable semi-annually on May 15 and November 15 of each year.

On March 26, 2015, we completed the 2015 Financing Transactions, which included 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. On April 29, 2015, we completed the Redemption.

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.

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,

Table of Contents

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 to be 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, 2015, 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 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

Table of Contents

investment grade by either rating agency and an event of default has occurred and is continuing at such time. As of December 31, 2015, 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 $1,592.3 million at December 31, 2015.
Accounting for Debt Financing Transactions
During the years ended December 31, 2015, 2014 and 2013, we recorded losses of $25.5 million, $1.9 million, and $9.0 million, respectively, in Other, net related to our debt financing transactions. These amounts primarily represent charges on extinguishment or modification of existing debt, accounted for in accordance with ASC 470-50, and include, upon extinguishment of debt, fees paid to creditors and the write-off of unamortized deferred financing costs and original issue discount, and upon modification of debt, fees paid to third parties.
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 in 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 , 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.
In 2013, the issuance and sale of the 4.875% Senior Notes, the related repayment of $700.0 million of the Original Term Loan, and the entry into the Second Amendment were accounted for in accordance with ASC 470-50. As a result, during the year ended December 31, 2013, we recorded losses in Other, net of $9.0 million, which consisted of $4.6 million related to transaction costs and $4.4 million related to the write-off of unamortized deferred financing costs and original issue discount. In addition, $3.9 million was recorded as deferred financing costs.

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, 2015, 2014, and 2013 was $14.1 million, $7.5 million, and $6.5 million, respectively.

In 2011, we entered into a capital lease for a facility in Baoying, China. As of December 31, 2015 and 2014, the capital lease obligation outstanding for this facility was $6.4 million and $7.1 million, respectively.

In 2005, we entered into a capital lease, which matures in 2025, for a facility in Attleboro, Massachusetts. As of December 31, 2015 and 2014, the capital lease obligation outstanding for this facility was $23.5 million and $24.7 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, 2015 and 2014, we had recognized a liability related to this agreement of $6.4 million and $7.6 million, respectively, within Capital lease and other financing obligations.

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. The transaction, which was valued at RM41.0 million (or $12.6 million based on the closing date exchange rate), was accounted for as a financing transaction. Accordingly, the land, building, and equipment remains on the consolidated balance sheets, and the cash received was recorded as a liability as a component of Capital lease and other financing obligations. As of December 31, 2015 and 2014, the outstanding liability recorded was $6.8 million and $8.4 million, respectively. In December 2015, we reached an agreement to reacquire this facility. This transaction is expected to close in 2016, and as a result, this liability is presented as a current obligation as of December 31, 2015.

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.

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, 2016 through 2020 and thereafter. The full balance due on the Revolving Credit Facility (which does not contractually mature until March 26, 2020) is presented as a repayment in 2016, consistent with its presentation as a current liability on the consolidated balance sheet.

For the year ended December 31,	Aggregate Maturities
2016	$289,901
2017	9,901
2018	9,901
2019	9,901
2020	9,901
Thereafter	3,283,190
Total long-term debt principal payments	$3,612,695

Compliance with Financial and Non-Financial Covenants

As of, and for the year ended, December 31, 2015, 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

Table of Contents

returns under Dutch fiscal unity (i.e., consolidation). On April 30, 2008, our U.S. subsidiaries executed a separation and distribution agreement that divided our U.S. businesses, resulting in two separate U.S. consolidated federal income tax returns. Prior to April 30, 2008, we filed one consolidated tax return in the U.S. Beginning on January 1, 2016, our U.S. subsidiaries will resume 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, 2015, 2014, and 2013 was categorized by jurisdiction as follows:

	U.S.	Non-U.S.	Total
For the year ended December 31,			
2015	$(60,707)	$266,336	$205,629
2014	$(92,632)	$346,058	$253,426
2013	$(80,426)	$314,363	$233,937

(Benefit from)/provision for income taxes for the years ended December 31, 2015, 2014, and 2013 was categorized by jurisdiction as follows:

	U.S. Federal	Non-U.S.	U.S. State	Total
For the year ended December 31,				
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)
2013:				
Current	$—	$19,826	$275	$20,101
Deferred	11,857	13,919	(65)	25,711
Total	$11,857	$33,745	$210	$45,812

Table of Contents

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, 2015, 2014, and 2013 were as follows:

	For the year ended December 31,		
	2015	2014	2013
Tax computed at statutory rate of 35%	$71,970	$88,700	$81,878
Foreign tax rate differential	(66,367)	(70,090)	(66,835)
Release of valuation allowances, net	(180,001)	(71,111)	—
Losses not tax benefited	56,778	40,200	25,192
Unrealized foreign exchange (gains) and losses, net	(12,120)	(15,195)	(4,029)
Change in tax law or rates	(10,290)	(12,017)	(4,402)
Withholding taxes not creditable	4,346	4,940	16,101
Reserve for tax exposure	(2,949)	308	(13,674)
Other	(3,434)	3,942	11,581
	$(142,067)	$(30,323)	$45,812

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 significantly lower than the U.S. statutory rate, resulting in an effective rate benefit. This benefit can change from year to year based upon the 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 2015, our subsidiary in Changzhou, China was eligible for a reduced tax rate of 15%. Our operations in the U.K. qualify for a favorable tax regime applicable to intellectual property revenues. 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.

Release of valuation allowances

During the years ended December 31, 2015 and 2014, we released a portion of our U.S. valuation allowance and recognized a deferred tax benefit of $180.0 million and $71.1 million, respectively. These benefits arose primarily 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 and related primarily to the step-up of intangible assets for book purposes.

Losses not tax benefited

Losses incurred in the U.S are not currently benefited, as it is not more likely than not that the associated deferred tax asset will be realized in foreseeable future. For the years ended December 31, 2015, 2014, and 2013, this resulted in a deferred tax expense of $56.8 million, $40.2 million, and $25.2 million, respectively.

Change in tax law or rates

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

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.

Table of Contents

In certain jurisdictions we record withholding and other taxes on intercompany payments including dividends. During the years ended December 31, 2015, 2014, and 2013, this amount totaled $4.3 million, $4.9 million, and $16.1 million.

Deferred income tax assets and liabilities

The primary components of deferred income tax assets and liabilities as of December 31, 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014
Deferred tax assets:		
Inventories and related reserves	$12,013	$9,781
Accrued expenses	76,834	36,613
Property, plant and equipment	20,008	15,685
Intangible assets	88,524	48,747
Net operating loss, interest expense, and other carryforwards	435,980	401,803
Pension liability and other	8,279	10,106
Share-based compensation	11,315	11,633
Other	2,694	8,596
Total deferred tax assets	655,647	542,964
Valuation allowance	(296,922)	(394,838)
Net deferred tax asset	358,725	148,126
Deferred tax liabilities:		
Property, plant and equipment	(25,810)	(31,208)
Intangible assets and goodwill	(636,366)	(411,320)
Unrealized exchange gain	(11,753)	(12,959)
Tax on undistributed earnings of subsidiaries	(44,078)	(31,210)
Other	(4,791)	(5,546)
Total deferred tax liabilities	(722,798)	(492,243)
Net deferred tax liability	$(364,073)	$(344,117)

Valuation allowance and net operating loss carryforwards

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

For tax purposes, goodwill and indefinite-lived intangible assets are generally amortizable over 6 to 20 years. For book purposes, goodwill and indefinite-lived intangible assets are not amortized, but are tested for impairment annually. The tax amortization of goodwill and indefinite-lived intangible assets will result in a taxable temporary difference, which will not reverse unless the related book goodwill and/or intangible asset is impaired or written off. This liability may not be used to support deductible temporary differences, such as net operating loss carryforwards, which may expire within a definite period. The total valuation allowance for the year ended December 31, 2015 decreased $97.9 million, and for the year ended December 31, 2014 increased $15.8 million.

Subsequently reported tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 2015 will be allocated to income tax benefit recognized in the consolidated statements of operations.

Table of Contents

As of December 31, 2015, we have U.S. federal net operating loss carryforwards of $542.9 million and interest expense carryforwards of $527.8 million. Our U.S. federal net operating loss and interest carryforwards include $252.4 million related to excess tax deductions from share-based payments, the tax benefit of which will be recorded as an increase in additional paid-in capital when the deductions reduce current taxes payable. U.S. federal net operating loss carryforwards will expire from 2026 to 2035, state net operating loss carryforwards will expire from 2016 to 2035, and the interest carryovers have an unlimited life. It is more likely than not that these net operating losses will not be utilized in the foreseeable future. We also have non-U.S. net operating loss carryforwards of $166.2 million, which will begin to expire in 2016.

We believe a change of ownership within the meaning of Section 382 of the Internal Revenue Code occurred in the fourth quarter of 2012. As a result, our U.S. federal net operating loss utilization will be limited to an amount equal to the market capitalization of our U.S. subsidiaries at the time of the ownership change multiplied by the federal long-term tax exempt rate. A change of ownership under Section 382 of the Internal Revenue Code is defined as a cumulative change of fifty percentage points or more in the ownership positions of certain stockholders owning five percent or more of our common stock over a three year rolling period. We do not believe the resulting change will prohibit the utilization of our U.S. federal net operating loss.

Unrecognized tax benefits

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

Balance at December 31, 2012	$21,773	
Increases related to prior year tax positions	456	
Increases related to current year tax positions	9,694	
Decreases related to lapse of applicable statute of limitations	(905	)
Decreases related to settlements with tax authorities	(8,774	)
Balance at December 31, 2013	22,244	
Increases related to prior year tax positions	7,540	
Increases related to current year tax positions	4,204	
Decreases related to lapse of applicable statute of limitations	(3,025	)
Decreases related to settlements with tax authorities	(8,189	)
Balance at December 31, 2014	22,774	
Increases related to prior year tax positions	5,467	
Increases related to current year tax positions	18,382	
Decreases related to settlements with tax authorities	(8,566	)
Balance at December 31, 2015	$38,057	

During the year ended December 31, 2015, we established a reserve of $16.0 million in connection with a capital restructuring transaction executed during the year. During the year ended December 31, 2013, we closed income tax audits related to several subsidiaries in Asia and the Americas. As a result of negotiated settlements and final assessments, we recognized $4.1 million of tax benefit in the fourth quarter. Additionally, as a result of certain lapses of the applicable statute of limitations related to unrecognized tax benefits, we recognized $0.9 million of tax benefit. The benefit recorded in tax expense related to interest and penalties totaled $8.7 million. The net effect of these items on our provision for income taxes was a benefit of $13.7 million.

We recognize interest and penalties related to unrecognized tax benefits in the consolidated statements of operations and the consolidated balance sheets. For the years ended December 31, 2015, 2014, and 2013, amounts recognized in the consolidated statements of operations included interest of $0.1 million, $(1.2) million, and $(4.4) million, respectively, and penalties of $(0.3) million, $0.5 million, and $(4.7) million, respectively. As of December 31, 2015, 2014, and 2013, amounts recognized in the consolidated balance sheets included interest of $1.1 million, $1.8 million, and $1.8 million, respectively, and penalties of $1.5 million, $1.0 million, and $0.1 million, respectively.

The liability for unrecognized tax benefits generally relates to the allocation of taxable income to the various jurisdictions where we are subject to tax. At December 31, 2015, we anticipate that the liability for unrecognized tax benefits could decrease by up to $5.9 million within the next twelve months due to the expiration of certain statutes of limitation or the settlement of examinations or issues with tax authorities. The amount of unrecognized tax benefits as

of December 31, 2015 and 2014 that will impact our effective tax rate are $13.5 million and $20.9 million, respectively.

Table of Contents

Our major tax jurisdictions include the Netherlands, the U.S., Japan, Germany, Mexico, China, South Korea, Belgium, Bulgaria, France, Malaysia, and the U.K. These jurisdictions generally remain open to examination by the relevant tax authority for the tax years 2006 through 2015.

Indemnifications

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

10. Pension and Other Post-Retirement Benefits

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

U.S. Benefit Plans

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

Defined Benefit Pension Plans

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

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

We intend to contribute amounts to the qualified defined benefit pension plan in order to meet the minimum funding requirements of federal laws and regulations, plus such additional amounts as we deem appropriate. We do not expect to contribute to the qualified defined benefit pension plan during 2016.

We also sponsor a non-qualified defined benefit pension plan, which is closed to new participants and is unfunded. Effective January 31, 2012, we froze the defined benefit pension plans and eliminated future benefit accruals.

Defined Contribution Plans

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

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

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

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

Table of Contents

The aggregate expense related to the defined contribution plans for U.S. employees was $4.7 million, $3.2 million, and $2.8 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Retiree Healthcare Benefit Plan

We offer access to group medical coverage during retirement to some of our U.S. employees. We make contributions toward the cost of those retiree medical benefits for certain retirees. The contribution rates are based upon varying factors, the most important of which are an employee's date of hire, date of retirement, years of service, and eligibility for Medicare benefits. The balance of the cost is borne by the participants in the plan. For the year ended December 31, 2015, we did not, and do not expect to, receive any amount of Medicare Part D Federal subsidy. Our projected benefit obligation as of December 31, 2015 and 2014 did not include an assumption for a Federal subsidy. U.S. retiree healthcare benefit plan obligations for employees that retired prior to the 2006 Acquisition have been assumed by TI.

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

Non-U.S. Benefit Plans

Retirement coverage for non-U.S. employees is provided through separate defined benefit and defined contribution plans. Retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. We expect to contribute approximately $3.2 million to non-U.S. defined benefit plans during 2016.

Impact on Financial Statements

The following table outlines the net periodic benefit cost of the defined benefit and retiree healthcare benefit plans for the years ended December 31, 2015, 2014, and 2013:

	For the year ended December 31,								
	2015			2014			2013		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Service cost	$—	$102	$2,811	$—	$107	$2,480	$—	$252	$2,274
Interest cost	1,564	272	1,075	1,792	329	1,185	1,441	589	1,156
Expected return on plan assets	(2,666)	—	(892)	(2,450)	—	(865)	(2,509)	—	(908)
Amortization of net loss	473	361	19	262	482	179	954	491	399
Amortization of prior service (credit)/cost	—	(1,335)	(37)	—	(1,335)	—	—	—	10
Loss on settlement	391	—	479	—	—	51	779	—	18
Loss on curtailment	—	—	1,901	—	—	—	—	—	—
Net periodic benefit cost	$(238)	$(600)	$5,356	$(396)	$(417)	$3,030	$665	$1,332	$2,949

Table of Contents

The following table outlines the rollforward of the benefit obligation and plan assets for the defined benefit and retiree healthcare benefit plans for the years ended December 31, 2015 and 2014:

	For the year ended December 31,					
	2015			2014		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Change in Benefit Obligation						
Beginning balance	$58,467	$9,973	$59,677	$56,999	$10,576	$40,106
Service cost	—	102	2,811	—	107	2,480
Interest cost	1,564	272	1,075	1,792	329	1,185
Plan participants’ contributions	—	—	134	—	—	192
Plan amendment	—	—	24	—	—	(698)
Actuarial loss/(gain)	107	(949)	(3,683)	1,236	(735)	9,450
Settlements	(391)	—	(1,656)	—	—	(175)
Curtailments	—	—	1,901	—	—	—
Benefits paid	(2,121)	(466)	(1,595)	(1,560)	(304)	(1,794)
Acquisitions [(1)]	—	2,176	1,056	—	—	15,743
Foreign currency exchange rate changes	—	—	(3,642)	—	—	(6,812)
Ending balance	$57,626	$11,108	$56,102	$58,467	$9,973	$59,677
Change in Plan Assets						
Beginning balance	$58,157	$—	$35,652	$55,933	$—	$35,729
Actual return on plan assets	(19)	—	(916)	3,543	—	4,376
Employer contributions	241	466	3,294	241	304	2,040
Plan participants’ contributions	—	—	134	—	—	192
Settlements	(391)	—	(1,656)	—	—	(175)
Benefits paid	(2,121)	(466)	(1,595)	(1,560)	(304)	(1,794)
Foreign currency exchange rate changes	—	—	(952)	—	—	(4,716)
Ending balance	$55,867	$—	$33,961	$58,157	$—	$35,652
Funded status at end of year	$(1,759)	$(11,108)	$(22,141)	$(310)	$(9,973)	$(24,025)
Accumulated benefit obligation at end of year	$57,626	NA	$50,832	$58,467	NA	$50,959

(1) Relates to unfunded defined benefit plans assumed as part of the acquisitions of Wabash, DeltaTech, and Schrader in 2014, and CST in 2015.

The following table outlines the funded status amounts recognized in the consolidated balance sheets as of December 31, 2015 and 2014:

	December 31, 2015			December 31, 2014		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Noncurrent assets	$1,703	$—	$1,064	$3,311	$—	$540
Current liabilities	(548)	(1,162)	(1,751)	(496)	(910)	(954)
Noncurrent liabilities	(2,914)	(9,946)	(21,454)	(3,125)	(9,063)	(23,611)
	$(1,759)	$(11,108)	$(22,141)	$(310)	$(9,973)	$(24,025)

Table of Contents

Balances recognized within Accumulated other comprehensive loss that have not been recognized as components of net periodic benefit costs, net of tax, as of December 31, 2015, 2014, and 2013 are as follows:

	2015			2014			2013		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Prior service credit	$—	$(1,847)	$(538)	$—	$(3,182)	$(594)	$—	$(4,517)	$(4)
Net loss	$19,122	$2,387	$10,719	$17,194	$3,697	$12,212	$17,312	$4,914	$7,790

We expect to amortize a gain of $0.4 million from Accumulated other comprehensive loss to net periodic benefit costs during 2016.

Information for plans with an accumulated benefit obligation in excess of plan assets as of December 31, 2015 and 2014 is as follows:

	December 31, 2015		December 31, 2014	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Projected benefit obligation	$3,461	$29,874	$3,622	$31,908
Accumulated benefit obligation	$3,461	$26,012	$3,622	$27,299
Plan assets	$—	$6,448	$—	$7,215

Information for plans with a projected benefit obligation in excess of plan assets as of December 31, 2015 and 2014 is as follows:

	December 31, 2015		December 31, 2014	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Projected benefit obligation	$14,852	$29,874	$13,595	$31,908
Plan assets	$—	$6,448	$—	$7,215

Other changes in plan assets and benefit obligations, net of tax, recognized in Other comprehensive (income)/loss for the years ended December 31, 2015, 2014, and 2013 are as follows:

	For the year ended December 31,								
	2015			2014			2013		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Net loss/(gain)	$2,792	$(949)	$(1,233)	$143	$(735)	$4,640	$(1,284)	$(393)	$(1,072)
Amortization of net (loss)/gain	(473)	(361)	70	(262)	(482)	(167)	(576)	(308)	(314)
Amortization of prior service credit/(cost)	—	1,335	32	—	1,335	2	—	—	(6)
Plan amendment	—	—	24	—	—	(592)	—	(4,517)	(139)
Settlement loss	(391)	—	(330)	—	—	(51)	(489)	—	(18)
Total recognized in other comprehensive	$1,928	$25	$(1,437)	$(119)	$118	$3,832	$(2,349)	$(5,218)	$(1,549)

loss/(income)

98

Table of Contents

Assumptions and Investment Policies

Weighted-average assumptions used to calculate the projected benefit obligations of our defined benefit and retiree healthcare benefit plans as of December 31, 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	3.10 %	3.50 %	2.90 %	2.90 %
Non-U.S. assumed discount rate	2.20 %	NA	1.99 %	NA
Non-U.S. average long-term pay progression	2.13 %	NA	3.05 %	NA

Weighted-average assumptions used to calculate the net periodic benefit cost of our defined benefit and retiree healthcare benefit plans for the years ended December 31, 2015, 2014, and 2013 are as follows:

	For the year ended December 31,					
	2015		2014		2013	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	2.90 %	2.90 %	3.50 %	3.40 %	2.50 %	3.40 %
Non-U.S. assumed discount rate	4.19 %	NA	2.66 %	NA	2.85 %	NA
U.S. average long-term rate of return on plan assets	5.00 %	— (1)	4.75 %	— (1)	4.75 %	— (1)
Non-U.S. average long-term rate of return on plan assets	2.51 %	NA	2.17 %	NA	2.61 %	NA
U.S. average long-term pay progression	— %	— (2)	— %	— (2)	— %	— (2)
Non-U.S. average long-term pay progression	4.34 %	NA	3.13 %	NA	3.21 %	NA

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

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

Assumed healthcare cost trend rates for the U.S. retiree healthcare benefit plan as of December 31, 2015, 2014, and 2013 are as follows:

	Retiree Healthcare		
	December 31, 2015	December 31, 2014	December 31, 2013
Assumed healthcare trend rate for next year:			
Attributed to less than age 65	7.30 %	7.60 %	7.60 %
Attributed to age 65 or greater	6.80 %	7.00 %	7.00 %
Ultimate trend rate	4.50 %	4.50 %	4.50 %
Year in which ultimate trend rate is reached:			
Attributed to less than age 65	2029	2029	2029
Attributed to age 65 or greater	2029	2029	2029

Table of Contents

Assumed healthcare trend rates could have a significant effect on the amounts reported for retiree healthcare plans. A one percentage point change in the assumed healthcare trend rates for the year ended December 31, 2015 would have the following effect:

	1 percentage point increase	1 percentage point decrease
Effect on total service and interest cost components	$2	$(2)
Effect on post-retirement benefit obligations	$265	$(219)

The table below outlines the benefits expected to be paid to participants from the plans in each of the following years, which reflect expected future service, as appropriate. The majority of the payments will be paid from plan assets and not company assets.

Expected Benefit Payments	U.S. Defined Benefit	U.S. Retiree Healthcare	Non-U.S. Defined Benefit
2016	$16,407	$1,227	$2,972
2017	6,827	1,295	2,304
2018	6,378	1,359	2,394
2019	5,710	1,362	2,822
2020	5,138	1,265	2,732
2021 - 2025	16,333	4,140	33,191

Plan Assets

We hold assets for our defined benefit plans in the U.S., Japan, the Netherlands, and Belgium. Information about the assets for each of these plans is detailed below.

U.S. Plan Assets

In 2012, we made the decision to change the target asset allocation of the U.S. defined benefit plan from 51% fixed income and 49% equity to 84% fixed income and 16% equity securities, to better protect the funded status of our U.S. defined benefit plan. To arrive at the targeted asset allocation, we and our investment adviser collaboratively reviewed market opportunities using historic and statistical data, as well as the actuarial valuation for the plan, to ensure that the levels of acceptable return and risk are well-defined and monitored. Currently, we believe that there are no significant concentrations of risk associated with the plan assets.

The following table presents information about the plan’s target asset allocation, as well as the actual allocation, as of December 31, 2015:

Asset Class	Target Allocation	Actual Allocation as of December 31, 2015
U.S. large cap equity	6%	7%
U.S. small / mid cap equity	4%	4%
International (non-U.S.) equity	6%	5%
Fixed income (U.S. investment grade)	82%	82%
High-yield fixed income	1%	1%
International (non-U.S.) fixed income	1%	1%

The portfolio is monitored for automatic rebalancing on a monthly basis.

Table of Contents

The following table presents information about the plan assets measured at fair value as of December 31, 2015 and 2014, aggregated by the level in the fair value hierarchy within which those measurements fall:

	December 31, 2015				December 31, 2014			
Asset Class	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. large cap equity	$3,787	$—	$—	$3,787	$3,869	$—	$—	$3,869
U.S. small / mid cap equity	2,076	—	—	2,076	2,204	—	—	2,204
International (non-U.S.) equity	3,090	—	—	3,090	3,273	—	—	3,273
Total equity mutual funds	8,953	—	—	8,953	9,346	—	—	9,346
Fixed income (U.S. investment grade)	45,689	—	—	45,689	47,441	—	—	47,441
High-yield fixed income	763	—	—	763	836	—	—	836
International (non-U.S.) fixed income	462	—	—	462	534	—	—	534
Total fixed income mutual funds	46,914	—	—	46,914	48,811	—	—	48,811
Total	$55,867	$—	$—	$55,867	$58,157	$—	$—	$58,157

Investments in mutual funds are based on the publicly-quoted final net asset values on the last business day of the year.

Permitted asset classes include U.S. and non-U.S. equity, U.S. and non-U.S. fixed income, and cash and cash equivalents. Fixed income includes both investment grade and non-investment grade. Permitted investment vehicles include mutual funds, individual securities, derivatives, and long-duration fixed income securities. While investment in individual securities, derivatives, long-duration fixed income, and cash and cash equivalents is permitted, the plan did not hold these types of investments as of December 31, 2015 or 2014.

Prohibited investments include direct investment in real estate, commodities, unregistered securities, uncovered options, currency exchange, and natural resources (such as timber, oil, and gas).

Japan Plan Assets

The target asset allocation of the Japan defined benefit plan is 50% equity securities and 50% fixed income securities and cash and cash equivalents, with allowance for a 40% deviation in either direction. We, along with the trustee of the plan's assets, minimize investment risk by thoroughly assessing potential investments based on indicators of historical returns and current ratings. Additionally, investments are diversified by type and geography.

The following table presents information about the plan’s target asset allocation, as well as the actual allocation, as of December 31, 2015:

Asset Class	Target Allocation	Actual Allocation as of December 31, 2015	
Equity securities	10%-90%	34	%
Fixed income securities and cash and cash equivalents	10%-90%	66	%

Table of Contents

The following table presents information about the plan assets measured at fair value as of December 31, 2015 and 2014, aggregated by the level in the fair value hierarchy within which those measurements fall:

	December 31, 2015				December 31, 2014			
Asset Class	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. equity	$2,228	$—	$—	$2,228	$3,365	$—	$—	$3,365
International (non-U.S.) equity	7,048	—	—	7,048	9,471	1,494	—	10,965
Total equity securities	9,276	—	—	9,276	12,836	1,494	—	14,330
U.S. fixed income	3,059	—	—	3,059	1,265	2,574	—	3,839
International (non-U.S.) fixed income	10,873	1,956	—	12,829	9,753	286	—	10,039
Total fixed income securities	13,932	1,956	—	15,888	11,018	2,860	—	13,878
Cash and cash equivalents	2,349	—	—	2,349	230	—	—	230
Total	$25,557	$1,956	$—	$27,513	$24,084	$4,354	$—	$28,438

The fair value of equity securities and bonds are based on publicly-quoted final stock and bond values on the last business day of the year.

Permitted asset classes include equity securities that are traded on the official stock exchange(s) of the respective countries, fixed income securities with certain credit ratings, and cash and cash equivalents.

The Netherlands Plan Assets

The assets of the Netherlands defined benefit plans are composed of insurance policies. The contributions (or premiums) we pay are used to purchase insurance policies that provide for specific benefit payments to our plan participants. The benefit formula is determined independently by us. On retirement of an individual plan participant, the insurance contracts purchased are converted to provide specific benefits for the participant. The contributions paid by us are commingled with contributions paid to the insurance provider by other employers for investment purposes and to reduce costs of plan administration. These Netherlands' defined benefit plans are not multi-employer plans.

The following tables present information about the plans' assets measured at fair value as of December 31, 2015 and 2014, aggregated by the level in the fair value hierarchy within which those measurements fall:

	December 31, 2015				December 31, 2014			
Asset Class	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other (insurance policies)	$—	$—	$ 5,757	$5,757	$—	$—	$ 6,544	$6,544
Total	$—	$—	$ 5,757	$5,757	$—	$—	$ 6,544	$6,544

Table of Contents

The following table outlines the rollforward of the Netherlands plan Level 3 assets for the years ended December 31, 2015 and 2014:

	Fair value measurement using significant unobservable inputs (Level 3)
Balance at December 31, 2013	$4,463
Actual return on plan assets still held at reporting date	2,159
Purchases, sales, settlements, and exchange rate changes	(78)
Balance at December 31, 2014	6,544
Actual return on plan assets still held at reporting date	(786)
Purchases, sales, settlements, and exchange rate changes	(1)
Balance at December 31, 2015	$5,757

The fair value of the insurance contracts are measured based on the future benefit payments that would be made by the insurance company to vested plan participants if we were to switch to another insurance company without actually surrendering our policy. In this case, the insurance company would guarantee to pay the vested benefits at retirement accrued under the plan based on current salaries and service to date (i.e., no allowance for future salary increases or pension increases). The cash flows of the future benefit payments are discounted using the same discount rate as is used to value the defined benefit plan liabilities.

Belgium Plan Assets

The assets of the Belgium defined benefit plan are composed of insurance policies. As of December 31, 2015 and 2014 the fair value of these plan assets was $0.7 million and $0.7 million, respectively, and are considered to be Level 3 financial instruments.

11. Share-Based Payment Plans

In connection with the completion of our initial public offering ("IPO"), we adopted the Sensata Technologies Holding N.V. 2010 Employee Stock Purchase Plan (the “2010 Stock Purchase Plan”) and the Sensata Technologies Holding N.V. 2010 Equity Incentive Plan (the “2010 Equity Incentive Plan”). The purpose of the 2010 Stock Purchase Plan is to provide an incentive for our present and future eligible employees to purchase our ordinary shares and acquire a proprietary interest in us. The purpose of the 2010 Equity Incentive Plan is to promote long-term growth and profitability by providing our present and future eligible directors, officers, employees, consultants, and advisors with incentives to contribute to, and participate in, our success.

We have implemented management compensation plans to align compensation for certain key executives with our performance. The objective of the plans is to promote our long-term growth and profitability, along with that of our subsidiaries, by providing those persons who are involved in our successes with an opportunity to acquire an ownership interest in us. The following plans established prior to our IPO and still in effect are: (i) the First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Option Plan (the “2006 Stock Option Plan”), which replaced the Sensata Technologies Holding B.V. 2006 Management Option Plan; and (ii) the First Amended and Restated 2006 Management Securities Purchase Plan (the “Restricted Stock Plan”), which replaced the Sensata Technologies Holding B.V. 2006 Management Securities Purchase Plan.

A summary of the ordinary shares authorized and available under each of our outstanding equity plans as of December 31, 2015 is presented below:

	Shares Authorized	Shares Available
2010 Equity Incentive Plan	10,000	5,583
2010 Stock Purchase Plan	500	465

We have no intention to issue shares from either the 2006 Stock Option Plan or the Restricted Stock Plan in the future.

Table of Contents

Options

A summary of stock option activity for the years ended December 31, 2015, 2014, and 2013 is presented in the table below (amounts have been calculated based on unrounded shares):

	Stock Options	Weighted-Average Exercise Price Per Option	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options				
Balance at December 31, 2012	6,876	$ 15.60	5.6	$118,660
Granted	887	32.97		
Forfeited and expired	(147)	26.29		
Exercised	(2,474)	8.39		68,291
Balance at December 31, 2013	5,142	21.75	7.8	87,506
Granted	767	43.61		
Forfeited and expired	(231)	35.60		
Exercised	(1,589)	15.42		47,372
Balance at December 31, 2014	4,089	27.53	6.3	101,705
Granted	353	56.60		
Forfeited and expired	(65)	43.93		
Exercised	(1,016)	18.85		34,835
Balance at December 31, 2015	3,361	32.89	6.2	47,967
Options vested and exercisable as of December 31, 2015	2,172	27.06	5.1	41,297
Vested and expected to vest as of December 31, 2015 [1]	3,217	32.37	6.1	47,261

[1] Consists of vested options and unvested options that are expected to vest. The expected to vest options are determined by applying the forfeiture rate assumption, adjusted for cumulative actual forfeitures, to total unvested options.

A summary of the status of our unvested options as of December 31, 2015 and of the changes during the year then ended is presented in the table below (amounts have been calculated based on unrounded shares):

	Stock Options	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2014	1,514	$ 12.41
Granted during the year	353	$ 17.94
Vested during the year	(614)	$ 12.26
Forfeited during the year	(64)	$ 14.23
Unvested as of December 31, 2015	1,189	$ 14.04

The fair value of stock options that vested during the years ended December 31, 2015, 2014, and 2013 was $7.5 million, $7.4 million, and $6.7 million respectively.

Options granted to employees under the 2010 Equity Incentive Plan vest 25% per year over four years from the date of grant. Options granted to directors under the 2010 Equity Incentive Plan vest after one year.

We recognize compensation expense for options on a straight-line basis over the requisite service period, which is generally the same as the vesting period. The options expire ten years from the date of grant. Except as otherwise provided in specific option award agreements, if a participant ceases to be employed by us for any reason, options not yet vested expire at the termination date, and options that are fully vested expire 60 days after termination of the participant’s employment for any

Table of Contents

reason other than termination for cause (in which case the options expire on the participant's termination date) or due to death or disability (in which case the options expire 6 months after the participant's termination date).

The weighted-average grant-date fair value per option granted during the years ended December 31, 2015, 2014, and 2013 was $17.94, $14.33, and $10.37, respectively. The fair value of options was estimated on the date of grant using the Black-Scholes-Merton option-pricing model. See Note 2, "Significant Accounting Policies," for further discussion of how we estimate the fair value of options. The weighted-average key assumptions used in estimating the grant-date fair value of options are as follows:

	For the year ended December 31,					
	2015		2014		2013	
Expected dividend yield	0	%	0	%	0	%
Expected volatility	30.00	%	30.00	%	30.00	%
Risk-free interest rate	1.52	%	2.00	%	1.10	%
Expected term (years)	5.9		5.9		6.1	
Fair value per share of underlying ordinary shares	$56.60		$43.61		$32.97	

We granted 72, 96, and 120 options to our directors under the 2010 Equity Incentive Plan in 2015, 2014, and 2013, respectively. These options vest after 1 year and are not subject to performance conditions. The weighted-average grant date fair value per option was $17.05, $13.99, and $10.25, respectively.

Restricted Securities

We grant restricted securities that include performance conditions. The performance-based restricted securities generally cliff vest three years after the grant date. The number of securities that vest will depend on the extent to which certain performance criteria are met and could range between 0% and 172.5% of the number of securities granted. We also grant non-performance-based restricted securities that cliff vest over various lengths of time ranging from 2 to 4 years, and others that vest 25% per year over four years. See Note 2, "Significant Accounting Policies," for discussion of how we estimate the fair value of restricted securities.

A summary of performance-based restricted securities granted in the past three years is presented below:

Year ended December 31,	Performance Restricted Securities Granted	Weighted-Average Grant-Date Fair Value
2015	128	$56.94
2014	110	$43.48
2013	122	$32.70

As of December 31, 2015, we considered it probable that the performance conditions associated with the securities granted in 2013, 2014, and 2015 will be met.

In addition, in 2015, 2014, and 2013 we granted 150, 155, and 124 restricted securities, respectively, for which there is no performance condition, to certain of our employees under the 2010 Equity Incentive Plan. The weighted-average grant date fair value of these securities was $56.42, $44.52, and $32.87, respectively.

Table of Contents

A summary of the unvested restricted securities (both service and performance based) activity for 2015, 2014, and 2013 is presented in the table below (amounts have been calculated based on unrounded shares):

	Restricted Securities	Weighted-Average Grant-Date Fair Value
Balance at December 31, 2012	489	$27.64
Granted	246	32.79
Forfeited	(41)	26.43
Vested	(64)	18.32
Balance at December 31, 2013	629	30.84
Granted	265	44.09
Forfeited	(172)	34.87
Vested	(65)	21.32
Balance at December 31, 2014	656	36.06
Granted	278	56.66
Forfeited	(165)	38.55
Vested	(115)	26.72
Balance at December 31, 2015	654	$45.87

Aggregate intrinsic value information for restricted securities as of December 31, 2015, 2014, and 2013 is presented below:

	December 31, 2015	December 31, 2014	December 31, 2013
Outstanding	$30,115	$34,404	$24,390
Expected to vest	$22,704	$26,982	$14,670

The expected to vest restricted securities are calculated by considering our assessment of the probability of meeting the required performance conditions and/or by applying a forfeiture rate assumption to the balance of the unvested restricted securities.

The weighted-average remaining periods over which the restrictions will lapse, expressed in years, as of December 31, 2015, 2014, and 2013 are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Outstanding	1.4	1.5	1.5
Expected to vest	1.4	1.7	2.0

Share-Based Compensation Expense

The table below presents non-cash compensation expense related to our equity awards:

	For the year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
Options	$7,176	$7,685	$6,790
Restricted securities	8,150	5,300	2,177
Total share-based compensation expense	$15,326	$12,985	$8,967

This compensation expense is recorded within SG&A expense in the consolidated statements of operations during the identified periods. We did not recognize a tax benefit associated with these expenses. In the year ended December 31, 2014, we capitalized $0.1 million related to share based compensation. We did not capitalize any amounts in any other period presented.

Table of Contents

The table below presents unrecognized compensation expense at December 31, 2015 for each class of award, and the remaining expected term for this expense to be recognized:

	Unrecognized compensation expense	Expected recognition (years)
Options	$9,667	2.2
Restricted securities	13,150	1.8
Total unrecognized compensation expense	$22,817	

12. Shareholders’ Equity

On March 16, 2010, we completed an IPO of our ordinary shares. Subsequent to our IPO, we have completed various secondary public offerings of our ordinary shares. Our former principal shareholder, Sensata Investment Company S.C.A. ("SCA"), and certain members of management participated in the secondary offerings. The share capital of SCA was owned by entities associated with Bain Capital Partners, LLC (“Bain Capital”), a global private investment firm, co-investors (Bain Capital and co-investors are collectively referred to as the “Sponsors”), and certain members of our senior management. As of December 31, 2015, SCA no longer owned any of our outstanding ordinary shares.

The following table summarizes the details of our IPO and secondary offerings:

	Date of Completion	Ordinary shares sold by us	Ordinary shares sold by our existing shareholders and employees	Offering price per share	Net proceeds received [1]
IPO	March 16, 2010	26,316	5,284	$18.00	$436,053
Over-allotment [2]	April 14, 2010	—	4,740	$18.00	$2,515
Secondary public offering [2]	November 17, 2010	—	23,000	$24.10	$3,696
Secondary public offering	February 24, 2011	—	20,000	$33.15	$2,137
Over-allotment [2]	March 2, 2011	—	3,000	$33.15	$261
Secondary public offering	December 17, 2012	—	10,000	$29.95	$2,384
Secondary public offering	February 19, 2013	—	15,000	$33.20	$—
Secondary public offering	May 28, 2013	—	12,500	$35.95	$—
Secondary public offering	December 6, 2013	—	15,500	$38.25	$—
Secondary public offering	May 27, 2014	—	11,500	$42.42	$—
Secondary public offering	September 10, 2014	—	15,051	$47.30	$—

(1) The proceeds received by us, which include proceeds received from the exercise of stock options, are net of underwriters' discounts and commissions and offering expenses.

(2) Represents or includes shares exercised by the underwriters' option to purchase additional shares from the selling shareholders.

Our authorized share capital consists of 400.0 million ordinary shares with a nominal value of €0.01 per share, of which 178.4 million ordinary shares were issued and 170.4 million were outstanding as of December 31, 2015. Issued and outstanding shares exclude 0.7 million unvested restricted securities and 3.4 million outstanding stock options. We also have authorized 400.0 million preference shares with a nominal value of €0.01 per share, none of which are issued or outstanding. See Note 11, "Share-Based Payment Plans," for awards available for grant under our outstanding equity plans.

Treasury Shares

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 during the year ended December 31, 2015. During the years ended December 31, 2014 and 2013, we repurchased 4.3 million and 8.6 million ordinary shares, respectively, for an aggregate purchase price of $181.8 million and $305.1 million, respectively, at an average price of $42.22 and $35.55 per ordinary share, respectively. Of the ordinary shares repurchased during the years ended December 31, 2014 and 2013, 4.0 million and 4.5 million, respectively, were repurchased from SCA in private, non-

Table of Contents

underwritten transactions, concurrent with the closing of the May 2014 and December 2013 secondary offerings, respectively, at $42.42 and $38.25 per ordinary share, respectively, which, in each case, was equal to the price paid by the underwriters. At December 31, 2015, $74.7 million remained available for share repurchase under this program. Ordinary shares repurchased by us are recorded at cost as treasury shares and result in a reduction of shareholders' equity. We reissue treasury shares as part of our share-based compensation programs. When shares are reissued, we determine the cost using the FIFO method. During 2015, 2014, and 2013 we issued 1.1 million, 1.6 million, and 2.5 million ordinary shares held in treasury, respectively, as part of our share-based compensation programs and employee stock purchase plan. In connection with our treasury share reissuances, in 2015, 2014, and 2013, we recognized losses of $23.7 million, $28.7 million, and $59.5 million, that were recorded in Retained earnings/accumulated deficit.

Accumulated Other Comprehensive Loss

The components of Accumulated other comprehensive loss were as follows:

	Net Unrealized (Loss)/Gain on Derivative Instruments Designated and Qualifying as Cash Flow Hedges	Defined Benefit and Retiree Healthcare Plans	Accumulated Other Comprehensive Loss
Balance at December 31, 2012	$(4,795)	$(34,611)	$(39,406)
Pre-tax current period change	(3,756)	14,621	10,865
Income tax benefit/(expense)	939	(5,505)	(4,566)
Balance at December 31, 2013	(7,612)	(25,495)	(33,107)
Pre-tax current period change	34,521	(4,667)	29,854
Income tax (expense)/benefit	(9,331)	836	(8,495)
Balance at December 31, 2014	17,578	(29,326)	(11,748)
Pre-tax current period change	(18,301)	359	(17,942)
Income tax benefit/(expense)	4,575	(875)	3,700
Balance at December 31, 2015	$3,852	$(29,842)	$(25,990)

The details of the components of Other comprehensive (loss)/income, net of tax, for the years ended December 31, 2015, 2014, and 2013 are as follows:

	Year Ended December 31, 2015			Year Ended December 31, 2014			Year Ended December 31, 2013		
	Deriva-tives - Cash Flow Hedges	Defined Benefit and Retiree Health-care Plans	Change in Accum-ulated Other Comp-rehensive Loss	Deriva - tives - Cash Flow Hedges	Defined Benefit and Retiree Health-care Plans	Change in Accum-ulated Other Comp-rehensive Loss	Deriva - tives - Cash Flow Hedges	Defined Benefit and Retiree Health-care Plans	Change in Accum-ulated Other Comp-rehensive Loss
Other comprehensive income/(loss) before reclassifications	$19,464	$(634)	$ 18,830	$25,014	(3,456)	$ 21,558	$(4,767)	7,405	$ 2,638
Amounts reclassified from Accumulated other comprehensive loss	(33,190)	118	(33,072)	176	(375)	(199)	1,950	1,711	3,661

Net current period other comprehensive (loss)/income	$(13,726)	$(516)	$ (14,242)	$25,190	$(3,831)	$ 21,359	$(2,817)	$9,116	$ 6,299

108

Table of Contents

The details about the amounts reclassified from Accumulated other comprehensive loss for the years ended December 31, 2015, 2014, and 2013 are as follows:

Component	Amount of Loss/(Gain) Reclassified from Accumulated Other Comprehensive Loss			Affected Line in Consolidated Statements of Operations
	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	
Derivative instruments designated and qualifying as cash flow hedges				
Interest rate caps	$—	$972	$1,063	Interest expense [1]
Interest rate caps	—	—	1,097	Other, net [1]
Foreign currency forward contracts	(54,537)	334	2,206	Net revenue [1]
Foreign currency forward contracts	10,284	(1,070)	(1,766)	Cost of revenue [1]
	(44,253)	236	2,600	Total before tax
	11,063	(60)	(650)	Benefit from income taxes
	$(33,190)	$176	$1,950	Net of tax
Defined benefit and retiree healthcare plans	$351	$(361)	$2,651	Various [2]
	(233)	(14)	(940)	Benefit from income taxes
	$118	$(375)	$1,711	Net of tax

(1) See Note 16, "Derivative Instruments and Hedging Activities," for additional details on amounts to be reclassified in the future from Accumulated other comprehensive loss.

(2) Amounts related to defined benefit and retiree healthcare plans reclassified from Accumulated other comprehensive loss affect the Cost of revenue, Research and development, Restructuring and special charges, and SG&A line items in the consolidated statements of operations. These amounts reclassified are included in the computation of net periodic benefit cost. See Note 10, "Pension and Other Post-Retirement Benefits," for additional details of net periodic benefit cost.

13. Related Party Transactions

SCA

Between the 2006 Acquisition and September 10, 2014, we engaged in certain transactions with our former principal shareholder, SCA, and certain of its affiliates. On September 10, 2014, SCA sold its remaining shares in Sensata, and was no longer a related party as of that date. The transactions disclosed herein related to SCA and its affiliates represent transactions that occurred prior to that date.

Table of Contents

The table below presents a summary of certain transactions with SCA and its affiliates recognized during the years ended December 31, 2014 and 2013. The year ended December 31, 2015 is not presented, as SCA was not a related party during this period.

	Administrative Services Agreement	Legal Services
Charges recognized in SG&A expense		
2014	$—	$260
2013	$(281)	$1,022
Payments made related to charges recognized in SG&A expense		
2014	$—	$512
2013	$—	$1,256

Administrative Services Agreement

In 2009, we entered into a fee for service arrangement with SCA for ongoing consulting, management advisory, and other services (the "Administrative Services Agreement"), effective January 1, 2008. Expenses related to this arrangement were recorded in SG&A expense. On May 10, 2013, the Administrative Services Agreement was terminated upon a mutual agreement between us and SCA. We do not currently have any obligations to SCA under this agreement.

Financing and Secondary Transactions

During the time SCA was one of our shareholders, we utilized one of SCA's shareholders for legal services. Costs related to such legal services are recorded in SG&A expense. During the year ended December 31, 2013, we recorded $0.4 million for legal services provided by this shareholder in connection with our refinancing transactions, of which $0.3 million was paid during the year ended December 31, 2013 and $0.1 million was paid during the year ended December 31, 2014. These amounts are not reflected in the table above. We did not record any expense related to these legal services for the period from January 1, 2014 through September 10, 2014, when this shareholder was a related party.

Share Repurchases

Concurrent with the closing of the May 2014 and December 2013 secondary offerings, we repurchased 4.0 million and 4.5 million ordinary shares, respectively, from SCA in private, non-underwritten transactions at a price per ordinary share of $42.42 and $38.25, respectively, which was equal to the price paid by the underwriters.

Texas Instruments

Cross License Agreement

In connection with the 2006 Acquisition, we entered into a perpetual, royalty-free cross license agreement with TI (the "Cross License Agreement"). Under the Cross License Agreement, the parties granted each other a license to use certain technology used in connection with the other party's business.

Table of Contents

14. Commitments and Contingencies

Future minimum payments for capital leases, other financing obligations, and non-cancelable operating leases in effect as of December 31, 2015 are as follows:

	Future Minimum Payments			
	Capital Leases	Other Financing Obligations [1]	Operating Leases	Total
For the year ending December 31,				
2016	$5,253	$ 8,252	$9,940	$23,445
2017	5,131	2,000	7,770	14,901
2018	5,168	2,000	6,100	13,268
2019	5,203	2,000	3,945	11,148
2020	5,239	—	1,761	7,000
2021 and thereafter	24,639	—	12,099	36,738
Net minimum rentals	50,633	14,252	41,615	106,500
Less: interest portion	(17,004)	(1,124)	—	(18,128)
Present value of future minimum rentals	$33,629	$ 13,128	$41,615	$88,372

(1) In December 2015, we reached an agreement to reacquire our manufacturing facility in Subang Jaya, Malaysia, which is accounted for as an "other financing obligation." This transaction is expected to close in 2016, and as a result, the remaining obligation is presented on our consolidated balance sheet as of December 31, 2015 as a current liability. Accordingly, the remaining obligation related to this facility is presented in the table above as being due in 2016.

Non-cancelable purchase agreements exist with various suppliers, primarily for services such as information technology support. The terms of these agreements are fixed and determinable. As of December 31, 2015, we had the following purchase commitments:

	Purchase Commitments
For the year ending December 31,	
2016	$11,972
2017	6,676
2018	2,998
2019	968
2020	24
2021 and thereafter	32
Total	$22,670

Off-Balance Sheet Commitments

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, which 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. 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.

Specific material indemnifications are described in more detail below.

Table of Contents

Indemnifications Provided As Part of Contracts and Agreements

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

Sponsors: Upon the closing of the 2006 Acquisition, we entered into customary indemnification agreements with the Sponsors, pursuant to which we agreed to indemnify them, either during or after the term of the agreements, against certain liabilities arising out of performance of a consulting agreement between us and each of the Sponsors, and certain other claims and liabilities, including liabilities arising out of financing arrangements and securities offerings. There is no limit to the maximum future payments, if any, under these indemnifications.

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

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

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

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

Initial Purchasers of Senior Notes: Pursuant to the terms of the purchase agreements entered into in connection with our private placement senior note offerings, we are obligated to indemnify the initial purchasers of the Senior Notes against certain liabilities caused by any untrue statement or alleged untrue statement of a material fact in various documents relied upon by such initial purchasers, or to contribute to payments the initial purchasers may be required to make in respect thereof. The purchase agreements do not provide a limit to the maximum future payments, if any, under these indemnifications.

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

Product Warranty Liabilities

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

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

Table of Contents

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

Our policy is to accrue for warranty claims when a loss is both probable and estimable. This is accomplished by accruing for estimated returns and estimated costs to replace the product at the time the related revenue is recognized. Liabilities for warranty claims have historically not been material. In some instances, customers may make claims for costs they incurred or other damages related to a claim. Any potentially material liabilities associated with these claims are discussed in this Note under the heading Legal Proceedings and Claims.

Environmental Remediation Liabilities

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

In 2001, TI's subsidiary in Brazil ("TI Brazil") was notified by the State of São Paolo, Brazil regarding its potential cleanup liability as a generator of wastes sent to the Aterro Mantovani disposal site, which operated near Campinas from 1972 to 1987. The site is a landfill contaminated with a variety of chemical materials, including petroleum products, allegedly disposed at the site. TI Brazil is one of over 50 companies notified of potential cleanup liability. There have been several lawsuits filed by third parties alleging personal injuries caused by exposure to drinking water contaminated by the disposal site. Our subsidiary, Sensata Technologies Sensores e Controles do Brasil Ltda. ("ST Brazil"), is the successor in interest to TI Brazil. However, in accordance with the terms of the acquisition agreement entered into in connection with the 2006 Acquisition (the “Acquisition Agreement”), TI retained these liabilities (subject to the limitations set forth in that agreement) and has agreed to indemnify us with regard to these excluded liabilities. Additionally, in 2008, five lawsuits were filed against ST Brazil alleging personal injuries suffered by individuals who were exposed to drinking water allegedly contaminated by the Aterro Mantovani disposal site. These matters are managed and controlled by TI. TI is defending these five lawsuits in the 1st Civil Court of Jaquariuna, São Paolo. Although ST Brazil cooperates with TI in this process, we do not anticipate incurring any non-reimbursable expenses related to the matters described above. Accordingly, no amounts have been accrued for these matters as of December 31, 2015.

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

buyer of the facility is also now subject to certain restrictions of the post-closure license. CDI has agreed to complete an ecological risk assessment on sediments in an unnamed stream crossing the sold and retained land and to indemnify the buyer for certain remediation costs associated with sediments in the unnamed stream. We do not expect the remaining cost associated with addressing the soil and groundwater contamination, or our obligations relating to the indemnification of the buyer of the facility, to be material.

Table of Contents

Legal Proceedings and Claims

We account for litigation and claims losses in accordance with ASC Topic 450, Contingencies ("ASC 450"). Under ASC 450, loss contingency provisions are recorded for probable and estimable losses at our best estimate of a loss or, when a best estimate cannot be made, at our estimate of the minimum loss. These estimates are often developed prior to knowing the amount of the ultimate loss, require the application of considerable judgment, and are refined each accounting period as additional information becomes known. Accordingly, we are often initially unable to develop a best estimate of loss and therefore the minimum amount, which could be 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.

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

Insurance Claims

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

Pending Litigation and Claims

Korean Supplier: In the first quarter of 2014, one of our Korean suppliers, Yukwang Co. Ltd. ("Yukwang"), notified us that it was terminating its existing agreement with us and stopped shipping product to us. We brought legal proceedings against Yukwang in Seoul Central District Court, seeking an injunction to protect Sensata-owned manufacturing equipment physically located at Yukwang's facility. Yukwang countered that we were in breach of contract and alleged damages of approximately $7.6 million. We are litigating these proceedings. The Seoul Central District Court granted our request for an injunction ordering Yukwang not to destroy any of our assets physically located at Yukwang's facility, but on August 25, 2014 did not grant injunctive relief requiring Yukwang to return equipment and inventory to us. We have filed an appeal of the adverse decision and intend to aggressively pursue our claims and to defend against Yukwang's counter claims.

In the first quarter of 2014, Yukwang filed a complaint against us with the Small and Medium Business Administration (the "SMBA"), a Korean government agency charged with protecting the interests of small and medium sized businesses. The SMBA attempted to mediate the dispute between us and Yukwang, but its efforts failed. We believe that the SMBA has abandoned its efforts to mediate the dispute.

On May 27, 2014, Yukwang filed a patent infringement action against us and our equipment supplier with the Suwon district court seeking a preliminary injunction for infringement of Korean patent number 847,738. Yukwang also filed a patent scope action on the same patent with the Korean Intellectual Property Tribunal ("KIPT") and sought police investigation into the alleged infringement. Yukwang is seeking unspecified damages as well as an injunction barring us from using parts covered by the patent in the future. On October 8, 2014, the Suwon district court entered an order dismissing the patent infringement action on invalidity grounds. Yukwang filed an appeal of that decision on October 14, 2014, which is being heard by the Seoul High Court (an intermediate appellate court). The Seoul High Court held a first hearing on the appeal on March 10, 2015 and a second hearing on May 26, 2015. On April 24, 2015, the KIPT issued a decision in our favor, finding the patent to be invalid. On January 22, 2016, the Korean Patent Court affirmed the invalidity decision. Both matters remain on appeal, and we continue to vigorously defend ourselves in these actions.

In August 2014, the Korean Fair Trade Commission (the “KFTC”) opened investigations into allegations made by Yukwang that our indirect, wholly-owned subsidiary, Sensata Technologies Korea Limited, engaged in unfair trade practices and violated a Korean law relating to subcontractors. We have responded to information requests from the KFTC. A hearing was held by the KFTC on October 2, 2015, and we anticipate an initial ruling on this matter in the first quarter of 2016. If its investigation determines that our subsidiary has violated Korean law, the KFTC can order injunctions, award damages of up to 2% of impacted revenue for unfair trade practices, and award damages of up to two times the value of the relevant subcontract

for violations of the subcontractor law. Damages could cover up to the entire period, which is several years, during which Sensata or any of its current subsidiaries had been operating in Korea. In addition, the KFTC has the authority to prosecute criminally.

We are responding to these various actions by Yukwang. We do not believe that a loss is probable, and as of December 31, 2015, we have not recorded an accrual related to these matters.

Brazil Local Tax: Schrader International Brasil Ltda. is involved in litigation with the tax department of the State of São Paulo, Brazil (the "São Paulo Tax Department"), which is claiming underpayment of state taxes. The total amount claimed is approximately $26.0 million, which includes penalties and interest. It is our understanding that the courts have denied the São Paulo Tax Department's claim, a decision which has been appealed. Although we do not believe that a loss is probable in this matter, Schrader International Brasil Ltda. has been requested to pledge certain of its assets as collateral for the disputed amount while the case is heard. Certain of our subsidiaries have been indemnified by Tomkins Limited (a previous owner of Schrader) for any potential loss relating to this issue, and Tomkins Limited is responsible for and is currently managing the defense of this matter. As of December 31, 2015, we have not recorded an accrual related to this matter.

Hassett Class Action Lawsuit: On March 19, 2015, two named plaintiffs filed a class action complaint in the U.S. District Court for the Eastern District of Michigan against Chrysler and Schrader-Bridgeport International, Inc., styled Hassett v. FCA US, LLC et al., case number 2:2015cv11030 (E.D. Michigan). The lawsuit alleged that faulty valve stems were used in Schrader TPMS installed on Chrysler vehicles model years 2007 through 2014. It alleged breach of warranty, unjust enrichment, and violations of the Michigan Consumer Protection Act and the federal Magnuson-Moss Warranty Act, and was seeking compensatory and punitive damages. Both the size of the class and the damages sought were unspecified. The plaintiffs, joined by an additional individual, filed an amended complaint dated June 2, 2015. On July 23, 2015, along with Chrysler, we filed motions to dismiss. The court held a hearing on these motions on December 2, 2015. Subsequent to this hearing, the court dismissed the complaint on procedural grounds. The plaintiffs have the right to re-file. We do not believe a loss is probable, and as of December 31, 2015, we have not recorded an accrual related to this matter.

Automotive Customers: In the fourth quarter of 2013, one of our automotive customers alleged defects in certain of our sensor products installed in the customer's vehicles during 2013. In the first quarter of 2014, a second customer alleged similar defects. The alleged defects are not safety related. In the third quarter of 2014, we made a contribution to the first customer in the amount of $0.7 million, which resolved a portion of the claim. In the second quarter of 2015, we settled with the second customer for an immaterial amount. We continue to work towards a final resolution of the open matter with the first customer and consider a loss to be probable. As of December 31, 2015, we have recorded an accrual related to the open matter of $0.7 million, representing our best estimate of the potential loss. During the fourth quarter of 2015, an additional customer raised similar complaints involving other vehicles from the same approximate production period. At this time, the total number of vehicles affected and, therefore, the total potential liability of the Company, are not known. The Company considers a loss related to this matter to be probable and, as of December 31, 2015, we have recorded an accrual related to this additional matter of $0.2 million. However, the aggregate amount of the Company's actual liability will ultimately depend on the actions taken by the customer and the number of vehicles affected, and such liability could be material and in excess of the accrual.

FCPA Voluntary Disclosure

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

penalties, criminal and civil sanctions, and other remedies. We are unable to estimate the potential penalties and/or sanctions, if any, that might be assessed and, accordingly, no provision has been made in the accompanying consolidated financial statements. Given the length of time that has lapsed since the voluntary disclosure, we believe that the SEC will not take action against us in this matter, although they still have the right to do so in the future.

Table of Contents

Matters that have become immaterial for future disclosure

The following matters have been disclosed in previous filings. While these matters have not been resolved in 2015, they have become immaterial for disclosure, as we believe any future activity is unlikely to be material to our financial statements.

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

As of December 31, 2015, we were a defendant in eight lawsuits in which plaintiffs have alleged property damage, and in some of the cases, various personal injuries caused by vehicle fires related to the system and switch. For the most part, these cases seek an unspecified amount of compensatory and exemplary damages, however three plaintiffs have submitted demands in amounts ranging from $0.1 million to $0.4 million. Ford and TI are co-defendants in each of these lawsuits. In accordance with the terms of the Acquisition Agreement, we are managing and defending these lawsuits on behalf of both parties.

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

Matters Resolved During 2015

SGL Italia: Our subsidiaries, STBV and Sensata Technologies Italia, were defendants in a lawsuit, Luigi Lavazza s.p.a. and SGL Italia s.r.l. v. Sensata Technologies Italia s.r.l., Sensata Technologies, B.V., and Komponent s.r.l., Court of Milan, bench 7, brought in the court in Milan, Italy. The lawsuit alleged defects in one of our electromechanical control products. The plaintiffs had alleged €5.0 million in damages. On July 3, 2015, the parties entered into a settlement agreement to end the litigation, under which we agreed to pay €1.0 million to the plaintiffs. We made this payment in the third quarter of 2015.

U.S. Automaker: A U.S. automaker has alleged non-safety-related defects in certain of our sensor products installed in its vehicles from 2009 through 2011. In January 2015, the customer informed us that future repairs may involve up to 150,000 vehicles over an estimated 10-year period, and that it would seek reimbursement of these costs (or a portion thereof). On March 26, 2015, we entered into a settlement agreement with the customer in which we agreed to reimburse it for 50% of its future costs, with a maximum contribution by us of $4.0 million. As of December 31, 2015, based on the projected repairs anticipated, we have recorded an accrual at the maximum of $4.0 million related to this matter.

Bridgestone: We were involved in patent litigation with Bridgestone Americas Tire Operations, LLC ("Bridgestone") in both the U.S. and Germany.

On May 2, 2013, Bridgestone filed a lawsuit, Bridgestone Americas Tire Operations, LLC v. Schrader-Bridgeport International, Inc., Case No. 1:13-cv-00763, in the U.S. District Court for the District of Delaware, alleging that Schrader-Bridgeport International, Inc. d/b/a Schrader International, Inc., Schrader Electronics Ltd., and Schrader Electronics, Inc. (collectively, "Schrader Electronics") infringed on certain of its patents (U.S. Patent Numbers 5,562,787, 6,630,885, and 7,161,476) concerning original equipment and original equipment replacement TPMS. Bridgestone was seeking a p