

**COMMON DRAFT TERMS OF THE CROSS-BORDER LEGAL MERGER**

**("Merger Proposal")**

of

**SENSATA TECHNOLOGIES HOLDING N.V.**

and

**SENSATA TECHNOLOGIES HOLDING PLC**

26 OCTOBER 2017

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The undersigned:

1. Martha Sullivan; and
2. Jeffrey Cote;

together constituting the entire board of directors of Sensata Technologies Holding plc, a company limited by shares incorporated under the laws of England and Wales, with registered number 10900776, having its registered office at Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY, United Kingdom ("**Sensata-UK**" and also the "**Acquiring Company**");

and

3. Martha Sullivan, executive director;
4. Thomas Wroe, non-executive director;
5. Paul Edgerley, non-executive director;
6. Constance Skidmore, non-executive director;
7. Charles Pepper, non-executive director;
8. Kirk Pond, non-executive director;
9. Andrew Teich, non-executive director;
10. Stephen Zide, non-executive director;
11. James Heppelmann, non-executive director; and
12. Beda Bolzenius, non-executive director,

together constituting the entire board of directors of Sensata Technologies Holding N.V., a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its official seat (*statutaire zetel*) in Hengelo, the Netherlands, and its registered office at Jan Tinbergenstraat 80, 7559 SP, Hengelo, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under number 24192692 ("**Sensata-NL**" and also the "**Disappearing Company**" and together with Sensata-UK, the "**Merging Companies**" and each individually, a "**Merging Company**").

**WHEREAS:**

- (A) Sensata-UK is a public limited company with a share capital of EUR 57,101 consisting of one ordinary share of EUR 1.00 (the "**Initial Ordinary Share**") and 57,100 non-voting redeemable shares of EUR 1.00 each (the "**Non-Voting Redeemable Shares**") held by the sole shareholder, MaplesFS UK Group Services Limited ("**MaplesFS**"). MaplesFS, as the legal owner of the Initial Ordinary Share and the Non-Voting Redeemable Shares, holds such shares on trust for charitable purposes.

- (B) Sensata-NL is a public company with an issued share capital of EUR 1,785,624.49 consisting of 178,562,449 ordinary shares of EUR 0.01 each (the "**NV Ordinary Shares**"). The NV Ordinary Shares are listed on the New York Stock Exchange under the symbol "ST". The majority of the NV Ordinary Shares are held in nominee form via the Depository Trust Company ("**DTC**"), and the rest of the NV Ordinary Shares are held directly in registered form by certain shareholders.
- (C) The board of directors of Sensata-NL has concluded to reorganise the Sensata Technologies group structure which will result in a new UK holding company, Sensata-UK, serving as the publicly traded parent of the Sensata Technologies group of companies (the "**Sensata Group**"). To achieve this reorganisation, Sensata-NL intends to merge with Sensata-UK on the terms set out in this Merger Proposal.
- (D) As the merger results in Sensata-UK absorbing Sensata-NL, the shareholders of Sensata-NL will receive, as merger consideration, one ordinary share of EUR 0.01 each in Sensata-UK (the "**UK Ordinary Share**") for each NV Ordinary Share held immediately prior to the Merger Effective Time (as defined in paragraph (M) below), such UK Ordinary Shares to be issued credited as fully paid up.
- (E) The board of directors of Sensata-UK and the board of directors of Sensata-NL propose to structure the merger as a transfer of all assets and liabilities of Sensata-NL to Sensata-UK under universal succession of title (*onder algemene titel*) by way of a cross-border merger within the meaning of articles 2:309 et seq. and 2:333b et seq. of the Dutch Civil Code (the "**DCC**") and regulation 2 of the UK Companies (Cross-Border Mergers) Regulations 2007 (the "**UK Regulations**"), both implementing the European Cross-Border Mergers Directive (Directive 2005/56/EC) (the "**Merger**").
- (F) This Merger Proposal sets out the terms and conditions of the contemplated Merger between Sensata-NL and Sensata-UK, in compliance with article 2:312 of the DCC in conjunction with articles 2:326 and 2:333d of the DCC and regulation 7 of the UK Regulations.
- (G) For U.S. federal income tax purposes, Sensata-NL and Sensata-UK intend that the Merger will constitute a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "**Code**") and the regulations thereunder (the "**Treasury Regulations**"), and that this Merger Proposal be, and be hereby adopted as, a "plan of reorganization" for purposes of Section 368 of the Code and the Treasury Regulations thereunder.
- (H) The shareholders' register of Sensata-NL does not appear to indicate, nor is the board of directors of Sensata-NL acquainted with any pledge (*pandrecht*) of shares in the issued share capital of Sensata-NL, or any right of usufruct (*recht van vruchtgebruik*) created therein. All shares in the issued share capital of the Merging Companies have been paid up in full.
- (I) No depositary receipts of shares (*certificaten van aandelen*) in the issued share capital of Sensata-NL have been issued and remain outstanding.
- (J) None of the Merging Companies has been dissolved (*ontbonden*), has been declared bankrupt (*in staat van faillissement verklaard*) or has been granted a suspension of payments (*surséance van betaling*), nor are the respective boards of directors

acquainted with any intention to dissolve a Merging Company or a pending request to declare the Merging Company bankrupt or grant a suspension of payments.

- (K) None of the Merging Companies has instituted a works council or co-determination council (*medezeggenschapsraad*) and there is no association of employees, which includes amongst its members employees of the Merging Companies or one of their subsidiaries other than a works council established at Sensata Technologies Holland B.V. The boards of directors of the Merging Companies hereby confirm that there are no existing employee representation bodies that have consultation or other rights in relation to the Merger.
- (L) On 25 October 2017, the board of directors of Sensata-UK unanimously approved this Merger Proposal and, on 28 September 2017, the board of directors of Sensata-NL unanimously approved this Merger Proposal. In accordance with Dutch law, all members of the boards of directors of the Merging Companies have signed this Merger Proposal.
- (M) The Merger will become effective on the date fixed by an order of the High Court of England and Wales (the "UK High Court") (the "Merger Effective Time").

## 1. CORPORATE INFORMATION OF THE MERGING COMPANIES

### 1.1 Corporate information of the Acquiring Company:

- 1.1.1 Name: Sensata Technologies Holding plc.
- 1.1.2 Form: A public company limited by shares, incorporated under the laws of England and Wales
- 1.1.3 Registered office: Interface House, Interface Business Park, Bincknoll Lane, Royal Wootton Bassett, Swindon, Wiltshire, SN4 8SY, United Kingdom
- 1.1.4 Country of incorporation: England & Wales
- 1.1.5 Date of incorporation: 4 August 2017
- 1.1.6 Share capital: EUR 57,101 consisting of (i) one ordinary share of EUR 1.00 (the "**Initial Ordinary Share**") and 57,100 non-voting redeemable shares of EUR 1.00 each (the "**Non-Voting Redeemable Shares**")
- 1.1.7 Financial year: 1 January – 31 December
- 1.1.8 Employees: 0

### 1.2 Corporate information of the Disappearing Company:

- 1.2.1 Name: Sensata Technologies Holding N.V.

- 1.2.2 Form: a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands
- 1.2.3 Registered office: Jan Tinbergenstraat, 80, 7559 SP, Hengelo, the Netherlands
- 1.2.4 Official seat: Hengelo, the Netherlands
- 1.2.5 Share capital: EUR 1,785,624.49 consisting of 178,562,449 ordinary shares of EUR 0.01 each (the "NV Ordinary Shares")
- 1.2.6 Financial year: 1 January – 31 December
- 1.2.7 Employees: 22

1.3 Corporate objects of the Disappearing Company:

- 1.3.1 to participate or to acquire interests in any other way in enterprises, to manage or exercise supervision of enterprises and to provide services to enterprises, with special reference to enterprises engaged in the production of sensors and controls for manufacturers in the automotive, appliance, aircraft and industrial business or rendering other services to such enterprises;
- 1.3.2 to perform all acts which directly or indirectly may be conducive to such objects.

In realising its objects Sensata-NL shall exercise management directed at promoting in the best way possible and in a well balanced manner the interests of those who are directly or indirectly interested in the Company.

- 1.4 The current articles of association of Sensata-UK are appended to this Merger Proposal at Schedule 1 (the "UK Articles"). Subject to and with effect from the Merger Effective Time, Sensata-UK will adopt the proposed new articles of association as appended to this Merger Proposal at Schedule 3 (the "UK Proposed Articles").

The current articles of association of Sensata-NL are appended to this Merger Proposal at Schedule 2 (the "NV Articles"). The NV Articles will be amended to include a criterion, as referred to in the last sentence of paragraph 2 of article 2:333h of the DCC, on the basis of which the cash compensation payable to shareholders of Sensata-NL who exercise their Withdrawal Right (as defined and described in paragraph 10 of this Merger Proposal) in accordance with paragraph 1 of article 2:333h of the DCC can be readily determined. The amendments to the articles of association will be proposed at the general meeting of shareholders of Sensata-NL called to consider and approve this Merger Proposal and resolve upon and give effect to the Merger. A copy of the proposed amended articles of association of Sensata-NL is appended to this Merger Proposal at Schedule 4 (the "NV Proposed Articles"). The resolution to approve this Merger Proposal and resolve upon and give effect to the Merger (the "Merger Resolution") will not be put to the vote of the shareholders at the general meeting unless (i) the resolution to amend the articles of association of Sensata-NL in accordance with the NV Proposed Articles has been adopted at the

general meeting; and (ii) the Sensata-NL's articles of association have been amended in accordance with the NV Proposed Articles during a short recess of the general meeting.

## **2. MEASURES IN CONNECTION WITH EXCHANGE OF SHARE OWNERSHIP**

2.1 As Sensata-NL will cease to exist immediately after the Merger Effective Time, all issued shares in the capital of Sensata-NL will be cancelled, including all treasury shares held by Sensata-NL. All assets and liabilities of Sensata-NL will be transferred under universal succession of title (*onder algemene titel*) to Sensata-UK.

2.2 Pursuant to article 2:311 paragraph 2 DCC and regulation 17 of the UK Regulations, the shareholders of Sensata-NL will become shareholders of Sensata-UK immediately after the Merger Effective Time, except for the shareholders who exercise their Withdrawal Right with respect to all their shares in the capital of Sensata-NL.

## **3. DESIGNATION AND VALUATION OF THE ASSETS AND LIABILITIES OF SENSATA-NL TO BE TRANSFERRED TO SENSATA-UK**

3.1 The description of the assets and liabilities transferred by universal title of succession to Sensata-UK as a result of the Merger is established for information purposes only based on the Merger Accounts (as defined below). The description is not limited as the Merger will lead to a transfer by universal title of succession of all the assets and liabilities of Sensata-NL as of the Merger Effective Time.

3.2 For the avoidance of doubt, should any assets not be mentioned in the Merger Proposal as a result of any error or omission, those assets are deemed to be the property of Sensata-NL immediately before the Merger Effective Time and are deemed to be rightfully transferred by universal title of succession to Sensata-UK without adjustment of the Exchange Ratio (as defined in paragraph 4.2 of this Merger Proposal).

3.3 The transferred assets comprise of:

3.3.1 common shares constituting the entire issued and outstanding share capital of Sensata Technologies Intermediate Holding B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its official seat (*statutaire zetel*) in Hengelo, the Netherlands, and its registered office at Jan Tinbergenstraat 80, 7559 SP, Hengelo, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under number 34243026;

3.3.2 prepaid expenses and other current assets; and

3.3.3 cash and cash equivalents and receivables (including inter-company receivables from subsidiaries).

3.4 The transferred liabilities comprise of:

3.4.1 Accounts payable (including inter-company payables to subsidiaries), accrued expenses and other current liabilities.

3.5 Please refer to the Merger Accounts (as defined below) for the assets and liabilities of Sensata-NL.

3.6 The valuation of the relevant assets and liabilities of Sensata-NL to be acquired by Sensata-UK was last undertaken on 1 July 2017 on the basis of net asset value and any other valuation method applied to those assets and liabilities in the Merger Accounts.

#### 4. **CONSIDERATION FOR THE MERGER, EXCHANGE RATIO AND TERMS OF ALLOTMENT OF UK ORDINARY SHARES**

4.1 The following measures are to be taken in connection with the transition of ownership of shares in the capital of Sensata-NL, as referred to in article 2:312, paragraph 2 sub g. of the DCC:

4.1.1 NV Ordinary Shares held by Sensata-NL will cease to exist in accordance with article 2:325 paragraph 4 of the DCC;

4.1.2 as Sensata-NL does not hold any shares in the capital of Sensata-UK and Sensata-UK does not hold any shares in its own capital, no shares will be cancelled pursuant to article 2:325 paragraph 3 of the DCC upon the Merger becoming effective;

4.1.3 immediately after the Merger Effective Time, UK Ordinary Shares will be allotted to the shareholders of Sensata-NL. The final number of UK Ordinary Shares to be issued and allotted pursuant to the Merger will depend on the number (if any) of NV Ordinary Shares for which shareholders in Sensata-NL duly exercise their Withdrawal Right (as defined and described in paragraph 10 of this Merger Proposal), such number of NV Ordinary Shares will cease to exist as of the Merger Effective Time in accordance with article 2:333h paragraph 3 of the DCC;

4.1.4 no UK Ordinary Shares will be allotted in respect of any NV Ordinary Shares held in treasury;

4.1.5 the UK Ordinary Shares to be allotted and issued on the Merger Effective Date in connection with the Merger pursuant to the Exchange Ratio (as defined in paragraph 4.2 of this Merger Proposal) will be fully paid and rank *pari passu* in all respects with all other UK Ordinary Shares and will be listed on the New York Stock Exchange; and

4.1.6 in connection with the Merger, no special rights or restrictions are to be granted in Sensata-UK to any holders of UK Ordinary Shares, nor are any shares of special classes or other options to be granted in Sensata-UK, given that no such special rights or restrictions or special classes or other options are currently in existence in Sensata-NL.

#### 4.2 Exchange Ratio

4.2.1 The exchange ratio of the shares as referred to in Title 7, Book 2 of the DCC is such that for each NV Ordinary Share in the capital of Sensata-NL one UK Ordinary Share in the capital of Sensata-UK will be allocated.



4.2.2 Except as described in paragraphs 1.4 and 10 of this Merger Proposal, no cash payment shall be made by Sensata-UK to Sensata-NL shareholders in respect of their NV Ordinary Shares or the transfer of Sensata-NL's assets and liabilities to Sensata-UK pursuant to the Merger.

## 5. DETERMINATION OF THE MERGER EXCHANGE RATIO

The selected Exchange Ratio provides for the issue of one UK Ordinary Share for one NV Ordinary Share, corresponding to a resulting parity of 1:1.

## 6. ACCOUNTS

The Merger shall take place on the basis of the non-adopted interim financial accounts of Sensata-NL for the financial period ended 1 July 2017 (the "**Merger Accounts**") set out in Schedule 6 of this Merger Proposal and the relevant financial statements of Sensata-UK for the period ended 30 September 2017. The audited annual accounts of Sensata-NL for the financial years ended 31 December 2016, 31 December 2015 and 31 December 2014 are filed with the Dutch Commercial Register (*Handelsregister*) and are available to shareholders and creditors of Sensata-NL at the offices of Sensata-NL as of the date hereof.

## 7. REASONS FOR THE MERGER

- 7.1 Through recent acquisitions, the Sensata Group has significantly increased its presence in the UK, and the Merger will allow the Sensata Group to be organized in a jurisdiction in which it has more significant operations.
- 7.2 The UK is generally thought by investors to be a shareholder-friendly corporate governance environment.
- 7.3 The Sensata Group's strategy is to deploy capital in a manner that creates the greatest value for its shareholders. To achieve this, the Sensata Group continuously assesses various value creation opportunities and from that deploy capital in a way that is intended to maximize returns for its shareholders. As a company incorporated in England and Wales, the Sensata Group will increase its flexibility and effectiveness in allocating and deploying capital.
- 7.4 The impending withdrawal of the UK from the European Union ("**Brexit**") may make it more difficult in the future to effect a company migration from the Netherlands to the UK, although the position is uncertain. In addition, London is – and despite Brexit is expected by some market commentators to remain – one of the world's foremost financial centers from shareholders' and an international banking perspective.
- 7.5 The Sensata Group will no longer require 50% of its shareholders to be U.S. residents to ensure eligibility for tax treaty benefits, and will therefore no longer be required to perform the shareholder analyses the Sensata Group currently needs to perform in order to demonstrate its ultimate beneficial owners.

## 8. CONSEQUENCES OF THE MERGER

8.1 As soon as practicable following the date hereof, the board of directors of Sensata-NL (or, if appropriate, any committee thereof administering the Sensata Technologies Holding N.V. 2010 Equity Incentive Plan and the Sensata Technologies Holding B.V. first amended and restated 2006 Management Option Plan for key employees of Sensata-NL and its subsidiaries (collectively, the "**Company Equity Incentive Plans**")), shall adopt such resolutions and take such other actions (including adopting any plan amendments) as are required to provide that:

8.1.1 each then outstanding option to acquire NV Ordinary Shares (each, a "**NV Option**") granted under a Company Equity Incentive Plan shall cease to represent a right to acquire NV Ordinary Shares and shall be converted into an option (each, a "**UK Option**") to acquire, on the same terms and conditions applicable to each such NV Option immediately prior to the Merger Effective Time (including the same vesting conditions), the same number of UK Ordinary Shares as the number of NV Ordinary Shares that was subject to such NV Option immediately prior to the Merger Effective Time, at an exercise price per UK Ordinary Share equal to the exercise price for each such NV Ordinary Share subject to such NV Option immediately prior to the Merger Effective Time; and

8.1.2 each then outstanding right to acquire NV Ordinary Shares (each, a "**NV Restricted Stock Unit**") granted under a Company Equity Incentive Plan shall cease to represent a right to acquire NV Ordinary Shares and shall be converted into a right (each, a "**UK Restricted Stock Unit**") to acquire, on the same terms and conditions applicable to such NV Restricted Stock Unit immediately prior to the Merger Effective Time (including the same vesting conditions), the same number of UK Ordinary Shares as the number of NV Ordinary Shares that was subject to such NV Restricted Stock Unit immediately prior to the Merger Effective Time.

8.2 No specific advantages or benefits shall be provided, in connection with the Merger, to the independent experts (as referred to in paragraph 14 of this Merger Proposal), the boards of directors of the Merging Companies or any other parties who are involved in the Merger. The independent experts will receive adequate remuneration in relation to the tasks performed by each of them, in accordance with the terms agreed with Sensata-NL and Sensata-UK respectively.

8.3 The current composition of the board of directors of Sensata-UK is as follows:

8.3.1 Martha Sullivan; and

8.3.2 Jeffrey Cote;

Following the Merger, the composition of the board of directors of Sensata-UK will be as follows:

8.3.3 Martha Sullivan;

8.3.4 Thomas Wroe;

- 8.3.5 Paul Edgerley;
  - 8.3.6 Constance Skidmore;
  - 8.3.7 Charles Peffer;
  - 8.3.8 Kirk Pond;
  - 8.3.9 Andrew Teich;
  - 8.3.10 Stephen Zide;
  - 8.3.11 James Heppelman; and
  - 8.3.12 Beda Bolzenius.
- 8.4 As from 1 January 2018, Sensata-UK shall account for the financial data and transactions of Sensata-NL in its annual accounts. All acts and operations of Sensata-NL shall, as from the Merger Effective Time, be conducted for the account of Sensata-UK. In addition, as from the Merger Effective Time, the UK Ordinary Shares to be allotted and issued in connection with the Merger will carry the entitlement to participate in the profits that may be distributed by Sensata-UK. No special rights or conditions to dividends will be granted in connection with the Merger, and no particular conditions are expected with respect to any dividend rights in Sensata-UK. The effects of the Merger on the goodwill and the distributable reserves of Sensata-UK are as follows:
- 8.4.1 The Merger does not have any effects on the amount of goodwill of Sensata-UK.
  - 8.4.2 Under the laws of England and Wales, the reserves previously held by Sensata-NL will not transfer to the statutory balance sheet of Sensata-UK as a distributable reserve. The Merger will, however, give rise to a merger reserve on the balance sheet of Sensata-UK in an amount equal to the amount by which the net book value of the assets and liabilities transferred to Sensata-UK from Sensata-NL pursuant to the Merger exceeds the nominal value of the UK Ordinary Shares issued pursuant to the Merger. Sensata-UK will capitalize the merger reserve as set out hereafter in paragraph 8.5.
- 8.5 Immediately after the Merger Effective Time, it is expected that Sensata-UK will capitalize the merger reserve arising as a result of the Merger by issuing a non-voting bonus share. The non-voting bonus share will be issued with a nominal value equal to the amount of the merger reserve. Sensata-UK will then undertake a court-approved procedure to cancel such share, thereby creating distributable reserves. Sensata-UK will seek to obtain the approval of the UK High Court to the capital reduction as soon as practicable following the Merger. The activities of Sensata-NL shall be continued by Sensata-UK, as from the Merger Effective Time.
- 8.6 It is expected that prior to the Merger Effective Time all employees of Sensata-NL will be transferred to Sensata Technologies B.V. by way of a transfer of contract (*contractsovername*) within the meaning of article 6:159 of the Dutch Civil Code on

the same or substantially similar terms and conditions to those which apply at the date of this Merger Proposal.

## 9. TAX PROVISIONS

### 9.1 Dutch tax regime

#### 9.1.1 Tax consequences for Sensata-NL

The Merger constitutes a taxable transaction for Dutch corporate income tax purposes pursuant to which all assets and liabilities are deemed for Dutch tax purposes to be transferred at fair market value. However, by virtue of the application of the Dutch participation exemption (*deelnemingsvrijstelling*) that will apply to gains or losses realised on the deemed transfer of the shares in Sensata Technologies Intermediate Holding B.V., it is not expected that the Merger will result in any substantial tax liability that would result in Sensata-NL paying corporate income tax.

#### 9.1.2 Withholding tax

The Merger will not give rise to Dutch dividend withholding tax if and to the extent that the aggregate amount of any Cash Compensation received by the shareholders of Sensata-NL in connection with the exercise of their Withdrawal Right does not exceed the average capital recognized as paid-up on the relevant NV Ordinary Shares for Dutch dividend withholding tax purposes. Dutch dividend withholding tax at a rate of 15% will generally be withheld if and to the extent that such cash compensation exceeds the average capital recognized as paid-up on the relevant NV Ordinary Shares for Dutch dividend withholding tax purposes.

#### 9.1.3 Taxes on capital gains

Holders of NV Ordinary Shares that are subject to tax in the Netherlands and realise a capital gain in connection with the Merger will generally be subject to corporate income tax or income tax in the Netherlands. However, shareholders receiving shares in Sensata-UK in exchange for all their shares in Sensata-NL in the Merger may possibly apply roll-over relief (*doorschuiving*) as a result of which such gain will not be recognised for Dutch tax purposes.

#### 9.1.4 Value added tax

No value added tax will be due in the Netherlands on the exchange of NV Ordinary Shares for UK Ordinary Shares and/or on payments of Cash Compensation and no value added tax will be due in the Netherlands on the transfer of all assets and liabilities of Sensata-NL to Sensata-UK under universal succession of title (*onder algemene titel*).

#### 9.1.5 Other taxes

There is no registration tax, capital tax, customs duty, transfer tax, stamp duty, or any other similar tax or duty payable in the Netherlands in respect of or in

connection with the entering into of the Merger and/or on duly exercising Withdrawal Rights.

## 9.2 UK tax regime

The following paragraphs constitute a non-exhaustive summary of certain UK tax matters relevant to the Merger and the future participation of shareholders in Sensata-UK based on current law and published practice of HMRC, both of which are subject to change (potentially with retrospective effect). The paragraphs do not consider the UK tax consequences for shareholders of the merger itself or, aside from stamp duty and stamp duty reserve tax, the UK tax consequences of a future disposal by shareholders of UK Ordinary Shares.

### 9.2.1 Sensata-UK

Sensata-UK will be within the scope of UK corporation tax following the Merger. We expect that Sensata-UK will not be subject to UK corporation tax as a result of the Merger itself.

### 9.2.2 Taxation of Dividends

Under current UK tax legislation, any future dividends paid by Sensata-UK will not be subject to withholding or deduction on account of UK tax, irrespective of the tax residence or the individual circumstances of the recipient shareholder.

Individual shareholders may need to review their personal circumstances to establish their exposure to UK income tax going forwards on any dividend income received from Sensata-UK.

### 9.2.3 Stamp duty and stamp duty reserve tax ("SDRT")

The discussion below relates to holders of UK Ordinary Shares wherever resident, but not to holders such as market makers, brokers, dealers and intermediaries, to whom special rules may apply.

#### *Transfers of UK Ordinary Shares*

Transfers of UK Ordinary Shares held in book entry form through the facilities of DTC will not attract a charge to stamp duty or SDRT in the UK provided no instrument of transfer is entered into (which should not be necessary) and that no election that applies to the UK Ordinary Shares is made or has been made by DTC under section 97A of the Finance Act 1986. It is our understanding that no such election has been made by DTC.

The transfer on sale of UK Ordinary Shares held in certificated form (and hence not within the DTC system) will generally be subject to stamp duty on the instrument of transfer at the rate of 0.5% of the amount or value of the consideration for the shares (rounded up if necessary to the nearest multiple of £5). Stamp duty is normally paid by the purchaser of the shares.

An unconditional agreement to transfer UK Ordinary Shares that are not within the DTC system will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration for the shares. However, where within six years of the date of the agreement an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid may be reclaimed. SDRT is normally the liability of the purchaser of the shares.

If UK Ordinary Shares not held within the DTC system are transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services (including the DTC) or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT may be payable at a rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the shares. This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be, but will in practice generally be reimbursed by participants in the clearance service or depositary receipt scheme.

#### *Repurchase of UK Ordinary Shares*

The repurchase of UK Ordinary Shares by Sensata-UK (whether held within the DTC system or not) will attract a charge to stamp duty of 0.5% of the consideration paid by Sensata-UK in respect of the repurchase.

## 10. WITHDRAWAL RIGHT

- 10.1 If, at the general meeting of Sensata-NL, the Merger Resolution were adopted, any shareholder of Sensata-NL that voted against the Merger Resolution has the right to elect not to become a shareholder of Sensata-UK (the "**Withdrawal Right**") and file a request for compensation (the "**Withdrawal Application**") in accordance with article 2:333h paragraph 1 of the DCC (such shareholder being a "**Withdrawing Shareholder**"). The Withdrawal Application must be submitted to Sensata-NL no later than one month after the date of the general meeting where the Merger Resolution has been adopted (counting from the day after the general meeting, the "**Withdrawal Period**"). All Withdrawal Applications are irrevocable after the end of the Withdrawal Period and a Withdrawing Shareholder will not be allowed to transfer his Exit Shares (as defined below) in any manner.
- 10.2 A shareholder of record who would like to exercise the Withdrawal Right will need to complete a Withdrawal Application form, a draft of which is appended to this Merger Proposal at Schedule 5 (the "**Withdrawal Application Form**"). A final version of the Withdrawal Application Form will be provided to the shareholder(s) of record that vote against the Merger Resolution and should be completed and returned in accordance with the instructions contained therein. A shareholder holding shares in "street name" who wishes to exercise the Withdrawal Right should contact its broker, bank, trustee or other nominee who will complete the Withdrawal Application Form for such shareholder's Exit Shares (as defined below). Upon the Merger becoming effective at the Merger Effective Time, the Withdrawing Shareholder will not receive shares in Sensata-UK, but will instead receive compensation in cash (the "**Cash Compensation**") for the NV Ordinary Shares on which he exercised his Withdrawal

Right, and such NV Ordinary Shares will cease to exist as a consequence of the Merger taking effect. Dutch dividend withholding tax at a rate of 15 per cent. will generally be withheld on payments of the Cash Compensation if and to the extent that such payments exceed the average capital recognised as paid-up on the relevant shares for Dutch dividend withholding tax purposes. Please see section 9.1.2 of this Merger Proposal (*Withholding tax*) for more details.

- 10.3 A Withdrawing Shareholder can only exercise its Withdrawal Right for the NV Ordinary Shares it (i) held at the record date of the relevant general meeting of Sensata-NL at which the Withdrawing Shareholder voted against the Merger Resolution; and (ii) still holds at the time of the Withdrawal Application and immediately prior to the Merger Effective Time (the "**Exit Shares**"). A shareholder of Sensata-NL who has voted in favor of the Merger Resolution at the general meeting of Sensata-NL, has abstained from voting, or was not present or represented at the general meeting does not have a Withdrawal Right. Broker non-votes will be treated as abstentions for the purpose of determining whether a shareholder is eligible to exercise its Withdrawal Right.
- 10.4 Pursuant to article 2:333h of the DCC, Withdrawing Shareholders are entitled to receive Cash Compensation for their Exit Shares. The Cash Compensation per Exit Share to be received by a Withdrawing Shareholder will be determined in accordance with the criterion (the "**Criterion**") set out in the NV Proposed Articles, subject to the amendment of Sensata-NL's articles of association being resolved upon and amended in conformity with the NV Proposed Articles at the general meeting of Sensata-NL to resolve upon and give effect to the Merger.
- 10.5 The amount of Cash Compensation per NV Ordinary Share will be determined on the basis of the average closing price of a NV Ordinary Share provided on a daily basis by the New York Stock Exchange over a period of the last twenty (20) trading days immediately prior to the Merger Effective Time, such in accordance with the following new article 41 that is proposed to be inserted in the NV Proposed Articles:

***"Article 41. Withdrawal right and criterion pursuant to article 2:333h of the Dutch Civil Code.***

*If the Company merges into Sensata Technologies Holding plc (Sensata-UK) in accordance with the terms and conditions of the joint merger proposal dated the 26<sup>th</sup> day of October two thousand seventeen as drawn up by the Board and the board of directors of Sensata-UK (Merger Proposal), which Merger Proposal provides for an exchange ratio applicable to such merger of one (1) share in the capital of Sensata-UK in exchange for one (1) share in the capital of the Company, the compensation per share which, pursuant to article 2:333h of the Dutch Civil Code, may be requested for by the Shareholders who voted against the aforementioned merger instead of acquiring shares in the capital of Sensata-UK, is determined by the Board on the following basis:*

*the average closing price per Share provided on a daily basis by the New York Stock Exchange over a period of the last twenty (20) trading days immediately prior to the date the merger becomes effective.*

*The aforementioned compensation shall be paid in accordance with the terms and conditions of the Merger Proposal.”*

- 10.6 After the expiry of the Withdrawal Period, Sensata-NL and Sensata-UK will jointly determine the number of Withdrawing Shareholders and the aggregate number of Exit Shares based on the Withdrawal Applications received.
- 10.7 As a result of the procedure described above, the Cash Compensation to be received by each Withdrawing Shareholder will be determined, and the Cash Compensation will be paid to each Withdrawing Shareholder, prior to the execution of the Pre-Merger Certificate (as defined below).
- 10.8 Sensata-UK hereby assumes the obligation of Sensata-NL to pay the Cash Compensation to the Withdrawing Shareholders in accordance with article 2:333i paragraph 4 DCC and will pay such Cash Compensation to the Withdrawing Shareholders within ten (10) business days following the Merger Effective Time, net of any Dutch dividend withholding tax that is required to be withheld by law.
- 10.9 A shareholder of Sensata-NL that wishes to exercise its Withdrawal Right must take the following steps:
  - 10.9.1 vote against the Merger Resolution at the general meeting of Sensata-NL to resolve upon and give effect to the Merger;
  - 10.9.2 submit the Withdrawal Application Form in accordance with section 10.1 of this Merger Proposal; and
  - 10.9.3 continue to hold and not sell, transfer or dispose of or enter into any agreement to sell, transfer or dispose of its NV Ordinary Shares until the Merger Effective Time.

## **11. RESULTS OF THE MERGER**

- 11.1 Upon the Merger becoming effective at the Merger Effective Time, Sensata-UK:
  - 11.1.1 shall receive by universal succession of title all the assets and liabilities of Sensata-NL as they are as at the Merger Effective Time;
  - 11.1.2 shall by operation of law be subrogated in all rights and obligations resulting from any agreement or commitment whatsoever imposing obligations on Sensata-NL, or benefiting to it.

As a result, Sensata-UK shall (i) bear all taxes, charges, premiums, contributions or equivalent as well as all ordinary and extraordinary costs and expenses which encumber or shall encumber any transferred properties or which are attached to their ownership or management; and (ii) serve all notices and take all such steps and actions as necessary in a timely manner with all authorities for the transfer of the assets;

- 11.1.3 shall succeed Sensata-NL as a party to all treaties, agreements, contracts, covenants and commitments entered into with customers, suppliers, creditors and generally with third parties in connection with the transferred assets and



liabilities, and shall also take it upon itself to fulfil or terminate at its own risk and expense all agreements, treaties, covenants, contracts, memorandums of understanding, insurance policies or any other commitments that may have been entered into by Sensata-NL prior to the Merger Effective Time for its operating needs or its estate;

- 11.1.4 shall be required to discharge excess liabilities and shall benefit from any reduction in such liabilities if it turns out that there is a difference, whether positive or negative, between the reported liabilities and any amounts claimed by third parties and recognised as being due;
  - 11.1.5 shall comply with the legislative and regulatory provisions concerning the management and nature of the transferred assets and shall make sure that any required authorisations are obtained or renewed, at its own risk and expense;
  - 11.1.6 shall be required to fulfil all obligations and shall benefit from all the rights of Sensata-NL or in connection with its management or resulting therefrom and notably from all the rights and obligations resulting from any permits, agreements or authorisations;
  - 11.1.7 shall by operation of law be subrogated in the rights of Sensata-NL acting as plaintiff or defendant, as the case may be, in any legal, administrative or other proceedings; and
  - 11.1.8 shall become shareholder or a partner in any companies Sensata-NL holds a shareholding, provided that the applicable contractual, regulatory and legislative provisions are complied with.
- 11.2 Immediately prior to the Merger Effective Time, Sensata-NL:
- 11.2.1 shall provide to Sensata-UK all information as may be required and shall execute all such documents as may be necessary and provide all necessary support as required to ensure the effectiveness vis-a-vis any party of the transfer of the assets and liabilities transferred in the context of the Merger and that this Merger Proposal has full effect; and
  - 11.2.2 shall in particular establish any supplementary, reiterative or confirmatory agreements in respect of the contemplated Merger and shall provide any explanations and signatures that may be required.
- 11.3 Specific provisions relating to agreements entered into between the Disappearing Company and the Acquiring Company:

Any agreement entered into between the Acquiring Company and the Disappearing Company shall, as a result of this Merger, be automatically terminated as from the Merger Effective Time. However, any agreements to which any third party is also a party shall continue to apply with regards the Acquiring Company including the assumption by Sensata-UK of (i) all guarantees of subsidiary indebtedness made by Sensata-NL and (ii) all indemnification agreements between Sensata-NL and its executive officers and directors, in each case to the extent it remains outstanding at the time the Merger takes effect.

## 12. CONDITIONS PRECEDENT

- 12.1 The Merger Resolution and the resolution to amend the articles of association of Sensata-NL in accordance with the NV Proposed Articles are to be adopted by the shareholders of Sensata-NL at the general meeting of Sensata-NL, which is expected to take place on 5 January 2018 (the "**NV General Meeting**"). The NV General Meeting will be convened in the ordinary manner and the agenda to the meeting will be available on the website of Sensata-NL ([www.sensata.com](http://www.sensata.com)).
- 12.2 The board of directors of Sensata-NL can resolve at any given time in its sole discretion, including after the NV General Meeting, that the Merger is no longer in the interest of Sensata-NL and the enterprise connected with it, and therefore resolve not to effect the Merger.
- 12.3 The implementation of the Merger will remain subject to the following conditions:
- 12.3.1 the U.S. Securities and Exchange Commission having declared the registration statement on Form S-4, including the proxy statement/prospectus, effective, and no decree, injunction or stop order with respect thereto shall be in effect;
  - 12.3.2 the UK Ordinary Shares to be issued pursuant to the Merger having been authorised for listing on the New York Stock Exchange, subject to an official notice of issuance;
  - 12.3.3 the UK Ordinary Shares having been deemed eligible for deposit, book-entry and clearance services by DTC and its affiliates;
  - 12.3.4 the adoption of the Merger Resolution at the NV General Meeting;
  - 12.3.5 the adoption of the resolution to amend the articles of association of Sensata-NL in accordance with the NV Proposed Articles at the NV General Meeting;
  - 12.3.6 the approval of the terms of this Merger Proposal at a Court-convened shareholders' meeting of Sensata-UK pursuant to regulation 13 of the UK Regulations;
  - 12.3.7 the receipt of any and all requisite consents and approvals with respect to the Merger and the transactions contemplated to be taken in connection therewith from (a) the holders of each of the 4.875% Senior Notes due 2023 (the "**4.875% Notes**"), the 5.625% Senior Notes due 2024 (the "**5.625% Notes**"), and the 5.00% Senior Notes due 2025 (the "**5.00% Notes**") issued by Sensata Technologies B.V., an indirect, wholly owned subsidiary of Sensata-NL ("**Sensata BV**"); (b) the holders of the 6.250% Senior Notes due 2026 (the "**6.250% Notes**", and together with the 4.875% notes, the 5.625% Notes and the 5.00% Notes, the "**Notes**") issued by Sensata Technologies UK Financing Co. plc, an indirect, wholly owned subsidiary of Sensata-NL ("**Sensata Technologies UK**" and together with Sensata BV, the "**Issuers**"); (c) the lenders under the Credit Agreement dated as of May 12, 2011 by and among Sensata BV and certain of its affiliates, Morgan Stanley Senior Funding, Inc., as Administrative Agent, and the lenders thereunder, as amended from time to time;

- 12.3.8 a declaration having been received from the local district court in Overijssel, the Netherlands, that no creditor has opposed the Merger pursuant to article 2:316 of the DCC or, in case of any opposition pursuant to article 2:316 of the DCC, a declaration that such opposition was withdrawn or discharged;
  - 12.3.9 the aggregate number of NV Ordinary Shares for which a Withdrawal Application has been made representing less than 1% of the issued and outstanding share capital of Sensata-NL at the expiry of the Withdrawal Period;
  - 12.3.10 a Dutch civil law notary selected by Sensata-NL having issued the pre-merger compliance certificate and delivered a (copy of a) true copy thereof to Sensata-NL, such certificate being the pre-merger scrutiny certificate pursuant to the EU Directive 2005/56/EC of the European Parliament and Council of October 26, 2005 on cross-border mergers of limited liability companies ("**Pre-Merger Certificate**");
  - 12.3.11 the issuance of an order by the UK High Court certifying that Sensata-UK has properly completed the pre-merger acts and formalities for the Merger pursuant to regulation 6 of the UK Regulations;
  - 12.3.12 the issuance of an order by the UK High Court approving the completion of the Merger pursuant to regulation 16 of the UK Regulations, following the joint application of Sensata-NL and Sensata-UK made within six months after the issuance of the pre-merger confirmation order described under paragraph 12.3.11 of this Merger Proposal;
  - 12.3.13 any statutory, court or official prohibition to complete the Merger having expired or been terminated; and
  - 12.3.14 no law or order prohibiting, or pending lawsuit seeking to prohibit, the Merger will have been issued or filed by any competent U.S., European Union, Netherlands, or United Kingdom governmental entity; and
  - 12.3.15 no event, change, circumstance, discovery, announcement, occurrence, effect or state of facts having occurred that, individually or in the aggregate, leads or would reasonably be expected to lead the equity value of Sensata-NL to be lower than the paid-up share capital increased with the aggregate amount of Cash Compensation due to Withdrawing Shareholders who have exercised their Withdrawal Right with respect to the Merger.
- 12.4 The condition precedent set forth in paragraph 12.3.9 above is for the benefit of Sensata-NL and may be waived at any time by Sensata-NL by written notice to Sensata-UK.
- 12.5 Should such conditions precedent not be fulfilled or, as the case may be waived, six (6) months as from the date of publication of this Merger Proposal, the Merger Proposal shall be automatically terminated and no indemnity shall be due by either of Sensata-UK or Sensata-NL.

- 12.6 Each of the boards of directors of the Merging Companies (or any officer granted such power by the board) shall confirm in writing to each other the satisfaction or waiver, as the case may be, of the Merger conditions set out in paragraph 12.2 (the "**Merger Confirmation**").
- 12.7 Following the Merger Confirmation, the Merger will take effect as at the Merger Effective Time. According to article 2:318 of the DCC, the Merger must be effected within six (6) months after the publication of this Merger Proposal.

### 13. **EMPLOYEE PARTICIPATION**

Given that Sensata-UK and Sensata-NL are not subject to employee participation as referred to in article 2:333k paragraph 1 of the DCC and part 4 of the UK Regulations, no procedure for the establishment of rules concerning employee participation in respect of Sensata-UK needs to be followed and the provisions of article 16 of the Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies shall not apply.

### 14. **APPOINTMENT OF INDEPENDENT EXPERTS AND THE INDEPENDENT EXPERT'S REPORTS**

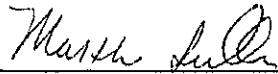
In accordance with article 2:328 paragraph 1 and article 2:333g of the DCC and regulation 9(2) of the UK Regulations, the boards of directors of each of the Merging Companies appointed an independent expert in each of the Netherlands and England and Wales to examine this Merger Proposal, to give the declarations referred to in article 2:328 paragraph 1 of the DCC and regulation 9(5) of the UK Regulations and to each draw up a report as referred to in article 2:328 paragraph 2 of the DCC and regulation 9 of the UK Regulations respectively. The Dutch independent expert report will be filed with the Dutch Commercial Register (*Handelsregister*) and will be made available at the offices of Sensata-NL at the same time as this Merger Proposal. The UK independent expert report will be made available at the offices of Sensata-UK at the same time as this Merger Proposal.

### 15. **MISCELLANEOUS**

- 15.1 The Schedules to this Merger Proposal are considered to be part of this Merger Proposal.
- 15.2 This Proposal has been signed by all members of the boards of the directors of the Merging Companies.
- 15.3 This Proposal shall be filed with the Dutch Commercial Register (*Handelsregister*) and the Registrar of Companies in the UK and shall be made available at the offices of the Merging Companies. The filing shall be announced in a Dutch nationally distributed newspaper and in the Dutch National Gazette (*Staatscourant*). Each creditor of a Merging Company shall have the right to file a petition against this Proposal until one month after the announcement.

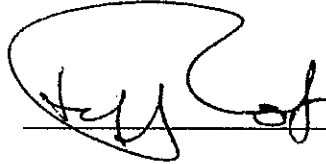
**Signature page to the Merger Proposal of Sensata Technologies Holding N.V. as the disappearing company and Sensata Technologies Holding plc as the surviving company**

**Board of directors of Sensata Technologies Holding plc:**



Name: Martha Sullivan

Title: Director



Name: Jeffrey Cote

Title: Director

**Signature page to the Merger Proposal of Sensata Technologies Holding N.V. as the disappearing company and Sensata Technologies Holding plc as the surviving company**

**Board of directors of Sensata Technologies Holding N.V.:**



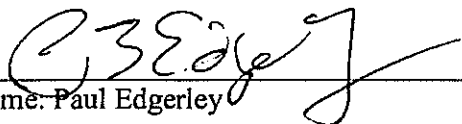
Name: Martha Sullivan

Title: Executive Director



Name: Thomas Wroe

Title: Non-Executive Director



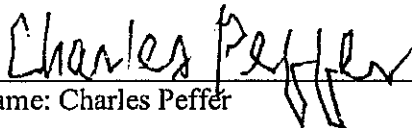
Name: Paul Edgerley

Title: Non-Executive Director



Name: Constance Skidmore

Title: Non-Executive Director



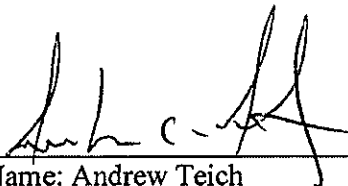
Name: Charles Peffer

Title: Non-Executive Director



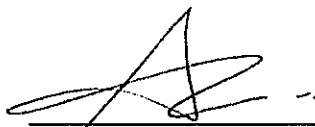
Name: Kirk Pond

Title: Non-Executive Director



Name: Andrew Teich

Title: Non-Executive Director



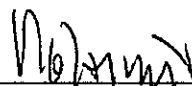
Name: Stephen Zide

Title: Non-Executive Director



Name: James Heppelmann

Title: Non-Executive Director



Name: Beda Bolzenius

Title: Non-Executive Director