STONERIDGE INC
Form 10-K
March 16, 2010

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

FORM 10-K

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

For the fiscal year ended December 31, 2009

OR

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

For the transition period from ________to ________

Commission file number: 001-13337

STONERIDGE, INC.
(Exact name of registrant as specified in its charter)

Ohio	34-1598949
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9400 East Market Street, Warren, Ohio	44484
(Address of principal executive offices)	(Zip Code)

(330) 856-2443
Registrant’s telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, without par value	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
o Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
o Yes x No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
o Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
o

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

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
o Yes x No

As of June 30, 2009, the aggregate market value of the registrant's Common Shares, without par value, held by non-affiliates of the registrant was approximately $72.1 million. The closing price of the Common Shares on June 30, 2009 as reported on the New York Stock Exchange was $4.80 per share. As of June 30, 2009, the number of Common Shares outstanding was 25,175,801.

The number of Common Shares, without par value, outstanding as of February 19, 2010 was 25,968,765.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2010, into Part III, Items 10, 11, 12, 13 and 14.

STONERIDGE, INC. AND SUBSIDIARIES

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PART I

Item 1. Business.

Overview

Founded in 1965, Stoneridge, Inc. (the “Company”) is an independent designer and manufacturer of highly engineered electrical and electronic components, modules and systems for the medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle markets. Our custom-engineered products are predominantly sold on a sole-source basis and consist of application-specific control devices, sensors, vehicle management electronics and power and signal distribution systems. These products comprise the elements of every vehicle’s electrical system, and individually interface with a vehicle’s mechanical and electrical systems to (i) activate equipment and accessories, (ii) display and monitor vehicle performance and (iii) control and distribute electrical power and signals. Our products improve the performance, safety, convenience and environmental monitoring capabilities of our customers’ vehicles. As such, the growth in many of the product areas in which we compete is driven by the increasing consumer desire for safety, security and convenience. This is coupled with the need for original equipment manufacturers (“OEM”) to meet safety requirements in addition to the general trend of increased electrical and electronic content per vehicle. Our technology and our partnership-oriented approach to product design and development enables us to develop next-generation products and to excel in the transition from mechanical-based components and systems to electrical and electronic components, modules and systems.

Products

We conduct our business in two reportable segments: Electronics and Control Devices. The Company’s operating segments are aggregated based on sharing similar economic characteristics. Other aggregation factors include the nature of the products offered and management and oversight responsibilities. The core products of the Electronics reportable segment include vehicle electrical power and distribution systems and electronic instrumentation and information display products. The core products of the Control Devices reportable segment include electronic and electrical switch products, control actuation devices and sensors. We design and manufacture the following vehicle products:

Electronics. The Electronics reportable segment produces electronic instrument clusters, electronic control units, driver information systems and electrical distribution systems, primarily wiring harnesses and connectors for electrical power and signal distribution. These products collect, store and display vehicle information such as speed, pressure, maintenance data, trip information, operator performance, temperature, distance traveled and driver messages related to vehicle performance. In addition, power distribution systems regulate, coordinate and direct the operation of the entire electrical system within a vehicle compartment. These products use state-of-the-art hardware, software and multiplexing technology and are sold principally to the medium- and heavy-duty truck, agricultural and off-highway vehicle markets.

Control Devices. The Control Devices reportable segment produces products that monitor, measure or activate a specific function within the vehicle. Product lines included within the Control Devices segment are sensors, switches, actuators, as well as other electronic products. Sensor products are employed in most major vehicle systems, including the emissions, safety, powertrain, braking, climate control, steering and suspension systems. Switches transmit a signal that activates specific functions. Hidden switches are not typically seen by vehicle passengers, but are used to activate or deactivate selected functions. Customer activated switches are used by a vehicle's operator or passengers to manually activate headlights, rear defrosters and other accessories. In addition, the Control Devices segment designs and manufactures electromechanical actuator products that enable users to deploy power functions in a vehicle and can be designed to integrate switching and control functions. We sell these products principally to the automotive market.

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The following table presents net sales by reportable segment, as a percentage of total net sales:

	For the Years Ended December 31,		
	2009	2008	2007
Electronics	63%	69%	61%
Control Devices	37	31	39
Total	100%	100%	100%

For further information related to our reportable segments and financial information about geographic areas, see Note 12, "Segment Reporting," to the consolidated financial statements included in this report.

Production Materials

The principal production materials used in the manufacturing process for both reportable segments include: copper wire, zinc, cable, resins, plastics, printed circuit boards, and certain electrical components such as microprocessors, memory devices, resistors, capacitors, fuses, relays and connectors. We purchase such materials pursuant to both annual contract and spot purchasing methods. Such materials are available from multiple sources, but we generally establish collaborative relationships with a qualified supplier for each of our key production materials in order to lower costs and enhance service and quality. As demand for our production materials increases as a result of a recovering economy, we may have difficulties obtaining adequate production materials from our suppliers to satisfy our customers. Any extended period of time, which we cannot obtain adequate production material or which we experience an increase in the price of the production material could materially affect our results of operations and financial condition.

Patents and Intellectual Property

Both of our reportable segments maintain and have pending various U.S. and foreign patents and other rights to intellectual property relating to our business, which we believe are appropriate to protect the Company's interests in existing products, new inventions, manufacturing processes and product developments. We do not believe any single patent is material to our business, nor would the expiration or invalidity of any patent have a material adverse effect on our business or ability to compete. We are not currently engaged in any material infringement litigation, nor are there any material infringement claims pending by or against the Company.

Industry Cyclicality and Seasonality

The markets for products in both of our reportable segments have historically been cyclical. Because these products are used principally in the production of vehicles for the medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle markets, sales, and therefore results of operations, are significantly dependent on the general state of the economy and other factors, like the impact of environmental regulations on our customers, which affect these markets. A decline in medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle production of our principal customers could adversely impact the Company. Approximately 67%, 70% and 60% of our net sales in 2009, 2008 and 2007, respectively, were derived from the medium- and heavy-duty truck, agricultural and off-highway vehicle markets. Approximately 33%, 30% and 40% of our net sales in 2009, 2008 and 2007, respectively, were made to the automotive market.

Customers

We are dependent on several customers for a significant percentage of our sales. The loss of any significant portion of our sales to these customers or the loss of a significant customer would have a material adverse impact on the financial condition and results of operations of the Company. We supply numerous different parts to each of our principal customers. Contracts with several of our customers provide for supplying their requirements for a particular model, rather than for manufacturing a specific quantity of products. Such contracts range from one year to the life of the model, which is generally three to seven years. Therefore, the loss of a contract for a major model or a significant decrease in demand for certain key models or group of related models sold by any of our major customers could have a material adverse impact on the Company. We may also enter into contracts to supply parts, the introduction of which may then be delayed or not used at all. We also compete to supply products for successor models and are therefore subject to the risk that the customer will not select the Company to produce products on any such model, which could have a material adverse impact on the financial condition and results of operations of the Company. In addition, we sell products to other customers that are ultimately sold to our principal customers.

The following table presents the Company’s principal customers, as a percentage of net sales:

	For the Years Ended December 31,		
	2009	2008	2007
Navistar International	27%	26%	20%
Deere & Company	12	10	7
Ford Motor Company	9	6	8
General Motors	5	4	6
Chrysler LLC	4	6	5
MAN AG	3	4	6
Other	40	44	48
Total	100%	100%	100%

Backlog

Our products are produced from readily available materials and have a relatively short manufacturing cycle; therefore our products are not on backlog status. Each of our production facilities maintains its own inventories and production schedules. Production capacity is adequate to handle current requirements and can be expanded to handle increased growth if needed.

Competition

Markets for our products in both reportable segments are highly competitive. The principal methods of competition are technological innovation, price, quality, service and timely delivery. We compete for new business both at the beginning of the development of new models and upon the redesign of existing models. New model development generally begins two to five years before the marketing of such models to the public. Once a supplier has been selected to provide parts for a new program, an OEM customer will usually continue to purchase those parts from the selected supplier for the life of the program, although not necessarily for any model redesigns.

Our diversity in products creates a wide range of competitors, which vary depending on both market and geographic location. We compete based on strong customer relations and a fast and flexible organization that develops technically effective solutions at or below target price. We compete against the following primary competitors:

Electronics. Our primary competitors include Actia Automotive, AEES Platinum Equity Bosch, Continental AG, Delphi, Leoni, Nexans and Yazaki.

Control Devices. Our primary competitors include BEI Duncan Electronics, Bosch, Continental AG, Delphi, Denso, Hella, Methode Electronics and TRW.

Product Development

Our research and development efforts for both reportable segments are largely product design and development oriented and consist primarily of applying known technologies to customer generated problems and situations. We work closely with our customers to creatively solve problems using innovative approaches. The majority of our development expenses are related to customer-sponsored programs where we are involved in designing custom-engineered solutions for specific applications or for next generation technology. To further our vehicles platform penetration, we have also developed collaborative relationships with the design and engineering departments of key customers. These collaborative efforts have resulted in the development of new and complimentary products and the enhancement of existing products.

Development work at the Company is largely performed on a decentralized basis. We have engineering and product development departments located at a majority of our manufacturing facilities. To ensure knowledge sharing among decentralized development efforts, we have instituted a number of mechanisms and practices whereby innovation and best practices are shared. The decentralized product development operations are complimented by larger technology groups in Canton, Massachusetts, Lexington, Ohio and Stockholm, Sweden.

We use efficient and quality oriented work processes to address our customers' high standards. Our product development technical resources include a full complement of computer-aided design and engineering ("CAD/CAE") software systems, including (i) virtual three-dimensional modeling, (ii) functional simulation and analysis capabilities and (iii) data links for rapid prototyping. These CAD/CAE systems enable the Company to expedite product design and the manufacturing process to shorten the development time and ultimately time to market.

We have further strengthened our electrical engineering competencies through investment in equipment such as (i) automotive electro-magnetic compliance test chambers, (ii) programmable automotive and commercial vehicle transient generators, (iii) circuit simulators and (iv) other environmental test equipment. Additional investment in product machining equipment has allowed us to fabricate new product samples in a fraction of the time required historically. Our product development and validation efforts are supported by full service, on-site test labs at most manufacturing facilities, thus enabling cross-functional engineering teams to optimize the product, process and system performance before tooling initiation.

We have invested, and will continue to invest in technology to develop new products for our customers. Product development costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses, as incurred. Such costs amounted to approximately $33.0 million, $45.5 million and $45.2 million for 2009, 2008 and 2007, respectively, or 6.9%, 6.0% and 6.2% of net sales for these periods.

We will continue shifting our investment spending toward the design and development of new products rather than focusing on sustaining existing product programs for specific customers. The typical product development process takes three to five years to show tangible results. As part of our effort to shift our investment spending, we reviewed our current product portfolio and adjusted our spending to either accelerate or eliminate our investment in these products, based on our position in the market and the potential of the market and product.

Environmental and Other Regulations

Our operations are subject to various federal, state, local and foreign laws and regulations governing, among other things, emissions to air, discharge to water and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. We believe that our business, operations and facilities have been and are being operated in compliance, in all material respects, with applicable environmental and health and safety laws and regulations, many of which provide for substantial fines and criminal sanctions for violations.

Employees

As of December 31, 2009, we had approximately 5,200 employees, approximately 1,500 of whom were salaried and the balance of whom were paid on an hourly basis. Except for certain employees located in Mexico, Sweden, and the United Kingdom, our employees are not represented by a union. Our unionized workers are not covered by collective bargaining agreements. We believe that relations with our employees are good.

Joint Ventures

We form joint ventures in order to achieve several strategic objectives including gaining access to new markets, exchanging technology and intellectual capital, broadening our customer base and expanding our product offerings. Specifically we have formed joint ventures in Brazil, PST Eletrônica S.A. ("PST") and India, Minda Stoneridge Instruments Ltd. ("Minda") and continue to explore similar business opportunities in other global markets. We have a 50% interest in PST and a 49% interest in Minda. We entered into our PST joint venture in October 1997 and our Minda joint venture in August 2004. Each of these investments is accounted for using the equity method of accounting.

Our joint ventures have contributed positively to our financial results in 2009, 2008 and 2007. Equity earnings by joint venture for the years ended December 31, 2009, 2008 and 2007 are summarized in the following table (in thousands):

	For the Years Ended December 31,		
	2009	2008	2007
PST	$ 7,385	$ 12,788	$ 10,351
Minda	390	702	542
Total equity earnings of investees	$ 7,775	$ 13,490	$ 10,893

In Brazil, our PST joint venture, which is an electronic system provider focused on security and convenience applications primarily for the vehicle and motorcycle industry, generated net sales of $140.7 million, $174.3 million and $133.0 million in 2009, 2008 and 2007, respectively. We received dividend payments of $7.3 million, $4.2 million and $5.6 million from PST in 2009, 2008 and 2007, respectively.

Executive Officers of the Company

Each executive officer of the Company is appointed by the Board of Directors, serves at its pleasure and holds office until a successor is appointed, or until the earlier of death, resignation or removal. The Board of Directors generally appoints executive officers annually. The executive officers of the Company are as follows:

Name	Age	Position
John C. Corey	62	President, Chief Executive Officer and Director
George E. Strickler	62	Executive Vice President, Chief Financial Officer and Treasurer
Thomas A. Beaver	56	Vice President of the Company and Vice President of Global Sales and Systems Engineering
Mark J. Tervalon	43	Vice President of the Company and President of the Stoneridge Electronics Division
Michael D. Sloan	53	Vice President of the Company and President of the Control Devices Division

John C. Corey, President, Chief Executive Officer and Director. Mr. Corey has served as President and Chief Executive Officer since being appointed by the Board of Directors in January 2006. Mr. Corey has served as a Director on the Board of Directors since January 2004. Prior to his employment with the Company, Mr. Corey served from October 2000, as President and Chief Executive Officer and Director of Safety Components International, a supplier of airbags and components, with worldwide operations. Mr. Corey has served as a director and Chairman of the Board of Haynes International, Inc., a producer of metal alloys since 2004.

George E. Strickler, Executive Vice President, Chief Financial Officer and Treasurer. Mr. Strickler has served as Executive Vice President and Chief Financial Officer since joining the Company in January of 2006. Mr. Strickler was appointed Treasurer of the Company in February 2007. Prior to his employment with the Company, Mr. Strickler served as Executive Vice President and Chief Financial Officer for Republic Engineered Products, Inc. ("Republic"), from February 2004 to January of 2006. Before joining Republic, Mr. Strickler was BorgWarner Inc.'s Executive Vice President and Chief Financial Officer from February 2001 to November 2003.

Thomas A. Beaver, Vice President of the Company and Vice President of Global Sales and Systems Engineering. Mr. Beaver has served as Vice President of the Company and Vice President of Global Sales and Systems Engineering since January of 2005. Prior to that, Mr. Beaver served as Vice President of Stoneridge Sales and Marketing from January 2000 to January 2005.

Mark J. Tervalon, Vice President of the Company and President of the Stoneridge Electronics Division. Mr. Tervalon has served as President of the Stoneridge Electronics Division and Vice President of the Company since August of 2006. Prior to that, Mr. Tervalon served as Vice President and General Manager of the Electronic Products Division from May 2002 to December 2003 when he became Vice President and General Manager of the Stoneridge Electronics Group until August 2006.

Michael D. Sloan, Vice President of the Company and President of the Control Devices Division. Mr. Sloan has served as President of the Control Devices Division since July of 2009 and Vice President of the Company since December of 2009. Prior to that, Mr. Sloan served as Vice President and General Manager of Stoneridge Hi-Stat from February 2004 to July 2009.

Available Information

We make available, free of charge through our website (www.stoneridge.com), our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, and other filings with the U.S. Securities and Exchange Commission ("SEC"), as soon as reasonably practicable after they are filed with the SEC. Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers, Whistleblower Policy and Procedures and the charters of the Board's Audit, Compensation and Nominating and Corporate Governance Committees are posted on our website as well. Copies of these documents will be available to any shareholder upon request. Requests should be directed in writing to Investor Relations at 9400 East Market Street, Warren, Ohio 44484.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F. Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including the Company.

Item 1A. Risk Factors.

Set forth below are some of the principal risks and uncertainties that could cause our actual business results to differ materially from any forward-looking statements contained in this Annual Report. In addition, future results could be materially affected by general industry and market conditions, changes in laws or accounting rules, general U.S. and non-U.S. economic and political conditions, including a global economic slow-down, fluctuation of interest rates or currency exchange rates, terrorism, political unrest or international conflicts, political instability or major health concerns, natural disasters, commodity prices or other disruptions of expected economic and business conditions. These risk factors should be considered in addition to our cautionary comments concerning forward-looking statements in this Annual Report, including statements related to markets for our products and trends in our business that involve a number of risks and uncertainties. Our separate section to follow, "Forward-Looking Statements," on page 31 should be considered in addition to the following statements.

Our business is cyclical and seasonal in nature and downturns in the medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle markets could reduce the sales and profitability of our business.

The demand for our products is largely dependent on the domestic and foreign production of medium- and heavy-duty trucks, automotive, agricultural and off-highway vehicles. The markets for our products have historically been cyclical, because new vehicle demand is dependent on, among other things, consumer spending and is tied closely to the overall strength of the economy. Because our products are used principally in the production of vehicles for the medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle markets, our net sales, and therefore our results of operations, are significantly dependent on the general state of the economy and other factors which affect these markets. A decline in medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle production could adversely impact our results of operations and financial condition. In 2009, approximately 67% of our net sales were derived from the medium- and heavy-duty truck, agricultural and off-highway vehicle markets and approximately 33% were made to the automotive market. Seasonality experienced by the automotive industry also impacts our operations.

We may not realize sales represented by awarded business.

We base our growth projections, in part, on commitments made by our customers. These commitments generally renew annually during a program life cycle. If actual production orders from our customers do not approximate such commitments, it could adversely affect our business.

The prices that we can charge some of our customers are predetermined and we bear the risk of costs in excess of our estimates.

Our supply agreements with some of our customers require us to provide our products at predetermined prices. In some cases, these prices decline over the course of the contract and may require us to meet certain productivity and cost reduction targets. In addition, our customers may require us to share productivity savings in excess of our cost reduction targets. The costs that we incur in fulfilling these contracts may vary substantially from our initial estimates. Unanticipated cost increases or the inability to meet certain cost reduction targets may occur as a result of several factors, including increases in the costs of labor, components or materials. In some cases, we are permitted to pass on to our customers the cost increases associated with specific materials. Cost overruns that we cannot pass on to our customers could adversely affect our business, results of operations and financial condition.

We are dependent on the availability and price of raw materials.

We require substantial amounts of raw materials and substantially all raw materials we require are purchased from outside sources. The availability and prices of raw materials may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and worldwide price levels. As demand for our raw materials increases as a result of a recovering economy, we may have difficulties obtaining adequate raw materials from our suppliers to satisfy our customers. Any extended period of time, which we cannot obtain adequate raw material or which we experience an increase in the price of the raw material could materially affect our results of operations and financial condition.

The loss or insolvency of any of our major customers would adversely affect our future results.

We are dependent on several principal customers for a significant percentage of our net sales. In 2009, our top three principal customers were Navistar International, Deere & Company and Ford Motor Company, which comprised 27%, 12% and 9% of our net sales respectively. In 2009, our top ten customers accounted for 69% of our net sales. The loss of any significant portion of our sales to these customers or any other customers would have a material adverse impact on our results of operations and financial condition. The contracts we have entered into with many of our customers provide for supplying the customers' requirements for a particular model, rather than for manufacturing a specific quantity of products. Such contracts range from one year to the life of the model, which is generally three to seven years. These contracts are subject to renegotiation, which may affect product pricing and generally may be terminated by our customers at any time. Therefore, the loss of a contract for a major model or a significant decrease in demand for certain key models or group of related models sold by any of our major customers could have a material adverse impact on our results of operations and financial condition by reducing cash flows and our ability to spread costs over a larger revenue base. We also compete to supply products for successor models and are subject to the risk that the customer will not select us to produce products on any such model, which could have a material adverse impact on our results of operations and financial condition. In addition, we have significant receivable balances related to these customers and other major customers that would be at risk in the event of their bankruptcy.

Consolidation among vehicle parts customers and suppliers could make it more difficult for us to compete favorably.

The vehicle part supply industry has undergone a significant consolidation as OEM customers have sought to lower costs, improve quality and increasingly purchase complete systems and modules rather than separate components. As a result of the cost focus of these major customers, we have been, and expect to continue to be, required to reduce prices. Because of these competitive pressures, we cannot assure you that we will be able to increase or maintain gross margins on product sales to our customers. The trend toward consolidation among vehicle parts suppliers is resulting in fewer, larger suppliers who benefit from purchasing and distribution economies of scale. If we cannot achieve cost savings and operational improvements sufficient to allow us to compete favorably in the future with these larger, consolidated companies, our results of operations and financial condition could be adversely affected.

Adverse effects from the bankruptcy emergence of significant competitors.

Recently, a few of our significant competitors filed and emerged from bankruptcy protection. The bankruptcy of these competitors has allowed them to eliminate or substantially reduce contractual obligations, including significant amounts of debt and avoid liabilities. The elimination or reduction of these obligations has made these competitors stronger financially, which could have an adverse effect on our competitive position and results of operations.

Our physical properties and information systems are subject to damage as a result of disasters, outages or similar events.

Our offices and facilities, including those used for design and development, material procurement, manufacturing, logistics and sales are located throughout the world and are subject to possible destruction, temporary stoppage or disruption as a result of any number of unexpected events. If any of these facilities or offices were to experience a significant loss as a result of any of the above events, it could disrupt our operations, delay production, shipments and revenue, and result in large expenses to repair or replace these facilities or offices.

In addition, network and information system shutdowns caused by unforeseen events such as power outages, disasters, hardware or software defects; computer viruses and computer security breaks pose increasing risks. Such an event could also result in the disruption of our operations, delay production, shipments and revenue, and result in large expenditures necessary to repair or replace such network and information systems.

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We must implement and sustain a competitive technological advantage in producing our products to compete effectively.

Our products are subject to changing technology, which could place us at a competitive disadvantage relative to alternative products introduced by competitors. Our success will depend on our ability to continue to meet customers' changing specifications with respect to quality, service, price, timely delivery and technological innovation by implementing and sustaining competitive technological advances. Our business may, therefore, require significant ongoing and recurring additional capital expenditures and investment in product development and manufacturing and management information systems. We cannot assure you that we will be able to achieve the technological advances or introduce new products that may be necessary to remain competitive. Our inability to continuously improve existing products, to develop new products and to achieve technological advances could have a material adverse effect on our results of operations and financial condition.

We may experience increased costs associated with labor unions that could adversely affect our financial performance and results of operations.

As of December 31, 2009, we had approximately 5,200 employees, approximately 1,500 of whom were salaried and the balance of whom were paid on an hourly basis. Certain employees located in Mexico, Sweden, and the United Kingdom are represented by a union but not collective bargaining agreements. We cannot assure you that our employees will not be covered by collective bargaining agreements in the future or that any of our facilities will not experience a work stoppage or other labor disruption. Any prolonged labor disruption involving our employees, employees of our customers, a large percentage of which are covered by collective bargaining agreements, or employees of our suppliers could have a material adverse impact on our results of operations and financial condition by disrupting our ability to manufacture our products or the demand for our products.

Compliance with environmental and other governmental regulations could be costly and require us to make significant expenditures.

Our operations are subject to various federal, state, local and foreign laws and regulations governing, among other things:

- the discharge of pollutants into the air and water;
- the generation, handling, storage, transportation, treatment, and disposal of waste and other materials;
- the cleanup of contaminated properties; and
- the health and safety of our employees.

We believe that our business, operations and facilities have been and are being operated in compliance in all material respects with applicable environmental and health and safety laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. The operation of our manufacturing facilities entails risks and we cannot assure you that we will not incur material costs or liabilities in connection with these operations. In addition, potentially significant expenditures could be required in order to comply with evolving environmental, health and safety laws, regulations or requirements that may be adopted or imposed in the future.

We may incur material product liability costs.

We are subject to the risk of exposure to product liability claims in the event that the failure of any of our products results in personal injury or death and we cannot assure you that we will not experience material product liability losses in the future. We maintain insurance against such product liability claims, but we cannot assure you that such coverage will be adequate for liabilities ultimately incurred or that it will continue to be available on terms acceptable to us. In addition, if any of our products prove to be defective, we may be required to participate in government-imposed or customer OEM-instituted recalls involving such products. A successful claim brought against us that exceeds available insurance coverage or a requirement to participate in any product recall could have a material adverse effect on our results of operations and financial condition.

Disruptions in the financial markets are adversely impacting the availability and cost of credit which could negatively affect our business.

Our senior notes with a face value of $183.0 million at December 31, 2009 mature on May 1, 2012. Our asset-based credit facility with a maximum borrowing level of $100.0 million expires on November 1, 2011. Collectively these ("debt instruments") will need to be refinanced prior to their respective maturities. Disruptions in the financial markets, including the bankruptcy, insolvency or restructuring of certain financial institutions, and the general lack of liquidity continue to adversely impact the availability and cost of credit for many companies, including us. We may be required to refinance these debt instruments at terms and rates that are less favorable than our current rates and terms, which could adversely affect our business, results of operations and financial condition.

We are subject to risks related to our international operations.

Approximately 19.1% of our net sales in 2009 were derived from sales outside of North America. Non-current assets outside of North America accounted for approximately 8.1% of our non-current assets as of December 31, 2009. International sales and operations are subject to significant risks, including, among others:

- political and economic instability;
- restrictive trade policies;
- economic conditions in local markets;
- currency exchange controls;
- labor unrest;
- difficulty in obtaining distribution support and potentially adverse tax consequences; and
- the imposition of product tariffs and the burden of complying with a wide variety of international and U.S. export laws.

Additionally, to the extent any portion of our net sales and expenses are denominated in currencies other than the U.S. dollar, changes in exchange rates could have a material adverse effect on our results of operations and financial condition.

We face risks through our equity investments in companies that we do not control.

Our consolidated results of operations include significant equity earnings from unconsolidated subsidiaries. For the year ended December 31, 2009, we recognized $7.8 million of equity earnings and received $7.3 million in cash dividends from our unconsolidated subsidiaries. Our equity investments may not always perform at the levels we have seen in recent years.

Our annual effective tax rate could be volatile and materially change as a result of changes in mix of earnings and other factors.

The overall effective tax rate is equal to our total tax expense as a percentage of our total earnings before tax. However, tax expense and benefits are not recognized on a global basis but rather on a jurisdictional or legal entity basis. Losses in certain jurisdictions provide no current financial statement tax benefit. As a result, changes in the mix of earnings between jurisdictions, among other factors, could have a significant impact on our overall effective tax rate.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company and its joint ventures currently own or lease 17 manufacturing facilities that are in use, which together contain approximately 1.6 million square feet of manufacturing space. Of these manufacturing facilities, 11 are used by our Electronics reportable segment, three are used by our Control Devices reportable segment and three are owned by our joint venture companies. The following table provides information regarding our facilities:

Location	Owned/ Leased	Use	Square Footage
Electronics			
Juarez, Mexico	Owned	Manufacturing/Division Office	183,854
Portland, Indiana	Owned	Manufacturing	182,000
Chihuahua, Mexico	Owned	Manufacturing	135,569
Tallinn, Estonia	Leased	Manufacturing	85,911
Walled Lake, Michigan	Leased	Manufacturing/Division Office	78,225
Orebro, Sweden	Leased	Manufacturing	77,472
Mitcheldean, England	Leased	Manufacturing (Vacant)	74,790
Monclova, Mexico	Leased	Manufacturing	68,436
Chihuahua, Mexico	Leased	Manufacturing	61,619
El Paso, Texas	Leased	Warehouse	50,000
Chihuahua, Mexico	Leased	Manufacturing	49,805
Stockholm, Sweden	Leased	Engineering Office/Division Office	37,714
Dundee, Scotland	Leased	Manufacturing/Sales Office/Engineering Office	32,753
Portland, Indiana	Leased	Warehouse	25,000
Warren, Ohio	Leased	Engineering Office/Division Office	24,570
Chihuahua, Mexico	Leased	Engineering Office/Manufacturing	10,000
Bayonne, France	Leased	Sales Office/Warehouse	9,655
Madrid, Spain	Leased	Sales Office/Warehouse	1,560
Rome, Italy	Leased	Sales Office	1,216
Control Devices			
Lexington, Ohio	Owned	Manufacturing/Division Office	219,612
Canton, Massachusetts	Owned	Manufacturing	132,560
Sarasota, Florida	Owned	Manufacturing (Vacant)	115,000
Suzhou, China	Leased	Manufacturing/Warehouse/Division Office	25,737
Sarasota, Florida	Owned	Warehouse (Vacant)	7,500
Lexington, Ohio	Leased	Warehouse	5,000
Lexington, Ohio	Leased	Warehouse	4,000
Corporate			
Novi, Michigan	Leased	Sales Office/Engineering Office	9,400
Warren, Ohio	Owned	Headquarters	7,500
Stuttgart, Germany	Leased	Sales Office/Engineering Office	1,000
Seoul, South Korea	Leased	Sales Office	330
Shanghai, China	Leased	Sales Office	323
Joint Ventures			
Manaus, Brazil	Owned	Manufacturing	102,247
Pune, India	Owned	Manufacturing/Engineering Office/Sales Office	80,000

São Paulo, Brazil	Owned	Manufacturing/Engineering Office/Sales Office	52,178
Buenos Aires, Argentina	Leased	Sales Office	3,551

Item 3. Legal Proceedings.

We are involved in certain legal actions and claims arising in the ordinary course of business. However, we do not believe that any of the litigation in which we are currently engaged, either individually or in the aggregate, will have a material adverse effect on our business, consolidated financial position or results of operations. We are subject to the risk of exposure to product liability claims in the event that the failure of any of our products causes personal injury or death to users of our products and there can be no assurance that we will not experience any material product liability losses in the future. We maintain insurance against such product liability claims. In addition, if any of our products prove to be defective, we may be required to participate in a government-imposed or customer OEM-instituted recall involving such products.

Item 4. (Removed and Reserved)

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our shares are listed on the New York Stock Exchange ("NYSE") under the symbol "SRI." As of February 19, 2010, we had 25,968,765 Common Shares without par value, issued and outstanding, which were owned by approximately 300 registered holders, including Common Shares held in the names of brokers and banks (so-called "street name" holdings) who are record holders with approximately 1,600 beneficial owners.

The Company has not historically paid or declared dividends, which are restricted under both the senior notes and the asset-based credit facility, on our Common Shares. We may only pay cash dividends in the future if immediately prior to and immediately after the payment is made, no event of default shall have occurred and outstanding indebtedness under our asset-based credit facility is not greater than or equal to $20.0 million before and after the payment of the dividend. We currently intend to retain earnings for acquisitions, working capital, capital expenditures, general corporate purposes and reduction in outstanding indebtedness. Accordingly, we do not expect to pay cash dividends in the foreseeable future.

High and low sales prices (as reported on the NYSE composite tape) for our Common Shares for each quarter ended during 2009 and 2008 are as follows:

	Quarter Ended	High	Low
2009	March 31	$ 4.76	$ 1.51
	June 30	$ 4.80	$ 2.04
	September 30	$ 7.08	$ 3.85
	December 31	$ 9.28	$ 6.78
2008	March 31	$ 14.15	$ 6.97
	June 30	$ 17.98	$ 13.04
	September 30	$ 19.06	$ 11.25
	December 31	$ 10.32	$ 2.42

The Company did not repurchase any Common Shares in 2009 or 2008.

Set forth below is a line graph comparing the cumulative total return of a hypothetical investment in our Common Shares with the cumulative total return of hypothetical investments in the Hemscott Group–Industry Group 333 (Automotive Parts) Index and the NYSE Market Index based on the respective market price of each investment at December 31, 2004, 2005, 2006, 2007, 2008 and 2009 assuming in each case an initial investment of $100 on December 31, 2004, and reinvestment of dividends.

	2004	2005	2006	2007	2008	2009
Stoneridge, Inc	$ 100	$ 44	$ 54	$ 53	$ 30	$ 60
Hemscott Group–Industry Group 333 Index	$ 100	$ 109	$ 132	$ 143	$ 87	$ 112
NYSE Market Index	$ 100	$ 89	$ 100	$ 108	$ 47	$ 102

For information on “Related Stockholder Matters” required by Item 201(d) of Regulation S-K, refer to Item 12 of this report.

Item 6. Selected Financial Data.

The following table sets forth selected historical financial data and should be read in conjunction with the consolidated financial statements and notes related thereto and other financial information included elsewhere herein. The selected historical data was derived from our consolidated financial statements.

	For the Years Ended December 31,				
	2009	2008	2007	2006	2005
Statement of Operations Data:	(in thousands, except per share data)				
Net sales:					
Electronics	$ 311,268	$ 533,328	$ 458,672	$ 456,932	$ 401,663
Control Devices	176,815	236,038	289,979	271,943	291,434
Eliminations	(12,931)	(16,668)	(21,531)	(20,176)	(21,513)
Consolidated	$ 475,152	$ 752,698	$ 727,120	$ 708,699	$ 671,584
Gross profit	$ 87,985	$ 166,287	$ 167,723	$ 158,906	$ 148,588
Operating income (loss) (A)	$ (18,243)	$ (43,271)	$ 34,799	$ 35,063	$ 23,303
Equity in earnings of investees	$ 7,775	$ 13,490	$ 10,893	$ 7,125	$ 4,052
Income (loss) before income taxes (A)					
Electronics	$ (13,911)	$ 38,713	$ 20,692	$ 20,882	$ (216)
Control Devices	(5,712)	(78,858)	15,825	13,987	19,429
Corporate interest	(21,782)	(20,708)	(21,969)	(21,622)	(22,994)
Other corporate activities	8,079	10,078	8,676	6,392	8,217
Consolidated.	$ (33,326)	$ (50,775)	$ 23,224	$ 19,639	$ 4,436
Net income (loss) (A), (B)	$ (32,323)	$ (97,527)	$ 16,671	$ 14,513	$ 933
Net income attributable to noncontrolling interest	82	-	-	-	-
Net income (loss) attributable to Stoneridge, Inc. and Subsidiaries (A), (B)	$ (32,405)	$ (97,527)	$ 16,671	$ 14,513	$ 933
Basic net income (loss) per share (A), (B)	$ (1.37)	$ (4.17)	$ 0.72	$ 0.63	$ 0.04
Diluted net income (loss) per share (A), (B)	$ (1.37)	$ (4.17)	$ 0.71	$ 0.63	$ 0.04
Other Data:					
Product development expenses	$ 32,993	$ 45,509	$ 45,223	$ 40,840	$ 39,193
Capital expenditures.	$ 11,998	$ 24,573	$ 18,141	$ 25,895	$ 28,934
Depreciation and amortization (C)	$ 19,939	$ 26,399	$ 28,503	$ 26,180	$ 26,157

Balance Sheet Data (at period end):										
Working capital	$	142,896	$	160,387	$	184,788	$	135,915	$	116,689
Total assets	$	362,525	$	382,437	$	527,769	$	501,807	$	463,038
Long-term debt, less current portion	$	183,431	$	183,000	$	200,000	$	200,000	$	200,000
Shareholders' equity	$	74,057	$	91,758	$	206,189	$	178,622	$	153,991

(A) Our 2008 operating loss, loss before income taxes, net loss, net loss attributable to Stoneridge, Inc. and Subsidiaries and related basic and diluted loss per share amounts includes a non-cash, pre-tax goodwill impairment loss of $65,175.

(B) Our 2008 net loss, net loss attributable to Stoneridge, Inc. and Subsidiaries and related basic and diluted loss per share amounts includes a non-cash deferred tax asset valuation allowance of $62,006.

(C) These amounts represent depreciation and amortization on fixed and certain finite-lived intangible assets.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The following Management Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations and financial condition of Stoneridge, Inc. (the "Company"). This MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements.

We are an independent designer and manufacturer of highly engineered electrical and electronic components, modules and systems for the medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle markets.

For the year ended December 31, 2009, net sales were $475.2 million, a decrease of $277.5 million compared with $752.7 million for the year ended December 31, 2008. The decrease in our net sales was primarily due to the severe reduction in sales volumes that we experienced in all of our markets in 2009. Our net loss for the year ended December 31, 2009 was $32.4 million, or $(1.37) per diluted share, compared with a net loss of $97.5 million, or $(4.17) per diluted share, for 2008. In 2008, we recognized a non-cash goodwill impairment charge of $65.2 million and a non-cash deferred tax asset valuation allowance of $62.0 million. There was no goodwill impairment recognized in 2009.

Our 2009 results were negatively affected by the decline in the North American and European commercial and North American automotive vehicle markets as well as the economy as a whole. Production volumes in the North American automotive vehicle market declined by 32.3% during the year ended December 31, 2009 when compared to the prior year. These automotive market production volume reductions had a negative effect on our North American automotive market net sales of approximately $41.9 million, primarily within our Control Devices segment. Net sales to the automotive market outside of North America declined by approximately $19.0 million between the current and prior years due to volume reductions. The commercial vehicle market production volumes in Europe and North America declined by 64.1% and 39.8%, respectively, during the current year when compared to the prior year, which resulted in lower net sales of approximately $158.5 million, primarily within our Electronics segment. Our agricultural net sales also decreased during the current year due to volume reductions. These volume reductions had a negative effect on our net sales of approximately $26.6 million, which was primarily within our Electronics segment. In aggregate, production declines had an unfavorable effect on our consolidated net sales of approximately $246.0 million for the year ended December 31, 2009. In addition, our results were affected by foreign currency exchange rates. Foreign exchange translation adversely affected our net sales by approximately $15.3 million for the year ended December 31, 2009 when compared to the year ended December 31, 2008. Product pricing had a minimal effect on our current year net sales when compared to our net sales for the 2008 year. Our gross margin percentage decreased from 22.1% for the year ended December 31, 2008 to 18.5% for the current year, primarily due to the significant reductions in customer production schedules for the markets that we serve.

Our selling, general and administrative expenses ("SG&A") decreased from $136.0 million for the year ended December 31, 2008 to $102.6 million for the year ended December 31, 2009. This $33.4 million or 24.6% decrease in SG&A, was primarily due to reduced compensation and compensation related expenses incurred during the year ended December 31, 2009 of approximately $21.0 million as a result of lower headcount and incentive compensation expenses. These reduced compensation and compensation related expenses are largely due to cost benefits realized in the current year from prior period restructuring initiatives. In addition, our design and development costs decreased between periods due to customers delaying new product launches in the near term as well as planned reductions in our design activities. Our design and development costs declined by approximately $8.8 million between the two periods, excluding compensation and compensation related expenses. In addition to our restructuring initiatives, we reduced discretionary spending in 2009, which has reduced our current year cost structure.

Affecting our profitability were restructuring initiatives that began in the fourth quarter of 2007 to improve the Company's manufacturing efficiency and cost position by ceasing manufacturing operations at our Sarasota, Florida and Mitcheldean, United Kingdom locations. These restructuring initiatives continued throughout 2008 and 2009, primarily in the form of headcount reductions to adjust our headcount levels to reflect current market conditions. The related 2009 expenses of $3.7 million were primarily comprised of one-time termination benefits. The 2008 expenses of $15.4 million were primarily comprised of one-time termination benefits, line-transfer expenses and contract termination costs. Restructuring expenses that were general and administrative in nature were included in the Company's consolidated statements of operations as restructuring charges, while the remaining restructuring related expenses were included in cost of goods sold.

In 2009, our PST Eletrônica S.A. (“PST”) joint venture in Brazil, which is an electronic system provider focused on security and convenience applications primarily for the vehicle and motorcycle industry also experienced declines in net sales as a result of the world-wide economic recession, resulting in equity earnings declining from $12.8 million for the year ended December 31, 2008 to $7.4 million in the current year. However, our dividend payments received from PST increased from $4.2 million in 2008 to $7.3 million in 2009. We currently hold a 50% equity interest in PST. Foreign currency fluctuations did not have a significant effect on the results of PST.

On October 13, 2009, we acquired a 51% membership interest in Bolton Conductive Systems, LLC (“BCS”) for a purchase price of approximately $6.0 million, net of cash acquired. Results of operations of BCS were included in our consolidated results from the date of acquisition within our Electronics reportable segment. As a result of the acquisition, we have preliminarily allocated the BCS purchase price to net tangible assets acquired, intangible assets, goodwill and noncontrolling interest, of $0.9 million, $1.1 million, $9.2 million and $4.4 million, respectively as of the acquisition date.

Outlook

During the second half of 2009 the North American automotive vehicle market began to recover, which had a favorable effect on our Control Devices segment’s results. While we do not expect a full recovery within the domestic automotive vehicle market in 2010, we do expect volumes to increase from 2009 levels.

The North American commercial vehicle market improved slightly during the latter part of 2009, however the European commercial vehicle market continued to decline throughout 2009. We believe that net sales will increase slightly in 2010 due to increased demand for the products we produce.

Through our restructuring initiatives initiated in prior years, we have been able to reduce our cost structure. Our fixed overhead costs are lower due to the cessation of manufacturing at our Sarasota, Florida and Mitcheldean United Kingdom locations while our selling, general and administrative costs are lower due to an overall reduction in employees. As sales volumes increase in 2010, we expect our operating margin will benefit from our reduced cost structure.

Results of Operations

We are primarily organized by markets served and products produced. Under this organizational structure, our operations have been aggregated into two reportable segments: Electronics and Control Devices. The Electronics reportable segment includes results of operations that design and manufacture electronic instrument clusters, electronic control units, driver information systems and electrical distribution systems, primarily wiring harnesses and connectors for electrical power and signal distribution. The Control Devices reportable segment includes results from our operations that design and manufacture electronic and electromechanical switches, control actuation devices and sensors.

Year Ended December 31, 2009 Compared To Year Ended December 31, 2008

Net Sales. Net sales for our reportable segments, excluding inter-segment sales, for the years ended December 31, 2009 and 2008 are summarized in the following table (in thousands):

	For the Years Ended December 31,					
	2009		2008		$ Decrease	% Decrease
Electronics	$ 301,424	63.4%	$ 520,936	69.2%	$ (219,512)	(42.1) %
Control Devices	173,728	36.6	231,762	30.8	(58,034)	(25.0) %

Total net sales	$	475,152	100.0%	$	752,698	100.0%	$	(277,546)	(36.9) %

Our Electronics segment was adversely affected by reduced volume in our served markets by approximately $198.1 million for the year ended December 31, 2009 when compared to the prior year. The decrease in net sales for our Electronics segment was primarily due to volume declines in our North American and European commercial vehicle production. Commercial vehicle market production volumes in Europe and North America declined by 64.1% and 39.8%, respectively, during the year ended December 31, 2009 compared to the prior year. The reductions in European and North American commercial vehicle production negatively affected net sales in our Electronics segment for the year ended December 31, 2009 by approximately $65.3 million or 42.3% and $88.7 million or 37.3%, respectively. The balance of the decrease was primarily related to volume declines in the agricultural and automotive vehicle markets of approximately $22.6 million and $21.5 million, respectively. In addition, our Electronics segment net sales were unfavorably affected by foreign currency fluctuations of approximately $15.3 million in 2009 when compared to 2008.

Our Control Devices segment was adversely affected by reduced volume in our served markets by approximately $49.4 million for the year ended December 31, 2009 when compared to the prior year. The decrease in net sales for our Control Devices segment was primarily attributable to production volume reductions at our major customers in the North American automotive vehicle market. Production volumes in the North American automotive vehicle market declined by 32.3% during the year ended December 31, 2009 when compared to the year ended December 31, 2008. Volume reductions within the automotive market of our Control Devices segment reduced net sales for the year ended December 31, 2009 by approximately $39.4 million, or 20.7%, when compared to the prior year. In addition, our current year net sales were adversely affected by sales losses during the year ended December 31, 2009 of approximately $10.0 million. These sales losses were primarily a result of our products being decontented or removed from certain customer products. The balance of the decrease was related to volume declines in the agricultural and commercial vehicle markets of approximately $5.6 million and $4.4 million, respectively during the year ended December 31, 2009 when compared to the prior year.

Net sales by geographic location for the years ended December 31, 2009 and 2008 are summarized in the following table (in thousands):

	For the Years Ended December 31,					
	2009		2008		$ Decrease	% Decrease
North America	$ 384,467	80.9%	$ 557,990	74.1%	$ (173,523)	(31.1) %
Europe and other	90,685	19.1	194,708	25.9	(104,023)	(53.4) %
Total net sales	$ 475,152	100.0%	$ 752,698	100.0%	$ (277,546)	(36.9) %

The North American geographic location consists of the results of our operations in the United States and Mexico.

The decrease in North American net sales was primarily attributable to lower sales volume in our North American commercial vehicle, automotive and agricultural markets. These lower volume levels had a negative effect on our net sales for the year ended December 31, 2009 of $93.1 million, $41.9 million and $25.8 million for our North American commercial vehicle, automotive vehicle and agricultural markets, respectively. Our decrease in net sales outside North America was primarily due to lower sales volumes in the European commercial and automotive vehicle markets, which had a negative effect on net sales for the year ended December 31, 2009 of approximately $65.4 million and $19.0 million, respectively. In addition, our 2009 net sales outside of North America were negatively affected by foreign currency fluctuations of approximately $15.3 million.

Consolidated statements of operations as a percentage of net sales for the years ended December 31, 2009 and 2008 are presented in the following table (in thousands):

	For the Years Ended December 31, 2009		2008		$ Increase / (Decrease)
Net Sales	$ 475,152	100.0%	$ 752,698	100.0%	$ (277,546)
Costs and Expenses:					
Cost of goods sold	387,167	81.5	586,411	77.9	(199,244)
Selling, general and administrative	102,583	21.6	135,992	18.1	(33,409)
Goodwill impairment charge	-	-	65,175	8.7	(65,175)
Restructuring charges	3,645	0.8	8,391	1.1	(4,746)
Operating Loss	(18,243)	(3.9)	(43,271)	(5.8)	25,028
Interest expense, net	21,965	4.6	20,575	2.7	1,390
Equity in earnings of investees	(7,775)	(1.6)	(13,490)	(1.8)	5,715
Other expense, net	893	0.2	419	0.1	474
Loss Before Income Taxes	(33,326)	(7.1)	(50,775)	(6.8)	17,449
Provision (benefit) for income taxes	(1,003)	(0.2)	46,752	6.2	(47,755)
Net Loss	(32,323)	(6.9) %	(97,527)	(13.0) %	65,204
Net Income Attributable to Noncontrolling Interest	82	-%	-	-%	82
Net Loss Attributable to Stoneridge, Inc. and Subsidiaries	$ (32,405)	(6.9) %	$ (97,527)	(13.0) %	$ 65,122

Cost of Goods Sold. The increase in cost of goods sold as a percentage of net sales was due to the significant decline in volume of our European and North American commercial and automotive vehicle markets net sales during 2009. A portion of our cost structure is fixed in nature, such as overhead and depreciation costs. These fixed costs combined with significantly lower net sales have increased our cost of goods sold as a percentage of net sales. In addition, our cost of goods sold for 2008 included approximately $7.0 million of restructuring charges. In 2009, there was approximately $0.1 million of restructuring costs included in cost of goods sold. Our material cost as a percentage of net sales for our Electronics segment for 2009 and 2008 was 55.4% and 51.8%, respectively. This increase is primarily due to significantly lower volume from our military related commercial vehicle products in the current year. Our materials cost as a percentage of sales for the Control Devices segment increased from 50.7% for 2008 to 52.9% for 2009. Our material costs as a percent of sales increased during the current period due to the outsourcing of a stamping operation and inventory related charges. As a result of outsourcing the stamping operation, the entire cost of the stamping was included in direct material. Prior to outsourcing the stamping operation, the cost was split between direct labor, direct material and overhead.

Selling, General and Administrative Expenses. Design and development expenses included in SG&A were $33.0 million and $45.5 million for 2009 and 2008, respectively. Design and development expenses for our Electronics and Control Devices segments decreased from $29.5 million and $16.0 million for 2008 to $19.5 million and $13.5 million for 2009, respectively. The decrease in design and development costs for both segments was a result of our customers delaying new product launches in the near term as well as planned reductions in our design activities. As a result of our product platform launches scheduled for 2010 and in the future, we believe that our design and development costs will increase in 2010 from our 2009 level. The decrease in SG&A costs excluding design and development expenses was due to lower employee related costs of approximately $17.3 million caused by reduced headcount and lower incentive compensation expenses, company-wide. These current year cost reductions are benefits related to a combination of restructuring initiatives incurred in prior periods and temporary cost control measures, such as wage and benefit freezes and unpaid leaves. Our SG&A costs increased as a percentage of net sales because net sales declined faster than we were able to reduce our SG&A costs.

Goodwill Impairment Charge. A goodwill impairment charge of $65.2 million was recorded during 2008. During the fourth quarter of 2008, as a result of the deterioration of the global economy and its effects on the automotive and commercial vehicle markets, we recognized the goodwill impairment charge within our Control Devices reportable segment. There were no similar impairment charges taken in 2009.

Restructuring Charges. Costs from our restructuring initiatives for 2009 decreased compared to 2008. Costs incurred during 2009 related to restructuring initiatives amounted to approximately $3.7 million and were primarily comprised of one-time termination benefits. Restructuring related expenses of $3.6 million that were general and administrative in nature were included in our consolidated statement of operations as restructuring charges, while the remaining $0.1 million of restructuring related expenses was included in cost of goods sold. These restructuring actions were in response to the depressed conditions in the European and North American commercial vehicle markets as well as the North American automotive vehicle market. Restructuring charges for 2008 were approximately $15.4 million and were comprised of one-time termination benefits and line-transfer expenses related to our initiative to improve the Company's manufacturing efficiency and cost position by ceasing manufacturing operations at our Control Devices segment facility in Sarasota, Florida and our Electronics segment facility in Mitcheldean, United Kingdom. Restructuring related expenses of $8.4 million that were general and administrative in nature were included in our consolidated statements of operations as restructuring charges, while the remaining $7.0 million of restructuring related expenses were included in cost of goods sold. These initiatives were substantially completed in 2009.

Restructuring charges, general and administrative in nature, recorded by reportable segment during the year ended December 31, 2009 were as follows (in thousands):

	Electronics	Control Devices	Total Consolidated Restructuring Charges
Severance costs	$ 2,237	$ 1,034	$ 3,271
Contract termination costs	374	-	374
Total restructuring charges	$ 2,611	$ 1,034	$ 3,645

Severance costs relate to a reduction in workforce. Contract termination costs represent expenditures associated with long-term lease obligations that were cancelled as part of the restructuring initiatives.

Restructuring charges, general and administrative in nature, recorded by reportable segment during the year ended December 31, 2008 were as follows (in thousands):

	Electronics	Control Devices	Total Consolidated Restructuring Charges
Severance costs	$ 2,564	$ 2,521	$ 5,085
Contract termination costs	1,305	-	1,305
Other exit costs	23	1,978	2,001
Total restructuring charges	$ 3,892	$ 4,499	$ 8,391

Other exit costs include miscellaneous expenditures associated with exiting business activities, such as the transferring of production equipment.

Equity in Earnings of Investees. The decrease in equity earnings of investees was predominately attributable to the decrease in equity earnings recognized from our PST joint venture. Equity earnings for PST declined from $12.8 million for the year ended December 31, 2008 to $7.4 million for the year ended December 31, 2009. The decrease was caused by a 19.3% decline in PST's net sales.

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Income (Loss) Before Income Taxes. Income (loss) before income taxes is summarized in the following table by reportable segment (in thousands):

	For the Years Ended December 31, 2009	2008	$ Increase / (Decrease)	% Increase / (Decrease)
Electronics	$ (13,911)	$ 38,713	$ (52,624)	(135.9) %
Control Devices	(5,712)	(78,858)	73,146	92.8%
Other corporate activities	8,079	10,078	(1,999)	(19.8) %
Corporate interest expense, net	(21,782)	(20,708)	(1,074)	(5.2) %
Loss before income taxes	$ (33,326)	$ (50,775)	$ 17,449	34.4%

The decrease in our profitability in the Electronics reportable segment was primarily related to the significant decline in net sales, primarily related to volume declines in 2009 when compared to 2008. Volume reductions reduced our net sales within the Electronics segment by approximately $198.1 million for the year ended December 31, 2009 when compared to the prior year.

The decrease in loss before income taxes in the Control Devices reportable segment was primarily due to the goodwill impairment charge of $65.2 million recognized in 2008. Additionally, the Control Devices segment recognized an additional $7.8 million of restructuring related expenses in 2008 as compared to 2009. Volume reductions reduced our net sales within the Control Devices segment by approximately $49.4 million for the year ended December 31, 2009 when compared to the prior year.

The increase in interest expense, net from 2008 to 2009 was a result of a lower amount of interest income realized in the current year to offset our interest expense. The decreased interest income is attributable to lower yields on investments during 2009 when compared to 2008.

The decrease in income before income taxes from other corporate activities was primarily due to a decrease in equity earnings from our PST joint venture of $5.4 million in 2009 when compared to 2008. This was partially offset by reduced compensation and compensation related costs recognized during 2009 when compared to 2008, due to cost reduction initiatives. Compensation and compensation related costs were approximately $1.7 million lower in 2009 than they were in 2008.

Loss before income taxes by geographic location for the years ended December 31, 2009 and 2008 are summarized in the following table (in thousands):

	For the Years Ended December 31, 2009		2008		$ Increase (Decrease)	% Increase (Decrease)
North America	$ (16,715)	50.2%	$ (47,795)	94.1%	$ 31,080	65.0%
Europe and other	(16,611)	49.8	(2,980)	5.9	(13,631)	NM
Loss before income taxes	$ (33,326)	100.0%	$ (50,775)	100.0%	$ 17,449	34.4%

NM - not meaningful

North America loss before income taxes includes interest expense of approximately $21.4 million and $21.6 million for the year ended December 31, 2009 and 2008, respectively.

Our North American 2008 profitability was adversely affected by the $65.2 million goodwill impairment charge. Excluding the goodwill impairment charge, the decrease in our profitability in North America was primarily attributable to lower commercial and automotive vehicle sales volumes during the year ended December 31, 2009 of approximately $93.1 million and $41.9 million, respectively, when compared to 2008. The decrease in profitability outside North America was primarily due to lower sales volumes within our European commercial vehicle market of approximately $65.4 million for the year ended December 31, 2009, as compared to the year ended December 31, 2008.

Provision (Benefit) for Income Taxes. We recognized a provision (benefit) for income taxes of $(1.0) million, or 3.0% of our pre-tax net loss, and $46.8 million, or (92.1) % of pre-tax net income, for federal, state and foreign income taxes for 2009 and 2008, respectively. The effective tax rate for 2009 decreased compared to 2008 primarily as a result of the difference in the amount of valuation allowance recorded against our domestic deferred tax assets. Prior to 2008 the Company had not provided a valuation allowance against its domestic deferred tax assets, therefore the amount of valuation allowance provided in 2008 was based on the total domestic deferred tax asset amount. The amount of valuation allowance provided in 2009 is significantly less than 2008 as it relates only to the change in domestic deferred tax assets from 2008 to 2009. Due to the impairment of goodwill in 2008, the Company is in a cumulative loss position for the period 2007-2009 and has provided a valuation allowance offsetting federal, state and certain foreign net deferred tax assets. Additionally, the 2008 effective tax rate was negatively affected by non-deductible goodwill.

Year Ended December 31, 2008 Compared To Year Ended December 31, 2007

Net Sales. Net sales for our reportable segments, excluding inter-segment sales, for the years ended December 31, 2008 and 2007 are summarized in the following table (in thousands):

	For the Years Ended December 31, 2008		For the Years Ended December 31, 2007		$ Increase / (Decrease)	% Increase / (Decrease)
Electronics	$ 520,936	69.2%	$ 441,717	60.7%	$ 79,219	17.9%
Control Devices	231,762	30.8	285,403	39.3	(53,641)	(18.8) %
Total net sales	$ 752,698	100.0%	$ 727,120	100.0%	$ 25,578	3.5%

The increase in net sales for our Electronics segment was primarily due to new business sales of military related products and increased sales volume in 2008. Contractual price reductions and foreign currency exchange rates negatively affected net sales by approximately $2.0 million in 2008.

The decrease in net sales for our Control Devices segment was primarily attributable to production volume reductions at our major customers in the North American automotive market. Additionally, our 2008 net sales were $3.3 million lower than 2007 net sales due to a customer cancelation of our pressure sensor product at our Sarasota, Florida, facility. The contract for this business was scheduled to expire in 2009.

Net sales by geographic location for the years ended December 31, 2008 and 2007 are summarized in the following table (in thousands):

	For the Years Ended December 31, 2008		For the Years Ended December 31, 2007		$ Increase / (Decrease)	% Increase / (Decrease)
North America	$ 557,990	74.1%	$ 522,730	71.9%	$ 35,260	6.7%
Europe and other	194,708	25.9	204,390	28.1	(9,682)	(4.7) %
Total net sales	$ 752,698	100.0%	$ 727,120	100.0%	$ 25,578	3.5%

The increase in North American sales was primarily attributable to new business sales of military related electronics products. The increase was partially offset by lower sales volume in our North American automotive market. Our decrease in sales outside North America was primarily due to reduced European commercial vehicle sales volume and reduced volume in automotive products.

Consolidated statements of operations as a percentage of net sales for the years ended December 31, 2008 and 2007 are presented in the following table (in thousands):

	For the Years Ended December 31, 2008		2007		$ Increase / (Decrease)
Net Sales	$ 752,698	100.0%	$ 727,120	100.0%	$ 25,578
Costs and Expenses:					
Cost of goods sold	586,411	77.9	559,397	76.9	27,014
Selling, general and administrative	136,563	18.1	133,708	18.4	2,855
Gain on sale of property, plant & equipment, net	(571)	(0.1)	(1,710)	(0.2)	1,139
Goodwill impairment charge	65,175	8.7	-	-	65,175
Restructuring charges	8,391	1.1	926	0.1	7,465
Operating Income (Loss)	(43,271)	(5.7)	34,799	4.8	(78,070)
Interest expense, net	20,575	2.7	21,759	3.0	(1,184)
Equity in earnings of investees	(13,490)	(1.8)	(10,893)	(1.5)	(2,597)
Loss on early extinguishment of debt	770	0.1	-	-	770
Other (income) expense, net	(351)	-	709	0.1	(1,060)
Income (Loss) Before Income Taxes	(50,775)	(6.7)	23,224	3.2	(73,999)
Provision for income taxes	46,752	6.2	6,553	0.9	40,199
Net Income (Loss)	$ (97,527)	(12.9) %	$ 16,671	2.3%	$ (114,198)

Cost of Goods Sold. The increase in cost of goods sold as a percentage of sales was primarily due to $7.0 million of restructuring expenses included in cost of goods sold for 2008. The negative impact of restructuring expenses was partially offset by a more favorable product mix and new business sales.

Selling, General and Administrative Expenses. Product development expenses included in SG&A were $45.5 million and $45.2 million for 2008 and 2007, respectively. The increase was primarily related to development spending in the areas of instrumentation and wiring.

The Company intends to reallocate its resources to focus on the design and development of new products rather than primarily focusing on sustaining existing product programs. The increase in SG&A expenses, excluding product development expenses was due primarily to compensation related items in 2008.

Gain on Sale of Property, Plant and Equipment, net. The gain for 2008 was primarily a result of selling manufacturing lines which was part of the line transfer initiative at our Mitcheldean, United Kingdom facility. The gain for the year ended December 31, 2007 was primarily attributable to the sale of non-strategic assets including two idle facilities and the Company airplane.

Goodwill Impairment Charge. A goodwill impairment charge of $65.2 million was recorded during the year ended December 31, 2008. During the fourth quarter, as a result of the deterioration of the global economy and its effects on the automotive and commercial vehicle markets, we were required to perform an additional goodwill impairment test subsequent to our annual October 1, 2008 test. The result of the December 31, 2008 impairment test was that our goodwill was determined to be significantly impaired and was written off. The goodwill related to two reporting units in the Control Devices segment.

Restructuring Charges. The increase in restructuring charges that were general and administrative in nature, were primarily the result of the ratable recognition of one-time termination benefits that were due to employees and the cancellation of certain contracts upon the closure of our Sarasota, Florida, and Mitcheldean, United Kingdom, locations. Additionally, in 2008, we announced additional restructuring initiatives at our Canton, Massachusetts, Orebro, Sweden and Tallinn, Estonia locations. The majority of this charge resulted in the recognition of one-time termination benefits that were due to affected employees. No fixed-asset impairment charges were incurred because the assets were transferred to our other locations for continued production. Restructuring expenses that were general and administrative in nature were included in the Company's consolidated statements of operations as restructuring charges, while the remaining restructuring related expenses were included in cost of goods sold.

Restructuring charges recorded by reportable segment during the year ended December 31, 2008 were as follows (in thousands):

	Electronics	Control Devices	Total Consolidated Restructuring Charges
Severance costs	$ 2,564	$ 2,521	$ 5,085
Contract termination costs	1,305	-	1,305
Other exit costs	23	1,978	2,001
Total restructuring charges	$ 3,892	$ 4,499	$ 8,391

Severance costs relate to a reduction in workforce. Contract termination costs represent expenditures associated with long-term lease obligations that were cancelled as part of the restructuring initiatives. Other exit costs include miscellaneous expenditures associated with exiting business activities, such as the transferring of production equipment.

Restructuring charges recorded by reportable segment during the year ended December 31, 2007 were as follows (in thousands):

	Electronics	Control Devices	Total Consolidated Restructuring Charges
Severance costs	$ 542	$ 357	$ 899
Other exit costs	-	27	27
Total restructuring charges	$ 542	$ 384	$ 926

Restructuring related expenses, general and administrative in nature, for the year ended December 31, 2007 were primarily severance costs as a result of the ratable recognition of one-time termination benefits that were due to employees upon the closure of our Sarasota, Florida and Mitcheldean, United Kingdom locations that were announced in 2007.

Equity in Earnings of Investees. The increase was predominately attributable to the increase in equity earnings recognized from our PST joint venture. The increase primarily reflects higher volume for PST’s security product lines and favorable exchange rates throughout most of 2008.

Income (Loss) Before Income Taxes. Income (loss) before income taxes is summarized in the following table by reportable segment (in thousands):

	For the Years Ended December 31, 2008	2007	$ Increase / (Decrease)	% Increase / (Decrease)
Electronics	$ 38,713	$ 20,692	$ 18,021	87.1%
Control Devices	(78,858)	15,825	(94,683)	NM
Other corporate activities	10,078	8,676	1,402	16.2%
Corporate interest expense	(20,708)	(21,969)	1,261	5.7%
Income (loss) before income taxes	$ (50,775)	$ 23,224	$ (73,999)	(318.6) %

NM - not meaningful

The increase in income before income taxes in the Electronics segment was related to higher net sales, which increased by $79.2 million in 2008. This was partially offset by increased restructuring related expenses of $3.4 million in 2008 when compared to 2007.

The decrease in income before income taxes in the Control Devices reportable segment was primarily due to the goodwill impairment charge of $65.2 million recognized in 2008. Additionally, net sales reduced by $53.6 million and the segment recognized an additional $4.1 million of restructuring related expenses in 2008.

The increase in income before income taxes from other corporate activities was primarily due to an increase in equity earnings from our PST joint venture of $2.4 million in 2008.

Income (loss) before income taxes by geographic location for the years ended December 31, 2008 and 2007 are summarized in the following table (in thousands):

	For the Years Ended December 31,					
	2008		2007		$ Decrease	% Decrease
North America	$ (47,795)	94.1%	$ 12,405	53.4%	$ (60,200)	(485.3) %
Europe and other	(2,980)	5.9	10,819	46.6	(13,799)	(127.5) %
Income (loss) before income taxes	$ (50,775)	100.0%	$ 23,224	100.0%	$ (73,999)	(318.6) %

Our North American 2008 profitability was adversely affected by the $65.2 million goodwill impairment charge, which was offset by new business sales of electronic products. Other factors impacting the 2008 results were increased restructuring related expenses of $8.9 million and lower North American automotive production. The decrease in profitability outside North America was primarily due to increased restructuring related expenses of $6.5 million and design and development expenses. The decrease was partially offset by increased European commercial vehicle production during the first half of 2008.

Provision for Income Taxes. We recognized a provision for income taxes of $46.8 million, or (92.1)% of pre-tax loss, and $6.6 million, or 28.2% of pre-tax income, for federal, state and foreign income taxes for the years ended December 31, 2008 and 2007, respectively. The increase in the effective tax rate for 2008 was primarily attributable to the recording of a valuation allowance against our domestic deferred tax assets. Due to the impairment of goodwill the Company was in a cumulative loss position for the period 2006-2008. Pursuant to the accounting guidance the Company was required to record a valuation allowance. Additionally, the effective tax rate was unfavorably affected by the costs incurred to restructure our United Kingdom operations. Since we do not believe that the related tax benefit of those losses will be realized, a valuation allowance was recorded against the foreign deferred tax assets associated with those foreign losses. Finally, offsetting the impact of the current year valuation allowances, the effective tax rate was favorably impacted by a combination of audit settlements, successful litigation and the expiration of certain statutes of limitation. We believe that we should ultimately generate sufficient U.S. taxable income during the remaining tax loss and credit carry forward periods in order to realize substantially all of the benefits of the net operating losses and credits before they expire.

Liquidity and Capital Resources

Summary of Cash Flows for the years ended December 31, 2009 and 2008 (in thousands):

	2009	2008	$ Increase / (Decrease)
Cash provided by (used for):			

Operating activities	$ 13,824	$ 42,456	$ (28,632)
Investing activities	(17,764)	(23,901)	6,137
Financing activities	336	(16,231)	16,567
Effect of exchange rate changes on cash and cash equivalents	2,819	(5,556)	8,375
Net change in cash and cash equivalents	$ (785)	$ (3,232)	$ 2,447

The decrease in net cash provided by operating activities was primarily due to lower earnings, partially offset by lower inventory balances at December 31, 2009 when compared to December 31, 2008. In particular, we reduced inventories in 2009 because of lower production requirements and the reduction of inventory safety stock resulting from the transfer of production from our Sarasota, Florida and Mitcheldean, United Kingdom factories to other Stoneridge facilities during the last six months of 2008.

The decrease in net cash used for investing activities reflects a decrease in cash used for capital projects of approximately $12.6 million offset by an increase in business acquisitions of $5.0 million in 2009. We acquired a 51% membership interest in BCS during 2009. Capital expenditures were lower for the year ended December 31, 2009 when compared to the prior year due to our customers delaying new product launches. We believe that our capital expenditures will increase as the markets that we serve continue to recover.

The decrease in net cash used by financing activities was primarily due to cash used to purchase and retire $17.0 million in face value of the Company's senior notes during 2008. There was no similar activity during 2009.

Summary of Cash Flows for the years ended December 31, 2008 and 2007 (in thousands):

	2008	2007	$ Increase / (Decrease)
Cash provided by (used for):			
Operating activities	$ 42,456	$ 33,525	$ 8,931
Investing activities	(23,901)	(5,826)	(18,075)
Financing activities	(16,231)	900	(17,131)
Effect of exchange rate changes on cash and cash equivalents	(5,556)	1,443	(6,999)
Net change in cash and cash equivalents	$ (3,232)	$ 30,042	$ (33,274)

The increase in net cash provided by operating activities was primarily due to lower accounts receivable balances in the current year due to lower fourth quarter net sales.

The increase in net cash used for investing activities reflects an increase in cash used for capital projects. The increase was due in part to the expansion of our Lexington facility during 2008. In addition, 2007 net cash used for investing activities includes the proceeds from the sale of non-strategic assets, including two idle facilities and the Company airplane.

The increase in net cash used by financing activities was primarily due to cash used to purchase and retire $17.0 million in par value of the Company's senior notes during 2008.

As discussed in Note 9 to our consolidated financial statements, we have entered into foreign currency forward contracts with a notional value of $52.2 million and $44.2 million at December 31, 2009 and 2008, respectively. The purpose of these investments is to reduce exposure related to our British pound and Swedish krona-denominated receivables and Mexican peso-denominated payables. The estimated fair value of the British pound contract at December 31, 2009 and 2008, per quoted market sources, was approximately $30 thousand and $2.1 million, respectively. The estimated fair market value of the Mexican peso-denominated contracts at December 31, 2009 and 2008, per quoted market sources, was approximately $1.7 million and $(2.9) million, respectively.

The following table summarizes our future cash outflows resulting from financial contracts and commitments, as of December 31, 2009 (in thousands):

	Total	Less than	2-3 years	4-5 years

				1 year						After 5 years
Debt	$	183,704	$	273	$	183,407	$	24	$	-
Operating leases		21,361		5,516		7,642		5,111		3,092
Employee benefit plans		8,809		727		1,552		1,681		4,849
Total contractual obligations	$	213,874	$	6,516	$	192,601	$	6,816	$	7,941

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These future cash outlows for benefit plans were prior to placing our wholly owned subsidiary, Stoneridge Pollak Limited into administration in the United Kingdom on February 23, 2010.

Management will continue to focus on reducing its weighted average cost of capital and believes that cash flows from operations and the availability of funds from our asset-based credit facility will provide sufficient liquidity to meet our future growth and operating needs. We expect working capital levels to increase to coincide with higher expected future sales levels.

As outlined in Note 4 to our consolidated financial statements, our asset-based credit facility, permits borrowing up to a maximum level of $100.0 million. This facility provides us with lower borrowing rates and allows us the flexibility to refinance our outstanding debt. At December 31, 2009, there were no borrowings on this asset-based credit facility. The available borrowing capacity on this credit facility is based on eligible current assets, as defined. At December 31, 2009 and 2008, the Company had borrowing capacity of $54.1 million and $57.7 million, respectively, based on eligible current assets. The Company was in compliance with all covenants at December 31, 2009 and 2008. We believe that we will be in compliance with all covenants in 2010.

On October 13, 2009, BCS entered into a master revolving note (the “Revolver”), which permits borrowing up to a maximum level of $3.0 million. At December 31, 2009, BCS had approximately $0.7 million in borrowings outstanding on the Revolver, which are included on the consolidated balance sheet as a component of accrued expenses and other. The Revolver expires on October 1, 2010. Interest is payable monthly at the prime referenced rate plus a 2.25% margin. At December 31, 2009, the interest rate on the revolver was 5.5%. The Company is a guarantor as it relates to the Revolver.

As of December 31, 2009, the Company’s $183.0 million senior notes were redeemable at 101.917%. Given the Company’s senior notes are redeemable, we may seek to retire the senior notes through a redemption, cash purchases, open market purchases, privately negotiated transactions or otherwise. Such redemptions, purchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

BCS had an installment note (“installment note”) of approximately $0.5 million and other notes payable for the purchase of various fixed assets (“fixed asset notes”) of approximately $0.2 million as of the acquisition date. Interest on the installment notes is the prime referenced rate plus a 2.25% margin. At December 31, 2009, the interest rate on the installment note was 5.5%. The installment note calls for monthly installment payments of principal and interest and matures in 2012. The weighted average interest rate on the fixed asset notes was 6.6% at December 31, 2009. At December 31, 2009, the principal amounts due on the installment and fixed asset notes was approximately $0.5 million and $0.2 million, respectively.   The Company is a guarantor as it relates to the installment note.

As outlined in Note 2, the October 13, 2009 BCS purchase agreement provides that the Company may be required to make additional payments to the previous owners of BCS for its 51% membership interest based on BCS achieving financial performance targets as defined by the purchase agreement. The maximum amount of additional payments to the prior owners of BCS is $3.2 million per year in 2011, 2012 and 2013 are contingent upon BCS achieving profitability targets based on earnings before interest, income taxes, depreciation and amortization in the years 2010, 2011 and 2012, respectively. In addition, the Company may be required to make additional payments to BCS of approximately $0.5 million in 2011 and 2012 based on BCS achieving annual revenue targets in 2010 and 2011, respectively. The purchase agreement provides the Company with the option to purchase the remaining 49% interest in BCS in 2013 at a price determined in accordance with the purchase agreement. If the Company does not exercise this option then the minority owners of BCS have the option in 2014 to purchase the Company’s 51% interest in BCS at a price determined in accordance with the purchase agreement or to jointly market BCS for sale. BCS’s results of operations are included in the Company’s consolidated statement of operations from its date of acquisition.

At December 31, 2009, we had a cash and cash equivalents balance of approximately $91.9 million, of which $57.1 million was held domestically and $34.8 million was held in foreign locations. None of our cash balance was restricted at December 31, 2009.

Inflation and International Presence

Given the current economic climate and recent fluctuations in certain commodity prices, we believe that an increase in such items could significantly affect our profitability. Furthermore, by operating internationally, we are affected by foreign currency exchange rates and the economic conditions of certain countries. Based on the current economic conditions in these countries, we believe we are not significantly exposed to adverse exchange rate risk or economic conditions.

Critical Accounting Policies and Estimates

Estimates. The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, we evaluate estimates and assumptions used in our financial statements. We base our estimates on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

We believe the following are “critical accounting policies” – those most important to the financial presentation and those that require the most difficult, subjective or complex judgments.

Revenue Recognition and Sales Commitments. We recognize revenues from the sale of products, net of actual and estimated returns of products sold based on authorized returns, at the point of passage of title, which is generally at the time of shipment. We often enter into agreements with our customers at the beginning of a given vehicle’s expected production life. Once such agreements are entered into, it is our obligation to fulfill the customers’ purchasing requirements for the entire production life of the vehicle. These agreements are subject to renegotiation, which may affect product pricing. In certain limited instances, we may be committed under existing agreements to supply products to our customers at selling prices which are not sufficient to cover the direct cost to produce such products. In such situations, we recognize losses immediately. There were no such significant instances of this in 2009. These agreements generally may also be terminated by our customers at any time.

On an ongoing basis, we receive blanket purchase orders from our customers, which include pricing terms. Purchase orders do not always specify quantities. We recognize revenue based on the pricing terms included in our purchase orders as our products are shipped to our customers. We are asked to provide our customers with annual cost reductions as part of certain agreements. In addition, we have ongoing adjustments to our pricing arrangements with our customers based on the related content, the cost of our products and other commercial factors. Such pricing adjustments are recognized as they are negotiated with our customers.

Warranties. Our warranty reserve is established based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet dates. This estimate is based on historical trends of units sold and payment amounts, combined with our current understanding of the status of existing claims. To estimate the warranty reserve, we are required to forecast the resolution of existing claims as well as expected future claims on products previously sold. Although we believe that our warranty reserve is adequate and that the judgment applied is appropriate, such amounts estimated to be due and payable could differ materially from what will actually transpire in the future. Our customers are increasingly seeking to hold suppliers responsible for product warranties, which could negatively impact our exposure to these costs.

Allowance for Doubtful Accounts. We have concentrations of sales and trade receivable balances with a few key customers. Therefore, it is critical that we evaluate the collectability of accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet their financial obligations, a specific allowance for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. Additionally, we review historical trends for collectability in determining an estimate for our allowance for doubtful accounts. If economic circumstances change substantially, estimates of the recoverability of amounts due to the Company could be reduced by a material amount. We do not have collateral requirements with our customers.

Contingencies. We are subject to legal proceedings and claims, including product liability claims, commercial or contractual disputes, environmental enforcement actions and other claims that arise in the normal course of business. We routinely assess the likelihood of any adverse judgments or outcomes to these matters, as well as ranges of probable losses, by consulting with internal personnel principally involved with such matters and with our outside legal counsel handling such matters.

We have accrued for estimated losses when it is probable that a liability or loss has been incurred and the amount can be reasonably estimated. Contingencies by their nature relate to uncertainties that require the exercise of judgment both in assessing whether or not a liability or loss has been incurred and estimating that amount of probable loss. The reserves may change in the future due to new developments or changes in circumstances. The inherent uncertainty related to the outcome of these matters can result in amounts materially different from any provisions made with respect to their resolution.

Inventory Valuation. Inventories are valued at the lower of cost or market. Cost is determined by the last-in, first-out method for U.S. inventories and by the first-in, first-out method for non-U.S. inventories. Where appropriate, standard cost systems are utilized for purposes of determining cost and the standards are adjusted as necessary to ensure they approximate actual costs. Estimates of the lower of cost or market value of inventory are determined based upon current economic conditions, historical sales quantities and patterns and, in some cases, the specific risk of loss on specifically identified inventories.

Goodwill. Goodwill is tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The valuation methodologies employed by the Company use subjective measures including forward looking financial information and discount rates that directly impact the resulting fair values used to test the Company's business units for impairment. See Note 2 to our consolidated financial statements for more information on our application of this accounting standard, including the valuation techniques used to determine the fair value of goodwill.

Share-Based Compensation. The estimate for our share-based compensation expense involves a number of assumptions. We believe each assumption used in the valuation is reasonable because it takes into account the experience of the plan and reasonable expectations. We estimate volatility and forfeitures based on historical data, future expectations and the expected term of the share-based compensation awards. The assumptions, however, involve inherent uncertainties. As a result, if other assumptions had been used, share-based compensation expense could have varied.

Pension Benefits. The amounts recognized in the consolidated financial statements related to pension benefits are determined from actuarial valuations. Inherent in these valuations are assumptions including expected return on plan assets, discount rates at which the liabilities could be settled at December 31, 2009, rate of increase in future compensation levels and mortality rates. These assumptions are updated annually and are disclosed in Note 8 to the consolidated financial statements.

The expected long-term return on assets is determined as a weighted average of the expected returns for each asset class held by the defined-benefit pension plan at the date. The expected return on bonds has been based on the yield available on similar bonds (by currency, issuer and duration) at that date. The expected return on equities is based on an equity risk premium of return above that available on long-term government bonds of a similar duration and the same currency as the liabilities.

Discount rates for our defined benefit pension plan in the United Kingdom are determined using the weighted average long-term sterling AA corporate bond. On December 31, 2009, the yield was approximately 5.7%.

Deferred Income Taxes. Deferred income taxes are provided for temporary differences between amounts of assets and liabilities for financial reporting purposes and the basis of such assets and liabilities as measured by tax laws and regulations. Our deferred tax assets include, among other items, net operating loss carryforwards and tax credits that can be used to offset taxable income in future periods and reduce income taxes payable in those future periods. These deferred tax assets for net operating loss carryforwards and tax credits will begin to expire, if unused, no later than 2026 and 2021, respectively. The Company believes that it should ultimately generate sufficient U.S. taxable income during the remaining tax loss and credit carry forward periods in order to realize substantially all of the benefits of the net operating losses and credits before they expire.

Statement of Financial Accounting Standard ("SFAS") No. 109, Accounting for Income Taxes (ASC Topic 740), requires that deferred tax assets be reduced by a valuation allowance if, based on all available evidence, it is considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This assessment requires significant judgment, and in making this evaluation, the Company considers available positive and negative evidence, including past results, the existence of cumulative losses in recent periods, and our forecast of taxable income for the current year and future years and tax planning strategies.

During the fourth quarter of 2008, the Company concluded that it was no longer more-likely-than-not that we would realize our U.S. deferred tax assets. As a result we provided a full valuation allowance, net of certain future reversing taxable temporary differences, with respect to our U.S. deferred tax assets. This conclusion did not change for 2009. To the extent that realization of a portion or all of the tax assets becomes more-likely-than-not to be realized based on changes in circumstances a reversal of that portion of the deferred tax asset valuation allowance will be recorded.

The Company does not provide deferred income taxes on unremitted earnings of certain non-U.S. subsidiaries, which are deemed permanently reinvested.

Derivative Instruments and Hedging Activities. Effective January 1, 2009, the Company adopted SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133 (ASC Topic 815-10) which expands the quarterly and annual disclosure requirements about the Company's derivative instruments and hedging activities. The adoption of ASC Topic 815 did not have an effect on the Company's financial position, results of operations or cash flows.

Restructuring. We have recorded restructuring charges in the recent period in connection with improving manufacturing efficiency and cost position by transferring production to other locations. These charges are recorded when management has committed to a plan and incurred a liability related to the plan. Also in connection with this initiative, we recorded liabilities for severance costs. No fixed-asset impairment charges were incurred because assets are primarily being transferred to our other locations for continued production. Estimates for work force reductions and other costs savings are recorded based upon estimates of the number of positions to be terminated, termination benefits to be provided and other information as necessary. Management evaluates the estimates on a quarterly basis and will adjust the reserve when information indicates that the estimate is above or below the initial estimate. For further discussion of our restructuring activities, see Note 11 to our consolidated financial statements included in this report.

Recently Issued Accounting Standards

New accounting standards to be implemented:

In June 2009, the Financial Accounting Standards Board ("FASB") issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (ASC Topic 810-10). This updated guidance requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity; to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity; to add an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance; and to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. This update became effective for the Company on January 1, 2010. The adoption of this update did not have a material effect on the Company's financial position, results of operations or cash flow.

New accounting standards implemented:

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (ASC Topic 820-10), which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. ASC Topic 820-10 was effective for financial assets and financial liabilities in years beginning after November 15, 2007 and for nonfinancial assets and liabilities in years beginning after November 15,

2008. The provisions of ASC Topic 820-10 were applied prospectively. The Company adopted ASC Topic 820-10 for financial assets and liabilities in 2008 and for nonfinancial assets and liabilities in 2009 with no material impact to the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (ASC Topic 805). This standard improves reporting by creating greater consistency in the accounting and financial reporting of business combinations. Additionally, ASC Topic 805 requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. ASC Topic 805 was effective for financial statements issued for years beginning after December 15, 2008. The adoption of ASC Topic 805 did not have a material impact on our financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements-an amendment of Accounting Research Bulletin No. 51 (ASC Topic 810-10-65). This guidance improves the relevance, comparability and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way. Additionally, it eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. We adopted this guidance effective January 1, 2009. In connection with our acquisition of BCS during 2009, we recorded $4.4 of noncontrolling interest as a component of shareholders’ equity as of the acquisition date.

In December 2008, the FASB issued Staff Position 132(R)-1, Employers’ Disclosures about Postretirement Benefit Plan Assets (ASC Topic 715-20-65). This guidance requires entities to provide enhanced disclosures about how investment allocation decisions are made, the major categories of plan assets, the inputs and valuation techniques used to measure fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and significant concentrations of risk within plan assets. This guidance was effective for the Company beginning with its year ending December 31, 2009. The adoption of this guidance did not have a material effect on our financial position, results of operations or cash flows.

Forward-Looking Statements

Portions of this report contain “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this report and include statements regarding the intent, belief or current expectations of the Company, our directors or officers with respect to, among other things, our (i) future product and facility expansion, (ii) acquisition strategy, (iii) investments and new product development, and (iv) growth opportunities related to awarded business. Forward-looking statements may be identified by the words “will,” “may,” “designed to,” “believes,” “plans,” “expects,” “continue,” and similar words and expressions. The forward-looking statements in this report are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, among other factors:

- the loss or bankruptcy of a major customer;
- the costs and timing of facility closures, business realignment, or similar actions;
- a significant change in medium- and heavy-duty, automotive, agricultural or off-highway vehicle production;
- our ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions;
- a significant change in general economic conditions in any of the various countries in which we operate;

- labor disruptions at our facilities or at any of our significant customers or suppliers;
- the ability of our suppliers to supply us with parts and components at competitive prices on a timely basis;
- the amount of debt and the restrictive covenants contained in our credit facility;
- customer acceptance of new products;
- capital availability or costs, including changes in interest rates or market perceptions;
- the successful integration of any acquired businesses;
- the occurrence or non-occurrence of circumstances beyond our control; and
- those items described in Part I, Item IA (“Risk Factors”).

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

From time to time, we are exposed to certain market risks, primarily resulting from the effects of changes in interest rates. Our senior notes with a face value of $183.0 million have a fixed rate. We currently have no amounts outstanding on our revolving credit facility. At this time, we do not use financial instruments to manage this risk.

Commodity Price Risk

Given the current economic climate and recent fluctuations in certain commodity costs, we currently are experiencing an increased risk, particularly with respect to the purchase of copper, zinc, resins and certain other commodities. In the past, we managed this risk through a combination of fixed price agreements, staggered short-term contract maturities and commercial negotiations with our suppliers. In the future if we believe that the terms of a fixed price agreement become beneficial to us, we will enter into another such instrument. We may also consider pursuing alternative commodities or alternative suppliers to mitigate this risk over a period of time. The recent increase in certain commodity costs has negatively affected our operating results.

In September 2008, we entered into a fixed price swap contract for 1.4 million pounds of copper, which lasted through December 2009. We continue to monitor the fixed price commodity market and will pursue a contract if we believe that the terms of the contract become beneficial to us. The purpose of this contract was to reduce our price risk as it relates to copper prices.

Foreign Currency Exchange Risk

We use derivative financial instruments, including foreign currency forward contracts, to mitigate our exposure to fluctuations in foreign currency exchange rates by reducing the effect of such fluctuations on foreign currency denominated intercompany transactions and other foreign currency exposures. As discussed in Note 9 to our consolidated financial statements, we have entered into foreign currency forward contracts that had a notional value of $52.2 million and $44.2 million at December 31, 2009 and 2008, respectively. The purpose of these foreign currency contracts is to reduce exposure related to the Company's British pound and Swedish krona-denominated receivables as well as to reduce exposure to future Mexican peso-denominated purchases. The estimated fair value of these contracts at December 31, 2009 and 2008, per quoted market sources, was approximately $1.7 million and $(0.8) million, respectively. The Company's foreign currency option contracts expire during 2010. We do not expect the effects of this risk to be material in the future based on the current operating and economic conditions in the countries in which we operate.

A hypothetical pre-tax gain (loss) in fair value from a 10.0% favorable or adverse change in quoted currency exchange rates would be approximately $0.7 million or $(0.9) million for the Company's British pound and Swedish krona-denominated receivables, as of December 31, 2009. A hypothetical pre-tax gain (loss) in fair value from a 10.0% favorable or adverse change in quoted currency exchange rates would be approximately $4.2 million or $(5.2) million for the Company's Mexican peso-denominated payables as of December 31, 2009. It is important to note that gains and losses indicated in the sensitivity analysis would generally be offset by gains and losses on the underlying exposures being hedged. Therefore, a hypothetical pre-tax gain or loss in fair value from a 10.0% favorable or adverse change in quoted foreign currencies would not significantly affect our results of operations, financial position or cash flows.

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Stoneridge, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Stoneridge, Inc. and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, other comprehensive income (loss) and shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stoneridge, Inc. and Subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, in 2009 the Company changed its method of accounting for business combinations.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Stoneridge, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Cleveland, Ohio
March 16, 2010

STONERIDGE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 91,907	$ 92,692
Accounts receivable, less reserves of $2,350 and $4,204, respectively	81,272	96,535
Inventories, net	40,244	54,800
Prepaid expenses and other	17,247	10,564
Total current assets	230,670	254,591
Long-Term Assets:		
Property, plant and equipment, net	76,991	87,701
Investments and other, net	54,864	40,145
Total long-term assets	131,855	127,846
Total Assets	$ 362,525	$ 382,437
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 50,947	$ 50,719
Accrued expenses and other	36,827	43,485
Total current liabilities	87,774	94,204
Long-Term Liabilities:		
Long-term debt	183,431	183,000
Other long-term liabilities	17,263	13,475
Total long-term liabilities	200,694	196,475
Shareholders' Equity:		
Preferred Shares, without par value, authorized 5,000 shares, none issued	-	-
Common Shares, without par value, authorized 60,000 shares, issued 25,301 and 24,772 shares and outstanding 25,000 and 24,665 shares, respectively, with no stated value	-	-
Additional paid-in capital	158,748	158,039
Common Shares held in treasury, 301 and 107 shares, respectively, at cost	(292)	(129)
Accumulated deficit	(91,560)	(59,155)
Accumulated other comprehensive income (loss)	2,669	(6,997)
Total Stoneridge Inc. and Subsidiaries shareholders' equity	69,565	91,758
Noncontrolling interest	4,492	-
Total shareholders' equity	74,057	91,758
Total Liabilities and Shareholders' Equity	$ 362,525	$ 382,437

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

STONERIDGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	For the Years Ended December 31,		
	2009	2008	2007
Net Sales	$ 475,152	$ 752,698	$ 727,120
Costs and Expenses:			
Cost of goods sold	387,167	586,411	559,397
Selling, general and administrative	102,583	135,992	131,998
Goodwill impairment charge	-	65,175	-
Restructuring charges	3,645	8,391	926
Operating Income (Loss)	(18,243)	(43,271)	34,799
Interest expense, net	21,965	20,575	21,759
Equity in earnings of investees	(7,775)	(13,490)	(10,893)
Other expense, net	893	419	709
Income (Loss) Before Income Taxes	(33,326)	(50,775)	23,224
Provision (benefit) for income taxes	(1,003)	46,752	6,553
Net Income (Loss)	(32,323)	(97,527)	16,671
Net Income Attributable to Noncontrolling Interest	82	-	-
Net Income (Loss) Attributable to Stoneridge, Inc. and Subsidiaries	$ (32,405)	$ (97,527)	$ 16,671
Basic net income (loss) per share	$ (1.37)	$ (4.17)	$ 0.72
Basic weighted average shares outstanding	23,626	23,367	23,133
Diluted net income (loss) per share	$ (1.37)	$ (4.17)	$ 0.71
Diluted weighted average shares outstanding	23,626	23,367	23,548

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

STONERIDGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31, 2009	2008	2007
OPERATING ACTIVITIES:			
Net income (loss)	$ (32,323)	$ (97,527)	$ 16,671
Adjustments to reconcile net income (loss) to net cash provided by operating activities -			
Depreciation	19,875	26,196	28,299
Amortization	1,053	1,320	1,522
Deferred income taxes	(3,200)	46,239	3,823
Earnings of equity method investees, less dividends received	(474)	(9,277)	(5,299)
Loss (Gain) on sale of fixed assets	219	(571)	(1,710)
Share-based compensation expense	1,252	3,425	2,431
Loss on early extinguishment of debt	-	770	-
Goodwill impairment charge	-	65,175	-
Changes in operating assets and liabilities -			
Accounts receivable, net	16,619	20,087	(13,424)
Inventories, net	17,255	(1,786)	933
Prepaid expenses and other	(1,060)	2,656	1,474
Accounts payable	(2,111)	(14,769)	(4,881)
Accrued expenses and other	(3,281)	518	3,686
Net cash provided by operating activities	13,824	42,456	33,525
INVESTING ACTIVITIES:			
Capital expenditures	(11,998)	(24,573)	(18,141)
Proceeds from sale of fixed assets	201	1,652	12,315
Business acquisitions	(5,967)	(980)	-
Net cash used by investing activities	(17,764)	(23,901)	(5,826)
FINANCING ACTIVITIES:			
Repayments of long-term debt	-	(17,000)	-
Revolving credit facility borrowings	336	-	-
Share-based compensation activity	-	1,322	2,119
Premiums related to early extinguishment of debt	-	(553)	-
Other financing costs	-	-	(1,219)
Net cash provided (used) by financing activities	336	(16,231)	900
Effect of exchange rate changes on cash and cash equivalents	2,819	(5,556)	1,443
Net change in cash and cash equivalents	(785)	(3,232)	30,042
Cash and cash equivalents at beginning of period	92,692	95,924	65,882
Cash and cash equivalents at end of period	$ 91,907	$ 92,692	$ 95,924

Supplemental disclosure of cash flow information:						
Cash paid for interest, net	$	20,981	$	20,048	$	20,637
Cash paid for income taxes, net	$	2,319	$	4,466	$	3,672

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

STONERIDGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)
AND SHAREHOLDERS' EQUITY
(in thousands)

	Number of Common Shares	Number of Treasury Shares	Additional Paid-in Capital	Common Shares Held in Treasury	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Shareholders' Equity
BALANCE, DECEMBER 31, 2006	23,804	186	$ 150,078	$ (151)	$ 21,701	$ 6,994	$ -	$ 178,622
Net income	-	-	-	-	16,671	-	-	16,671
Pension liability adjustments	-	-	-	-	-	1,039	-	1,039
Unrealized gain on marketable securities	-	-	-	-	-	44	-	44
Unrealized loss on derivatives	-	-	-	-	-	(37)	-	(37)
Currency translation adjustments	-	-	-	-	-	5,987	-	5,987
Comprehensive income								23,704
Exercise of share options	164	-	1,552	-	-	-	-	1,552
Issuance of restricted Common Shares	447	-	-	-	-	-	-	-
Forfeited restricted Common Shares	(181)	181	-	-	-	-	-	-
Repurchased Common Shares for treasury	(25)	25	-	(232)	-	-	-	(232)
Share-based compensation matters	-	-	2,543	-	-	-	-	2,543
BALANCE, DECEMBER 31, 2007	24,209	392	154,173	(383)	38,372	14,027	-	206,189
Net loss	-	-	-	-	(97,527)	-	-	(97,527)
Pension liability adjustments	-	-	-	-	-	(1,531)	-	(1,531)

Unrealized loss on marketable securities	-	-	-	-	-	(10)	-	(10)
Unrealized loss on derivatives	-	-	-	-	-	(4,977)	-	(4,977)
Currency translation adjustments	-	-	-	-	-	(14,506)	-	(14,506)
Comprehensive loss								(118,551)
Exercise of share options	88	-	795	-	-	-	-	795
Issuance of restricted Common Shares	462	(379)	-	383	-	-	-	383
Forfeited restricted Common Shares	(73)	73	-	-	-	-	-	-
Repurchased Common Shares for treasury	(21)	21	-	(129)	-	-	-	(129)
Share-based compensation matters	-	-	3,071	-	-	-	-	3,071
BALANCE, DECEMBER 31, 2008	24,665	107	158,039	(129)	(59,155)	(6,997)	-	91,758
Net income (loss)	-	-	-	-	(32,405)	-	82	(32,323)
Pension liability adjustments	-	-	-	-	-	(3,130)	-	(3,130)
Unrealized gain on marketable securities	-	-	-	-	-	6	-	6
Unrealized gain on derivatives	-	-	-	-	-	6,724	-	6,724
Currency translation adjustments	-	-	-	-	-	6,066	-	6,066
Comprehensive loss								(22,657)
Business acquisition	-	-	-	-	-	-	4,410	4,410
Exercise of share options	7	-	3	-	-	-	-	3
Issuance of restricted Common Shares	522	-	-	-	-	-	-	-
	(153)	153	-	-	-	-	-	-

Forfeited restricted Common Shares								
Repurchased Common Shares for treasury	(41)	41	-	(163)	-	-	-	(163)
Share-based compensation matters	-	-	706	-	-	-	-	706
BALANCE, DECEMBER 31, 2009	25,000	301	$ 158,748	$ (292)	$ (91,560)	$ 2,669	$ 4,492	$ 74,057

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

STONERIDGE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data, unless otherwise indicated)

1. Organization and Nature of Business

Stoneridge, Inc. and its subsidiaries are independent designers and manufacturers of highly engineered electrical and electronic components, modules and systems for the medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle markets.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Stoneridge, Inc. and its wholly-owned and majority-owned subsidiaries (collectively, the "Company"). Intercompany transactions and balances have been eliminated in consolidation. The Company accounts for investments in joint ventures in which it owns between 20% and 50% of equity or otherwise acquires management influence using the equity method (Note 3).

Accounting Standards Codification

During 2009, the Company adopted the Financial Accounting Standards Board ("FASB") - Accounting Standards Update No. 2009-01, Generally Accepted Accounting Principles ("GAAP"), which establishes the FASB Accounting Standards Codification TM ("ASC" or "Codification") as the official single source of authoritative U.S. GAAP. All existing accounting standards were superseded. All other accounting guidance not included in the Codification will be considered non-authoritative. The Codification also includes all relevant Securities and Exchange Commission ("SEC") guidance organized using the same topical structure in separate sections within the Codification. In order to ease the transition to the Codification, the Company is providing the Codification cross-reference alongside the references to the standards issued and adopted prior to the adoption of the Codification.

Cash and Cash Equivalents

The Company considers all short-term investments with original maturities of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value, due to the highly liquid nature and short-term duration of the underlying securities.

Accounts Receivable and Concentration of Credit Risk

Revenues are principally generated from the medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle markets. The Company's largest customers were Navistar International and Deere & Company, which accounted for approximately 27%, 26% and 20% and 12%, 10% and 7% of net sales for the years ended December 31, 2009, 2008 and 2007, respectively.

STONERIDGE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data, unless otherwise indicated)

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the last-in, first-out ("LIFO") method for approximately 69% and 72% of the Company's inventories at December 31, 2009 and 2008, respectively, and by the first-in, first-out method for all other inventories. The Company adjusts its excess and obsolescence reserve at least on a quarterly basis. Excess inventories are quantities of items that exceed anticipated sales or usage for a reasonable period. The Company uses guidelines and judgment for calculating provisions for excess inventories based on the number of months of inventories on hand compared to anticipated sales or usage. Inventory cost includes material, labor and overhead. Inventories consist of the following at December 31:

	2009	2008
Raw materials	$ 26,118	$ 32,981
Work-in-progress	9,137	8,876
Finished goods	8,226	15,890
Total inventories	43,481	57,747
Less: LIFO reserve	(3,237)	(2,947)
Inventories, net	$ 40,244	$ 54,800

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and consist of the following at December 31:

	2009	2008
Land and land improvements	$ 3,131	$ 3,872
Buildings and improvements	34,610	35,325
Machinery and equipment	132,936	131,061