

Sensata Technologies Holding N.V.
Form S-1
November 03, 2010
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As filed with the Securities and Exchange Commission on November 3, 2010

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SENSATA TECHNOLOGIES HOLDING N.V.

(Exact name of registrant as specified in its charter)

The Netherlands
(State or other jurisdiction of
incorporation or organization)

3823
(Primary Standard Industrial
Classification Number)

98-0641254
(I.R.S. Employer
Identification Number)

Kolthofsingel 8, 7602 EM Almelo

The Netherlands

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Telephone: 31-546-879-555

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

CT Corporation

111 Eighth Avenue

New York, New York 10011

Telephone: (212) 894-8800

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Dennis M. Myers, P.C.
Jeffrey W. Richards, P.C.
Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654
Telephone: (312) 862-2000**

**Steven P. Reynolds
General Counsel
Sensata Technologies, Inc.
529 Pleasant Street
Attleboro, Massachusetts 02703
Telephone: (508) 236-3800**

**Mark G. Borden
Peter N. Handrinos
Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109
Telephone: (617) 526-6000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed to register additional securities for an offering pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. 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
 Non-accelerated filer
 (Do not check if a smaller reporting company)

Accelerated filer
 Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to be Registered ⁽¹⁾	Proposed Maximum Offering Price per Share ⁽²⁾	Proposed Maximum Aggregate Offering Price ⁽²⁾	Amount of Registration Fee
Ordinary Shares, 0.01 per share	23,000,000	\$22.88	\$526,240,000	\$37,521

(1) Includes 3,000,000 ordinary shares that the underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended (the Securities Act), based on the average of high and low prices of ordinary shares on November 1, 2010, as reported on the New York Stock Exchange.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued November 3, 2010

20,000,000 Ordinary Shares

All of the ordinary shares in this offering are being sold by the selling shareholders identified in this prospectus. Sensata Technologies Holding N.V. will not receive any proceeds from the ordinary shares sold by the selling shareholders in this offering.

Our ordinary shares are listed on the New York Stock Exchange under the symbol ST. The last reported sale price of our ordinary shares on the New York Stock Exchange on November 1, 2010 was \$22.72 per share.

Investing in our ordinary shares involves risks. See Risk Factors beginning on page 11 of this prospectus.

Price \$ Per Share

	<i>Price to Public</i>	<i>Underwriting Discounts and Commissions</i>	<i>Proceeds to Selling Shareholders</i>
<i>Per Share</i>	\$	\$	\$
<i>Total</i>	\$	\$	\$

To the extent that the underwriters sell more than 20,000,000 ordinary shares, the underwriters have a 30-day option to purchase up to an additional 3,000,000 ordinary shares from the selling shareholders identified in this prospectus on the same terms set forth above. See the section of this prospectus entitled Underwriting.

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of these securities nor passed upon the accuracy or adequacy of the disclosures in the prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ordinary shares against payment on or about , 2010.

Morgan Stanley

Barclays Capital

Goldman, Sachs & Co.

BofA Merrill Lynch

J.P. Morgan

Citi

BMO Capital Markets

Oppenheimer & Co.

RBC Capital Markets

, 2010

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You should rely only on the information contained in this prospectus, any free writing prospectus prepared by or on behalf of us or any information to which we have referred you. Neither we, the selling shareholders nor the underwriters have authorized anyone to provide you with information different from that contained in this prospectus. The selling shareholders are offering to sell, and seeking offers to buy, ordinary shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, or any other date stated in this prospectus, regardless of the time of delivery of this prospectus or of any sale of our ordinary shares.

Sensata[®], *Klixon*[®], *Airpax*[®], and *Dimensions* and other trademarks or service marks of Sensata appearing in this prospectus are the property of Sensata Technologies Holding N.V. and/or its affiliates. This prospectus also contains additional trade names, trademarks and service marks belonging to us and to other companies. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information, including the section entitled Risk Factors and the consolidated financial statements and related notes, included elsewhere in this prospectus. Because this is a summary, it may not contain all of the information that may be important to you. You should read the entire prospectus and the other documents to which we have referred you before deciding whether to invest in this offering. You should carefully consider, among other things, the matters discussed in Risk Factors.

Unless the context specifically indicates otherwise, references in this prospectus to: (i) we, us, our, the Company and Sensata refer collectively to Sensata Technologies Holding N.V. and its consolidated subsidiaries and their respective predecessors; (ii) the 2006 Acquisition refers to the acquisition of the sensors and controls business, or S&C business, of Texas Instruments Incorporated, or Texas Instruments, on April 27, 2006 by an investor group led by investment funds advised or managed by the principals of Bain Capital Partners, LLC, or Bain Capital; (iii) Sponsors refers collectively to Bain Capital and its co-investors; and (iv) Predecessor for accounting purposes refers to the S&C business with respect to its results of operations for periods prior to the 2006 Acquisition.

SENSATA TECHNOLOGIES HOLDING N.V.

Our Company

Sensata, a global industrial technology company, is a leader in the development, manufacture and sale of sensors and controls. We produce a wide range of customized, innovative sensors and controls for mission-critical applications such as thermal circuit breakers in aircraft, pressure sensors in automotive systems, and bimetal current and temperature control devices in electric motors. We believe that we are one of the largest suppliers of sensors and controls in the majority of the key applications in which we compete and that we have developed our strong market position due to our long-standing customer relationships, technical expertise, product performance and quality and competitive cost structure. We compete in growing global market segments driven by demand for products that are safe, energy-efficient and environmentally friendly. In addition, our long-standing position in emerging markets, including our 15-year presence in China, further enhances our growth prospects. We deliver a strong value proposition to our customers by leveraging an innovative portfolio of core technologies and manufacturing at high volumes in low-cost locations such as China, Mexico, Malaysia and the Dominican Republic.

Our sensors are customized devices that translate a physical phenomenon such as force or position into electronic signals that microprocessors or computer-based control systems can act upon. Our controls are customized devices embedded within systems to protect them from excessive heat or current. Underlying these sensors and controls are core technology platforms thermal and magnetic-hydraulic circuit protection, micro electromechanical systems, ceramic capacitance or capacitive, and monosilicon strain gage that we leverage across multiple products and applications, enabling us to optimize our research, development, and engineering investments and achieve economies of scale.

Our primary products include pressure sensors, force sensors, position sensors, motor protectors, and thermal and magnetic-hydraulic circuit breakers and switches. We develop customized and innovative solutions for specific customer requirements, or applications, across the appliance, automotive, heating, ventilation and air-conditioning, or HVAC, industrial, aerospace, defense, data / telecom, and other end-markets. We have long-standing relationships with a geographically diverse base of leading global original equipment manufacturers, or OEMs, and other multi-national companies. Our largest end-customers for each of our segments within each of our principal operating regions of the Americas, Asia Pacific and Europe include, in alphabetical order: A.O. Smith, Arcellic, Askol, Continental, Danfoss, Emerson, Ford, GM, Honda, Huawei,

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LG Group, Peugeot, Renault-Nissan, Samsung Electronics, Volkswagen and Whirlpool.

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

We are a global business with a diverse revenue mix by geography, customer and end-market and have significant operations around the world. Our subsidiaries located in the Americas, Europe and the Asia Pacific region generated 43%, 25% and 32%, respectively, of our net revenue for the nine months ended September 30, 2010. Our largest customer accounted for approximately 7% of our net revenue for the nine months ended September 30, 2010. Our net revenue for the nine months ended September 30, 2010 was derived from the following end-markets: 21% from European automotive; 16% from North American automotive; 17% from Asia and rest of world automotive; 14% from appliances and HVAC; 13% from industrial; 6% from heavy vehicle off-road; and 13% from all other end-markets. Within many of our end-markets, we are a significant supplier to multiple OEMs, reducing our exposure to fluctuations in market share within individual end-markets.

We have a history of innovation dating back to our origins. We operated as a part of Texas Instruments from 1959 until we were acquired as a result of the 2006 Acquisition. We then expanded our operations in part through the acquisition of Airpax Holdings, Inc., or Airpax, in July 2007 and First Technology Automotive and Special Products, or First Technology Automotive, in December 2006.

Our Competitive Strengths

We believe we have a number of competitive strengths that differentiate us from our competitors. These include:

Leading positions in high-growth segments. We believe that we are one of the largest suppliers of sensors and controls in the majority of the key applications in which we compete. We attribute our strong market positions to our long-standing customer relationships, technical expertise, breadth of product portfolio, product performance and quality, and competitive cost structure.

Innovative, highly engineered products for mission-critical applications. Most of our products are highly engineered, critical components in complex systems that are essential to the proper functioning of the product in which they are integrated. Our products are differentiated by their performance, reliability and level of customization, which are critical factors in customer selection.

Long-standing local presence in key emerging markets. We believe that our long-standing local presence in key emerging markets such as China, India and Brazil provides us with significant growth opportunities. Our sales into these markets represented approximately 15% of our net revenue for the nine months ended September 30, 2010.

Collaborative, long-term relationships with diversified customer base. We have worked with our top 25 customers for an average of 22 years. As a result of the long development lead times and embedded nature of our products, we collaborate closely with our customers throughout the

design and development phase of their products.

High switching costs. The technology-driven, highly customized and integrated nature of our products requires customers to invest heavily in certification and qualification over a one- to three-year period to ensure proper functioning of the system in which our products are embedded. We believe the capital commitment and

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time required for this process significantly increases the switching costs for customers once a particular sensor or control has been designed and installed in a system. In addition, our products are often relatively low-cost components integrated into mission-critical applications for high-value systems.

Attractive cost structure with scale advantage and low-cost footprint. We believe that our global scale and cost-focused approach have provided us with an attractive cost position within our industry. We currently manufacture approximately one billion devices per year, with approximately 90% of our production in low-cost countries including China, Mexico, Malaysia and the Dominican Republic.

Operating model with high cash generation and significant revenue visibility. We believe our strong customer value proposition and cost structure enable us to generate attractive operating margins and return on capital. We believe that our current manufacturing base offers significant capacity to support higher revenue levels. In addition, we believe that our business provides us with significant visibility into new business opportunities based on product development cycles that are typically more than one year, our ability to win design awards in advance of OEM system roll-outs and commercialization and our lengthy product life cycles. Additionally, customer order cycles typically provide us with visibility into more than a majority of our expected quarterly revenues at the start of each quarter.

Experienced management team. Our senior management team has significant collective experience both within our business and in working together managing our business. Our CEO, President and other members of our senior management team have been employed by our company and its predecessor, the S&C business of Texas Instruments, for the majority of their careers.

Our Growth Strategy

We intend to enhance our position as a leading provider of customized, innovative sensors and controls on a global basis. The key elements of our growth strategy include:

Continue product innovation and expansion. We believe our solutions help satisfy the world's need for safety, energy efficiency and a clean environment, as well as address the demand associated with the proliferation of electronic applications in everyday life. We expect to continue to address our customers' increased demand for sensor and control solutions with our technology and engineering expertise. We leverage our various core technology platforms across many different products and applications to maximize the impact of our research, development and engineering investments and increase economies of scale.

Expand our presence in significant emerging markets. We believe emerging markets such as China, India, and Brazil represent substantial, rapidly growing opportunities. A growing middle class and rapid industrialization are creating significant demand for electric motors, consumer conveniences (such as appliances), automobiles, and communication infrastructure.

Broaden customer relationships. We believe our global presence and investments in application engineering and support will continue to create competitive advantages in serving multinational and local companies.

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Extend low-cost advantage. By focusing on our design-driven cost initiatives and realizing economies of scale in materials and manufacturing, we will continue to strive to significantly reduce costs for our key products. We will also continue to locate our people and processes in the most strategic, cost-effective regions.

Recruit, retain, and develop talent globally. We intend to continue to recruit, develop and retain a highly educated, technically sophisticated and globally dispersed workforce.

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Pursue strategic acquisitions to extend leadership and leverage global platform. We intend to continue to opportunistically pursue selective acquisitions and joint ventures to extend our leadership across global end- markets and applications, realize operational value from our global low-cost footprint, and deliver the right technology solutions for emerging markets. We intend to continue to seek acquisitions that will present attractive risk-adjusted returns and significant value-creation opportunities.

Recent Developments

On October 28, 2010, we announced a definitive agreement to acquire the Automotive on Board sensors business of Honeywell International Inc. for approximately \$140 million, subject to a working capital adjustment, in cash, which will be provided from cash on hand. This business is expected to generate approximately \$130 million of revenue in 2010. We expect transaction costs within the range of \$3 million to \$4 million to be incurred in the fourth quarter of 2010 and expect the transaction to close in the first quarter of 2011, subject to regulatory approvals. We believe that this acquisition will expand our leadership in the global automotive sensors market, complement our organic growth in the powertrain segment for our existing pressure products, add new capabilities in light vehicle speed and position sensing, and increase our market share in Asia specifically in China, which we believe to be one of the world's fastest growing automotive sensors market. We expect that we will realize synergies from the integration of this business over 18 to 24 months following the closing. We believe this transaction represents a strategic use of our cash on hand and meets all of our strategic and investment return acquisition criteria. Except as set forth above, we have not included any historical or pro forma financial information regarding the Automotive on Board business in this prospectus as we do not believe such information is material in relation to our historical results of operations.

Risks Associated with Our Company

Investing in our company entails a high degree of risk, as more fully described in the Risk Factors section of this prospectus. You should consider carefully such risks before deciding to invest in our ordinary shares. These risks include, among others:

Continued fundamental changes in the industries in which we operate have had and could continue to have adverse effects on our businesses.

Our products are sold to automobile manufacturers and manufacturers of commercial and residential HVAC systems, as well as to manufacturers in the refrigeration, lighting, aerospace, telecommunications, power supply and generation and industrial markets, among others. These are global industries, and they are experiencing various degrees of growth and consolidation. This, in turn, affects overall demand and prices for our products sold to these industries.

We may incur material losses and costs as a result of product liability and warranty and recall claims that may be brought against us.

We have been and may continue to be exposed to product liability and warranty claims in the event that our products actually or allegedly fail to perform as expected or the use of our products results in, or is alleged to result in, bodily injury and/or property damage. Accordingly, we could experience material warranty or product liability losses in the future and incur significant costs to defend these claims.

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.

Our substantial indebtedness could have important consequences to you. For example, it could make it more difficult for us to satisfy our debt obligations; limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities, thereby placing us at a competitive disadvantage if our competitors are not as highly leveraged; or increase our vulnerability to general adverse economic and industry conditions.

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We have reported significant net losses for fiscal years following the 2006 Acquisition and may not sustain recently achieved profitability in the foreseeable future.

We incurred a significant amount of indebtedness in connection with the 2006 Acquisition and the subsequent acquisitions of First Technology Automotive and Airpax and, as a result, our interest expense has been substantial for periods following the 2006 Acquisition. Due, in part, to this significant interest expense and the amortization of intangible assets also related to these acquisitions, we have reported significant net losses for each fiscal year following the 2006 Acquisition. For the nine months ended September 30, 2010, we reported net income. We repaid a portion of our indebtedness in March and April 2010 with proceeds from our initial public offering; however, we continue to have a significant amount of indebtedness. Due to the significant interest expense associated with the remaining indebtedness and the continued amortization of intangible assets, we cannot assure you that we will sustain recently achieved profitability in the foreseeable future.

ADDITIONAL INFORMATION

The address of our registered office and principal executive office is Kolthofsingel 8, 7602 EM Almelo, the Netherlands, and its telephone number is 31-546-879-555. Our principal U.S. operating subsidiary is Sensata Technologies, Inc., a Delaware corporation, or STI. The address for STI is 529 Pleasant Street, Attleboro, Massachusetts 02703, and its telephone number is (508) 236-3800. Our website address is www.sensata.com. The information on, or accessible through, our website is not part of this prospectus.

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THE OFFERING

Ordinary shares offered by the selling shareholders	20,000,000 shares.
Ordinary shares to be outstanding immediately after this offering	172,978,041 shares.
Option to purchase additional ordinary shares	The underwriters have an option to purchase a maximum of 3,000,000 additional ordinary shares from the selling shareholders identified in this prospectus. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	The selling shareholders will receive all of the net proceeds from the sale of the ordinary shares in this offering. We will not receive any of the proceeds from the ordinary shares sold by the selling shareholders.
Risk factors	Investing in our ordinary shares involves a high degree of risk. See Risk Factors beginning on page 11 of this prospectus for a discussion of factors you should carefully consider before investing in our ordinary shares.
New York Stock Exchange symbol	ST

The number of ordinary shares that will be outstanding immediately after this offering is based on:

172,520,930 ordinary shares outstanding as of November 1, 2010, which includes 358,698 legally issued ordinary shares that are subject to forfeiture until such shares have vested and are not considered outstanding for accounting purposes; and

457,111 ordinary shares to be issued upon the exercise of outstanding stock options by the selling shareholders in connection with this offering at a weighted-average exercise price of \$7.05 per share;

and excludes:

an award for up to 45,900 ordinary shares that are subject to vesting based on achievement of specified performance and service conditions;

10,923,125 ordinary shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of \$8.58 per share; and

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5,455,845 ordinary shares reserved for future issuance under our equity incentive plans and employee stock purchase plan following this offering.

Except as otherwise indicated herein, all information in this prospectus, including the number of ordinary shares that will be outstanding after this offering, assumes no exercise of the underwriters' option.

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Set forth below is summary historical consolidated financial data of Sensata for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010. The summary historical data as of December 31, 2009 and for the years ended December 31, 2007, 2008 and 2009 has been derived from our audited historical financial statements included elsewhere in this prospectus. The summary historical data as of September 30, 2010 and for the nine months ended September 30, 2009 and 2010 has been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. Our unaudited condensed consolidated financial statements have been prepared on the same basis as the audited financial statements and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods. Our historical results are not necessarily indicative of the results that may be expected in the future. This information is only a summary and should be read in conjunction with our historical financial statements and the related notes thereto and other financial information appearing elsewhere in this prospectus, including Use of Proceeds, Capitalization, Selected Consolidated and Combined Historical Financial Data, and Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Amounts in thousands, except per share amounts)	For the year ended December 31,			For the nine months ended September 30,	
	2007	2008	2009	2009	2010
Statement of Operations Data:					
Net revenue	\$ 1,403,254	\$ 1,422,655	\$ 1,134,944	\$ 796,855	\$ 1,152,237
Operating costs and expenses:					
Cost of revenue	944,765	951,763	742,080	521,154	712,019
Research and development	33,891	38,256	16,796	12,692	17,253
Selling, general and administrative ⁽¹⁾	166,065	166,625	126,952	95,301	156,013
Amortization of intangible assets and capitalized software	131,064	148,762	153,081	115,060	108,309
Impairment of goodwill and intangible assets		13,173	19,867	19,867	
Restructuring	5,166	24,124	18,086	18,033	196
Total operating costs and expenses	1,280,951	1,342,703	1,076,862	782,107	993,790
Profit/(loss) from operations	122,303	79,952	58,082	14,748	158,447
Interest expense	(191,161)	(197,840)	(150,589)	(115,373)	(82,170)
Interest income	2,574	1,503	573	471	634
Currency translation (loss)/gain and other, net ⁽²⁾	(105,449)	55,467	107,695	94,101	20,525
(Loss)/income from continuing operations before taxes	(171,733)	(60,918)	15,761	(6,053)	97,436
Provision for income taxes	62,504	53,531	43,047	35,165	35,996
(Loss)/income from continuing operations	(234,237)	(114,449)	(27,286)	(41,218)	61,440
Loss from discontinued operations	(18,260)	(20,082)	(395)	(395)	
Net (loss)/income ⁽³⁾	\$ (252,497)	\$ (134,531)	\$ (27,681)	\$ (41,613)	\$ 61,440
Net (loss)/income per share basic:					
Continuing operations	\$ (1.62)	\$ (0.79)	\$ (0.19)	\$ (0.29)	\$ 0.37
Discontinued operations	(0.13)	(0.14)	(0.00)	(0.00)	
Net (loss)/income per share basic	\$ (1.75)	\$ (0.93)	\$ (0.19)	\$ (0.29)	\$ 0.37
Net (loss)/income per share diluted:					
Continuing operations	\$ (1.62)	\$ (0.79)	\$ (0.19)	\$ (0.29)	\$ 0.36
Discontinued operations	(0.13)	(0.14)	(0.00)	(0.00)	

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Net (loss)/income per share diluted	\$ (1.75)	\$ (0.93)	\$ (0.19)	\$ (0.29)	\$ 0.36
Weighted-average ordinary shares outstanding basic	144,054	144,066	144,057	144,057	164,122
Weighted-average ordinary shares outstanding diluted	144,054	144,066	144,057	144,057	170,651
Other Financial Data:					
Net cash provided by/(used in):					
Operating activities	\$ 155,278	\$ 47,481	\$ 187,577	\$ 127,724	\$ 201,678
Investing activities	(355,710)	(38,713)	(15,077)	(10,630)	(34,725)
Financing activities	175,736	8,891	(101,748)	3,342	87,501
Capital expenditures	66,701	40,963	14,959	11,527	35,089
EBITDA ⁽⁴⁾ (unaudited)	187,862	315,460	366,890	257,519	316,753

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(Amounts in thousands)	As of December 31, 2009	As of September 30, 2010
Balance Sheet Data:		
Cash and cash equivalents	\$ 148,468	\$ 402,922
Working capital ⁽⁵⁾	245,445	524,325
Total assets	3,166,870	3,339,466
Total debt, including capital lease and other financing obligations	2,300,826	1,913,808
Total shareholders' equity	387,158	919,852

- (1) For the nine months ended September 30, 2010, selling, general and administrative expense includes \$18.9 million recorded as a cumulative catch-up adjustment for previously unrecognized compensation expense associated with the Tranche 2 and 3 option awards and the related modification, and \$22.4 million in fees related to the termination of the advisory agreement with the Sponsors at their option. See Executive Compensation Components of Compensation, Equity Compensation and Certain Relationships and Related Party Transactions Advisory Agreement.
- (2) Currency translation (loss)/gain and other, net for the years ended December 31, 2008 and 2009 and for the nine months ended September 30, 2009 and 2010 includes (losses)/gains of \$15.0 million, \$120.1 million, \$120.1 million and \$(23.5) million, respectively, recognized on repurchases of 8% Senior Notes, 9% Senior Subordinated Notes and 11.25% Senior Subordinated Notes as well as currency translation (loss)/gain associated with the Euro-denominated debt of \$53.2 million, \$(13.6) million, \$(28.5) million and \$53.8 million, respectively. Currency translation (loss)/gain and other, net for the year ended December 31, 2007 primarily includes currency translation loss associated with the Euro-denominated debt of \$(111.9) million.
- (3) Included within net (loss)/income for the periods presented were the following expenses:

(Amounts in thousands)	(unaudited)				
	2007	For the year ended December 31,		For the nine months ended September 30,	
		2008	2009	2009	2010
Amortization and depreciation expense related to the step-up in fair value of fixed and intangible assets ^(a)	\$ 154,296	\$ 160,594	\$ 157,797	\$ 117,677	\$ 109,280
Deferred income tax expense and other tax expense	46,126	29,980	26,592	25,696	31,494
Amortization expense of deferred financing costs	9,640	10,698	9,055	6,775	6,512
Interest expense related to uncertain tax positions	1,747	43	823	754	387

- (a) Amortization and depreciation expense related to the step-up in fair value of fixed and intangible assets relates to the acquisition of the S&C business of Texas Instruments, First Technology Automotive and Airpax and the step-up in the fair value of these assets through purchase accounting.

- (4) We present EBITDA in this prospectus to provide investors with a supplemental measure of our operating performance. EBITDA is a non-GAAP financial measure. We define EBITDA as net (loss)/income before interest, taxes, depreciation and amortization. We believe EBITDA assists our board of directors, management and investors in comparing our operating performance on a consistent basis because it removes the impact of our capital structure (such as interest expense), asset base (such as depreciation and amortization) and tax structure. The use of EBITDA has limitations and you should not consider this performance measure in isolation from or as an alternative to U.S. GAAP measures such as net (loss)/income.

The following table summarizes the calculation of EBITDA and provides a reconciliation from net (loss)/income, the most directly comparable financial measure presented in accordance with U.S. GAAP, for the periods presented:

(Amounts in thousands)	(unaudited)				
	2007	For the year ended December 31,		For the nine months ended September 30,	
		2008	2009	2009	2010
Net (loss)/income	\$ (252,497)	\$ (134,531)	\$ (27,681)	\$ (41,613)	\$ 61,440
Provision for income taxes	62,504	53,531	43,047	35,165	35,996
Interest expense, net	188,587	196,337	150,016	114,902	81,536
Depreciation and amortization	189,268	200,123	201,508	149,065	137,781

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EBITDA	\$ 187,862	\$ 315,460	\$ 366,890	\$ 257,519	\$ 316,753
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Following the 2006 Acquisition, our senior management, together with our Sponsors, developed a series of strategic initiatives to better position us for future revenue growth and an improved cost structure. This plan has been modified from time to time to reflect changes in overall market conditions and the competitive environment facing our business. These initiatives have included, among other items, acquisitions, divestitures, restructurings of certain operations and various financing transactions. In connection with these activities, we incurred certain costs and expenses included in EBITDA that we have further described below and believe are important to consider in evaluating our operating performance over this period.

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The following table summarizes certain expenses, losses and gains included in EBITDA for the periods presented:

(Amounts in thousands)	(unaudited)				
	2007	For the year ended December 31, 2008	2009	For the nine months ended September 30, 2009	2010
Supplemental Information:					
Acquisition, integration and financing costs and other significant items:					
Transition costs ^(a)	\$ 16,768	\$ 4,052	\$ 23	\$ 23	\$
Litigation costs ^(b)	4,006	840	147	76	
Integration and finance costs ^(c)	13,649	20,931	2,813	3,029	
Relocation and disposition costs ^(d)	114	12,828	8,202	7,319	
Pension charges ^(e)		3,588	4,828	4,702	
Inventory step-up ^(f)	4,454				
IPR&D write-off ^(g)	5,700				
Other ^(h)	3,123	27,106	6,972	5,505	
Subtotal	47,814	69,345	22,985	20,654	
Impairment of goodwill and intangible assets ⁽ⁱ⁾		13,173	19,867	19,867	
Severance and other termination costs associated with downsizing ^(j)	5,166	12,282	12,276	12,121	209
Stock compensation ^(k)	2,015	2,108	2,233	1,174	4,783
Management fees ^(l)	4,000	4,000	4,000	3,000	
Subtotal	58,995	100,908	61,361	56,816	4,992
(Gain)/loss on extinguishment of debt ^(m)		(14,961)	(120,123)	(120,123)	23,474
Costs related to initial public offering ⁽ⁿ⁾					43,298
Currency translation loss/(gain) on debt ^(o)	111,946	(53,209)	15,301	28,482	(48,460)
Other ^(p)	(25)	123	973	(594)	3,682
Total	\$ 170,916	\$ 32,861	\$ (42,488)	\$ (35,419)	\$ 26,986

- (a) Represents transition costs incurred by us in becoming a stand-alone company, one of our subsidiaries becoming an SEC reporting company and complying with Section 404 of the Sarbanes-Oxley Act of 2002.
- (b) Represents litigation costs we recognized related to customers alleging defects in certain of our products, which were manufactured and sold prior to April 27, 2006 (inception).
- (c) Represents integration and financing costs related to the acquisitions of Airpax, First Technology Automotive and SMaL Camera Technologies, Inc., or SMaL Camera, and other consulting and advisory fees associated with acquisitions and financings, whether or not consummated.
- (d) Represents costs we incurred to move certain operations to lower-cost Sensata locations, close certain manufacturing operations and dispose of the SMaL Camera business.
- (e) Represents pension curtailment and settlement losses, and amortization of prior service costs associated with various restructuring activities.
- (f) Represents the impact on our cost of revenue from the increase in the carrying value of the inventory that was adjusted to fair value as a result of the application of purchase accounting to the acquisitions of the S&C business of Texas Instruments, Airpax and First Technology Automotive.
- (g) Represents the charge we recorded for acquired in-process research and development associated with our acquisition of SMaL Camera in March 2007.
- (h) Represents other (gains)/losses, including impairment losses associated with certain assets held for sale, losses related to the early termination of commodity forward contracts of \$7.2 million during fiscal year 2008, a loss of \$13.4 million during fiscal year 2008 associated with a settlement with a significant automotive customer that alleged defects in certain of our products installed in its automobiles, and a reserve associated with the Whirlpool recall litigation. See Management's Discussion and Analysis of Financial Condition and Results of Operations Legal Proceedings.
- (i) Represents the impairment of goodwill and intangible assets associated with a reporting unit within our controls business segment and relates to products used in the semiconductor business.
- (j) Represents severance, outplacement costs and special termination benefits associated with the downsizing of various manufacturing facilities and our corporate office.
- (k) Represents share-based compensation expense recorded in accordance with ASC Topic 718, *Compensation - Stock Compensation*, excluding \$18.9 million related to the cumulative catch-up adjustment for previously unrecognized compensation expense associated with the Tranche 2 and 3 option awards and the related modification. See Executive Compensation Components of Compensation Equity Compensation.
- (l)

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Represents fees expensed under the terms of the advisory agreement with our Sponsors. This agreement was terminated in connection with the completion of our initial public offering. See [Certain Relationships and Related Party Transactions](#) [Advisory Agreement](#).

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- (m) Relates to the repurchases of outstanding notes.
- (n) Represents costs recorded as expenses related to our initial public offering in March 2010, including \$18.9 million recorded as a cumulative catch-up adjustment for previously unrecognized compensation expense associated with the Tranche 2 and 3 option awards and the related modification, and \$22.4 million in fees related to the termination of the advisory agreement with the Sponsors at their option. See Executive Compensation Components of Compensation Equity Compensation and Certain Relationships and Related Party Transactions Advisory Agreement.
- (o) Reflects the losses/(gains) associated with the translation of our Euro-denominated debt into U.S. dollars and losses/(gains) on related hedging transactions.
- (p) Represents unrealized (gains)/losses on commodity forward contracts and estimated potential penalty expenses associated with uncertain tax positions, and in addition, for the nine months ended September 30, 2010, expense associated with the reversal of tax indemnification assets and other tax-related assets of \$5.2 million.

See Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information regarding certain of these items.

- (5) We define working capital as current assets less current liabilities.

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RISK FACTORS

Investing in our ordinary shares involves a high degree of risk. You should carefully consider the risks described below, as well as other information included in this prospectus, before making an investment decision. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our ordinary shares could decline, and you may lose all or part of your original investment. Before deciding whether to invest in our ordinary shares, you should also refer to the other information contained in this prospectus, including our consolidated financial statements and related notes.

Risk Factors Related To Our Business

Continued fundamental changes in the industries in which we operate have had and could continue to have adverse effects on our businesses.

Our products are sold to automobile manufacturers and manufacturers of commercial and residential HVAC systems, as well as to manufacturers in the refrigeration, lighting, aerospace, telecommunications, power supply and generation and industrial markets, among others. These are global industries, and they are experiencing various degrees of growth and consolidation. Customers in these industries are located in every major geographic market. As a result, our customers are affected by changes in global and regional economic conditions, as well as by labor relations issues, regulatory requirements, trade agreements and other factors. These factors, in turn, affect overall demand and prices for our products sold to these industries. Changes in the industries in which we operate may be more detrimental to us in comparison to our competitors due to our significant levels of debt. In addition, many of our products are platform-specific for example, sensors are designed for certain of our HVAC manufacturer customers according to specifications to fit a particular model. Our success may, to a certain degree, be connected with the success or failure of one or more of the industries to which we sell products, either in general or with respect to one or more of the platforms or systems for which our products are designed.

Continued pricing and other pressures from our customers may adversely affect our business.

Many of our customers, including automotive manufacturers and other industrial and commercial OEMs, have policies of seeking price reductions each year. Recently, many of the industries in which our products are sold have suffered from unfavorable pricing pressures in North America and Europe, which in turn has led manufacturers to seek price reductions from their suppliers. Our significant reliance on these industries subjects us to these and other similar pressures. If we are not able to offset continued price reductions through improved operating efficiencies and reduced expenditures, those price reductions may have a material adverse effect on our results of operations and cash flows. In addition, our customers occasionally require engineering, design or production changes. In some circumstances, we may be unable to cover the costs of these changes with price increases. Additionally, as our customers grow larger, they may increasingly require us to provide them with our products on an exclusive basis, which could cause an increase in the number of products we must carry and, consequently, increase our inventory levels and working capital requirements. Certain of our customers, particularly domestic automotive manufacturers, are increasingly requiring their suppliers to agree to their standard purchasing terms without deviation as a condition to engage in future business transactions. As a result, we may find it difficult to enter into agreements with such customers on terms that are commercially reasonable to us.

Conditions in the automotive industry have had and may continue to have adverse effects on our results of operations.

Much of our business depends on and is directly affected by the global automobile industry. Sales to customers in the automotive industry accounted for approximately 54% of our total revenue for the nine months ended September 30, 2010. Automakers and their suppliers globally continue to experience significant

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difficulties from a weakened economy and tightening credit markets. Globally, many automakers and their suppliers are in financial distress. Continued adverse developments in the automotive industry, including but not limited to continued declines in demand, customer bankruptcies and increased demands on us for pricing decreases, would have adverse effects on our results of operations and could impact our liquidity position and our ability to meet restrictive debt covenants. In addition, these same conditions could adversely impact certain of our vendors financial solvency, resulting in potential liabilities or additional costs to us to ensure uninterrupted supply to our customers.

Our ability to operate our business effectively could be impaired if we fail to attract and retain key personnel.

Our ability to operate our business and implement our strategies effectively depends, in part, on the efforts of our executive officers and other key employees. Our management team has significant industry experience and would be difficult to replace. These individuals possess sales, marketing, engineering, manufacturing, financial and administrative skills that are critical to the operation of our business. In addition, the market for engineers and other individuals with the required technical expertise to succeed in our business is highly competitive and we may be unable to attract and retain qualified personnel to replace or succeed key employees should the need arise. During 2008 and 2009, we completed certain reductions in force at a number of our sites in order to align our business operations with current and projected economic conditions. The loss of the services of any of our key employees or the failure to attract or retain other qualified personnel could have a material adverse effect on our business.

If we fail to maintain our existing relationships with our customers, our exposure to industry and customer specific demand fluctuations could increase and our revenue may decline as a result.

Our customers consist of a diverse base of OEMs across the automotive, HVAC, appliance, industrial, aerospace, defense and other end-markets in various geographic locations throughout the world. In the event that we fail to maintain our relationships with our existing customers and such failure increases our dependence on particular markets or customers, then our revenue would be exposed to greater industry and customer specific demand fluctuations, and could decline as a result.

We are subject to risks associated with our non-U.S. operations, which could adversely impact the reported results of operations from our international businesses.

Our subsidiaries outside of the Americas generated approximately 57% of our net revenue for the nine months ended September 30, 2010, and we expect sales from non-U.S. markets to continue to represent a significant portion of our total sales. International sales and operations are subject to changes in local government regulations and policies, including those related to tariffs and trade barriers, investments, taxation, exchange controls and repatriation of earnings.

A significant portion of our revenue, expenses, receivables and payables are denominated in currencies other than U.S. dollars. We are, therefore, subject to foreign currency risks and foreign exchange exposure. Changes in the relative values of currencies occur from time to time and could affect our operating results. For financial reporting purposes, the functional currency that we use is the U.S. dollar because of the significant influence of the U.S. dollar on our operations. In certain instances, we enter into transactions that are denominated in a currency other than the U.S. dollar. At the date the transaction is recognized, each asset, liability, revenue, expense, gain or loss arising from the transaction is measured and recorded in U.S. dollars using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the U.S. dollar are adjusted to the U.S. dollar using the current exchange rate with gains or losses recorded in Currency translation gain/(loss) and other, net. During times of a weakening U.S. dollar, our reported international sales and earnings will increase because the non-U.S. currency will translate into more U.S. dollars. Conversely, during times of a strengthening U.S. dollar, our

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reported international sales and earnings will be reduced because the local currency will translate into fewer U.S. dollars.

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

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

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

We may not be able to keep up with rapid technological and other competitive changes affecting our industry.

The sensors and controls markets are characterized by rapidly changing technology, evolving industry standards, frequent enhancements to existing services and products, the introduction of new services and products and changing customer demands. Changes in competitive technologies may render certain of our products less attractive or obsolete, and if we cannot anticipate changes in technology and develop and introduce new and enhanced products on a timely basis, our ability to remain competitive may be negatively impacted. The success of new products depends on their initial and continued acceptance by our customers. Our businesses are affected by varying degrees of technological change, which result in unpredictable product transitions, shortened lifecycles and increased importance of being first to market with new products and services. We may experience difficulties or delays in the research, development, production and/or marketing of new products, which may negatively impact our operating results and prevent us from recouping or realizing a return on the investments required to bring new products to market.

As part of our ongoing cost containment program designed to align our operations with economic conditions, we have had to make, and will likely continue to make, adjustments to both the scope and breadth of our overall research and development program. Such actions may result in choices that could adversely affect our ability to either take advantage of emerging trends or to develop new technologies or make sufficient advancements to existing technologies.

We may not be able to protect our intellectual property, including our proprietary technology and the Sensata, Klixon, Airpax and Dimensions brands.

Our success depends to some degree on our ability to protect our intellectual property and to operate without infringing on the proprietary rights of third parties. If we fail to adequately protect our intellectual property, competitors may manufacture and market products similar to ours. We have sought and may continue from time

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to time to seek to protect our intellectual property rights through litigation. These efforts might be unsuccessful in protecting such rights and may adversely affect our financial performance and distract our management. We also cannot be sure that competitors will not challenge, invalidate or void the application of any existing or future patents that we receive or license. In addition, patent rights may not prevent our competitors from developing, using or selling products that are similar or functionally equivalent to our products. It is also possible that third parties may have or acquire licenses for other technology or designs that we may use or wish to use, so that we may need to acquire licenses to, or contest the validity of, such patents or trademarks of third parties. Such licenses may not be made available to us on acceptable terms, if at all, and we may not prevail in contesting the validity of third-party rights.

In addition to patent and trademark protection, we also protect trade secrets, know-how and other proprietary information, as well as brand names such as the Sensata, Klixon, Airpax and Dimensions brands under which we market many of the products sold in our controls business, against unauthorized use by others or disclosure by persons who have access to them, such as our employees, through contractual arrangements. These arrangements may not provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements, and we cannot be sure that our trade secrets and proprietary technology will not otherwise become known or that our competitors will not independently develop our trade secrets and proprietary technology. If we are unable to maintain the proprietary nature of our technologies, our sales could be materially adversely affected.

We may be subject to claims that our products or processes infringe the intellectual property rights of others, which may cause us to pay unexpected litigation costs or damages, modify our products or processes or prevent us from selling our products.

Third parties may claim that our processes and products infringe on their intellectual property rights. Whether or not these claims have merit, we may be subject to costly and time-consuming legal proceedings, and this could divert our management's attention from operating our business. If these claims are successfully asserted against us, we could be required to pay substantial damages and could be prevented from selling some or all of our products. We may also be obligated to indemnify our business partners or customers in any such litigation. Furthermore, we may need to obtain licenses from these third parties or substantially reengineer or rename our products in order to avoid infringement. In addition, we might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to reengineer or rename our products successfully. If we are prevented from selling some or all of our products, our sales could be materially adversely affected.

Increasing costs for manufactured components and raw materials may adversely affect our profitability.

We use a broad range of manufactured components and raw materials in the manufacture of our products, including silver, gold, nickel, aluminum and copper, which may experience significant volatility in their prices. We generally purchase raw materials at spot prices. We first entered into hedge arrangements in 2007 and may continue to do so from time to time in the future. Such hedges might not be economically successful. In addition, these hedges do not qualify as accounting hedges in accordance with U.S. GAAP. Accordingly, the change in fair value of these hedges is recognized in earnings immediately, which could cause volatility in our results of operations from quarter to quarter. The availability and price of raw materials and manufactured components may be subject to change due to, among other things, new laws or regulations, global economic or political events including strikes, terrorist actions and war, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels. It is generally difficult to pass increased prices for manufactured components and raw materials through to our customers in the form of price increases. Therefore, a significant increase in the price of these items could materially increase our operating costs and materially and adversely affect our profit margins.

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We may incur material losses and costs as a result of product liability and warranty and recall claims that may be brought against us.

We have been and may continue to be exposed to product liability and warranty claims in the event that our products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in death, bodily injury and/or property damage. Accordingly, we could experience material warranty or product liability losses in the future and incur significant costs to defend these claims. In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall of the underlying end product, particularly if the defect or the alleged defect relates to product safety. Depending on the terms under which we supply products, an OEM may hold us responsible for some or all of the repair or replacement costs of these products under warranties, when the product supplied did not perform as represented. In addition, a product recall could generate substantial negative publicity about our business and interfere with our manufacturing plans and product delivery obligations as we seek to repair affected products. Our costs associated with product liability, warranty and recall claims could be material.

We may not be successful in recovering damages, including those associated with product liability and warranty and recall claims, from Texas Instruments under the terms of our acquisition agreement entered into with Texas Instruments in connection with the 2006 Acquisition.

Texas Instruments has agreed in the 2006 Acquisition to indemnify us for certain claims and litigation. Texas Instruments is not required to indemnify us for these claims until the aggregate amount of damages from such claims exceeds \$30.0 million. If the aggregate amount of these claims exceeds \$30.0 million, Texas Instruments is obligated to indemnify us for amounts in excess of the \$30.0 million threshold. Texas Instruments' indemnification obligation is capped at \$300.0 million. Based on claims to date, we believe that the aggregate amount of damages from these claims will ultimately exceed \$30.0 million. See Business Legal Proceedings included elsewhere in this prospectus. There can be no assurance that we will be successful in recovering amounts from Texas Instruments.

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.

As of September 30, 2010, we had \$1,913.8 million of outstanding indebtedness, including \$1,428.8 million of indebtedness under our Senior Secured Credit Facility (excluding availability under our revolving credit facility and outstanding letters of credit), \$442.3 million of outstanding Senior Notes and Senior Subordinated Notes and \$42.7 million of capital lease and other financing obligations. We may also incur additional indebtedness in the future. Our substantial indebtedness could have important consequences. For example, it could:

make it more difficult for us to satisfy our debt obligations;

restrict us from making strategic acquisitions;

limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities, thereby placing us at a competitive disadvantage if our competitors are not as highly leveraged;

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increase our vulnerability to general adverse economic and industry conditions; or

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness if we do not maintain specified financial ratios, thereby reducing the availability of our cash flow for other purposes.

In addition, our Senior Secured Credit Facility and the indentures governing our Senior Notes and Senior Subordinated Notes permit us to incur substantial additional indebtedness in the future. As of September 30, 2010, we had \$143.1 million available to us for additional borrowing under our \$150.0 million revolving credit facility portion of our Senior Secured Credit Facility. If we increase our indebtedness by borrowing under the revolving credit facility or incur other new indebtedness, the risks described above would increase.

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Labor disruptions or increased labor costs could adversely affect our business.

As of September 30, 2010, we had approximately 9,800 employees, of whom approximately 9% were located in the United States. None of our employees are covered by collective bargaining agreements. In various countries, local law requires our participation in works councils. A material labor disruption or work stoppage at one or more of our manufacturing facilities could have a material adverse effect on our business. In addition, work stoppages occur relatively frequently in the industries in which many of our customers operate, such as the automotive industry. If one or more of our larger customers were to experience a material work stoppage, that customer may halt or limit the purchase of our products. This could cause us to shut down production facilities relating to those products, which could have a material adverse effect on our business, results of operations and financial condition.

The loss of one or more of our suppliers of finished goods or raw materials may interrupt our supplies and materially harm our business.

We purchase raw materials and components from a wide range of suppliers. For certain raw materials or components, however, we are dependent on sole source suppliers. We generally obtain these raw materials and components through individual purchase orders executed on an as needed basis rather than pursuant to long-term supply agreements. Our ability to meet our customers' needs depends on our ability to maintain an uninterrupted supply of raw materials and finished products from our third-party suppliers and manufacturers. Our business, financial condition or results of operations could be adversely affected if any of our principal third-party suppliers or manufacturers experience production problems, lack of capacity or transportation disruptions or otherwise determine to cease producing such raw materials or components. The magnitude of this risk depends upon the timing of the changes, the materials or products that the third-party manufacturers provide and the volume of the production. We may not be able to make arrangements for transition supply and qualifying replacement suppliers in both a cost effective and timely manner. See Management's Discussion and Analysis of Financial Condition and Results of Operations Off-Balance Sheet Arrangements.

Our dependence on third parties for raw materials and components subjects us to the risk of supplier failure and customer dissatisfaction with the quality of our products. Quality failures by our third-party manufacturers or changes in their financial or business condition which affect their production could disrupt our ability to supply quality products to our customers and thereby materially harm our business.

Non-performance by our suppliers may adversely affect our operations.

Because we purchase various types of raw materials and component parts from suppliers, we may be materially and adversely affected by the failure of those suppliers to perform as expected. This non-performance may consist of delivery delays or failures caused by production issues or delivery of non-conforming products. The risk of non-performance may also result from the insolvency or bankruptcy of one or more of our suppliers.

Our efforts to protect against and to minimize these risks may not always be effective. We may occasionally seek to engage new suppliers with which we have little or no experience. For example, we do not have a prior relationship with all of the suppliers that we are qualifying for the supply of contacts. The use of new suppliers can pose technical, quality and other risks.

We depend on third parties for certain transportation, warehousing and logistics services.

We rely primarily on third parties for transportation of the products we manufacture. In particular, a significant portion of the goods we manufacture are transported to different countries, requiring sophisticated warehousing, logistics and other resources. If any of the countries from which we transport products were to suffer delays in exporting manufactured goods, or if any of our third-party transportation providers were to fail to deliver the goods we manufacture in a timely manner, we may be unable to sell those products at full value, or at all. Similarly, if any of our raw materials could not be delivered to us in a timely manner, we may be unable to manufacture our products in response to customer demand.

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A material disruption at one of our manufacturing facilities could harm our financial condition and operating results.

If one of our manufacturing facilities were to be shut down unexpectedly, or certain of our manufacturing operations within an otherwise operational facility were to cease production unexpectedly, our revenue and profit margins would be adversely affected. Such a disruption could be caused by a number of different events, including:

maintenance outages;

prolonged power failures;

an equipment failure;

fires, floods, earthquakes or other catastrophes;

potential unrest or terrorist activity;

labor difficulties; or

other operational problems.

In addition, approximately 95% of our products are manufactured at facilities located outside the United States. Serving a global customer base requires that we place more production in emerging markets, such as China, Mexico and Malaysia, to capitalize on market opportunities and maintain our low-cost position. Our international production facilities and operations could be particularly vulnerable to the effects of a natural disaster, labor strike, war, political unrest, terrorist activity or public health concerns, especially in emerging countries that are not well-equipped to handle such occurrences. Our manufacturing facilities abroad may also be more susceptible to changes in laws and policies in host countries and economic and political upheaval than our domestic facilities. If any of these or other events were to result in a material disruption of our manufacturing operations, our ability to meet our production capacity targets and satisfy customer requirements may be impaired.

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

Our ability to generate revenue from products subject to customer awards is subject to a number of important risks and uncertainties, many of which are beyond our control, including the number of products our customers will actually produce as well as the timing of such production. Many of our customer contracts provide for supplying a certain share of the customer's requirements for a particular application or platform, rather than for manufacturing a specific quantity of products. In some cases we have no remedy if a customer chooses to purchase less than we expect. In cases where customers do make minimum volume commitments to us, our remedy for their failure to meet those minimum volumes is limited to increased pricing on those products the customer does purchase from us or renegotiating other contract terms. There is no assurance

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that such price increases or new terms will offset a shortfall in expected revenue. In addition, some of our customers may have the right to discontinue a program or replace us with another supplier under certain circumstances. As a result, products for which we are currently incurring development expenses may not be manufactured by customers at all, or may be manufactured in smaller amounts than currently anticipated. Therefore, our anticipated future revenue from products relating to existing customer awards or product development relationships may not result in firm orders from customers for the same amount. We also incur capital expenditures and other costs, and price our products, based on estimated production volumes. If actual production volumes were significantly lower than estimated, our anticipated revenue and gross margin from those new products would be adversely affected. We cannot predict the ultimate demand for our customers' products, nor can we predict the extent to which we would be able to pass through unanticipated per-unit cost increases to our customers.

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Compliance with Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, may be costly with no assurance of maintaining effective internal controls over financial reporting.

We will likely experience significant operating expenses in connection with maintaining our internal control environment and Section 404 compliance activities. In addition, if we are unable to efficiently maintain effective internal controls over financial reporting, our operations may suffer and we may be unable to obtain an attestation on internal controls from our independent registered public accounting firm when required under the Sarbanes-Oxley Act of 2002. Recent cost reduction actions, including the loss of experienced finance and administrative personnel, may adversely affect our ability to maintain effective internal controls. This, in turn, could have a materially adverse impact on trading prices for our securities and adversely affect our ability to access the capital markets.

Export of our products are subject to various export control regulations and may require a license from either the U.S. Department of State, the U.S. Department of Commerce or the U.S. Department of the Treasury.

We must comply with the United States Export Administration Regulations, the International Traffic in Arms Regulations, or ITAR, and the sanctions, regulations and embargoes administered by the Office of Foreign Assets Control. Certain of our products that have military applications are on the munitions list of the ITAR and require an individual validated license in order to be exported to certain jurisdictions. Any changes in export regulations may further restrict the export of our products, and we may cease to be able to procure export licenses for our products under existing regulations. The length of time required by the licensing process can vary, potentially delaying the shipment of products and the recognition of the corresponding revenue. Any restriction on the export of a significant product line or a significant amount of our products could cause a significant reduction in revenue.

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

We are subject to the requirements of environmental and occupational safety and health laws and regulations in the United States and other countries, as well as product performance standards established by quasi governmental and industrial standards organizations. We cannot assure you that we have been and will continue to be in complete compliance with all of these requirements on account of circumstances or events that have occurred or exist but that we are unaware of, or that we will not incur material costs or liabilities in connection with these requirements in excess of amounts we have reserved. In addition, these requirements are complex, change frequently and have tended to become more stringent over time. These requirements may change in the future in a manner that could have a material adverse effect on our business, results of operations and financial condition. We have made and will continue to make capital and other expenditures to comply with environmental requirements. In addition, certain of our subsidiaries are subject to pending litigation raising various environmental and human health and safety claims. We cannot assure you that our costs to defend and settle these claims will not be material.

Changes in existing environmental and/or safety laws, regulations and programs could reduce demand for environmental and safety-related products, which could cause our revenue to decline.

A significant amount of our business is generated either directly or indirectly as a result of existing U.S. federal and state laws, regulations and programs related to environmental protection, fuel economy and energy efficiency and safety regulation. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation or enforcement of these programs, could result in a decline in demand for environmental and safety products which may have a material adverse effect on our revenue.

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We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

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

We recently conducted an internal investigation under the direction of the audit committee of our board of directors to determine whether any laws, including the FCPA, may have been violated in connection with a certain business relationship entered into by one of our operating subsidiaries involving business in China. We believe the amount of payments and the business involved are immaterial. We discontinued the specific business relationship and did not identify any other suspect transactions in our investigation. We contacted the United States Department of Justice and the Securities and Exchange Commission to begin the process of making a voluntary disclosure of the possible violations, investigation, and initial findings. We will cooperate fully with their review; however, the outcome of such review is unknown. The FCPA (and related statutes and regulations) provides for potential monetary penalties, criminal and civil sanctions, and other remedies. We are unable to estimate the potential penalties and/or sanctions, if any, that might be assessed in connection with our voluntary disclosure of possible FCPA violations. Any such penalties or sanctions may have a negative effect on our results of operations, financial condition and reputation.

Integration of acquired companies and any future acquisitions and joint ventures or dispositions may require significant resources and/or result in significant unanticipated losses, costs or liabilities.

We have grown and in the future we intend to grow by making acquisitions or entering into joint ventures or similar arrangements. In October 2010, we announced a definitive agreement to acquire the Automotive on Board sensors business of Honeywell International Inc. This business is expected to generate approximately \$130 million of revenue in 2010; however, there can be no assurance that the business will perform as expected. Any future acquisitions will depend on our ability to identify suitable acquisition candidates, to negotiate acceptable terms for their acquisition and to finance those acquisitions. We will also face competition for suitable acquisition candidates that may increase our costs. In addition, acquisitions or investments require significant managerial attention, which may be diverted from our other operations. Furthermore, acquisitions of businesses or facilities, including the Automotive on Board sensors business and those which may occur in the future, entail a number of additional risks, including:

problems with effective integration of operations;

the inability to maintain key pre-acquisition customer, supplier and employee relationships;

increased operating costs; and

exposure to unanticipated liabilities.

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

We may also seek to restructure our business in the future by disposing of certain of our assets. There can be no assurance that any restructuring of our business will not adversely affect our financial position, leverage or

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results of operations. In addition, any significant restructuring of our business will require significant managerial attention which may be diverted from our operations and may require us to accept non-cash consideration for any sale of our assets, the market value of which may fluctuate.

We may not realize all of the anticipated operating synergies and cost savings from acquisitions, and we may experience difficulties in integrating these businesses, which may adversely affect our financial performance.

There can be no assurance that we will realize all of the anticipated operating synergies and cost savings from our acquisitions. We anticipate that we will achieve synergies from the planned acquisition of the Automotive on Board sensors business over 18 to 24 months following the closing. However, there can be no assurance that any of the anticipated synergies will be achieved and no assurance that they will be achieved in our estimated time frame. We may not be able to successfully integrate and streamline overlapping functions from this transaction or future acquisitions, and integration may be more costly to accomplish than we expect. In addition, we could encounter difficulties in managing our combined company due to its increased size and scope.

The closing of the acquisition of the Automotive on Board sensors business is subject to certain conditions, including the receipt of regulatory approvals.

The acquisition of the Automotive on Board sensors business is expected to close in early 2011. However, the closing of the acquisition is subject to the satisfaction of various closing conditions, including, among others, the termination or expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and the receipt of approvals of certain Chinese regulatory authorities. There can be no assurance that the necessary regulatory approvals will be received, or that the other closing conditions will be satisfied, by the expected closing date of the acquisition, or that the closing of the acquisition will not be delayed for other reasons.

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.

The amount of income taxes we pay is subject to our interpretation of applicable tax laws in the jurisdictions in which we file. We have taken and will continue to take tax positions based on our interpretation of such tax laws. There can be no assurance that a taxing authority will not have a different interpretation of applicable law and assess us with additional taxes. Should we be assessed with additional taxes, this may result in a material adverse effect on our results of operations or financial condition.

We conduct operations through manufacturing and distribution subsidiaries in numerous tax jurisdictions around the world. Our transfer pricing methodology is based on economic studies. The price charged for products, services and financing among our companies could be challenged by the various tax authorities resulting in additional tax liability, interest and/or penalties.

Tax laws are subject to change in the various countries in which we operate. Such future changes could be unfavorable and result in an increased tax burden to us. See Tax Considerations included elsewhere in this prospectus.

We have significant unfunded benefit obligations with respect to our defined benefit and other post-retirement benefit plans.

We provide various retirement plans for employees, including defined benefit, defined contribution and retiree healthcare benefit plans. As of September 30, 2010, we had recognized a net accrued benefit liability of approximately \$45.2 million representing the unfunded benefit obligations of the defined benefit and retiree healthcare plans.

We have previously experienced declines in interest rates and pension asset values. Future declines in interest rates or the market values of the securities held by the plans, or certain other changes, could materially

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deteriorate the funded status of our plans and affect the level and timing of required contributions in 2010 and beyond. Additionally, a material deterioration in the funded status of the plans could significantly increase pension expenses and reduce our profitability. We fund certain of our benefit obligations on a pay-as-you-go basis; accordingly, the related plans have no assets. As a result, we are subject to increased cash outlays and costs due to, among other factors, rising healthcare costs. Increases in the expected cost of health care in excess of current assumptions could increase actuarially determined liabilities and related expenses along with future cash outlays. Our assumptions used to calculate pension and healthcare obligations as of the annual measurement date directly impact the expense to be recognized in future periods. While our management believes that these assumptions are appropriate, significant differences in actual experience or significant changes in these assumptions may materially affect our pension and healthcare obligations and future expense.

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

We have recorded a significant amount of goodwill and other identifiable intangible assets, including tradenames. Goodwill and other net identifiable intangible assets totaled approximately \$2.3 billion as of September 30, 2010, or 69% of our total assets. Goodwill, which represents the excess of cost over the fair value of the net assets of the businesses acquired, was approximately \$1.5 billion as of September 30, 2010, or 46% of our total assets. Goodwill and other net identifiable intangible assets were recorded at fair value on the date of acquisition. Impairment of goodwill and other identifiable intangible assets may result from, among other things, deterioration in our performance, adverse market conditions, adverse changes in laws or regulations, unexpected significant or planned changes in use of assets and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge that is included in operating income which may impact our ability to raise capital. During our first quarter of fiscal year 2009, we determined the carrying value of goodwill and definite-lived intangible assets associated with our Interconnection reporting unit was impaired and recorded a charge totaling \$19.9 million (goodwill of \$5.3 million and definite-lived intangible assets of \$14.6 million). During the fourth quarter of fiscal year 2008, it was determined that goodwill associated with our Interconnection reporting unit was impaired and, as a result, we recorded a charge of \$13.2 million. As of October 1, 2009, we evaluated our goodwill and indefinite-lived intangible assets for impairment at the reporting unit level and determined that the fair value exceeded the carrying value on that date. There were no impairment charges recorded during the nine months ended September 30, 2010. Should certain assumptions used in the development of the fair value of our reporting units change, we may be required to recognize additional goodwill or intangible asset impairment.

Our business may not generate sufficient cash flow from operations, or future borrowings under our Senior Secured Credit Facility or from other sources may not be available to us in an amount sufficient, to enable us to repay our indebtedness, including our existing Senior Notes and Senior Subordinated Notes, or to fund our other liquidity needs, including capital expenditure requirements.

We cannot guarantee that we will be able to obtain enough capital to service our debt and fund our planned capital expenditures and business plan. If we complete additional acquisitions, our debt service requirements could also increase. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity investments or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could have a material adverse effect on our operations. Additionally, we may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all.

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

Our Senior Secured Credit Facility requires us to maintain specified financial ratios, including a maximum ratio of total indebtedness to Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization)

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and certain other adjustments as defined in the Senior Secured Credit Facility) and a minimum ratio of Adjusted EBITDA to interest expense, and maximum capital expenditures. In addition, our Senior Secured Credit Facility and the indentures governing the Senior Notes and Senior Subordinated Notes require us to comply with various operational and other covenants. For purposes of the Senior Secured Credit Facility, Adjusted EBITDA is calculated using various add-backs to EBITDA. During the fourth quarter of fiscal year 2010, the leverage and coverage ratios will tighten from levels in 2009. The table below outlines the leverage and interest coverage ratios in accordance with the covenants in the Senior Secured Credit Facility and the minimum Adjusted EBITDA amounts that would be required in order to maintain compliance with the leverage ratio and interest coverage ratio based on total indebtedness at September 30, 2010 and interest expense for the four quarters ended September 30, 2010.

Effective as of	Maximum Leverage ratio covenant	Minimum required LTM Adjusted EBITDA to maintain compliance based on September 30, 2010 indebtedness ⁽¹⁾	Minimum Interest coverage ratio covenant	Minimum required LTM Adjusted EBITDA to maintain compliance based on last four quarters ended September 30, 2010 interest expense ⁽¹⁾
Fourth quarter 2009	7.50:1	NA	1.50:1	NA
Fourth quarter 2010	7.00:1	\$ 229.0	1.60:1	\$ 172.2
Fourth quarter 2011	7.00:1	\$ 229.0	1.60:1	\$ 172.2
Fourth quarter 2012	7.00:1	\$ 229.0	1.60:1	\$ 172.2

(1) Amounts are stated in millions and based on total indebtedness (as defined in the Senior Secured Credit Facility) of \$1,602.9 million at September 30, 2010 and interest expense (as defined in the Senior Secured Credit Facility) of \$107.6 million for the four quarters ended September 30, 2010.

Sufficiently adverse financial performance, including the failure to achieve our financial forecasts, could result in default under current and future ratio levels, particularly the ratio of total indebtedness to Adjusted EBITDA. Additionally, creditors may challenge the nature of our add-backs to EBITDA, possibly increasing the risk of default. If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn would result in cross defaults under our other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings if accelerated upon an event of default.

If, when required, we are unable to repay, refinance or restructure our indebtedness under, or amend the covenants contained in, our credit agreement, or if a default otherwise occurs, the lenders under our Senior Secured Credit Facility could elect to terminate their commitments thereunder, cease making further loans, declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable, institute foreclosure proceedings against those assets that secure the borrowings under our Senior Secured Credit Facility and prevent us from making payments on the notes. Any such actions could force us into bankruptcy or liquidation, and we might not be able to repay our obligations in such an event.

Our limited history as a stand-alone company could pose challenges in the operation of our business.

Prior to April 27, 2006, we operated as a business of Texas Instruments. Following the 2006 Acquisition, Texas Instruments no longer has any ownership interest in our Company. Historically, as part of Texas Instruments, we had access to the administrative services and internal controls provided by Texas Instruments. Until September 30, 2008, Texas Instruments provided the Company with certain administrative services, including real estate, finance and accounting, human resources, information technology, warehousing and logistics, record retention and security

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consulting services. As a result of the expiration of the transition services agreement, we have had to establish all of our own services, systems and controls and we may be unable to operate such services, systems and controls at the costs we paid to Texas Instruments under that agreement and reflected in our historical financial statements.

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In the future, we may not secure financing necessary to operate and grow our business or to exploit opportunities.

Our future liquidity and capital requirements will depend upon numerous factors, some of which are outside our control, including the future development of the markets in which we participate. We may need to raise additional funds to support expansion, develop new or enhanced services, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. If our capital resources are not sufficient to satisfy our liquidity needs, we may seek to sell additional debt or equity securities or obtain other debt financing. The incurrence of debt would result in increased expenses and could include covenants that would further restrict our operations. If the credit markets remain tight, we may not be able to obtain additional financing, if required, in amounts or on terms acceptable to us, or at all.

We have reported significant net losses for fiscal years following the 2006 Acquisition and may not sustain recently achieved profitability in the foreseeable future.

We incurred a significant amount of indebtedness in connection with the 2006 Acquisition and the subsequent acquisitions of First Technology Automotive and Airpax and, as a result, our interest expense has been substantial for periods following the 2006 Acquisition. Due, in part, to this significant interest expense and the amortization of intangible assets also related to these acquisitions, we have reported net losses of \$252.5 million, \$134.5 million and \$27.7 million for fiscal years 2007, 2008 and 2009, respectively. For the nine months ended September 30, 2010, we reported net income of \$61.4 million. We repaid approximately \$327.1 million of our indebtedness in March and April 2010 with proceeds from our initial public offering; however, we continue to have a significant amount of indebtedness. Due to the significant interest expense associated with the remaining indebtedness and the continued amortization of intangible assets, we cannot assure you that we will sustain recently achieved profitability in the foreseeable future.

Risks Related to Our Organization and Structure

We are a Netherlands public limited liability company and it may be difficult for you to obtain or enforce judgments against us in the United States.

We are incorporated under the laws of the Netherlands, and a substantial portion of our assets are located outside of the United States. As a result, although we have appointed an agent for service of process in the U.S., it may be difficult or impossible for United States investors to effect service of process within the United States upon us or to realize in the United States on any judgment against us including for civil liabilities under the United States securities laws. Therefore, any judgment obtained in any United States federal or state court against us may have to be enforced in the courts of the Netherlands, or such other foreign jurisdiction, as applicable. Because there is no treaty or other applicable convention between the United States and the Netherlands with respect to legal judgments, a judgment rendered by any United States federal or state court will not be enforced by the courts of the Netherlands unless the underlying claim is relitigated before a Dutch court. Under current practice, however, a Dutch court will generally grant the same judgment without a review of the merits of the underlying claim (i) if that judgment resulted from legal proceedings compatible with Dutch notions of due process, (ii) if that judgment does not contravene public policy of the Netherlands and (iii) if the jurisdiction of the United States federal or state court has been based on internationally accepted principles of private international law. To date, we are aware of only one case in which a Dutch court has considered whether such a foreign judgment would be enforced in the Netherlands. In that case, a U.S. court entered a default judgment against the defendant, a Netherlands resident, in a lawsuit involving a breach of contract claim. The defendant sought to relitigate the claim in the Netherlands. The Dutch lower court ruled that the criteria discussed above were satisfied with respect to the U.S. judgment, as a result of which the Dutch court granted the same judgment without a review of the merits of the underlying claim. Investors should not assume, however, that the courts of the Netherlands, or such other foreign

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jurisdiction, would enforce judgments of United States courts obtained against us predicated upon the civil liability provisions of the United States securities laws or that such courts would enforce, in original actions, liabilities against us predicated solely upon such laws.

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Your rights and responsibilities as a shareholder will be governed by Dutch law and will differ in some respects from the rights and responsibilities of shareholders under U.S. law, and your shareholder rights under Dutch law may not be as clearly established as shareholder rights are established under the laws of some U.S. jurisdictions.

Our corporate affairs are governed by our articles of association and by the laws governing companies incorporated in the Netherlands. The rights of our shareholders and the responsibilities of members of our board of directors under Dutch law may not be as clearly established as under the laws of some U.S. jurisdictions. In the performance of its duties, our board of directors is required by Dutch law to consider the interests of our company, its shareholders, its employees and other stakeholders in all cases with reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a shareholder. It is anticipated that all of our shareholder meetings will take place in the Netherlands.

In addition, the rights of holders of ordinary shares and many of the rights of shareholders as they relate to, for example, the exercise of shareholder rights, are governed by Dutch law and our articles of association and differ from the rights of shareholders under U.S. law. For example, Dutch law does not grant appraisal rights to a company's shareholders who wish to challenge the consideration to be paid upon a merger or consolidation of the company. See "Description of Ordinary Shares" included elsewhere in this prospectus.

The provisions of Dutch corporate law and our articles of association have the effect of concentrating control over certain corporate decisions and transactions in the hands of our board of directors. As a result, holders of our shares may have more difficulty in protecting their interests in the face of actions by members of our board of directors than if we were incorporated in the United States. See "Description of Ordinary Shares" included elsewhere in this prospectus.

The payment of cash dividends on our shares is restricted under the terms of the agreements governing our indebtedness and is dependent on our ability to obtain funds from our subsidiaries.

We have never declared or paid any dividends on our ordinary shares and we currently do not plan to declare dividends on our ordinary shares in the foreseeable future. Because we are a holding company, our ability to pay cash dividends on our ordinary shares may be limited by restrictions on our ability to obtain sufficient funds through dividends from subsidiaries, including restrictions under the terms of the agreements governing our and our subsidiaries' indebtedness. In that regard, our wholly-owned subsidiary, Sensata Technologies B.V., is limited in its ability to pay dividends or otherwise make distributions to its immediate parent company and, ultimately, to us. Under Dutch law, we may only pay dividends out of profits as shown in our adopted annual accounts prepared in accordance with International Financial Reporting Standards, or IFRS. We will only be able to declare and pay dividends to the extent our equity exceeds the sum of the paid and called up portion of our ordinary share capital and the reserves that must be maintained in accordance with provisions of Dutch law and our articles of association. See "Description of Ordinary Shares" Shareholder Rights Dividends. Subject to these limitations, the payment of cash dividends in the future, if any, will depend upon such factors as earnings levels, capital requirements, contractual restrictions, its financial condition and any other factors deemed relevant by our shareholders and board of directors.

We are a controlled company within the meaning of the New York Stock Exchange listing rules and, as a result, we qualify for, and rely on, applicable exemptions from certain corporate governance requirements.

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We are a controlled company under the rules of the New York Stock Exchange. Under these rules, a company of which more than 50% of the voting power is held by a group is a controlled company and may elect not to comply with certain corporate governance requirements of such exchange, including the requirement that a majority of the board of directors consist of independent directors. Upon completion of this offering, our principal shareholder, Sensata Investment Company S.C.A., will own approximately 66.6% of our outstanding ordinary shares (or 64.9% if the underwriters exercise their option to purchase additional shares in full). We will continue to rely on this exemption to the extent it is applicable, and therefore we may not have a majority of

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independent directors, nor will our nominating and governance or compensation committees consist entirely of independent directors. Accordingly, you may not have the same protections afforded to stockholders of companies that are not deemed controlled companies.

Risks Related to Our Ordinary Shares and This Offering

There may not be an active, liquid trading market for our ordinary shares, and you may not be able to resell your shares at or above the price at which you purchase them.

The initial public offering of our ordinary shares was completed in March 2010 at a price of \$18.00 per share. There has been a public market for our ordinary shares for only a short period of time. An active, liquid and orderly market for our ordinary shares may not be sustained, which could depress the trading price of our ordinary shares. An inactive market may also impair your ability to sell any of our ordinary shares that you purchase. In addition, the market price of our ordinary shares may fluctuate significantly and may be adversely affected by broad market and industry factors, regardless of our actual operating performance.

As a public company, we are subject to financial and other reporting and corporate governance requirements that may be difficult for us to satisfy.

We are subject to financial and other reporting and corporate governance requirements, including the requirements of the New York Stock Exchange listing rules, which impose compliance obligations upon us. We are working with our legal and financial advisors to manage our growth and obligations as a public company. We have made, and will continue to make, changes to our financial and management control systems. The expenses that we are required to incur in order to satisfy these requirements could be material. The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

Our principal shareholder will continue to have control over us after this offering which could limit your ability to influence the outcome of key transactions, including a change of control.

Upon completion of this offering, our principal shareholder, Sensata Investment Company S.C.A., will own approximately 66.6% of our outstanding ordinary shares (or 64.9% if the underwriters exercise their option to purchase additional shares in full). This entity is indirectly controlled by investment funds advised or managed by the principals of Bain Capital and, pursuant to agreements among all of its existing shareholders, Bain Capital has the right to appoint all of its directors. See Principal and Selling Shareholders and Certain Relationships and Related Party Transactions. As a result, this shareholder would be able to influence or control matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our shareholders of an opportunity to receive a premium for their ordinary shares as part of a sale of us and might ultimately affect the market price of our ordinary shares.

Future sales of our ordinary shares in the public market could cause our share price to fall.

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If our existing shareholders sell substantial amounts of our ordinary shares in the public market following this offering, the market price of our ordinary shares could decrease significantly. The perception in the public market that our existing shareholders might sell shares could also depress the market price of our ordinary shares. Upon the consummation of this offering, we will have 172,978,041 ordinary shares outstanding. Our directors, officers and selling shareholders will be subject to lock-up agreements with certain representatives of the underwriters for a period of 90 days from the date of this prospectus as described in Ordinary Shares Eligible for Future Sale Lock-up Agreements. After these lock-up agreements and the similar lock-up periods set forth

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in our registration rights agreement have expired, 115,629,953 shares, some of which will be subject to vesting, will be eligible for sale in the public market. The market price of our ordinary shares may drop significantly when the restrictions on resale by our existing shareholders lapse. A decline in the price of our ordinary shares might impede our ability to raise capital through the issuance of additional ordinary shares or other equity securities.

Our share price may be volatile, and the market price of our ordinary shares after this offering may drop below the price you pay.

Securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our shares regardless of our operating performance. The trading price of our ordinary shares is likely to be volatile and subject to wide price fluctuations in response to various factors, including:

market conditions in the broader stock market;

actual or anticipated fluctuations in our quarterly financial and operating results;

introduction of new products or services by us or our competitors;

issuance of new or changed securities analysts' reports or recommendations;

sales, or anticipated sales, of large blocks of our stock;

additions or departures of key personnel;

regulatory or political developments;

litigation and governmental investigations; and

changing economic conditions.

These and other factors may cause the market price and demand for our ordinary shares to fluctuate substantially, which may limit or prevent investors from readily selling their ordinary shares and may otherwise negatively affect the liquidity of our ordinary shares. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our shareholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our ordinary shares or if our results of operations do not meet their expectations, our share price and trading volume could decline.

The trading market for our ordinary shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our ordinary shares, or if our results of operations do not meet their expectations, our share price could decline.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including any documents incorporated by reference herein, includes forward-looking statements. These forward-looking statements include statements relating to our business. In some cases, forward-looking statements may be identified by terminology such as may, will, should, expects, anticipates, believes, projects, forecasts, continue or the negative of such terms or comparable terminology. Forward-looking statements contained herein (including future cash contractual obligations), 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. We believe that the following important factors, among others (including those described in Risk Factors), 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:

our operating results and financial condition have been and may continue to be adversely affected by the current financial crisis and worldwide economic conditions;

continued fundamental changes in the industries in which we operate have had and could continue to have adverse effects on our businesses;

we may incur material losses and costs as a result of product liability and warranty and recall claims that may be brought against us;

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;

we may not realize all of the anticipated operating synergies and cost savings from acquisitions, and we may experience difficulties in integrating these businesses, which may adversely affect our financial performance;

the closing of the acquisition of the Automotive on Board sensors business is subject to certain conditions, including the receipt of regulatory approvals;

we have reported significant net losses for fiscal years following the 2006 Acquisition and may not sustain recently achieved profitability in the foreseeable future; and

the other risks set forth in Risk Factors included elsewhere in this prospectus.

All forward-looking statements speak only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements contained in this prospectus. We undertake no obligation to update or revise forward-looking statements which may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

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MARKET AND INDUSTRY DATA AND FORECASTS

Market data and certain industry data and forecasts included in this prospectus were obtained from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys. We have relied upon publications of J.D. Power and Associates, Global Industry Analysts, IC Insights, International Data Corporation, or International Data, Strategy Analytics, and VDC Research Group, Inc., or VDC Research, as our primary sources for third-party industry data and forecasts. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which we believe to be reliable based upon our management's knowledge of the industry, have not been independently verified. Forecasts are particularly likely to be inaccurate, especially over long periods of time. In addition, we do not know what assumptions regarding general economic growth were used in preparing the forecasts we cite. Statements as to our market position are based on recently available data. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" appearing elsewhere in this prospectus. While we believe our internal business research is reliable and market definitions are appropriate, neither such research nor definitions have been verified by any independent source. This prospectus may only be used for the purpose for which it has been published.

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USE OF PROCEEDS

The selling shareholders will receive all of the net proceeds from the sale of the ordinary shares in this offering. We will not receive any of the proceeds from the sale of ordinary shares by the selling shareholders, including any sales pursuant to the underwriters' option to purchase additional shares. However, we will receive in the aggregate approximately \$3.2 million from selling shareholders who will pay to us the exercise price for options exercised by them for the purpose of selling shares in this offering. The proceeds received by us in connection with the exercise of options to purchase our ordinary shares by the selling shareholders in connection with this offering will be used for general corporate purposes. We will pay the expenses of this offering, other than underwriting discounts and commissions.

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DIVIDEND POLICY

We have never declared or paid any dividends on our ordinary shares, and we currently do not plan to declare dividends on our ordinary shares in the foreseeable future. Because we are a holding company, our ability to pay cash dividends on our ordinary shares may be limited by restrictions on our ability to obtain sufficient funds through dividends from subsidiaries, including restrictions under the terms of the agreements governing our and our subsidiaries' indebtedness. In that regard, our wholly-owned subsidiary, Sensata Technologies B.V., is limited in its ability to pay dividends or otherwise make distributions to its immediate parent company and, ultimately to us. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Indebtedness and Liquidity. Under Dutch law, we may only pay dividends out of profits as shown in our adopted annual accounts prepared in accordance with IFRS. We will only be able to declare and pay dividends to the extent our equity exceeds the sum of the paid and called up portion of our ordinary share capital and the reserves that must be maintained in accordance with provisions of Dutch law and our articles of association. See Description of Ordinary Shares - Shareholder Rights - Dividends. Subject to these limitations, the payment of cash dividends in the future, if any, will depend upon such factors as earnings levels, capital requirements, contractual restrictions, our overall financial condition and any other factors deemed relevant by our shareholders and board of directors.

Table of Contents**PRICE RANGE OF ORDINARY SHARES**

Our ordinary shares have traded on the New York Stock Exchange under the symbol **ST** since March 11, 2010. Prior to that time, there was no public market for our ordinary shares. The following table sets forth the high and low intraday sales prices per share of our ordinary shares, as reported by the New York Stock Exchange, for the periods indicated.

	Price Range	
	High	Low
2010		
Quarter ended March 31, 2010 ⁽¹⁾	\$ 19.00	\$ 17.12
Quarter ended June 30, 2010	\$ 21.12	\$ 15.30
Quarter ended September 30, 2010	\$ 20.12	\$ 15.25
Quarter ending December 31, 2010 (through November 1, 2010)	\$ 23.71	\$ 19.43

(1) Our ordinary shares began trading on March 11, 2010.

The closing sale price per share of our ordinary shares, as reported by the New York Stock Exchange, on November 1, 2010 was \$22.72. As of November 1, 2010, there were 16 holders of record of our ordinary shares.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of September 30, 2010.

You should read this table together with Management's Discussion and Analysis of Financial Condition and Results of Operations and our unaudited condensed consolidated financial statements and the related notes appearing elsewhere in this prospectus. Amounts in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add to the totals due to the effect of rounding.

(Amounts in millions, except share data)	As of September 30, 2010 (unaudited)
Long-term debt, including current maturities:	
Senior Secured Credit Facility:	
Revolving credit facility ^(a)	\$
Term loan facility ^(b)	1,428.8
Capital lease and other financing obligations	42.7
Senior Notes	201.2
Senior Subordinated Notes ^(c)	241.1
Total debt	1,913.8
Shareholders' equity:	
Ordinary shares, 0.01 nominal value per share; 400,000,000 shares authorized, 171,412,366 shares issued	\$ 2.2
Treasury shares, at cost, 11,973 shares	(0.1)
Additional paid-in capital	1,514.0
Accumulated deficit	(566.2)
Accumulated other comprehensive loss	(29.9)
Total shareholders' equity	919.9
Total capitalization	\$ 2,833.7

(a) Our revolving credit facility provides for up to \$150.0 million of borrowings to fund our working capital needs.

(b) Our term loan facility includes a Euro-denominated term loan in an aggregate principal amount of 381.5 million as of September 30, 2010. We converted this term loan into U.S. dollars as of September 30, 2010 using an exchange rate of \$1.36 = 1.00. On November 1, 2010, the exchange rate was \$1.39 = 1.00.

(c) Our existing Senior Subordinated Notes are Euro-denominated with an aggregate principal amount of 177.1 million outstanding as of September 30, 2010. We converted the Senior Subordinated Notes into U.S. dollars as of September 30, 2010 using an exchange rate of \$1.36 = 1.00. On November 1, 2010, the exchange rate was \$1.39 = 1.00.

Table of Contents**SELECTED CONSOLIDATED AND COMBINED HISTORICAL FINANCIAL DATA**

We have derived the selected consolidated statement of operations and other financial data for the years ended December 31, 2007, 2008 and 2009 and the selected consolidated balance sheet data as of December 31, 2008 and 2009 from the audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected consolidated and combined statement of operations and other financial data for the year ended December 31, 2005 and the periods from January 1, 2006 to April 26, 2006 and April 27, 2006 (inception) to December 31, 2006 and the consolidated and combined balance sheet data as of December 31, 2005, 2006 and 2007 from the audited consolidated and combined financial statements not included in this prospectus. We have derived the selected consolidated statement of operations data and other financial data for the nine months ended September 30, 2009 and 2010 and the selected balance sheet data as of September 30, 2010 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. Our unaudited condensed consolidated financial statements have been prepared on the same basis as the audited financial statements and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods.

You should read the following information in conjunction with the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and accompanying notes thereto included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results to be expected in any future period.

	Predecessor (combined)			Sensata Technologies Holding N.V. (consolidated)				
	For the year ended December 31, 2005	For the period January 1 to April 26, 2006	For the period April 27 (inception) to December 31, 2006	For the year ended December 31, 2007 2008 2009			For the nine months ended September 30, 2009 2010	
(Amounts in thousands, except per share data)								
Statement of Operations Data:								
Net revenue	\$ 1,060,671	\$ 375,600	\$ 798,507	\$ 1,403,254	\$ 1,422,655	\$ 1,134,944	\$ 796,855	\$ 1,152,237
Operating costs and expenses:								
Cost of revenue	681,983	253,028	536,485	944,765	951,763	742,080	521,154	712,019
Research and development	31,252	8,635	19,742	33,891	38,256	16,796	12,692	17,253
Selling, general and administrative ⁽¹⁾	96,146	38,674	94,755	166,065	166,625	126,952	95,301	156,013
Amortization of intangible assets and capitalized software	2,458	1,078	82,740	131,064	148,762	153,081	115,060	108,309
Impairment of goodwill and intangible assets					13,173	19,867	19,867	
Restructuring	22,996	2,456		5,166	24,124	18,086	18,033	196
Total operating costs and expenses	834,835	303,871	733,722	1,280,951	1,342,703	1,076,862	782,107	993,790
Profit/(loss) from operations	225,836	71,729	64,785	122,303	79,952	58,082	14,748	158,447
Interest expense	(105)	(511)	(165,160)	(191,161)	(197,840)	(150,589)	(115,373)	(82,170)
Interest income			1,567	2,574	1,503	573	471	634
Currency translation gain/(loss) and other, net ⁽²⁾		115	(63,633)	(105,449)	55,467	107,695	94,101	20,525
Income/(loss) from continuing operations before income taxes	225,731	71,333	(162,441)	(171,733)	(60,918)	15,761	(6,053)	97,436
Provision for income taxes	81,390	25,796	48,560	62,504	53,531	43,047	35,165	35,996
Income/(loss) from continuing operations	144,341	45,537	(211,001)	(234,237)	(114,449)	(27,286)	(41,218)	61,440
Loss from discontinued operations	(924)	(167)	(1,309)	(18,260)	(20,082)	(395)	(395)	

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Net income/(loss) ⁽³⁾	\$ 143,417	\$ 45,370	\$ (212,310)	\$ (252,497)	\$ (134,531)	\$ (27,681)	\$ (41,613)	\$ 61,440
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	Predecessor (combined)		Sensata Technologies Holding N.V. (consolidated)					
	For the year ended December 31, 2005	For the period January 1 to April 26, 2006	For the period April 27 (inception) to December 31, 2006	For the year ended December 31, 2007 2008 2009			For the nine months ended September 30, 2009 2010	
(Amounts in thousands, except per share data)								
Net income/(loss) per share basic:								
Continuing operations	NA	NA	\$ (2.73)	\$ (1.62)	\$ (0.79)	\$ (0.19)	\$ (0.29)	\$ 0.37
Discontinued operations	NA	NA	(0.02)	(0.13)	(0.14)	(0.00)	(0.00)	
Net income/(loss) per share basic	NA	NA	\$ (2.75)	\$ (1.75)	\$ (0.93)	\$ (0.19)	\$ (0.29)	\$ 0.37
Net income/(loss) per share diluted:								
Continuing operations	NA	NA	\$ (2.73)	\$ (1.62)	\$ (0.79)	\$ (0.19)	\$ (0.29)	\$ 0.36
Discontinued operations	NA	NA	(0.02)	(0.13)	(0.14)	(0.00)	(0.00)	
Net income/(loss) per share diluted	NA	NA	\$ (2.75)	\$ (1.75)	\$ (0.93)	\$ (0.19)	\$ (0.29)	\$ 0.36
Weighted average ordinary shares outstanding basic								
	NA	NA	77,276	144,054	144,066	144,057	144,057	164,122
Weighted-average ordinary shares outstanding diluted								
	NA	NA	77,276	144,054	144,066	144,057	144,057	170,651

Other Financial Data:

Net cash provided by/ (used in):								
Operating activities	\$ 173,276	\$ 40,599	\$ 129,923	\$ 155,278	\$ 47,481	\$ 187,577	\$ 127,724	\$ 201,678
Investing activities	(56,505)	(16,705)	(3,142,543)	(355,710)	(38,713)	(15,077)	(10,630)	(34,725)
Financing activities	(116,771)	(23,894)	3,097,373	175,736	8,891	(101,748)	3,342	87,501
Capital expenditures ⁽⁴⁾	42,218	16,705	29,630	66,701	40,963	14,959	11,527	35,089
EBITDA ⁽⁵⁾ (unaudited)	256,070	81,286	111,031	187,862	315,460	366,890	257,519	316,753

	Predecessor (combined)	Sensata Technologies Holding N.V. (consolidated)				As of
	As of December 31, 2005	As of December 31, 2006	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009	September 30, 2010
(Amounts in thousands)						
Balance Sheet Data:						
Cash and cash equivalents	\$	\$ 84,753	\$ 60,057	\$ 77,716	\$ 148,468	\$ 402,922
Working capital ⁽⁶⁾	167,018	221,486	161,418	15,663	245,445	524,325
Total assets	504,297	3,372,292	3,555,508	3,303,381	3,166,870	3,339,466
Total debt, including capital lease and other financing obligations	31,165	2,272,633	2,562,480	2,511,187	2,300,826	1,913,808
Texas Instruments net investment/Total shareholders equity	355,673	824,609	566,310	405,332	387,158	919,852

(1) For the nine months ended September 30, 2010, selling, general and administrative expense includes \$18.9 million recorded as a cumulative catch-up adjustment for previously unrecognized compensation expense associated with the Tranche 2 and 3 option awards and the related modification, and \$22.4 million in fees related to the termination of the advisory agreement with the Sponsors at their option. See Executive Compensation Components of Compensation Equity Compensation and Certain Relationships and Related Party Transactions Advisory Agreement.

(2) Currency translation gain/(loss) and other, net in the period from April 27, 2006 (inception) to December 31, 2006 primarily includes currency translation loss associated with Euro-denominated debt and the deferred payments certificates of \$(65.5) million. Currency translation gain/(loss) and other, net for the year

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ended December 31, 2007 primarily includes currency translation loss associated with the Euro-denominated debt of \$(111.9) million. Currency translation gain/(loss) and other, net for the years ended December 31, 2008 and 2009 and the nine months ended September 30, 2009 and 2010 includes gains/(losses) of \$15.0 million, \$120.1 million, \$120.1 million and \$(23.5) million, respectively, recognized on repurchases of Senior Notes and Senior Subordinated Notes, as well as currency translation gain/(loss) associated with the Euro-denominated debt of \$53.2 million, \$(13.6) million, \$(28.5) million and \$53.8 million, respectively.

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(3) Included within Net income/(loss) for each of the periods presented were the following expenses:

(Amounts in thousands)	(unaudited) Sensata Technologies Holding N.V. (consolidated)					
	For the period April 27 (inception) to December 31,		For the year ended December 31,		For the nine months ended September 30,	
	2006	2007	2008	2009	2009	2010
Amortization and depreciation expense related to the step-up in fair value of fixed and intangible assets ^(a)	\$ 91,591	\$ 154,296	\$ 160,594	\$ 157,797	\$ 117,677	\$ 109,280
Deferred income tax and other tax expense	30,148	46,126	29,980	26,592	25,696	31,494
Amortization expense of deferred financing costs	11,518	9,640	10,698	9,055	6,775	6,512
Interest expense related to uncertain tax positions		1,747	43	823	664	352
Interest expense related to Deferred Payment Certificates	44,581					

(a) Amortization and depreciation expense related to the step-up in fair value of fixed and intangible assets relates to the acquisition of the S&C business of Texas Instruments, First Technology Automotive and Airpax and the step-up in the fair value of these assets through purchase accounting.

(4) Excludes non-cash capital expenditures, financed through a capital lease, of \$31.2 million for the year ended December 31, 2005.

(5) We present EBITDA in this prospectus to provide investors with a supplemental measure of our operating performance. EBITDA is a non-GAAP financial measure. We define EBITDA as net income/(loss) before interest, taxes, depreciation and amortization. We believe EBITDA assists our board of directors, management and investors in comparing our operating performance on a consistent basis because it removes the impact of our capital structure (such as interest expense), asset base (such as depreciation and amortization) and tax structure. The use of EBITDA has limitations and you should not consider this performance measure in isolation from or as an alternative to U.S. GAAP measures such as net income/(loss).

The following unaudited table summarizes the calculations of EBITDA and provides a reconciliation from net income/(loss), the most directly comparable financial measure presented in accordance with U.S. GAAP, for the periods presented:

(Amounts in thousands)	Predecessor (combined)		Sensata Technologies Holding N.V. (consolidated)					
	For the year ended December 31,	For the period January 1 to April 26,	For the period April 27 (inception) to December 31,		For the year ended December 31,		For the nine months ended September 30,	
	2005	2006	2006	2007	2008	2009	2009	2010
Net income/(loss)	\$ 143,417	\$ 45,370	\$ (212,310)	\$ (252,497)	\$ (134,531)	\$ (27,681)	\$ (41,613)	\$ 61,440
Provision for income taxes	81,390	25,796	48,560	62,504	53,531	43,047	35,165	35,996
Interest expense, net	105	511	163,593	188,587	196,337	150,016	114,902	81,536
Depreciation and amortization	31,158	9,609	111,188	189,268	200,123	201,508	149,065	137,781
EBITDA (unaudited)	\$ 256,070	\$ 81,286	\$ 111,031	\$ 187,862	\$ 315,460	\$ 366,890	\$ 257,519	\$ 316,753

Following the 2006 Acquisition, our senior management, together with our Sponsors, developed a series of strategic initiatives to better position us for future revenue growth and an improved cost structure. This plan has been modified, from time to time, to reflect changes in overall market conditions and the competitive environment facing our business. These initiatives have included, among other items, acquisitions, divestitures, restructurings of certain operations and various financing transactions. In connection with these activities, we incurred certain costs and expenses included in EBITDA that we have further described below and believe are important to consider in evaluating our operating performance over these periods.

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The following table summarizes certain expenses, losses and gains included in EBITDA for the periods presented:

(Amounts in thousands)	(unaudited)					
	For the period April 27 (inception) to December 31, 2006	2007	For the year ended December 31, 2008		For the nine months ended September 30, 2009	
Supplemental Information:						
Acquisition, integration and financing costs and other significant items:						
Transition costs ^(a)	\$ 15,980	\$ 16,768	\$ 4,052	\$ 23	\$ 23	\$
Litigation costs ^(b)	258	4,006	840	147	76	
Integration and finance costs ^(c)	1,182	13,649	20,931	2,813	3,029	
Relocation and disposition costs ^(d)		114	12,828	8,202	7,319	
Pension charges ^(e)			3,588	4,828	4,702	
Inventory step-up ^(f)	25,017	4,454				
IPR&D write-off ^(g)		5,700				
Other ^(h)	1,296	3,123	27,106	6,972	5,505	
Subtotal	43,733	47,814	69,345	22,985	20,654	
Impairment of goodwill and intangible assets ⁽ⁱ⁾			13,173	19,867	19,867	
Severance and other termination costs associated with downsizing ^(j)		5,166	12,282	12,276	12,121	209
Stock compensation ^(k)	1,259	2,015	2,108	2,233	1,174	4,783
Management fees ^(l)	2,667	4,000	4,000	4,000	3,000	
Subtotal	47,659	58,995	100,908	61,361	56,816	4,992
(Gain)/loss on extinguishment of debt ^(m)			(14,961)	(120,123)	(120,123)	23,474
Costs related to initial public offering ⁽ⁿ⁾						43,298
Currency translation loss/(gain) on debt ^(o)	65,519	111,946	(53,209)	15,301	28,482	(48,460)
Other ^(p)		(25)	123	973	(594)	3,682
Total	\$ 113,178	\$ 170,916	\$ 32,861	\$ (42,488)	\$ (35,419)	\$ 26,986

- (a) Represents transition costs incurred by us in becoming a stand-alone company, one of our subsidiaries becoming an SEC reporting company and complying with Section 404 of the Sarbanes-Oxley Act of 2002.
- (b) Represents litigation costs we recognized related to customers alleging defects in certain of our products, which were manufactured and sold prior to April 27, 2006 (inception).
- (c) Represents integration and financing costs related to the acquisitions of Airpax, First Technology Automotive and SMaL Camera and other consulting and advisory fees associated with acquisitions and financings, whether or not consummated.
- (d) Represents costs we incurred to move certain operations to lower-cost Sensata locations, close certain manufacturing operations and dispose of the SMaL Camera business.
- (e) Represents pension curtailment and settlement losses, and amortization of prior service costs associated with various restructuring activities.
- (f) Represents the impact on our cost of revenue from the increase in the carrying value of the inventory that was adjusted to fair value as a result of the application of purchase accounting to the acquisitions of the S&C business, Airpax and First Technology Automotive.
- (g) Represents the charge we recorded for acquired in-process research and development associated with our acquisition of SMaL Camera in March 2007.
- (h) Represents other (gains)/losses, including impairment losses associated with certain assets held for sale, losses related to the early termination of commodity forward contracts of \$7.2 million during fiscal year 2008, a loss of \$13.4 million during fiscal year 2008 associated with a settlement with a significant automotive customer that alleged defects in certain of our products installed in its automobiles, and a reserve associated with the Whirlpool recall litigation. See Management's Discussion and Analysis of Financial Condition and Results of Operations Legal Proceedings.
- (i) Represents the impairment of goodwill and intangible assets associated with a reporting unit within our controls business segment and relates to products used in the semiconductor business.
- (j) Represents severance, outplacement costs and special termination benefits associated with the downsizing of various manufacturing facilities and our corporate office.
- (k) Represents share-based compensation expense recorded in accordance with ASC Topic 718, *Compensation - Stock Compensation*, excluding \$18.9 million related to the cumulative catch-up adjustment for previously unrecognized compensation expense associated with the Tranche 2 and 3 option awards and the related modification. See Executive Compensation Components of Compensation Equity Compensation.

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- (l) Represents fees expensed under the terms of the advisory agreement with our Sponsors. This agreement was terminated in connection with the completion of our initial public offering. See [Certain Relationships and Related Party Transactions](#) [Advisory Agreement](#).
- (m) Relates to the repurchases of outstanding notes.
- (n) Represents costs recorded as expenses related to our initial public offering in March 2010 including \$18.9 million recorded as a cumulative catch-up adjustment for previously unrecognized compensation expense associated with the Tranche 2 and 3 option awards and the related modification, and \$22.4 million in fees related to the termination of the advisory agreement with the Sponsors at their option. See [Executive Compensation](#) [Components of Compensation](#) [Equity Compensation](#) and [Certain Relationships and Related Party Transactions](#) [Advisory Agreement](#).
- (o) Reflects the losses/(gains) associated with the translation of our Euro-denominated debt into U.S. dollars and losses/(gains) on related hedging transactions.
- (p) Represents unrealized (gains)/losses on commodity forward contracts and estimated potential penalty expenses associated with uncertain tax positions, and in addition, for the nine months ended September 30, 2010, expense associated with the reversal of tax indemnification assets and other tax-related assets of \$5.2 million.

See [Management's Discussion and Analysis of Financial Condition and Results of Operations](#) for additional information regarding certain of these items.

- (6) We define working capital as current assets less current liabilities. Prior to the 2006 Acquisition, we participated in Texas Instruments' centralized system for cash management, under which our cash flows were transferred to Texas Instruments on a regular basis and netted against Texas Instruments' net investment account. Consequently, none of Texas Instruments' cash, cash equivalents, debt or interest expense has been allocated to our business in the Predecessor historical combined financial statements.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with Selected Consolidated and Combined Historical Financial Data, and our audited consolidated financial statements and the related notes beginning on page F-1 of this prospectus as well as our unaudited condensed consolidated financial statements and the related notes beginning on page F-74 of this prospectus.

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

Overview

Sensata, a global industrial technology company, is a leader in the development, manufacture and sale of sensors and controls. We produce a wide range of customized, innovative sensors and controls for mission-critical applications such as thermal circuit breakers in aircraft, pressure sensors in automotive systems, and bimetal current and temperature control devices in electric motors. We believe that we are one of the largest suppliers of sensors and controls in the majority of the key applications in which we compete and that we have developed our strong market position due to our long-standing customer relationships, technical expertise, product performance and quality and competitive cost structure. We compete in growing global market segments driven by demand for products that are safe, energy-efficient and environmentally-friendly, as well as the proliferation of, and increasing use of sensors and controls in, electronic applications. In addition, our long-standing position in emerging markets, including our 15-year presence in China, further enhances our growth prospects. We deliver a strong value proposition to our customers by leveraging an innovative portfolio of core technologies and manufacturing at high volumes in low-cost locations such as China, Mexico, Malaysia and the Dominican Republic.

History

We have a history of innovation dating back to our origins. We operated as a part of Texas Instruments from 1959 until we were acquired as a result of the 2006 Acquisition. Since then, we have expanded our operations in part through the acquisition of Airpax in July 2007 and First Technology Automotive in December 2006.

Prior to our initial public offering in March 2010, we were a direct, 99% owned subsidiary of Sensata Investment Company S.C.A., a Luxembourg company, or Sensata Investment Co., which is owned by investment funds or vehicles advised or managed by Bain Capital, its co-investors and certain members of our senior management. Prior to the completion of this offering, Sensata Investment Co. owns 78.1% of our outstanding ordinary shares.

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We conduct our operations through subsidiary companies, which operate business and product development centers in the United States, the Netherlands and Japan and manufacturing operations in Brazil, China, South Korea, Malaysia, Mexico, the Dominican Republic and the United States. Many of these companies are the successors to businesses that have been engaged in the sensing and control business since 1916.

Recent Developments

On October 28, 2010, we announced a definitive agreement to acquire the Automotive on Board sensors business of Honeywell International Inc. for approximately \$140 million, subject to a working capital adjustment, in cash, which will be provided from cash on hand. This business is expected to generate

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approximately \$130 million of revenue in 2010. We expect transaction costs within the range of \$3 million to \$4 million to be incurred in the fourth quarter of 2010 and expect the transaction to close in the first quarter of 2011, subject to regulatory approvals. We believe that this acquisition will expand our leadership in the global automotive sensors market, complement our organic growth in the powertrain segment for our existing pressure products, add new capabilities in light vehicle speed and position sensing, and increase our market share in Asia specifically in China, which we believe to be one of the world's fastest growing automotive sensors market. We expect that we will realize synergies from the integration of this business over 18 to 24 months following the closing. We believe this transaction represents a strategic use of our cash on hand and meets all of our strategic and investment return acquisition criteria. Except as set forth above, we have not included any historical or pro forma financial information regarding the Automotive on Board business in this prospectus as we do not believe such information is material in relation to our historical results of operations.

Selected Segment Information

We manage our sensors and controls businesses separately and report their results of operations as two segments for accounting purposes. Set forth below is selected information for each of these business segments for each of the periods presented.

Amounts and percentages in the tables below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add to the totals due to the effect of rounding.

The following table presents net revenue by segment and segment operating income for the following periods:

(Amounts in millions)	2007	For the year ended December 31,		For the nine months ended September 30,	
		2008	2009	2009	2010
Net revenue					
Sensors segment	\$ 882.5	\$ 867.4	\$ 685.1	\$ 470.2	\$ 716.8
Controls segment	520.8	555.3	449.9	326.6	435.5
Total net revenue	\$ 1,403.3	\$ 1,422.7	\$ 1,134.9	\$ 796.9	\$ 1,152.2
Segment operating income					
Sensors segment	\$ 244.3	\$ 221.9	\$ 194.1	\$ 131.2	\$ 240.2
Controls segment	130.0	136.5	129.6	94.4	148.8
Total segment operating income	\$ 374.3	\$ 358.3	\$ 323.7	\$ 225.5	\$ 389.0

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

(As a percentage of revenue)	2007	For the year ended December 31,		For the nine months ended September 30,	
		2008	2009	2009	2010
Net revenue					
Sensors segment	62.9%	61.0%	60.4%	59.0%	62.2%

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Controls segment	37.1	39.0	39.6	41.0	37.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Segment operating income (as a % of segment revenue)					
Sensors segment	27.7%	25.6%	28.3%	27.9%	33.5%
Controls segment	25.0%	24.6%	28.8%	28.9%	34.2%

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For a reconciliation of total segment operating income to profit from operations, see Note 19 to our audited consolidated financial statements included elsewhere in this prospectus and Note 20 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

Factors Affecting Our Operating Results

The following discussion sets forth certain components of our statements of operations as well as factors that impact those items.

Net Revenue

We generate revenue from the sale of sensors and controls products across all major geographic areas. Our net revenue from product sales includes total sales less estimates of returns for product quality reasons and for price allowances. Price allowances include discounts for prompt payment as well as volume-based incentives.

Because we sell our products to end-users in a wide range of industries and geographies, demand for our products is generally driven more by the level of general economic activity rather than conditions in one particular industry or geographic region.

Our overall net revenue is generally impacted by the following factors:

fluctuations in overall economic activity within the geographic markets in which we operate;

underlying growth in one or more of our core end-markets, either worldwide or in particular geographies in which we operate;

the number of sensors and/or controls used within existing applications, or the development of new applications requiring sensors and/or controls;

the mix of products sold, including the proportion of new or upgraded products and their pricing relative to existing products;

changes in product sales prices (including quantity discounts, rebates and cash discounts for prompt payment);

changes in the level of competition faced by our products, including the launch of new products by competitors;

our ability to successfully develop and launch new products and applications; and

fluctuations in exchange rates.

While the factors described above impact net revenue in each of our operating segments, the impact of these factors on our operating segments can differ, as described below. For more information about risks relating to our business, see [Risk Factors](#) [Risk Factors Related To Our Business](#).

Cost of Revenue

We manufacture the majority of our products and subcontract only a limited number of products to third parties. As such, our cost of revenue consists principally of the following:

Production Materials Costs. A portion of our production materials contains metals, such as copper, nickel and aluminum, and precious metals, such as gold and silver, and the costs of these materials may vary with underlying metals pricing. We purchase much of the materials used in production on a global best-cost basis, but we are still impacted by global and local market conditions. We enter into forward contracts to hedge a portion of our exposure to the potential change in prices associated with these commodities. The terms of these contracts fix the price at a future date for various notional amounts associated with these commodities.

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Employee Costs. These employee costs include the salary costs and benefit charges for employees involved in our manufacturing operations. These costs generally increase on an aggregate basis as sales and production volumes increase, and may decline as a percent of net revenue as a result of economies of scale associated with higher production volumes. We rely heavily on contract workers in certain geographies.

Other. Our remaining cost of revenue consists of:

sustaining engineering activity costs;

customer-related development costs;

depreciation of fixed assets;

freight costs;

warehousing expenses;

purchasing costs;

outsourcing or subcontracting costs relating to services used by us on an occasional basis during periods of excess demand;
and

other general manufacturing expenses, such as expenses for energy consumption.

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

production volumes fixed production costs are capitalized in inventory based on normal production volumes;

transfer of production to our lower cost production facilities;

the implementation of cost control measures aimed at improving productivity, including reduction of fixed production costs, refinements in inventory management and the coordination of purchasing within each subsidiary and at the business level;

product lifecycles, as we typically incur higher cost of revenue associated with manufacturing over-capacity during the initial stages of product launches and when we are phasing out discontinued products;

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the increase in the carrying value of the inventory that was adjusted to fair value as a result of the application of purchase accounting associated with acquisitions;

depreciation expense, including amounts arising from the adjustment of property, plant and equipment to fair value associated with acquisitions; and

changes in the price of raw materials, including certain metals.

Research and Development

Research and development expenses consist of costs related to direct product design, development and process engineering. The level of research and development expense is related to the number of products in development, the stage of development process, the complexity of the underlying technology, the potential scale of the product upon successful commercialization and the level of our exploratory research. We conduct such activities in areas we believe will accelerate our longer term net revenue growth. Our basic technologies have been developed through a combination of internal development and third-party efforts (often by parties with whom we have joint development relationships). Our development expense is typically associated with:

engineering core technology platforms to specific applications; and

improving functionality of existing products.

Costs related to modifications of existing products for use by new customers in familiar applications is accounted for in cost of revenue and not included in research and development expense.

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Selling, General and Administrative

Our selling, general and administrative, or SG&A, expense consists of all expenditures incurred in connection with the sales and marketing of our products, as well as administrative overhead costs, including:

salary and benefit costs for sales personnel and administrative staff. Expenses relating to our sales personnel generally increase or decrease principally with changes in sales volume due to the need to increase or decrease sales personnel to meet changes in demand. Expenses relating to administrative personnel generally do not increase or decrease directly with changes in sales volume;

expense related to the use and maintenance of administrative offices, including depreciation expense;

other administrative expense, including expense relating to logistics, information systems and legal and accounting services;

general advertising expense; and

other selling expenses, such as expenses incurred in connection with travel and communications.

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

changes in sales volume, as higher volumes enable us to spread the fixed portion of our sales and marketing expense over higher revenue;

changes in the mix of products we sell, as some products may require more customer support and sales effort than others;

changes in our customer base, as new customers may require different levels of sales and marketing attention;

new product launches in existing and new markets, as these launches typically involve a more intense sales activity before they are integrated into customer applications; and

customer credit issues requiring increases to the allowance for doubtful accounts.

Amortization of Intangible Assets and Capitalized Software

Acquisition-related intangible assets are amortized on the economic benefit basis based upon the useful lives of the assets. Capitalized software licenses are amortized on a straight-line basis over the term of the license.

Impairment of Goodwill and Intangible Assets

As a result of the annual goodwill impairment review in the fourth quarter of 2008, we determined that the goodwill associated with the Interconnection reporting unit was impaired and, therefore, recorded a charge of \$13.2 million in the consolidated statement of operations for the year ended December 31, 2008. During our first quarter of 2009, we again performed a review of goodwill and definite-lived intangible asset for potential impairment since indicators were present and concluded that goodwill and definite-lived intangible assets were impaired and recorded a charge of \$19.9 million, of which \$5.3 million related to goodwill and \$14.6 million related to definite-lived intangible assets. We believe that the global economic crisis, economic conditions within the semiconductor end-market and an increase in the competitive landscape surrounding suppliers to the semiconductor end-market were all factors that led to the impairment of goodwill. Key assumptions that were used in the development of the fair value of the Interconnection reporting unit are described in Critical Accounting Policies and Estimates Impairment of Goodwill and Intangible Assets .

As of October 1, 2009, we evaluated our goodwill and indefinite-lived intangible assets for impairment at the reporting unit level and determined that the fair values of the reporting units exceeded the carrying values on that date. There were no additional impairment charges recorded in the nine months ended September 30, 2010. Should certain assumptions used in the development of the fair value of our reporting units change, we may be required to recognize additional goodwill or intangible assets impairments.

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Restructuring

Restructuring costs consist of severance, outplacement, other separation benefits, pension settlement and curtailment losses and facilities and other exit costs.

Depreciation Expense

Property, plant and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives. Property, plant and equipment acquired through the acquisitions of the S&C business and First Technology Automotive and Airpax businesses were stepped-up to fair value on the date of the respective business acquisition resulting in a new cost basis for accounting purposes. The amount of the adjustment to the cost basis of these assets as a result of the 2006 Acquisition, the First Technology Automotive acquisition and the Airpax acquisition totaled \$57.8 million, \$2.2 million and \$5.1 million, respectively.

Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Assets held under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. These assets are depreciated on a straight-line basis over the shorter of the estimated useful lives or the period of the related lease.

Interest Expense

Interest expense, net consists primarily of interest expense on institutional borrowings, interest rate derivative instruments, capital lease and other financing obligations. Interest expense, net also includes the amortization of deferred financing costs and interest expense on liabilities arising from uncertain tax positions.

Currency Translation Gain/(Loss) and Other, Net

Currency translation gain/(loss) and other, net includes gains and losses recognized on currency translation, gains and losses recognized on our derivatives used to hedge commodity prices and foreign currency exposures, gains and losses on the disposition of property, plant and equipment and gains on the repurchases of debt. We continue to derive a significant portion of our revenue in markets outside of the United States, primarily Europe and Asia. For financial reporting purposes, the functional currency of all our subsidiaries is the U.S. dollar. In certain instances, we enter into transactions that are denominated in a currency other than the U.S. dollar. At the date the transaction is recognized, each asset, liability, revenue, expense, gain or loss arising from the transaction is measured and recorded in U.S. dollars using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the U.S. dollar are adjusted to

the U.S. dollar using the current exchange rate with gains or losses recorded in the consolidated statements of operations.

Provision for Income Taxes

We and our subsidiaries are subject to income tax in the various jurisdictions in which we operate. While the extent of our future tax liability is uncertain, the purchase accounting of the 2006 Acquisition, the acquisition of First Technology Automotive and the acquisition of Airpax, the new debt and equity capitalization of our subsidiaries and the realignment of the functions performed and risks assumed by the various subsidiaries are among the factors that will determine the future book and taxable income of the respective subsidiary and Sensata as a whole.

We adopted guidance included within ASC 740 (originally issued as Financial Accounting Standards Board, or FASB, Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*) effective January 1, 2007, and recognized an increase of \$0.7 million in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 balance of accumulated deficit.

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For the Predecessor periods, our operations were included in the consolidated U.S. federal income tax return and certain foreign income tax returns of Texas Instruments. The income tax provisions and related deferred tax assets and liabilities for the Predecessor periods have been determined as if we were a separate taxpayer. Deferred income taxes are provided for temporary differences between the book and tax basis of assets and liabilities.

Loss from Discontinued Operations

In December 2008, we announced our intention to discontinue and sell our automotive vision sensing business, or the Vision business. In connection with this announcement, we reclassified to discontinued operations the results from operations of the Vision business and recognized a loss associated with measuring the net assets of the Vision business at fair value less cost to sell and other exit costs, in accordance with ASC Topic 360, *Property, Plant and Equipment*.

Effects of Acquisitions and Other Transactions

Purchase Agreement

On April 27, 2006, Sensata Technologies B.V., our indirect wholly-owned subsidiary, completed the acquisition of the S&C business from Texas Instruments for an aggregate purchase price of approximately \$3.0 billion plus fees and expenses. The acquisition of the S&C business was effected through a number of our subsidiaries that collectively acquired the assets and assumed the liabilities being transferred. The acquisition structure resulted in significant tax amortization, which will reduce our overall cash tax expense compared to historical periods. We also entered into a transition services agreement pursuant to which we and Texas Instruments agreed to provide various services to each other in the area of facilities-related services, finance and accounting, human resources, information technology system services, warehousing and logistics and records retention and storage. As of September 30, 2008, we were no longer relying on these services from Texas Instruments. The fees for these services were equivalent to the provider's cost.

Shareholders' Equity

Our authorized share capital at September 30, 2010 consisted of 400,000,000 ordinary shares with a nominal value of €0.01 per share, of which 171,400,393 ordinary shares were outstanding, which excludes 358,698 legally issued ordinary shares that are subject to forfeiture until such shares have vested and are not considered outstanding for accounting purposes.

Upon the close of the 2006 Acquisition, the Sponsors contributed \$985.0 million to our parent, Sensata Investment Co., which, in turn, contributed these proceeds to us, and in exchange received 31,636,360 of our ordinary shares with a nominal value of €0.01 per share and a total value of \$216.7 million as well as €616.9 million of deferred payment certificates. The deferred payment certificates were legally issued as debt and provided the holder with a 14% yield on the principal amount. As a result, the deferred payment certificates were classified as long-term debt as of April 27, 2006 and the accrued yield was recognized as interest expense. In addition, the deferred payment certificates and the related yield were remeasured into the U.S. dollar equivalent at the end of each reporting period with the difference recorded as currency gain or loss.

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In May 2006, we granted 20,025 restricted ordinary shares and 390,487 deferred payment certificates to certain members of our management. On July 28, 2006, certain members of management participated in the Sensata Investment Co. First Amended and Restated 2006 Management Securities Purchase Plan. In connection with this plan, certain members of management contributed \$1.6 million to Sensata Investment Co. and received an equity interest in Sensata Investment Co. On September 29, 2006, \$1.6 million was contributed to us as a capital contribution from Sensata Investment Co. in exchange for 228,000 of our ordinary shares.

On September 21, 2006, we legally retired the deferred payment certificates by converting them into ordinary shares effective as of April 27, 2006. Upon conversion, additional ordinary shares totaling 112,165,276, excluding 70,998 restricted ordinary shares issued to management, were issued to the holders of the deferred payment certificates.

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During fiscal year 2008, we repurchased 11,973 ordinary shares from a shareholder.

In December 2009, we awarded 380,900 restricted ordinary shares, which are subject to forfeiture until such shares have vested.

In March 2010, we completed the initial public offering of our ordinary shares in which we sold 26,315,789 shares and our shareholders sold 5,284,211 shares at a public offering price of \$18.00 per share. The net proceeds of the initial public offering to us totaled \$435.9 million after deducting the underwriters' discounts and commissions and offering expenses, including \$2.5 million of proceeds from the exercise of stock options. In April 2010, the underwriters of our initial public offering exercised their option to purchase an additional 4,740,000 ordinary shares from selling shareholders at a price of \$18.00 per share, which included 353,465 shares obtained by certain selling shareholders through the exercise of options to purchase ordinary shares. The sale of the additional shares closed on April 14, 2010. We did not receive any proceeds from the sale of the additional shares, other than the proceeds from the exercise of such stock options, which totaled \$2.5 million.

Purchase Accounting

We accounted for the acquisitions of the S&C business, First Technology Automotive and Airpax using the purchase method of accounting. As a result, the purchase prices for each of these transactions, plus fees and expenses, have been allocated to the tangible and intangible assets acquired and liabilities assumed based upon their respective fair values as of the date of each acquisition. The excess of the purchase price over the fair value of assets and liabilities was assigned to goodwill, which is not amortized for accounting purposes, but is subject to testing for impairment at least annually. The application of purchase accounting resulted in an increase in amortization and depreciation expense in the periods subsequent to acquisition relating to our acquired intangible assets and property, plant and equipment. In addition to the increase in the carrying value of property, plant and equipment, we extended the remaining depreciable lives of property, plant and equipment to reflect the estimated remaining useful lives for purposes of calculating periodic depreciation. We also adjusted the value of the inventory to fair value, increasing the costs and expenses recognized upon the sale of this acquired inventory. See our audited consolidated financial statements that appear elsewhere in this prospectus.

Increased Leverage

We are a highly leveraged company and our interest expense has increased significantly in the periods following the consummation of the 2006 Acquisition, the First Technology Automotive acquisition and the Airpax acquisition. In addition, a portion of our debt and the related interest is denominated in Euros, subjecting us to changes in foreign currency rates. Further, a portion of our debt has a variable interest rate. We have utilized interest rate swaps, interest rate collars and interest rate caps to hedge the effect of variable interest rates. See **Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk** for more information regarding our hedging activities. Our large amount of indebtedness may limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities since a substantial portion of our cash flow from operations will be dedicated to the payment of our debt service, and this may place us at a competitive disadvantage as some of our competitors are less leveraged. Our leverage may make us more vulnerable to a downturn in our business, industry or the economy in general. See **Risk Factors**.

Critical Accounting Policies and Estimates

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Our discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements. These financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the amounts reported in the financial statements. We base our estimates on historical experiences and assumptions believed to be reasonable under the circumstances and re-evaluate them on an ongoing basis. Those estimates form the basis for our judgments that affect the amounts reported in the financial statements. Actual results could differ from

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our estimates under different assumptions or conditions. Our significant accounting policies, which may be affected by our estimates and assumptions, are more fully described in Note 2 to our audited consolidated financial statements that appear elsewhere in this prospectus.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. Management believes the following critical accounting policies reflect its most significant estimates and assumptions used in the preparation of the consolidated financial statements.

Revenue Recognition

We recognize revenue in accordance with Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition*. Revenue and related cost of revenue from product sales is recognized when the significant risks and rewards of ownership have been transferred, title to the product and risk of loss transfers to our customers and collection of sales proceeds is reasonably assured. Based on the above criteria, revenue is generally recognized when the product is shipped from our warehouse or, in limited instances, when it is received by the customer depending on the specific terms of the arrangement. Product sales are recorded net of trade discounts (including volume and early payment incentives), sales returns, value-added tax and similar taxes. Shipping and handling costs are included in cost of revenue. Sales to customers generally include a right of return. Sales returns have not historically been significant to our revenues and have been within the estimates made by management.

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

Impairment of Goodwill and Intangible Assets

Identification of reporting units. We have four reporting units: Sensors, Electrical Protection, Power Protection and Interconnection. These reporting units have been identified based on the definitions and guidance provided in ASC Topic 350, *Intangibles Goodwill and Other* (ASC 350), which considers, among other things, the manner in which we operate our business and the availability of discrete financial information. We periodically review these reporting units to ensure that they continue to reflect the manner in which the business is operated. As businesses are acquired, we assign them to an existing reporting unit or create new reporting units.

Assignment of assets, liabilities and goodwill to each reporting unit. Assets acquired and liabilities assumed are assigned to a reporting unit as of the date of acquisition. In the event we reorganize our business, we reassign the assets, including goodwill, and the liabilities to the affected reporting units. Some assets or liabilities relate to the operations of multiple reporting units. We allocate these assets and liabilities to the reporting units based on methods that we believe are reasonable and supportable. We apply that allocation method on a consistent basis from year to year. We view some assets and liabilities, such as cash and cash equivalents, our corporate offices, debt and deferred financing costs as being corporate in nature. Accordingly, we do not assign these assets and liabilities to our reporting units.

Accounting policies relating to goodwill and the goodwill impairment test. Companies acquired in business combinations are recorded at their fair value on the date of acquisition. The excess of the purchase price over the fair value of assets acquired and liabilities assumed is recognized

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as goodwill. As of December 31, 2009, goodwill and other intangible assets totaled \$1,530.6 million and \$865.5 million, respectively, or approximately 48% and 27% of our total assets, respectively. As of September 30, 2010, goodwill and other intangible assets totaled \$1,529.0 million and \$759.1 million, respectively, or approximately 46% and 23% of our total assets, respectively.

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In accordance with ASC 350, goodwill and intangible assets determined to have an indefinite useful life are not amortized. Instead, these assets are evaluated for impairment on an annual basis and whenever events or business conditions change that could more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. We perform our annual evaluation of goodwill and other intangible assets for impairment at the reporting unit level in the fourth quarter of each fiscal year.

The first step of our annual evaluation is to compare the estimated fair value of the reporting units to their respective carrying values to determine whether there is an indicator of potential impairment. Our judgments regarding the existence of impairment indicators are based on several factors, including the performance of the end-markets served by our customers as well as the actual financial performance of our reporting units and their respective financial forecasts over the long-term.

If the carrying amount of a reporting unit exceeds its estimated fair value, we conduct a second step, which is comprised of additional factors in assessing the fair value of goodwill. If the carrying amount of the reporting unit's goodwill exceeds the calculated implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets such as the assembled workforce) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit.

Estimated fair value for each reporting unit. In connection with our 2009 annual impairment review, we estimated the fair value of our reporting units using the discounted cash flow method.

For the discounted cash flow method, we prepared detailed annual projections of future cash flows for each reporting unit for fiscal years 2010 through 2014, the Discrete Projection Period. We estimated the value of the cash flows beyond fiscal year 2014, or the Terminal Year, by applying a multiple to the projected fiscal year 2014 EBITDA. The cash flows from the Discrete Projection Period and the Terminal Year were discounted at an estimated weighted-average cost of capital appropriate for each reporting unit. The estimated weighted-average cost of capital was derived, in part, from comparable companies appropriate to each reporting unit. For the Interconnection reporting unit, we prepared detailed annual projections of future cash flows and estimated the Terminal Year value by way of capitalizing these cash flows at a discount rate of 16.5%. We believe that our procedures for estimating discounted future cash flows, including the Terminal Year valuation were reasonable, and consistent with accepted valuation practices.

We also estimate the fair value of our reporting units using the guideline company method. For the guideline company method, we performed an analysis to identify a group of publicly-traded companies that were comparable to each reporting unit. We calculated an implied EBITDA multiple (e.g., invested capital/ EBITDA) for each of the guideline companies and selected either the high, low or average multiple depending on various facts and circumstances surrounding the reporting unit and applied it to that reporting unit's trailing twelve month EBITDA. Although we estimate the fair value of our reporting units using the guideline method, we do so for corroborative purposes, and place primary weight on the discounted cash flow method.

The preparation of the long-range forecasts, the selection of the discount rates and the estimation of the multiples used in valuing the Terminal Year involve significant judgments. Changes to these assumptions could affect the estimated fair value of our reporting units and could result in a goodwill impairment charge in a future period.

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Goodwill impairment. During the fourth quarter of 2008, we determined that goodwill associated with the Interconnection reporting unit was impaired and recorded a charge of \$13.2 million in the consolidated statements of operations. During the first quarter of 2009, we determined that goodwill associated with the Interconnection reporting unit had become further impaired and recorded a charge of \$5.3 million. In addition, we determined that certain intangible assets associated with the Interconnection reporting unit had become impaired during the first quarter of 2009 and recorded a charge of \$14.6 million. We believe that the global

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economic crisis, the economic conditions within the semiconductor end-market and an increase in the competitive landscape surrounding suppliers to the semiconductor end-market were all factors that led to the impairment of goodwill and intangible assets. We believe that the global economic crisis and the economic conditions within the semiconductor end-market worsened from the fourth quarter of 2008 to the first quarter of 2009, leading to the second impairment charge.

The fair value and carrying value of the Interconnection reporting unit after the impairment charges in the first quarter of 2009 were \$15.1 million and \$14.1 million, respectively. The fair value and carrying value of the Interconnection reporting unit as of October 1, 2009 were \$26.7 million and \$14.7 million, respectively. The carrying values of goodwill and intangible assets associated with the Interconnection reporting unit as of December 31, 2009 were \$3.3 million and \$9.8 million, respectively.

As of October 1, 2009, we evaluated our goodwill and indefinite-lived intangible assets for impairment at the reporting unit level and determined that the fair values of the reporting units exceeded the carrying values on that date. Should certain assumptions used in the development of the fair value of our reporting units change, we may be required to recognize additional goodwill or intangible assets impairments.

Events that have occurred since the last annual goodwill impairment assessment. Our financial performance changed significantly during 2009. For example, our net revenue during the quarters ended March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009 was \$239.0 million, \$255.4 million, \$302.5 million and \$338.1 million, respectively. We believe these changes generally follow the pattern of the performance in the various end-markets served by our customers. During the quarter ended December 31, 2009, we prepared our annual goodwill impairment analyses. The estimated fair values of the Sensors, Electrical Protection, Power Protection and Interconnection reporting units used in those analyses exceeded their carrying values by 147.1%, 116.3%, 26.1% and 81.3%, respectively.

We did not prepare updated interim goodwill impairment analyses as of December 31, 2009 for any reporting unit, as we believed, based on our financial performance during the fourth quarter of 2009, the financial forecasts and the improvement in the global economy and the end-markets our customers serve, that there were no indicators of potential impairments.

Since our annual impairment analysis, our net revenue during the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 was \$377.1 million, \$391.8 million and \$383.3 million, respectively. There were no additional impairment charges recorded in the nine months ended September 30, 2010.

Types of events that could result in a goodwill impairment. As noted above, the preparation of the long-range forecasts, the selection of the discount rates and the estimation of the multiples or long-term growth rates used in valuing the Terminal Year involve significant judgments. Changes to these assumptions could affect the estimated fair value of our reporting units and could result in a goodwill impairment charge in a future period. We believe that a double-dip in the global economy, a scenario in which there is a short period of growth following the bottom of a recession, followed immediately by another sharp decline that results in another recession could require us to revise our long-term projections and could reduce the multiples applied to the Terminal Year value. Such revisions could result in a goodwill impairment charge in the future.

Indefinite-Lived Intangible Assets. We perform an annual impairment review of our indefinite-lived intangible assets unless events occur which trigger the need for an earlier impairment review. The impairment review requires management to make assumptions about future conditions impacting the value of the indefinite-lived intangible assets, including projected growth rates, cost of capital, effective tax rates, royalty rates, market share and other items.

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Definite-Lived Intangible Assets. Reviews are regularly performed to determine whether facts or circumstances exist that indicate the carrying values of our definite-lived intangible assets to be held and used are impaired. The recoverability of these assets is assessed by comparing the projected undiscounted net cash flows associated with those assets to their respective carrying amounts. If the sum of the projected undiscounted net

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cash flows falls below the carrying value of the assets, the impairment charge is based on the excess of the carrying amount over the fair value of those assets. Fair value is determined by using the appropriate income approach valuation methodology depending on the nature of the intangible asset.

Impairment of Long-Lived Assets. We periodically re-evaluate carrying values and estimated useful lives of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the related assets may not be recoverable. We use estimates of undiscounted cash flows from long-lived assets to determine whether the book value of such assets is recoverable over the assets' remaining useful lives. These estimates include assumptions about future conditions within the Company and the industry. If an asset is determined to be impaired, the impairment is measured by the amount by which the carrying value of the asset exceeds its fair value. These evaluations are performed at a level where discrete cash flows may be attributed to either an individual asset or a group of assets.

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost for raw materials, work-in-process and finished goods is determined on a first-in, first-out basis and includes material, labor and applicable manufacturing overhead as well as transportation and handling costs. We conduct quarterly inventory reviews for salability and obsolescence. Allowances are determined by comparing inventory levels of individual materials and parts to historical usage rates, current backlog and estimated future sales and by analyzing the age of inventory, in order to identify specific components of inventory that are judged unlikely to be sold. Provisions to the inventory allowance are recognized regularly based on the analysis described above and could have a material adverse impact on our financial condition and results of operations.

Income Taxes

As part of the process of preparing our financial statements, we are required to estimate our provision for income taxes in each of the jurisdictions in which we operate. This involves estimating our actual current tax exposure, including assessing the risks associated with tax audits, together with assessing temporary differences resulting from the different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and record a valuation allowance to reduce the deferred tax assets to an amount that, in our judgment, is more likely than not to be recovered.

Management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our deferred tax assets. The valuation allowance is based on our estimates of future taxable income and the period over which we expect the deferred tax assets to be recovered. Our assessment of future taxable income is based on historical experience and current and anticipated market and economic conditions and trends. In the event that actual results differ from these estimates or we adjust our estimates in the future, we may need to adjust our valuation allowance, which could materially impact our consolidated financial position and results of operations.

Pension and Post-Employment Benefit Plans

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We sponsor various pension and post-employment benefit plans covering our employees in several countries. The estimates of our obligations and related expense of these plans recorded in our financial statements are based on certain assumptions. The most significant assumptions relate to the discount rate, expected return on plan assets and rate of increase in healthcare costs. Other assumptions used include employee demographic factors such as compensation rate increases, retirement patterns, employee turnover rates and mortality rates. These assumptions are updated annually by us. The difference between these assumptions and actual experience results in the recognition of an asset or liability based upon a net actuarial (gain)/loss. If total net actuarial (gain)/loss exceeds a threshold of 10% of the greater of the projected benefit obligation or the market related value of plan assets, it is subject to amortization and recorded as a component of net periodic pension cost over the average remaining service lives of the employees participating in the benefit plan.

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The discount rate reflects the current rate at which the pension and other post-retirement liabilities could be effectively settled considering the timing of expected payments for plan participants. It is used to discount the estimated future obligations of the plans to the present value of the liability reflected in our financial statements. In estimating this rate, we consider rates of return on high-quality fixed-income investments included in various published bond indexes, adjusted to eliminate the effect of call provisions and differences in the timing and amounts of cash outflows related to the bonds.

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

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

Share-Based Payment Plans

In December 2004, the FASB issued guidance now codified as ASC Topic 718, *Compensation - Stock Compensation*, or ASC 718. ASC 718 requires that new, modified and unvested share-based compensation arrangements with employees, such as stock options and restricted stock units, be measured at fair value and recognized as compensation expense over the requisite service period.

Our outstanding option awards are generally divided into three tranches. The first tranche is subject to time vesting. The second and third tranches are subject to time vesting and, additionally, the completion of a liquidity event that results in specified returns on the Sponsors' investment. During the three months ended September 30, 2009, Tranche 3 options were converted to Tranche 2 options.

The fair value of the Tranche 1 options are estimated on the date of grant using the Black-Scholes-Merton option-pricing model. Key assumptions used in estimating the grant-date fair value of these options are as follows: the fair value of the ordinary shares, dividend yield, expected volatility, risk-free interest rate and expected term. The expected term of the time vesting options was based on the simplified methodology prescribed by the SAB No. 107 (SAB 107). The expected term is determined by computing the mathematical mean of the average vesting period and the contractual life of the options. We utilize the simplified method for options granted due to the lack of historical exercise data necessary to provide a reasonable basis upon which to estimate the term. We consider the historical and implied volatility of publicly-traded companies within our industry when selecting the appropriate volatility to apply to the options. Ultimately, we utilize the implied volatility to calculate the fair value of the options as it provides a forward-looking indication and may offer insight into expected industry volatility. The risk-free interest rate is based on the yield for a U.S. Treasury security having a maturity similar to the expected life of the related grant. The dividend yield is based on management's judgment with input from our board of directors.

We perform contemporaneous valuations to estimate the fair value of the Company's ordinary shares in connection with the issuance of share-based payment awards. We rely on these valuation analyses in determining the fair value of the share-based payment awards. The assumptions required by these valuation analyses involve the use of significant judgments and estimates on the part of management.

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For significant awards granted prior to our initial public offering in March 2010, such as those granted on September 4, 2009 and December 9, 2009, the valuation analysis of the ordinary shares of the Company utilized a combination of the discounted cash flow method and the guideline company method. For less significant awards, we relied solely on the discounted cash flow method. For the discounted cash flow method, we prepared detailed annual projections of future cash flows over a period of five fiscal years, or the Discrete Projection Period. We estimated the total value of the cash flow beyond the final fiscal year by applying a multiple to the

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final projected fiscal year EBITDA, or the Final Fiscal Year. The cash flows from the Discrete Projection Period and the Final Fiscal Year were discounted at an estimated weighted-average cost of capital. The estimated weighted-average cost of capital was derived, in part, from the median capital structure of comparable companies within similar industries. We believe that our procedures for estimating discounted future cash flows, including the Final Fiscal Year valuation, were reasonable and consistent with accepted valuation practices. For the guideline company method, we performed an analysis to identify a group of publicly-traded companies that were comparable to our company. Many of the companies with whom we compete are smaller, privately-held companies or divisions within large publicly-traded companies. Therefore, in order to develop market-based multiples, we turned to publicly-traded companies that we believed operate in industries similar to our own. We calculated an implied EBITDA multiple (enterprise value/EBITDA) for each of the guideline companies and selected the appropriate multiple to apply to our EBITDA (our fiscal year 2010 projected EBITDA in the case of the awards issued on September 4, 2009 and December 9, 2009) depending on the facts and circumstances. For the awards issued on September 4, 2009 and December 9, 2009, the resulting enterprise value under this guideline company method was within 10% of the enterprise value under the discounted cash flow method. For these grants, we utilized the average of the two methods to determine the fair value of the ordinary shares. In addition, we applied a marketability discount (6.0% for the awards issued on September 4, 2009 and 5.0% for the awards issued on December 9, 2009) to the implied value of equity. We believe that the overall approach is consistent with the principles and guidance set forth in the 2004 AICPA Practice Aid on *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.

The fair values of the Tranche 2 and 3 options were estimated on the date of grant using the Monte Carlo Simulation Approach. Key assumptions used include those described above for determining the fair value of Tranche 1 options in addition to assumed time to liquidity and probability of an initial public offering versus a disposition. Upon the occurrence of a liquidity event, we recognize compensation expense over the remaining service period of the awards, including a cumulative catch-up adjustment for previously unrecognized compensation expense, regardless of whether or not the Sponsors achieve the specified returns. During the three months ended March 31, 2010, we recognized a cumulative catch-up adjustment for compensation expenses totaling \$18.9 million. See Executive Compensation Components of Compensation Equity Compensation.

The forfeiture rate is based on our estimated forfeitures by plan participants due to the lack of historical forfeiture data necessary to provide a reasonable basis upon which to estimate a rate.

We granted the following share-based awards prior to our initial public offering in March 2010:

Grant Date	Number of options	Number of restricted shares	Original Exercise Price	Modified Exercise Price	Fair value of ordinary shares on date of grant	Fair value of ordinary shares on date of most recent modification	Intrinsic value per share based on fair value of ordinary shares as of December 31, 2009	Intrinsic value per share based on fair value of ordinary shares as of September 30, 2010
May 21, 2009 ⁽¹⁾	75,000		\$ 6.30	\$ 14.80	\$ 6.30	\$ 17.48	\$ 5.23	\$ 4.96
September 4, 2009 ⁽²⁾	950,000		7.00	14.80	14.80	17.48	5.23	4.96
December 9, 2009	350,000		17.48	NA	17.48	NA	2.55	2.28
December 9, 2009 ⁽³⁾		380,900	NA	NA	17.48	NA	20.03	19.76

(1) The award granted on May 21, 2009 for 75,000 options was cancelled and reissued on September 4, 2009. The exercise price of the reissued award increased from \$6.30 to \$7.00. On December 8, 2009, the award was again cancelled and reissued. The exercise price of the reissued award increased from \$7.00 to \$14.80.

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- (2) On December 8, 2009, the exercise price of the options granted on September 4, 2009 was reset to \$14.80, the fair market value of the ordinary shares on September 4, 2009. Our board of directors determined that the exercise price of the options granted on September 4, 2009 was established at less than the fair market value of the underlying shares. All other terms and provisions of the options granted, including the dates of vesting, remained unchanged and in full force and effect.
- (3) We measured the fair value of the restricted shares on the date of grant in accordance with ASC 718, based on the date on which we and the grantees reached a mutual understanding as to the key terms and conditions of the share-based awards. We determined the fair value of the restricted shares on December 9, 2009, the date of grant, to be \$17.48 per share. The restricted shares were legally issued under Dutch law on February 22, 2010. We believe the fair value and intrinsic value of the restricted shares on February 22, 2010 was \$19.00 per share. Had we utilized the fair value of the restricted shares as of February 22, 2010, the aggregate fair value of the restricted share awards would have been \$7.2 million compared to an aggregate fair value of \$6.7 million using the grant date fair value of the restricted shares as of December 9, 2009, and, as a result, would not have had a material impact on our reported compensation expense in any period.

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During 2009, we amended our First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Option Plan to increase the ordinary shares reserved for issuance and to change the vesting rules by changing the performance measure of Tranche 3 options to equal that of the Tranche 2 options, effectively converting the Tranche 3 options to Tranche 2 options. See Executive Compensation Components of Compensation Equity Compensation for further discussion of our share-based payment plans.

In connection with the completion of our initial public offering in March 2010, we adopted the Sensata Technologies Holding N.V. 2010 Employee Stock Purchase Plan, or 2010 Stock Purchase Plan, and the Sensata Technologies Holding N.V. 2010 Equity Incentive Plan, or 2010 Equity Plan. The purpose of the 2010 Stock Purchase Plan is to provide an incentive for present and future eligible employees to purchase our ordinary shares and acquire a proprietary interest in the Company. The purpose of the 2010 Equity Plan is to promote long-term growth and profitability by providing our eligible present and future directors, officers, employees, consultants and advisors with incentives to contribute to and participate in our success. The maximum number of ordinary shares available for sale under the 2010 Stock Purchase Plan is 500,000 ordinary shares. The maximum number of ordinary shares available under the 2010 Equity Plan is 5,000,000 ordinary shares.

Results of Operations

The table below presents our historical results of operations in millions of dollars and as a percent of net revenue. We have derived the statements of operations for the nine months ended September 30, 2009 and 2010 from the unaudited condensed consolidated financial statements included elsewhere in this prospectus. Amounts and percentages in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add to the totals due to the effect of rounding.

(Amounts in millions)	For the nine months ended September 30,			
	2009		2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue
Net revenue				
Sensors Segment	\$ 470.2	59.0%	\$ 716.8	62.2%
Controls Segment	326.6	41.0	435.5	37.8
Net revenue	796.9	100.0	1,152.2	100.0
Operating costs and expenses:				
Cost of revenue	521.2	65.4	712.0	61.8
Research and development	12.7	1.6	17.3	1.5
Selling, general and administrative	95.3	12.0	156.0	13.5
Amortization of intangible assets and capitalized software	115.1	14.4	108.3	9.4
Impairment of goodwill and intangible assets	19.9	2.5		
Restructuring	18.0	2.3	0.2	0.0
Total operating costs and expenses	782.1	98.1	993.8	86.2
Profit from operations	14.7	1.9	158.4	13.8
Interest expense	(115.4)	(14.5)	(82.2)	(7.1)
Interest income	0.5	0.1	0.6	0.1
Currency translation gain and other, net	94.1	11.8	20.5	1.8

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(Loss)/income from continuing operations before taxes	(6.1)	(0.8)	97.4	8.5
Provision for income taxes	35.2	4.4	36.0	3.1
(Loss)/Income from continuing operations	(41.2)	(5.2)	61.4	5.3
Loss from discontinued operations	(0.4)	(0.0)		
Net (loss)/income	\$ (41.6)	(5.2)%	\$ 61.4	5.3%

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Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Net revenue

Net revenue for the nine months ended September 30, 2010 increased \$355.4 million, or 44.6%, to \$1,152.2 million from \$796.9 million for the nine months ended September 30, 2009. Net revenue increased 45.4% due to higher volumes, partially offset by a decrease of 0.7% due to pricing and 0.1% due to unfavorable foreign currency exchange rates, primarily the U.S. dollar to Euro. The increase in volumes was due to an increase in production volumes in our mature markets of 26.1%, growth in content of 11.1% and growth in our emerging markets (primarily China) of 8.8%, partially offset by a 0.6% reduction due to other miscellaneous factors.

Sensors business segment net revenue for the nine months ended September 30, 2010 increased \$246.5 million, or 52.4%, to \$716.8 million from \$470.2 million for the nine months ended September 30, 2009. Sensors net revenue increased 54.2% due to higher volumes, partially offset by a decrease of 1.4% due to pricing and 0.4% due to unfavorable foreign exchange rates, primarily the U.S. dollar to Euro exchange rate.

Controls business segment net revenue for the nine months ended September 30, 2010 increased \$108.9 million, or 33.3%, to \$435.5 million from \$326.6 million for the nine months ended September 30, 2009. Controls net revenue increased 32.6% due to higher volumes, 0.4% due to favorable foreign exchange rates, primarily the U.S. dollar to Euro exchange rate, and 0.3% due to pricing.

Cost of revenue

Cost of revenue for the nine months ended September 30, 2010 and 2009 was \$712.0 million, or 61.8% of net revenue, and \$521.2 million, or 65.4% of net revenue, respectively. Cost of revenue increased primarily due to the increase in unit volumes sold. Depreciation expense for the nine months ended September 30, 2010 and 2009 was \$29.5 million and \$34.0 million, respectively, of which \$26.7 million and \$31.2 million, respectively, was included in cost of revenue. Cost of revenue as a percentage of net revenue decreased primarily due to cost savings initiatives discussed above the leverage effect of higher revenue on certain fixed manufacturing costs, and the reduction in depreciation expense.

Research and development expense

R&D expense for the nine months ended September 30, 2010 and 2009 was \$17.3 million and \$12.7 million, respectively. R&D expense as a percentage of net revenue for the nine months ended September 30, 2010 and 2009 was 1.5% and 1.6%, respectively.

Selling, general and administrative expense

SG&A expense for the nine months ended September 30, 2010 and 2009 was \$156.0 million, or 13.5% of net revenue, and \$95.3 million, or 12.0%, of net revenue, respectively. Selling, general and administrative expenses increased primarily due to expenses of \$22.4 million associated

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with the termination of the advisory agreement with the Sponsors at their election upon completion of the initial public offering, and \$18.9 million of stock compensation expense associated with the performance vesting of the Tranche 2 and 3 option awards, both of which occurred in March 2010. See *Certain Relationships and Related Party Transactions Advisory Agreement*. SG&A expense as a percentage of net revenue increased due to the reasons described above, but were partially offset by the leverage effect of higher revenue on certain fixed costs and our cost savings initiatives resulting from the restructuring plans implemented in 2008 and 2009.

Amortization of intangible assets and capitalized software

Amortization expense associated with definite-lived intangible assets and capitalized software for the nine months ended September 30, 2010 and 2009 was \$108.3 million and \$115.1 million, respectively. The decrease resulted from recognition of amortization expense on an accelerated basis to appropriately reflect the pattern in which the economic benefits of the intangible assets are being realized.

Table of Contents***Impairment of goodwill and intangible assets***

During the three months ended March 31, 2009, we performed a review of goodwill and definite-lived intangible assets for potential impairment. As a result of this analysis, we determined that goodwill and definite-lived intangible assets associated with our Interconnection reporting unit were impaired and recorded a charge of \$19.9 million, of which \$5.3 million related to goodwill and \$14.6 million related to definite-lived intangible assets. We attributed the impairment charge to the deterioration in the global economy, including capital spending in the semiconductor market, which occurred during the first quarter of 2009.

Restructuring

Restructuring expense for the nine months ended September 30, 2010 and 2009 was \$0.2 million and \$18.0 million, respectively. Restructuring expense for the nine months ended September 30, 2009 related to the continuation in 2009 of restructuring activities that started in the second half of 2008, including reducing the workforce in our business centers and manufacturing facilities throughout the world and moving certain manufacturing operations to low-cost countries. This expense consisted of \$12.7 million related to severance, \$4.7 million related to pension settlement, curtailment, and other related charges, and \$0.6 million related to other exit costs.

Interest expense

Interest expense for the nine months ended September 30, 2010 and 2009 was \$82.2 million and \$115.4 million, respectively. Interest expense for the nine months ended September 30, 2010 consisted primarily of \$62.3 million of interest expense on our outstanding debt, \$9.4 million of interest associated with our outstanding derivative instruments, \$6.5 million of amortization of deferred financing costs and \$2.7 million of interest associated with our capital lease and other financing obligations. Interest expense for the nine months ended September 30, 2009 consisted primarily of \$93.3 million of interest expense on our outstanding debt, \$10.4 million of interest associated with our outstanding derivative instruments, \$6.8 million of amortization of deferred financing costs and \$2.8 million of interest associated with our capital lease and other financing obligations. The decrease in interest expense on the outstanding debt of our subsidiary, Sensata Technologies B.V., was due primarily to the tender and redemption of the Senior Notes and Senior Subordinated Notes during the six months ended June 30, 2010.

Currency translation (loss) / gain and other, net

Currency translation gain and other, net for the nine months ended September 30, 2010 and 2009 was \$20.5 million and \$94.1 million, respectively. Currency translation gain and other, net for the nine months ended September 30, 2010 consisted primarily of currency gains of \$53.8 million resulting from the re-measurement of our foreign currency denominated debt and a net gain of \$2.6 million associated with our commodity forward contracts, partially offset by losses of \$23.5 million resulting from the tender and redemption of the Senior Notes and Senior Subordinated Notes, net currency losses of \$6.5 million resulting from the re-measurement of net monetary assets denominated in foreign currencies and a loss of \$5.2 million related to the reversal of indemnification assets and other non-cash tax items as discussed elsewhere. Currency translation gain and other, net for the nine months ended September 30, 2009 consisted primarily of the gain of \$120.1 million resulting from the tender of certain Senior Notes and Senior Subordinated Notes, a net gain of \$2.4 million associated with our commodity forward contracts, \$2.2 million of net currency gains due to the re-measurement of net-monetary assets denominated in foreign currencies partially offset by net currency losses of \$28.5 million resulting from the re-measurement of our foreign currency denominated debt, and an impairment loss of \$1.6 million associated with our manufacturing facilities classified as held for sale.

Provision for income taxes

Provision for income taxes for the nine months ended September 30, 2010 and 2009 totaled \$36.0 million and \$35.2 million, respectively. Our tax provision consisted of current tax expense which related primarily to our profitable operations in foreign tax jurisdictions and deferred tax expense which related primarily to amortization of tax deductible goodwill.

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Deferred taxes, in part, involve accounting for differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. 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. 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.

Results of Operations

The table below presents our historical results of operations in millions of dollars and as a percent of net revenue. We have derived the statements of operations for the years ended December 31, 2007, 2008 and 2009 from the audited consolidated financial statements included elsewhere in this prospectus. Amounts and percentages in the table below have been calculated based on unrounded numbers. Accordingly, certain amounts may not add to the totals due to the effect of rounding.

(Amounts in millions)	For the year ended December 31,					
	2007		2008		2009	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
Net revenue:						
Sensors segment	\$ 882.5	62.9%	\$ 867.4	61.0%	\$ 685.1	60.4%
Controls segment	520.8	37.1	555.3	39.0	449.9	39.6
Net revenue	1,403.3	100.0	1,422.7	100.0	1,134.9	100.0
Operating costs and expenses:						
Cost of revenue	944.8	67.3	951.8	66.9	742.1	65.4
Research and development	33.9	2.4	38.3	2.7	16.8	1.5
Selling, general and administrative	166.1	11.8	166.6	11.7	127.0	11.2
Amortization of intangible assets and capitalized software	131.1	9.3	148.8	10.5	153.1	13.5
Impairment of goodwill and intangible assets			13.2	0.9	19.9	1.8
Restructuring	5.2	0.4	24.1	1.7	18.1	1.6
Total operating costs and expenses	1,281.0	91.3	1,342.7	94.4	1,076.9	94.9
Profit from operations	122.3	8.7	80.0	5.6	58.1	5.1
Interest expense	(191.2)	(13.6)	(197.8)	(13.9)	(150.6)	(13.3)
Interest income	2.6	0.2	1.5	0.1	0.6	0.1
Currency translation gain/(loss) and other, net	(105.4)	(7.5)	55.5	3.9	107.7	9.5
(Loss)/income from continuing operations before income taxes	(171.7)	(12.2)	(60.9)	(4.3)	15.8	1.4
Provision for income taxes	62.5	4.5	53.5	3.8	43.0	3.8
Loss from continuing operations	(234.2)	(16.7)	(114.4)	(8.0)	(27.3)	(2.4)
Loss from discontinued operations	(18.3)	(1.3)	(20.1)	(1.4)	(0.4)	

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Net loss	\$ (252.5)	(18.0)%	\$ (134.5)	(9.5)%	\$ (27.7)	(2.4)%
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Year Ended December 31, 2009 (fiscal year 2009) Compared to the Year Ended December 31, 2008 (fiscal year 2008)

Net revenue

Net revenue for fiscal year 2009 decreased \$287.7 million, or 20.2%, to \$1,134.9 million from \$1,422.7 million for fiscal year 2008. Net revenue decreased 18.5% due to a reduction in volume, 1.1% due to unfavorable foreign currency exchange rates, primarily the U.S. dollar to Euro exchange rate, and 0.6% due to pricing. Sales during fiscal year 2009 benefited from government incentive programs, such as the Car Allowance Rebate System in the U.S. and the New Countryside Initiative in China.

Sensors business segment net revenue for fiscal year 2009 decreased \$182.3 million, or 21.0%, to \$685.1 million from \$867.4 million for fiscal year 2008. Sensors net revenue decreased 18.2% due to lower volumes, 1.3% due to unfavorable foreign exchange rates, primarily the U.S. dollar to Euro exchange rate, and 1.5% due to pricing. The decrease in volumes was due to the deterioration in the global economy and the automotive end-market, which began during the second half of fiscal year 2008 and continued during fiscal year 2009.

Controls business segment net revenue for fiscal year 2009 decreased \$105.4 million, or 19.0%, to \$449.9 million from \$555.3 million for fiscal year 2008. Controls net revenue decreased 19.1% due to lower volumes and 0.7% due to unfavorable foreign exchange rates, primarily the U.S. dollar to Euro exchange rate, partially offset by an increase of 0.8% due to higher pricing. The decrease in volumes was also due to the deterioration in the global economy and certain end-markets, such as HVAC, lighting and appliances, which began during the second half of fiscal year 2008 and continued during fiscal year 2009.

Cost of revenue

Cost of revenue for fiscal years 2009 and 2008 was \$742.1 million and \$951.8 million, respectively. Cost of revenue decreased primarily due to lower revenue and cost savings initiatives resulting from the various restructuring activities implemented during the second half of fiscal year 2008 and continuing into fiscal year 2009. Depreciation expense for fiscal years 2009 and 2008 was \$48.4 million and \$51.4 million, respectively, of which \$44.7 million and \$47.7 million, respectively, was included in cost of revenue. Cost of revenue as a percentage of net revenue for fiscal years 2009 and 2008 was 65.4% and 66.9%, respectively. Cost of revenue as a percentage of net revenue decreased due primarily to the cost saving initiatives described above.

Research and development expense

Research and development, or R&D, expense for fiscal years 2009 and 2008 was \$16.8 million and \$38.3 million, respectively. R&D expense as a percentage of net revenue for fiscal years 2009 and 2008 was 1.5% and 2.7%, respectively. The decrease in R&D expense and as a percentage of net revenue was due to a reduction in headcount and other spending resulting from various restructuring and other cost reduction activities.

Selling, general and administrative expense

SG&A expense for fiscal years 2009 and 2008 was \$127.0 million and \$166.6 million, respectively. SG&A expenses decreased primarily due to the cost savings resulting from the restructuring activities that were implemented during the second half of fiscal year 2008 and in fiscal year 2009, as well as other cost reduction measures in response to global economic conditions. SG&A expense as a percentage of net revenue for fiscal years 2009 and 2008 was 11.2% and 11.7%, respectively. SG&A expense as a percentage of net revenue decreased primarily due to the cost saving measures described above.

Amortization of intangible assets and capitalized software

Amortization expense associated with definite-lived intangible assets and capitalized software for fiscal years 2009 and 2008 was \$153.1 million and \$148.8 million, respectively. The increase in amortization expense

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reflects the pattern in which the economic benefits of the intangible assets are being realized. Amortization expense as a percentage of net revenue was 13.5% and 10.5% for fiscal years 2009 and 2008, respectively. The increase in amortization expense as a percentage of net revenue was due to the increase in amortization expense described above, combined with the decrease in net revenue.

Impairment of goodwill and intangible assets

During the three months ended March 31, 2009, we performed a review of goodwill and intangible assets for potential impairment. As a result of this analysis, we determined that goodwill and definite-lived intangible assets associated with our Interconnection reporting unit were impaired and recorded a charge of \$19.9 million, of which \$5.3 million related to goodwill and \$14.6 million related to definite-lived intangible assets. We attribute the impairment charge to the deterioration in the global economy, including capital spending in the semiconductor market, which occurred during the three months ended March 31, 2009. We utilized a discounted cash flow analysis to estimate the fair value of the Interconnection reporting unit. Key assumptions that were used in the development of the fair value of the Interconnection reporting unit are described in Critical Accounting Policies and Estimates Impairment of Goodwill and Intangible Assets. Our revenue and earnings forecasts for this business depend on many factors, including our ability to project customer spending, particularly within the semiconductor industry. Changes in the level of spending in the industry and/or by our customers could result in a change to our forecasts, which, in turn, could result in a future impairment of goodwill and/or intangible assets.

As of October 1, 2009, we evaluated our goodwill and indefinite-lived intangible assets for impairment at the reporting unit level and determined that the fair value exceeded the carrying value on that date. The estimated fair values of the Sensors, Electrical Protection, Power Protection and Interconnection reporting units used in these analyses exceeded their carrying value by 147.1%, 116.3%, 26.1%, and 81.3%, respectively. Should certain assumptions used in the development of the fair value of our reporting units change, we may be required to recognize additional goodwill or intangible assets impairments.

Restructuring

Restructuring charges related to all of our restructuring programs for fiscal years 2009 and 2008 were \$18.1 million and \$24.1 million, respectively. Beginning in the second half of fiscal year 2008 and continuing into fiscal year 2009, we implemented several restructuring activities in order to reduce costs given the decline in our net revenue; these restructuring activities are referred to as the 2008 Plan. These restructuring activities consisted of reducing the workforce in our business centers and manufacturing facilities throughout the world and moving certain manufacturing operations to low-cost countries. Restructuring charges associated with the 2008 Plan totaled \$18.3 million for fiscal year 2009 and consists of \$12.9 million related to severance, \$4.8 million related to pension settlement, curtailment and other related charges, and \$0.6 million related to other exit costs. The total cost of the restructuring activities related to the 2008 Plan is expected to be \$41.6 million, excluding the impact of changes in foreign currency exchange rates, of which \$41.3 million has been incurred through fiscal year 2009. In addition, in fiscal year 2009, we recognized a credit of \$0.2 million in our consolidated statement of operations associated with certain facility exit costs related to the First Technology Automotive Plan.

Interest expense

Interest expense for fiscal years 2009 and 2008 was \$150.6 million and \$197.8 million, respectively. Interest expense for fiscal year 2009 consists primarily of interest expense of \$120.8 million on our outstanding debt, amortization of deferred financing costs of \$9.1 million, \$14.6 million of interest associated with our outstanding derivative instruments, \$1.6 million of interest on line of credit and revolving credit facility fees and \$3.7 million of interest associated with our capital lease and other financing obligations.

Interest expense for fiscal year 2008 consists primarily of interest expense of \$177.1 million on our outstanding debt, amortization of deferred financing costs of \$10.7 million, \$4.9 million of interest associated

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with our outstanding derivative instruments, \$1.3 million of interest on line of credit and revolving credit facility fees and \$3.3 million of interest associated with our capital lease and other financing obligations.

Interest income

Interest income for fiscal years 2009 and 2008 was \$0.6 million and \$1.5 million, respectively.

Currency translation gain/(loss) and other, net

Currency translation gain/(loss) and other, net for fiscal years 2009 and 2008 was \$107.7 million and \$55.5 million, respectively. Currency translation gain/(loss) and other, net for fiscal year 2009 consists primarily of gains of \$120.1 million resulting from the extinguishment of debt, net gains of \$2.6 million associated with our commodity forward contracts and net currency gains of \$0.3 million resulting from the re-measurement of net monetary assets denominated in foreign currencies. Currency translation gain/(loss) and other, net for fiscal year 2009 also includes currency losses of \$(13.6) million resulting from the re-measurement of our foreign currency denominated debt and an impairment loss of \$(1.7) million associated with our manufacturing facilities classified as held for sale.

Currency translation gain/(loss) and other, net for fiscal year 2008 consists primarily of currency gains of \$53.2 million resulting from the re-measurement of our foreign currency denominated debt and gains of \$15.0 million resulting from the extinguishment of debt, offset by losses of \$(8.3) million associated with our commodity forward contracts and net currency losses of \$(5.0) million resulting from the re-measurement of net monetary assets denominated in foreign currencies.

Provision for income taxes

Provision for income taxes for fiscal years 2009 and 2008 totaled \$43.0 million and \$53.5 million, respectively. Our tax provision consists of current tax expense which relates primarily to our profitable operations in foreign tax jurisdictions and deferred tax expense which relates primarily to amortization of tax deductible goodwill. Several factors contributed to the decrease in our income tax provision for fiscal year 2009 as compared to fiscal year 2008 including the composition of income and loss among jurisdictions, year-to-date earnings and a tax benefit related to the goodwill impairment recorded during the three months ended March 31, 2009.

Loss from discontinued operations

Loss from discontinued operations for fiscal years 2009 and 2008 totaled \$0.4 million and \$20.1 million, respectively.

Year Ended December 31, 2008 (fiscal year 2008) Compared to the Year Ended December 31, 2007 (fiscal year 2007)

Net revenue

Net revenue for fiscal year 2008 increased \$19.4 million, or 1.4%, to \$1,422.7 million from \$1,403.3 million for fiscal year 2007. Net revenue increased 6.5% due to the acquisition of Airpax and 1.7% due to the favorable foreign currency exchange rates, primarily the U.S. dollar to Euro exchange rate. The increase in net revenue was partially offset by a 4.5% reduction due to volume, primarily in the controls business, pricing declines of 1.3% that are customary in our industry and a 1.0% reduction in net revenue associated with a settlement with a customer as described below. Net revenue excluding the effect of the Airpax acquisition would have decreased \$72.0 million, or 5.1%.

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Sensors business segment net revenue for fiscal year 2008 decreased \$15.1 million, or 1.7%, to \$867.4 million from \$882.5 million for fiscal year 2007. Net revenue decreased due to a 2.1% reduction in pricing, a 1.6% reduction due to a charge associated with a settlement with a customer, and 1.2% due to lower volumes. The decline in net revenue was partially offset by an increase in revenue of 2.1% due to favorable foreign currency exchange rates, primarily the U.S. dollar to Euro exchange rate, and 1.1% due to the acquisition of Airpax. The volume declined in the Americas primarily due to weakness in the U.S. automotive end-market and the economy overall. In the fourth quarter of 2008, the declining economies in Europe and Asia also began to have an impact. The reduction in pricing is primarily due to incentives inherent in long-term customer agreements. A significant automotive customer alleged defects in certain of our pressure sensor products used in its product which is installed in automobiles. The customer claimed to have incurred costs to recall and repair certain of the systems in these automobiles. We contested its allegations believing the issue was caused by the customer's failure to apply our product in accordance with product specifications. In 2008, however, we decided to settle this claim in an effort to ensure a continuing positive relationship with this customer. As a result, we recognized a charge to earnings during 2008 in the amount of \$9.5 million. The settlement has not had a significant effect on the sales of any of our products. In addition, we believe that we still have a good relationship with this customer and continue to conduct business with them.

Controls business segment net revenue for fiscal year 2008 increased \$34.5 million, or 6.6%, to \$555.3 million from \$520.8 million for fiscal year 2007. Controls net revenue increased 15.8% due to the acquisition of Airpax, 1.0% due to favorable foreign currency exchange rates, primarily the U.S. dollar to Euro exchange rate, and 0.1% due to an increase in pricing. The increase in net revenue was partially offset by a 10.3% decline in volume. The decline in unit volume was due to overall softness in certain of the controls business segment's end-markets.

Cost of revenue

Cost of revenue for fiscal year 2008 and 2007 was \$951.8 million and \$944.8 million, respectively. Cost of revenue increased due primarily to the acquisition of Airpax. Excluding the impact of the Airpax acquisition, cost of revenue decreased primarily due to lower volumes and several cost savings measures announced to offset the impact of lower sales. Cost of revenue for fiscal year 2007 increased approximately \$4.5 million due to the sale of inventory acquired in connection with the First Technology Automotive and Airpax acquisitions. Upon the acquisition of these businesses, we recorded the acquired assets, including inventory, at fair value in accordance with ASC 805. This resulted in a higher carrying value for this inventory and a corresponding increase in cost of sales when it was subsequently sold. There was no similar charge recognized during fiscal year 2008. Depreciation expense for fiscal years 2008 and 2007 totaled \$51.4 million and \$58.2 million, respectively. For the fiscal years 2008 and 2007, \$47.7 million and \$55.7 million, respectively, of total depreciation expense incurred was included in cost of revenue.

Cost of revenue as a percentage of net revenue for fiscal years 2008 and 2007 was 66.9% and 67.3%, respectively. As a percentage of net revenue, cost of revenue decreased due to the absence of any charges associated with acquired inventory as described above and the cost savings measures noted above.

Research and development expense

R&D expense for fiscal years 2008 and 2007 totaled \$38.3 million and \$33.9 million, respectively. R&D expense as a percentage of net revenue for fiscal years 2008 and 2007 was 2.7% and 2.4%, respectively. R&D expense and R&D expense as a percentage of net revenue increased primarily due to our continued focus on development activities to accelerate long-term revenue growth.

Selling, general and administrative expense

SG&A expense for fiscal years 2008 and 2007 totaled \$166.6 million and \$166.1 million, respectively. SG&A expense as a percentage of net revenue for fiscal years 2008 and 2007 was 11.7% and 11.8%, respectively.

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Amortization of intangible assets and capitalized software

Amortization expense associated with definite-lived intangible assets and capitalized software for fiscal years 2008 and 2007 was \$148.8 million and \$131.1 million, respectively. The increase in amortization expense is primarily due to the inclusion of a full year of amortization expense related to Airpax in fiscal year 2008. We completed the acquisition of Airpax in July 2007. Amortization expense as a percentage of net revenue was 10.5% and 9.3% for fiscal years 2008 and 2007, respectively. The increase in amortization expense as a percentage of net revenue is due to the increase in amortization expense described above.

Impairment of goodwill

In 2008, in connection with our annual impairment review of goodwill, we determined that a portion of our goodwill associated with the Interconnection reporting unit was impaired. As a result, we recorded a goodwill impairment charge of \$13.2 million. We believe that the current global economic crisis, economic conditions within the semiconductor end-market and an increase in the competitive landscape surrounding suppliers to the semiconductor end-market were all factors that led to the impairment of goodwill. We utilized a discounted cash flow analysis to estimate the fair value of the Interconnection reporting unit. Given the volatility in the end-markets in which we serve and our financial results during the fourth quarter of fiscal year 2008, we updated our goodwill impairment analysis to reflect information and projections available to us as of December 31, 2008. No additional goodwill impairment charges were necessary. However, if certain assumptions, such as projections regarding the end-markets in which we serve, our financial projections, customer bankruptcies or any other factors discussed in *Critical Accounting Policies and Estimates Impairment of Goodwill and Intangible Assets* were to change, we may be required to recognize charges in connection with goodwill and/or indefinite-lived intangibles of some or all of our reporting units.

Restructuring

Restructuring during fiscal year 2008 and 2007 totaled \$24.1 million and \$5.2 million, respectively. During fiscal year 2008, we announced plans to reduce the workforce in several of our business centers and manufacturing facilities. As a result of these actions, we recognized charges totaling \$23.0 million, of which \$16.2 million relates to severance, \$1.3 million relates to a pension enhancement provided to certain eligible employees under a voluntary retirement program, \$3.6 million relates to pension curtailment and settlement charges and \$1.9 million relates to other exit costs. We expect the cost of these restructuring activities, when complete, to total approximately \$41.6 million, when combined with actions taken in fiscal year 2009. In addition, we incurred a charge of \$1.1 million associated with certain facility exit costs related to First Technology Automotive Plan.

During fiscal year 2007, we implemented voluntary early retirement programs in certain of our foreign operations. These programs offered eligible employees special termination benefits in exchange for their early retirement from the Company. As a result of these programs, 64 employees chose to leave the Company, opting for voluntary early retirement during fiscal year 2007.

Interest expense

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Interest expense for fiscal years 2008 and 2007 totaled \$197.8 million and \$191.2 million, respectively. Interest expense for fiscal year 2008 consists primarily of interest expense of \$177.1 million on our outstanding debt, amortization of deferred financing costs of \$10.7 million, \$4.9 million of interest associated with our outstanding derivative instruments, \$1.3 million of interest on line of credit and revolving credit facility fees and \$3.3 million of interest associated with our capital lease and other financing obligations. Interest expense for fiscal year 2007 consists primarily of interest expense of \$175.1 million on the outstanding debt, amortization of deferred financing costs of \$9.6 million and interest associated with our capital lease obligation of \$2.8 million.

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Interest income

Interest income for fiscal years 2008 and 2007 totaled \$1.5 million and \$2.6 million, respectively.

Currency translation gain/(loss) and other, net

Currency translation gain/(loss) and other, net for fiscal years 2008 and 2007 totaled \$55.5 million and \$(105.4) million, respectively. Currency translation gain and other, net for fiscal year 2008 consists primarily of the currency gains resulting from the re-measurement of our foreign currency denominated debt, which totaled \$53.2 million, and gains on the extinguishment of debt of \$15.0 million, offset by losses on forward of commodity contracts of \$(8.3) million and net currency losses due to the re-measurement of net monetary assets denominated in foreign currencies of \$(5.0) million.

Currency translation loss and other for fiscal year 2007 consists primarily of the currency losses of \$(111.9) million resulting from the re-measurement of our foreign currency denominated debt, offset by net currency gains of \$6.9 million resulting from the re-measurement of our net monetary assets denominated in foreign currencies.

Provision for income taxes

Provision for income taxes for fiscal years 2008 and 2007 totaled \$53.5 million and \$62.5 million, respectively. Our tax provision consists of current tax expense, which relates primarily to our profitable operations in foreign tax jurisdictions and deferred tax expense, which primarily relates to amortization of tax-deductible goodwill.

Loss from discontinued operations

Loss from discontinued operations for fiscal years 2008 and 2007 was \$20.1 million and \$18.3 million, respectively. Fiscal year 2008 includes a loss from operations of our Vision business of \$12.2 million and a loss of \$7.9 million associated with measuring the net assets of the business at fair value less cost to sell and other exit costs. The loss from operations of our Vision business incurred during fiscal year 2007 was \$18.3 million, which includes a charge associated with acquired in-process research and development expense of \$5.7 million. On March 14, 2007, we acquired SMaL Camera for \$12.0 million plus fees and expenses. We allocated \$5.7 million of the purchase price to acquired in-process research and development projects. There was no acquired in-process research and development expenses during fiscal year 2008.

Quarterly Results of Operations

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The following tables set forth unaudited quarterly consolidated statement of operations data and other financial data for fiscal years 2008 and 2009 and the nine months ended September 30, 2010. We have prepared the statement of operations for each of these quarters on the same basis as the audited consolidated financial statements included elsewhere in this prospectus and, in the opinion of our management, each statement of operations includes all adjustments, consisting solely of normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus and our unaudited condensed consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for any future period.

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(Amounts in thousands)	For the three months ended										
	Mar 31, 2008	June 30, 2008	Sept 30, 2008	Dec 31, 2008	Mar 31, 2009	June 30, 2009	Sept 30, 2009	Dec 31, 2009	Mar 31, 2010	June 30, 2010	Sept 30, 2010
Statement of Operations Data:											
Net revenue	\$ 387,844	\$ 406,221	\$ 361,005	\$ 267,585	\$ 239,016	\$ 255,371	\$ 302,468	\$ 338,089	\$ 377,137	\$ 391,806	\$ 383,294
Cost of revenue	269,916	263,059	241,370	177,418	161,344	168,902	190,908	220,926	232,783	240,590	238,646
Research and development	10,802	10,417	10,142	6,895	5,163	3,960	3,569	4,104	4,930	6,211	6,112
Selling, general and administrative	47,158	45,068	36,515	37,884	31,629	30,482	33,190	31,651	77,891	38,740	39,382
Profit/(loss) from operations	23,521	45,502	33,070	(22,141)	(29,279)	11,815	32,212	43,334	24,698	70,677	63,072
Net (loss)/income	\$ (126,894)	\$ (27,948)	\$ 72,523	\$ (52,212)	\$ (10,199)	\$ 22,621	\$ (54,035)	\$ 13,932	\$ 27,310	\$ 82,519	\$ (48,389)
Other Financial Data:											
EBITDA (unaudited)	\$ (7,897)	\$ 91,879	\$ 186,983	\$ 44,495	\$ 89,478	\$ 118,818	\$ 49,223	\$ 109,371	\$ 118,823	\$ 168,078	\$ 29,852

(As a percentage of net revenue)	For the three months ended										
	Mar 31, 2008	June 30, 2008	Sept 30, 2008	Dec 31, 2008	Mar 31, 2009	June 30, 2009	Sept 30, 2009	Dec 31, 2009	Mar 31, 2010	June 30, 2010	Sept 30, 2010
Statement of Operations Data:											
Cost of revenue	69.6%	64.8%	66.9%	66.3%	67.5%	66.1%	63.1%	65.4%	61.7%	61.4%	62.3%
Research and development	2.8	2.6	2.8	2.6	2.2	1.6	1.2	1.2	1.3	1.6	1.6
Selling, general and administrative	12.2	11.1	10.1	14.2	13.2	11.9	11.0	9.4	20.7	9.9	10.3
Profit/(loss) from operations	6.1	11.2	9.2	(8.3)	(12.2)	4.6	10.6	12.8	6.5	18.0	16.5
Net (loss)/income	(32.7)%	(6.9)%	20.1%	(19.5)%	(4.3)%	8.9%	(17.9)%	4.1%	7.2%	21.1%	(12.6)%
Other Financial Data:											
EBITDA (unaudited)	(2.0)%	22.6%	51.8%	16.6%	37.4%	46.5%	16.3%	32.4%	31.5%	42.9%	7.8%

The quarterly revenue trend in 2008 reflects the impact of reduced orders from our customers beginning in the third quarter due to the global economic crisis. This trend of declining revenue continued into the first quarter of 2009. In the second, third and fourth quarters of 2009, we believe that we experienced higher volume due to an increase in orders from our customers as the global economy began to stabilize as well as from government incentive programs such as the Car Allowance Rebate System in the United States and the New Countryside Initiative in China, and supply chain replenishment. In the first and second quarters of 2010, we believe that our increasing volume was due to continued improvement in global economic conditions, as revenue increased to levels experienced in the first half of 2008. In the third quarter of 2010, sales were down slightly as compared to the previous quarter due to seasonality.

Cost of revenue as a percentage of net revenue decreased from 66.1% during the three months ended June 30, 2009 to 63.1% during the three months ended September 30, 2009 due to several factors including the leverage effect associated with higher sales and fixed manufacturing expenses, a reduction in certain costs associated with moving manufacturing lines between manufacturing sites as part of our integration activities and a favorable change in the mix of products sold. Cost of revenue as a percentage of net revenue increased from 63.1% during the three months ended September 30, 2009 to 65.4% during the three months ended December 31, 2009 due to the increased cost of freight, labor and commodities, partially offset by a favorable change in the mix of products sold. Cost of revenue as a percentage of net revenue decreased from 65.4% during the three months ended December 31, 2009 to 61.7%, 61.4% and 62.3% during the three months ended March 31, 2010, June 30, 2010 and September 30, 2010, respectively, due to the impact of cost savings initiatives resulting from the various restructuring activities implemented during the second half of fiscal year 2008 and fiscal year 2009 and the leverage effect of higher revenue on certain fixed manufacturing costs.

Net income/(loss) during the three months ended June 30, 2009, September 30, 2009 and December 31, 2009 was \$22.6 million, \$(54.0) million and \$13.9 million, respectively. Net income/(loss) during the three months ended June 30, 2009, September 30, 2009 and December 31, 2009

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included a net gain/(loss) of \$(62.5) million, \$(35.0) million and \$14.9 million, respectively, associated with the translation of our Euro-denominated debt. Additionally, net loss during the three months ended June 30, 2009 included a net gain of \$120.1 million related to the repurchases of outstanding Senior Notes and Senior Subordinated Notes. These items were recorded in Currency translation gain/(loss) and other, net in the consolidated statement of operations. Net (loss)/income during the three months ended March 31, 2010,

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June 30, 2010 and September 30, 2010 was \$27.3 million, \$82.5 million and \$(48.4) million, respectively. Net (loss)/income during the three months ended March 31, 2010, June 30, 2010 and September 30, 2010 included a net gain/(loss) of \$60.1 million, \$73.7 million and \$(80.1) million, respectively, associated with the translation of our Euro-denominated debt. Additionally, net income during the three months ended March 31, 2010 and June 30, 2010 included a loss of \$8.1 million and \$15.4 million, respectively, related to the repurchase of outstanding Senior Notes and Senior Subordinated Notes. These items were recorded in Currency translation gain and other, net in the condensed consolidated statement operations. Net income for the three months ended March 31, 2010 also included \$22.4 million in expense related to the termination of the advisory agreement, and \$18.9 million of additional expense related to the Tranche 2 and 3 option award vesting, both of which were included in selling, general and administrative expense. See *Certain Relationships and Related Party Transactions* *Advisory Agreement*.

Reconciliation of Quarterly Non-GAAP Financial Measures

We define EBITDA as net income/(loss) before interest, taxes, depreciation and amortization. We believe that EBITDA is useful to investors in evaluating our operating performance because it is widely used by investors to measure a company's operating performance without regard to certain items, such as interest expense, income tax expense and depreciation and amortization.

Our management uses EBITDA:

as a measure of operating performance;

for planning purposes, including the preparation of our annual operating budget;

to allocate resources to enhance the financial performance of our business;

to evaluate the effectiveness of our business strategies; and

in communications with our board of directors concerning our financial performance.

We understand that, although EBITDA is used by investors and securities analysts in their evaluation of companies, EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under U.S. GAAP.

EBITDA should not be considered as an alternative to net income, profit from operations or any other measure of financial performance calculated and presented in accordance with U.S. GAAP. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate.

The following unaudited table summarizes the calculations of EBITDA and provides a reconciliation from net income/(loss), the most directly comparable financial measure presented in accordance with U.S. GAAP, for the quarterly periods presented:

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	For the three months ended											
	Mar 31, 2008	June 30, 2008	Sept 30, 2008	Dec 31, 2008	Mar 31, 2009	June 30, 2009	Sept 30, 2009	Dec 31, 2009	Mar 31, 2010	June 30, 2010	Sept 30, 2010	
(Amounts in thousands)												
Net (loss)/income	\$ (126,894)	\$ (27,948)	\$ 72,523	\$ (52,212)	\$ (10,199)	\$ 22,621	\$ (54,035)	\$ 13,932	\$ 27,310	\$ 82,519	\$ (48,389)	
Provision for income taxes	15,890	19,722	16,613	1,306	7,641	10,876	16,648	7,882	11,196	14,803	9,997	
Interest expense, net	50,803	50,315	48,995	46,224	42,160	36,270	36,472	35,114	33,377	25,151	23,008	
Depreciation and amortization	52,304	49,790	48,852	49,177	49,876	49,051	50,138	52,443	46,940	45,605	45,236	
EBITDA (unaudited)	\$ (7,897)	\$ 91,879	\$ 186,983	\$ 44,495	\$ 89,478	\$ 118,818	\$ 49,223	\$ 109,371	\$ 118,823	\$ 168,078	\$ 29,852	

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The table below summarizes our primary sources and uses of cash for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010. We have derived the summarized statements of cash flows for the years ended December 31, 2007, 2008 and 2009 from the audited consolidated financial statements included elsewhere in this prospectus and for the nine months ended September 30, 2009 and 2010 from the unaudited condensed consolidated financial statements included elsewhere in this prospectus. Amounts in the table have been calculated based on unrounded numbers. Accordingly, certain amounts may not add to the totals due to the effect of rounding.

(Amounts in millions)	For the years ended December 31,			For the nine months ended September 30,	
	2007	2008	2009	2009	2010
Net cash provided by/(used in):					
Operating activities:					
Continuing operations:					
Net income/(loss), adjusted for non-cash items	\$ 127.1	\$ 73.0	\$ 128.2	\$ 72.6	\$ 227.5
Changes in operating assets and liabilities	41.0	(11.1)	59.7	55.5	(25.8)
Continuing operations	168.1	61.9	188.0	128.1	201.7
Discontinued operations	(12.8)	(14.4)	(0.4)	(0.4)	
Operating activities	155.3	47.5	187.6	127.7	201.7
Investing activities:					
Continuing operations	(343.7)	(38.5)	(15.4)	(11.0)	(34.7)
Discontinued operations	(12.0)	(0.2)	0.4	0.4	
Investing activities	(355.7)	(38.7)	(15.1)	(10.6)	(34.7)
Financing activities	175.7	8.9	(101.7)	3.3	87.5
Net change	\$ (24.7)	\$ 17.7	\$ 70.8	\$ 120.4	\$ 254.5

Operating activities

Net cash provided by operating activities for the nine months ended September 30, 2010 was \$201.7 million compared to \$127.7 million for the nine months ended September 30, 2009. This increase was primarily due to cash provided by the increase in revenue, partially offset by decreases in cash due to changes in operating assets and liabilities.

Changes in operating assets and liabilities for the nine months ended September 30, 2010 and 2009 totaled \$(25.8) million and \$55.5 million, respectively. The most significant components of the decrease in cash resulting from changes in operating assets and liabilities for the nine months ended September 30, 2010 were an increase in accounts receivable of \$21.5 million and inventories of \$16.9 million. The increase in

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accounts receivable was due to higher revenue during the quarter ended September 30, 2010 compared to December 31, 2009. In addition, we raised inventory levels from the December 31, 2009 balances in response to the increase in orders and to manage certain supplier capacity constraints, while continuing our initiative to maintain or reduce our days of inventory on hand.

The most significant components to the change in operating assets and liabilities of \$55.5 million for the nine months ended September 30, 2009 were an increase in accounts payable and accrued expenses of \$44.7 million and a decrease in inventories of \$34.5 million, partially offset by an increase in accounts receivable of \$39.1 million. The increase in accounts payable and accrued expenses was due to our initiative to migrate certain strategic vendors to 60 day payment terms. The increase in account receivable was due to higher sales due in part to improved conditions from government incentive programs, such as the Car Allowance Rebate System in the

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U.S. and the New Countryside Initiative in China. The decrease in inventory was due to initiatives we implemented to minimize the days of inventory on hand given the rapid decline in net revenues during the fourth quarter of fiscal year 2008.

As of September 30, 2010, we had commitments to purchase certain raw materials that contain various commodities, such as gold, silver, copper, nickel and aluminum. In general, the price for these products vary with the market price for the related commodity. In addition, when we place orders for materials we do so in quantities that will satisfy our production demand for various periods of time. In general, we place these orders for quantities that will satisfy our production demand over a one-, two- or three-month period. We do not have a significant number of long-term supply contracts that contain fixed-price commitments. Accordingly, we believe that our exposure to a decline in the spot prices for those commodities under contract is not material.

Net cash provided by operating activities during fiscal year 2009 totaled \$187.6 million compared to \$47.5 million during fiscal year 2008. Changes in operating assets and liabilities for fiscal years 2009 and 2008 totaled \$59.7 million and \$(11.1) million, respectively. The most significant components to the change in operating assets and liabilities of \$59.7 million for fiscal year 2009 was an increase in accounts payable and accrued expenses of \$61.6 million and a decrease in inventories of \$13.9 million, offset by an increase in accounts receivable of \$35.1 million. The increase in accounts payable and accrued expenses was due to our initiative to migrate certain strategic vendors to 60-day payment terms. The increase in accounts receivable was due to higher sales in the fourth quarter of 2009 as compared to the fourth quarter of 2008. The decrease in inventory was due to initiatives we implemented to minimize the days of inventory on hand given the rapid decline in net revenue during the fourth quarter of fiscal year 2008.

The most significant component to the change in operating assets and liabilities of \$(11.1) million for fiscal year 2008 was the decrease in accounts payable and accrued expenses of \$(108.1) million, partially offset by the decrease in accounts receivable of \$66.5 million and the decrease in inventories of \$26.7 million. The decrease in accounts payable and accrued expenses was due to interest pre-payments on our U.S. dollar and Euro-denominated term loan facilities and 11.25% Senior Subordinated Notes that were due in January 2009 and payments to certain strategic vendors who agreed to migrate to 60-day payment terms. The decrease in accounts receivable reflects the decline in net revenue that occurred during the fourth quarter of fiscal year 2008, specifically the month of December. During December 2008, many of our facilities and the facilities of our largest customers were closed due to the economic environment. The decrease in inventory reflects actions we took to lower inventories given the decline in net revenue that occurred during the fourth quarter of fiscal year 2008.

Net cash provided by operating activities for fiscal year 2008 totaled \$47.5 million compared to \$155.3 million for fiscal year 2007. Changes in operating assets and liabilities for fiscal years 2008 and 2007 totaled \$(11.1) million and \$41.0 million, respectively. The most significant component to the change in operating assets and liabilities of \$41.0 million for the year ended December 31, 2007 was the increase in accounts payable and accrued expenses of \$45.9 million. The increase in accounts payable and accrued expenses was due to the higher level of overall operating costs and expenses and improvement surrounding management of disbursements. The improvement in the areas of disbursements was the result of an initiative to improve overall working capital which was put in place after the 2006 Acquisition.

Investing activities

Net cash used in investing activities for the nine months ended September 30, 2010 was \$34.7 million compared to \$10.6 million for the nine months ended September 30, 2009. Net cash used for investing activities consists primarily of capital expenditures. The increase in capital expenditures was due to investments associated with increasing our manufacturing capacity.

In 2010, we anticipate spending approximately \$55.0 million on capital expenditures, which will be funded with cash flows from operations.

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Net cash used in investing activities during fiscal year 2009 totaled \$15.1 million compared to \$38.7 million during fiscal year 2008 and \$355.7 million during fiscal year 2007. Net cash used in investing activities of \$15.1 million and \$38.7 million during fiscal years 2009 and 2008, respectively, consisted primarily of capital expenditures partially offset by the sale of assets. Capital expenditures during fiscal years 2009 and 2008 totaled \$15.0 million and \$41.0 million, respectively. Cash received from the sale of assets during fiscal years 2009 and 2008 totaled \$0.6 million and \$2.3 million, respectively.

Net cash used in investing activities of \$355.7 million during fiscal year 2007 consisted primarily of the acquisitions of Airpax and capital expenditures. During July 2007, STI acquired Airpax for total consideration of \$277.3 million, net of cash received and SMaL Camera for total consideration of \$12.0 million. Capital expenditures during fiscal year 2007 totaled \$66.7 million and included routine expenditures as well as expenditures associated with the acquisition and build-out of a new building and real estate at our Malaysian operating subsidiary, Sensata Technologies Malaysia Sdn. Bhd.

Financing activities

Net cash provided by financing activities for the nine months ended September 30, 2010 was \$87.5 million compared to \$3.3 million for the nine months ended September 30, 2009. For the nine months ended September 30, 2010, net cash provided by financing activities consisted primarily of proceeds of \$433.5 million from the issuance of 26.3 million ordinary shares and proceeds of \$6.8 million from the exercise of stock options for 1.0 million ordinary shares, offset by payments to repurchase outstanding Senior and Senior Subordinated Notes of \$338.3 million in addition to principal payments totaling \$11.0 million on the U.S. dollar term loan and Euro term loan facilities. Net cash provided by financing activities during the nine months ended September 30, 2009 consisted primarily of \$75.0 million of borrowings under the revolving credit facility partially offset by payments to purchase outstanding debt of \$57.2 million in addition to principal payments totaling \$11.3 million on the U.S. dollar term loan and Euro term loan facilities.

Net cash (used in)/provided by financing activities during fiscal year 2009 totaled \$(101.7) million compared to \$8.9 million during fiscal year 2008 and \$175.7 million for fiscal year 2007. Net cash used in financing activities during fiscal year 2009 consisted primarily of payments to purchase outstanding debt of \$57.2 million, in addition to principal payments totaling \$15.1 million on our U.S. dollar and Euro-denominated term loan facilities and payments totaling \$25.0 million on our revolving credit facility. The principal amount of the Senior Notes that were repurchased totaled \$110.0 million, and the principal amount of the Senior Subordinated Notes that were repurchased totaled \$4.3 million (or \$72.5 million at the date of repurchase).

Net cash provided by financing activities of \$8.9 million during fiscal year 2008 consisted primarily of \$25.0 million of borrowings under the revolving credit facility, and proceeds received from the financing arrangement associated with our facility in Malaysia of \$12.6 million, partially offset by principal payments totaling \$(15.5) million on our U.S. dollar and Euro-denominated term loan facilities, payments of debt issuance costs of \$(5.2) million associated with the refinancing of the Senior Subordinated Term Loan utilized to finance the acquisition of Airpax and payments of \$(6.7) million to repurchase 9% Senior Subordinated Notes. The principal amount of the 9% Senior Subordinated Notes that were repurchased totaled \$22.4 million. During fiscal year 2008, we sold, and are now leasing back, our facility in Malaysia. We received proceeds of \$12.6 million from this transaction, which is being accounted for as a financing arrangement, rather than a sale-leaseback, due to the nature of the terms of the lease.

Net cash provided by financing activities of \$175.7 million during fiscal year 2007 consisted of the borrowings under the Senior Subordinated Term Loan of \$195.0 million associated with the acquisition of Airpax partially offset by principal payments totaling \$(15.0) million on our U.S. dollar and Euro-denominated term loan facilities and payments of debt issuance cost of \$(3.8) million associated with the refinancing of the

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Senior Subordinated Term Loan utilized to finance the acquisition of Airpax.

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Our liquidity requirements are significant due to the highly leveraged nature of our company. As of September 30, 2010, we had \$1,913.8 million in outstanding indebtedness, including our outstanding capital lease and other financing obligations.

The following table outlines our outstanding indebtedness as of September 30, 2010 and the associated interest expense and interest rate for such borrowings for the nine months ended September 30, 2010.

Description (Amounts in thousands)	Balance as of September 30, 2010	Interest Expense	Weighted- Average Annual Interest Rate
Senior secured term loan facility (denominated in U.S. dollars)	\$ 909,625	\$ 14,480	2.08%
Senior secured term loan facility (381.5 million)	519,182	10,365	2.72%
Senior Notes (denominated in U.S. dollars)	201,181	15,833	8.00%
Senior Subordinated Notes (177.1 million)	241,072	15,691	9.00%
Senior Subordinated Notes		5,911	
Capital lease obligations	29,676	2,047	9.03%
Other financing obligations	13,072	667	7.32%
Amortization of financing costs		6,520	
Bank fees and other		10,656	
Total	\$ 1,913,808	\$ 82,170	

We have a Senior Secured Credit Facility under which our subsidiaries, Sensata Technologies B.V. and Sensata Technologies Finance Company, LLC are the borrowers and certain of our other subsidiaries are guarantors. The Senior Secured Credit Facility includes a \$150.0 million multi-currency revolving credit facility, a \$950.0 million U.S. dollar-denominated term loan facility, and a 325.0 million Euro-denominated term loan facility (\$400.1 million, at issuance). As of September 30, 2010, after adjusting for outstanding letters of credit with an aggregate value of \$6.9 million, we had \$143.1 million of borrowing capacity available under the revolving credit facility. The outstanding letters of credit were issued primarily for various operating activities. As of September 30, 2010, no amounts had been drawn against these outstanding letters of credit. These outstanding letters of credit are scheduled to expire in the next twelve months. Upon expiration, we intend to renew these letters of credit and do not anticipate difficulty in this regard.

The Senior Secured Credit Facility also provides for an incremental term loan facility and/or incremental revolving credit facility in an aggregate principal amount of \$250.0 million under certain conditions at the option of our bank group. During fiscal year 2006, to finance the purchase of First Technology Automotive, we borrowed 73.0 million (\$95.4 million, at issuance), reducing the available borrowing capacity of this incremental facility to \$154.6 million. The incremental borrowing facilities may be activated at any time up to a maximum of three times during the term of the Senior Secured Credit Facility with consent required only from those lenders that agree, at their sole discretion, to participate in such incremental facility and subject to certain conditions, including pro forma compliance with all financial covenants as of the date of incurrence and for the most recent determination period after giving effect to the incurrence of such incremental facility.

The Senior Secured Credit Facility provides us with the ability to draw funds for ongoing working capital and other general corporate purposes under a revolving credit facility, or the Revolving Credit Facility, which includes a subfacility for swingline loans. The Revolving Credit Facility bears interest (i) for amounts drawn in U.S. dollars, at the borrower's option, (x) at LIBOR plus a 200 basis point spread subject to a pricing grid based on our leverage ratio (the spreads range from 125 basis points to 200 basis points) or (y) at the greater of the Prime rate as published by

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the Wall Street Journal or 1/2 of 1% per annum above the Federal Funds rate plus a 100 basis point spread subject to a pricing grid based on our leverage ratio (the spreads range from 25 basis points to 100 basis points) (all amounts drawn under the swingline subfacility are subject to interest calculated

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under this clause (i)(y)), and (ii) for amounts drawn in Euros, at EURIBOR plus a 200 basis point spread. We are subject to a 50 basis point commitment fee on the unused portion of the Revolving Credit Facility. This commitment fee is also subject to a pricing grid based on our leverage ratio. The spreads on the commitment fee range from 37.5 basis points to 50 basis points. The maximum that can be drawn under the swingline subfacility is \$25.0 million, and is part of, not in addition to, the total Revolving Credit Facility amount of \$150.0 million. Amounts drawn under the Revolving Credit Facility can be prepaid at any time without premium or penalty, subject to certain restrictions, including advance notice. Amounts drawn under the Revolving Credit Facility must be paid in full at the final maturity date of April 27, 2012.

We also have uncommitted local lines of credit with commercial lenders at certain of our subsidiaries in the amount of \$11.0 million as of September 30, 2010.

As of September 30, 2010, we had \$1,428.8 million in term loans outstanding against our Senior Secured Credit Facility. Term loans are repayable at 1.0% per year in quarterly installments with the balance due in quarterly installments during the year preceding the final maturity of April 27, 2013. Interest on U.S. dollar term loans are calculated at (i) LIBOR plus 175 basis points or (ii) the greater of the Prime rate as published by the Wall Street Journal or 1/2 of 1% per annum above the Federal Funds rate plus a 75 basis point spread and interest on Euro-denominated term loans are calculated at EURIBOR plus 200 basis points. The spreads are fixed for the duration of the term loans. Interest payments on the Senior Secured Credit Facility are due quarterly. All term loan borrowings under the Senior Secured Credit Facility are pre-payable at our option at par.

All obligations under the Senior Secured Credit Facility are unconditionally guaranteed by certain of our indirect wholly-owned subsidiaries in the U.S. (with the exception of those subsidiaries acquired in the First Technology Automotive acquisition) and certain of our indirect wholly-owned subsidiaries in non-U.S. jurisdictions located in the Netherlands, Mexico, Brazil, Japan, South Korea and Malaysia (with the exception of those subsidiaries acquired in the Airpax acquisition), collectively the Guarantors. The collateral for such borrowings under the Senior Secured Credit Facility consists of all shares of capital stock, intercompany debt and substantially all present and future property and assets of the Guarantors.

Our Senior Secured Credit Facility contains various affirmative and negative covenants that are customary for a financing of this type. The Senior Secured Credit Facility also requires us to comply with financial covenants, including covenants with respect to maximum leverage ratio and minimum interest coverage ratio which become more restrictive in the fourth quarter of fiscal year 2010. We satisfied all ratios required by our financial covenants with regard to our Senior Secured Credit Facility as of September 30, 2010.

Sensata Technologies B.V. has also issued 8% Senior Notes and 9% Senior Subordinated Notes.

The 8% Senior Notes mature on May 1, 2014. Each Senior Note bears interest at 8% per annum from April 27, 2006 (inception), or from the most recent date to which interest has been paid or provided for. Interest is payable semi-annually in cash to holders of Senior Notes of record at the close of business on the April 15 or October 15 immediately preceding the interest payment date, on May 1 and November 1 of each year, commencing November 1, 2006. Interest is paid on the basis of a 360-day year consisting of twelve 30-day months. The Senior Notes were issued in an aggregate principal amount of \$450.0 million. Proceeds from the issuance of the Senior Notes were used to fund a portion of the 2006 Acquisition. The Senior Notes issuance costs are being amortized over the eight year term of the Senior Notes using the effective interest method. The Senior Notes are unsecured.

The 9% Senior Subordinated Notes mature on May 1, 2016. Each 9% Senior Subordinated Note bears interest at a rate of 9% per annum from April 27, 2006 (inception), or from the most recent date to which interest has been paid or provided for. Interest is payable semi-annually in cash

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to holders of such Senior Subordinated Notes of record at the close of business on the April 15 or October 15 immediately preceding the interest payment date, on May 1 and November 1 of each year, commencing November 1, 2006. Interest is paid on the

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basis of a 360-day year consisting of twelve 30-day months. The 9% Senior Subordinated Notes were issued initially in an aggregate principal amount of 245.0 million (\$301.6 million, at issuance). Proceeds from the issuance of such Senior Subordinated Notes were used to fund a portion of the 2006 Acquisition. The 9% Senior Subordinated Notes issuance costs are being amortized over the ten year term of the 9% Senior Subordinated Notes using the effective interest method. The 9% Senior Subordinated Notes are unsecured and are subordinated in right of payment to all existing and future senior indebtedness and on par with our existing and future Senior Subordinated Notes.

In addition, the indentures governing the 8% Senior Notes and 9% Senior Subordinated Notes limit, under certain circumstances, the ability of Sensata Technologies B.V. and our Restricted Subsidiaries (as defined under the Senior Secured Credit Facility) to: incur additional indebtedness, create liens, pay dividends and make other distributions in respect of our capital stock, redeem our capital stock, make certain investments or certain restricted payments, sell certain kinds of assets, enter into certain types of transactions with affiliates and effect mergers or consolidations. These covenants are subject to a number of exceptions and qualifications.

The Senior Secured Credit Facility and the 8% Senior Notes and 9% Senior Subordinated Notes contain customary events of default, including, but not limited to, cross-defaults among these agreements. An event of default, if not cured, could cause cross-default causing substantially all of our indebtedness to become due.

The subsidiary guarantors under the Senior Secured Credit Facility and the indentures governing the notes are generally not restricted in their ability to pay dividends or otherwise distribute funds to Sensata Technologies B.V., except for restrictions imposed under applicable corporate law. Sensata Technologies B.V., however, is limited in its ability to pay dividends or otherwise make other distributions to its immediate parent company and, ultimately, to us, under the Senior Secured Credit Facility and the indentures governing the notes. Specifically, the Senior Secured Credit Facility prohibits Sensata Technologies B.V. from paying dividends or making any distributions to its parent companies except for limited purposes, including, but not limited to: (i) customary and reasonable out-of-pocket expenses, legal and accounting fees and expenses and overhead of such parent companies incurred in the ordinary course of business to the extent attributable to the business of Sensata Technologies B.V. and its subsidiaries and in the aggregate not to exceed \$5 million in any fiscal year, plus reasonable and customary indemnification claims made by our directors or officers attributable to the ownership of Sensata Technologies B.V. and its Restricted Subsidiaries, (ii) franchise taxes, general corporate and operating expenses, certain advisory fees and customary compensation of officers and employees of such parent companies, (iii) tax liabilities to the extent attributable to the business of Sensata Technologies B.V. and its subsidiaries, (iv) repurchase, retirement or other acquisition of our equity interests from certain present, future and former employees, directors, managers, consultants of the parent companies, Sensata Technologies B.V. or its subsidiaries in an aggregate amount not to exceed \$7.5 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, (v) payment of dividends or distributions with proceeds from the disposition of certain assets (net of mandatory prepayments) in an amount not to exceed \$200 million and (vi) dividends and other distributions in an aggregate amount not to exceed \$25 million (subject to increase to \$35 million if the leverage ratio is less than 5.0 to 1.0 and to \$50 million if the leverage ratio is less than 4.0 to 1.0, plus, if the leverage ratio is less than 5.0 to 1.0, the amount of excess cash flow not otherwise applied).

The indentures generally provide that Sensata Technologies B.V. can pay dividends and make other distributions to its parent companies in an amount not to exceed (i) 50% of Sensata Technologies B.V.'s consolidated net income for the period beginning March 31, 2006 and ending as of the end of the last fiscal quarter before the proposed payment, plus (ii) 100% of the aggregate amount of cash and the fair market value of property and marketable securities received by Sensata Technologies B.V. after April 27, 2006 from the issuance and sale of equity interests of Sensata Technologies B.V. (subject to certain exceptions), plus (iii) 100% of the aggregate amount of cash and the fair market value of property and marketable securities contributed to the capital of Sensata Technologies B.V. after April 27, 2006, plus (iv) 100% of the aggregate amount received in cash and the fair market value of property and marketable securities received after April 27, 2007 from the sale

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of certain investments or the sale of certain subsidiaries, provided that certain conditions are satisfied, including that Sensata Technologies B.V. has a consolidated interest coverage ratio of greater than 2.0 to 1.0. The restrictions on dividends and other distributions contained in the indentures are subject to certain exceptions, including (i) the payment of dividends following the first public offering of the common stock of any of its direct or indirect parent companies in an amount up to 6.0% per annum of the net cash proceeds contributed to Sensata Technologies B.V. in any such offering, (ii) the payment of dividends to permit any of its parent companies to pay taxes, general corporate and operating expenses, certain advisory fees and customary compensation of officers and employees of such parent companies and (iii) dividends and other distributions in an aggregate amount not to exceed \$75.0 million.

Repurchases of Indebtedness

On February 26, 2010, Sensata Technologies B.V. announced the commencement of cash tender offers related to its 8% Senior Notes due 2014 (the Dollar Notes), its 9% Senior Subordinated Notes due 2016 and its 11.25% Senior Subordinated Notes due 2014 (together the Euro Notes). The cash tender offers settled during the three months ended March 31, 2010. The aggregate principal amount of the Dollar Notes validly tendered was \$0.3 million, representing approximately 0.1% of the outstanding Dollar Notes. The aggregate principal amount of the Euro Notes tendered was 71.9 million, representing approximately 22.8% of the outstanding Euro Notes. We paid \$102.1 million in principal (\$0.3 million for the Dollar Notes and 75.9 million for the Euro Notes) and \$2.2 million of accrued interest to settle the tender offers and retire the debt on March 29, 2010.

On April 1, 2010, Sensata Technologies B.V. announced the redemption of all of its outstanding 11.25% Senior Subordinated Notes due 2014 at a redemption price equal to 105.625% of the principal amount, and \$138.6 million of its outstanding 8% Senior Notes due 2014 at a redemption price equal to 104.000% of the principal amount. We paid \$225.0 million in principal, \$10.4 million in premiums and \$8.4 million of accrued interest in May 2010 to complete the redemption.

In connection with these transactions, during the nine months ended September 30, 2010, we recorded a loss in Currency translation gain and other, net of \$23.5 million, including the write-off of debt issuance costs of \$6.8 million.

On March 3, 2009, Sensata Technologies B.V. announced the commencement of two separate cash tender offers related to our Senior Notes and our Senior Subordinated Notes. The cash tender offers settled during the three months ended June 30, 2009. The aggregate principal amount of the Senior Notes validly tendered was \$110.0 million, representing 24.4% of the outstanding Senior Notes. The aggregate principal amount of the Senior Subordinated Notes tendered was 72.1 million, representing approximately 19.6% of the outstanding Senior Subordinated Notes. The tender offer for our Senior Subordinated Notes was oversubscribed and Sensata Technologies B.V. accepted for purchase a pro rata portion of the Senior Subordinated Notes tendered. The aggregate principal amount accepted for repurchase totaled 44.3 million (\$58.4 million at the closing foreign exchange rate of \$1.317 to 1.00) representing approximately 12.0% of the outstanding Senior Subordinated Notes. Sensata Technologies B.V. paid \$50.7 million (\$40.7 million for the Senior Notes and 7.6 million for the Senior Subordinated Notes) to settle the tender offers and retire the debt on April 1, 2009.

In addition, during the three months ended June 30, 2009, we agreed to purchase certain 9% Senior Subordinated Notes having a principal value of 10.0 million (\$14.1 million at the closing exchange rate of \$1.41 to 1.00). We paid \$5.1 million (3.6 million) to settle the transaction and retired the debt on May 25, 2009.

In conjunction with these transactions, we wrote off \$5.3 million of debt issuance costs during the three months ended June 30, 2009 and recorded a gain in Currency translation gain/(loss) and other, net of \$120.1 million.

At various dates during 2008, we repurchased certain outstanding 9% Senior Subordinated Notes totaling 17.4 million (or \$22.4 million at the date of repurchase). We paid \$6.7 million (5.3 million) to settle the transactions and retire the debt. In conjunction with these transactions, we wrote off \$0.7 million of debt issuance costs during 2008 and recorded a net gain in Currency translation gain/(loss) and other, net of \$15.0 million.

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Capital Resources

Our sources of liquidity include cash on hand, cash flow from operations and amounts available under the Senior Secured Credit Facility. We believe, based on our current level of operations as reflected in our results of operations for the quarter ended September 30, 2010, these sources of liquidity will be sufficient to fund our operations, capital expenditures, and debt service for at least the next twelve months.

Our ability to raise additional financing and its borrowing costs may be impacted by short- and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of November 1, 2010, Moody's Investors Service's corporate credit rating for Sensata Technologies B.V. was B2 with positive outlook and Standard & Poor's corporate credit rating for Sensata Technologies B.V. was B+ with positive outlook.

We cannot make assurances that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our revolving credit facility in an amount sufficient to enable us to pay our indebtedness, including the Senior Notes and Senior Subordinated Notes, or to fund our other liquidity needs. Further, our highly leveraged nature may limit our ability to procure additional financing in the future.

As of September 30, 2010, Sensata Technologies B.V. was in compliance with all the covenants and default provisions under its credit arrangements. For more information on our indebtedness and related covenants and default provisions, see the notes to our audited consolidated financial statements appearing elsewhere in this prospectus and Risk Factors.

Contractual Obligations and Commercial Commitments

The following table reflects our contractual obligations as of December 31, 2009. Amounts we pay in future periods may vary from those reflected in the table:

(Amounts in millions)	Total	Payments Due by Period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Senior debt obligations principal ⁽¹⁾	\$ 2,258.9	\$ 15.2	\$ 1,091.2	\$ 898.2	\$ 254.3
Senior debt obligations interest ⁽²⁾	470.1	105.9	206.3	123.6	34.3
Capital lease obligations principal ⁽³⁾	30.3	0.8	1.9	2.5	25.1
Capital lease obligations interest ⁽³⁾	28.4	2.7	5.2	4.8	15.7
Other financing obligations principal ⁽⁴⁾	11.6	1.1	1.6	0.3	8.6
Other financing obligations interest ⁽⁴⁾	5.9	0.9	1.5	1.3	2.2
Operating lease obligations ⁽⁵⁾	15.6	5.2	4.6	2.2	3.6
Non-cancelable purchase obligations ⁽⁶⁾	47.0	15.6	13.9	8.1	9.4
Total⁽⁷⁾⁽⁸⁾	\$ 2,867.8	\$ 147.4	\$ 1,326.2	\$ 1,041.0	\$ 353.2

- (1) Represents the contractually required principal payments under the senior debt obligations in existence as of December 31, 2009 in accordance with the required payment schedule. As of September 30, 2010, our required principal payments have been reduced to \$1,871.1 million, due primarily to our debt repurchases in March and April 2010.
- (2) Represents the contractually required interest payments on the senior debt obligations in existence as of December 31, 2009 in accordance with the required payment schedule. Cash flows associated with the next interest payment to be made subsequent to December 31, 2009 on our variable rate debt were calculated using the interest rates in effect as of the latest interest rate reset date prior to December 31, 2009, plus the appropriate credit spread. The three-month LIBOR and EURIBOR rates used in this calculation were 0.28% and 0.73%, respectively. Cash flows associated with all other future interest payments to be made on our variable rate debt were calculated using the interest rates in effect as of December 31, 2009, plus the appropriate credit spread. The three-month LIBOR and EURIBOR rates used in these calculations were 0.25% and 0.70%, respectively. As of September 30, 2010, our required interest payment associated with our senior debt obligations have been reduced to \$270.7 million. Cash flows associated with interest

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- payments to be made subsequent to September 30, 2010 on our variable rate debt were calculated using the interest rate in effect as of September 30, 2010, plus the appropriate credit spread. The three-month LIBOR and EURIBOR rates used in this calculation were 0.5% and 0.9%, respectively. Cash flows associated with all other future interest payments to be made on our variable rate debt were calculated using interest rates in effect as of September 30, 2010, plus the appropriate credit spread. The three-month LIBOR and EURIBOR rates used in these calculations were 0.29% and 0.89%, respectively. The U.S. dollar to Euro exchange rate as of September 30, 2010 was \$1.36.
- (3) Represents the contractually required payments under the capital lease obligations in existence as of December 31, 2009 in accordance with the required payment schedule. No assumptions were made with respect to renewing the lease term at its expiration date.
 - (4) Represents the contractually required payments under the financing obligations in existence as of December 31, 2009 in accordance with the required payment schedule. No assumptions were made with respect to renewing the financing arrangements at their expiration dates.
 - (5) Represents the contractually required payments under the operating lease obligations in existence as of December 31, 2009 in accordance with the required payment schedule. No assumptions were made with respect to renewing the lease obligations at the expiration date of their initial terms.
 - (6) Represents the contractually required payments under the various purchase obligations in existence as of December 31, 2009. No assumptions were made with respect to renewing the purchase obligations at the expiration date of their initial terms, no amounts are assumed to be prepaid and no assumptions were made for early termination of any obligations.
 - (7) Contractual obligations denominated in a foreign currency were calculated utilizing the U.S. dollar to local currency exchange rates in effect as of December 31, 2009. The most significant foreign currency denominated obligation relates to our Euro-denominated debt. The U.S. dollar to Euro exchange rate as of December 31, 2009 was \$1.43 to 1.00.
 - (8) This table does not include the contractual obligations associated with our defined benefit and other post-retirement benefit plans. As of December 31, 2009, we had recognized an accrued benefit liability of \$46.5 million representing the unfunded benefit obligations of the defined benefit and retiree healthcare plans. Refer to Note 13 to our audited consolidated financial statements appearing elsewhere in this prospectus for further discussion on pension and other post-retirement benefits. This table also does not include \$11.5 million of unrecognized tax benefits as of December 31, 2009, as we are unable to make reasonably reliable estimates of when cash settlement, if any, will occur with a tax authority, as the timing of the examination and the ultimate resolution of the examination is uncertain. Refer to Note 12 to our audited consolidated financial statements appearing elsewhere in this prospectus for further discussion on income taxes.

Legal Proceedings

We account for litigation and claims losses in accordance ASC Topic 450, *Contingencies*, or ASC 450. 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, the minimum potential loss contingency is recorded. They are often developed prior to knowing the amount of the ultimate loss. These estimates 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 zero, is recorded. As information becomes known, the minimum loss amount can be increased, resulting in additional loss provisions, or a best estimate can be made also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. There can be no assurances that our recorded reserves will be sufficient to cover the extent of our costs and potential liability.

Inflation

We believe inflation has not had a material effect on our financial condition or results of operations in recent years.

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Seasonality

Because of the diverse nature of the markets in which we compete, revenue is only moderately impacted by seasonality. However, our controls business has some seasonal elements, specifically in the air-conditioning and refrigeration products which tend to peak in the first two quarters of the year as end-market inventory is built up for spring and summer sales.

Restructuring Activity

In December 2006, we acquired First Technology Automotive. As part of the integration of this business, we closed several manufacturing facilities and business centers, and terminated 143 employees. In accordance with ASC *Topic 805, Business Combinations*, or ASC 805, we recognized restructuring liabilities of \$9.9 million in purchase accounting and recognized other charges in the consolidated statement of operations totaling \$0.7 million related to these actions. During the nine months ended September 30, 2010, we reversed \$1.6 million of restructuring liabilities and reduced goodwill by the same amount due to a reduction in our restructuring liabilities related to the execution of a sublease with more favorable terms than originally anticipated. The activities associated with the acquisition of First Technology Automotive were completed in fiscal year 2008, and we do not expect to incur additional costs in the future.

In July 2007, we acquired Airpax. As part of the integration of this business, we closed several manufacturing facilities and business centers, and terminated 331 employees. In accordance with ASC 805, we recognized restructuring liabilities of \$6.5 million in purchase accounting. The activities associated with the Airpax acquisition were completed in fiscal year 2009 and we anticipate remaining payments to be paid through 2010.

During fiscal years 2008 and 2009, in response to global economic conditions, we announced various actions to reduce the workforce in several business centers and manufacturing facilities throughout the world and to move certain manufacturing operations to low-cost countries. During fiscal year 2008, we recognized charges totaling \$23.0 million, primarily related to severance, pension curtailment and settlement charges and other exit costs. During fiscal year 2009, we recognized charges totaling \$18.3 million, of which \$12.9 million relates to severance, \$4.8 million relates to pension and \$0.6 million relates to other exit costs. During the nine months ended September 30, 2010, we revised our accrual related to severance and facility exit and costs. As a result, we recognized a net reduction to restructuring expense of \$0.7 million. The total cost of these actions is expected to be \$40.7 million, excluding the impact of changes in foreign currency exchange rates, and affect 1,977 employees. We anticipate the actions described above to be completed during 2010 and the remaining payments to be paid through 2014 due primarily to contractual obligations.

For a reconciliation of the restructuring reserves referenced above, refer to Note 8 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus and to Note 9 to our audited consolidated financial statements included elsewhere in this prospectus.

Quantitative And Qualitative Disclosures About Market Risk

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We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through fixed and variable rate debt instruments and denominate our transactions in a variety of foreign currencies. Changes in these rates may have an impact on future cash flow and earnings. We manage these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments.

We do not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. The fair market value of the derivative instruments is determined by using valuation models whose inputs are derived using market observable inputs, including interest rate yield curves, as well as foreign exchange and commodity spot and

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forward rates, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty owes us, thus creating a receivable risk for us. We are exposed to counterparty credit risk in the event of non-performance by counterparties to our derivative agreements. We minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating.

Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

Interest Rate Risk

Given the leveraged nature of our company, we have significant exposure to changes in interest rates. From time to time, we may execute a variety of interest rate derivative instruments to manage interest rate risk. Consistent with our risk management objective and strategy to reduce exposure to variability in cash flows relating to interest payments on our outstanding and forecasted debt, we have executed interest rate swaps, interest rate collars and interest rate caps.

In June 2006, we executed U.S. dollar interest rate swap contracts covering \$485.0 million of variable rate debt. The interest rate swaps amortize from \$485.0 million on the effective date to \$25.0 million at maturity in January 2011. We entered into the interest rate swaps to hedge a portion of our exposure to potentially adverse movements in the LIBOR variable interest rates of the debt by converting a portion of our variable rate debt to fixed rates.

The swaps are accounted for in accordance with ASC 815, *Derivatives and Hedging*, or ASC 815. No ineffective portion was recorded to earnings during the nine months ended September 30, 2010 and 2009 or fiscal years 2009, 2008 or 2007. The critical terms of the interest rate swap are identical to those of the designated variable rate debt under our Senior Secured Credit Facility. The 3-month LIBOR rate was 0.29% as of September 30, 2010.

The terms of the swap as of September 30, 2010 are shown in the following table:

Current Notional Principal Amount (U.S. dollars in millions)	Maturity Date	Index	Strike Price
\$45.0	January 27, 2011	3 Month LIBOR	5.377%

In June 2006, we executed several Euro interest rate collar contracts covering 750.0 million of variable rate debt. Since June 2006, certain Euro interest rate collars have expired. These contracts hedge the risk of changes in cash flows attributable to changes in interest rates above the cap rate and below the floor rate on a portion of our Euro-denominated debt. In other words, we are protected from paying an interest rate higher than the cap rate, but will not benefit if the benchmark interest rate falls below the floor rate. At interest rates between the cap rate and the floor rate, we will make payments on our Euro-denominated variable rate debt at prevailing market rates. The 3-month EURIBOR rate was 0.85% as of September 30, 2010.

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The terms of the collars as of September 30, 2010 are shown in the following table:

Current Notional Principal Amount	Amortization	Effective Date	Maturity Date	Cap	At Prevailing Market Rates Between	Floor
(Euros in millions) 205.0	Amortizing	July 28, 2008	April 27, 2011	4.40%	3.55%-4.40%	3.55%

In March 2009, we purchased interest rate caps in order to hedge the risk of changes in cash flows attributable to changes in interest rates above the cap rates on a portion of our U.S. dollar and Euro-denominated term loans.

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The terms of the interest rate caps as of September 30, 2010 are as follows:

Current Notional Principal Amount				
(in millions)	Amortization	Effective Date	Maturity Date	Cap
\$600.0	Amortizing	March 5, 2009	April 29, 2013	5.00%
100.0	Amortizing	March 5, 2009	April 29, 2013	5.00%

As of September 30, 2010, we had Euro-denominated debt of 558.6 million (\$760.3 million).

The significant components of our long-term debt are as follows:

(Dollars in millions)	Weighted-Average Interest Rate	Outstanding balance as of September 30, 2010	Fair value as of September 30, 2010
Senior secured term loan facility (denominated in U.S. dollars)	2.08%	\$ 909.6	\$ 875.2
Senior secured term loan facility (381.5 million)	2.72%	519.2	480.6
Senior Notes (denominated in U.S. dollars)	8.00%	201.2	210.0
Senior Subordinated Notes (177.1 million)	9.00%	241.1	248.3
Total ⁽¹⁾		\$ 1,871.1	\$ 1,814.1

(1) Total outstanding balance excludes capital leases and other financing obligations of \$42.7 million.

Sensitivity Analysis

As of September 30, 2010, we had U.S. dollar and Euro-denominated variable rate debt with an outstanding balance of \$1,428.8 million issued under our Senior Secured Credit Facility, as follows:

\$909.6 million of U.S. dollar-denominated variable rate debt. An increase of 100 basis points in the LIBOR rate would result in additional annual interest expense of \$6.9 million. This increase would be offset by a reduction of \$0.1 million in interest expense resulting from our \$45.0 million of variable to fixed interest rate swaps adjusted for quarterly amortization.

381.5 million (equivalent to \$519.2 million as of September 30, 2010) of variable rate debt. An increase of 100 basis points in the EURIBOR rate would result in additional annual interest expense of \$4.0 million at an exchange rate of \$1.36 to 1.00 as of September 30, 2010. Depending upon prevailing EURIBOR rates, this increase may be offset by a reduction in interest expense

resulting from our 205.0 million of interest rate collars.

We have \$201.2 million of 8.0% fixed rate debt. If market rates relating to this debt increased/(decreased) by 100 basis points, the fair value of the debt would (decrease)/increase by \$6.4 million.

We have 177.1 million (equivalent to \$241.1 million as of September 30, 2010) of 9.0% fixed rate debt. If market rates relating to this debt increased/(decreased) by 100 basis points, the fair value of the debt would (decrease)/increase by \$11.1 million.

Foreign Currency Risks

We are also exposed to market risk from changes in foreign currency exchange rates which could affect operating results as well as our financial position and cash flows. We monitor our exposures to these market risks and generally employ operating and financing activities to offset these exposures where appropriate. If we do not have operating or financing activities to sufficiently offset these exposures, from time to time, we may employ derivative financial instruments such as swaps, collars, forwards, options or other instruments to limit the volatility to earnings and cash flows generated by these exposures. Derivative financial instruments are executed solely as risk management tools and not for trading or speculative purposes. We may employ derivative contracts in the future which are not designated for hedge accounting treatment under ASC 815 which may result in volatility to earnings depending upon fluctuations in the underlying markets.

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Our foreign currency exposures include the Euro, Japanese yen, Mexican peso, Chinese renminbi, Korean won, Malaysian ringgit, Dominican Republic peso, British pound and Brazilian real. However, the primary foreign currency exposure relates to the U.S. dollar to Euro exchange rate.

The table below presents our Euro-denominated financial instruments and other monetary net assets as of September 30, 2010 and the estimated impact to pre-tax earnings as a result of revaluing these assets and liabilities associated with a 10% increase/(decrease) to the U.S. dollar to Euro currency exchange rate:

(Amounts in millions)	Asset (liability) balance at September 30, 2010		Increase/(decrease) to pre-tax earnings due to	
	Euro	\$ Equivalent	10% increase in the U.S. dollar to Euro currency exchange rate	10% (decrease) in the U.S. dollar to Euro currency exchange rate
Euro-denominated financial instruments				
Debt	(558.6)	\$ (760.3)	\$ (76.0)	\$ 76.0
Interest rate collar	(2.6)	\$ (3.5)	\$ (0.4)	\$ 0.4
Interest rate cap	0.1	\$ 0.1	\$	\$ ()
Other monetary net assets ⁽¹⁾	23.0	\$ 31.3	\$ 3.1	\$ (3.1)

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

Commodity Risk

We enter into forward contracts with a third party to offset a portion of our exposure to the potential change in prices associated with certain commodities, including silver, gold, aluminum, nickel and copper, used in the manufacturing of our products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. Currently, the hedges have not been designated as accounting hedges. In accordance with ASC 815, we recognized the change in fair value of these derivatives in the statement of operations as a gain or loss as a component of Currency translation gain/(loss) and other, net. During the nine months ended September 30, 2010 and 2009 and the fiscal years 2009, 2008 and 2007, we recognized a net gain/(loss) of \$2.6 million, \$2.4 million, \$2.6 million, \$(8.3) million and \$(0.6) million, respectively, associated with these derivatives.

The table below presents our commodity forward contracts as of September 30, 2010 and the estimated impact to pre-tax earnings associated with a 10% increase/(decrease) in the change in the related forward price for each commodity:

Commodity	(Amounts in millions, except price per unit and notional amounts)		Contract Price Per Unit	Average Forward Price as of September 30, 2010	Expiration	Increase/(decrease) to pre-tax earnings due to	
	Asset (liability) balance at September 30, 2010	Notional				10% increase in the forward price	10% (decrease) in the forward price
Silver	\$ 0.3	246,346 troy oz.	\$ 20.45	\$ 21.83	Various dates during 2010	\$ 0.5	\$ (0.5)

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						and 2011		
Gold	\$	0.3	12,435 troy oz.	\$ 1,291.80	\$	1,314.59	Various dates during 2011	\$ 1.6 \$ (1.6)
Copper	\$	0.6	2,670,579 pounds	\$ 3.39	\$	3.62	Various dates during 2010 and 2011	\$ 1.0 \$ (1.0)
Nickel	\$	0.2	248,646 pounds	\$ 9.91	\$	10.54	Various dates during 2010 and 2011	\$ 0.3 \$ (0.3)
Aluminum	\$	0.2	1,973,610 pounds	\$ 1.00	\$	1.08	Various dates during 2010 and 2011	\$ 0.2 \$ (0.2)

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Off-Balance Sheet Arrangements

From time to time, we execute contracts that require us to indemnify the other parties to the contracts. These indemnification obligations arise in two contexts. First, in connection with any asset sales by us, the asset sale agreement typically contains standard provisions requiring us to indemnify the purchaser for 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 sales agreements, which contain indemnification provisions relating to product quality, intellectual property infringement and other typical indemnities. In certain cases, indemnification obligations arise by law. We believe that our indemnification obligations are consistent with other companies in the markets in which we compete. Performance under any of these indemnification obligations would generally be triggered by a breach of the terms of the contract or by a third-party claim. Any future liabilities due to these indemnities cannot be reasonably estimated or accrued.

In May 2009, STI, an indirect and wholly-owned subsidiary of the Company, negotiated a transition production agreement with Engineered Materials Solutions, LLC, or EMS, to ensure the continuation of supply of certain materials. EMS is a wholly-owned subsidiary of Wickeder Westfalenstahl GmbH. The Electrical Contact Systems, or ECS, business unit of EMS was our primary supplier for electrical contacts used in the manufacturing of certain of our controls products. We entered into the transition production agreement in order to support the ECS business unit, which was at risk of closing. We extended the transition production agreement with EMS on February 4, 2010, and it expired on May 31, 2010. We have transitioned to alternative suppliers for these materials. A letter of credit issued to the consignor under a silver consignment agreement was cancelled in August 2010. We settled the agreements with the consignor and EMS during the three months ended September 30, 2010.

Because we purchase various types of raw materials and component parts from suppliers, such as from Engineered Materials Solutions described above, we may be materially and adversely affected by failure of those suppliers to perform as expected. This non-performance may consist of delivery delays or failures caused by production issues or delivery of non-conforming products. This risk of non-performance may also result from the insolvency or bankruptcy of one or more of our suppliers. Our efforts to protect against and to minimize these risks may not always be effective. As we continually review the performance and price competitiveness of our suppliers, we may occasionally seek to engage new suppliers with which we have little or no experience. For example, we do not have a prior relationship with all of the suppliers that we are qualifying for the supply of contacts. The use of new suppliers can pose technical, quality and other risks. See **Risk Factors** included elsewhere in this prospectus.

New Accounting Standards

In October 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, *Multiple-Delivery Revenue Arrangements* (ASU 2009-13), which establishes the accounting and reporting guidance for arrangements including multiple deliverable revenue-generating activities, and provides amendments to the criteria for separating deliverables, and measuring and allocating arrangement consideration to one or more units of accounting. The amendments of ASU 2009-13 also establish a hierarchy for determining the selling price of a deliverable, and require significantly enhanced disclosures to provide information about a vendor's multiple-deliverable revenue arrangements, including information about their nature and terms, significant deliverables, and the general timing of delivery. The amendments also require disclosure of information about the significant judgments made and changes to those judgments, and about how the application of the relative selling price method affects the timing or amount of revenue recognition. The amendments of ASU 2009-13 are effective prospectively for revenue arrangements entered into or materially modified in annual reporting periods beginning on or after June 15, 2010, or January 1, 2011 for us. Early application is permitted. We are currently evaluating the potential effect, if any, the adoption of ASU 2009-13 will have on our financial position and results of operations.

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We adopted the following accounting standards during 2010:

In February 2010, the FASB issued ASU 2010-09, *Amendments to Certain Recognition and Disclosure Requirements*, (ASU 2010-09), which eliminates the requirement under Accounting Standards Codification (ASC) Topic 855, *Subsequent Events* (ASC 855) for SEC registrants to disclose the date through which they have evaluated subsequent events in the financial statements. ASU 2010-09 was effective upon issuance, and we adopted its provisions as of the issuance of the Quarterly Report for the period ended March 31, 2010. The adoption of ASU 2010-09 was for disclosure purposes only and did not have any effect on our financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06), which amends ASC Topic 820, *Fair Value Measurement and Disclosure* (ASC 820) to require a number of additional disclosures regarding fair value measurements. In addition to the new disclosure requirements, ASU 2010-06 amends ASC 820 to clarify that reporting entities are required to provide fair value measurement disclosures for each class of assets and liabilities. Prior to the issuance of ASU 2010-06, the guidance in ASC 820 required separate fair value disclosures for each major category of assets and liabilities. ASU 2010-06 also clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. Except for the requirement to disclose information about purchases, sales, issuance and settlements in the reconciliation of recurring Level 3 measurements on a gross basis, all of the provisions of ASU 2010-06 were effective for interim and annual reporting periods beginning after December 15, 2009. We adopted these provisions as of January 1, 2010. The requirement to separately disclose purchases, sales, issuances and settlements of recurring Level 3 measurements is effective for annual reporting periods beginning after December 15, 2010, or January 1, 2011 for us. The adoption of this portion of ASU 2010-06 will not have any effect on our financial position or results of operations.

In June 2009, the FASB issued guidance now codified within ASC Topic 810, *Consolidation* (ASC 810), which requires entities to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as one with the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and obligation to absorb losses of the entity that could potentially be significant to the variable interest. The guidance was effective as of the beginning of the annual reporting period commencing after November 15, 2009. We adopted these provisions as of January 1, 2010. The adoption of the guidance codified within ASC 810 did not have any effect on our financial position or results of operations.

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BUSINESS

Overview

Sensata, a global industrial technology company, is a leader in the development, manufacture and sale of sensors and controls. We produce a wide range of customized, innovative sensors and controls for mission-critical applications such as thermal circuit breakers in aircraft, pressure sensors in automotive systems, and bimetal current and temperature control devices in electric motors. We believe that we are one of the largest suppliers of sensors and controls in the majority of the key applications in which we compete and that we have developed our strong market position due to our long-standing customer relationships, technical expertise, product performance and quality and competitive cost structure. We compete in growing global market segments driven by demand for products that are safe, energy-efficient and environmentally-friendly, as well as the proliferation of, and increasing use of sensors and controls in, electronic applications. In addition, our long-standing position in emerging markets, including our 15-year presence in China, further enhances our growth prospects. We deliver a strong value proposition to our customers by leveraging an innovative portfolio of core technologies and manufacturing at high volumes in low-cost locations such as China, Mexico, Malaysia and the Dominican Republic.

Our sensors are customized devices that translate a physical phenomenon such as force or position into electronic signals that microprocessors or computer-based control systems can act upon. Our controls are customized devices embedded within systems to protect them from excessive heat or current. Underlying these sensors and controls are core technology platforms thermal and magnetic-hydraulic circuit protection, micro electromechanical systems, ceramic capacitance or capacitive and monosilicon strain gages that we leverage across multiple products and applications, enabling us to optimize our research, development and engineering investments and achieve economies of scale.

Our primary products include pressure sensors, force sensors, position sensors, motor protectors, and thermal and magnetic-hydraulic circuit breakers and switches. We develop customized and innovative solutions for specific customer requirements, or applications, across the appliance, automotive, HVAC, industrial, aerospace, defense, data/telecom, and other end-markets. We have long-standing relationships with a geographically diverse base of leading global OEMs and other multi-national companies. Our largest end-customers for each of our segments within each of our principal operating regions of the Americas, Asia Pacific and Europe include, in alphabetical order: A.O. Smith, Arcelic, Askol, Continental, Danfoss, Emerson, Ford, GM, Honda, Huawei, LG Group, Peugeot, Renault-Nissan, Samsung Electronics, Volkswagen and Whirlpool.

The increasing use of sensors in our targeted applications has enabled us to achieve growth rates for our sensors business in excess of underlying end market demand for many of those applications. For example, according to Strategy Analytics, the number of sensors installed per motor vehicle has historically grown at a compound annual growth rate from 2004 to 2008 of approximately 7%.

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

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We are a global business with a diverse revenue mix by geography, customer and end-market and we have significant operations around the world. Our subsidiaries located in the Americas, Europe and the Asia Pacific region generated 43%, 25% and 32%, respectively, of our net revenue for the nine months ended September 30.

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2010. Our largest customer accounted for approximately 7% of our net revenue for the nine months ended September 30, 2010. Our net revenue for the nine months ended September 30, 2010 was derived from the following end-markets: 21% from European automotive, 16% from North American automotive, 17% from Asia and rest of world automotive, 14% from appliances and HVAC, 13% from industrial, 6% from heavy vehicle off-road and 13% from all other end-markets. Within many of our end-markets, we are a significant supplier to multiple OEMs, reducing our exposure to fluctuations in market share within individual end-markets.

Competitive Strengths

We believe we have a number of competitive strengths that differentiate us from our competitors. These include:

Leading positions in high-growth segments. We believe that we are one of the largest suppliers of sensors and controls in the majority of the key applications in which we compete. We attribute our strong market positions to our long-standing customer relationships, technical expertise, breadth of product portfolio, product performance and quality, and competitive cost structure. We have selectively chosen to compete in growing applications and geographies. We believe increased regulation of safety and emissions, a growing emphasis on energy efficiency and consumer demand for electronic products with advanced features are driving sensor growth rates exceeding underlying end market demand in many of our key markets, and will continue to offer us significant growth opportunities.

Innovative, highly engineered products for mission-critical applications. Most of our products are highly-engineered, critical components in complex systems that are essential to the proper functioning of the product in which they are integrated. Our products are differentiated by their performance, reliability and level of customization, which are critical factors in customer selection. We leverage our core technology platforms across multiple applications supported by approximately 400 patents and engineering expertise, allowing us to cost-effectively develop products that are customized for each application in which they are incorporated. For example, we used our core pressure sensing technology portfolio to develop a pressure sensor specifically designed for a fire suppression system in a military application. Our global engineering team, consisting of approximately 1,200 full-time team members located close to customers, enables us to identify many opportunities at an early stage and to work closely with customers to efficiently deliver solutions they require.

Long-standing local presence in key emerging markets. We believe that our long-standing local presence in key emerging markets such as China, India and Brazil provides us with significant growth opportunities. Our net revenue from sales in emerging markets grew at a 12% compounded annual growth rate from 2005 to 2009. Our sales into these markets represented approximately 18% of our net revenue for fiscal year 2009. We have been present in China since 1995 and currently have two high volume manufacturing facilities located in Baoying and Changzhou. As an early market entrant in China, we established a leading position serving multinationals with local manufacturing operations in China. We believe we have developed strong relationships with local customers and suppliers based on our local manufacturing and sales presence, track record of performance and brand portfolio. We believe the Klixon brand, part of our controls business since 1927, distinguishes us in the motor controls sector where recognition of global corporate brands is limited. We believe the brand has been an important driver of success with larger Chinese companies who are seeking to build their international sales presence. We have built a local engineering and sales team in China to develop localized technology solutions and continue to build our presence with both multinational and local companies.

Collaborative, long-term relationships with diversified customer base. We have long-standing relationships with a diverse base of leading global OEMs and other multi-national companies across the appliance, automotive, HVAC, industrial, aerospace, defense and other end-markets. We have worked with our top 25 customers for an average of 22 years. Our established customer relationships span multiple levels of the organization from executives to engineers. As a result of the long development lead times and embedded nature of our products, we collaborate closely with our customers throughout the design and development phase of their products. We believe that our broad product portfolio and global reach reduce our dependence on any particular market or customer.

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High switching costs. The technology-driven, highly customized and integrated nature of our products requires customers to invest heavily in certification and qualification over a one- to three-year period to ensure proper functioning of the system in which our products are embedded. We believe the capital commitment and time required for this process significantly increases the switching costs for customers once a particular sensor or control has been designed and installed in a system. In addition, our products are often relatively low-cost components integrated into mission-critical applications for high-value systems. As a result, many of our sensors and controls are rarely substituted during a product lifecycle, which in the case of the automotive end-market typically lasts five to seven years. New suppliers seeking to provide replacement components generally must demonstrate a long track record of reliability, performance and quality control, as well as the scale and resources to support the customer's product evolution.

Attractive cost structure with scale advantage and low-cost footprint. We believe that our global scale and cost-focused approach have provided us with an attractive cost position within our industry. We currently manufacture approximately one billion devices per year, with approximately 90% of our production in low-cost countries including China, Mexico, Malaysia and the Dominican Republic. Our strategy of leveraging core technology platforms and focusing on high volume applications enables us to provide our customers with highly customized products at a relatively low-cost as compared to the costs of the systems in which our products are embedded. We have achieved our current cost position through a continuous process of migration to low-cost manufacturing locations, transformation of our supply chain to low-cost sourcing, product design improvements and ongoing productivity-enhancing initiatives. Over the past ten years, we have aggressively shifted our manufacturing base from higher-labor cost countries such as the United States, Australia, Canada, Italy, Japan, Korea and the Netherlands to lower-cost countries including China, Mexico, Malaysia, and the Dominican Republic. We continue to increase our use of local suppliers based in these lower-cost locations. The employment of manufacturing best practices and process controls has yielded consistent productivity gains and improvements in operating margins for our business since 2003.

Operating model with high cash generation and significant revenue visibility. We believe our strong customer value proposition and cost structure enable us to generate attractive operating margins and return on capital. Over the last five completed fiscal years, our aggregate capital expenditures represented approximately 3% of our aggregate net revenue. We believe that our current manufacturing base offers significant capacity to support higher revenue levels. We have a low effective cash tax rate due to amortization of intangible assets resulting from our carve-out from Texas Instruments in the 2006 Acquisition and other tax benefits derived from our operating and capital structure, including tax holidays in China and Malaysia, operations in a Dominican Republic tax free zone, favorable tax status in Mexico and the Dutch participation exemption, which permits the tax-free movement of funds between Dutch entities and foreign entities within the same corporate group. In addition, we believe that our business provides us with significant visibility into new business opportunities based on product development cycles that are typically more than one year, our ability to win design awards (i.e. new sockets for our sensors and controls) in advance of system roll-outs and commercialization, and our lengthy product life cycles. Additionally, customer order cycles typically provide us with visibility into more than a majority of our expected quarterly revenue at the start of each quarter.

Experienced management team. Our senior management team has significant collective experience both within our business and in working together managing our business. Our CEO, COO and other members of our senior management team have been employed by our company and its predecessor, the S&C business of Texas Instruments, for the majority of their careers. Our current management team oversaw the carve-out of our business from Texas Instruments and the expansion of our business through both organic growth and acquisitions.

Growth Strategy

We intend to enhance our position as a leading provider of customized, innovative sensors and controls on a global basis. The key elements of our growth strategy include:

Continue product innovation and expansion. We believe our solutions help satisfy the world's need for safety, energy efficiency and a clean environment, as well as address the demand associated with the

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proliferation of electronic applications in everyday life. We expect to continue to address our customers' increased demand for sensor and control solutions with our technology and engineering expertise. We leverage our various core technology platforms across many different products and applications to maximize the impact of our research, development and engineering investments and increase economies of scale. We intend to continue to collaborate closely with customers to improve our current line of products incorporated into our customers' products and to identify and develop new technologies and products that can be incorporated into our customers' products at an early stage of the development process. In addition, we intend to focus on new applications that will help us secure new business and drive long-term growth. New applications for sensors typically provide an opportunity to define a leading application technology in collaboration with our customers. Our strategy is to target new applications early in the development cycle by leveraging our strong customer relationships, engineering expertise and attractive cost position.

Expand our presence in significant emerging markets. We believe emerging markets such as China, India and Brazil represent substantial, rapidly growing opportunities. A growing middle class and rapid industrialization are creating significant demand for electric motors, consumer conveniences (such as appliances), automobiles and communication infrastructure. Our broad mix of sensor and control applications utilized in a variety of products and end-markets enables us to participate from the early stages of economic growth, typically characterized by rapid adoption of basic household durables, to later stages of economic growth, typically involving more rapid penetration of automobiles and other consumer conveniences into everyday life. We believe our substantial manufacturing presence and capacity in China provides us with a significant opportunity for future growth. We intend to continue investing in local engineering and sales talent across key emerging markets to build our presence with both multinational and local OEMs.

Broaden customer relationships. We seek to differentiate ourselves from our competitors through superior product reliability, performance and service. We believe that this focus has strengthened our relationships with our existing customers and provided us the experience and market exposure to attract new customers. We also believe our global presence and investments in application engineering and support create competitive advantages in serving multinational and local companies. The continued establishment of business centers near our customers facilities and continued close collaboration with our customers' engineering staffs are key components of this strategy.

Extend low-cost advantage. We intend to continue to focus on managing our costs and increasing our productivity. These ongoing efforts have included migrating our manufacturing to low-cost regions, transforming the supply chain to low-cost sourcing and aggressively pursuing ongoing productivity improvements. We will continue to strive to significantly reduce materials and manufacturing costs for key products by focusing on our design-driven cost initiatives. We will also continue to locate our people and processes in the most strategic, cost-effective regions. As we develop new applications, we intend to continue to leverage our core technology platforms to give us economies of scale advantage in manufacturing and in our research, development and engineering investments.

Recruit, retain, and develop talent globally. We intend to continue to recruit, develop and retain a highly educated, technically sophisticated and globally dispersed workforce. Those in senior management roles have broad experience in managing global businesses. Our strategy leadership team has over 150 years of combined experience with our global businesses. Other senior managers bring global experience, subject matter expertise and an outside perspective which has contributed to our success. We will continue to utilize our extensive network for our global recruiting, including university, community and employee referral programs, to introduce our brand and values to prospective employees. We will continue to utilize our formal Integrated Talent Management Program to emphasize learning and development activities focusing on each employee's particular skill set, including their technical and leadership capabilities. We will continue to engage in extensive market-based research to align our compensation and benefits programs with employee performance and to remain competitive with industry benchmarks.

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Pursue strategic acquisitions to extend leadership and leverage global platform. We intend to continue to opportunistically pursue selective acquisitions and joint ventures to extend our leadership across global end-markets and applications, realize operational value from our global low-cost footprint, and deliver the right technology solutions for emerging markets. We believe we have a track record of success in acquiring and integrating businesses. Our acquisition of the First Technology Automotive business in December 2006 added steering position, twilight sensors, fuel cut-off switches and glass bottle circuit breakers to our portfolio of products. Our acquisition of Airpax in July 2007 further strengthened our customer positions in electrical protection and sensor solutions for the telecommunication, data network, military and mobile power markets. We intend to continue to seek acquisitions that will present attractive risk-adjusted returns and significant value-creation opportunities.

History

We can trace our origins back to businesses that have been engaged in the sensors and controls business since 1916. We operated as a part of Texas Instruments from 1959 until April 27, 2006, when Sensata Technologies B.V., an indirect wholly-owned subsidiary of us, completed the acquisition of the S&C business from Texas Instruments for an aggregate purchase price of \$3.0 billion, plus fees and expenses. The acquisition was effected through a number of our subsidiaries that collectively purchased the assets and assumed the liabilities being transferred in the 2006 Acquisition.

On December 19, 2006, we acquired First Technology Automotive from Honeywell International Inc. for \$88.5 million plus fees and expenses. First Technology Automotive designs, develops and manufactures automotive sensors (cabin comfort and safety and stability controls), electromechanical control devices (circuit breakers and thermal protectors), and crash switch devices. First Technology Automotive's products are sold to automotive OEMs, Tier I automotive suppliers, large vehicle and off-road OEMs, and industrial manufacturers. We believe that the First Technology Automotive acquisition enhanced existing customer relationships and our motor protector and circuit breaker product offerings.

On March 14, 2007, we acquired SMaL Camera, the automotive imaging unit of Cypress Semiconductor Corporation, for approximately \$11.4 million plus fees and expenses. SMaL Camera provides cameras and camera subsystems to automotive advanced driver assistance systems. We believed that the acquisition of SMaL Camera accelerated the time to market in the vision business, and built camera and imager expertise and credibility.

On July 27, 2007, we acquired Airpax for approximately \$277.3 million, including fees and expenses. We believe the acquisition of Airpax provided us with leading customer positions in electrical protection for high-growth network power and critical, high-reliability mobile power applications, and further secured our position as a leading designer and manufacturer of sensing and electrical protection solutions for the industrial, heating, ventilation, air-conditioning, military and mobile markets. The acquisition also added new products such as power inverters and expanded our customer end-markets to include growing network power applications where customers value high reliability and differentiated performance.

On April 30, 2009, we completed the sale of the automotive vision sensing business, which included the assets and operations of SMaL Camera. Our decision to sell this business was driven by the economic climate, slower than expected demand for these products and the expectation that our OEM customers will internally develop the software associated with this business.

Sensors Business

Overview

We are a leading supplier of automotive, commercial and industrial sensors, including pressure sensors, pressure switches and position and force sensors. Our sensors business accounted for approximately 62% of our net revenue for the nine months ended September 30, 2010. Our sensors are used in a wide variety of

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applications, including automotive air-conditioning, braking, transmission and air bag applications as well as HVAC and heavy vehicle off-road applications. We derive most of our sensor revenue from the sale of medium and high-pressure sensors, and we believe that we are one of the largest suppliers of sensors in the majority of the key applications in which we compete. Our customers consist primarily of leading global automotive, industrial, and commercial OEMs and their Tier 1 suppliers. Our products are ultimately used by the majority of global automotive OEMs, providing us with a balanced customer portfolio of automotive OEMs which, we believe, helps to protect us against shifts in market share between different OEMs.

Sensors Industry

Sensors are customized devices that translate physical phenomenon into electronic signals for use by microprocessors or computer-based control systems. Based on a report prepared by Global Industry Analysts, we believe that the global sensor industry in 2007 generated sales in excess of \$49 billion. The market is characterized by a broad range of products and applications across a diverse set of end-markets. We believe large OEMs and other multi-national companies are increasingly demanding a global presence to supply sensors on their key global platforms.

Automotive Sensors

Revenue from the global automotive end-market, which includes applications in powertrain, air-conditioning and chassis control is driven, we believe, by three principal trends. First, global automotive vehicle unit sales have demonstrated moderate but consistent annual growth prior to 2008, and are expected to increase as the current recession subsides. Second, the number of sensors used per vehicle has expanded, driven by a combination of factors including government regulation of safety and emissions, market demand for greater fuel efficiency and consumer demand for new applications. For example, governments have mandated sensor intensive advanced braking systems in both Europe and the United States. Finally, revenue growth has been augmented by a continuing shift away from legacy electromechanical products towards higher-value electronic solid-state sensors.

Based on a report prepared by Strategy Analytics, we believe sales of automotive sensors in North America, Europe, Japan, South Korea and China generated approximately \$10.6 billion of revenue in 2008 and are expected to grow at a compound annual rate of 5% from 2008 to 2013. Where demand for automotive sensors is driven primarily by the increase in the number of sensors per vehicle, as well as by the level of global vehicle sales, we believe that the increasing installation of safety, emissions, efficiency, and comfort-related features in vehicles, such as airbags and electronic stability control, advanced driver assistance, advanced combustion and exhaust aftertreatment that depend on sensors for proper functioning will continue to drive increased sensor usage.

As reported by J.D. Power and Associates, global light vehicle sales saw continuous quarterly expansion from 2002 to 2007. This expansion came to a halt during fiscal year 2008. Global economic conditions translated into lower demand and an overall decline in automotive production by approximately 13% globally in 2009. In the mature markets, the decline was higher; for example, U.S. light vehicle production declined 34% to 5.6 million units in 2009. Western Europe light vehicle production declined 19% to 11.8 million units in 2009. Japan's light vehicle production declined 31% to 7.6 million units in 2009. Global light vehicle production expanded on a quarterly basis for the second and third quarters of 2009. J.D. Power and Associates forecasts the industry will strengthen in 2010 with an estimated 9% increase in global light vehicle production. Over the long-term, many third-party forecasters expect global auto demand to continue expanding based on population growth and increased usage of cars in emerging markets.

The automotive sensors market is characterized by high switching costs and barriers to entry, benefiting incumbent market leaders. Sensors are critical components that enable a wide variety of applications, many of which are essential to the proper functioning of the product in which they

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are incorporated. Sensor application-specific products require close engineering collaboration between the sensor supplier and OEM or the Tier 1 supplier. As a result, OEMs and Tier 1 suppliers make significant investments in selecting, integrating and

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testing sensors as part of their product development. Switching to a different sensor results in considerable additional work, both in terms of sensor customization and extensive platform/product retesting. This results in high switching costs for automotive manufacturers once a sensor is designed-in, and, we believe is one of the reasons that sensors are rarely changed during a platform lifecycle, which is typically five to seven years. Given the importance of reliability and the fact that the sensors have to be supported through the length of a product life, our experience has been that OEMs and Tier 1 suppliers tend to work with suppliers that have a long track record of quality and on-time delivery, and the scale and resources to meet their needs as the car platform evolves and grows. In addition, the automotive segment is one of the largest markets for sensors, giving participants with a presence in this end-market significant scale advantages over those participating only in smaller, more niche industrial and medical markets.

Commercial and Industrial Sensors

Commercial and industrial sensors employ similar technology to automotive sensors, but often require greater customization in terms of packaging and calibration. Commercial and industrial applications in which sensors are widely used include HVAC, engines (for example, generators), heavy vehicle off-road and general industrial products (for example, fire suppression products). We believe that sensor usage in industrial and commercial applications is driven by many of the same factors as in the automotive market – regulation of safety and emissions, market demand for greater energy efficiency and consumer demand for new features. In the United States, for example, the Environmental Protection Agency, or EPA, has mandated the use of environmentally-friendly refrigerant in all new HVAC equipment by 2010.

Based on a report prepared by VDC Research Group, we estimate that revenue for the global commercial and industrial pressure sensor markets generated \$1.5 billion in revenues in 2008 and is expected to grow at a compound annual rate of 5.9% from 2008 to 2013. In addition, we believe based on that report that growth in commercial and industrial sensors is driven by growth in the underlying end-markets, which generally track the level of GDP, and greater usage of sensors within individual applications.

The current economic environment has resulted in lower spending for heavy vehicle off-road and general industrial products due to reduced spending in commercial development and commodity exploration, and slower growth in defense spending. This decline has been offset in part by consistent spending for HVAC products due to replacements or upgrades.

Sensor Products

We offer the following sensor products:

Product Categories	Key Applications / Solutions	Key End-Markets
Pressure Sensors	Air-conditioning systems	Automotive
	Transmission	Heavy Vehicle Off-Road
	Engine oil	Marine
	Suspension	Industrials
	Fuel rail	

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	Braking	
	Marine engine	
	Air compressors	
Pressure Switches	Air-conditioning systems	Automotive
	Power steering	HVAC
	Transmission	Industrial
	HVAC refrigerant	
Position Sensors	Transmission	Automotive
	Steering	
Force Sensors	Airbag (Occupant Weight Sensing)	Automotive

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The unaudited table below sets forth the amount of revenue we generated from each of these product categories in each of the last three fiscal years and in the nine months ended September 30, 2009 and 2010.

Product Category (Amounts in thousands)	For the year ended December 31,			For the nine months ended September 30,	
	2007	2008	2009	2009	2010
Pressure Sensors	\$ 562,239	\$ 553,722	\$ 456,116	\$ 307,657	\$ 499,687
Pressure Switches	101,748	96,928	71,946	51,811	76,908
Position Sensors	31,892	39,273	26,062	19,120	24,703
Force Sensors	91,894	87,654	57,151	39,641	53,407
Other	94,702	89,809	73,817	52,015	62,066
Total	\$ 882,475	\$ 867,386	\$ 685,092	\$ 470,244	\$ 716,771

Controls Business*Overview*

We are a leading provider of bimetal electromechanical controls, thermal and magnetic-hydraulic circuit breakers, power inverters and interconnection products. Our controls business accounted for approximately 38% of our net revenue for the nine months ended September 30, 2010. We manufacture and market a broad portfolio of application-specific products, including motor and compressor protectors, circuit breakers, semiconductor burn-in test sockets, electrical HVAC controls, power inverters and precision switches and thermostats. Our controls are sold into industrial, aerospace, military, commercial and residential end-markets. We derive most of our controls revenue from products that prevent damage from excess heat or current in a variety of applications within these end-markets, such as commercial and residential heating, air-conditioning and refrigeration and light industrial systems. We believe that we are one of the largest suppliers of controls in the majority of the key applications in which we compete.

Our controls business also benefits from strong agency relationships. For example, a number of electrical standards for motor control products, including portions of the Underwriters Laboratories Standards for Safety, have been written based on the performance and specifications of our controls products. We also have blanket approval from Underwriters Laboratories for many of our control products, so that customers can use Klixon products in the United States interchangeably, but are required to receive certification from Underwriters Laboratories for their own products if they decide to incorporate competitive motor protection offerings.

We attribute a substantial portion of our growth in this business to an expanded presence in Asia, particularly China. We are well-positioned to capture additional revenue from our multinational customers as they relocate manufacturing operations to China. We have been working to leverage this market position, with our brand recognition, to develop new relationships with a number of high-growth local Chinese manufacturers. We continue to focus on managing our costs and increasing our productivity in these lower-cost manufacturing regions.

Controls Industry

Controls are customized devices which protect equipment and electrical architecture from excessive heat or current. Our product line encompasses four categories of controls – bimetal electromechanical controls, thermal and magnetic-hydraulic circuit breakers, power inverters and interconnection – each of which serves a highly diversified base of customers, end-markets, applications and geographies.

Bimetal Electromechanical Controls

Bimetal electromechanical controls include motor protectors, motor starters, thermostats and switches, each of which helps prevent damage from excessive heat or current. Our bimetal electromechanical controls business

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serves a diverse group of end-markets, including commercial and residential HVAC systems, lighting, refrigeration, industrial motors and household appliances, commercial and military aircraft. In the developed markets such as the United States, Europe and Japan, the demand for many of these products, and their respective applications, tends to track to the general economic environment, with historical growth moderately above increases in GDP. In the emerging markets, a growing middle class and rapid overall industrialization is creating significant growth for our control products in electric motors, consumer conveniences such as appliances and HVAC, and communication infrastructure. As an example, the China Countryside Initiative has established higher targets for penetration of household refrigerators and washing machines in rural households that we believe creates significant growth opportunities in China for our controls business.

Thermal and Magnetic-Hydraulic Circuit Breakers

Our circuit breaker portfolio includes customized magnetic-hydraulic circuit breakers and thermal circuit breakers, all of which help prevent damage from electrical or thermal overload. Our magnetic-hydraulic circuit breakers serve a broad spectrum of OEMs and other multi-national companies in the telecommunication, industrial, recreational vehicle, HVAC, refrigeration, marine, medical, information processing, electronic power supply, power generation, over-the-road trucking, construction, agricultural and alternative energy markets. We provide thermal circuit breakers to the commercial and military aircraft market. Although demand for these products tends to pace the general economic environment, demand in certain end-markets such as electrical protection for network power and critical, high-reliability mobile power applications is projected to exceed the growth of the general economic environment.

Power Inverters

Our power inverters products allow an electronic circuit to convert DC to AC. Power inverters are used mainly in applications where DC power, such as that stored in a battery, must be converted for use in an electrical device that runs on AC power (e.g., any electrical products that plug into a standard electrical outlet). Specific applications for power inverters include powering applications in utility/service trucks or recreational vehicles and providing power backup for critical applications such as traffic light signals and key business/computer systems. Demand for these products is driven by economic development, as well as growing interest in clean energy to replace generators, all of which increase demand for both portable and stationary power. As development slows, the demand for our products in these markets declines. The decline is mitigated by growing requirements to meet new energy efficient standards.

Interconnection

Our interconnection products consist of semiconductor burn-in test sockets used by semiconductor manufacturers to verify packaged semiconductor reliability. The semiconductor industry experienced a decline throughout 2009 primarily due to high levels of inventory and rapidly changing technologies. However, we believe, based on information from IC Insights, that the semiconductor market will grow at a compound annual rate of approximately 12.3% from 2009 to 2013.

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Controls Products

We offer the following controls products:

Product Categories	Key Applications / Solutions	Key End-Markets
Bimetal Electromechanical Controls	Internal motor and compressor protectors	HVAC
	External motor and compressor protectors	Small/Large Appliances
	Motor starters	Lighting
	Thermostats	Industrial Motors
	Switches	Automotive Accessory Motors
		Commercial Aircraft
		Military
		Heavy Vehicle Off-Road
		Marine/Industrial
Thermal and Magnetic-Hydraulic Circuit Breakers	Circuit protection	Commercial Aircraft
		Data Communications
		Telecommunications
		Computer Servers
		Heavy Vehicle Off-Road
		Marine/Industrial
		HVAC
		Military
Power Inverters	DC/AC motors	Heavy Vehicle Off-Road
Interconnection	Semiconductor testing	Semiconductor Manufacturing

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The unaudited table below sets forth the amount of revenue we generated from each of these product categories in each of the last three fiscal years and in the nine months ended September 30, 2009 and 2010.

Product Category (Amounts in thousands)	For the year ended December 31,			For the nine months ended September 30,	
	2007	2008	2009	2009	2010
Bimetal Electromechanical Controls	\$ 380,717	\$ 363,826	\$ 298,476	\$ 215,804	\$ 291,213
Thermal and Magnetic-Hydraulic Circuit Breakers	83,648	142,112	113,855	84,709	98,164
Power Inverters	9,590	20,641	14,341	11,067	15,875
Interconnection	37,105	28,398	23,180	15,031	30,106
Other	9,719	292			108
Total	\$ 520,779	\$ 555,269	\$ 449,852	\$ 326,611	\$ 435,466

Technology, Product Development and Intellectual Property

We employ various core technology platforms across many different product families and applications in an effort to maximize the impact of our research, development and engineering investments, to increase economies of scale and to leverage our technology-specific expertise across multiple product platforms. The technologies inherent in our sensors and controls products include bimetal discs, ceramic capacitive, monosilicon strain gage and micro electromechanical systems.

Our global engineering team consists of approximately 1,200 full-time team members dedicated to product research, development and engineering. These team members work closely with our customers to develop customized highly engineered sensors, controls and other products to satisfy our customers' needs. Our research, development and engineering investments enable us to consistently provide innovative, high-quality products.

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with efficient manufacturing methods. Our research, development and engineering investments include research and development costs and the costs of all our engineering-related activities, including costs related to customer-specific customization of our products.

We believe that continued focused investment in research, development and engineering activities are critical to our future growth and maintaining our leadership position. Our research, development and engineering efforts are directly related to timely development of new and enhanced products that are central to our core business strategy. We develop our technologies to meet an evolving set of customer requirements and new product introductions.

We operate a global network of business centers that allows us to develop new sensing technologies, improve existing technologies and customize our products to the particular needs of our customers. We coordinate our technology research, development and engineering efforts through Centers of Expertise that are designed to maintain a critical mass of intellectual capital in our core technologies and leverage that knowledge in our sensors and controls businesses.

We rely primarily on patents and trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. While we consider our patents to be valuable assets, we do not believe that our overall competitive position is dependent on patent protection or that our overall operations are dependent upon any single patent or group of related patents. Many of our patents protect specific functionality in our sensors and controls products and others consist of processes or techniques that result in reduced manufacturing costs. Our patents generally relate to improvements on earlier filed Sensata, acquired or competitor patents. We acquired ownership and license rights to a portfolio of patents and patent applications, as well as certain registered trademarks and service marks for discrete product offerings, from Texas Instruments in the 2006 Acquisition. We have also acquired intellectual property in the acquisitions of First Technology Automotive and Airpax. We have continued to have issued to us, and to file for, additional United States and foreign patents since the 2006 Acquisition. As of December 31, 2009, we had approximately 196 U.S. and 190 foreign patents and approximately 25 U.S. and 180 foreign pending patent applications. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims.

The table below sets forth the number of our current U.S. patents that are scheduled to expire in the referenced periods:

During the years ending December 31,	Number of Patents
2010-2014	40
2015-2019	72
2020-2024	61
2025-2028	23

The 40 U.S. patents that will expire between 2010 and 2014 include patents involving pressure sensors, motor controls, semiconductor burn-in-test sockets, thermostats, transmission position switches, temperature sensors, thermal circuit breakers, magnetic-hydraulic circuit breakers and power inverters. Since our core technology platforms, and most of our products, are mature, and our patents generally relate to improvements on earlier filed Sensata, acquired or competitor patents, we do not expect that the expiration of these patents will limit our ability to manufacture and sell such products or otherwise have a material adverse effect on our competitive position.

We utilize licensing arrangements with respect to some technology that we use in our sensor products and, to a lesser extent, our control products. We entered into a perpetual, royalty-free cross-license agreement with our former owner, Texas Instruments, in connection with the 2006 Acquisition that permits each party to use specified technology owned by the other party in its business. No license may be terminated under the agreement, even in the event of a material breach. See [Certain Relationships and Related Party Transactions](#) 2006 Acquisition

Arrangements Cross License Agreement. We also have a material licensing arrangement with

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Measurement Specialties that enables us to manufacture the sensing elements used in our monosilicon strain gage pressure sensors. The initial term of this license ran until July 1, 2008 and has been subsequently renewed annually. We anticipate that it will continue to be renewed each year or other acceptable arrangements will be available to us with respect to this technology. This license can be terminated by either party in the event of an uncured material breach. This sensing element is a component used in both our monosilicon strain gage pressure sensors and our occupancy weight-sensing force sensors, which accounted for \$208.2 million in revenue in the nine months ended September 30, 2010. We purchase these sensing elements from Measurement Specialties and also manufacture them internally as a second source of supply pursuant to the license.

Sales and Marketing

We believe that the integration of our sensors and controls products into our customers' systems, as well as their long sales cycle and high initial investment required in customization and qualification, puts a premium on the ability of sales and marketing professionals to develop strong customer relationships and identify new business opportunities. To that end, our sales and marketing staff consists of an experienced, technically knowledgeable group of professionals with extensive knowledge of the end-markets and key applications for our sensors and controls.

Our sales team works closely with our dedicated research, development and engineering teams to identify products and solutions for both existing and potential customers. Our sales and marketing function within our business is organized into regions—America, Europe and Asia Pacific—but also organizes globally across all geographies according to market segments, so as to facilitate knowledge sharing and coordinate activities involving our larger customers through global account managers. Our sales and marketing professionals also focus on early entry into new applications rather than the displacement of existing suppliers in mature applications, due to the high switching costs that typically are required in the markets we serve. In addition, in our controls business, we seek to capitalize on what we believe is our existing reputation for quality and reliability, together with recognition of our Sensata, Klixon, Airpax and Dimensions brands, in order to deepen our relationships with existing customers and develop new customers across all end-markets.

Customers

Our customer base in the sensors business includes a wide range of OEMs and Tier 1 suppliers in the automotive, industrial and commercial end-markets. Our customers in the controls business include a wide range of industrial and commercial OEMs and Tier 1 manufacturers across multiple end-markets, primarily OEMs in the climate control, appliance, semiconductor, datacomm, telecommunications and aerospace industries, as well as Tier 1 motor and compressor suppliers. In geographic and product markets where we lack an established base of customers we rely on third-party distributors to sell our sensors and controls products. We have had relationships with our top ten customers for an average of 24 years.

The following table below presents the top ten customers by net revenue for fiscal year 2009 for each of the sensors and controls businesses, set forth in alphabetical order.

Sensors	Controls
BMW	A.O. Smith
Chrysler Group	Emerson Electric
Continental	Flame Enterprises
Ford Motor Company	Giatek Corporation

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General Motors
Honda Motor Company
Peugeot Citroen
Renault/Nissan
TRW Automotive
Volkswagen

LG Group
Peerless Electronics
Regal Beloit
Robert Bosch GmbH
Samsung
Whirlpool

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The following table presents a summary of the percentage of our net revenue by selected geographic regions, based on the location of our respective subsidiaries, for the years ended December 31, 2007, 2008 and 2009 and for the nine months ended September 30, 2009 and 2010:

Geographic Region	Percentage of Revenue by Geographic Regions				
	For the years ended December 31,			For the nine months ended	
	2007	2008	2009	September 30, 2009	2010 (unaudited)
Americas	49%	47%	45%	46%	43%
Europe	25	25	27	27	25
Asia Pacific	26	28	28	27	32
Total	100%	100%	100%	100%	100%

Competition

Within each of the principal product categories in our sensors business, we compete with a variety of independent suppliers and with the in-house operations of Tier 1 systems suppliers. We believe that the key competitive factors in this market are product quality and reliability, technical expertise and development capability, breadth of product offerings, product service and price. Our principal competitors in the market for automotive sensors are Robert Bosch GmbH and Denso Corporation which are in-house, or captive, providers, and Nagano Keiki Co., Ltd. and Schneider Electric, which are independent. Our principal competitors in the market for commercial and industrial sensors include Saginomiya Seisakusho, Inc. and Schneider Electric.

Within each of the principal product categories in our controls business, we compete with divisions of large multi-national industrial corporations and fragmented companies, which compete primarily in specific end-markets or applications. We believe that the key competitive factors in this market are product quality and reliability, although manufacturers in certain markets also compete based on price. Physical proximity to the facilities of the OEM/Tier 1 manufacturer customer has, in our experience, also increasingly become a basis for competition. We have additionally found, in our experience, that certain of the product categories have specific competitive factors. For example, in the thermal circuit breakers, thermostats and switches markets, strength of technology, quality and the ability to provide custom solutions are particularly important. In the hydraulic-magnetic circuit breaker markets, as another example, we have encountered heightened competition on price and a greater emphasis on agency approvals, including approvals by Underwriters Laboratories, a U.S.-based organization that issues safety standards for many electrical products used in the United States, and similar organizations outside of the United States, such as Verband der Elektrotechnik, Elektronik und Informationstechnik and TÜV Rheinland in Europe, China Compulsory Certification in China and Canadian Standards Association in Canada.

Our primary competitors in the basic alternating current motor protection market include Asian manufacturers Jiangsu Chengsheng Electric Appliance Company Ltd., ChwenDer Thermostat & Company Ltd., Wanbao Refrigeration Group Guangzhou Appliances Company Ltd., Hangzhou Star Shuaier Electric Appliance Co., Ltd., Ubukata Industries Co., Ltd. and Foshan TongBao Corporation Limited. Our competitors in the thermal circuit breaker, thermostat and switches markets include: Cutler Hammer, a division of Eaton Corporation, and Crouzet, a division of Schneider Electric, in aircraft circuit breakers; Honeywell International Inc. in aircraft switches and thermostats; and Cooper Bussman, a division of Cooper Electric, in heavy and off-road thermal circuit breakers. Our competitors in magnetic-hydraulic circuit breaker markets include Carling Technologies, Circuit Breaker Industries, the Heinemann brand of Eaton Corporation and a growing number of smaller

competitors primarily in Asia.

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Employees

As of September 30, 2010, we had approximately 9,800 employees, approximately 9% of whom are located in the United States. None of our employees are covered by collective bargaining agreements. In various countries, local law requires our participation in works councils. We also utilize contract workers in multiple locations in order to cost-effectively manage variations in manufacturing volume. As of September 30, 2010, we had approximately 2,000 contract workers on a worldwide basis. We believe that our relations with our employees are good.

Environmental Matters and Governmental Regulation

Our operations and facilities are subject to U.S. and foreign 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 or 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. As of September 30, 2010, compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect on our capital expenditures, earnings and competitive position. We have not budgeted any material capital expenditures for environmental control facilities during the remainder of 2010 or 2011.

Texas Instruments has been designated by the EPA as a Potentially Responsible Party, or PRP, at a designated Superfund site in Norton, Massachusetts, regarding wastes from our Attleboro operations. The site is a landfill contaminated with chemical and nuclear materials alleged to have been disposed in the 1950s and 1960s. The chemical contaminants are varied and the nuclear contaminants consists of uranium and radium materials. The EPA has issued its Record of Decision, which described a cleanup plan estimated to cost \$43.0 million. The EPA expects a PRP group to undertake the remaining remediation. On December 9, 2008, the U.S. government announced that Texas Instruments and 14 other parties had entered into a consent decree to complete the EPA designated cleanup, with an adjusted estimated cost of \$29.0 million, plus certain EPA costs. During 2008, lawsuits were filed against Texas Instruments alleging personal injuries suffered by individuals who were exposed to the site decades ago. Texas Instruments is defending these lawsuits, which are in early stages. We have not been designated as a PRP, are not a party to the consent decree, and are not a party to the lawsuits filed against Texas Instruments. In addition, the Army Corps of Engineers is conducting a removal of certain radiological contamination at an estimated cost of \$34.0 million. In accordance with the terms of our acquisition agreement entered into with Texas Instruments in connection with the 2006 Acquisition, subject to the limitations set forth in that agreement, Texas Instruments retained these liabilities and has agreed to indemnify us with regard to these excluded liabilities. We do not anticipate incurring any non-reimbursable expenses related to the matters described above.

In 2001, Texas Instruments 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. Texas Instruments 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 Brazil, is the successor in interest to Texas Instruments Brazil. However, in accordance with the terms of the acquisition agreement entered into in connection with the 2006 Acquisition, Texas Instruments retained these liabilities (subject to the limitations set forth in that agreement) and has agreed to indemnify us with regard to

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these excluded liabilities. Additionally, in 2008 lawsuits were filed against Sensata Technologies Brazil alleging personal injuries suffered by individuals who were exposed to drinking water allegedly contaminated by the Aterro disposal site. These matters are managed and controlled by Texas Instruments. Texas Instruments is defending these lawsuits, which are in early stages. Although Sensata Technologies Brazil cooperates with Texas Instruments 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 September 30, 2010.

Control Devices, Inc., a wholly-owned subsidiary of one of our U.S. operating subsidiaries acquired through our acquisition of the First Technology Automotive business, holds a post-closure license, along with GTE Operations Support, Inc., from the Maine Department of Environmental Protection with respect to a closed hazardous waste surface impoundment located on real property and a facility owned by Control Devices in Standish, Maine. The post-closure license obligates GTE Operations Support 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 Control Devices to maintain the property and provide access to GTE Operations Support. 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 Operations Support retained liability and agreed to indemnify Control Devices 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 Control Devices and GTE Operations Support have certain obligations related to the property and each other. The site is contaminated primarily with chlorinated solvents. We do not expect the remaining cost associated with addressing the soil and groundwater contamination to be material.

We are subject to compliance with laws and regulations controlling the export of goods and services. Certain of our products are subject to ITAR. These products represent an immaterial portion of our revenues and we have not exported an ITAR-controlled product. However, if in the future we decided to export ITAR-controlled products, such transactions would require an individual validated license from the U.S. State Department's Directorate of Defense Trade Controls. The State Department makes licensing decisions based on type of product, destination of end use, end user and national security and foreign policy. The length of time involved in the licensing process varies, but is currently less than three weeks. The license processing time could result in delays in the shipping of products. These laws and regulations are subject to change, and any such change may require us to change technology or incur expenditures to comply with such laws and regulations.

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 that are pending against us, except potentially those matters described below, will not have a material effect on our financial condition or results of operations.

Ford Speed Control Deactivation Switch Litigation: We are involved in a number of litigation matters relating to a pressure switch that Texas Instruments sold to Ford Motor Company, or Ford, for several years until 2002. Ford incorporated the switch into a cruise control deactivation switch system that it installed in certain vehicles. Due to concerns that, in some circumstances, this system and switch may cause fires, Ford issued seven separate recalls of vehicles in the United States between 1999 and October 23, 2009, which covered approximately fourteen million vehicles in the aggregate. Also, in October 2009, Mazda issued a recall in the United States of 36,000 vehicles that Ford had manufactured for it which contained the system and switch, and in December 2009, Ford issued a recall of 528 vehicles imported into China by Ford.

In 2001, Texas Instruments received a demand from Ford for reimbursement of costs related to the first recall in 1999, a demand that Texas Instruments rejected and that Ford has not subsequently pursued against us. Ford has never made such a demand to us, nor made demands of us related to the subsequent recalls.

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In August 2006, the National Highway Traffic Safety Administration, or NHTSA, issued a closing report based on a multi-year investigation which found that the fire incidents were caused by system-related factors. On October 14, 2009, the NHTSA issued a closing report associated with a more recent recall which modified the findings of the 2006 report but continued to emphasize system factors.

As of September 30, 2010, we were a defendant in 23 lawsuits in which plaintiffs have alleged property damage and various personal injuries from the system and switch. Of these cases, 15 are pending in a state multi-district litigation in the 53rd Judicial Court of Travis County, Texas, *In re Ford Motor Company Speed Control Deactivation Switch Litigation*, Docket No. D-1-GN-08-00091, and three are pending in a federal multi-district litigation in the United States District Court for the Eastern District of Michigan, *Ford Motor Co. Speed Control Deactivation Switch Products Liability Litigation*, Docket No. 05-md-01718. The remainder are in individual dockets in various state courts of Alabama, Georgia, Ohio and Texas and the federal court for the Southern District of Texas.

For the most part, these cases seek an unspecified amount of compensatory and exemplary damages. For the plaintiffs that have requested a specific amount, the range of the demand is \$50,000 to \$3.0 million. Ford and Texas Instruments are co-defendants in each of these lawsuits.

In accordance with terms of the acquisition agreement entered into in connection with the 2006 Acquisition, we are managing and defending these lawsuits on behalf of both our company and Texas Instruments. The majority of these cases are in discovery. Two have been set for trial and one is on appeal.

During fiscal year 2008, we settled all outstanding wrongful death cases related to these matters for amounts that did not have a material effect on our financial condition or results of operations. As for the cases that are still pending, we have included a reserve in our financial statements in the amount of \$0.6 million as of September 30, 2010. There can be no assurances, however, that this reserve will be sufficient to cover the extent of our costs and potential liability from these matters. Any additional liability in excess of this reserve could have a material adverse effect on our financial condition or results of operations.

Whirlpool Recall Litigation: We are involved in litigation relating to certain control products that Texas Instruments sold between 2000 and 2004 to Whirlpool Corporation. The control products were incorporated into the compressors of certain refrigerators in a number of Whirlpool brands, including Maytag, Jenn-Air, Amana, Admiral, Magic Chef, Performa by Maytag, and Crosley. Whirlpool contends that the control products were defective because they allegedly fail at excessive rates and have allegedly caused property damage, including fires. During fiscal years 2007 and 2008, we paid Whirlpool for certain costs associated with third-party claims and other external engineering costs, in amounts that did not have a material adverse effect on our financial condition or results of operation. During 2009, Whirlpool in conjunction with the Consumer Product Safety Commission, or CPSC, announced voluntary recalls of approximately 1.8 million refrigerators.

On January 28, 2009, Whirlpool Corporation, as well as its subsidiaries Whirlpool SA and Maytag Corporation, filed a lawsuit against Texas Instruments and our subsidiary, STI. The lawsuit was filed in the Circuit Court of Cook County, Illinois, under the name *Whirlpool Corp. et al. v. Sensata Technologies, Inc. et al.*, Docket No. 2009-L-001022. The complaint asserts, among other things, contract claims as well as claims for breach of warranty, fraud, negligence, indemnification and deceptive trade practices. It seeks an unspecified amount of compensatory and exemplary damages. We and Texas Instruments have answered the complaint and denied liability.

We and Texas Instruments subsequently filed a cross claim for indemnification against Empresa Braseila de Compressores, S.A., n/k/a Whirlpool SA, and Embraco North America, Inc., together Embraco. We assert, among other things, that Embraco was responsible for testing

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the compatibility of the control product with its compressors, and that we and Texas Instruments have become exposed to litigation because of Embraco's actions and inactions. We believe that Embraco is now a wholly-owned subsidiary of Whirlpool SA.

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On June 11, 2010, Whirlpool filed a first amended complaint in the Circuit Court of Cook County, Illinois, Whirlpool Corp. et al. v. Sensata Technologies Inc. et al., Docket No. 2009-L-001022. The amended complaint clarifies many of their contentions, and adds and subtracts certain causes of action. The court has scheduled a trial setting for October 2011 and the parties continue in the discovery process.

In January 2009, Texas Instruments elected under the acquisition agreement to become the controlling party for this lawsuit and will manage and defend the litigation on behalf of both Texas Instruments and us. Although we are working with Texas Instruments to defend the litigation, we believe that a loss is probable and, as of September 30, 2010, have recorded a reserve of \$5.9 million for this matter. There can be no assurances, however, that this reserve will be sufficient to cover the extent of our costs and potential liability from this or any related matters. Any additional liability in excess of this reserve could have a material adverse effect on our financial condition or results of operations.

Pursuant to the terms of the acquisition agreement entered into in connection with the 2006 Acquisition, and subject to the limitations set forth in that agreement, Texas Instruments has agreed to indemnify us for certain claims and litigation, including this matter, provided that the aggregate amount of costs and/or damages from such claims exceeds \$30.0 million. If the aggregate amount of costs and/or damages from these claims exceeds \$30.0 million, Texas Instruments is obligated to indemnify us for amounts in excess of the \$30.0 million threshold up to a cap on Texas Instruments' indemnification obligation of \$300.0 million. As of September 30, 2010, we had incurred approximately \$27.2 million of costs that we believe apply towards the indemnification. Texas Instruments has reserved all rights to contest that claim, and may dispute all or some portion of the amount we claimed. We believe that our costs and/or damages from the Whirlpool Litigation and other claims and litigation matters will ultimately exceed \$30.0 million.

We are also involved in a related, but separate, proceeding with Texas Instruments' insurer, American Alternative Insurance. On June 3, 2009, Texas Instruments filed a lawsuit against American Alternative seeking reimbursement for its defense costs in the Whirlpool litigation and third party claims. The case, *Texas Instruments Incorporated v. American Alternative Ins. Corp.*, was filed in the 193rd Court of Dallas County, Texas, No. DC-09-07045-L. On October 16, 2009, American Alternative filed a third party claim against STI alleging that we assumed liability for the Whirlpool matters under the acquisition agreement referred to in the preceding paragraph. On that basis, American Alternative has asserted that we owe American Alternative for any amounts that it may ultimately be required to pay to Texas Instruments. Texas Instruments is defending this claim on STI's behalf, and has filed an answer denying any liability. During the three months ended June 30, 2010, TI informed us that they have reached a settlement with their insurer in this matter. As of September 30, 2010, we have not recorded a reserve for this matter.

Pelonis Appliances: On December 26, 2008, seven individuals filed suit against Pelonis Appliances, Inc., which sells a fan forced heater product, manufactured by GD Midea Environmental Appliances Mfg. Co. Ltd., or GD Midea, that incorporates one of our thermal cut-off products, which was purchased from one of our distributors. The lawsuit, *Cueller v. Pelonis Appliances, Inc.*, No. 08-16188, 160th Judicial District Court of Dallas County, Texas, arose out of a residential fire that resulted in one death, personal injuries (including burns) to the other plaintiffs and property damage.

Pelonis demanded indemnity from Sensata in a letter dated May 6, 2009, and we rejected that demand. On June 9, 2009, the plaintiffs amended their complaint to include STI as a defendant. The plaintiffs seek an unspecified amount of actual and exemplary damages.

On August 3, 2009, we answered the amended complaint, denying any liability. We also asserted cross-claims against Pelonis for indemnification and against Pelonis and GD Midea as responsible third parties.

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On April 17, 2010 the court granted the plaintiff's notice of non-suit without prejudice. We and Pelonis have continued our pending cross-claims for at least five months until January 2011 with the intention of dismissing those claims if plaintiffs do not refile their claims before the applicable statute of limitations runs. As of September 30, 2010, we have not recorded a reserve for this matter.

Coffeemakers: Certain European small appliance customers have made claims alleging defects in one of our electro-mechanical controls products. One customer has conducted a recall of their products and two customers have reported several third-party fire incidents. One customer has filed a lawsuit against us, *Jede AB v. Stig Wahlström AB and Sensata Technologies Holland B.V., No. 10017-9*, in Soederfoern district court, Sweden. The suit alleges damages amounting to 1.8 million. We filed our answer on December 1, 2009 and denied liability. Discovery has not yet begun. The other customer's claims aggregate to a similar amount. We are contesting these claims. As of September 30, 2010, we have not recorded a reserve for this matter.

Huawei: Huawei, a Chinese telecommunications equipment customer, has informed us that it is planning to conduct a field replacement campaign for power supply products containing our circuit breakers. The customer has alleged defects in our products, which are sold through distributors to two power supply subcontractors. There are approximately 24,000 systems in the field, and as of March 31, 2010, we had estimated that a 100% field replacement campaign could cost approximately \$6.0 million. Based on more recent discussions with the customer, we believe that the replacement campaign will involve a smaller percentage of systems with an estimated cost for the campaign of approximately \$1.0 million. We are contesting the customer's allegations but working with them to analyze the situation.

We have included a reserve in our financial statements in the amount of \$0.1 million as of September 30, 2010. There can be no assurances, however, that this reserve will be sufficient to cover the extent of our costs and potential liability from these matters. Any additional liability in excess of this reserve could have a material adverse effect on our financial condition or results of operations.

Audi: Audi, a part of the Volkswagen Auto Group, has alleged defects in certain of our products installed in its vehicles. These products are pressure sensors, whose function in this application is to measure the pressure in the fuel supply to the vehicle's engine. These pressure sensors are part of the system designed to improve the overall fuel efficiency of the vehicle. The customer first brought the claim in 2008 in the amount of 8.1 million in expenses related to replacement of our products. The customer recently expanded its claim to 24.0 million. We have contested the customer's allegations but entered into discussions seeking to resolve the dispute. In March 2010, the parties reached agreement on resolution of the dispute. We agreed to accept the prior set-off by Audi of amounts totaling 0.9 million, or \$1.2 million. We believe that Audi will not further pursue its claims related to these products.

European Automaker: A European automaker has alleged defects in certain of our pressure sensor products installed in its vehicles from June 2006 through April 2010. The customer brought this claim in June 2010 claiming costs to date of 2.5 million, and estimated future costs, together, totaling 11.7 million. We contest the customer's allegations. As of September 30, 2010, we have not recorded a reserve for this claim.

Other Matters

During the three months ended September 30, 2010, we conducted an internal investigation under the direction of the audit committee of our board of directors to determine whether any laws, including the FCPA, may have been violated in connection with a certain business relationship entered into by one of our operating subsidiaries involving business in China. We believe the amount of payments and the business involved are immaterial. We discontinued the specific business relationship and did not identify any other suspect transactions in our investigation. We

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contacted the United States Department of Justice and the Securities and Exchange Commission to begin the process of making a voluntary disclosure of the possible violations, the investigation, and the initial findings. We will cooperate fully with their review. The FCPA (and related statutes and

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regulations) provides for potential monetary penalties, criminal and civil sanctions, and other remedies. We are unable to estimate the potential penalties and/or sanctions, if any, that might be assessed and, accordingly, no provision has been made in our unaudited condensed consolidated financial statements.

Properties

We occupy 10 principal manufacturing facilities and business centers totaling approximately 2,291,000 square feet, with the majority devoted to research, development and engineering, manufacturing and assembly. Of our principal facilities, approximately 1,436,000 square feet are owned and approximately 855,000 square feet are occupied under leases. We consider our manufacturing facilities sufficient to meet our current and planned operational requirements. We lease approximately 433,000 square feet for our U.S. headquarters in Attleboro, Massachusetts. The table below lists the location of our principal executive and operating facilities. Substantially all of our owned properties and equipment are subject to a lien under our Senior Secured Credit Facility. See Note 11 to our audited consolidated financial statements, included elsewhere in this prospectus, for additional information on our Senior Secured Credit Facility.

Location	Operating Segment	Owned or Leased	Approximate Square Footage
Attleboro, Massachusetts	Sensors and Controls	Leased	433,000
Aguascalientes, Mexico	Sensors and Controls	Owned	444,000
Almelo, Netherlands	Sensors and Controls	Owned	188,000
Oyama, Japan	Sensors and Controls	Owned	74,000
Jincheon, South Korea	Controls	Owned	133,000
Baoying, China	Controls	Owned	440,000
Changzhou, China	Sensors and Controls	Leased	252,000
Subang Jaya, Malaysia	Sensors	Leased	108,000
Haina, Dominican Republic	Sensors and Controls	Leased	62,000
Cambridge, Maryland	Controls	Owned	157,000

Leases covering our currently occupied leased facilities expire at varying dates, generally within the next ten years. We anticipate no difficulty in retaining occupancy through lease renewals, month-to-month occupancy or replacing the leased facilities with equivalent facilities. A substantial increase in demand for our products may require us to expand our production capacity, which could require us to identify and acquire or lease additional manufacturing facilities. We believe that suitable additional or substitute facilities will be available as required.

Table of Contents**MANAGEMENT****Directors, Executive Officers and Key Employees**

Since the 2006 Acquisition, our business has been managed under the direction of the board of directors and executive officers of our principal operating subsidiary, STI. Prior to our initial public offering, we served as a holding company and had not engaged in any meaningful activities other than in that capacity. As a result, we did not have any appointed officers prior to March 8, 2010, and our board of directors was comprised of three members, each of whom resigned as of February 26, 2010. On February 26, 2010, all of the directors of STI described below were appointed to serve as our directors, other than Ms. Sullivan, Mr. Cote and Mr. Sarkis, who were not appointed as directors. On March 8, 2010, all of the executive officers and key employees of STI described below were appointed to serve in the same capacity with us in contemplation of the completion of our initial public offering.

The following table sets forth information as of September 30, 2010 regarding individuals who serve as our directors, executive officers and key employees.

Name	Age	Position(s)
Thomas Wroe	60	Chief Executive Officer and Chairman of the Board
Martha Sullivan	53	President and Chief Operating Officer
Jeffrey Cote	43	Executive Vice President and Chief Financial Officer
Donna Kimmel	47	Senior Vice President, Human Resources
Steve Major	52	Senior Vice President, Sensors
Richard Dane, Jr.	55	Senior Vice President, Global Operations
Martin Carter	46	Senior Vice President, Controls
Robert Hureau	43	Chief Accounting Officer, Vice President and Corporate Controller
Ed Conard	53	Non-executive Director
Paul Edgerley	54	Non-executive Director
Michael J. Jacobson	59	Non-executive Director
John Lewis	45	Non-executive Director
Seth Meisel	37	Non-executive Director
Charles W. Peffer	62	Non-executive Director
Michael Ward	47	Non-executive Director
Stephen Zide	50	Non-executive Director

Thomas Wroe has served as Chief Executive Officer and a director of STI since the completion of the 2006 Acquisition, and as Chairman of the Board of STI since June 2006. Mr. Wroe served as the President of the S&C business of Texas Instruments since June 1995 and as a Senior Vice President of Texas Instruments since March 1998. Mr. Wroe was with Texas Instruments since 1972, and prior to becoming President of the S&C business, Mr. Wroe worked in various engineering and business management positions. Mr. Wroe also serves on the board of directors of Chase Corporation. Mr. Wroe was selected to serve on our board of directors because he is our Chief Executive Officer and has been with our business for over 38 years. He has extensive knowledge of the sensors and controls business, its historical development and important relationships with our major customers. Mr. Wroe has been an important contributor to the expansion of our business through both organic growth and acquisitions.

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Martha Sullivan was appointed President and Chief Operating Officer by the Board of Directors of STI in September 2010. Ms. Sullivan served as Executive Vice President and Chief Operating Officer since January 2007. Ms. Sullivan has served as Chief Operating Officer and a director of STI since the completion of the 2006 Acquisition. Ms. Sullivan served as Sensor Products Manager for the S&C business of Texas Instruments since

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June 1997 and as a Vice President of Texas Instruments since 1998. Ms. Sullivan was with Texas Instruments since 1984 in various engineering and management positions, including Automotive Marketing Manager, North American Automotive General Manager and Automotive Sensors and Controls Global Business Unit Manager.

Jeffrey Cote was appointed Executive Vice President, Chief Financial Officer and Director by the Board of Directors of STI in July 2007. Mr. Cote has served as Senior Vice President and Chief Financial Officer of STI since January 2007. From March 2005 to December 2006, Mr. Cote was Chief Operating Officer of the law firm Ropes & Gray. From January 2000 to March 2005, Mr. Cote was Chief Operating and Financial Officer of Digitas. Previously he worked for Ernst & Young LLP.

Donna Kimmel was appointed Senior Vice President, Human Resources of STI by the Board of Directors in January 2007. She has served as Vice President, Human Resources of STI since the completion of the 2006 Acquisition. Ms. Kimmel served as Human Resources Manager for the S&C business of Texas Instruments since January 2005 and as Vice President of Texas Instruments since 2005. Prior to that, Ms. Kimmel served as Worldwide Business HR Manager for the Broadband Communications Group of Texas Instruments from January 2000 to January 2005 and as Worldwide Manager of Leadership and Organization Development for Texas Instruments from 1997 to January 2000. Prior to joining Texas Instruments, Ms. Kimmel held various human resources management positions in the financial services industry.

Steve Major was appointed Senior Vice President, Sensors of STI by the Board of Directors in January 2007. He has served as Vice President, Sensors of STI since the completion of the 2006 Acquisition. Mr. Major served as the General Manager for North American Automotive Sensors for the S&C business of Texas Instruments since 2000. Mr. Major joined Texas Instruments in 1983 after serving four years in the United States Army.

Richard Dane, Jr. was appointed Senior Vice President, Global Operations of STI by the Board of Directors in January 2007. He has served as Vice President, Operations of STI since the completion of the 2006 Acquisition. Mr. Dane served as Best Cost Producer Strategy Manager for the S&C business of Texas Instruments since April 2001 and as a Vice President of Texas Instruments since 2002. Mr. Dane joined Texas Instruments in 1977, and has been employed in various management positions including S&C General Manager in Canada, Radio Frequency Identification Systems General manager in Germany and S&C Best Cost Producer Strategy Manager.

Martin Carter has served as Senior Vice President, Controls of STI since December 2009. From 2007 to 2009, Mr. Carter served as the Vice President and General Manager of Kaiser Aluminum. From 2001 to 2006, Mr. Carter was President of Hydro Aluminum North America and Norsk Hydro North America.

Robert Hureau has served as Chief Accounting Officer of STI since May 2009, and as Vice President and Corporate Controller of STI since February 2007. From 2004 to 2007, Mr. Hureau worked as vice president corporate controller and vice president finance at Brooks Eckerd Pharmacy and from 1998 to 2004 as corporate controller at Ocean Spray Cranberries, Inc. Previously, Mr. Hureau worked for PricewaterhouseCoopers LLP and is a Certified Public Accountant in the Commonwealth of Massachusetts.

Ed Conard has served as a director of STI since the completion of the 2006 Acquisition. Mr. Conard was a Managing Director of Bain Capital from 1993 to 2007. Prior to joining Bain Capital, Mr. Conard was a director of Wasserstein Perella from 1990 to 1992 where he headed the firm's Transaction Development Group. Previously, Mr. Conard was a Vice President at Bain & Company, where he headed the firm's operations practice and managed major client relationships in the industrial manufacturing and consumer goods industries. Mr. Conard also has experience as both a product and manufacturing engineer in the automobile industry. Mr. Conard serves on the board of directors of Broder Bros., Co., Unisource Worldwide, Inc. and Waters Corp. Mr. Conard served as a director of Innophos Holdings, Inc. from November 2006 to October 2007.

Mr. Conard was selected to serve on our board of directors because he has had significant involvement with Sensata since the

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2006 Acquisition and has specific expertise in finance, operations and industrial technology. Mr. Conard has served as a director of numerous public and private companies during his career in private equity, banking and consulting.

Paul Edgerley has served as a director of STI since the completion of the 2006 Acquisition. He is a Managing Director of Bain Capital, where he has worked since 1988. Prior to joining Bain Capital, Mr. Edgerley spent five years at Bain & Company where he worked as a consultant and a manager in the healthcare, information services, retail and automobile industries. Previously he worked for Peat Marwick Mitchell & Company. Mr. Edgerley also serves on the board of directors of Keystone Automotive Operations, Inc., Steel Dynamics, Inc., HD Supply Inc., GOME Electrical Appliances Holding Limited, MEI Conlux and Sunac Group. Mr. Edgerley was selected to serve on our board of directors because he has had significant involvement with Sensata since the 2006 Acquisition and has specific expertise in corporate strategy development. Mr. Edgerley has served as a director of numerous public and private companies during his career in private equity, consulting and accounting.

Michael J. Jacobson is a director and the president of PGE Management, Inc. and Jacobson Group, Inc., both of which are real estate investment and development companies, where he has worked since 1992 and 1994, respectively. Prior to founding PGE Management, Mr. Jacobson was the President and Chief Executive Officer of Vetco Gray, Inc. from 1988 until 1991. Previously, Mr. Jacobson was a Vice President at Bain & Company, where he worked in the health care, oil field services, steel and textile industries. From 2004 until 2007, Mr. Jacobson also served on the Springfield, Massachusetts Finance Control Board, a position to which he was appointed by former Governor Mitt Romney. Mr. Jacobson was selected to serve on our board of directors because of his strong financial, consulting and executive experience.

John Lewis has served as a director of STI since the completion of the 2006 Acquisition. John Lewis is a Partner and Chief Investment Officer of Unitas Capital. Prior to joining Chase Capital Partners in 1996, Mr. Lewis was a member of Chase Manhattan Bank's Merchant Banking Group in Hong Kong for two years, where he was responsible for developing Chase's direct investment business in Asia. Previously, he worked in Chase's Merchant Banking Group in New York for four years. Mr. Lewis also serves on the board of directors of Edwards Group Ltd., KD Blue Sky Technologies Ltd., AITS Cayman Limited and certain of its subsidiaries and Exego Group Pty Ltd. Mr. Lewis was selected to serve on our board of directors because he has extensive experience in serving as a director of portfolio companies of Unitas Capital, and has a strong financial background.

Seth Meisel is a Principal at Bain Capital, where he has worked since 1999. Prior to joining Bain Capital, Mr. Meisel worked as a consultant and manager at Mercer Management Consulting in the industrial, financial services and retail industries. Mr. Meisel serves on the board of directors of Keystone Automotive Operations, Inc. and Unisource Worldwide, Inc. Mr. Meisel was selected to serve on our board of directors because he has had significant involvement with Sensata since the 2006 Acquisition and has specific expertise in acquisitions and financings. Mr. Meisel has served as a director of several private companies during his career in private equity and consulting.

Charles W. Peffer was a partner of KPMG LLP and its predecessor firms from 1979 until his retirement in 2002. Mr. Peffer served in KPMG's Kansas City office as Partner in Charge of Audit from 1986 to 1993 and as Managing Partner from 1993 to 2000. Mr. Peffer is a director of Garmin, Ltd., NPC International, Inc. and the Commerce Funds, a family of eight mutual funds. Mr. Peffer was selected to serve on our board of directors as a result of his extensive accounting and public company board experience.

Michael Ward has served as director of STI since the completion of the 2006 Acquisition. Mr. Ward is a Managing Director of Bain Capital and joined the firm in 2003. From 1997 through 2003 Mr. Ward was President and Chief Operating Officer of Digitas. Prior to Digitas, Mr. Ward spent four years with Bain & Company and nine years with PricewaterhouseCoopers LLP. Mr. Ward serves on the board of directors of Toys R Us and The Weather Channel. Mr. Ward was selected to serve on our board of directors because he has had significant involvement with

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Sensata since the 2006 Acquisition and has specific expertise in operations and accounting. Mr. Ward has served as a director of numerous public and private companies during his career in private equity, industry and accounting.

Stephen Zide has served as a director of STI since the completion of the 2006 Acquisition. Mr. Zide has been a Managing Director of Bain Capital since 2001 and joined the firm in 1997. From 1998 to 2000, Mr. Zide was a Managing Director of Pacific Equity Partners, a strategic partner of Bain Capital in Sydney, Australia. Prior to joining Bain Capital, Mr. Zide was a partner of the law firm of Kirkland & Ellis LLP, where he was a founding member of the New York office and specialized in representing private equity and venture capital firms. Mr. Zide also serves on the board of directors of Edcon Holdings (Proprietary) Limited, Innophos Holdings, Inc., Keystone Automotive Operations, Inc., HD Supply Inc. and The Weather Channel. Mr. Zide was selected to serve on our board of directors because he has had significant involvement with Sensata since the 2006 Acquisition and has specific expertise in negotiation and financing. Mr. Zide has served as a director of numerous public and private companies during his career in private equity and law.

Prior Directors and Executive Officers

The following directors resigned as of February 26, 2010, with the exception of Mr. Sarkis, who resigned as a director of STI on March 8, 2010.

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Geert Braaksma, 53 years old, served on our board of directors from the completion of the 2006 Acquisition until February 26, 2010. Mr. Braaksma has served as Vice President since January 2007. Mr. Braaksma was appointed as Vice President, Sensors Europe prior to the completion of our initial public offering. Mr. Braaksma served as General Manager for Europe Sensors since the completion of the 2006 Acquisition and General Manager for the S&C business of Texas Instruments since 1997. Mr. Braaksma joined Texas Instruments in 1989. Mr. Braaksma has served as Managing Director of Sensata Technologies Holland B.V, an indirect subsidiary of the Company, since the 2006 Acquisition and, prior to the 2006 Acquisition, as Managing Director of Texas Instruments Holland B.V. since 1999.

Joep Hamers, 32 years old, served on our board of directors from August 2007 until February 26, 2010. Mr. Hamers has served as a director of various real estate and private equity investment vehicles since January 2006. Mr. Hamers served as an accountant to various real estate and private equity vehicles since 2005.

ANT Management (Netherlands) B.V. served on our board of directors from the completion of the 2006 Acquisition until February 26, 2010. ANT Management (Netherlands) B.V. is a private company with limited liability organized under the laws of the Netherlands and is a wholly-owned subsidiary of ANT Trust & Corporate Services N.V., a public company with limited liability organized under the laws of the Netherlands. ANT Management (Netherlands) B.V. provides us with corporate management and secretarial services.

Prior to March 8, 2010, we did not have any appointed officers. In connection with our initial public offering, Mr. Wroe has performed the function of our chief executive officer, Mr. Cote has performed the function of our chief financial officer and Mr. Hureau has performed the function of our chief accounting officer.

STI

Walid Sarkis, 41 years old, has served as a director of STI since the completion of the 2006 Acquisition. Mr. Sarkis is a Managing Director of Bain Capital, where he has worked since 1997. Prior to joining Bain Capital, Mr. Sarkis was a consultant with the Boston Consulting Group in France where he provided strategic and operational advice to companies in the consumer products and industrial goods sectors. Previously he was an officer in the French Army. Mr. Sarkis also serves as a director of Ideal Standard International, FCI S.A. and Novacap SAS.

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Family Relationships

There are no family relationships between any of our executive officers or directors.

Board Composition

Following the completion of this offering, we will continue to be deemed a controlled company under the rules of the New York Stock Exchange because more than 50% of our outstanding voting power will continue to be held by Sensata Investment Co. See Principal and Selling Shareholders. We rely upon the controlled company exception to the board of directors and committee independence requirements under such stock exchange. Pursuant to this exception, we are exempt from the rules that would otherwise require that our board of directors consist of a majority of independent directors and that our compensation committee and nominating and governance committee be composed entirely of independent directors. The controlled company exception does not modify the independence requirements for the audit committee, and we comply with the requirements of the Sarbanes-Oxley Act and the New York Stock Exchange rules, which require that our audit committee consist exclusively of independent directors within one year of our initial public offering.

Prior to February 26, 2010, our board of directors was comprised of three members, each of whom resigned on that date in connection with our conversion into a public limited liability company. These members consisted of: Messrs. Geert Braaksma and Joep Hamers and, as permitted under Dutch law, a company known as ANT Management (Netherlands) B.V. On February 26, 2010, those directors identified above who are currently serving as directors of STI (other than Ms. Sullivan, Mr. Cote and Mr. Sarkis) and Messrs. Jacobson, Meisel and Peffer were appointed to our board of directors. Messrs. Jacobson and Peffer qualify as independent directors according to the rules and regulations of the SEC and the New York Stock Exchange with respect to audit committee membership, and we intend to add one additional new director who will also qualify as an independent director. We believe that Mr. Peffer qualifies as an audit committee financial expert as such term is defined in Item 401(h) of Regulation S-K. The timing of adding a third independent director to our board of directors is still being finalized but in any event will be made in order to comply with applicable rules and regulations of the New York Stock Exchange. We do not expect that any directors will resign in connection with adding a third independent director.

Shareholders will elect directors each year at our general meeting of shareholders. The term of office for each director will be until his or her successor is elected and qualified or until his or her earlier death, resignation or removal. Our directors may be elected by the vote of a majority of votes cast at a general meeting of shareholders provided that our board of directors has proposed the election. An appointment by the general meeting of shareholders shall be made from a list of candidates containing the names of at least two persons for each vacancy to be filled. Notwithstanding the foregoing, the general meeting of shareholders may, at all times, by a resolution passed with a two-thirds majority of the votes cast representing more than one-half of the issued capital, resolve that such list shall not be binding.

Under our articles of association and Dutch corporate law, the members of the board of directors are collectively responsible for the management, general and financial affairs and policy and strategy of our company.

Dutch law provides for a two-tier board system: a management board, comprised of executive directors, and a supervisory board, comprised of non-executive directors. In this two-tier system, the supervisory board supervises and advises the management board. All of our directors are residents of the U.S. and more accustomed to the U.S. one-tier board system. As a result, we have elected as permitted by our articles of association and Dutch law, to maintain a single-tier board of directors comprised of both executive and non-executive directors. The executive

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directors are primarily responsible for managing our day-to-day affairs as well as other responsibilities that have been delegated to the executive directors in accordance with our articles of association.

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The non-executive directors supervise the executive directors and our general affairs and provide general advice to the executive directors. Each director owes a duty to the company to properly perform the duties assigned to him and to act in the corporate interest of the company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, customers and suppliers. Any board resolution regarding a significant change in