Sensata Technologies Holding N.V.
Form 10-Q
July 25, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-34652

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

THE NETHERLANDS (State or other jurisdiction of incorporation or organization)	98-0641254 (I.R.S. Employer Identification No.)
Jan Tinbergenstraat 80, 7559 SP Hengelo The Netherlands	31-74-357-8000
(Address of Principal Executive Offices, including Zip Code)	(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
As of July 14, 2017, 171,230,503 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, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$511,484	$351,428
Accounts receivable, net of allowances of $12,447 and $11,811 as of June 30, 2017 and December 31, 2016, respectively	565,636	500,211
Inventories	411,351	389,844
Prepaid expenses and other current assets	99,738	100,002
Total current assets	1,588,209	1,341,485
Property, plant and equipment, net	726,403	724,046
Goodwill	3,005,464	3,005,464
Other intangible assets, net of accumulated amortization of $1,687,327 and $1,607,269 as of June 30, 2017 and December 31, 2016, respectively	997,823	1,075,431
Deferred income tax assets	24,416	20,695
Other assets	75,306	73,855
Total assets	$6,417,621	$6,240,976
Liabilities and shareholders’ equity		
Current liabilities:		
Current portion of long-term debt, capital lease and other financing obligations	$10,704	$14,643
Accounts payable	329,404	299,198
Income taxes payable	25,112	23,889
Accrued expenses and other current liabilities	235,388	245,566
Total current liabilities	600,608	583,296
Deferred income tax liabilities	401,720	392,628
Pension and other post-retirement benefit obligations	35,591	34,878
Capital lease and other financing obligations, less current portion	30,929	32,369
Long-term debt, net	3,225,325	3,226,582
Other long-term liabilities	29,834	29,216
Total liabilities	4,324,007	4,298,969
Commitments and contingencies (Note 10)		
Shareholders’ equity:		
Ordinary shares, €0.01 nominal value per share, 400,000 shares authorized; 178,437 shares issued	2,289	2,289
Treasury shares, at cost, 7,286 and 7,557 shares as of June 30, 2017 and December 31, 2016, respectively	(296,461)	(306,505)
Additional paid-in capital	1,653,460	1,643,449
Retained earnings	778,214	636,841
Accumulated other comprehensive loss	(43,888)	(34,067)
Total shareholders’ equity	2,093,614	1,942,007
Total liabilities and shareholders’ equity	$6,417,621	$6,240,976

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

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

	For the three months ended		For the six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net revenue	$ 839,874	$ 827,545	$ 1,647,145	$ 1,624,094
Operating costs and expenses:				
Cost of revenue	541,032	537,441	1,073,758	1,065,819
Research and development	31,216	32,288	63,030	63,639
Selling, general and administrative	81,010	77,660	151,284	149,591
Amortization of intangible assets	41,003	50,563	81,261	101,010
Restructuring and special charges	6,389	1,475	17,439	2,330
Total operating costs and expenses	700,650	699,427	1,386,772	1,382,389
Profit from operations	139,224	128,118	260,373	241,705
Interest expense, net	(40,038)	(41,757)	(80,315)	(84,025)
Other, net	(1,118)	130	4,078	5,618
Income before taxes	98,068	86,491	184,136	163,298
Provision for income taxes	18,611	20,981	32,943	37,176
Net income	$ 79,457	$ 65,510	$ 151,193	$ 126,122
Basic net income per share:	$ 0.46	$ 0.38	$ 0.88	$ 0.74
Diluted net income per share:	$ 0.46	$ 0.38	$ 0.88	$ 0.74

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

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

	For the three months ended		For the six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net income	$ 79,457	$ 65,510	$151,193	$126,122
Other comprehensive (loss)/income, net of tax:				
Deferred (loss)/gain on derivative instruments, net of reclassifications	(11,168)	178	(11,036)	(16,525)
Defined benefit and retiree healthcare plans	735	59	1,215	267
Other comprehensive (loss)/income	(10,433)	237	(9,821)	(16,258)
Comprehensive income	$ 69,024	$ 65,747	$141,372	$109,864

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

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

	For the six months ended June 30, 2017	June 30, 2016
Cash flows from operating activities:		
Net income	$ 151,193	$ 126,122
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	54,802	51,345
Amortization of deferred financing costs and original issue discounts	3,693	3,678
Gain on sale of assets	(1,180)	—
Share-based compensation	10,009	8,522
Amortization of inventory step-up to fair value	—	2,319
Amortization of intangible assets	81,261	101,010
Deferred income taxes	9,004	15,599
Unrealized loss/(gain) on hedges and other non-cash items	8,229	(2,043)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(65,425)	(68,290)
Inventories	(22,341)	6,224
Prepaid expenses and other current assets	(18,469)	(9,941)
Accounts payable and accrued expenses	27,120	18,994
Income taxes payable	1,223	(4,790)
Other	(5,270)	(2,118)
Net cash provided by operating activities	233,849	246,631
Cash flows from investing activities:		
Acquisition of CST, net of cash received	—	4,688

Additions to property, plant and equipment and capitalized software	(67,192		)	(64,466		)
Investment in equity securities	—			(50,000		)
Proceeds from the sale of assets	7,151			650		
Other	(1,500		)	—		
Net cash used in investing activities	(61,541		)	(109,128		)
Cash flows from financing activities:						
Proceeds from exercise of stock options and issuance of ordinary shares	2,947			3,067		
Payments on debt	(12,341		)	(168,679		)
Payments to repurchase ordinary shares	(2,721		)	(4,516		)
Payments of debt issuance costs	(137		)	(518		)
Net cash used in financing activities	(12,252		)	(170,646		)
Net change in cash and cash equivalents	160,056			(33,143		)
Cash and cash equivalents, beginning of period	351,428			342,263		
Cash and cash equivalents, end of period	$	511,484		$	309,120	

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

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

1. Business Description and Basis of Presentation

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 N.V.") and its wholly-owned subsidiaries, collectively referred to as the "Company," "Sensata," "we," "our," or "us." Sensata Technologies N.V. is incorporated under the laws of the Netherlands and conducts its operations through subsidiary companies that operate business and product development centers primarily in the United States (the "U.S."), the Netherlands, Belgium, China, Germany, Japan, South Korea, and the United Kingdom (the "U.K."); and manufacturing operations primarily in China, Malaysia, Mexico, Bulgaria, Poland, France, Germany, the U.K., and the U.S. We organize our operations into two businesses, Performance Sensing and Sensing Solutions.

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 the instructions to Form 10-Q. Accordingly, these interim financial statements 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, 2017 are not necessarily indicative of the results to be expected for the full year, nor were those of the comparable periods in 2016 necessarily representative of those actually experienced for the full year 2016. 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, 2016.

All intercompany balances and transactions have been eliminated.

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

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

2. New Accounting Standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which creates one Accounting Standards Codification ("ASC") Topic (FASB ASC 606, Revenue from Contracts with Customers) that replaces the current guidance found in FASB ASC 605, Revenue Recognition, and various other revenue accounting standards for specialized transactions and industries. FASB ASU No. 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. FASB ASU No. 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 FASB ASU No. 2014-09 by one year. FASB ASU No. 2014-09 is now effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. We have developed an implementation plan to adopt this new guidance. As part of this plan, we are currently assessing the impact of the new guidance on our financial position and results of operations. Based on our procedures performed to date, nothing has come to our attention that would indicate that the adoption of FASB

ASU No. 2014-09 will have a material impact on our financial position or results of operations. However, we will continue to evaluate this assessment in 2017. In addition, the adoption of FASB ASU No. 2014-09 requires new disclosures related to revenue recognition, which we are continuing to

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evaluate. We intend to adopt FASB ASU No. 2014-09 on January 1, 2018. We expect to utilize the modified retrospective transition method.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which establishes new accounting and disclosure requirements for leases. FASB ASU No. 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. At December 31, 2016, we were contractually obligated to make future payments of $69.8 million under our operating lease obligations in existence as of that date, primarily related to long-term facility leases. While we are in the early stages of our implementation process for FASB ASU No. 2016-02, and have not yet determined its impact on our consolidated financial statements, these leases would potentially be required to be presented on the balance sheet in accordance with the requirements of FASB ASU No. 2016-02. FASB ASU No. 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. FASB ASU No. 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.

3. Inventories

The components of inventories as of June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017	December 31, 2016
Finished goods	$167,829	$ 169,304
Work-in-process	87,186	74,810
Raw materials	156,336	145,730
Inventories	$411,351	$ 389,844

4. Shareholders' Equity

Treasury Shares

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. The cost of reissued shares is determined using the first-in, first-out method. During the six months ended June 30, 2017 we reissued 0.3 million treasury shares, and as a result, we recognized a reduction in Retained earnings of $9.8 million.

Accumulated Other Comprehensive Loss

The following is a roll forward of the components of Accumulated other comprehensive loss for the six months ended June 30, 2017:

	Cash Flow Hedges	Defined Benefit and Retiree Healthcare Plans	Accumulated Other Comprehensive Loss
Balance as of December 31, 2016	$23	$(34,090)	$ (34,067)
Other comprehensive loss before reclassifications, net of tax	(13,773)	—	(13,773)
Amounts reclassified from accumulated other comprehensive loss, net of tax	2,737	1,215	3,952
Net current period other comprehensive (loss)/income	(11,036)	1,215	(9,821)
Balance as of June 30, 2017	$(11,013)	$(32,875)	$ (43,888)

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The details of the amounts reclassified from Accumulated other comprehensive loss for the three and six months ended June 30, 2017 and 2016 are as follows:

Component	Amount of (Gain)/Loss Reclassified from Accumulated Other Comprehensive Loss — For the three months ended June 30, 2017	June 30, 2016	For the six months ended June 30, 2017	June 30, 2016	Affected Line in Condensed Consolidated Statements of Operations
Derivative instruments designated and qualifying as cash flow hedges					
Foreign currency forward contracts	$(2,368)	$(3,838)	$(7,753)	$(12,304)	Net revenue [1]
Foreign currency forward contracts	4,835	5,390	11,403	10,023	Cost of revenue [1]
Total, before taxes	2,467	1,552	3,650	(2,281)	Income before taxes
Income tax effect	(618)	(389)	(913)	569	Provision for income taxes
Total, net of taxes	$1,849	$1,163	$2,737	$(1,712)	Net income
Defined benefit and retiree healthcare plans	$758	$70	$1,260	$329	Various [2]
Income tax effect	(23)	(11)	(45)	(62)	Provision for income taxes
Total, net of taxes	$735	$59	$1,215	$267	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, and Selling, general and administrative ("SG&A") expense line items 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

Restructuring and special charges for the three and six months ended June 30, 2017 were $6.4 million and $17.4 million, respectively, which related primarily to the closing of our facility in Minden, Germany that was part of the acquisition of CST, a limited number of other line moves and exit activities, and the termination of a limited number of employees. Charges related to the closing of our facility in Minden, Germany for the three and six months ended June 30, 2017 consisted of (i) severance charges of $2.6 million and $8.4 million, respectively and (ii) facility exit costs of $0.8 million and $1.1 million, respectively.

Restructuring and special charges for the three and six months ended June 30, 2016 were $1.5 million and $2.3 million, respectively, which consisted primarily 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 completed the cessation of manufacturing in our Dominican Republic facility in the third quarter of 2016.

Changes to the severance portion of our restructuring liability during the six months ended June 30, 2017 were as follows:

	Severance
Balance at December 31, 2016	$17,350
Charges, net of reversals	12,165
Payments	(11,764)

Impact of changes in foreign currency exchange rates	1,068
Balance at June 30, 2017	$ 18,819

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6. Debt

Our long-term debt and capital lease and other financing obligations as of June 30, 2017 and December 31, 2016 consisted of the following:

	Maturity Date	June 30, 2017	December 31, 2016
Term Loan	October 14, 2021	$927,794	$937,794
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
Less: discount		(16,426)	(17,655)
Less: deferred financing costs		(31,192)	(33,656)
Less: current portion		(4,851)	(9,901)
Long-term debt, net		$3,225,325	$3,226,582
Capital lease and other financing obligations		$36,782	$37,111
Less: current portion		(5,853)	(4,742)
Capital lease and other financing obligations, less current portion		$30,929	$32,369

As of June 30, 2017, there was $415.2 million of availability under our $420.0 million revolving credit facility, net of $4.8 million in letters of credit. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of June 30, 2017, no amounts had been drawn against these outstanding letters of credit, which are scheduled to expire on various dates in 2017 and 2018.

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, 2017 and December 31, 2016, accrued interest totaled $36.8 million.

7. Income Taxes

We recorded a Provision for income taxes for the three months ended June 30, 2017 and 2016 of $18.6 million and $21.0 million, respectively, and for the six months ended June 30, 2017 and 2016 of $32.9 million and $37.2 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 due to the step-up in fair value of fixed and intangible assets, including goodwill, acquired in connection with business combination transactions, and the utilization of net operating losses.

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.

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The components of net periodic benefit cost/(credit) associated with our defined benefit and retiree healthcare plans for the three months ended June 30, 2017 and 2016 were as follows:

	U.S. Plans				Non-U.S. Plans			
	Defined Benefit		Retiree Healthcare		Defined Benefit		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Service cost	$—	$ —	$ 22	$ 26	$ 654	$ 663	$676	$ 689
Interest cost	409	357	79	95	262	298	750	750
Expected return on plan assets	(537)	(667)	—	—	(226)	(239)	(763)	(906)
Amortization of net loss	278	119	16	48	67	16	361	183
Amortization of prior service (credit)/cost	—	—	(334)	(334)	(1)	36	(335)	(298)
Loss on settlement	732	185	—	—	—	—	732	185
Net periodic benefit cost/(credit)	$882	$ (6)	$ (217)	$ (165)	$ 756	$ 774	$1,421	$ 603

The components of net periodic benefit cost/(credit) associated with our defined benefit and retiree healthcare plans for the six months ended June 30, 2017 and 2016 were as follows:

	U.S. Plans				Non-U.S. Plans			
	Defined Benefit		Retiree Healthcare		Defined Benefit		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Service cost	$—	$—	$ 43	$ 51	$1,256	$1,306	$1,299	$1,357
Interest cost	829	777	159	189	511	589	1,499	1,555
Expected return on plan assets	(1,090)	(1,347)	—	—	(447)	(465)	(1,537)	(1,812)
Amortization of net loss	563	237	24	96	138	47	725	380
Amortization of prior service (credit)/cost	—	—	(667)	(667)	(2)	26	(669)	(641)
Loss on settlement	1,204	590	—	—	—	—	1,204	590
Net periodic benefit cost/(credit)	$1,506	$257	$ (441)	$ (331)	$1,456	$1,503	$2,521	$1,429

9. Share-Based Payment Plans

Share-Based Compensation Expense

The table below presents non-cash compensation expense related to our equity awards, which is 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, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Stock options	$2,055	$ 2,227	$3,480	$ 3,926
Restricted securities	4,002	2,779	6,529	4,596
Share-based compensation expense	$6,057	$ 5,006	$10,009	$ 8,522

Share-Based Compensation Awards

We grant share-based compensation awards for which vesting is subject only to continued employment and the passage of time (options and restricted stock units ("RSUs" and each an "RSU")), as well as those for which vesting also depends on the attainment of certain performance criteria (performance options and performance-based restricted stock units ("PRSUs" and each a "PRSU")).

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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, 2017:

Options Granted to	Number of Options Granted (in thousands)	Weighted- Average Grant Date Fair Value	Vesting Period
Various executives and employees	387	$14.50	25% per year over four years

We granted the following RSUs and PRSUs under the 2010 Equity Plan during the six months ended June 30, 2017:

Awards Granted to	Type of Award	Number of Units Granted (in thousands)	Percentage of PRSUs Awarded That May Vest	Weighted- Average Grant Date Fair Value
Various executives and employees	RSU (1)	146	N/A	$43.66
Directors	RSU (1)	34	N/A	$41.10
Various executives and employees	PRSU (2)	183	0.0% - 172.5%	$43.67
Various executives and employees	PRSU (2)	53	0.0% - 200.0%	$43.33

(1) RSUs granted during the six months ended June 30, 2017 vest on various dates between June 2018 and April 2020.

(2) PRSUs granted during the six months ended June 30, 2017 vest on various dates between April and May 2020, with the amount ultimately vesting within the range shown in the table above, dependent on the extent to which certain performance criteria are met.

Option Exercises

During the six months ended June 30, 2017, 125 stock options were exercised, all of which were settled with shares reissued from treasury.

10. Commitments and Contingencies

Legal Proceedings and Claims

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 will not be material to our financial statements.

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11. Fair Value Measures

Our assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB ASC 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, 2017 and December 31, 2016, aggregated by the level in the fair value hierarchy within which those measurements fell:

	June 30, 2017			December 31, 2016		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets						
Foreign currency forward contracts	$—	$ 9,519	$ —	$—	$ 32,757	$ —
Commodity forward contracts	—	3,477	—	—	2,639	—
Total	$—	$ 12,996	$ —	$—	$ 35,396	$ —
Liabilities						