

Sensata Technologies Holding B.V.
Form S-1/A
February 26, 2010
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As filed with the Securities and Exchange Commission on February 26, 2010

Registration No. 333-163335

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4
TO
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)

Not Applicable
(I.R.S. Employer
Identification Number)

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Kolthofsingel 8, 7602 EM Almelo

The Netherlands

Telephone: 31-546-879-555

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

CT Corporation

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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. "

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).

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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⁽³⁾
Ordinary Shares, 0.01 per share	36,340,000	\$20.00	\$726,800,000	\$44,071

- (1) Includes 4,740,000 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(a) under the Securities Act of 1933, as amended (the Securities Act).
- (3) Of this amount, \$27,900 was previously paid in connection with the initial filing of this registration statement and \$16,171 has been paid in connection with this filing.

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. Neither we nor the selling shareholders may 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 neither we nor the selling shareholders are soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to completion)

Issued February 26, 2010

31,600,000 Ordinary Shares

Sensata Technologies Holding N.V., a public limited liability company incorporated under the laws of the Netherlands, is offering 26,315,789 ordinary shares. This is our initial public offering. Prior to this offering, there has been no public market for our ordinary shares. The selling shareholders identified in this prospectus are offering an additional 5,284,211 ordinary shares. We will not receive any proceeds from the sale of these ordinary shares by the selling shareholders. We anticipate that the initial offering price per share will be between \$18.00 and \$20.00 per share.

Our ordinary shares have been approved for listing on the New York Stock Exchange under the symbol **ST**.

Investing in our ordinary shares involves risks. See Risk Factors beginning on page 12 of this prospectus.

Price \$ Per Share

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

To the extent that the underwriters sell more than 31,600,000 ordinary shares, the underwriters have a 30-day option to purchase up to an additional 4,740,000 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

Credit Suisse

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 nor the underwriters have authorized anyone to provide you with information different from that contained in this prospectus. We 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.

Until (25 days after the commencement of this offering), all dealers that buy, sell or trade our ordinary shares, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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) **issuer** refers to Sensata Technologies Holding N.V., exclusive of its subsidiaries and after giving effect to its conversion to a public limited liability company; (iii) **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**; (iv) **Sponsors** refers collectively to **Bain Capital** and its co-investors; and (v) **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 14-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, 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 45%, 27% and 28%, respectively, of our net revenue for fiscal year 2009. Our largest customer accounted for approximately 7% of our net revenue for fiscal year 2009. Our net revenue for fiscal year 2009 was derived from the following end-markets: 22% from European automotive, 15% from appliances and HVAC, 16% from North American automotive, 14% from industrial, 14% from Asia and rest of world automotive, 5% from heavy vehicle off-road, and 14% 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 18% of our net revenue for fiscal year 2009.

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

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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.

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 800 million devices per year, with 85% 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, 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 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.

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

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.

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:

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

Existing worldwide economic conditions make it difficult for our customers, our vendors and us to accurately forecast and plan future business activities. We cannot predict the timing or duration of the economic crisis or the timing or strength of a subsequent economic recovery. If the economy or markets in which we operate experience continued weakness at current levels or deteriorate further, our business, financial condition and results of operations would be materially and adversely affected.

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 periods following the 2006 Acquisition and may not achieve 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 period following the 2006 Acquisition. We will continue to have a significant amount of indebtedness following this offering and, as a result, expect to continue to report net losses for the foreseeable future.

ADDITIONAL INFORMATION

The address of the issuer's registered office and principal executive office is Kolthofsingel 8, 7602 EM Almelo, the Netherlands, and its telephone number is 31-546-879-555. The issuer's 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 us	26,315,789 shares.
Ordinary shares offered by the selling shareholders	5,284,211 shares.
Ordinary shares to be outstanding immediately after this offering	171,159,377 shares.
Option to purchase additional ordinary shares	The underwriters have an option to purchase a maximum of 4,740,000 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	We intend to use the net proceeds received by us in connection with this offering for the following purposes and in the following amounts: approximately \$350.0 million will be used to repay a portion of our indebtedness, including any redemption premiums or discounts, and accrued interest on such indebtedness; approximately \$2.0 million will be used to pay fees and expenses to complete the tender offer related to such debt repayments; approximately \$22.1 million will be used to pay fees associated with an advisory agreement we have with the Sponsors; and approximately \$84.1 million will be used for general corporate purposes.
We will not receive any proceeds from the sale of ordinary shares by the selling shareholders.	
Risk factors	Investing in our ordinary shares involves a high degree of risk. See Risk Factors beginning on page 12 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:	

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144,108,686 ordinary shares outstanding as of December 31, 2009, which includes 52,118 ordinary shares that are subject to forfeiture until such shares have vested and are not considered outstanding for accounting purposes;

380,900 ordinary shares, not included in the ordinary shares outstanding as of December 31, 2009, which are subject to forfeiture until such shares have vested and are not considered outstanding for accounting purposes;

26,315,789 ordinary shares offered by us in connection with this offering; and

354,002 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 \$7.10 per share;

and excludes

12,571,146 ordinary shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of \$8.06 per share; and

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5,657,088 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;

the filing of amended articles of association, which will occur prior to the effective date of the registration statement of which this prospectus is a part; and

reflects our recent conversion to a public limited liability company under the laws of the Netherlands.

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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, which has been derived from our audited historical financial statements which are included elsewhere in this prospectus. 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,		
	2007	2008	2009
Statement of Operations Data:			
Net revenue	\$ 1,403,254	\$ 1,422,655	\$ 1,134,944
Operating costs and expenses:			
Cost of revenue	944,765	951,763	742,080
Research and development	33,891	38,256	16,796
Selling, general and administrative	166,065	166,625	126,952
Amortization of intangible assets and capitalized software	131,064	148,762	153,081
Impairment of goodwill and intangible assets		13,173	19,867
Restructuring	5,166	24,124	18,086
Total operating costs and expenses	1,280,951	1,342,703	1,076,862
Profit from operations	122,303	79,952	58,082
Interest expense	(191,161)	(197,840)	(150,589)
Interest income	2,574	1,503	573
Currency translation (loss)/gain and other, net ⁽¹⁾	(105,449)	55,467	107,695
(Loss)/income from continuing operations before taxes	(171,733)	(60,918)	15,761
Provision for income taxes	62,504	53,531	43,047
Loss from continuing operations	(234,237)	(114,449)	(27,286)
Loss from discontinued operations	(18,260)	(20,082)	(395)
Net loss ⁽²⁾	\$ (252,497)	\$ (134,531)	\$ (27,681)
Net loss per share ⁽³⁾ :			
Loss from continuing operations per share basic and diluted	\$ (1.62)	\$ (0.79)	\$ (0.19)
Loss from discontinued operations per share basic and diluted	(0.13)	(0.14)	
Net loss per share basic and diluted	\$ (1.75)	\$ (0.93)	\$ (0.19)
Weighted-average ordinary shares outstanding	144,054	144,066	144,057
Other Financial Data:			
Net cash provided by/(used in):			
Operating activities	\$ 155,278	\$ 47,481	\$ 187,577
Investing activities	(355,710)	(38,713)	(15,077)
Financing activities	175,736	8,891	(101,748)
Capital expenditures	66,701	40,963	14,959
EBITDA ⁽⁴⁾ (unaudited)	187,862	315,460	366,890

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(Amounts in thousands)	As of December 31, 2009	
	Actual	As Adjusted ⁽⁵⁾
Balance Sheet Data:		
Cash and cash equivalents	\$ 148,468	\$ 232,610
Working capital ⁽⁶⁾	245,445	337,938
Total assets	3,166,870	3,242,471
Total debt, including capital lease and other financing obligations	2,300,826	1,943,429
Total shareholders' equity	387,158	828,507

- (1) Currency translation gain/(loss) and other, net for the years ended December 31, 2008 and 2009 includes gains of \$15.0 million and \$120.1 million, respectively, recognized on repurchases of 8% Senior Notes, or Senior Notes, and 9% Senior Subordinated Notes and 11.25% Senior Subordinated Notes, together the Senior Subordinated Notes, as well as currency translation gain/(loss) associated with the Euro-denominated debt of \$53.2 million and \$(13.6) million, respectively. Currency translation gain/(loss) 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.
- (2) Included within net loss for the years presented were the following expenses:

(Amounts in thousands)	(unaudited)		
	For the year ended December 31,		
	2007	2008	2009
Amortization and depreciation expense related to the step-up in fair value of fixed and intangible assets ^(a)	\$ 154,296	\$ 160,594	\$ 157,797
Deferred income tax expense and other tax expense	46,126	29,980	26,592
Amortization expense of deferred financing costs	9,640	10,698	9,055
Interest expense related to uncertain tax positions	1,747	43	823

- (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.
- (3) Net loss per share is computed based on the weighted-average number of ordinary shares outstanding.
- (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 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 table summarizes the calculation of EBITDA and provides a reconciliation from net loss, the most directly comparable financial measure presented in accordance with U.S. GAAP, for the years presented:

(Amounts in thousands)	(unaudited)		
	For the year ended December 31,		
	2007	2008	2009
Net loss	\$ (252,497)	\$ (134,531)	\$ (27,681)
Provision for income taxes	62,504	53,531	43,047
Interest expense, net	188,587	196,337	150,016
Depreciation and amortization	189,268	200,123	201,508
EBITDA	\$ 187,862	\$ 315,460	\$ 366,890

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 years presented:

(Amounts in thousands)	(unaudited)		
	For the year ended December 31,		
	2007	2008	2009
Supplemental Information:			
Acquisition, integration and financing costs and other significant items:			
Transition costs ^(a)	\$ 16,768	\$ 4,052	\$ 23
Litigation costs ^(b)	4,006	840	147
Integration and finance costs ^(c)	13,649	20,931	2,813
Relocation and disposition costs ^(d)	114	12,828	8,202
Pension charges ^(e)		3,588	4,828
Inventory step-up ^(f)	4,454		
IPR&D write-off ^(g)	5,700		
Other ^(h)	3,123	27,106	6,972
Subtotal	47,814	69,345	22,985
Impairment of goodwill and intangible assets ⁽ⁱ⁾		13,173	19,867
Severance and other termination costs associated with downsizing ^(j)	5,166	12,282	12,276
Gain on extinguishment of debt ^(k)		(14,961)	(120,123)
Currency translation loss/(gain) on debt ^(l)	111,946	(53,209)	15,301
Stock compensation ^(m)	2,015	2,108	2,233
Management fees ⁽ⁿ⁾	4,000	4,000	4,000
Other ^(o)	(25)	123	973
Total	\$ 170,916	\$ 32,861	\$ (42,488)

- (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, to 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) Relates to the repurchases of outstanding notes.
- (l) Reflects the losses/(gains) associated with the translation of our Euro-denominated debt into U.S. dollars and losses/(gains) on related hedging transactions.
- (m) Represents share-based compensation expense recorded in accordance with ASC Topic 718, *Compensation - Stock Compensation*.

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- (n) Represents fees expensed under the terms of the advisory agreement with our Sponsors. This agreement will be terminated in connection with the completion of this offering. See Use of Proceeds and Certain Relationships and Related Party Transactions Advisory Agreement.
- (o) Represents unrealized (gains)/losses on commodity forward contracts and estimated potential penalty expenses associated with uncertain tax positions.

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

- (5) Gives effect to the receipt of the estimated net proceeds from this offering based on an assumed initial public offering price of \$19.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and the application of such net proceeds as described under Use of Proceeds. A \$1.00 increase or decrease in the assumed initial public offering price of \$19.00 per share, the midpoint of the range set forth on the cover page of this prospectus, would increase or decrease cash and cash equivalents, working capital, total assets and shareholders' equity by approximately \$24.7 million, assuming that the number of ordinary shares offered by us, as set forth on the cover page of this prospectus, remains the same.
- (6) 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

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

The current financial crisis affecting the banking system and financial markets and the uncertainty in global economic conditions have resulted in a significant tightening of the credit markets, a low level of liquidity in financial markets, decreased consumer confidence, and reduced corporate profits and capital spending. These conditions make it difficult for our customers, our vendors and us to accurately forecast and plan future business activities, and have caused, and may continue to cause, our customers to reduce spending on our products. We cannot predict the timing or duration of the global economic crisis or the timing or strength of a subsequent economic recovery. If the economy or markets in which we operate experience continued weakness at current levels or deteriorate further, our business, financial condition and results of operations would be materially and adversely affected.

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. This, in turn, affects overall demand and prices for our products sold to these industries. For example, the significant economic decline beginning in the fourth quarter of 2008 has resulted in a reduction in automotive production and in the sales of many of the other products manufactured by our customers that use our products, and has had an adverse effect on our results of operations. This negative outlook may continue during 2010. This 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.

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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

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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 52% of our total revenue for fiscal year 2009. Automakers and their suppliers globally continue to experience significant 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. Additional actions may continue to occur during 2010. 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.

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Our subsidiaries outside of the Americas generated approximately 55% of our net revenue for fiscal year 2009, and we expect sales from non-U.S. markets to continue to represent a significant portion of our total sales.

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

There are other risks that are inherent in our non-U.S. operations, including the potential for changes in socio-economic conditions and/or monetary and fiscal policies, intellectual property protection difficulties and disputes, the settlement of legal disputes through certain foreign legal systems, the collection of receivables 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

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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 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

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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.

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 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.

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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 December 31, 2009, we had \$2,300.8 million of outstanding indebtedness, including \$1,468.1 million of indebtedness under our Senior Secured Credit Facility (excluding availability under our revolving credit facility and outstanding letters of credit), \$790.8 million of outstanding Senior Notes and Senior Subordinated Notes and \$41.9 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;

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 December 31, 2009, we had \$131.1 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.

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

As of December 31, 2009, we had approximately 9,500 employees, of whom approximately 10% 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.

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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

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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.

In May 2009, STI entered into a transition production agreement with Engineered Materials Solutions, LLC in order to support its Electrical Contact Systems business unit, which is the primary supplier to us for electrical contacts in the manufacturing of certain of our controls products and which was at risk of closing. Although we have been developing a second source supplier, if Engineered Materials Solutions was unable to continue as a supplier, it could have a material adverse effect on our business.

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.

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;

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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 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.

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.

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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.

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. 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 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;

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increased operating costs; and

exposure to unanticipated liabilities.

Subject to the terms of our indebtedness, we may finance future acquisitions with cash from operations, additional indebtedness and/or by issuing additional equity securities. In addition, we could face financial risks associated with incurring additional indebtedness such as reducing our liquidity 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 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, or that we will not experience difficulties in integrating acquired operations with our operations. We may not be able to successfully integrate and streamline overlapping functions or, if such activities are accomplished, such integration may be more costly to accomplish than we expect. In addition, we could encounter difficulties in managing the combined company due to its increased size and scope.

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 December 31, 2009, we had recognized a net accrued benefit liability of approximately \$46.5 million representing the unfunded benefit obligations of the defined benefit and retiree healthcare plans.

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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 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 were approximately \$2.4 billion as of December 31, 2009, or 76% 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 December 31, 2009, or 48% 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. 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 historical financial information may not be representative of our results as a separate company or indicative of our future financial performance.

Our historical financial information for the Predecessor periods included in this prospectus have been derived from the consolidated financial statements of Texas Instruments. This financial information relies on assumptions and estimates that relate to the ownership of our business by Texas Instruments and, as a result, the financial information may not reflect what our results of operations, financial position and cash flows would have been had we been a separate, stand-alone entity during the periods presented or what our results of operations, financial position and cash flows will be in the future, because:

costs reflected in this filing may differ from the costs we would have incurred had we operated as an independent, stand-alone entity for all the periods presented;

we have made certain adjustments and allocations since Texas Instruments did not account for us as, and we were not operated as, a single, stand-alone business for the periods presented; and

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the information does not reflect certain changes that have occurred in our operations as a result of or after our separation from Texas Instruments.

Accordingly, our historical results of operations may not be indicative of our future operating or financial performance.

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 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 2009, the leverage and coverage ratios tightened from 2008 and will further tighten during the fourth quarter of fiscal year 2010. 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 December 31, 2009 and interest expense for the fiscal year ended December 31, 2009.

Effective as of	Maximum Leverage ratio covenant	Minimum Required LTM Adjusted EBITDA to maintain compliance based on December 31, 2009 indebtedness ⁽¹⁾	Minimum Interest coverage ratio covenant	Minimum Required LTM Adjusted EBITDA to maintain compliance based on fiscal year ended December 31, 2009 interest expense ⁽¹⁾
Fourth quarter 2008	8.00:1	NA	1.40:1	NA
Fourth quarter 2009	7.50:1	\$ 288.9	1.50:1	\$ 210.4
Fourth quarter 2010	7.00:1	\$ 309.5	1.60:1	\$ 224.4
Fourth quarter 2011	7.00:1	\$ 309.5	1.60:1	\$ 224.4
Fourth quarter 2012	7.00:1	\$ 309.5	1.60:1	\$ 224.4

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- (1) Amounts are stated in millions and based on total indebtedness (as defined in the Senior Secured Credit Facility) of \$2,166.8 million at December 31, 2009 and interest expense (as defined in the Senior Secured Credit Facility) of \$140.3 million for the fiscal year ended December 31, 2009.

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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 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.

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 periods following the 2006 Acquisition and may not achieve 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. Although we intend to use a significant portion of the net proceeds of this offering to reduce our indebtedness, we will continue to have a significant amount of indebtedness following this offering and, as a result, expect to continue to report net losses for the foreseeable future due to the significant interest expense associated with

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such indebtedness and the continued amortization of intangible assets. As a result, we cannot assure you that we will achieve profitability in the near term.

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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 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.

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.

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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.

The issuer has never declared or paid any dividends on its ordinary shares and it currently does not plan to declare dividends on its ordinary shares in the foreseeable future. Because the issuer is a holding company, its ability to pay cash dividends on its ordinary shares may be limited by restrictions on its ability to obtain sufficient funds through dividends from subsidiaries, including restrictions under the terms of the agreements governing its and its subsidiaries' indebtedness. In that regard, the issuer's 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 the issuer. Under Dutch law, the issuer may only pay dividends out of profits as shown in its adopted annual accounts prepared in accordance with International Financial Reporting Standards, or IFRS. The issuer will only be able to declare and pay dividends to the extent its equity exceeds the sum of the paid and called up portion of its ordinary share capital and the reserves that must be maintained in accordance with provisions of Dutch law and its 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 the issuer's shareholders and board of directors.

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

Following the completion of this offering, we will be 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 81.3% of our outstanding ordinary shares (or 78.5% if the underwriters exercise their option to purchase additional shares in full). We intend to rely on this exemption to the extent it is applicable, and therefore we may not have a majority of 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.

Prior to this offering, there has been no public market for our ordinary shares. We cannot predict the extent to which investor interest in us will lead to the development of a trading market for our ordinary shares, or how liquid that market may become. If an active trading market does not develop, you may have difficulty selling any of our ordinary shares that you purchase. The initial public offering price of our ordinary shares will be determined by negotiation between us and the underwriters and may not be indicative of prices that will prevail following the completion of this offering. The market price of our ordinary shares may decline below the initial public offering price, and you may not be able to resell your ordinary shares at or above the initial offering price.

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

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We have historically operated our business as a private company. After this offering, we will become subject to other reporting and corporate governance requirements, including the requirements of the New York Stock Exchange listing rules, which will impose compliance obligations upon us. The requirements of being a

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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 81.3% of our outstanding ordinary shares (or 78.5% 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.

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 171,159,377 ordinary shares outstanding. Our directors, executive officers and all other shareholders and optionholders will be subject to lock-up agreements with certain representatives of the underwriters for a period of 180 days from the date of this prospectus as described in **Ordinary Shares Eligible for Future Sale** **Lock-up Agreements**. In addition, any ordinary shares purchased by participants in our directed share program in which certain underwriters have reserved, at our request, up to 5% of the ordinary shares offered by this prospectus for sale to our directors, officers, employees and certain individuals associated with us, will be subject to a 180-day lock-up restriction. See **Underwriting** **Directed Share Program**. After these lock-up agreements and the similar lock-up periods set forth in our registration rights agreement have expired, 139,559,377 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;

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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;

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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.

We have broad discretion in the use of a significant portion of net proceeds from this offering and may not use them effectively.

We intend to use a portion of the net proceeds from this offering for general corporate purposes and, with respect to such proceeds, cannot specify with certainty the particular uses of these net proceeds. Our management will have broad discretion in the application of these net proceeds and, as a result, you will have to rely upon the judgment of our management with respect to the use of these proceeds, with only limited information concerning management's specific intentions. Our management may spend a portion or all of these net proceeds from this offering in ways that our shareholders may not desire or that may not yield a favorable return. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value. See Use of Proceeds.

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.

New investors in our ordinary shares will experience immediate and substantial book value dilution after this offering.

The initial public offering price of our ordinary shares will be substantially higher than the as adjusted net tangible book deficit per share of the outstanding shares immediately after the offering. Based on an assumed initial public offering price of \$19.00 per share, the midpoint of the price range set forth on the cover of this prospectus, and our net tangible book deficit as of December 31, 2009, if you purchase our ordinary

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shares in this offering, you will suffer immediate dilution in net tangible book value of approximately \$28.18 per share. See "Dilution" included elsewhere in this prospectus.

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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 have reported significant net losses for periods following the 2006 Acquisition and may not achieve 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

We estimate that the net proceeds from the issuance and sale by us of 26,315,789 ordinary shares in this offering will be approximately \$458.3 million, based upon an assumed initial public offering price of \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of ordinary shares by the selling shareholders. Each \$1.00 increase or decrease in the assumed initial public offering price of \$19.00 per share, the midpoint of the price range set forth on the cover of this prospectus, would increase or decrease the net proceeds to us in this offering by approximately \$24.7 million, assuming that the number of ordinary shares offered by us, as set forth on the cover page of this prospectus, remains the same.

We currently intend to use the net proceeds to us from this offering for the following purposes and in the following amounts:

Approximately \$350.0 million of the net proceeds to us from this offering will be used to repay a portion of our outstanding indebtedness, including any redemption premiums or discounts and accrued interest. See Capitalization.

Specifically, prior to the completion of this offering, we intend to commence a tender offer to purchase the maximum principal amount of our 8% Senior Notes, 9% Senior Subordinated Notes and 11.25% Senior Subordinated Notes that we can acquire for an aggregate of \$350.0 million in cash, including redemption premiums or discounts and accrued interest. The tender offer will be structured as a modified Dutch auction in which the holders of such notes that elect to participate in such offer must specify the minimum price that each would be willing to receive in exchange for each \$1,000 or 1,000, as applicable, within a specific minimum and maximum price range set forth in the tender offer materials. Based on such specified prices, we will determine the lowest single premium for all tenders across each series such that we are able to spend an aggregate of \$350.0 million. The price ranges that we offer with respect to each series of the notes will not be determined until we commence the offer and will, in large part, be established based on the recent bid and asked prices of such notes in the over-the-counter market. The amount of notes that we will purchase in the tender offer within each series of notes will depend ultimately on the prices specified by the holders within each specified price ranges. For purposes of this prospectus, we have estimated, based on input from our dealer managers in the tender offer, price ranges for the 8% Senior Notes to be 90.00% to 100.00%, the 9% Senior Subordinated Notes to be 87.50% to 97.50%, and the 11.25% Senior Subordinated Notes to be 95.63% to 105.63%, of the respective aggregate principal amounts. We have estimated that the tender offer will result in the repurchase of \$153.7 million in aggregate principal amount of the 8% Senior Notes, \$114.9 million in aggregate principal amount of the 9% Senior Subordinated Notes and \$88.8 million in aggregate principal amount of the 11.25% Senior Subordinated Notes, which implies an overall repurchase price equal to approximately 95.59% of the aggregate principal amount of such notes. In calculating these amounts, we assumed that we would repurchase approximately 45.2% of each outstanding series of notes at a repurchase price equal to the mid-point of each of the price ranges listed above. Each 1.0% change in our assumed overall repurchase price of 95.59% of the aggregate principal amount of such notes would increase or decrease the principal amount of 8% Senior Notes, 9% Senior Subordinated Notes and 11.25% Senior Subordinated Notes that we repurchase in the tender offer by \$1.6 million, \$1.2 million and \$0.9 million, respectively. We do not believe that any such changes from the estimates set forth above with respect to the aggregate principal amount of each series of notes that will be repurchased in the tender offer will be material to us in terms of having a material impact on our future aggregate level of indebtedness, future interest expense, amortization requirements, scheduled maturities, the terms of the covenants applicable to us or on the overall composition of the holders of such notes. In addition, we expect to pay approximately \$8.4 million in accrued interest on the portion of our indebtedness that we intend to repurchase. The tender offer will

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be subject to the completion of this offering. Our 8% Senior Notes, 9% Senior Subordinated Notes and 11.25% Senior Subordinated Notes mature on May 1, 2014, May 1, 2016 and January 15, 2014, respectively. See Description of Certain Outstanding Indebtedness.

Approximately \$2.0 million of the net proceeds to us from this offering will be used to pay fees and expenses to complete such tender offer.

Approximately \$22.1 million of the net proceeds to us from this offering will be used to pay fees associated with an advisory agreement we have with the Sponsors. See Certain Relationships and Related Party Transactions Advisory Agreement.

Approximately \$84.1 million of the net proceeds to us from this offering will be retained by us and used for general corporate purposes.

Until we use the net proceeds to us from this offering, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities. We cannot predict whether the proceeds invested will yield a favorable return. We do not have any specific plans with respect to that portion of the net proceeds identified above that we intend to use for general corporate purposes. Accordingly, our management will have broad discretion in the application of these net proceeds. We believe that retaining these net proceeds will afford us significant flexibility to pursue our business strategy of expanding the application of our products through product development and our geographic reach, investing in our workforce and making selective acquisitions.

A company indirectly owned by Bain Capital and certain members of our management currently owns 42.3 million in aggregate principal amount of 11.25% Senior Subordinated Notes and will receive some of the net proceeds from this offering from the repurchase of some or all of such 11.25% Senior Subordinated Notes. See Certain Relationships and Related Party Transactions Purchase of Outstanding Debt Securities. In addition, affiliates of several of the underwriters are holders of our 8% Senior Notes, 9% Senior Subordinated Notes and/or 11.25% Senior Subordinated Notes, some of which we currently intend to repurchase with a portion of the net proceeds to us from this offering. As a result, some of the underwriters or their affiliates may receive part of the proceeds to us from this offering by reason of the repayment of our long-term indebtedness. See Underwriting.

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DIVIDEND POLICY

The issuer has never declared or paid any dividends on its ordinary shares, and it currently does not plan to declare dividends on its ordinary shares in the foreseeable future. Because the issuer is a holding company, its ability to pay cash dividends on its ordinary shares may be limited by restrictions on its ability to obtain sufficient funds through dividends from subsidiaries, including restrictions under the terms of the agreements governing its and its subsidiaries' indebtedness. In that regard, the issuer's 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 the issuer. See

Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Indebtedness and Liquidity. Under Dutch law, the issuer may only pay dividends out of profits as shown in its adopted annual accounts prepared in accordance with IFRS. The issuer will only be able to declare and pay dividends to the extent its equity exceeds the sum of the paid and called up portion of its ordinary share capital and the reserves that must be maintained in accordance with provisions of Dutch law and its 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 overall financial condition and any other factors deemed relevant by the issuer's shareholders and board of directors.

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The following table sets forth as of December 31, 2009:

our capitalization on an actual basis; and

our capitalization on an as adjusted basis to give effect to (i) the issuance of 26,315,789 shares in this offering; (ii) the issuance of 354,002 ordinary shares upon the exercise of stock options by the selling shareholders in connection with this offering; and (iii) the receipt of the estimated net proceeds from this offering based on an assumed initial public offering price of \$19.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and the application of such net proceeds as described under "Use of Proceeds."

The information below is illustrative only and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited 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.

	As of December 31, 2009	
	Actual	As Adjusted
	(in millions,	
	except share data)	
	(unaudited)	
Long-term debt, including current maturities:		
Senior Secured Credit Facility:		
Revolving credit facility ^(a)	\$	\$
Term loan facility ^(b)	1,468.1	1,468.1
Capital lease and other financing obligations	41.9	41.9
Senior Notes	340.0	186.3 ^(c)
Senior Subordinated Notes ^(d)	450.8	247.1 ^(c)
Total debt	2,300.8	1,943.4
Shareholders' equity:		
Ordinary shares, 0.01 nominal value per share; 175,000,000 shares authorized, 144,068,541 shares issued, actual; 400,000,000 shares authorized, 170,738,332 shares issued, as adjusted	1.8	2.2
Treasury shares, at cost, 11,973 shares, actual and as adjusted	(0.1)	(0.1)
Additional paid-in capital	1,050.4	1,518.6
Accumulated deficit	(627.7)	(654.9)
Accumulated other comprehensive loss	(37.2)	(37.2)
Total shareholders' equity	387.2	828.5
Total capitalization	\$ 2,688.0	\$ 2,771.9

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- (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 384.4 million as of December 31, 2009. We converted this term loan into U.S. dollars as of December 31, 2009, using an exchange rate of \$1.43 = 1.00. On February 15, 2010, the exchange rate was \$1.36 = 1.00.

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- (c) We currently intend to use the net proceeds to us from this offering for the following purposes and in the following amounts:

Approximately \$350.0 million of the net proceeds to us from this offering will be used to repay a portion of our outstanding indebtedness, including any redemption premiums or discounts and accrued interest.

Specifically, prior to the completion of this offering, we intend to commence a tender offer to purchase the maximum principal amount of our 8% Senior Notes, 9% Senior Subordinated Notes and 11.25% Senior Subordinated Notes that we can acquire for an aggregate of \$350 million in cash, including any redemption premiums or discounts and accrued interest. The tender offer will be structured as a modified Dutch auction in which the holders of such notes that elect to participate in such offer must specify the minimum price that each would be willing to receive in exchange for each \$1,000 or 1,000, as applicable, within a specific minimum and maximum price range set forth in the tender offer materials. Based on such specified prices, we will determine the lowest single premium for all tenders across each series such that we are able to spend an aggregate of \$350 million. The price ranges that we offer with respect to each series of the notes will not be determined until we commence the offer and will, in large part, be established based on the recent bid and asked prices of such notes in the over-the-counter market. The amount of notes that we will purchase in the tender offer within each series of notes will depend ultimately on the prices specified by the holders within each specified price ranges. For purposes of this prospectus, we have estimated, based on input from our dealer managers in the tender offer, price ranges for the 8% Senior Notes to be 90.00% to 100.00%, the 9% Senior Subordinated Notes to be 87.50% to 97.50%, and the 11.25% Senior Subordinated Notes to be 95.63% to 105.63%, of the respective aggregate principal amounts. We have estimated that the tender offer will result in the repurchase of \$153.7 million in aggregate principal amount of the 8% Senior Notes, \$114.9 million in aggregate principal amount of the 9% Senior Subordinated Notes and \$88.8 million in aggregate principal amount of the 11.25% Senior Subordinated Notes, which implies an overall repurchase price equal to approximately 95.59% of the aggregate principal amount of such notes. In calculating these amounts, we assumed that we would repurchase approximately 45.2% of each outstanding series of notes at a repurchase price equal to the mid-point of each of the price ranges listed above. Each 1.0% change in our assumed overall repurchase price of 95.59% of the aggregate principal amount of such notes would increase or decrease the principal amount of 8% Senior Notes, 9% Senior Subordinated Notes and 11.25% Senior Subordinated Notes that we repurchase in the tender offer by \$1.6 million, \$1.2 million and \$0.9 million, respectively. We do not believe that any such changes from the estimates set forth above with respect to the aggregate principal amount of each series of notes that will be repurchased in the tender offer will be material to us in terms of having a material impact on our future aggregate level of indebtedness, future interest expense, amortization requirements, scheduled maturities, the terms of the covenants applicable to us or on the overall composition of the holders of such notes. In addition, we expect to pay approximately \$8.4 million in accrued interest on the portion of our indebtedness that we intend to repurchase. The tender offer will be subject to the completion of this offering. See Description of Certain Outstanding Indebtedness.

Approximately \$2.0 million of the net proceeds to us from this offering will be used to pay fees and expenses to complete such tender offer.

Approximately \$22.1 million of the net proceeds to us from this offering will be used to pay fees associated with an advisory agreement we have with the Sponsors. See Certain Relationships and Related Party Transactions Advisory Agreement.

Approximately \$84.1 million of the net proceeds to us from this offering will be retained by us and used for general corporate purposes.

- (d) Our existing Senior Subordinated Notes are Euro-denominated with an aggregate principal amount of 314.3 million outstanding as of December 31, 2009. We converted the Senior Subordinated Notes into U.S. dollars as of December 31, 2009 using an exchange rate of \$1.43 = 1.00. On February 15, 2010, the exchange rate was \$1.36 = 1.00.

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Each \$1.00 increase or decrease in the assumed initial public offering price of \$19.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the total capitalization by \$24.7 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

The number of shares on an as adjusted basis as presented on the previous table is based on:

144,068,541 ordinary shares issued as of December 31, 2009;

26,315,789 shares offered by us in connection with this offering; and

354,002 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 \$7.10 per share;

and excludes

433,018 ordinary shares, which are subject to forfeiture until such shares have vested and are not considered outstanding for accounting purposes;

12,571,146 ordinary shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of \$8.06 per share; and

up to 5,657,088 ordinary shares reserved for future issuance under our equity incentive plans and employee stock purchase plan following this offering.

Table of Contents**DILUTION**

If you invest in our ordinary shares in this offering, your interest will be diluted to the extent of the difference between the public offering price per share of our ordinary shares and the as adjusted net tangible book value/(deficit) per share of our ordinary shares after this offering. Net tangible book value/(deficit) per share represents our total tangible assets (total assets less intangible assets) less total liabilities divided by the number of outstanding ordinary shares. Our net tangible book deficit as of December 31, 2009 was \$(2,008.9) million, and our net tangible book deficit per share was \$(13.94) per share, based on 144,108,686 ordinary shares outstanding as of December 31, 2009, which includes 52,118 ordinary shares that are subject to forfeiture until such shares are vested and are not considered outstanding for accounting purposes.

Investors participating in this offering will incur immediate and substantial dilution. After giving effect to the issuance of 354,002 ordinary shares upon the exercise of outstanding stock options by the selling shareholders in connection with this offering and the issuance and sale of 26,315,789 ordinary shares at an assumed initial public offering price of \$19.00 per share, the midpoint of the range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and after giving effect to the application of such net proceeds as described under *Use of Proceeds*, our as adjusted net tangible book deficit as of December 31, 2009 would have been approximately \$(1,567.6) million, or approximately \$(9.18) per share. This represents an immediate decrease in as adjusted net tangible book deficit of \$4.76 per share to existing shareholders and an immediate dilution of \$28.18 per share to new investors, or approximately 148% of the assumed initial public offering price of \$19.00 per share.

The following table illustrates this per share dilution:

Assumed initial public offering price per share	\$ 19.00
Net tangible book deficit per share as of December 31, 2009, before giving effect to this offering	\$ (13.94)
Decrease in net tangible book deficit per share attributable to investors purchasing shares in this offering	4.76
As adjusted net tangible book deficit per share, after giving effect to this offering	(9.18)
Dilution in as adjusted net tangible book value/(deficit) per share to investors in this offering	\$ 28.18

The dilution information discussed above is illustrative only and will change based on the actual initial public offering price and other terms of this offering determined at pricing of this offering. Each \$1.00 increase or decrease in the assumed initial public offering price of \$19.00 per share, the midpoint of the price range set forth on the cover of the prospectus, would increase or decrease our as adjusted net tangible book value/(deficit) by approximately \$24.7 million, or approximately \$0.14 per share, and the dilution per share to investors participating in this offering by approximately \$0.86 per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

The following table summarizes the number of ordinary shares purchased from us since inception, the total consideration paid to us and the weighted-average price per share paid by existing shareholders and by new investors purchasing ordinary shares in this offering at an assumed initial public offering price of \$19.00 per share, the midpoint of the range set forth on the cover page of this prospectus:

	Ordinary Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing shareholders	144,843,588	84.6%	\$ 1,044,447,000	67.6%	\$ 7.21

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New investors	26,315,789	15.4%	500,000,000	32.4%	\$	19.00
Total	171,159,377	100.0%	\$ 1,544,447,000	100.0%		

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Each \$1.00 increase or decrease in the assumed initial public offering price of \$19.00 per share, the midpoint of the price range set forth on the cover of the prospectus, would increase or decrease the total consideration paid by new investors by \$26.3 million, and increase or decrease the percent of total consideration paid by new investors by 1.1 percentage points, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

The total number of shares outstanding presented in the table above is based on:

144,108,686 ordinary shares outstanding as of December 31, 2009, which include 52,118 ordinary shares that are subject to forfeiture until such shares are vested and are not considered outstanding for accounting purposes;

380,900 ordinary shares, not included in the ordinary shares outstanding as of December 31, 2009, which are subject to forfeiture until such shares are vested and are not considered outstanding for accounting purposes;

26,315,789 shares offered by us in connection with this offering; and

354,002 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 \$7.10 per share;

and excludes

12,571,146 ordinary shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of \$8.06 per share; and

up to 5,657,088 ordinary shares reserved for future issuance under our equity incentive plans and employee stock purchase plan following this offering.

The sale of 5,284,211 ordinary shares to be sold by the selling shareholders in this offering will reduce the number of ordinary shares held by existing shareholders to 139,559,377, or 81.5% of the total ordinary shares outstanding after this offering, and will increase the number of ordinary shares held by new investors participating in this offering to 31,600,000 ordinary shares, or 18.5% of the total ordinary shares outstanding after the offering. In addition, if the underwriters exercise their option to purchase additional shares in full, the number of ordinary shares beneficially owned by existing shareholders will be further decreased to 135,172,842, or 78.8% of the total number of ordinary shares outstanding after this offering, and the number of ordinary shares held by new investors will be further increased to 36,340,000 ordinary shares, or 21.2% of the total number of ordinary shares outstanding after this offering. The number of ordinary shares outstanding immediately after the full exercise of the underwriters' over-allotment option includes 353,465 ordinary shares to be issued upon the exercise of outstanding stock options by the selling shareholders in connection with this offering.

The table and calculations above exclude ordinary shares reserved for future issuance under our equity incentive plans and employee stock purchase plan. To the extent options are exercised and awards are granted under these plans following this offering, there may be dilution to our shareholders. We may also choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity or convertible

debt securities, the issuance of these securities could result in further dilution to our shareholders.

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.

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 period		For the period	For the year ended December 31,		
	For the year ended December 31, 2005	January 1 to April 26, 2006	April 27 (inception) to December 31, 2006	2007	2008	2009
(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
Operating costs and expenses:						
Cost of revenue	681,983	253,028	536,485	944,765	951,763	742,080
Research and development	31,252	8,635	19,742	33,891	38,256	16,796
Selling, general and administrative	96,146	38,674	94,755	166,065	166,625	126,952
Amortization of intangible assets and capitalized software	2,458	1,078	82,740	131,064	148,762	153,081
Impairment of goodwill and intangible assets					13,173	19,867
Restructuring	22,996	2,456		5,166	24,124	18,086
Total operating costs and expenses	834,835	303,871	733,722	1,280,951	1,342,703	1,076,862
Profit from operations	225,836	71,729	64,785	122,303	79,952	58,082
Interest expense	(105)	(511)	(165,160)	(191,161)	(197,840)	(150,589)
Interest income			1,567	2,574	1,503	573
Currency translation gain/(loss) and other, net ⁽¹⁾		115	(63,633)	(105,449)	55,467	107,695
Income/(loss) from continuing operations before income taxes	225,731	71,333	(162,441)	(171,733)	(60,918)	15,761
Provision for income taxes	81,390	25,796	48,560	62,504	53,531	43,047
Income/(loss) from continuing operations	144,341	45,537	(211,001)	(234,237)	(114,449)	(27,286)
Loss from discontinued operations	(924)	(167)	(1,309)	(18,260)	(20,082)	(395)
Net income/(loss) ⁽²⁾	\$ 143,417	\$ 45,370	\$ (212,310)	\$ (252,497)	\$ (134,531)	\$ (27,681)
Net income/(loss) per share ⁽³⁾ :						
Loss from continuing operations per share basic and diluted	NA	NA	\$ (2.73)	\$ (1.62)	\$ (0.79)	\$ (0.19)
Loss from discontinued operations per share basic and diluted	NA	NA	(0.02)	(0.13)	(0.14)	
Net loss per share basic and diluted	NA	NA	\$ (2.75)	\$ (1.75)	\$ (0.93)	\$ (0.19)
Weighted average ordinary shares outstanding	NA	NA	77,276	144,054	144,066	144,057

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(Amounts in thousands)	Predecessor (combined)		Sensata Technologies Holding N.V. (consolidated)			
	For the period		For the period			
	For the year ended December 31, 2005	January 1 to April 26, 2006	April 27 (inception) to December 31, 2006	2007	For the year ended December 31, 2008 2009	
Other Financial Data:						
Net cash provided by/(used in):						
Operating activities	\$ 173,276	\$ 40,599	\$ 129,923	\$ 155,278	\$ 47,481	\$ 187,577
Investing activities	(56,505)	(16,705)	(3,142,543)	(355,710)	(38,713)	(15,077)
Financing activities	(116,771)	(23,894)	3,097,373	175,736	8,891	(101,748)
Capital expenditures ⁽⁴⁾	42,218	16,705	29,630	66,701	40,963	14,959
EBITDA (unaudited) ⁽⁵⁾	256,070	81,286	111,031	187,862	315,460	366,890

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

- (1) 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 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 includes gains of \$15.0 million and \$120.1 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 and \$(13.6) million, respectively.
- (2) Included within Net income/(loss) for each of the periods presented were the following expenses:

(Amounts in thousands)	Sensata Technologies Holding N.V. (consolidated)			
	For the period			
	April 27 (inception) to December 31, 2006	2007	2008	For the year ended December 31, 2009
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
Deferred income tax and other tax expense	30,148	46,126	29,980	26,592
Amortization expense of deferred financing costs	11,518	9,640	10,698	9,055
Interest expense related to uncertain tax positions		1,747	43	823
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.

- (3) Net loss per share is computed based on the weighted-average number of ordinary shares outstanding.
- (4) Excludes non-cash capital expenditures, financed through a capital lease, of \$31.2 million for the year ended December 31, 2005.
- (5)

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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).

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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 period		For the period		For the year ended	
	For the year ended		April 27		December 31,	
	December 31, 2005	January 1 to April 26, 2006	to December 31, 2006	2007	2008	2009
Net income/(loss)	\$ 143,417	\$ 45,370	\$ (212,310)	\$ (252,497)	\$ (134,531)	\$ (27,681)
Provision for income taxes	81,390	25,796	48,560	62,504	53,531	43,047
Interest expense, net	105	511	163,593	188,587	196,337	150,016
Depreciation and amortization	31,158	9,609	111,188	189,268	200,123	201,508
EBITDA (unaudited)	\$ 256,070	\$ 81,286	\$ 111,031	\$ 187,862	\$ 315,460	\$ 366,890

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.

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

(Amounts in thousands)	(unaudited)			
	Sensata Technologies Holding N.V. (consolidated)			
	For the period		For the year ended	
	April 27 (inception) to December 31, 2006	2007	December 31, 2008	2009
Supplemental Information				
Acquisition, integration and financing costs and other significant items:				
Transition costs ^(a)	\$ 15,980	\$ 16,768	\$ 4,052	\$ 23
Litigation costs ^(b)	258	4,006	840	147
Integration and finance costs ^(c)	1,182	13,649	20,931	2,813
Relocation and disposition costs ^(d)		114	12,828	8,202
Pension charges ^(e)			3,588	4,828
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
Subtotal	43,733	47,814	69,345	22,985
Impairment of goodwill and intangible assets ⁽ⁱ⁾			13,173	19,867
Severance and other termination costs associated with downsizing ^(j)		5,166	12,282	12,276
Gain on extinguishment of debt ^(k)			(14,961)	(120,123)
Currency translation loss/(gain) on debt ^(l)	65,519	111,946	(53,209)	15,301

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Stock compensation ^(m)	1,259	2,015	2,108	2,233
Management fees ⁽ⁿ⁾	2,667	4,000	4,000	4,000
Other ^(o)		(25)	123	973
Total	\$ 113,178	\$ 170,916	\$ 32,861	\$ (42,488)

- (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.

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- (d) Represents costs we incurred to move certain operations to lower-cost Sensata locations, to 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) Relates to the repurchases of outstanding notes.
- (l) Reflects the losses/(gains) associated with the translation of our Euro-denominated debt into U.S. dollars and losses/(gains) on related hedging transactions.
- (m) Represents share-based compensation expense recorded in accordance with ASC Topic 718, *Compensation - Stock Compensation*.
- (n) Represents fees expensed under the terms of the advisory agreement with our Sponsors. This agreement will be terminated in connection with the completion of this offering. See Use of Proceeds and Certain Relationships and Related Party Transactions - Advisory Agreement.
- (o) Represents unrealized (gains)/losses on commodity forward contracts and estimated potential penalty expenses associated with uncertain tax positions.

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.

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 14-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 this offering, the issuer was 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. The issuer conducts its 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.

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.

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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 years:

(Amounts in millions)	For the year ended December 31,		
	2007	2008	2009
Net revenue			
Sensors segment	\$ 882.5	\$ 867.4	\$ 685.1
Controls segment	520.8	555.3	449.9
Total net revenue	\$ 1,403.3	\$ 1,422.7	\$ 1,134.9
Segment operating income			
Sensors segment	\$ 244.3	\$ 221.9	\$ 194.1
Controls segment	130.0	136.5	129.6
Total segment operating income	\$ 374.3	\$ 358.3	\$ 323.7

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)	For the year ended December 31,		
	2007	2008	2009
Net revenue			
Sensors segment	62.9%	61.0%	60.4%
Controls segment	37.1	39.0	39.6
Total	100.0%	100.0%	100.0%
Segment operating income			
Sensors segment	27.7%	25.6%	28.3%
Controls segment	25.0%	24.6%	28.8%

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.

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;

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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.

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.

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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;

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.

Selling, General and Administrative

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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, which accounted for approximately 57% of total SG&A expense for fiscal year 2009. 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.

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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. 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

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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.

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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 and combined 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.

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*.

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Effects of Acquisitions

Purchase Agreement

On April 27, 2006, Sensata Technologies B.V., an indirect wholly-owned subsidiary of the issuer, 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 December 31, 2009 consisted of 175,000,000 ordinary shares with a nominal value of €0.01 per share, of which 144,056,568 ordinary shares were outstanding, which excludes 52,118 ordinary shares that are subject to forfeiture until such shares are 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.

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.

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

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In December 2009, we awarded 380,900 restricted ordinary shares, which are subject to forfeiture until such shares have vested and are not considered outstanding for accounting purposes.

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

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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

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 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 and combined 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

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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

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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 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.

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

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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.

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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 units 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.

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 and combined 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 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.

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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

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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.

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.

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 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.

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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

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.

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.

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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.

For significant awards, such as those granted on September 4, 2009 and December 9, 2009, the valuation analysis of the ordinary shares of the Company utilizes a combination of the discounted cash flow method and the guideline company method. For less significant awards, we rely solely on the discounted cash flow method. For the discounted cash flow method, we prepare detailed annual projections of future cash flows over a period of five fiscal years, or the Discrete Projection Period. We estimate the total value of the cash flow beyond the final fiscal year by applying a multiple to the final projected fiscal year EBITDA, or the Final Fiscal Year. The cash flows from the Discrete Projection Period and the Final Fiscal Year are discounted at an estimated weighted-average cost of capital. The estimated weighted-average cost of capital is 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, are reasonable and consistent with accepted valuation practices. For the guideline company method, we perform an analysis to identify a group of publicly-traded companies that are 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 turn to publicly-traded companies that we believe operate in industries similar to our own. We calculate an implied EBITDA multiple (enterprise value/EBITDA) for each of the guideline companies and select 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 apply 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 value of the Tranche 2 and 3 options are 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

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disposition. The assumed time to liquidity and probability of an initial public offering versus a disposition are based on management's judgment with input from our board of directors. If a liquidity event occurs, we will be required to 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. As of December 31, 2009, there was \$21.2 million of unrecognized compensation expense related to non-vested Tranche 2 options, including former Tranche 3 options that were converted to Tranche 2 options during the three months ended September 30, 2009. We expect this offering to qualify as a liquidity event.

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 during the year ended December 31, 2009:

Grant Date	Number of options	Number of restricted stock units	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
May 21, 2009 ⁽¹⁾	75,000		\$ 6.30	\$ 14.80	\$ 6.30	\$ 17.48	\$ 5.23
September 4, 2009 ⁽²⁾	950,000		7.00	14.80	14.80	17.48	5.23
December 9, 2009	350,000		17.48	NA	17.48	NA	2.55
December 9, 2009		380,900	NA	NA	17.48	NA	20.03

- (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.
- (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.

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.

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The table below presents our historical results of operations in millions of dollars and as a percent of net revenue. We have derived the statement 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)	Sensata Technologies Holding N.V. 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)	
Net loss	\$ (252.5)	(18.0)%	\$ (134.5)	(9.5)%	\$ (27.7)	(2.4)%

Year Ended December 31, 2009 (fiscal year 2009) Compared to the Year Ended December 31, 2008 (fiscal year 2008)

Net revenue

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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,

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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 reflects the pattern in which the economic benefits of the intangible

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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

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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 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

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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

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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%.

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

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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

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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.

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.

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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

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.

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.

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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.

Table of Contents**Quarterly Results of Operations**

The following tables set forth unaudited quarterly consolidated statement of operations data for fiscal years 2008 and 2009. 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. These quarterly operating results are not necessarily indicative of our operating results for any future period.

(Amounts in thousands)	(unaudited) For the three months ended							
	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Statement of Operations Data:								
Net revenue	\$ 387,844	\$ 406,221	\$ 361,005	\$ 267,585	\$ 239,016	\$ 255,371	\$ 302,468	\$ 338,089
Cost of revenue	269,916	263,059	241,370	177,418	161,344	168,902	190,908	220,926
Research and development	10,802	10,417	10,142	6,895	5,163	3,960	3,569	4,104
Selling, general and administrative	47,158	45,068	36,515	37,884	31,629	30,482	33,190	31,651
Profit/(loss) from operations	23,521	45,502	33,070	(22,141)	(29,279)	11,815	32,212	43,334
Net (loss)/income	\$ (126,894)	\$ (27,948)	\$ 72,523	\$ (52,212)	\$ (10,199)	\$ 22,621	\$ (54,035)	\$ 13,932
Other Financial Data:								
EBITDA	\$ (7,897)	\$ 91,879	\$ 186,983	\$ 44,495	\$ 89,478	\$ 118,818	\$ 49,223	\$ 109,371

(As a percentage of net revenue)	(unaudited) For the three months ended							
	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Statement of Operations Data:								
Cost of revenue	69.6	64.8	66.9	66.3	67.5	66.1	63.1	65.4
Research and development	2.8	2.6	2.8	2.6	2.2	1.6	1.2	1.2
Selling, general and administrative	12.2	11.1	10.1	14.2	13.2	11.9	11.0	9.4
Profit/(loss) from operations	6.1	11.2	9.2	(8.3)	(12.2)	4.6	10.6	12.8
Net (loss)/income	(32.7)%	(6.9)%	20.1%	(19.5)%	(4.3)%	8.9%	(17.9)%	4.1%
Other Financial Data:								
EBITDA	(2.0)%	22.6%	51.8%	16.6%	37.4%	46.5%	16.3%	32.4%

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.

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In addition, 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 66.1% during the three months ended June 30, 2009 to

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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.

Net income/(loss) during the three months ended December 31, 2009, September 30, 2009 and June 30, 2009 was \$13.9 million, \$(54.0) million and \$22.6 million, respectively. Net income/(loss) during the three months ended December 31, 2009, September 30, 2009 and June 30, 2009 included a net gain/(loss) of \$14.9 million, \$(35.0) million and \$(62.5) 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.

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.

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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:

	(unaudited)							
	For the three months ended							
(Amounts in thousands)	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Net income/(loss)	\$ (126,894)	\$ (27,948)	\$ 72,523	\$ (52,212)	\$ (10,199)	\$ 22,621	\$ (54,035)	\$ 13,932
Provision for income taxes	15,890	19,722	16,613	1,306	7,641	10,876	16,648	7,882
Interest expense, net	50,803	50,315	48,995	46,224	42,160	36,270	36,472	35,114
Depreciation and amortization	52,304	49,790	48,852	49,177	49,876	49,051	50,138	52,443
EBITDA (unaudited)	\$ (7,897)	\$ 91,879	\$ 186,983	\$ 44,495	\$ 89,478	\$ 118,818	\$ 49,223	\$ 109,371

Table of Contents**Liquidity and Capital Resources***Cash Flows*

The table below summarizes our primary sources and uses of cash for the years ended December 31, 2007, 2008 and 2009. 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. 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,		
	2007	2008	2009
Net cash provided by/(used in):			
Operating activities:			
Continuing operations:			
Net (loss), adjusted for non-cash items	\$ 127.1	\$ 73.0	\$ 128.2
Changes in operating assets and liabilities	41.0	(11.1)	59.7
Continuing operations	168.1	61.9	188.0
Discontinued operations	(12.8)	(14.4)	(0.4)
Operating activities	155.3	47.5	187.6
Investing activities:			
Continuing operations	(343.7)	(38.5)	(15.4)
Discontinued operations	(12.0)	(0.2)	0.4
Investing activities	(355.7)	(38.7)	(15.1)
Financing activities	175.7	8.9	(101.7)
Net change	\$ (24.7)	\$ 17.7	\$ 70.8

Operating activities

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.

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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.

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As of December 31, 2009, 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 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 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.

In 2010, we anticipate spending approximately \$35.0 million to \$45.0 million on capital expenditures. We anticipate that these capital expenditures will be funded with cash flow from operations.

Financing activities

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 \$54.3 million (or \$72.5 million at the date of repurchase).

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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

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

Indebtedness and Liquidity

Our liquidity requirements are significant due to the highly leveraged nature of our company. As of December 31, 2009, we had \$2,300.8 million in outstanding indebtedness, including our outstanding capital lease and other financing obligations.

The following table outlines our outstanding indebtedness as of December 31, 2009 and the associated interest expense and interest rate for such borrowings for the year ended December 31, 2009.

Description (Amounts in thousands)	Balance as of December 31, 2009	Interest Expense	Weighted- Average Annual Interest Rate
Senior secured term loan facility (denominated in U.S. dollars)	\$ 916,750	\$ 25,855	2.75%
Senior secured term loan facility (384.4 million)	551,350	19,840	3.56%
Revolving credit facility		605	4.25%
Senior Notes (denominated in U.S. dollars)	340,006	29,400	8.00%
Senior Subordinated Notes (177.3 million)	254,303	23,893	9.00%
Senior Subordinated Notes (137.0 million)	196,483	21,829	11.25%
Capital lease obligations	30,293	2,795	9.04%
Other financing obligations	11,641	879	7.50%
Amortization of deferred financing costs		9,055	
Bank fees and other		16,438	
Total	\$ 2,300,826	\$ 150,589	

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 December 31, 2009, after adjusting for outstanding letters of credit with an aggregate value of \$18.9 million, we had \$131.1 million of borrowing capacity available under the revolving credit facility. The outstanding letters of credit are issued primarily for the benefit of a consignment arrangement and certain other operating activities. As of December 31, 2009, no amounts had been drawn against these outstanding letters of credit. These outstanding letters of credit are scheduled to expire in June 2010. We do not anticipate difficulty in renewing these letters of credit upon their expiration.

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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

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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 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 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 \$15.0 million as of December 31, 2009.

As of December 31, 2009, we had \$1,468.1 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 December 31, 2009.

Sensata Technologies B.V. has also issued 8% Senior Notes and 9% and 11.25% Senior Subordinated Notes.

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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

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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 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 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.

The 11.25% Senior Subordinated Notes mature on January 15, 2014. Each 11.25% Senior Subordinated Note bears interest at a rate of 11.25% per annum from July 23, 2008, 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 such Senior Subordinated Notes of record at the close of business on January 1 or July 1 immediately preceding the interest payment date, on January 15 and July 15 of each year, commencing on January 15, 2009. Interest is paid on the basis of a 360-day year consisting of twelve 30-day months. The 11.25% Senior Subordinated Notes were issued initially in an aggregate principal amount of 141.0 million. Proceeds from the issuance of the 11.25% Senior Subordinated Notes were used to refinance amounts outstanding under an existing Senior Subordinated Term Loan, originally issued as bridge financing in July 2007. The 11.25% 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, 9% Senior Subordinated Notes and 11.25% 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, 9% Senior Subordinated Notes and 11.25% 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 the issuer, 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

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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 directors or officers of the issuer 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 equity interests of the issuer 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 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 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.

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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.

We intend to use the proceeds from this offering to, among other things, repay a portion of our long-term indebtedness represented by our Senior Notes and Senior Subordinated Notes. We will recognize expenses associated with the write-off of debt issuance costs in connection with the repayment of this long-term indebtedness. See Use of Proceeds.

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 December 31, 2009, 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 February 23, 2010, Moody's Investors Service's corporate credit rating for Sensata Technologies B.V. was B3 with stable 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 December 31, 2009, we were in compliance with all the covenants and default provisions under our 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.

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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)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Senior debt obligations principal ⁽¹⁾	\$ 2,258.9	\$ 15.2	\$ 737.6	\$ 1,251.8	\$ 254.3
Senior debt obligations interest ⁽²⁾	474.5	105.9	208.5	125.8	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⁾	\$ 2,872.2	\$ 147.4	\$ 974.8	\$ 1,396.8	\$ 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.
- (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.
- (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.

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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.

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 \$0.9 million related to these actions. The total charges of \$0.9 million are comprised of charges of \$1.1 million recognized during fiscal year 2008 and a credit of \$0.2 million recognized during fiscal year 2009. The activities associated with the acquisition of First Technology Automotive were completed in fiscal year 2008, and we anticipate the remaining payments associated with contractual lease obligations to be paid through 2014 due primarily to contractual lease obligations.

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.

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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. The total cost of these actions is expected to be \$41.6 million, excluding the impact of changes in foreign currency exchange rates, and affect 1,979 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 9 to our audited consolidated financial statements included elsewhere in this prospectus.

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Quantitative And Qualitative Disclosures About Market Risk

We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through fixed and variable rate debt instruments and denominate our transactions in a variety of foreign currencies. 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 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 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 0.25% as of December 31, 2009.

The terms of the swap as of December 31, 2009 are shown in the following table:

Current Notional Principal Amount (U.S. dollars in millions)	Final Maturity Date	Receive Variable Rate	Pay Fixed Rate
\$115.0	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 0.7% as of December 31, 2009.

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The terms of the collars as of December 31, 2009 are shown in the following table:

Current Notional Principal Amount (Euros in millions)	Amortization	Effective Date	Maturity Date	Cap	At Prevailing Market Rates Between	Floor
245.0	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.

The terms of the interest rate caps as of December 31, 2009 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 December 31, 2009, we had Euro-denominated debt of 698.7 million (\$1,002.1 million).

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

(Dollars in millions)	Weighted-Average Interest Rate	Outstanding balance as of December 31, 2009	Fair value as of December 31, 2009
Senior secured term loan facility (denominated in U.S. dollars)	2.75%	\$ 916.7	\$ 819.1
Senior secured term loan facility (384.4 million)	3.56%	551.4	476.2
Senior Notes (denominated in U.S. dollars)	8.00%	340.0	333.0
Senior Subordinated Notes (177.3 million)	9.00%	254.3	240.6
Senior Subordinated Notes (137.0 million)	11.25%	196.5	194.5
Total ⁽¹⁾		\$ 2,258.9	\$ 2,063.4

(1) Total outstanding balance excludes capital leases and other financing obligations of \$41.9 million.

Sensitivity Analysis

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As of December 31, 2009, we had U.S. dollar and Euro-denominated variable rate debt with an outstandin