

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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34652

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

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**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)

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(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

As of July 15, 2016, 170,831,854 ordinary shares were outstanding.

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

	June 30, 2016	December 31, 2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 309,120	\$ 342,263
Accounts receivable, net of allowances of \$11,033 and \$9,535 as of June 30, 2016 and December 31, 2015, respectively	535,488	467,567
Inventories	346,120	358,701
Prepaid expenses and other current assets	105,593	109,392
<b>Total current assets</b>	<u>1,296,321</u>	<u>1,277,923</u>
Property, plant and equipment, net	709,260	694,155
Goodwill	3,013,693	3,019,743
Other intangible assets, net of accumulated amortization of \$1,513,941 and \$1,412,931 as of June 30, 2016 and December 31, 2015, respectively	1,168,301	1,262,572
Deferred income tax assets	32,034	26,417
Other assets	69,312	18,100
<b>Total assets</b>	<u>\$ 6,288,921</u>	<u>\$ 6,298,910</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Current portion of long-term debt, capital lease and other financing obligations	\$ 139,203	\$ 300,439
Accounts payable	323,062	290,779
Income taxes payable	19,137	21,968
Accrued expenses and other current liabilities	247,867	251,989
<b>Total current liabilities</b>	<u>729,269</u>	<u>865,175</u>
Deferred income tax liabilities	405,344	390,490
Pension and other post-retirement benefit obligations	33,966	34,314
Capital lease and other financing obligations, less current portion	34,341	36,219
Long-term debt, net of discount and deferred financing costs, less current portion	3,263,061	3,264,333
Other long-term liabilities	34,981	39,803
<b>Total liabilities</b>	<u>4,500,962</u>	<u>4,630,334</u>
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Ordinary shares, €0.01 nominal value per share, 400,000 shares authorized; 178,437 shares issued as of June 30, 2016 and December 31, 2015	2,289	2,289
Treasury shares, at cost, 7,605 and 8,038 shares as of June 30, 2016 and December 31, 2015, respectively	(308,332)	(324,994)
Additional paid-in capital	1,634,546	1,626,024
Retained earnings	501,704	391,247
Accumulated other comprehensive loss	(42,248)	(25,990)
<b>Total shareholders' equity</b>	<u>1,787,959</u>	<u>1,668,576</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 6,288,921</u>	<u>\$ 6,298,910</u>

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

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

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net revenue	\$ 827,545	\$ 770,445	\$ 1,624,094	\$ 1,521,130
Operating costs and expenses:				
Cost of revenue	537,441	517,875	1,065,819	1,024,508
Research and development	32,288	31,242	63,639	61,978
Selling, general and administrative	77,660	73,008	149,591	137,404
Amortization of intangible assets	50,563	45,075	101,010	90,884
Restructuring and special charges	1,475	10,089	2,330	10,809
Total operating costs and expenses	699,427	677,289	1,382,389	1,325,583
<b>Profit from operations</b>	128,118	93,156	241,705	195,547
Interest expense, net	(41,757)	(31,562)	(84,025)	(66,323)
Other, net	130	(12,085)	5,618	(33,842)
<b>Income before taxes</b>	86,491	49,509	163,298	95,382
Provision for income taxes	20,981	8,609	37,176	19,127
<b>Net income</b>	\$ 65,510	\$ 40,900	\$ 126,122	\$ 76,255
<b>Basic net income per share:</b>	\$ 0.38	\$ 0.24	\$ 0.74	\$ 0.45
<b>Diluted net income per share:</b>	\$ 0.38	\$ 0.24	\$ 0.74	\$ 0.44

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

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

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net income	\$ 65,510	\$ 40,900	\$ 126,122	\$ 76,255
Other comprehensive income/(loss), net of tax:				
Deferred gain/(loss) on derivative instruments, net of reclassifications	178	(17,132)	(16,525)	4,372
Defined benefit and retiree healthcare plans	59	407	267	18
Other comprehensive income/(loss)	237	(16,725)	(16,258)	4,390
<b>Comprehensive income</b>	<b>\$ 65,747</b>	<b>\$ 24,175</b>	<b>\$ 109,864</b>	<b>\$ 80,645</b>

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

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

	For the six months ended	
	June 30, 2016	June 30, 2015
<b>Cash flows from operating activities:</b>		
Net income	\$ 126,122	\$ 76,255
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	51,345	48,808
Amortization of deferred financing costs and original issue discounts	3,678	3,231
Currency remeasurement gain on debt	(39)	(654)
Share-based compensation	8,522	7,581
Loss on debt financing	—	25,538
Amortization of inventory step-up to fair value	2,319	—
Amortization of intangible assets	101,010	90,884
Deferred income taxes	15,599	6,844
Unrealized (gain)/loss on hedges and other non-cash items	(2,004)	2,335
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(68,290)	(54,385)
Inventories	6,224	23,682
Prepaid expenses and other current assets	(9,941)	(16,461)
Accounts payable and accrued expenses	18,994	(4,312)
Income taxes payable	(4,790)	6,362
Other	(2,118)	(3,509)
Net cash provided by operating activities	<u>246,631</u>	<u>212,199</u>
<b>Cash flows from investing activities:</b>		
Acquisition of CST, net of cash received	4,688	—
Acquisition of Schrader, net of cash received	—	(958)
Other acquisitions, net of cash received	—	3,881
Additions to property, plant and equipment and capitalized software	(64,466)	(86,801)
Investment in equity securities	(50,000)	—
Proceeds from the sale of assets	650	—
Net cash used in investing activities	<u>(109,128)</u>	<u>(83,878)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options and issuance of ordinary shares	3,067	13,266
Proceeds from issuance of debt	—	1,795,120
Payments on debt	(168,679)	(1,892,263)
Payments to repurchase ordinary shares	(4,516)	(50)
Payments of debt issuance costs	(518)	(28,928)
Net cash used in financing activities	<u>(170,646)</u>	<u>(112,855)</u>
Net change in cash and cash equivalents	(33,143)	15,466
Cash and cash equivalents, beginning of period	342,263	211,329
Cash and cash equivalents, end of period	<u>\$ 309,120</u>	<u>\$ 226,795</u>

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

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

**1. Business Description and Basis of Presentation**

*Description of Business*

The accompanying unaudited condensed consolidated financial statements reflect the financial position, results of operations, comprehensive income, and cash flows 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, Germany, the U.K., and the U.S. We organize our operations into two businesses, Performance Sensing and Sensing Solutions.

Our Performance Sensing business is a manufacturer of pressure, temperature, speed, and position sensors, and electromechanical products used in subsystems of automobiles (e.g., engine, air conditioning, and ride stabilization) and heavy 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 a 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 to alternating current power inverters, which enable the operation of electronic equipment when grid power is not available.

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q, and therefore do not include all of the information and note disclosures required by U.S. GAAP for complete financial statements. The accompanying financial information reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the interim period results. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year, nor were those of the comparable periods in 2015 necessarily representative of those actually experienced for the full year 2015. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015.

All intercompany balances and transactions have been eliminated.

All U.S. dollar and share amounts presented, except per share amounts, are stated in thousands, unless otherwise indicated.

Certain reclassifications have been made to prior periods to conform to current period presentation.

## 2. New Accounting Standards

### *Adopted in fiscal year 2016:*

In April 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30)* ("ASU 2015-03"), 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 annual reporting periods beginning after December 15, 2015, including interim periods within those annual reporting periods. We adopted ASU 2015-03 on January 1, 2016, and as a result, as of June 30, 2016 and December 31, 2015, \$35.9 million and \$38.3 million, respectively, of deferred financing costs were classified as a reduction of long-term debt on our condensed consolidated balance sheets. The adoption of ASU 2015-03 did not have any impact on our statements of operations. Refer to Note 6, "Debt," for a reconciliation of the various components of long-term debt to the condensed consolidated balance sheets.

### *To be adopted in a future period:*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which modifies how all entities recognize revenue, and consolidates into one Accounting Standards Codification ("ASC") Topic (ASC Topic 606, *Revenue from Contracts with Customers*), the current guidance found in ASC Topic 605 and various other revenue accounting standards for specialized transactions and industries. ASU 2014-09 outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 may be applied using either a full retrospective approach, under which all years included in the financial statements will be presented under the revised guidance, or a modified retrospective approach, under which financial statements will be prepared under the revised guidance for the year of adoption, but not for prior years. Under the latter method, entities will recognize a cumulative catch-up adjustment to the opening balance of retained earnings at the effective date for contracts that still require performance by the entity.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date*, which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual reporting periods. 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 February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which establishes new accounting and disclosure requirements for leases. ASU 2016-02 requires lessees to classify most leases as either finance or operating leases and to initially recognize a lease liability and right-of-use asset. Entities may elect to account for certain short-term leases (with a term of 12 months or less) using a method similar to the current operating lease model. The statements of operations will include, for finance leases, separate recognition of interest on the lease liability and amortization of the right-of-use asset and for operating leases, a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a straight-line basis. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual reporting periods, with early adoption permitted. ASU 2016-02 must be applied using a modified retrospective approach, which requires recognition and measurement of leases at the beginning of the earliest period presented, with certain practical expedients available. We are currently evaluating when to adopt ASU 2016-02 and the impact that this adoption will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09") as part of its simplification initiative. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions. The provisions of ASU 2016-09 that will impact us are as follows: (1) an accounting policy election may be made to account for forfeitures as they occur, rather than based on an estimate of future forfeitures, and (2) companies will be allowed to withhold shares, upon either the exercise of options or vesting of restricted securities, with an aggregate fair value in excess of the minimum statutory withholding requirement and still qualify for the exception to liability classification. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods, with early adoption permitted. Amendments related to the provisions that are applicable to Sensata must be applied using a modified retrospective approach by means of a cumulative-effect adjustment to equity as of the beginning of the period in which ASU 2016-09 is adopted. We



are currently evaluating when to adopt ASU 2016-09 and the impact that this adoption will have on our consolidated financial statements.

### 3. Inventories

The components of inventories as of June 30, 2016 and December 31, 2015 were as follows:

	June 30, 2016	December 31, 2015
Finished goods	\$ 127,009	\$ 154,827
Work-in-process	67,747	62,084
Raw materials	151,364	141,790
Inventories	<u>\$ 346,120</u>	<u>\$ 358,701</u>

### 4. Shareholders' Equity

#### 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. The share repurchase program may be modified or terminated by our Board of Directors at any time. At June 30, 2016, \$250.0 million remained available for the repurchase of shares under this program.

We did not repurchase any ordinary shares under this program during the six months ended June 30, 2016 or June 30, 2015.

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 first-in, first-out method. During the six months ended June 30, 2016 and June 30, 2015, we reissued 0.5 million and 0.8 million treasury shares, respectively. During the six months ended June 30, 2016, in connection with our treasury share reissuances, we recognized a reduction in Retained earnings of \$15.7 million.

#### Accumulated Other Comprehensive Loss

The following is a roll forward of the components of Accumulated other comprehensive loss, net of tax, for the six months ended June 30, 2016:

	Deferred Gain/(Loss) on Derivative Instruments, Net of Reclassifications	Defined Benefit and Retiree Healthcare Plans	Accumulated Other Comprehensive Loss
Balance as of December 31, 2015	\$ 3,852	\$ (29,842)	\$ (25,990)
Other comprehensive loss before reclassifications	(14,813)	—	(14,813)
Amounts reclassified from accumulated other comprehensive loss	(1,712)	267	(1,445)
Net current period other comprehensive (loss)/income	(16,525)	267	(16,258)
Balance as of June 30, 2016	<u>\$ (12,673)</u>	<u>\$ (29,575)</u>	<u>\$ (42,248)</u>

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The details of the amounts reclassified from Accumulated other comprehensive loss for the three and six months ended June 30, 2016 and June 30, 2015 are as follows:

Component	Amount of (Gain)/Loss Reclassified from Accumulated Other Comprehensive Loss				Affected Line in Condensed Consolidated Statements of Operations
	For the three months ended		For the six months ended		
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	
Derivative instruments designated and qualifying as cash flow hedges					
Foreign currency forward contracts	\$ (3,838)	\$ (14,741)	\$ (12,304)	\$ (25,542)	Net revenue <sup>(1)</sup>
Foreign currency forward contracts	5,390	1,725	10,023	3,244	Cost of revenue <sup>(1)</sup>
Total, before taxes	1,552	(13,016)	(2,281)	(22,298)	Income before taxes
Income tax effect	(389)	3,260	569	5,580	Provision for income taxes
Total, net of taxes	\$ 1,163	\$ (9,756)	\$ (1,712)	\$ (16,718)	Net income
Defined benefit and retiree healthcare plans	\$ 70	\$ 677	\$ 329	\$ 310	Various <sup>(2)</sup>
Income tax effect	(11)	(270)	(62)	(292)	Provision for income taxes
Total, net of taxes	\$ 59	\$ 407	\$ 267	\$ 18	Net income

- (1) See Note 12, "Derivative Instruments and Hedging Activities," for additional details on amounts to be reclassified in the future from Accumulated other comprehensive loss.
- (2) Amounts related to defined benefit and retiree healthcare plans reclassified from Accumulated other comprehensive loss affect the Cost of revenue, Research and development, Selling, general and administrative ("SG&A"), and Restructuring and special charges lines in the condensed consolidated statements of operations. The amounts reclassified are included in the computation of net periodic benefit cost. See Note 8, "Pension and Other Post-Retirement Benefits," for additional details of net periodic benefit cost.

**5. Restructuring and Special Charges**

The following table presents amounts recorded within the condensed consolidated statements of operations associated with our restructuring actions for the three and six months ended June 30, 2016 and June 30, 2015:

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Restructuring and special charges	\$ 1,475	\$ 10,089	\$ 2,330	\$ 10,809
(Gain)/loss related to changes in foreign currency exchange rates	(313)	381	(52)	(683)
Total	\$ 1,162	\$ 10,470	\$ 2,278	\$ 10,126

(Gains)/losses related to changes in foreign currency exchange rates are associated with the remeasurement of our restructuring liabilities, and are recorded in Other, net.

The restructuring and special charges of \$1.5 million and \$2.3 million recognized during the three and six months ended June 30, 2016, respectively, consisted mainly of facility exit costs recorded during the three months ended June 30, 2016 related to the relocation of manufacturing lines from our facility in the Dominican Republic to a manufacturing facility in Mexico, and severance charges recorded in connection with acquired businesses and the termination of a limited number of employees. We expect to complete the cessation of manufacturing in our Dominican Republic facility in the third quarter of 2016.

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The restructuring and special charges of \$10.1 million and \$10.8 million recognized during the three and six ended June 30, 2015, respectively, consisted primarily of costs associated with the termination of a limited number of employees in various locations throughout the world and severance charges recorded in connection with acquired businesses, including \$4.0 million of severance charges related to the closing of our Schrader Brazil manufacturing facility. Additional charges related to the closing of this facility were not recorded in Restructuring and special charges, and are discussed below in *Exit and Disposal Activities*.

The following table outlines the changes to the restructuring liability associated with the severance portion of our restructuring actions during the six months ended June 30, 2016:

	<b>Severance</b>
Balance at December 31, 2015	\$ 23,986
Charges	1,423
Payments	(3,069)
Impact of changes in foreign currency exchange rates	(52)
Balance at June 30, 2016	<u>\$ 22,288</u>

***Exit and Disposal Activities***

During the three months ended June 30, 2015, we decided to close our Schrader Brazil manufacturing facility. In connection with this closing, and in addition to the \$4.0 million of severance charges recorded in the Restructuring and special charges line of our condensed consolidated statements of operations as discussed above, we incurred approximately \$5.0 million of charges, primarily recorded in Cost of revenue, related to the write-down of certain assets, including Property, plant and equipment and Inventory. These charges were not included in the restructuring and special charges table above.

**6. Debt**

Our long-term debt and capital lease and other financing obligations as of June 30, 2016 and December 31, 2015 consisted of the following:

	<b>Maturity Date</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Term Loan	October 14, 2021	\$ 977,745	\$ 982,695
4.875% Senior Notes	October 15, 2023	500,000	500,000
5.625% Senior Notes	November 1, 2024	400,000	400,000
5.0% Senior Notes	October 1, 2025	700,000	700,000
6.25% Senior Notes	February 15, 2026	750,000	750,000
Revolving Credit Facility	March 26, 2020	125,000	280,000
Less: discount		(18,884)	(20,116)
Less: deferred financing costs		(35,899)	(38,345)
Less: current portion		(134,901)	(289,901)
Long-term debt, net of discount and deferred financing costs, less current portion		<u>\$ 3,263,061</u>	<u>\$ 3,264,333</u>
Capital lease and other financing obligations		\$ 38,643	\$ 46,757
Less: current portion		(4,302)	(10,538)
Capital lease and other financing obligations, less current portion		<u>\$ 34,341</u>	<u>\$ 36,219</u>

As of June 30, 2016, there was \$289.5 million of availability under our \$420.0 million revolving credit facility (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 June 30, 2016, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates in 2016 and 2017.

### ***Accounting for Debt Financing Transactions***

Gains or losses on debt financing transactions are recorded in Other, net. These gains or losses primarily represent charges related to the 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.

During the three and six months ended June 30, 2016, we did not enter into any debt financing transactions.

During the three and six months ended June 30, 2015, we recorded losses of \$6.0 million and \$25.5 million, respectively, in Other, net, which were primarily composed of fees paid to creditors of \$0.9 million and \$13.3 million, respectively, and transaction costs incurred with third parties of \$2.1 million and \$5.9 million, respectively, with the remainder primarily related to the write-off of unamortized deferred financing costs and original issue discounts.

Our debt financing transactions during the six months ended June 30, 2015 included (1) the settlement of the portion (\$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, (2) the redemption of the remaining \$79.1 million of the 6.5% Senior Notes on April 29, 2015, (3) the issuance and sale of the 5.0% Senior Notes on March 26, 2015, (4) the entry, on March 26, 2015, into the fifth amendment of our credit agreement dated as of May 12, 2011 (the "Credit Agreement"), which, among other things, increased the availability on the Revolving Credit Facility by \$100.0 million and extended its maturity date to March 26, 2020, and (5) the entry into the sixth amendment of the Credit Agreement on May 11, 2015, which consolidated our then existing terms loans into the Term Loan.

### ***Accrued Interest***

Accrued interest associated with our outstanding debt is included as a component of Accrued expenses and other current liabilities in the condensed consolidated balance sheets. As of June 30, 2016 and December 31, 2015, accrued interest totaled \$36.7 million and \$26.1 million, respectively.

### **7. Income Taxes**

We recorded a Provision for income taxes for the three months ended June 30, 2016 and June 30, 2015 of \$21.0 million and \$8.6 million, respectively and for the six months ended June 30, 2016 and June 30, 2015 of \$37.2 million and \$19.1 million, respectively. The Provision for income taxes consists of current tax expense, which relates primarily to our profitable operations in non-U.S. tax jurisdictions, and deferred tax expense, which relates to adjustments in book-to-tax basis differences primarily related to the step-up in fair value of fixed and intangible assets and goodwill, utilization of net operating losses, and adjustments to our U.S. valuation allowance in connection with acquisitions made by our U.S. subsidiaries.

## 8. Pension and Other Post-Retirement Benefits

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

The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the three months ended June 30, 2016 and June 30, 2015 were as follows:

	U.S. Plans				Non-U.S. Plans		Total	
	Defined Benefit		Retiree Healthcare		Defined Benefit			
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Service cost	\$ —	\$ —	\$ 26	\$ 23	\$ 663	\$ 713	\$ 689	\$ 736
Interest cost	357	374	95	63	298	269	750	706
Expected return on plan assets	(667)	(643)	—	—	(239)	(223)	(906)	(866)
Amortization of net loss/(gain)	119	124	48	84	16	(16)	183	192
Amortization of prior service (credit)/cost	—	—	(334)	(334)	36	(9)	(298)	(343)
Loss on settlement	185	—	—	—	—	293	185	293
Loss on curtailment	—	—	—	—	—	535	—	535
Net periodic benefit cost	\$ (6)	\$ (145)	\$ (165)	\$ (164)	\$ 774	\$ 1,562	\$ 603	\$ 1,253

The components of net periodic benefit cost associated with our defined benefit and retiree healthcare plans for the six months ended June 30, 2016 and June 30, 2015 were as follows:

	U.S. Plans				Non-U.S. Plans		Total	
	Defined Benefit		Retiree Healthcare		Defined Benefit			
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Service cost	\$ —	\$ —	\$ 51	\$ 51	\$ 1,306	\$ 1,494	\$ 1,357	\$ 1,545
Interest cost	777	761	189	132	589	543	1,555	1,436
Expected return on plan assets	(1,347)	(1,307)	—	—	(465)	(450)	(1,812)	(1,757)
Amortization of net loss/(gain)	237	232	96	180	47	(244)	380	168
Amortization of prior service (credit)/cost	—	—	(667)	(668)	26	(18)	(641)	(686)
Loss on settlement	590	—	—	—	—	293	590	293
Loss on curtailment	—	—	—	—	—	535	—	535
Net periodic benefit cost	\$ 257	\$ (314)	\$ (331)	\$ (305)	\$ 1,503	\$ 2,153	\$ 1,429	\$ 1,534

## 9. Share-Based Payment Plans

### Share-Based Compensation Expense

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

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Stock options	\$ 2,227	\$ 1,981	\$ 3,926	\$ 3,655
Restricted securities	2,779	2,413	4,596	3,926
Share-based compensation expense	\$ 5,006	\$ 4,394	\$ 8,522	\$ 7,581

### Share-Based Compensation Awards

We granted the following options under the Sensata Technologies Holding N.V. 2010 Equity Incentive Plan (the "2010 Equity Plan") during the six months ended June 30, 2016:

Awards Granted to	Number of Options Granted	Weighted- Average Grant Date Fair Value	Vesting Period
Various executives and employees	257	\$11.66	Three-year cliff <sup>(1)</sup>
Various executives and employees	396	\$12.36	25% per year over four years

<sup>(1)</sup> These options will vest on January 21, 2019, depending on the satisfaction of certain performance criteria.

We granted the following restricted securities under the 2010 Equity Plan during the six months ended June 30, 2016:

Awards Granted to	Number of Restricted Securities Granted	Weighted- Average Grant Date Fair Value
Various executives and employees	446	\$ 38.76
Directors	37	\$ 37.08

Of the restricted securities granted to various executives and employees during the six months ended June 30, 2016, 180 were performance-based securities that cliff vest in 2019. The number of these performance-based securities that vest will depend on the extent to which certain performance criteria are met and could range between 0.0% and 172.5% of the number of securities granted. The remaining restricted securities granted during the six months ended June 30, 2016 are non-performance-based restricted securities that vest on various dates between June 2017 and April 2019.

On April 25, 2016, our Board of Directors approved retroactive amendments to our restricted security award agreements (for both performance-based awards and awards that vest based only upon the passage of time) to allow for accelerated vesting upon termination without cause within 24 months after a change in control, as defined in the 2010 Equity Plan. These changes were made in order to provide consistency across our equity awards, to better align management and shareholder interests, and to incorporate equity compensation best practices. There was no change to the terms of our option awards, as Section 4.3(b) of the 2010 Equity Plan specifically provides for accelerated vesting of options upon termination without cause within 24 months after a change in control.

### Option Exercises

During the six months ended June 30, 2016, 323 stock options were exercised, all of which were settled with shares reissued from treasury.

## 10. Commitments and Contingencies

### Collaborative Arrangements

On March 4, 2016, we entered into a strategic partnership agreement (the "SPA") with Quanergy Systems, Inc. ("Quanergy") to

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jointly develop, manufacture, and sell solid state Light Detection and Ranging ("LiDAR") sensors. Under the terms of the SPA, we will be exclusive partners with Quanergy for component level solid state LiDAR sensors in the transportation market.

We are accounting for the SPA under the provisions of ASC Topic 808, *Collaborative Arrangements*, under which the accounting for certain transactions is determined using principal versus agent considerations. Using the guidance in ASC Subtopic 605-45, *Principal Agent Considerations*, we have determined that we are the principal with respect to the SPA.

During the three and six months ended June 30, 2016, there were no amounts recorded to earnings related to the SPA.

***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.

*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 carve-out and acquisition of the Sensors & Controls business from Texas Instruments (the "2006 Acquisition"), we entered into customary indemnification agreements with entities associated with Bain Capital Partners, LLC and co-investors (collectively referred to as 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 initial public offering ("IPO"), we entered into indemnification agreements with each of our board members and executive officers pursuant to which we agreed to indemnify, defend, and hold harmless, and also advance expenses as incurred, to the fullest extent permitted under applicable law, from damages arising from the fact that such person is or was one of our directors or officers or that of any of our subsidiaries.

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

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

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

*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 our 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.

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, a subsidiary of Texas Instruments ("TI") in Brazil ("TI Brazil") was notified by the State of São Paulo, 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, 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,



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São Paulo. Although ST Brazil cooperates with TI in this process, we do not anticipate incurring any non-reimbursable expenses related to the matters described above. Accordingly, no amounts have been accrued for these matters as of June 30, 2016.

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 ("DEP") 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. In 2013, the Maine DEP required CDI to commence an ecological risk assessment on sediments in an unnamed stream crossing the sold and retained land. In the first quarter of 2016, after reviewing the completed study, the Maine DEP agreed that no further action is required with regard to the stream sediments.

### ***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.

### ***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. 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.

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

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on invalidity grounds. On October 14, 2014, Yukwang filed an appeal of that decision to the Seoul High Court (an intermediate appellate court). The Seoul High Court decided in our favor on February 29, 2016, and Yukwang did not attempt to appeal this decision to the Korean Supreme Court, so this decision is now final. 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. On February 12, 2016, Yukwang filed an appeal to the Korean Supreme Court. On June 9, 2016, the Korean Supreme Court decided not to hear further appeals. This concludes the intellectual property matters.

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 (the "Subcontracting Act"). We have responded to information requests from the KFTC. A hearing was held by the KFTC on October 2, 2015, and we held several meetings and responded to a subpoena for documents in early 2016. On March 15, 2016, the KFTC issued a decision that found us "not guilty" of several allegations involving alleged violations of the Fair Trade Act but found us "guilty" of imposing unfair trade terms and conditions. The agency has issued a "strict warning" to compel future compliance but will not issue a fine. On April 7, 2016, the KFTC issued a decision that found us "not guilty" of alleged violations of the Subcontracting Act.

We believe that all of the above matters have now been resolved, with no amount due by us, and as a result, as of June 30, 2016, 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 June 30, 2016, 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 tire pressure monitoring sensors installed on Chrysler vehicles in 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. On December 7, 2015, the court dismissed the complaint on procedural grounds. The plaintiffs did not re-file their claim, and as a result, this matter is concluded.

*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. The alleged defects are not safety related. In the third quarter of 2014, we made a contribution to this customer in the amount of \$0.7 million, which resolved a portion of the claim. In the first quarter of 2016, this customer requested an additional reimbursement, which we are currently evaluating, related to these alleged defects. We continue to work towards a final resolution of this matter and consider a loss to be probable. As of June 30, 2016, we have recorded an accrual of \$2.2 million, representing our estimate of the minimum loss related to this matter. We are still in negotiations with the customer, and cannot estimate an upper end of the potential range of loss as we do not know the number of parts or vehicles that will ultimately be involved in the claim.

In the first quarter of 2014, a second customer alleged similar non-safety related defects. In the second quarter of 2015, we settled with this customer for an immaterial amount.

In the fourth quarter of 2015, an additional customer raised similar complaints involving other vehicles from the same approximate production period. On April 15, 2016, we settled this matter with this customer for \$0.4 million.

## 11. Fair Value Measures

Our assets and liabilities recorded at fair value have been categorized based upon the fair value hierarchy in accordance with ASC Topic 820, *Fair Value Measurement*.

### *Measured on a Recurring Basis*

The following table presents information about our assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, aggregated by the level in the fair value hierarchy within which those measurements fell:

	June 30, 2016			December 31, 2015		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>						
Foreign currency forward contracts	\$ —	\$ 12,093	\$ —	\$ —	\$ 28,569	\$ —
Commodity forward contracts	—	4,850	—	—	42	—
Total	\$ —	\$ 16,943	\$ —	\$ —	\$ 28,611	\$ —
<b>Liabilities</b>						
Foreign currency forward contracts	\$ —	\$ 26,334	\$ —	\$ —	\$ 20,561	\$ —
Commodity forward contracts	—	2,832	—	—	13,685	—
Total	\$ —	\$ 29,166	\$ —	\$ —	\$ 34,246	\$ —

The valuations of the foreign currency and commodity forward contracts are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. This analysis utilizes observable market-based inputs, including foreign currency and commodity forward curves, and reflects the contractual terms of these instruments, including the period to maturity. The specific contractual terms utilized as inputs in determining fair value and a discussion of the nature of the risks being mitigated by these instruments are detailed in Note 12, "Derivative Instruments and Hedging Activities," under the captions "Hedges of Foreign Currency Risk" and "Hedges of Commodity Risk."

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to appropriately reflect both our own non-performance risk and the respective counterparties' non-performance risk in the fair value measurement. However, as of June 30, 2016 and December 31, 2015, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivatives in their entirety are classified in Level 2 in the fair value hierarchy.

### *Measured on a Non-Recurring Basis*

We evaluate the recoverability of goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate that goodwill or other intangible assets may be impaired. As of October 1, 2015, we evaluated our goodwill for impairment using the qualitative method, and determined that it was more likely than not that the fair values of each of our reporting units were greater than their net book values at that date.

As of October 1, 2015, we evaluated our indefinite-lived intangible assets for impairment (using the quantitative method), and determined that the fair values of our indefinite-lived intangible assets exceeded their carrying values on that date. The fair values of indefinite-lived intangible assets are considered Level 3 fair value measurements.

As of June 30, 2016, no events or changes in circumstances occurred that would have triggered the need for an additional impairment review of goodwill or indefinite-lived intangible assets.

**Financial Instruments Not Recorded at Fair Value**

The following table presents the carrying values and fair values of financial instruments not recorded at fair value in the condensed consolidated balance sheets as of June 30, 2016 and December 31, 2015:

	June 30, 2016				December 31, 2015			
	Carrying Value <sup>(1)</sup>	Fair Value			Carrying Value <sup>(1)</sup>	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Liabilities</b>								
Term Loan	\$ 977,745	\$ —	\$ 977,745	\$ —	\$ 982,695	\$ —	\$ 963,041	\$ —
4.875% Senior Notes	\$ 500,000	\$ —	\$ 502,500	\$ —	\$ 500,000	\$ —	\$ 484,690	\$ —
5.625% Senior Notes	\$ 400,000	\$ —	\$ 416,000	\$ —	\$ 400,000	\$ —	\$ 409,252	\$ —
5.0% Senior Notes	\$ 700,000	\$ —	\$ 703,066	\$ —	\$ 700,000	\$ —	\$ 675,941	\$ —
6.25% Senior Notes	\$ 750,000	\$ —	\$ 776,250	\$ —	\$ 750,000	\$ —	\$ 781,410	\$ —
Revolving Credit Facility	\$ 125,000	\$ —	\$ 122,250	\$ —	\$ 280,000	\$ —	\$ 266,877	\$ —

<sup>(1)</sup> The carrying value is presented excluding discount and deferred financing costs.

The fair values of our term loans and senior notes are primarily determined using observable prices in markets where these instruments are generally not traded on a daily basis. The fair value of the Revolving Credit Facility is calculated as the present value of the difference between the contractual spread on the loan and the estimated replacement credit spread using the current outstanding balance on the loan projected to the loan maturity.

Cash and cash equivalents, trade receivables, and trade payables are carried at their cost, which approximates fair value, because of their short-term nature.

In March 2016, we acquired \$50.0 million of Series B Preferred Stock of Quanergy. In accordance with the guidance in ASC Topic 323, *Investments - Equity Method and Joint Ventures*, we have accounted for this investment as a cost method investment under ASC 325-20, *Cost Method Investments*, as the Series B Preferred Stock is not "in substance" common stock and does not have a readily determinable fair value. Fair value of this cost method investment as of June 30, 2016 has not been estimated, as there are no indicators of impairment, and it is not practicable to estimate its fair value due to the restricted marketability of this investment.

**12. Derivative Instruments and Hedging Activities**

As required by ASC Topic 815, *Derivatives and Hedging* ("ASC 815"), we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate the derivative as being in a hedging relationship, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as hedges of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. We currently only utilize cash flow hedges.

Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge, or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain risks, even though we elect not to apply hedge accounting under ASC 815. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in the condensed consolidated statements of operations. Specific information about the valuations of derivatives and classification of derivatives in the fair value hierarchy is described in Note 11, "Fair Value Measures."

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. Refer to Note 4, "Shareholders' Equity," and elsewhere in this Note, for more details on the reclassification of amounts from Accumulated other comprehensive loss into earnings. The ineffective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized directly in earnings.

We do not offset the fair value amounts recognized for derivative instruments against fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral. As of June 30, 2016 and December 31, 2015, we had posted no cash collateral.

***Hedges of Foreign Currency Risk***

We are exposed to fluctuations in various foreign currencies against our functional currency, the U.S. dollar. We use foreign currency forward agreements to manage this exposure. We currently have outstanding foreign currency forward contracts that qualify as cash flow hedges intended to offset the effect of exchange rate fluctuations on forecasted sales and certain manufacturing costs. We also have outstanding foreign currency forward contracts that are intended to preserve the economic value of foreign currency denominated monetary assets and liabilities; these instruments are not designated for hedge accounting treatment in accordance with ASC 815. Derivatives not designated as hedges are not speculative and are used to manage our exposure to foreign exchange movements.

For the three and six months ended June 30, 2016 and June 30, 2015, the ineffective portion of the changes in the fair value of these derivatives that was recognized directly in earnings was not material and no amounts were excluded from the assessment of effectiveness. As of June 30, 2016, we estimate that \$11.7 million in net losses will be reclassified from Accumulated other comprehensive loss to earnings during the twelve months ending June 30, 2017.

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As of June 30, 2016, we had the following outstanding foreign currency forward contracts:

Notional (in millions)	Effective Date	Maturity Date	Index	Weighted- Average Strike Rate	Hedge Designation
96.6 EUR	Various from September 2014 to June 2016	July 29, 2016	Euro to U.S. Dollar Exchange Rate	1.12 USD	Non-designated
454.5 EUR	Various from September 2014 to June 2016	Various from August 2016 to May 2018	Euro to U.S. Dollar Exchange Rate	1.14 USD	Designated
157.0 CNY	June 27, 2016	July 29, 2016	U.S. Dollar to Chinese Renminbi Exchange Rate	6.69 CNY	Non-designated
212.0 JPY	June 28, 2016	July 29, 2016	U.S. Dollar to Japanese Yen Exchange Rate	102.60 JPY	Non-designated
47,900.0 KRW	Various from September 2014 to June 2016	July 29, 2016	U.S. Dollar to Korean Won Exchange Rate	1,182.23 KRW	Non-designated
46,793.2 KRW	Various from September 2014 to June 2016	Various from August 2016 to May 2018	U.S. Dollar to Korean Won Exchange Rate	1,160.77 KRW	Designated
5.7 MYR	Various from September 2014 to August 2015	July 29, 2016	U.S. Dollar to Malaysian Ringgit Exchange Rate	3.72 MYR	Non-designated
95.2 MYR	Various from September 2014 to June 2016	Various from August 2016 to May 2018	U.S. Dollar to Malaysian Ringgit Exchange Rate	4.07 MYR	Designated
207.8 MXN	Various from September 2014 to June 2016	July 29, 2016	U.S. Dollar to Mexican Peso Exchange Rate	17.17 MXN	Non-designated
2,093.4 MXN	Various from September 2014 to June 2016	Various from August 2016 to May 2018	U.S. Dollar to Mexican Peso Exchange Rate	17.63 MXN	Designated
9.1 GBP	Various from October 2014 to June 2016	July 29, 2016	British Pound Sterling to U.S. Dollar Exchange Rate	1.42 USD	Non-designated
54.6 GBP	Various from October 2014 to June 2016	Various from August 2016 to May 2018	British Pound Sterling to U.S. Dollar Exchange Rate	1.50 USD	Designated

The notional amounts above represent the total quantities we have outstanding over the remaining contracted periods.

**Hedges of Commodity Risk**

Our objective in using commodity forward contracts is to offset a portion of our exposure to the potential change in prices associated with certain commodities used in the manufacturing of our products, including silver, gold, nickel, aluminum, copper, platinum, palladium, and zinc. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. These instruments are not designated for hedge accounting treatment in accordance with ASC 815. Commodity forward contracts not designated as hedges are not speculative and are used to manage our exposure to commodity price movements.

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We had the following outstanding commodity forward contracts, none of which were designated as derivatives in qualifying hedging relationships, as of June 30, 2016:

Commodity	Notional	Remaining Contracted Periods	Weighted-Average Strike Price Per Unit
Silver	1,122,435 troy oz.	July 2016-May 2018	\$16.35
Gold	11,755 troy oz.	July 2016-May 2018	\$1,183.48
Nickel	346,875 pounds	July 2016-May 2018	\$5.37
Aluminum	4,533,806 pounds	July 2016-May 2018	\$0.78
Copper	6,045,472 pounds	July 2016-May 2018	\$2.47
Platinum	6,778 troy oz.	July 2016-May 2018	\$1,043.80
Palladium	1,699 troy oz.	July 2016-May 2018	\$614.90
Zinc	125,002 troy oz.	July 2016-October 2016	\$1.04

The notional amounts above represent the total quantities we have outstanding over the remaining contracted periods.

**Financial Instrument Presentation**

The following table presents the fair values of our derivative financial instruments and their classification in the condensed consolidated balance sheets as of June 30, 2016 and December 31, 2015:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		June 30, 2016	December 31, 2015		June 30, 2016	December 31, 2015
<b>Derivatives designated as hedging instruments under ASC 815</b>						
Foreign currency forward contracts	Prepaid expenses and other current assets	\$ 7,204	\$ 20,057	Accrued expenses and other current liabilities	\$ 16,921	\$ 13,851
Foreign currency forward contracts	Other assets	3,262	5,382	Other long-term liabilities	5,883	3,763
Total		\$ 10,466	\$ 25,439		\$ 22,804	\$ 17,614
<b>Derivatives not designated as hedging instruments under ASC 815</b>						
Commodity forward contracts	Prepaid expenses and other current assets	\$ 3,093	\$ —	Accrued expenses and other current liabilities	\$ 2,411	\$ 10,876
Commodity forward contracts	Other assets	1,757	42	Other long-term liabilities	421	2,809
Foreign currency forward contracts	Prepaid expenses and other current assets	1,627	3,130	Accrued expenses and other current liabilities	3,530	2,947
Total		\$ 6,477	\$ 3,172		\$ 6,362	\$ 16,632

These fair value measurements are all categorized within Level 2 of the fair value hierarchy. Refer to Note 11, "Fair Value Measures," for more information on these measurements.

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The following tables present the effect of our derivative financial instruments on the condensed consolidated statements of operations for the three months ended June 30, 2016 and June 30, 2015:

Derivatives designated as hedging instruments under ASC 815	Amount of Deferred Gain/(Loss) Recognized in Other Comprehensive Income/(Loss)		Location of Net Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Net Income	Amount of Net Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Net Income	
	June 30, 2016	June 30, 2015		June 30, 2016	June 30, 2015
	Foreign currency forward contracts	\$ 13,436		\$ (13,113)	Net revenue
Foreign currency forward contracts	\$ (14,749)	\$ 3,277	Cost of revenue	\$ (5,390)	\$ (1,725)
Derivatives not designated as hedging instruments under ASC 815	Amount of Gain/(Loss) on Derivatives Recognized in Net Income		Location of Gain/(Loss) on Derivatives Recognized in Net Income		
	June 30, 2016	June 30, 2015			
Commodity forward contracts	\$ 5,423	\$ (4,710)		Other, net	
Foreign currency forward contracts	\$ (208)	\$ (1,378)		Other, net	

The following tables present the effect of our derivative financial instruments on the condensed consolidated statements of operations for the six months ended June 30, 2016 and June 30, 2015:

Derivatives designated as hedging instruments under ASC 815	Amount of Deferred (Loss)/Gain Recognized in Other Comprehensive Income/(Loss)		Location of Net Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Net Income	Amount of Net Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Net Income	
	June 30, 2016	June 30, 2015		June 30, 2016	June 30, 2015
	Foreign currency forward contracts	\$ (5,881)		\$ 31,904	Net revenue
Foreign currency forward contracts	\$ (13,869)	\$ (3,784)	Cost of revenue	\$ (10,023)	\$ (3,244)
Derivatives not designated as hedging instruments under ASC 815	Amount of Gain/(Loss) on Derivatives Recognized in Net Income		Location of Gain/(Loss) on Derivatives Recognized in Net Income		
	June 30, 2016	June 30, 2015			
Commodity forward contracts	\$ 10,731	\$ (6,116)		Other, net	
Foreign currency forward contracts	\$ (4,085)	\$ 3,330		Other, net	

**Credit Risk Related Contingent Features**

We have agreements with certain of our derivative counterparties that contain a provision whereby if we default on our indebtedness, and where repayment of the indebtedness has been accelerated by the lender, then we could also be declared in default on our derivative obligations.

As of June 30, 2016, the termination value of outstanding derivatives in a liability position, excluding any adjustment for non-performance risk, was \$29.7 million. As of June 30, 2016, we have not posted any cash collateral related to these agreements. If we breach any of the default provisions on any of our indebtedness, as described above, we could be required to settle our obligations under the derivative agreements at their termination values.



### 13. Other, Net

Other, net consisted of the following (losses)/gains for the three and six months ended June 30, 2016 and June 30, 2015:

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Currency remeasurement loss on net monetary assets	\$ (5,460)	\$ (60)	\$ (1,157)	\$ (5,728)
Gain/(loss) on commodity forward contracts	5,423	(4,710)	10,731	(6,116)
(Loss)/gain on foreign currency forward contracts	(208)	(1,378)	(4,085)	3,330
Loss on debt financing	—	(5,974)	—	(25,538)
Other	375	37	129	210
Other, net	<u>\$ 130</u>	<u>\$ (12,085)</u>	<u>\$ 5,618</u>	<u>\$ (33,842)</u>

### 14. Segment Reporting

We organize our business into two reportable segments, Performance Sensing and Sensing Solutions, each of which is also an operating segment. Our operating segments are businesses that we manage as components of an enterprise, for which separate financial information is available and is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and assess performance.

An operating segment's performance is primarily evaluated based on Segment operating income, which excludes share-based compensation expense, restructuring and special charges, and certain corporate costs not associated with the operations of the segment, including amortization expense and a portion of depreciation expense associated with assets recorded in connection with acquisitions. In addition, an operating segment's performance excludes results from discontinued operations, if any. Corporate costs excluded from an operating segment's performance are separately stated below and also include costs that are related to functional areas such as finance, information technology, legal, and human resources. We believe that Segment operating income, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, this measure should be considered in addition to, and not as a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with U.S. GAAP. The accounting policies of each of our two reporting segments are materially consistent with those in the summary of significant accounting policies as described in Note 2, "Significant Accounting Policies," included in our Annual Report on Form 10-K for the year ended December 31, 2015.

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The following table presents Net revenue and Segment operating income for the reported segments and other operating results not allocated to the reported segments for the three and six months ended June 30, 2016 and June 30, 2015:

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>Net revenue:</b>				
Performance Sensing	\$ 615,570	\$ 606,353	\$ 1,212,745	\$ 1,197,605
Sensing Solutions	211,975	164,092	411,349	323,525
Total net revenue	\$ 827,545	\$ 770,445	\$ 1,624,094	\$ 1,521,130
<b>Segment operating income (as defined above):</b>				
Performance Sensing	\$ 152,525	\$ 153,008	\$ 298,312	\$ 296,880
Sensing Solutions	68,175	52,117	131,423	101,335
Total segment operating income	220,700	205,125	429,735	398,215
Corporate and other	(40,544)	(56,805)	(84,690)	(100,975)
Amortization of intangible assets	(50,563)	(45,075)	(101,010)	(90,884)
Restructuring and special charges	(1,475)	(10,089)	(2,330)	(10,809)
Profit from operations	128,118	93,156	241,705	195,547
Interest expense, net	(41,757)	(31,562)	(84,025)	(66,323)
Other, net	130	(12,085)	5,618	(33,842)
Income before taxes	\$ 86,491	\$ 49,509	\$ 163,298	\$ 95,382

**15. Net Income per Share**

Basic and diluted net income per share are calculated by dividing Net income by the number of basic and diluted weighted-average ordinary shares outstanding during the period. For the three and six months ended June 30, 2016 and June 30, 2015, the weighted-average ordinary shares outstanding for basic and diluted net income per share were as follows:

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Basic weighted-average ordinary shares outstanding	170,723	170,007	170,563	169,747
Dilutive effect of stock options	491	1,416	540	1,491
Dilutive effect of unvested restricted securities	129	244	196	226
Diluted weighted-average ordinary shares outstanding	171,343	171,667	171,299	171,464

Net income and net income per share are presented in the condensed consolidated statements of operations.

For the three and six months ended June 30, 2016 and June 30, 2015, certain potential ordinary shares were excluded from our calculation of diluted weighted-average shares outstanding because they would have had an anti-dilutive effect on net income per share, or because they related to share-based awards that were contingently issuable, for which the contingency had not been satisfied.

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Anti-dilutive shares excluded	1,622	340	1,449	481
Contingently issuable shares excluded	736	477	581	387

## 16. Acquisitions

### *CST*

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

Kavlico is a provider of linear and rotary position sensors to aerospace original equipment manufacturers and Tier 1 suppliers and pressure sensors to the general industrial and HVOR markets. BEI provides harsh environment position sensors, optical and magnetic encoders, and motion control sensors to the industrial, aerospace, agricultural, and medical device markets. Crydom manufactures solid state relays for power control applications in industrial markets. Newall provides encoders and digital readouts to machinery and machine tool markets.

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

Accounts receivable	\$	41,100
Inventories		40,679
Prepaid expenses and other current assets		13,899
Property, plant and equipment		32,120
Other intangible assets		535,826
Goodwill		581,327
Other assets		39
Accounts payable		(19,088)
Accrued expenses and other current liabilities		(27,031)
Deferred income tax liabilities		(202,506)
Pension and other post-retirement benefit obligations		(3,767)
Other long term liabilities		(415)
Fair value of net assets acquired, excluding cash and cash equivalents		992,183
Cash and cash equivalents		8,612
Fair value of net assets acquired	\$	<u>1,000,795</u>

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 \$581.3 million represents future economic benefits expected to arise from synergies from combining operations and the extension of existing customer relationships. None of the goodwill recorded is expected to be deductible for tax purposes.

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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:

	<u>Acquisition Date Fair Value</u>	<u>Weighted- Average Life (years)</u>
Acquired definite-lived intangible assets:		
Completed technologies	\$ 184,890	16
Customer relationships	308,496	15
Tradenames	41,900	25
Computer software	540	2
Total	<u>\$ 535,826</u>	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.

***Pro forma results***

The following unaudited table presents the pro forma Net revenue and Net income of the combined entity for the six months ended June 30, 2015, had we acquired CST on January 1, 2014.

	<u>For the six months ended</u>	
	<u>June 30,</u>	
	<u>2015</u>	
Pro forma net revenue	\$	1,681,372
Pro forma net income	\$	72,708

**CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

In addition to historical facts, this Quarterly Report on Form 10-Q, 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," "continue," "intend," "plan," 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 our Annual Report on Form 10-K for the year ended December 31, 2015 and those described in Part II, Item 1A of this Quarterly Report on Form 10-Q), 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, including as a result of the impending exit of the U.K. from the European Union;
- we may incur material losses and costs as a result of intellectual property, product liability, warranty, and recall claims that may be brought against us;
- taxing authorities could challenge our historical and future tax positions or our allocation of taxable income among our subsidiaries, or tax laws to which we are subject could change in a manner adverse to us;
- labor disruptions or increased labor costs could adversely affect our business;
- our 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 in our Annual Report on Form 10-K for the year ended December 31, 2015.

All forward-looking statements attributable to us or persons acting on our behalf speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements contained in this Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q 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](http://www.sec.gov) or on our website at [www.sensata.com](http://www.sensata.com).

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the U.S. Securities and Exchange Commission on February 2, 2016, and the unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

**Results of Operations**

The tables below present our results of operations, in millions of dollars and as a percentage of net revenue, for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015. We have derived the results of operations from the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Amounts and percentages have been calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effect of rounding.

**Three Months Ended June 30, 2016 Compared to the Three Months Ended June 30, 2015**

(Dollars in millions)	For the three months ended			
	June 30, 2016		June 30, 2015	
	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
Net revenue:				
Performance Sensing	\$ 615.6	74.4 %	\$ 606.4	78.7 %
Sensing Solutions	212.0	25.6	164.1	21.3
Net revenue	827.5	100.0	770.4	100.0
Operating costs and expenses:				
Cost of revenue	537.4	64.9	517.9	67.2
Research and development	32.3	3.9	31.2	4.1
Selling, general and administrative	77.7	9.4	73.0	9.5
Amortization of intangible assets	50.6	6.1	45.1	5.9
Restructuring and special charges	1.5	0.2	10.1	1.3
Total operating costs and expenses	699.4	84.5	677.3	87.9
Profit from operations	128.1	15.5	93.2	12.1
Interest expense, net	(41.8)	(5.0)	(31.6)	(4.1)
Other, net	0.1	0.0	(12.1)	(1.6)
Income before taxes	86.5	10.5	49.5	6.4
Provision for income taxes	21.0	2.5	8.6	1.1
Net income	\$ 65.5	7.9 %	\$ 40.9	5.3 %

*Net revenue.* Net revenue for the three months ended June 30, 2016 increased \$57.1 million, or 7.4%, to \$827.5 million from \$770.4 million for the three months ended June 30, 2015. This increase in net revenue was composed of a 1.5% increase in Performance Sensing and a 29.2% increase in Sensing Solutions, as described in more detail below. Organic revenue growth (or decline), a non-GAAP financial measure, will also be addressed in the following discussion. See the section entitled "Non-GAAP Financial Measures" below for further information.

Performance Sensing net revenue for the three months ended June 30, 2016 increased \$9.2 million, or 1.5%, to \$615.6 million from \$606.4 million for the three months ended June 30, 2015. Excluding 2.0% growth due to the net impact of an acquisition and exited businesses (described in more detail below) and a 1.3% decline due to changes in foreign currency exchange rates, particularly the Euro to U.S. dollar, organic revenue growth was 0.8% when compared to the three months ended June 30, 2015. We acquired CST (as defined in Note 16, "Acquisitions," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q), a portion of which is being integrated into the Performance Sensing segment, in the fourth quarter of 2015. The impact of this acquisition was partially offset by the impact of the termination of unprofitable business activities in 2015, primarily at our Schrader Brazil facility. The organic revenue growth was primarily driven by continued content growth in our Europe and China automotive end-markets, partially offset by price reductions and weaker performance in the heavy vehicle off-road ("HVOR") end-market, particularly the North American Class 8 truck market. However, our performance in the HVOR end-market for the second quarter of 2016 represented modest sequential

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improvement from the first quarter of 2016. In general, regulatory requirements for higher fuel efficiency, lower emissions, and safer vehicles, as well as consumer demand for operator productivity and convenience, drive the need for advancements in engine management, safety features, and operator controls that in turn lead to greater demand for our sensors. The growth in content was primarily the result of design wins on new business opportunities that are now in production, which reflects both consumer demand and 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. We believe Performance Sensing net revenue for the full year 2016 will grow due to higher content, partially offset by the impact of further weakness in the global agriculture and construction equipment markets.

Sensing Solutions net revenue for the three months ended June 30, 2016 increased \$47.9 million, or 29.2%, to \$212.0 million from \$164.1 million for the three months ended June 30, 2015. Excluding 32.6% growth due to the impact of the acquisition of CST in the fourth quarter of 2015 and a 1.0% decline due to changes in foreign currency exchange rates, organic revenue decline was 2.4% when compared to the three months ended June 30, 2015. The organic revenue decline was primarily due to broadly weaker global economic conditions. However, in China, a previous area of concern, we saw sequential net revenue growth in the second quarter of 2016 from the first quarter of 2016. We believe year over year comparisons for Sensing Solutions net revenue will improve in the second half of 2016, despite continued high inventory levels in the supply chain.

*Cost of revenue.* Cost of revenue for the three months ended June 30, 2016 and June 30, 2015 was \$537.4 million (64.9% of net revenue) and \$517.9 million (67.2% of net revenue), respectively. Cost of revenue decreased as a percentage of net revenue primarily due to productivity gains and certain charges incurred in the second quarter of 2015 that did not recur in 2016, including a \$5.0 million charge related to the write-down of certain assets associated with the shutdown of our Schrader Brazil manufacturing facility (refer to Note 5, "Restructuring and Special Charges," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more details related to this charge), and certain charges related to litigations and claims, including \$4.0 million associated with a warranty claim by a U.S. automaker, and \$0.8 million associated with the settlement of litigation with SGL Italia. We anticipate that cost of revenue as a percentage of net revenue will further decline 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 and scope.

*Research and development expense.* Research and development ("R&D") expense for the three months ended June 30, 2016 and June 30, 2015 was \$32.3 million (3.9% of net revenue) and \$31.2 million (4.1% of net revenue), respectively. We invest in R&D to support new platform and technology developments, both in our recently acquired and existing businesses, in order to drive future revenue growth. The level of R&D expense is related to the number of products in development, the stage of such products in the development process, the complexity of the underlying technology, the potential scale of the product upon successful commercialization, and the level of our exploratory research. These factors may impact our level of R&D expense in the future.

*Selling, general and administrative expense.* Selling, general and administrative ("SG&A") expense for the three months ended June 30, 2016 and June 30, 2015 was \$77.7 million (9.4% of net revenue) and \$73.0 million (9.5% of net revenue), respectively. SG&A expense increased primarily due to SG&A expenses related to the normal operations of CST, partially offset by the one-time write-off, in the second quarter of 2015, of a \$5.0 million tax indemnification asset related to a pre-acquisition tax liability that was favorably resolved. SG&A expense consists of all expenditures incurred in connection with the sales and marketing of our products, as well as administrative overhead costs. These costs may be fixed or variable in nature, and we may at times experience increased or decreased variable costs for reasons other than increased or decreased net revenue. As a result, SG&A expense will not necessarily remain consistent as a percentage of net revenue.

*Amortization of intangible assets.* Amortization expense associated with definite-lived intangible assets for the three months ended June 30, 2016 and June 30, 2015 was \$50.6 million and \$45.1 million, respectively. 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 determined. Amortization expense increased primarily due to additional amortization related to intangible assets recognized as a result of the acquisition of CST, partially offset by a difference in the pattern of economic benefits over which intangible assets were amortized (as intangible assets age, there is generally less economic benefit associated with them). For further discussion of intangible assets related to CST, refer to Note 16, "Acquisitions," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

*Restructuring and special charges.* Restructuring and special charges for the three months ended June 30, 2016 and June 30, 2015 were \$1.5 million and \$10.1 million, respectively. Restructuring and special charges decreased primarily due to certain restructuring charges incurred in the second quarter of 2015 that did not recur in 2016, including acquisition-related restructuring charges and \$4.0 million of severance charges related to the closing of our Schrader Brazil manufacturing facility.

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Refer to Note 5, "Restructuring and Special Charges," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion of these charges.

*Interest expense, net.* Interest expense, net for the three months ended June 30, 2016 and June 30, 2015 was \$41.8 million and \$31.6 million, respectively. Interest expense, net increased primarily as a result of the issuance of new debt related to the acquisition of CST in the fourth quarter of 2015, partially offset by the impact of lower interest rates due to the refinancing of certain debt instruments in 2015. Refer to Note 6, "Debt," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion of our refinancing activities in the first half of 2015.

*Other, net.* Other, net for the three months ended June 30, 2016 and June 30, 2015 represented of a gain of \$0.1 million and a loss of \$12.1 million, respectively. The favorable change in Other, net relates primarily to commodity forward contracts and losses on debt financing transactions incurred during the second quarter of 2015 that did not recur in 2016. Refer to Note 13, "Other, Net," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details of the gains and losses included within this account.

*Provision for income taxes.* Provision for income taxes for the three months ended June 30, 2016 and June 30, 2015 was \$21.0 million and \$8.6 million, respectively. The provision for income taxes consists of current tax expense, which relates primarily to our profitable operations in non-U.S. tax jurisdictions and withholding taxes on interest and royalty income, and deferred tax expense, which relates to adjustments in book-to-tax basis differences primarily related to the step-up in fair value of fixed and intangible assets and goodwill, utilization of net operating losses, and adjustments to our U.S. valuation allowance in connection with acquisitions made by our U.S. subsidiaries.

The change in the provision for income taxes was primarily due to a change in the amount and distribution of income recorded in profitable jurisdictions and the impact of changes in foreign currency exchange rates.

Deferred taxes, in part, involve accounting for differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. The future related consequences of these differences result in deferred tax assets and liabilities. We assess the recoverability of deferred tax assets by assessing whether it is more likely than not that some or all of the deferred tax asset will be realized. To the extent we believe that a more likely than not standard cannot be met, we record a valuation allowance against the related deferred tax asset. Significant management judgment is required in determining the need for a valuation allowance against deferred tax assets. We review the need for valuation allowances jurisdictionally during each reporting period based on information available to us at that time. We have significant valuation allowances in certain jurisdictions where our businesses have historically incurred operating losses. Should our judgment change about the need for a valuation allowance, it may result in the recognition of a valuation allowance or the reduction of some or all of the previously recognized valuation allowances, possibly resulting in a material tax provision or benefit in the period of such change.



**Six Months Ended June 30, 2016 Compared to the Six Months Ended June 30, 2015**

(Dollars in millions)	For the six months ended			
	June 30, 2016		June 30, 2015	
	Amount	Percent of Net Revenue	Amount	Percent of Net Revenue
Net revenue:				
Performance Sensing	\$ 1,212.7	74.7 %	\$ 1,197.6	78.7 %
Sensing Solutions	411.3	25.3	323.5	21.3
Net revenue	1,624.1	100.0	1,521.1	100.0
Operating costs and expenses:				
Cost of revenue	1,065.8	65.6	1,024.5	67.4
Research and development	63.6	3.9	62.0	4.1
Selling, general and administrative	149.6	9.2	137.4	9.0
Amortization of intangible assets	101.0	6.2	90.9	6.0
Restructuring and special charges	2.3	0.1	10.8	0.7
Total operating costs and expenses	1,382.4	85.1	1,325.6	87.1
Profit from operations	241.7	14.9	195.5	12.9
Interest expense, net	(84.0)	(5.2)	(66.3)	(4.4)
Other, net	5.6	0.3	(33.8)	(2.2)
Income before taxes	163.3	10.1	95.4	6.3
Provision for income taxes	37.2	2.3	19.1	1.3
Net income	\$ 126.1	7.8 %	\$ 76.3	5.0 %

*Net revenue.* Net revenue for the six months ended June 30, 2016 increased \$103.0 million, or 6.8%, to \$1,624.1 million from \$1,521.1 million for the six months ended June 30, 2015. This increase in net revenue was composed of a 1.3% increase in Performance Sensing and a 27.1% increase in Sensing Solutions, as described in more detail below. Organic revenue growth (or decline), a non-GAAP financial measure, will also be addressed in the following discussion. See the section entitled "Non-GAAP Financial Measures" below for further information.

Performance Sensing net revenue for the six months ended June 30, 2016 increased \$15.1 million, or 1.3%, to \$1,212.7 million from \$1,197.6 million for the six months ended June 30, 2015. Excluding 2.2% growth due to the net impact of an acquisition and exited businesses (described in more detail below) and a 1.7% decline due to changes in foreign currency exchange rates, particularly the Euro to U.S. dollar, organic revenue growth was 0.8% when compared to the six months ended June 30, 2015. We acquired CST, a portion of which is being integrated into the Performance Sensing segment, in the fourth quarter of 2015. The impact of this acquisition was partially offset by the impact of the termination of unprofitable business activities in 2015, primarily at our Schrader Brazil facility. The organic revenue growth was primarily driven by continued content growth in our Europe and China automotive end-markets, partially offset by price reductions and weaker performance in the HVOR end-market, particularly the North American Class 8 truck market. The growth in content was primarily the result of design wins on new business opportunities that are now in production, which reflects both consumer demand and the ongoing evolution and impact of new regulations, including the CAFE requirements in the U.S., Euro VI requirements in Europe, and China 4 requirements in Asia.

Sensing Solutions net revenue for the six months ended June 30, 2016 increased \$87.8 million, or 27.1%, to \$411.3 million from \$323.5 million for the six months ended June 30, 2015. Excluding 33.0% growth due to the impact of the acquisition of CST in the fourth quarter of 2015 and a 1.1% decline due to changes in foreign currency exchange rates, organic revenue decline was 4.8% when compared to the six months ended June 30, 2015. The organic revenue decline was primarily due to broadly weaker global economic conditions.

*Cost of revenue.* Cost of revenue for the six months ended June 30, 2016 and June 30, 2015 was \$1,065.8 million (65.6% of net revenue) and \$1,024.5 million (67.4% of net revenue), respectively. Cost of revenue decreased as a percentage of net revenue primarily due to lower material costs (driven in part by lower commodity prices) and other productivity gains, partially offset by additional amortization of inventory related to the step-up in fair value as a result of the acquisition of CST. In addition, there were certain charges incurred in the first half of 2015 that did not recur in 2016, including a \$5.0 million charge related to the write-down of certain assets associated with the shutdown of our Schrader Brazil manufacturing facility (refer to Note 5, "Restructuring and Special Charges," of our condensed consolidated financial statements included elsewhere in this Quarterly

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Report on Form 10-Q for more details related to this charge), and certain charges related to litigations and claims, including \$4.0 million associated with a warranty claim by a U.S. automaker, and \$0.8 million associated with the settlement of litigation with SGL Italia.

*Research and development expense.* Research and development ("R&D") expense for the six months ended June 30, 2016 and June 30, 2015 was \$63.6 million (3.9% of net revenue) and \$62.0 million (4.1% of net revenue), respectively.

*Selling, general and administrative expense.* Selling, general and administrative ("SG&A") expense for the six months ended June 30, 2016 and June 30, 2015 was \$149.6 million (9.2% of net revenue) and \$137.4 million (9.0% of net revenue), respectively. SG&A expense increased primarily due to SG&A expenses related to the normal operations of CST, partially offset by the one-time write-off, in the second quarter of 2015, of a \$5.0 million tax indemnification asset related to a pre-acquisition tax liability that was favorably resolved.

*Amortization of intangible assets.* Amortization expense associated with definite-lived intangible assets for the six months ended June 30, 2016 and June 30, 2015 was \$101.0 million and \$90.9 million, respectively. Amortization expense increased primarily due to additional amortization related to intangible assets recognized as a result of the acquisition of CST, partially offset by a difference in the pattern of economic benefits over which intangible assets were amortized (as intangible assets age, there is generally less economic benefit associated with them). For further discussion of intangible assets related to CST, refer to Note 16, "Acquisitions," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

*Restructuring and special charges.* Restructuring and special charges for the six months ended June 30, 2016 and June 30, 2015 were \$2.3 million and \$10.8 million, respectively. Restructuring and special charges decreased primarily due to certain restructuring charges incurred in the second quarter of 2015 that did not recur in the second quarter of 2016, including acquisition-related restructuring charges and \$4.0 million of severance charges related to the closing of our Schrader Brazil manufacturing facility. Refer to Note 5, "Restructuring and Special Charges," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion of these charges.

*Interest expense, net.* Interest expense, net for the six months ended June 30, 2016 and June 30, 2015 was \$84.0 million and \$66.3 million, respectively. Interest expense, net increased primarily as a result of the issuance of new debt related to the acquisition of CST in the fourth quarter of 2015, partially offset by the impact of lower interest rates due to the refinancing of certain debt instruments in 2015. Refer to Note 6, "Debt," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion of our refinancing activities in the first half of 2015.

*Other, net.* Other, net for the six months ended June 30, 2016 and June 30, 2015 represented a gain of \$5.6 million and a loss of \$33.8 million, respectively. The favorable change in Other, net relates primarily to commodity forward contracts and losses on debt financing transactions incurred during the first half of 2015 that did not recur in 2016. Refer to Note 13, "Other, Net," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details of the gains and losses included within this account.

*Provision for income taxes.* Provision for income taxes for the six months ended June 30, 2016 and June 30, 2015 was \$37.2 million and \$19.1 million, respectively. The provision for income taxes consists of current tax expense, which relates primarily to our profitable operations in non-U.S. tax jurisdictions and withholding taxes on interest and royalty income, and deferred tax expense, which relates to adjustments in book-to-tax basis differences primarily related to the step-up in fair value of fixed and intangible assets and goodwill, utilization of net operating losses, and adjustments to our U.S. valuation allowance in connection with acquisitions made by our U.S. subsidiaries.

The change in the provision for income taxes was primarily due to a change in the amount and distribution of income recorded in profitable jurisdictions and the impact of changes in foreign currency exchange rates.

### **Non-GAAP Financial Measures**

This Quarterly Report on Form 10-Q includes references to organic revenue growth (or decline), which is a non-GAAP financial measure. Organic revenue growth (or decline) is defined as the reported percentage change in net revenue (including the impact of price reductions) calculated in accordance with U.S. generally accepted accounting principles ("GAAP"), excluding the impact of acquisitions, exited businesses, and the effect of changes in foreign currency exchange rates.

We believe organic revenue growth (or decline) provides investors with helpful information with respect to our operating performance, and we use organic revenue growth (or decline) to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe organic revenue growth (or decline) provides useful information in evaluating the results of

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our business because it excludes items that we believe are not indicative of ongoing performance or that we believe impact comparability with the prior year.

However, organic revenue growth (or decline) should be considered as supplemental in nature and is not intended to be considered in isolation or as a substitute for net revenue growth prepared in accordance with U.S. GAAP. In addition, our measure of organic revenue growth (or decline) may not be the same as, or comparable to, similar non-GAAP financial measures presented by other companies.

### **Liquidity and Capital Resources**

We held cash and cash equivalents of \$309.1 million and \$342.3 million at June 30, 2016 and December 31, 2015, respectively, of which \$57.8 million and \$124.6 million, respectively, was held in the Netherlands, \$9.2 million and \$33.4 million, respectively, was held by U.S. subsidiaries, and \$242.1 million and \$184.3 million, respectively, was held by other foreign subsidiaries. The amount of cash and cash equivalents held in the Netherlands and in our U.S. and other foreign subsidiaries fluctuates throughout the year due to a variety of factors, including 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 six months ended June 30, 2016 and June 30, 2015. We have derived the summarized statements of cash flows from the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Amounts in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add due to the effect of rounding.

(Amount in millions)	For the six months ended	
	June 30, 2016	June 30, 2015
Net cash provided by/(used in):		
Operating activities:		
Net income adjusted for non-cash items	\$ 306.6	\$ 260.8
Changes in operating assets and liabilities, net of effects of acquisitions	(59.9)	(48.6)
Operating activities	246.6	212.2
Investing activities	(109.1)	(83.9)
Financing activities	(170.6)	(112.9)
Net change	\$ (33.1)	\$ 15.5

*Operating activities.* Net cash provided by operating activities for the six months ended June 30, 2016 and June 30, 2015 was \$246.6 million and \$212.2 million, respectively. The increase in cash provided by operating activities relates primarily to improved profitability, partially offset by the timing of customer receipts.

*Investing activities.* Net cash used in investing activities for the six months ended June 30, 2016 and June 30, 2015 was \$109.1 million and \$83.9 million, respectively, which included \$64.5 million and \$86.8 million, respectively, in capital expenditures. The decrease in capital expenditures was contemplated in our planning and relates largely to the completion of certain activities in 2015, including the construction of certain equipment and facilities and capital spending related to acquisition and integration activities. Net cash used in investing activities for the six months ended June 30, 2016 also included an investment of \$50.0 million in preferred stock of Quanergy Systems, Inc.

In 2016, we anticipate capital expenditures of approximately \$150 million to \$175 million, which we expect to be funded with cash flows from operations.

*Financing activities.* Net cash used in financing activities for the six months ended June 30, 2016 and June 30, 2015 was \$170.6 million and \$112.9 million, respectively. Net cash used in financing activities for the six months ended June 30, 2016 consisted primarily of \$168.7 million in payments on debt, including \$155.0 million in payments on the Revolving Credit Facility.

For the six months ended June 30, 2015, net cash used in financing activities consisted primarily of \$1,892.3 million in payments on debt and \$28.9 million in payments of debt issuance costs, partially offset by \$1,795.1 million of proceeds from the issuance of debt. Payments on debt and proceeds from the issuance of debt relate primarily to certain debt refinancing activities and \$105.0 million of borrowings and payments under the Revolving Credit Facility at various times during the first

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half of 2015. These debt refinancing activities include refinancing \$990.1 million of certain outstanding term loans through the issuance of the Term Loan and refinancing \$700.0 million in aggregate principal amount of 6.5% senior notes due 2019 with \$700.0 million aggregate principal amount of 5.0% senior notes due 2025. The remaining cash payments on debt primarily consisted of \$75.0 million paid on a previously held term loan facility.

***Indebtedness and Liquidity:***

Our liquidity requirements are significant due to our highly leveraged nature. As of June 30, 2016, we had \$3,491.4 million in gross outstanding indebtedness, including our outstanding capital lease and other financing obligations.

A summary of our indebtedness as of June 30, 2016 is as follows:

	<u>Maturity Date</u>	<u>June 30, 2016</u>
Term Loan	October 14, 2021	\$ 977,745
4.875% Senior Notes	October 15, 2023	500,000
5.625% Senior Notes	November 1, 2024	400,000
5.0% Senior Notes	October 1, 2025	700,000
6.25% Senior Notes	February 15, 2026	750,000
Revolving Credit Facility	March 26, 2020	125,000
Less: discount		(18,884)
Less: deferred financing costs		(35,899)
Less: current portion		(134,901)
Long-term debt, net of discount and deferred financing costs, less current portion		<u>\$ 3,263,061</u>
Capital lease and other financing obligations		\$ 38,643
Less: current portion		(4,302)
Capital lease and other financing obligations, less current portion		<u>\$ 34,341</u>

As of June 30, 2016, there was \$289.5 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 June 30, 2016, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates in 2016 and 2017.

***Capital Resources***

Our sources of liquidity include cash on hand, cash flows from operations, and available capacity under the Revolving Credit Facility. In addition, our senior secured credit facilities provide for incremental facilities (the "Accordion"), under which additional term loans may be issued or the capacity of the Revolving Credit Facility may be increased. As of June 30, 2016 \$230.0 million remained available for issuance under the Accordion.

We believe, based on our current level of operations as reflected in our results of operations for the three and six months ended June 30, 2016, and taking into consideration the restrictions and covenants discussed below, that these sources of liquidity will be sufficient to fund our operations, capital expenditures, ordinary share repurchases, and debt service for at least the next twelve months.

However, we cannot make assurances that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Further, our highly leveraged nature may limit our ability to procure additional financing in the future.

The credit agreement dated as of May 12, 2011 (as amended, the "Credit Agreement") stipulates certain events and conditions that may require us to use excess cash flow, as defined by the terms of the Credit Agreement, generated by operating, investing, or financing activities, to prepay some or all of the outstanding borrowings under the Term Loan. The Credit Agreement also requires mandatory prepayments of the outstanding borrowings under the Term Loan 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 six months ended June 30, 2016.

Our ability to raise additional financing, and our borrowing costs, may be impacted by short-term and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit

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metrics such as interest coverage and leverage ratios. As of July 21, 2016, Moody's Investors Service's corporate credit rating for Sensata Technologies B.V. ("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. During the six months ended June 30, 2016, we did not repurchase any ordinary shares under the program. At June 30, 2016, \$250.0 million remained available for share repurchase under the program.

The Credit Agreement and the indentures under which each of our various 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 in our 2015 Annual Report on Form 10-K, were taken into consideration in establishing our share repurchase program, and are evaluated periodically with respect to future potential funding. We do not believe that these restrictions and covenants will prevent us from funding share repurchases under our share repurchase program with available cash and cash flows from operations, should we decide to do so.

STBV is limited in its ability to pay dividends or otherwise make distributions to its immediate parent company and, ultimately, to us, under the Credit Agreement and the Senior Notes Indentures. Specifically, the Credit Agreement prohibits STBV from paying dividends or making any distributions to its parent companies except for limited purposes, including, but not limited to: (i) customary and reasonable operating expenses, legal and accounting fees and expenses, and overhead of such parent companies incurred in the ordinary course of business in the aggregate not to exceed \$10.0 million in any fiscal year, plus reasonable and customary indemnification claims made by our directors or officers attributable to the ownership of STBV and its Restricted Subsidiaries (currently all of the subsidiaries of STBV); (ii) franchise taxes, certain advisory fees, and customary compensation of officers and employees of such parent companies to the extent such compensation is attributable to the ownership or operations of STBV and its Restricted Subsidiaries; (iii) repurchase, retirement, or other acquisition of equity interest of the parent from certain present, future, and former employees, directors, managers, consultants of the parent companies, STBV, or its subsidiaries in an aggregate amount not to exceed \$15.0 million in any fiscal year, plus the amount of cash proceeds from certain equity issuances to such persons, the amount of equity interests subject to a certain deferred compensation plan, and the amount of certain key-man life insurance proceeds; (iv) so long as no default or event of default exists and the senior secured net leverage ratio is less than 2.0:1.0 calculated on a pro forma basis, dividends and other distributions in an aggregate amount not to exceed \$100.0 million, plus certain amounts, including the retained portion of excess cash flow; (v) dividends and other distributions in an aggregate amount not to exceed \$40.0 million in any calendar year (subject to increase upon the achievement of certain ratios); and (vi) so long as no default or event of default exists, dividends and other distributions in an aggregate amount not to exceed \$150.0 million.

As of June 30, 2016, we were in compliance with all covenants and default provisions under our credit arrangements.

### **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (the "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 Accounting Standards Codification ("ASC") Topic (ASC Topic 606, *Revenue from Contracts with Customers*), the current guidance found in ASC Topic 605 and various other revenue accounting standards for specialized transactions and industries. ASU 2014-09 outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 may be applied using either a full retrospective approach, under which all years included in the financial statements will be presented under the revised guidance, or a modified retrospective approach, under which financial statements will be prepared under the revised guidance for the year of adoption, but not for prior years. Under the latter method, entities will recognize a cumulative catch-up adjustment to the opening balance of retained earnings at the effective date for contracts that still require performance by the entity.

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In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date*, which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual reporting periods. 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 February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which establishes new accounting and disclosure requirements for leases. ASU 2016-02 requires lessees to classify most leases as either finance or operating leases and to initially recognize a lease liability and right-of-use asset. Entities may elect to account for certain short-term leases (with a term of 12 months or less) using a method similar to the current operating lease model. The statements of operations will include, for finance leases, separate recognition of interest on the lease liability and amortization of the right-of-use asset and for operating leases, a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a straight-line basis. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual reporting periods, with early adoption permitted. ASU 2016-02 must be applied using a modified retrospective approach, which requires recognition and measurement of leases at the beginning of the earliest period presented, with certain practical expedients available. We are currently evaluating when to adopt ASU 2016-02 and the impact that this adoption will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09") as part of its simplification initiative. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions. The provisions of ASU 2016-09 that will impact us are as follows: (1) an accounting policy election may be made to account for forfeitures as they occur, rather than based on an estimate of future forfeitures, and (2) companies will be allowed to withhold shares, upon either the exercise of options or vesting of restricted securities, with an aggregate fair value in excess of the minimum statutory withholding requirement and still qualify for the exception to liability classification. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods, with early adoption permitted. Amendments related to the provisions that are applicable to Sensata must be applied using a modified retrospective approach by means of a cumulative-effect adjustment to equity as of the beginning of the period in which ASU 2016-09 is adopted. We are currently evaluating when to adopt ASU 2016-09 and the impact that this adoption will have on our consolidated financial statements.

### ***Critical Accounting Policies and Estimates***

For a discussion of the critical accounting policies that require the use of significant judgments and estimates by management, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates," included in our Annual Report on Form 10-K for the year ended December 31, 2015.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no significant changes to our market risk since December 31, 2015. For a discussion of market risk affecting us, refer to Part II, Item 7A—"Quantitative and Qualitative Disclosures About Market Risk," included in our Annual Report on Form 10-K for the year ended December 31, 2015.

**Item 4. Controls and Procedures.**

The required certifications of our Chief Executive Officer and Chief Financial Officer are included as exhibits to this Quarterly Report on Form 10-Q. The disclosures set forth in this Item 4 contain information concerning the evaluation of our disclosure controls and procedures and changes in internal control over financial reporting referred to in these certifications. These certifications should be read in conjunction with this Item 4 for a more complete understanding of the matters covered by the certifications.

***Evaluation of Disclosure Controls and Procedures***

With the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2016. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

***Changes in Internal Control over Financial Reporting***

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

***Inherent Limitations on Effectiveness of Controls***

There are inherent limitations to the effectiveness of any system of internal control over financial reporting. Accordingly, even an effective system of internal control over financial reporting can only provide reasonable assurance with respect to financial statement preparation and presentation in accordance with U.S. generally accepted accounting principles. Our internal controls over financial reporting are subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time.



**PART II—OTHER INFORMATION****Item 1. Legal Proceedings.**

As discussed in Part I, Item 3—"Legal Proceedings," in our Annual Report on Form 10-K for the year ended December 31, 2015, 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 10, "Commitments and Contingencies," of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. 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.

**Item 1A. Risk Factors.**

Information regarding risk factors appears in Part I, Item 1A—"Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2015. The information presented below updates and should be read in connection with the risk factors and information previously disclosed therein.

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

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

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

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.***Issuer Purchases of Equity Securities*

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Weighted-Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Programs (in millions)</b>
April 1 through April 30, 2016	54,562 <sup>(1)</sup>	\$ 37.06	—	\$ 250.0
May 1 through May 31, 2016	—	\$ —	—	\$ 250.0
June 1 through June 30, 2016	—	\$ —	—	\$ 250.0
<b>Total</b>	<b>54,562</b>	<b>\$ 37.06</b>	<b>—</b>	<b>\$ 250.0</b>

<sup>(1)</sup> 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 shares noted in the table above to cover such statutory minimum tax withholdings. These transactions took place outside of a publicly-announced repurchase plan. The weighted-average price per share listed in the above table is the weighted-average of the fair market prices at which we calculated the number of shares withheld to cover tax withholdings for the employees.



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**Item 3. Defaults Upon Senior Securities.**

None.

**Item 6. Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
3.1	Amended Articles of Association of Sensata Technologies Holding N.V.*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows and (v) Notes to the Condensed Consolidated Financial Statements.

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\* Filed herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 26, 2016

SENSATA TECHNOLOGIES HOLDING N.V.

/s/ Martha Sullivan

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**(Martha Sullivan)**  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

/s/ Paul Vasington

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**(Paul Vasington)**  
*Executive Vice President and Chief Financial Officer*  
*(Principal Financial Officer)*

ARTICLES OF ASSOCIATION for:

**Sensata Technologies Holding N.V.**

having its official seat in Almelo.

The articles of association have been last amended by a deed, executed on 8 July 2016, before R. van Bork, civil law notary officiating in Amsterdam, the Netherlands.

The company is registered with the trade register of the Chamber of Commerce under number 24192692.

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**ARTICLES OF ASSOCIATION:**

**CHAPTER 1.**

**Article 1. Definitions.**

1.1 In these Articles of Association, the following terms are defined as follows:

**Auditor** means a chartered accountant or other accountant as referred to in Section 2:393 of the Dutch Civil Code (*Burgerlijk Wetboek*), or an organisation within which such accountants practice.

**Board** means the board of directors of the Company.

**Business Combination** means a legal merger (*juridische fusie*), asset sale and transfer or other similar type of transaction, or a transaction resulting in a financial benefit to the Interested Shareholder other than a benefit derived from his shareholding.

**Company** means the company, the internal organisation of which is governed by these Articles of Association.

**Depository Receipts** means depository receipts for Shares in the Company. Unless the contrary is evident, these include depository receipts issued without the cooperation of the Company.

**Distributable Equity** means the part of the Company's equity which exceeds the aggregate of the issued and paid up part of the share capital and the reserves which must be maintained pursuant to the law.

**Executive Director** means a member of the Board referred to in Article 16 hereof.

**General Meeting** means the body of the Company consisting of the Shareholders or a meeting of Shareholders (or their representatives) and other persons entitled to attend such meetings.

**Group Company** means a legal entity or company affiliated with the Company in a group within the meaning of Section 2:24b of the Dutch Civil Code.

**Holders of Depository Receipts** means holders of depository receipts issued with the cooperation of the Company. Unless the contrary is evident, these holders include the persons who have the rights granted by law to holders of depository receipts issued with the cooperation of a company as a result of a usufruct or pledge created on Shares.

**Interested Shareholder** means a person who, together with its group companies (within the meaning of Section 2:24b of the Dutch Civil Code) owns Shares representing fifteen per cent (15%) or more of the issued and outstanding share capital of the Company, whereby a person, together with its group companies as applicable, that owned such a number of Shares in the preceding three years shall also be deemed an Interested Shareholder.

**Non-Executive Director** means a member of the Board referred to in Article 16 hereof.

**Ordinary Share** means an ordinary Share in the capital of the Company.

**Preference Share** means a protective preference share in the capital of the Company.

**Response Time** means response time as referred to in Article 27.5.

**Secretary** means a Secretary of the Company referred to in Article 22.

**Share** means a share in the capital of the Company. Unless the contrary is evident, this includes each Ordinary Share as well as each Preference Share.

**Shareholder** means a holder of one or more Shares.

**Shareholder Associated Person** means (i) any person controlling, directly or indirectly, or acting in concert with a Shareholder, (ii) any beneficial owner of Ordinary Shares owned of record or beneficially by a Shareholder and (iii)

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any person controlling, controlled by or under common control with a Shareholder Associated Person.

**Subsidiary** means a subsidiary of the Company as referred to in Section 2:24a of the Dutch Civil Code.

- 1.2 A message **in writing** means a message transmitted by letter, by telecopy, by e-mail or by any other means of electronic communication provided the relevant message or document is legible and reproducible, and the term **written** shall be construed accordingly.
- 1.3 References to **Articles** refer to Articles which are part of these Articles of Association, except where expressly indicated otherwise.

## CHAPTER 2. NAME, SEAT AND OBJECTS.

### Article 2. Name and seat. Structure.

- 2.1 The name of the Company is: **Sensata Technologies Holding N.V.**
- 2.2 The official seat of the Company is in Almelo, the Netherlands.

### Article 3. Objects.

- 3.1 The Company's objects are:
- (a) to participate or to acquire interests in any other way in enterprises, to manage or exercise supervision of enterprises and to provide services to enterprises, with special reference to enterprises engaged in the production of sensors and controls for manufacturers in the automotive, appliance, aircraft and industrial business or rendering other services to such enterprises;
  - (b) to perform all acts which directly or indirectly may be conducive to such objects.
- 3.2 In realising its objects the Company shall exercise management directed at promoting in the best way possible and in a well balanced manner the interests of those who are directly or indirectly interested in the Company.

## CHAPTER 3. AUTHORIZED CAPITAL AND SHARES.

### Article 4. Capital. Registered Shares. Depository Receipts.

- 4.1 The authorised capital amounts to eight million euro (EUR 8,000,000), divided into:
- (a) four hundred million (400,000,000) Ordinary Shares of one euro cent (EUR 0.01) each; and
  - (b) four hundred million (400,000,000) Preference Shares of one euro cent (EUR 0.01) each.
- 4.2 The Shares are registered. The Shares shall be numbered in such a manner that they can be distinguished from each other at any time.
- 4.3 The Board shall, at the request of a Shareholder, issue or cause to be issued Share certificates (*aandeelbewijzen*) in respect of Shares in such denominations as the Board shall determine which certificates are exchangeable at the request of the Shareholder.
- 4.4 Share certificates shall not be provided with a set of dividend coupons and a talon.
- 4.5 Each Share certificate shall be identified by numbers and/or letters in such manner as determined by the Board.
- 4.6 Share certificates shall be signed by or on behalf of a member of the Board. In addition all Share certificates may be validly signed by one or more persons designated by the Board for that purpose. The Board may resolve that the signature shall be provided by a facsimile signature.
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- 4.7 The Board may determine that for the purpose of trading and transfer of shares at a foreign stock exchange, Share certificates shall be issued in such form as shall comply with the requirements of such foreign stock exchange.
- 4.8 At the written request by the party concerned and upon provision of satisfactory evidence as to title, replacement Share certificates may be issued of Share certificates which have been mislaid, stolen or damaged, on such conditions, including, without limitation, the provision of indemnity to the Company as the Board shall determine. The costs of the issue of replacement Share certificates may be charged to the applicant. By the issue of replacement Share certificates the original Share certificates will become void and the Company will have no further obligation with respect to such original Share certificates. Replacement Share certificates will bear the numbers and letters of the documents they replace.
- 4.9 The General Meeting may, but only pursuant to a proposal of the Board, resolve that the Company cooperates in the issuance of Depositary Receipts for its Shares. Holders of Depositary Receipts issued for Shares in the Company with the Company's cooperation shall have the rights conferred to them by law, also to the extent such rights are not expressly referred to in these Articles of Association.

#### **Article 5. Register of Shareholders.**

- 5.1 The Company shall keep a register in which the names and addresses of holders of Ordinary Shares and Preference Shares are recorded, showing the date on which the Shares were acquired, the date of acknowledgement by or serving on the Company and the amount paid up on each Share.
- The names and addresses of pledgees and usufructuaries of Shares shall also be entered in the register of Shareholders, showing the date on which the right was acquired and the date of acknowledgement by or serving on the Company, as well as showing the rights attaching to the Shares which they are entitled to in accordance with subsections 2 and 4 of Sections 2:88 and 2:89 of the Dutch Civil Code.
- 5.2 Each Shareholder, each pledgee of Shares and each usufructuary of Shares is required to give his address to the Company in writing as well as each amendment thereto.
- 5.3 All entries and notes in a register of Shareholders shall be signed by an Executive Director of the Board, an officer of the Company or another person authorised to do so by the Board.
- 5.4 On application by a Shareholder or a pledgee or usufructuary of Shares, the Board shall furnish an extract from the register of Shareholders, free of charge, insofar as it relates to the applicant's right in respect of a Share.
- 5.5 Section 2:85 of the Dutch Civil Code also applies to the register.
- 5.6 If a Shareholder, usufructuary, pledgee, or Holder of Depositary Receipts provided the Company with an electronic address in order to record this electronic address in the register, jointly with the other details specified in Article 5.1, this electronic address is considered to be provided with the purpose of electronically receiving all notifications, announcements and statements as well as, in respect of Shareholders and Holders of Depositary Receipts, notices to convene a General Meeting. A notification sent electronically must be legible and reproducible.
- 5.7 The Board shall be authorised to keep a part of the register outside the Netherlands if required to comply with applicable foreign legislation or the rules of the stock exchange where the Shares of the Company are listed.
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- 5.8 The Board shall determine the form and contents of the register with due observance of the provisions of this Article.
- 5.9 The Board shall be authorised to provide the authorities with information and data contained in the register or have the same inspected to the extent that this is requested to comply with applicable foreign legislation or rules of the stock exchange where the Company's shares are listed.

#### **CHAPTER 4. ISSUE OF SHARES.**

##### **Article 6. Issue of Shares. Body Competent to Issue Shares.**

- 6.1 The General Meeting may pass resolutions to issue Shares, unless the Board is designated thereto by the Articles of Association or pursuant to a resolution of the General Meeting. If and in so far as the Board is designated as the competent body, the General Meeting may not pass resolutions to issue, as long as the designation is in force.
- 6.2 The General Meeting or the Board shall determine the price and further conditions of issuance, in accordance with the relevant provisions in these Articles of Association.
- 6.3 If the Board is designated as being competent to resolve on the issue of Shares, on such designation the number of Shares of each class which may be issued must be specified. This may be expressed in a percentage of the issued capital. On such designation the term of the designation shall be determined, which may not exceed five years. The designation may be extended, from time to time, for a period not exceeding five years. Unless the designation provides otherwise, it may not be withdrawn.
- 6.4 A resolution of the General Meeting to issue (including the determination of the price and further conditions) or to designate the Board, can only be adopted on the proposal of the Board.
- 6.5 Within eight days of a resolution of the General Meeting to issue Shares or to designate the Board, the Board shall file a full text thereof at the offices of the Commercial Register, where the Company has been registered.  
Within eight days after each issue of Shares, the Board shall so notify the Commercial Register, stating the number of Shares.
- 6.6 The provisions of the Articles 6.1 to 6.5 shall apply by analogy to the granting of rights to subscribe to Shares, but shall - with the exception of the last sentence of Article 6.5 - not apply to the issue of Shares to persons exercising a previously granted right to subscribe to Shares.  
Shares shall never be issued below par, without prejudice to the provisions laid down in Section 2:80 subsection 2 of the Dutch Civil Code.
- 6.7 In the event of an issue of Preference Shares by a body other than the General Meeting, a General Meeting shall be convened, to be held not later than twenty months after the date on which Preference Shares were issued for the first time. The agenda for that meeting shall include a resolution relating to the repurchase of the Preference Shares in accordance with the provisions of Article 11 or the cancellation of the Preference Shares in accordance with the provisions of Article 12. If the resolution to be adopted in respect of this item on the agenda does not result in the repurchase or cancellation of the Preference Shares, a General Meeting shall be convened and held, in each case within six months of the previous meeting, the agenda of which meetings shall include a resolution relating to the repurchase or cancellation of the Preference Shares, until such time as no more Preference Shares remain outstanding.
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- 6.8 If it has been announced what amount will be issued and only a lower amount will be subscribed, such lower amount will only be subscribed if this is explicitly determined by the conditions of the issue.

**Article 7. Pre-emptive rights.**

- 7.1 Upon issuance of Ordinary Shares, each holder of Ordinary Shares shall have a right of pre-emption in proportion to the aggregate nominal value of its Ordinary Shares. He shall not have a pre-emptive right upon the issuance of Preference Shares.  
 Furthermore, he will not hold a pre-emptive right to Shares to be issued against a contribution other than in cash, or to Shares which are issued to employees of the Company or of a Group Company.
- 7.2 On the proposal of the Board and with due observance to the provisions of this Article 7, the General Meeting shall at the time of the resolution to issue Shares determine the manner in which and the period during which the pre-emptive right may be exercised. If the Board is designated as the body competent to issue Shares, such shall be determined by the Board.
- 7.3 The Company shall announce the issue with pre-emptive rights, and the period in which it can be exercised, in the Government Gazette (*Staatscourant*) and in a national daily newspaper.  
 Pre-emptive rights can be exercised during at least two weeks following the announcement in the Government Gazette.
- 7.4 On the proposal of the Board pre-emptive rights may be limited or excluded pursuant to a resolution of the General Meeting. In the proposal in respect thereof, the reasons for the proposal and the selection of the intended issue price shall be explained in writing.  
 Pre-emptive rights may also be limited or excluded by the Board if designated by the Articles of Association or in a resolution of the General Meeting as being authorised to limit or exclude pre-emptive rights for a specified period not exceeding five years; such designation can only be effected if the Board has also been, or is simultaneously, designated as referred to in Article 6.1.  
 The designation may be extended for no longer than five years at a time. The designation only applies as long as a designation, as referred to in Article 6.1, is in force.  
 Unless specified otherwise at the time of the designation, the designation cannot be revoked.
- 7.5 Within eight days of such resolution, the Board shall file a full text thereof with the offices of the Commercial Register.
- 7.6 If rights are granted to subscribe for Shares, the Shareholders shall have a right of pre-emption; the provisions above in this Article 7 shall apply by analogy. Shareholders shall not have a pre-emptive right on Shares issued to a person exercising a previously acquired right to subscribe for Shares.

**Article 8. Payment on Shares.**

- 8.1 Notwithstanding the provisions of Section 2:80 subsection 2 of the Dutch Civil Code, upon subscription of each Ordinary Share, the full nominal value thereof must be paid up, and, in addition, if the Share is issued at a higher amount, the difference between such amounts.
- 8.2 Upon issuance of a Preference Share, at least one fourth of the nominal amount shall be paid. Additional payment on Preference Shares will be made after such additional payment has been claimed by the Company. Additional payments will be claimed by virtue of a resolution of the Board.
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**Article 9. Payment in Cash.**

- 9.1 Payment on an Ordinary Share shall be made in cash, unless a different contribution has been agreed upon.
- 9.2 Payment on Preference Shares may only be made in cash.
- 9.3 Payment in foreign currency can only be made subject to the consent of the Company.

**Article 10. Contribution in Kind.**

- 10.1 The Board is entitled to enter into legal acts regarding contribution on Shares other than in cash and into the other legal acts specified in Section 2:94 of the Dutch Civil Code, without the prior approval of the General Meeting.  
The substance of these legal acts shall be laid down in the annual accounts on the financial year in which they have been performed.
- 10.2 Sections 2:80b and 2:94b of the Dutch Civil Code are applicable to contribution on Shares other than in cash.

**CHAPTER 5. OWN SHARES. CAPITAL REDUCTION.****Article 11. Own Shares.**

- 11.1 When issuing Shares, the Company may not subscribe for its own Shares.
  - 11.2 The Company may acquire fully paid-up Shares or Depositary Receipts thereof, provided either no valuable consideration is given, or:
    - (a) the Distributable Equity is at least equal to the purchase price; and
    - (b) the nominal amount of the Shares in its capital or Depositary Receipts thereof to be acquired, held or held in pledge by the Company and of the Shares or Depositary Receipts thereof held by its Subsidiaries, does not exceed half of the issued capital.  
Decisive for the requirement under (a) will be the amount of the equity in accordance with the latest adopted balance sheet, reduced by the purchase price for the Shares in the capital of the Company, the amount of loans referred to in Section 2:98c subsection 2 of the Dutch Civil Code and distributions from profits or reserves to third parties becoming due from the Company and its Subsidiaries after the balance sheet date.  
If more than six months of a financial year have lapsed without the annual accounts having been adopted, acquisition in accordance with provisions in this Article 11.2 shall not be allowed.
  - 11.3 Acquisition in a way other than for no consideration can only take place if the General Meeting has authorised the Board to this effect. This authorisation will apply during a maximum period of eighteen months. In this authorisation the General Meeting shall determine how many Shares or Depositary Receipts thereof can be acquired, how they can be acquired and between what limits the price must be.
  - 11.4 The Company may acquire its own Shares or Depositary Receipts thereof in order to transfer them, pursuant to a regulation to that effect, to staff employed by the Company or by a Group Company.
  - 11.5 The foregoing provisions of this Article 11 shall not apply to Shares or Depositary Receipts thereof which the Company acquires by universal title of succession.
  - 11.6 The Board shall resolve to alienate the Shares acquired by the Company in its own capital. No pre-emptive right shall exist in respect of such alienation.
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- 11.7 The Company cannot derive any right to any distribution from Shares in its own capital; nor shall it derive any right to such distribution from Shares for which it holds the Depositary Receipts.
- The Shares referred to in the previous sentence shall not be included in the calculation of the profit appropriation, unless such Shares or the Depositary Receipts for such Shares are subject to a usufruct for the benefit of a party other than the Company.
- 11.8 No voting rights may be exercised for any Share held by the Company or a Subsidiary, unless the Shares are subject to the right of usufruct or a pledge in favour of a company other than the Company or a Subsidiary and the other company is entitled to the voting rights on the Shares and the right of pledge has been created by a company other than the Company or Subsidiary. Nor may the Company or a Subsidiary exercise voting rights for Shares in the capital of the Company in respect of which the Company or Subsidiary has a right of usufruct or a pledge.
- No voting rights can be exercised for Shares for which the Company or a Subsidiary holds the Depositary Receipts.
- For the purposes of determining whether a specific part of the capital is represented at the meeting or whether a majority represents a specific part of the capital, the capital shall be reduced by the value of the Shares for which no voting rights can be exercised.
- 11.9 The Company may only take in pledge its own Shares or Depositary Receipts thereof if:
- (a) the relevant Shares have been fully paid up;
  - (b) the nominal value of its own Shares and Depositary Receipts for Shares to be taken in pledge and those already held or already taken in pledge does not exceed half of the issued capital; and
  - (c) the General Meeting has approved the pledge agreement.

#### **Article 12. Capital Reduction.**

- 12.1 The General Meeting may resolve, but only pursuant to a proposal of the Board, to reduce the Company's issued capital:
- (a) by cancellation of Shares; or
  - (b) by reducing the nominal value of Shares, to be effected by an amendment of these Articles of Association, provided that the issued capital or the paid up part thereof does not become less than prescribed in Section 2:67 of the Dutch Civil Code.
- The Shares concerned shall be designated in such resolution and provisions for the implementation of such resolution shall be made therein.
- 12.2 A resolution to cancel Shares can only relate to:
- (a) Shares held by the Company itself or of which it holds the Depositary Receipts; or
  - (b) all Preference Shares, with repayment.
- 12.3 Reduction of the amount of the Shares without repayment and without release from the obligation to pay up the Shares shall take place proportionately on all Shares of the same class. The requirement of proportion may be deviated from with the consent of all Shareholders concerned.
- 12.4 Partial repayment on Shares or release from the obligation to make payments will only be possible for the purpose of execution of a resolution to reduce the nominal amount of the Shares. Such repayment or release shall take place:
- (a) with regard to all Shares; or
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- (b) with regard to all Preference Shares or all Ordinary Shares.
- 12.5 Preference Shares shall be cancelled against repayment of the amounts paid up on these Preference Shares and of any dividend still lacking, if any, to be calculated time-proportionately up to and including the day of payment with due observance to the provisions of Article 37, after deduction of interim dividend.
- 12.6 No approval by the meeting of holders of Preference Shares is required for a resolution regarding the cancellation of Preference Shares.
- 12.7 Furthermore the provision of the Sections 2:99 and 2:100 of the Dutch Civil Code are applicable to capital reduction.

## **CHAPTER 6. TRANSFER. SHARE TRANSFER RESTRICTIONS.**

### **Article 13. Transfer of Shares.**

- 13.1 Unless the law provides otherwise and except as provided by the following provisions of this article 13, a transfer of a registered Share or of a restricted right (*beperkt recht*) thereto shall require a deed of transfer drawn up for that purpose and, save when the Company itself is a party to the legal act, acknowledgement in writing by the Company of the transfer.
- Acknowledgement must be given in the deed or by a dated statement embodying such acknowledgement on the deed or on a true copy or extract thereof duly authenticated by a civil law notary or by the transferor. Service of such deed, true copy or extract on the Company shall be deemed as acknowledgement. If the transfer relates to Preference Shares which have not been paid up in full, the acknowledgement may be given only if the deed of transfer bears an officially recorded or otherwise fixed date.
- 13.2 In cases whereby a Share for which a Share certificate has been issued is transferred, the Share certificate must be submitted to the Company, provided that an instrument of transfer as referred to in Article 13.1, printed on the back of the Share certificate, has been duly completed and signed by or on behalf of the transferor, or a separate instrument in substantially the same form is submitted together with the Share certificate.
- 13.3 If a transfer of a Share has been effected by service of an instrument of transfer to the Company, the Company shall, at the discretion of the Board, either endorse the transfer on the Share certificate or cancel the Share certificate and issue to the transferee one or more Share certificates registered in his name up to an equal nominal amount.
- 13.4 The Company's written acknowledgement of a transfer of a Share shall, at the discretion of the Board, be effected either by endorsement of the transfer on the Share certificate as proof of acknowledgement or by the issuance to the transferee of one or more Share certificates registered in his name up to an equal nominal amount.

### **Article 14. Share Transfer Restrictions Preference Shares.**

- 14.1 For every transfer of Preference Shares the approval will be required of the Board. The approval will be issued in writing, and stipulate the name and the address of the intended acquirer.
- 14.2 If the approval is refused, the Board will be obligated to simultaneously designate one or more prospective buyers who will be prepared and able to buy all Preference Shares to which the request refers against payment in cash at a price to be set in mutual consultation by the alienator and the Board within two months after that designation.
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- 14.3 If within three months after receipt by the Company of the request for approval of the intended transfer the alienator has not received from the Company a written notification or a timely refusal of approval has not been accompanied simultaneously by the designation of one or more prospective buyers as referred to in Article 14.2, the approval will be deemed to have been granted after the end of the period specified or after receipt of the notification of refusal respectively.
- 14.4 If within two months after the refusal of the approval no agreement has been reached between the alienator and the Board about the price referred to in Article 14.2, this price will be set by (a) an expert to be designated by the alienator, (b) an expert to be designated by the Board and (c) an expert to be designated by the experts referred to afore under sub (a) and (b).  
If the expert referred to under sub (c) has not been designated within three months after the refusal of the approval he will be designated by the Chairman of the Dutch Institute for Certified Accountants (*Nederlands Instituut voor Registeraccountants*), on request of any interested party.
- 14.5 The alienator will have the right to refrain from the transfer, provided he informs the Board about this in writing within one month after both the name of the designated prospective buyer(s) and the fixed price have been brought to his knowledge.
- 14.6 In case of approval for transfer in the sense of Article 14.1 or Article 14.3 the alienator shall be authorised to transfer all Preference Shares, to which his request referred, to the acquirer named in the request for a period of three months after this approval, provided that if a price fixing as referred to in Article 14.4 has been effected and the alienator and the acquirer named in the request agree then upon a lower price than set on the basis of Article 14.4, the alienator should inform the Company about this within one month after which the Board may yet designate one or more prospective buyers who are able and prepared to purchase all the Preference Shares to which the request referred against cash payment at that lower price.  
The alienator will also have the right to refrain from the transfer, provided he notifies the Board about this in writing within one month after he has been informed about the name of the prospective buyer(s).

**Article 15. Usufruct. Pledge.**

- 15.1 The Shareholder shall have the right to vote on Shares subject to a usufruct or pledge. However, the usufructuary or the pledgee shall have the right to vote if so determined upon the establishment of the usufruct or pledge. A Shareholder without the right to vote and a usufructuary or a pledgee with the right to vote shall have the rights conferred by law upon the Holders of Depositary Receipts issued for Shares with the cooperation of a company. A usufructuary or pledgee without the right to vote shall not have the rights referred to in the preceding sentence.
- 15.2 The Shareholder shall have the rights attached to the Share on which a usufruct has been established with respect to the acquisition of Shares, provided that he shall compensate the usufructuary for the value of these rights to the extent that the latter is entitled thereto under his right of usufruct.
- 15.3 Preference Shares can not be pledged.
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**CHAPTER 7. THE BOARD. ALLOCATION OF DUTIES. REMUNERATION. REPRESENTATION.****Article 16. The Board.**

- 16.1 The management of the Company shall be conducted by the Board.
- 16.2 The Board shall consist of one or more Executive Directors and Non-Executive Directors.
- 16.3 Only natural persons can be Non-Executive Directors.
- 16.4 The Board shall determine the number of Executive Directors and the number of Non-Executive Directors. Pending one or more vacancies, the Board remains properly constituted.
- 16.5 The Board may appoint one of the Executive Directors as Chief Executive Officer (CEO) for such period as the Board may decide.
- 16.6 The Executive Directors and Non-Executive Directors shall be appointed by the General Meeting from a binding nomination of at least one person, or such higher number of persons as required by law for the nomination to have binding effect, for each vacancy, to be drawn up by the Board.
- 16.7 If the Board should fail to draw up a list of nominees within three months after the vacancy has occurred, the General Meeting may appoint a member of the Board at its own discretion. A list of nominees drawn up in time by the Board shall be binding. However, the General Meeting may at all times deprive the list of nominees of its binding character by a resolution adopted with a majority of not less than two thirds of the votes cast, representing more than half of the issued capital.
- 16.8 The General Meeting may at any time remove or suspend any member of the Board. The resolution referred to in the preceding sentence shall state the reasons therefor. A resolution of the General Meeting to suspend or dismiss a Board member other than on the proposal of the Board, may only be adopted with a majority of two thirds of the votes cast, representing more than half of the issued capital.
- 16.9 Any suspension may be extended one or more times, but may not last longer than six months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on dismissal, the suspension shall end.
- 16.10 The approval of the General Meeting will be required for resolutions of the Board relating to a major change to the identity or the nature of the Company or the enterprise, including in any case:
- (a) transfer of the enterprise or almost the entire enterprise to a third party;
  - (b) entering into or termination of a long-lasting cooperation between the Company or a Subsidiary with another legal entity or company or as fully liable partner of a general or limited partnership, if this cooperation or termination is of far-reaching consequence to the Company; and/or
  - (c) acquisition or divestment of a participation in the capital of a company with a value of at least one-third of the amount of the assets reflected in the balance sheet and explanatory notes or, if the Company prepares a consolidated balance sheet, reflected in the consolidated balance sheet and explanatory notes, according to the lastly adopted annual accounts of the Company, by it or a Subsidiary.
- 16.11 The approval of the General Meeting will be required for the Board to enter into discussions with an Interested Shareholder regarding entering into a Business Combinations between the Company and an Interested Shareholder provided that such a resolution of the General Meeting shall
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be adopted with a majority of the votes cast in favour, representing at least two-third of the issued and outstanding Ordinary Shares other than the Shares owned by the Interested Shareholder.

16.12 Article 16.11 shall not apply if:

- (i) a majority of the members of the Board approved either the Business Combination or the transaction that resulted in the shareholder becoming an Interested Shareholder, and those members of the Board were appointed as members of the Board prior to the transaction that resulted in the shareholder becoming an Interested Shareholder; or
- (ii) upon completion of the transaction that resulted in the shareholder becoming an Interested Shareholder, the Interested Shareholder owned a number of Shares representing at least eighty-five per cent (85%) of the issued and outstanding Shares when the transaction was commenced, whereby the Shares owned by the Directors and officers of the Company are not taken into account in calculating this percentage.

16.13 The absence of an approval of the General Meeting as prescribed by this Article 16 of a resolution of the Board will not affect the representative authority of the Board or its members.

#### **Article 17. Allocation of Duties; Passing of Resolutions.**

17.1 The Board shall be entrusted with the management of the Company and shall for such purpose have all the powers within the limits of the law that are not granted by these Articles of Association to others.

17.2 The Board may entrust the Executive Directors with the operational management of the Company and the business enterprise connected therewith. The Board may entrust the Executive Directors furthermore with the preparation of the decision making process of the Board and the implementation of the decisions taken by the Board to the extent that the Board has not instructed a committee to do so or has not decided otherwise.

17.3 The Chief Executive Officer shall determine which duties regarding the operational management of the Company and the business enterprises connected therewith will be carried out under his responsibility by one or more other Executive Directors, officers of the Company or by one or more other persons.

17.4 The Non-Executive Directors shall supervise the policy and the fulfilment of duties of the Chief Executive Officer or of the Executive Directors, respectively, and the general affairs of the Company and they shall be furthermore entrusted with such duties as are and shall be determined by or pursuant to these Articles of Association.

17.5 Timely the chairman of the Board (as stated below) shall procure that the Non-Executive Directors will be provided with all information which is required for the exercise of their duties.

#### **Article 18. Chairman of the Board**

18.1 The Board shall appoint one of its Non-Executive Directors to be its chairman for such period as the Board may decide.

18.2 The Board may appoint one or more of its Non-Executive Directors as vice-chairman of the Board for such period as the Board may decide. If the chairman is absent or unwilling to take the chair, a vice-chairman shall be

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entrusted with such of the duties of the chairman entrusted to him by these Articles of Association as the Board may decide.

- 18.3 If no chairman has been appointed or if the chairman is absent or unwilling to take the chair, a meeting of the Board shall be presided over by a vice-chairman or in the event of his absence or unwillingness to take the chair, by a member of the Board or another person present designated for such purpose by the meeting.

**Article 19. Meetings of the Board. Board Regulations.**

- 19.1 Meetings of the Board may be called at any time, either by one or more members of the Board or, on his or their instructions, by a Secretary.
- 19.2 The Secretaries may attend the meetings of the Board. The Board may decide to permit others to attend a meeting as well.
- 19.3 With due observance of these Articles of Association, the Board may adopt one or more sets of Board regulations dealing with such matters as its internal organisation, the manner in which decisions are taken, the composition, the duties and organisation of committees and any other matters concerning the Board, the Chief Executive Officer (if appointed), the Executive Directors and the committees established by the Board.
- 19.4 Regulations dealing with matters concerning General Meetings will be placed on the Company's website.

**Article 20. Representation.**

- 20.1 The Board shall represent the Company. The authority to represent the Company is also vested in the Chief Executive Officer (if appointed) as well as in two other Executive Directors when acting jointly.
- 20.2 The Non-Executive Directors have no power to represent the Company.
- 20.3 The Board may appoint officers with general or limited power to represent the Company. Each officer shall be competent to represent the Company, subject to the restrictions imposed on him. The Board shall determine each officer's title.
- 20.4 In the event of a conflict of interest between the Company and a member of the Board, the provisions of Article 20.1 hereof shall continue to apply unimpaired, provided that as long as Section 2:146 of the Dutch Civil Code grants this authority, the Shareholders' Body shall be authorized to appoint one or more other persons to represent the Company in the case at hand or in general in the event of such a conflict.
- 20.5 A document which persons, solely or jointly empowered to represent the Company in pursuance of Article 20.1 hereof, have signed as a certified true copy of or extract from the minutes of a General Meeting, of a meeting of holders of a class of shares or of a meeting of the Board shall as between the Company and third parties be proof of a valid resolution by such meetings in accordance with the contents of such copy or extract.

**Article 21. Vacancy or Inability to Act.**

If a seat on Board is vacant (*ontstentenis*) or a member of the Board is unable to perform his duties (*belet*), the remaining members or the remaining member of the Board shall be temporarily entrusted with the management of the Company. If all seats on the Board are vacant or all members of the Board or the sole member of the Board, as the case may be, are unable to perform their duties, the management of the Company shall be temporarily entrusted to one or more other persons.

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**Article 22. Secretaries.**

- 22.1 The Board may appoint one or more Secretaries from outside its members.
- 22.2 A Secretary shall have such powers as are assigned to him by these Articles of Association and, subject to these Articles of Association, by the Board on or after his appointment.
- 22.3 A Secretary may be removed from office at any time by the Board.

**Article 23. Remuneration of Board Members.**

- 23.1 The Company shall have a policy in respect of the remuneration of the Board. The policy shall be proposed by the Board and adopted by the General Meeting. The remuneration policy shall at least include the subjects referred to in Sections 2:383c through 2:383e of the Dutch Civil Code, to the extent they relate to the Board. The remuneration policy shall be presented to the works council (if any) for examination as referred to in Section 2:135 subsection 2 of the Dutch Civil Code, which shall be done in writing and simultaneously with the presentation to the General Meeting.
- 23.2 The remuneration of the Executive Directors shall be determined by the Board, with due observance to the policy referred to in Article 23.1.
- 23.3 Each of the Non-Executive Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all fees so paid per annum to Non-Executive Directors shall not exceed the amount per annum decided by the General Meeting.
- 23.4 With regard to Share plans or rights to subscribe for Shares, the Board shall submit a proposal to the General Meeting for approval. Such proposal shall at least determine the number of Shares or rights to subscribe for Shares that may be awarded to the Board and what criteria apply to any award or change.

**Article 24. Committees.**

- 24.1 The Board may establish such permanent and/or ad hoc committees as it may deem necessary which committees may consist of one or more members of the Board or of other persons. The Board appoints the members of each committee and determines the tasks of each committee. The Board may at any time change the duties and the composition of each committee.
- 24.2 The Board shall in any case appoint from its members an audit committee, a compensation committee and a governance and nominating committee. The task of the committees is to prepare the decision-taking of the Board. The Board shall formulate regulations for each committee, indicating the task and responsibility of the committee concerned, its composition and in what manner the committee will exercise its task.

**CHAPTER 8. INDEMNIFICATION.****Article 25. Indemnification. Limited liability**

- 25.1 The Company shall, 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), indemnify any person who is or was (i) a director, (ii) appointed to the executive team or management team, designated by title as "officers" of the Company and/or appointed as a proxyholder (*procuratiehouder*), (iii) an employee or agent of the Company or a Group Company, or (iv) otherwise serving at the request of the Company as a member of the Board, executives or
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managers, proxyholder, officer, employee, trustee or agent of another Company, a partnership, joint venture, trust or other enterprise or entity (it being understood that any person serving in such capacity for any direct or indirect subsidiary of the Company shall be conclusively presumed to be serving at the request of the Company), and who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was a managing director or supervisory director or proxyholder, officer, employee or agent of the Company or a Group Company, or is or was serving at the request of the Company as an Executive Director, or as a Non-Executive Director or proxyholder, officer, employee, trustee or agent of another company, a partnership, joint venture, trust or other enterprise or entity, including with respect to employee benefit plans maintained or sponsored by the Company or for the benefit of its or any of its Group Companies' employees or consultants (each an "**Indemnitee**"), against any and all liabilities including all expenses (including, without limitation, attorneys' fees, any expenses resulting from an appeal and any taxes imposed as a result of any indemnification payments), judgements, penalties, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful or outside of his mandate.

The termination of any action, suit or proceeding by a judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, in and of itself, adversely affect the right of indemnification or create a presumption that the person did not act in good faith and not in a manner which he reasonably could believe to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

25.2 No indemnification pursuant to Article 25.1 shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for gross negligence or wilful misconduct in the performance of his duty to the Company, unless and only to the extent that the court in which such action or proceeding was brought or any other court having appropriate jurisdiction shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnification against such expenses which the court in which such action or proceeding was brought or such other court having appropriate jurisdiction shall deem proper.

25.3 Expenses (including, without limitation, attorneys' fees, any expenses resulting from an appeal and any taxes imposed as a result of any indemnification payments) incurred by an Indemnitee in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of an Indemnitee to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Company as authorized in this Article.

Such expenses incurred by Indemnitees may be so advanced upon such terms and conditions as the Board decides.

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25.4 The indemnification provided for by this Article shall not be deemed exclusive of any other right to which a person seeking indemnification or advancement of expenses may be entitled under the laws of the Netherlands as from time to time amended or under any by-laws, agreement, resolution of the General Meeting or of the disinterested members of the Board or otherwise, both as to actions in his official capacity and as to actions in another capacity while holding such position, and shall continue as to a person who has ceased to be a director or proxyholder, officer, employee, trustee or agent and shall also inure to the benefit of the heirs, executors, administrators and the estate of such a person.

The Company may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the advancement of expenses to any Indemnitee to the fullest extent permitted by applicable law with respect to the indemnification and advancement of expenses of Indemnitees.

25.5 The Company may purchase and maintain insurance on behalf of any Indemnitee, whether or not the Company would have the power to indemnify him against such liability under the provisions of this Article.

25.6 Whenever in this Article reference is made to the Company, this shall include, in addition to the resulting or surviving Company also any constituent Company (including any constituent Company of a constituent Company) absorbed in a consolidation or merger which, if its separate existence had continued, would have had the power to indemnify its members of the Board, proxyholders, officers, employees and agents, so that any person who is or was a member of the Board, proxyholder, officer, employee or agent of such constituent company, or is or was serving at the request of such constituent Company as a member of the Board, proxyholder, officer, employee, trustee or agent of another company, partnership, joint venture, trust or other entity, shall stand in the same position under the provisions of this Article with respect to the resulting or surviving company as he would have with respect to such constituent company if its separate existence had continued.

25.7 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), no person shall be personally liable to the Company or its shareholders for monetary damages for breach of fiduciary duty as a member of the Board, provided, however that to the extent required by applicable law, the foregoing shall not eliminate or limit the liability of a member of the Board (1) for any breach of such individual's duty of loyalty to the Company or its shareholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) for any transaction from which the member of the Board derived an improper personal benefit or (4) for personal liability which is imposed by Dutch law, as from time to time amended.

25.8 No amendment, repeal or modification of this Article shall adversely affect any right or protection of any person entitled to indemnification or advancement of expenses under this Article in respect of any action taken or omitted prior to such amendment, repeal or modification. To the extent that a change in the laws of the Netherlands, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under this Article, the Company shall provide the greater benefits so afforded by such change. In the event of any changes in any applicable law, statute, or rule which narrow the right of the Company to provide

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indemnification, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Article, shall have no effect on this Article or the Company's obligations hereunder.

## **CHAPTER 9. GENERAL MEETINGS**

### **Article 26. Annual General Meeting. Extraordinary General Meetings.**

- 26.1 Annually, at the latest in the month June, a General Meeting shall be held at which inter alia the following matters shall be dealt with:
- (a) the annual report;
  - (b) adoption of the annual accounts;
  - (c) release of the members of the Board from liability;
  - (d) reservations and dividend policy;
  - (e) distribution of dividend;
  - (f) announcements on intended appointments of members of the Board;
  - (g) any other proposals brought up for discussion by the Board such as proposals to designate a body authorised to issue Shares and to authorise the Board to procure the Company's acquisition of Shares in its own capital;
  - (h) any topics proposed by Shareholders or Holders of Depositary Receipts with due observance to the provisions in the Articles of Association.
- 26.2 Extraordinary General Meetings shall be held whenever the Board deems such meetings to be necessary and convenes them.
- 26.3 Within three months of it becoming apparent to the Board that the equity of the Company has decreased to an amount equal to or lower than half of the paid-up and called-up part of the capital, a General Meeting shall be held to discuss any requisite measures.

### **Article 27. Convocation.**

- 27.1 Shareholders and Holders of Depositary Receipts are sent a convening notice for the General Meeting by the Board.
- 27.2 The convening notice shall be sent with due observance to the terms prescribed by the provisions of law.
- 27.3 The convening notice shall specify (a) the topics to be discussed, (b) the location and the time of the meeting, (c) the procedure for attending a General Meeting by a written attorney, (d) the procedure for attending General Meetings, including the provisions of Article 31.8, and the exercise of voting rights by any means of electronic communication in the event this right can be exercised pursuant to Article 31.6, and if relevant conditions determined for the use of electronic communication means, as well as (e) the address of the web site.
- No valid resolutions can be made with regard to topics in respect of which the provisions in this Article 27.3 above have not been met and the discussion of which has not yet been announced in a similar manner and with due observance to the period set for convening.
- 27.4 Items, for which a written request for discussion has been filed with the Board, by one or more Shareholders and/or Holders of Depositary Receipts, who represent, alone or jointly, the threshold as referred to by law, will be included in the convening notice or will be announced in the same manner, provided that the Board has received the request accompanied with the reasons therefore in writing or the proposal for a
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resolution, no later than on the sixtieth day prior to that of the meeting and provided that no important interests of the Company dictate otherwise.

- 27.5 A Shareholder and/or Holder of Depositary Receipts shall exercise the right of filing a written request with the Board as referred to in Article 27.4 only after he consulted the Board about this. If one or more Shareholders and/or Holder of Depositary Receipts intend to request that an item be put on the agenda that may result in a change in the Company's strategy, for example through the dismissal of one or more Board members, the Board shall be given the opportunity to stipulate a reasonable period in which to respond (**Response Time**). This shall also apply to an intention as referred to above for judicial leave to call a General Meeting pursuant to Section 2:110 of the Dutch Civil Code.
- 27.6 If the Board invokes a Response Time, such period may not exceed one hundred eighty (180) days from the moment the Board is informed by one or more Shareholders and/or Holders of Depositary Receipts of their intention to put an item on the agenda to the day of the General Meeting at which the item is to be dealt with. The Board shall use the Response Time for further deliberation and constructive consultation. The Response Time may be invoked only once for any given General Meeting and may not apply to an item in respect of which the Response Time has been previously invoked or meetings where a Shareholder holds at least three quarters of the issued capital as a consequence of a successful public bid. The Shareholder and/or Holder of Depositary Receipts shall respect the Response Time stipulated by the Board.
- 27.7 If a Shareholder and/or Holder of Depositary Receipts has arranged for an item to be put on the agenda, he shall explain this at the General Meeting and, if necessary, answer questions about it, unless he is not entitled to participate in the meeting pursuant to Article 27.9.
- 27.8 At the time one or more Shareholders and/or Holders of Depositary Receipts file a written request with the Board as referred to in Article 27.4, each Shareholder shall be required to notify the Company in writing whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares) has been made, the effect or intent of which is to mitigate loss to or manage risk or benefit of share price changes for, or to increase or decrease the voting power of, such Shareholder or any Shareholder Associated Person of such Shareholder with respect to any Ordinary Share.
- 27.9 If the Company becomes aware that a Shareholder has failed to comply with any obligation imposed by Article 27.8, the Company may demand, by means of a written notice, that the Shareholder complies with such obligation within a reasonable period of at most fourteen (14) days after the date of said notice as stipulated by the Company in such notice. For as long as the Shareholder has not complied with this obligation following said notice, such Shareholder shall not be entitled to exercise the voting rights or profit rights attached to his Shares, nor the right to participate in a General Meeting.
- 27.10 Without prejudice to Article 1.2, for the purpose of Article 27.9 the reference to "written" also includes the posting of a notice on the Company's website to the relevant Shareholder, also if the address of the relevant Shareholder is known to the Company.
- 27.11 All announcements for General Meetings, all notifications concerning dividend and other payments and all other communications to
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Shareholders and Holders of Depositary Receipts shall take place by a notice made by electronic means, which shall be accessible directly and permanently up until the meeting, without prejudice to the provisions of Section 2:96a subsection 4 of the Dutch Civil Code.

**Article 28. Venue.**

The General Meetings shall be held in Almelo, Amsterdam, Enschede, Haarlemmermeer (Amsterdam Schiphol Airport), Rotterdam or in Utrecht.

**Article 29. Chairmanship of a Meeting.**

- 29.1 The General Meeting shall be presided over by the chairman of the Board who, however, even if present at the meeting, may appoint someone else to chair the meeting instead.
- 29.2 Without the chairman of the Board having appointed someone else to chair the meeting in his absence, the Board members present will appoint one of their members as chairman. In the absence of all Board members, the meeting itself shall appoint its chairman. The chairman shall appoint the secretary.

**Article 30. Minutes.**

- 30.1 Minutes of the meeting shall be taken, unless a notarial record is made of the proceedings at the meeting. The (draft) minutes shall be provided upon request to those present at the meeting no later than three months after the meeting, after which they have three month's time to respond to the report. Minutes shall be adopted, as is evidenced by the signatures of the chairman and the secretary of that meeting or adopted by a subsequent meeting. In the latter case, the adoption shall be evidenced by the signatures of the chairman and secretary of that subsequent meeting.

Based on the attendance list referred to in Article 31.3, the notarial record or minutes shall state the number of Shares represented in the meeting and the number of potential votes; the attendance list referred to in Article 31.3 is not part of the notarial record nor the minutes and will not be disclosed to the Shareholders or Holders of Depositary Receipts unless a Shareholder or a Holder of Depositary Receipts can prove that in viewing the list, he has a reasonable interest in the correct proceeding of the meeting in question.

After execution of the notarial deed of proceedings at the meeting or after adoption of the minutes by the chairman and the secretary of that meeting, copies of the notarial record or the minutes shall be available for inspection by the Shareholders and Holders of Depositary Receipts at the offices of the Company.

- 30.2 The chairman of the meeting or every member of the Board can, at any time, order the preparation of a notarial record at the Company's expense.
- 30.3 All matters concerning admission to the General Meeting, exercising the voting rights and the results of the votes, as well as all other matters related to the meeting proceedings are decided by the chairman of the meeting in question, without prejudice to the provisions in Section 2:13 subsection 4 of the Dutch Civil Code.
- 30.4 The chairman of the meeting in question is authorised to admit persons to the meeting other than Shareholders, Holders of Depositary Receipts and their representatives.
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**Article 31. Rights at Meetings.**

- 31.1 Each Shareholder entitled to vote and each usufructuary and pledgee to whom the right to vote accrues, shall be authorised to attend the General Meeting, to address the meeting and to exercise his voting right. Each Shareholder who is not entitled to vote and each Holder of Depositary Receipts is authorised to attend the General Meeting and to address the meeting, but not to vote. Furthermore, the Auditors as referred to in Article 36 are authorised to attend the General Meeting and to address the meeting.
- 31.2 Those entitled to attend the meeting may be represented at a meeting by a proxy authorised in writing.
- 31.3 Before being admitted to a meeting, a Shareholder, a Holder of Depositary Receipts or his proxy must sign an attendance list, stating his name and the number of votes he may cast, if any. If it concerns the proxy of a Shareholder or a Holder of Depositary Receipts, the name (names) of the person(s) on behalf of whom the proxy is acting shall also be given. The names of the persons who, pursuant to Article 31.6, participate in the meeting or have voted in the manner referred to in Article 32.3 shall be added to the attendance list.
- 31.4 Holders of Ordinary Shares must inform the Board in writing of their intention to attend the meeting. This information must be received by the Board at the latest on the date to be announced in the convening notice. Also a proxy granted pursuant to Article 31.3 must be received at the latest on the date to be announced in the convening notice. This date can be no earlier than the seventh day before the date of the meeting.
- 31.5 The Board decides, with due observation of the provisions of the law to schedule a record date for a General Meeting for purposes of determining which Shareholders are entitled to attend the General Meeting. The voting rights and the right to attend the meeting shall accrue to those holding such entitlements, and registered as such in a register designated for that purpose by the Board, on this record date, irrespective of to whom these rights accrue at the time of the General Meeting.
- The record date scheduled shall be specified in the notice of the meeting together with the manner in which persons with voting rights and the right to attend the meeting can register and exercise their rights. The provisions of Articles 31.1 and 31.2 shall apply by analogy.
- 31.6 The Board may decide that the right to attend the meeting referred to in Article 31.1 can be exercised by using any electronic means of communication. To do so, it must always be possible that the person entitled to attend the meeting can be identified through the electronic means of communication, that he must be able to directly follow the discussions at the meeting and that he can exercise his right to vote, if he is entitled to do so. Moreover, the Board may also decide that the person entitled to attend the meeting can participate in the discussion via the electronic means of communication.
- 31.7 The Board may give further requirements with respect to the use of the electronic means of communication as referred to in Article 31.6. These requirements shall be announced in the convening notice.
- 31.8 The convening notice will state the requirements for admission to the meeting as described above in this Article 31.
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**Article 32. Voting Rights.**

- 32.1 In the General Meeting, each Share confers the right to cast one (1) vote.
- 32.2 Blank votes and invalid votes are deemed not to have been cast.
- 32.3 The Board may, in the event that it makes use of the authority referred to in Article 31.6, decide that votes that are cast before the General Meeting via electronic means of communication are the equivalent of votes that are cast during the meeting. These votes cannot be cast before the record date announced in the convening notice as referred to in Article 31.5. Without prejudice to the other provisions in Article 31, the convening notice announces the manner in which those entitled to vote and attend the meeting can exercise their rights prior to the meeting.

**Article 33. Voting.**

- 33.1 Resolutions shall be passed by an absolute majority of the votes cast, unless the law or these Articles of Association explicitly prescribe a larger majority.
- 33.2 The chairman shall determine the method of voting, it being understood that, if any of the persons entitled to vote so desires, voting on appointing, suspending and dismissing persons will be done electronically, or if an electronic system is lacking, by sealed, unsigned ballot.
- 33.3 If a majority of the votes cast is not obtained in an election of a person, a second free vote shall be taken.
- 33.4 If again no absolute majority of the votes cast is reached, another vote shall be held to decide between the two persons who received the most votes in the second free vote.  
 If two or more persons have received the same number of votes and therefore more than two persons are eligible for the revote, an interim vote shall be held between the person who received the highest number of votes in the second free vote - and did so after the person who received the highest number of votes - and the person who received the second-highest number of votes.  
 Should an interim vote or revote fail to lead to a decision because of a tie in voting, then no decision shall be taken.
- 33.5 In the event of a tie in voting on topics other than the election of persons, the proposal shall be rejected.
- 33.6 The members of the Board have as such an advisory role in the General Meeting.
- 33.7 Resolutions may also be passed in writing without holding a meeting, provided they are adopted by the unanimous vote of all relevant Shareholders entitled to vote.

**CHAPTER 10. MEETINGS OF HOLDERS OF PREFERENCE SHARES****Article 34. Meetings of holders of Preference Shares.**

- 34.1 Meetings of holders of Preference Shares shall be held whenever a resolution of a meeting of holders of Preference Shares should be necessary according to these Articles of Association.
- 34.2 The Articles 28 through 33 shall apply by analogy to the resolutions of the meetings of holders of Preference Shares, provided that the meeting itself provide for its chairmanship.
- 34.3 In deviation of the provisions of Article 27.5 notices of meetings of holders of Preference Shares may be sent to the addresses of the Shareholders concerned shown in the register of Shareholders. However, if a Shareholder has provided the Company with another address for the
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purpose of receiving such notice, the notice may alternatively be sent to such other address.

- 34.4 Holders of Preference Shares may adopt resolutions of the Meetings of Preference Shares in writing without holding a meeting, provided they are adopted by the unanimous vote of all relevant Shareholders entitled to vote.

#### **CHAPTER 11. FINANCIAL YEAR AND ANNUAL ACCOUNTS.**

##### **Article 35. Financial Year and Annual Accounts.**

- 35.1 The Company's financial year shall coincide with the calendar year.
- 35.2 Annually, within four months after the end of the financial year, the Board shall prepare annual accounts.
- 35.3 The annual accounts shall be signed by the members of the Board, if the signature of one or more of them is missing, this shall be stated and reasons of this omission shall be given.
- 35.4 The annual accounts and the annual report shall furthermore be subject to the provisions of Book 2, Title 9 of the Dutch Civil Code.
- 35.5 The Company shall ensure that the annual accounts, the annual report and other information to be added pursuant to Section 2:392 subsection 1 of the Dutch Civil Code and by virtue of the law are present at the offices of the Company, as from the day the General Meeting is convened until the day of the General Meeting in which they will be discussed.
- The Shareholders and Holders of Depositary Receipts may inspect those documents there and obtain a copy free of charge.
- 35.6 At the General Meeting at which it is resolved to adopt the annual accounts, a proposal concerning release of the members of the Board from liability for the management pursued, insofar as the exercise of their duties is reflected in the annual accounts or otherwise disclosed to the General Meeting prior to the adoption of the annual accounts, shall be brought up separately for discussion.

##### **Article 36. Auditor.**

- 36.1 The General Meeting or, if it fails to do so, the Board, shall instruct an Auditor to audit the annual accounts drawn up by the Board in accordance with the provisions of Section 2:393 subsection 3 of the Dutch Civil Code.
- 36.2 The Auditor shall report to the Board with regard to his audit and present the result of his audit in an opinion.
- The General Meeting and the party that granted the assignment to an Auditor can withdraw the assignment at any time. The provisions of Section 2:393 subsection 2 of the Dutch Civil Code shall also apply to the withdrawal of an assignment to an Auditor.
- 36.3 The Board may grant assignments to the Auditor referred to in Article 36.1 or another Auditor at the Company's expense.

##### **Article 37. Profit and Distributions.**

- 37.1 From the profit as shown in the profit and loss account for the most recently ended financial year, at first a distribution shall be made, where possible, on the Preference Shares of a percentage equal to the average one monthly EURIBOR (EURO Interbank Offered Rate) - weighted to reflect the number of days for which the payment is made - plus a premium, to be determined by the Board, of at least one percentage point and at most four percentage points, depending on the prevailing market conditions. The
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dividend shall be calculated over the proportionate period of time if the relevant Preference Shares were issued in the course of the financial year.

If and insofar as the profit is not sufficient to fully make the aforementioned distribution, the deficit shall be distributed to the charge of the freely distributable reserves.

The dividend on the Preference Shares shall be calculated on the paid up part of the nominal amount. No further distributions shall be made on the Preference Shares than provisioned in this Article 37 and in Article 40.

- 37.2 Out of the profit that has not been distributed in accordance with the provisions of the Article 37.1, such reservations will be made as the Board will determine.
- 37.3 The profit that remains after application of the Articles 37.1 and 37.2 shall be at the disposal of the General Meeting provided that no further distributions will be made on the Preference Shares.
- 37.4 Profit will be distributed after adoption of the annual accounts from which it appears that it is permitted.
- 37.5 The Board may resolve to distribute an interim dividend on Ordinary Shares and/or Preference Shares.
- 37.6 The General Meeting may, but only pursuant to a proposal of the Board, resolve to distribute at the expense of a distributable reserve.
- 37.7 Distributions on Shares may only occur to a maximum of the amount of the Distributable Equity and, if an interim distribution is concerned, this requirement is met as appears from an interim statement of assets and liabilities as referred to in Section 2:105 subsection 4 of the Dutch Civil Code. The Company shall file the statement of assets and liabilities at the office of the Commercial Register within eight days after the day the distribution is divulged.
- 37.8 The General Meeting may, but only pursuant to a proposal of the Board, resolve that a distribution on Ordinary Shares shall take place, in whole or in part, not in money but in Shares in the Company.

**Article 38. Release for Payment. Entitlement.**

- 38.1 Dividends and other distributions shall be made payable within four weeks after adoption, unless the General Meeting determines another date at the proposal of the Board. Different payment release dates may be designated for the Ordinary Shares and the Preference Shares.
- 38.2 A claim of a Shareholder for payment of a distribution shall be barred after five years have elapsed after the day of payment.

**CHAPTER 12. AMENDMENT OF THE ARTICLES OF ASSOCIATION. MERGER. DEMERGER. DISSOLUTION.**

**Article 39. Amendment of the Articles of Association. Merger. Demerger and Dissolution.**

- 39.1 A resolution to amend the Articles of Association, to merge or to demerge within the meaning of Title 7, Book 2 of the Dutch Civil Code or to dissolve the Company can only be passed by the General Meeting on proposal of the Board.
  - 39.2 When a proposal to amend the Articles of Association or to dissolve the Company is to be made to the General Meeting, the notice convening the General Meeting must state so and, at the same time, if it concerns an amendment of the Articles of Association, a copy of the proposal including the verbatim text thereof, shall be deposited and kept available at the Company's office, for inspection by the Shareholders and holders of a
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usufruct or pledge with voting rights for their inspection and free of charge, until the conclusion of the meeting.

**Article 40. Liquidation.**

- 40.1 In case of dissolution of the Company by virtue of a resolution of the General Meeting, the Board will be charged with the liquidation of the Company's affairs without prejudice to the provisions of Section 2:23 subsection 2 of the Dutch Civil Code.
- 40.2 During the liquidation process the provisions of the Articles of Association shall as far as possible remain in force.
- 40.3 From the balance of the Company's assets after payment of all debts and the costs of the liquidation shall be distributed first, to the extent possible, to the holders of Preference Shares, the amount paid on their Preference Shares, increased with a percentage equal to the percentage referred to in Article 36.1, calculated over each year or part of a year of the period commencing on the first day following the period over which the last dividend on the Preference Shares was paid and ending on the day of the distribution on Preference Shares referred to in this Article.
- Whatever then remains shall be distributed to the holders of Ordinary Shares. All distributions shall be made in proportion to the number of Shares of the class concerned held by the Shareholders.
- 40.4 The liquidators are authorised, if the statement of assets indicates there is reason to do so, to make distributions in advance.
- 40.5 After liquidation, the Company's books and documents shall remain in the possession of the person designated for this purpose by the General Meeting for the period prescribed by law.

**Article 41. Transitory Provision.**

The provision of Article 4.1 of these Articles of Association shall only come into effect if and as soon as the Commercial Register has been notified of an issuance of new Ordinary Shares pursuant to a resolution to that effect of such number of Ordinary Shares that the entire issued and outstanding Share capital of the Company shall be at least one million six hundred thousand euro (EUR 1,600,000) under the condition precedent that the Commercial Register is notified of such issuance.

Until such notification takes place, Article 4.1 of these Articles of Association shall read as follows:

- "4.1 The authorised capital amounts to seven million euro (EUR 7,000,000), divided into:
- (a) three hundred fifty million (350,000,000) Ordinary Shares of one euro cent (EUR 0.01) each; and
  - (b) three hundred fifty million (350,000,000) Preference Shares of one euro cent (EUR 0.01) each."

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**Certification**

I, Martha Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sensata Technologies Holding N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2016

/s/ Martha Sullivan

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Martha Sullivan  
President and Chief Executive Officer

**Certification**

I, Paul Vasington, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sensata Technologies Holding N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2016

/s/ Paul Vasington

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**Paul Vasington**  
Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Sensata Technologies Holding N.V. (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned chief executive officer and chief financial officer of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Martha Sullivan

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Martha Sullivan  
President and Chief Executive Officer

Date: July 26, 2016

/s/ Paul Vasington

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Paul Vasington  
Executive Vice President and Chief Financial Officer

Date: July 26, 2016

