

STONERIDGE INC  
Form 10-Q  
May 08, 2009

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

FORM 10-Q

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

For the quarter ended March 31, 2009

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-13337

STONERIDGE, INC.

(Exact name of registrant as specified in its charter)

Ohio  
(State or other jurisdiction of  
incorporation or organization)

34-1598949  
(I.R.S. Employer  
Identification No.)

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

44484  
(Zip Code)

(330) 856-2443

Registrant's telephone number, including area code

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

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

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

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(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).  Yes  No

The number of Common Shares, without par value, outstanding as of April 24, 2009 was 25,177,981.

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## STONERIDGE, INC. AND SUBSIDIARIES

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

|  | March 31,<br>2009 | December 31,<br>2008 |
|--|-------------------|----------------------|
| <b>ASSETS</b>  |                   |                      |
| <b>Current Assets:</b>   |                   |                      |
| Cash and cash equivalents  | \$ 89,177         | \$ 92,692            |
| Accounts receivable, less reserves of \$4,274 and \$4,204, respectively  | 86,124            | 96,535               |
| Inventories, net   | 48,158            | 54,800               |
| Prepaid expenses and other   | 12,273            | 9,069                |
| Deferred income taxes, net of valuation allowance  | 1,548             | 1,495                |
| <b>Total current assets</b>  | <b>237,280</b>    | <b>254,591</b>       |
| <b>Long-Term Assets:</b>   |                   |                      |
| Property, plant and equipment, net   | 85,712            | 87,701               |
| <b>Other Assets:</b>   |                   |                      |
| Investments and other, net   | 39,687            | 40,145               |
| <b>Total long-term assets</b>  | <b>125,399</b>    | <b>127,846</b>       |
| <b>Total Assets</b>  | <b>\$ 362,679</b> | <b>\$ 382,437</b>    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                   |                      |
| <b>Current Liabilities:</b>  |                   |                      |
| Accounts payable   | \$ 43,226         | \$ 50,719            |
| Accrued expenses and other liabilities   | 46,715            | 43,485               |
| <b>Total current liabilities</b>   | <b>89,941</b>     | <b>94,204</b>        |
| <b>Long-Term Liabilities:</b>  |                   |                      |
| Long-term debt   | 183,000           | 183,000              |
| Deferred income taxes  | 4,573             | 7,002                |
| Other liabilities  | 6,457             | 6,473                |
| <b>Total long-term liabilities</b>   | <b>194,030</b>    | <b>196,475</b>       |
| <b>Shareholders' Equity:</b>   |                   |                      |
| Preferred Shares, without par value, authorized 5,000 shares, none issued  | -                 | -                    |
| Common Shares, without par value, authorized 60,000 shares, issued 25,286 and 24,772 shares and outstanding 25,178 and 24,665 shares, respectively, with no stated value | -                 | -                    |
| Additional paid-in capital   | 158,233           | 158,039              |
| Common Shares held in treasury, 108 and 107 shares, respectively, at cost  | (129)             | (129)                |
| Retained deficit   | (70,735)          | (59,155)             |

|  |            |            |
|--|------------|------------|
| Accumulated other comprehensive loss       | (8,661)    | (6,997)    |
| Total shareholders' equity                 | 78,708     | 91,758     |
| Total Liabilities and Shareholders' Equity | \$ 362,679 | \$ 382,437 |

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

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

|   | Three Months Ended<br>March 31, |            |
|---|---------------------------------|------------|
|   | 2009                            | 2008       |
| Net Sales                                   | \$ 121,085                      | \$ 203,070 |
| Costs and Expenses:                         |                                 |            |
| Cost of goods sold                          | 101,810                         | 151,253    |
| Selling, general and administrative         | 27,077                          | 36,282     |
| Restructuring charges                       | 958                             | 1,422      |
| Operating Income (Loss)                     | (8,760)                         | 14,113     |
| Interest expense, net                       | 5,497                           | 5,372      |
| Equity in earnings of investees             | (575)                           | (3,819)    |
| Loss on early extinguishment of debt        | -                               | 499        |
| Other expense, net                          | 6                               | 402        |
| Income (Loss) Before Income Taxes           | (13,688)                        | 11,659     |
| Provision (benefit) for income taxes        | (2,108)                         | 5,112      |
| Net Income (Loss)                           | \$ (11,580)                     | \$ 6,547   |
| Basic net income (loss) per share           | \$ (0.49)                       | \$ 0.28    |
| Basic weighted average shares outstanding   | 23,464                          | 23,286     |
| Diluted net income (loss) per share         | \$ (0.49)                       | \$ 0.28    |
| Diluted weighted average shares outstanding | 23,464                          | 23,647     |

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

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

|   | Three Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2009                            | 2008      |
| <b>OPERATING ACTIVITIES:</b>  |                                 |           |
| Net income (loss)   | \$ (11,580)                     | \$ 6,547  |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities - |                                 |           |
| Depreciation  | 5,061                           | 7,287     |
| Amortization  | 239                             | 433       |
| Deferred income taxes   | (2,506)                         | 3,656     |
| Equity in earnings of investees   | (575)                           | (3,819)   |
| Loss (gain) on sale of fixed assets   | 2                               | (8)       |
| Share-based compensation expense  | 564                             | 1,081     |
| Changes in operating assets and liabilities -   |                                 |           |
| Accounts receivable, net  | 9,424                           | (12,189)  |
| Inventories, net  | 6,055                           | (8,103)   |
| Prepaid expenses and other  | (402)                           | (2,560)   |
| Other assets  | 3                               | 23        |
| Accounts payable  | (7,236)                         | 5,690     |
| Accrued expenses and other  | 2,149                           | 10,585    |
| Net cash provided by operating activities   | 1,198                           | 8,623     |
| <b>INVESTING ACTIVITIES:</b>  |                                 |           |
| Capital expenditures  | (3,945)                         | (5,513)   |
| Proceeds from sale of fixed assets  | 92                              | 36        |
| Business acquisitions and other   | -                               | (1,061)   |
| Net cash used for investing activities  | (3,853)                         | (6,538)   |
| <b>FINANCING ACTIVITIES:</b>  |                                 |           |
| Repayments of long-term debt  | -                               | (11,000)  |
| Share-based compensation activity, net  | -                               | 42        |
| Premiums related to early extinguishment of debt  | -                               | (358)     |
| Net cash used for financing activities  | -                               | (11,316)  |
| Effect of exchange rate changes on cash and cash equivalents                              | (860)                           | 1,580     |
| Net change in cash and cash equivalents   | (3,515)                         | (7,651)   |
| Cash and cash equivalents at beginning of period  | 92,692                          | 95,924    |
| Cash and cash equivalents at end of period  | \$ 89,177                       | \$ 88,273 |

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





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

**(1) Basis of Presentation**

The accompanying condensed consolidated financial statements have been prepared by Stoneridge, Inc. (the “Company”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “Commission”). The information furnished in these condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of such financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the Commission’s rules and regulations. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the full year.

Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company’s Form 10-K for the fiscal year ended December 31, 2008.

The Company has reclassified the presentation of certain prior-period information to conform to the current presentation.

**(2) Inventories**

Inventories are valued at the lower of cost or market. Cost is determined by the last-in, first-out (“LIFO”) method for approximately 71% and 72% of the Company’s inventories at March 31, 2009 and December 31, 2008, respectively, and by the first-in, first-out (“FIFO”) method for all other inventories. Inventory cost includes material, labor and overhead. Inventories consist of the following:

|                    | March 31,<br>2009 | December 31,<br>2008 |
|--------------------|-------------------|----------------------|
| Raw materials      | \$ 30,072         | \$ 32,981            |
| Work-in-progress   | 5,029             | 8,876                |
| Finished goods     | 16,632            | 15,890               |
| Total inventories  | 51,733            | 57,747               |
| Less: LIFO reserve | (3,575)           | (2,947)              |
| Inventories, net   | \$ 48,158         | \$ 54,800            |

**(3) Fair Value of Financial Instruments****Financial Instruments**

A financial instrument is cash or a contract that imposes an obligation to deliver, or conveys a right to receive cash or another financial instrument. The carrying values of cash and cash equivalents, accounts receivable and accounts payable are considered to be representative of fair value because of the short maturity of these instruments. The estimated fair value of the Company’s senior notes (fixed rate debt) at March 31, 2009 and December 31, 2008, per

quoted market sources, was \$143.7 million and \$124.4 million, respectively. The carrying value was \$183.0 million as of March 31, 2009 and December 31, 2008.

#### Derivative Instruments and Hedging Activities

Effective January 1, 2009, we adopted Statement of Financial Accounting Standard (“SFAS”) No. 161, Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133, which expands the quarterly and annual disclosure requirements about our derivative instruments and hedging activities. The adoption of SFAS 161 did not have an impact on the Company’s financial position, results of operations or cash flows.

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

We make use of derivative instruments in foreign exchange and commodity price hedging programs. Derivatives currently in use are foreign currency forward contracts and commodity swaps. These contracts are used strictly for hedging and not for speculative purposes. They are used to mitigate uncertainty and volatility and to cover underlying exposures. Management believes that its use of these instruments to reduce risk is in the Company's best interest. The counterparties to these financial instruments are financial institutions with strong credit ratings.

The Company conducts business internationally and therefore is exposed to foreign currency exchange risk. The Company uses derivative financial instruments as cash flow hedges to mitigate its 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. The currencies hedged by the Company include the British pound and Mexican peso. In certain instances, the foreign currency forward contracts are marked to market, with gains and losses recognized in the Company's condensed consolidated statement of operations as a component of other expense, net. The Company's foreign currency forward contracts substantially offset gains and losses on the underlying foreign currency denominated transactions. As of March 31, 2009 and December 31, 2008, the Company held foreign currency forward contracts to reduce the exposure related to the Company's British pound-denominated intercompany receivables. These contracts expire in April 2009. For the three months ended March 31, 2009, the Company recognized a \$2,247 loss related to the British pound contract in the condensed consolidated statement of operations as a component of other expense, net. The Company also holds contracts intended to reduce exposure to the Mexican peso. These contracts were executed to hedge forecasted transactions, and therefore the contracts are accounted for as cash flow hedges. These Mexican peso-denominated foreign currency option contracts expire monthly throughout 2009. The effective portion of the unrealized gain or loss is deferred and reported in the Company's condensed consolidated balance sheets as a component of accumulated other comprehensive loss. The Company's expectation is that the cash flow hedges will be highly effective in the future. The effectiveness of the transactions has been and will be measured on an ongoing basis using regression analysis.

To mitigate the risk of future price volatility and, consequently, fluctuations in gross margins, the Company has entered into fixed price commodity swaps with a financial institution to fix the cost of copper purchases. In December 2007, we entered into a fixed price swap contract for 1.0 million pounds of copper, which expired on December 31, 2008. In September 2008, we entered into a fixed price swap contract for 1.4 million pounds of copper, which cover the period from January 2009 to December 2009. Because these contracts were executed to hedge forecasted transactions, the contracts are accounted for as cash flow hedges. The unrealized gain or loss for the effective portion of the hedge is deferred and reported in the Company's condensed consolidated balance sheets as a component of accumulated other comprehensive loss. The Company deems these cash flow hedges to be highly effective. The effectiveness of the transactions has been and will be measured on an ongoing basis using regression analysis.

STONERIDGE, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(in thousands, except share and per share data, unless otherwise indicated)

The notional amounts and fair values of derivative instruments in the condensed consolidated balance sheets were as follows:

|  | Notional amounts <sup>1</sup> |                   | Prepaid expenses and other assets |                   | Accrued expenses and other liabilities |                   |
|--|-------------------------------|-------------------|-----------------------------------|-------------------|--|-------------------|
|  | March 31, 2009                | December 31, 2008 | March 31, 2009                    | December 31, 2008 | March 31, 2009                         | December 31, 2008 |
| <b>Derivatives designated as hedging instruments under SFAS 133:</b>     |                               |                   |                                   |                   |  |                   |
| Forward currency contracts   |                               |                   |                                   |                   |  |                   |
|  | \$ 26,418                     | \$ 35,457         | \$ -                              | \$ -              | \$ 2,669                               | \$ 2,930          |
| Commodity contracts  |                               |                   |                                   |                   |  |                   |
|  | 3,063                         | 4,085             | -                                 | -                 | 1,127                                  | 2,104             |
|  | 29,481                        | 39,542            | -                                 | -                 | 3,796                                  | 5,034             |
| <b>Derivatives not designated as hedging instruments under SFAS 133:</b> |                               |                   |                                   |                   |  |                   |
| Forward currency contracts   |                               |                   |                                   |                   |  |                   |
|  | 6,583                         | 8,762             | -                                 | 2,101             | 16                                     | -                 |
| Total derivatives  | \$ 36,064                     | \$ 48,304         | \$ -                              | \$ 2,101          | \$ 3,812                               | \$ 5,034          |

1 - Notional amounts represent the gross contract / notional amount of the derivatives outstanding.

Amounts recorded in accumulated other comprehensive loss in Equity and in net loss for the three months ended March 31, 2009 were as follows:

|   | Amount of gain recorded in accumulated other comprehensive loss | Amount of loss reclassified from accumulated other comprehensive loss into net loss | Location of loss reclassified from accumulated other comprehensive loss into net loss |
|---|---|---|---|
| <b>Derivatives designated as cash flow hedges</b> |   |   |   |
| Forward currency contracts                        | \$ 261  | \$ -  |   |
| Commodity contracts                               | 977   | (477)   | Cost of goods sold  |
|   | \$ 1,238  | \$ (477)  |   |

These derivatives will be reclassified from other comprehensive loss to the consolidated statement of operations over the next twelve months.

Statement of Financial Accounting Standard No. 157, Fair Value Measurements

Effective January 1, 2009, we adopted SFAS No. 157, Fair Value Measurements (“SFAS 157”) as it relates to nonfinancial assets and nonfinancial liabilities measured on a non-recurring basis. We adopted SFAS 157 for financial assets and financial liabilities on January 1, 2008. SFAS 157 clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements. The adoption of SFAS 157 did not have a material impact on our fair value measurements.

STONERIDGE, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(in thousands, except share and per share data, unless otherwise indicated)

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

|  | March 31, 2009  |                            |                   | December 31, |                 |
|--|-----------------|----------------------------|-------------------|--------------|-----------------|
|  | Fair Value      | Fair Value Estimated Using |                   | 2008         |                 |
|  |                 | Level 1 inputs(1)          | Level 2 inputs(2) | Fair Value   |                 |
| <b>Financial assets carried at fair value</b>            |                 |                            |                   |              |                 |
| Available for sale security                              | \$ 169          | \$ 169                     | \$ -              | \$ -         | \$ 252          |
| Forward currency contracts                               | -               | -                          | -                 | -            | 2,101           |
| <b>Total financial assets carried at fair value</b>      | <b>\$ 169</b>   | <b>\$ 169</b>              | <b>\$ -</b>       | <b>\$ -</b>  | <b>\$ 2,353</b> |
| <b>Financial liabilities carried at fair value</b>       |                 |                            |                   |              |                 |
| Forward currency contracts                               | \$ 2,685        | \$ -                       | \$ 2,685          | \$ -         | \$ 2,930        |
| Commodity hedge contracts                                | 1,127           | -                          | 1,127             | -            | 2,104           |
| <b>Total financial liabilities carried at fair value</b> | <b>\$ 3,812</b> | <b>\$ -</b>                | <b>\$ 3,812</b>   | <b>\$ -</b>  | <b>\$ 5,034</b> |

(1) Fair values estimated using Level 1 inputs, which consist of quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. The available for sale security is an equity security that is publically traded.

(2) Fair values estimated using Level 2 inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly and include among other things, quoted prices for similar assets or liabilities in markets that are active or inactive as well as inputs other than quoted prices that are observable. For forward currency and commodity hedge contracts, inputs include foreign currency exchange rates and commodity indexes.

Available for sale securities are valued using a market approach based on the quoted market prices of identical instruments when available or other observable inputs such as trading prices of identical instruments in active markets. Our foreign currency forward contracts are valued using an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount. Commodity swaps are valued using an income approach based on the present value of the commodity index prices less the contract rate multiplied by the notional amount.

#### (4) Share-Based Compensation

Total compensation related expense for share-based compensation arrangements recognized in the condensed consolidated statements of operations as a component of selling, general and administrative expenses was \$564 and \$1,081 for the three months ended March 31, 2009 and 2008, respectively.





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

## (5) Comprehensive Income (Loss)

SFAS No. 130, Reporting Comprehensive Income, establishes standards for the reporting and disclosure of comprehensive income (loss).

The components of comprehensive income (loss), net of tax are as follows:

|  | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2009                            | 2008      |
| Net income (loss)                        | \$ (11,580)                     | \$ 6,547  |
| Other comprehensive income (loss):       |                                 |           |
| Currency translation adjustments         | (2,890)                         | 3,816     |
| Pension liability adjustments            | 42                              | (9)       |
| Unrealized loss on marketable securities | (54)                            | (17)      |
| Unrealized gain on derivatives           | 1,238                           | 518       |
| Total other comprehensive income (loss)  | (1,664)                         | 4,308     |
| Comprehensive income (loss)              | \$ (13,244)                     | \$ 10,855 |

Accumulated other comprehensive income (loss), net of tax is comprised of the following:

|  | March 31,<br>2009 | December 31,<br>2008 |
|--|-------------------|----------------------|
| Foreign currency translation adjustments | \$ (2,884)        | \$ 6                 |
| Pension liability adjustments            | (1,917)           | (1,959)              |
| Unrealized loss on marketable securities | (84)              | (30)                 |
| Unrecognized loss on derivatives         | (3,776)           | (5,014)              |
| Accumulated other comprehensive loss     | \$ (8,661)        | \$ (6,997)           |

## 6) Long-Term Debt

## Senior Notes

The Company had \$183.0 million of senior notes outstanding at March 31, 2009 and December 31, 2008. During the quarter ended March 31, 2008, the Company purchased and retired \$11.0 million in face value of the senior notes. The outstanding senior notes bear interest at an annual rate of 11.50% and mature on May 1, 2012. The senior notes are redeemable, at the Company's option, at 103.833% until April 30, 2009. The senior notes will remain redeemable at various levels until the maturity date. Interest is payable on May 1 and November 1 of each year. The senior notes do not contain financial covenants. The Company was in compliance with all non-financial covenants at March 31, 2009 and December 31, 2008.

## Credit Facility

On November 2, 2007, the Company entered into an asset-based credit facility, which permits borrowing up to a maximum level of \$100.0 million. At March 31, 2009 and December 31, 2008, there were no borrowings on this asset-based credit facility (the "credit facility"). The available borrowing capacity on this credit facility is based on eligible current assets, as defined. At March 31, 2009 and December 31, 2008, the Company had borrowing capacity of \$56.3 million and \$57.7 million, respectively based on eligible current assets. The credit facility does not contain financial performance covenants; however, restrictions include limits on capital expenditures, operating leases and dividends. The credit facility expires on November 1, 2011, and requires a commitment fee of 0.25% on the unused balance. Interest is payable monthly at either (i) the higher of the prime rate or the Federal Funds rate plus 0.50%, plus a margin of 0.00% to 0.25% or (ii) LIBOR plus a margin of 1.00% to 1.75%, depending upon the Company's undrawn availability, as defined. The Company was in compliance with all covenants at March 31, 2009 and December 31, 2008.

STONERIDGE, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(in thousands, except share and per share data, unless otherwise indicated)

On April 24, 2009 and April 29, 2009, the Company entered into Amendment No. 1 and Amendment No. 2 (the “amendments”), respectively to the credit facility. These amendments were necessary for the Company to participate in the United States Department of Treasury Auto Supplier Program, which is discussed within Note 16, Subsequent Events. These amendments had no impact on the significant terms of the credit facility.

(7) Net Income (Loss) Per Share

Basic net income (loss) per share was computed by dividing net income (loss) by the weighted-average number of Common Shares outstanding for each respective period. Diluted net income per share was calculated by dividing net income (loss) by the weighted-average of all potentially dilutive Common Shares that were outstanding during the periods presented. For all periods in which the Company recognized a net loss the Company has recognized zero dilutive effect from securities as no anti-dilution is permitted under SFAS No. 128, Earnings Per Share.

Actual weighted-average shares outstanding used in calculating basic and diluted net income (loss) per share are as follows:

|   | Three Months Ended<br>March 31, |            |
|---|---------------------------------|------------|
|   | 2009                            | 2008       |
| Basic weighted-average shares outstanding   | 23,463,578                      | 23,285,848 |
| Effect of dilutive securities               | -                               | 360,828    |
| Diluted weighted-average shares outstanding | 23,463,578                      | 23,646,676 |

Options not included in the computation of diluted net income (loss) per share to purchase 195,750 and 167,750 Common Shares at an average price of \$10.22 and \$13.12 per share were outstanding at March 31, 2009 and March 31, 2008, respectively. These outstanding options were not included in the computation of diluted net income (loss) per share because their respective exercise prices were greater than the average market price of Common Shares. These options were excluded from the computation of diluted earnings per share under the treasury stock method.

As of March 31, 2009, 628,275 performance-based restricted shares were outstanding. These shares were not included in the computation of diluted net loss per share because not all vesting conditions were achieved as of March 31, 2009. These shares may or may not become dilutive based on the Company’s ability to meet or exceed future performance targets.

(8) Restructuring

On October 29, 2007, the Company announced restructuring initiatives to improve manufacturing efficiency and cost position by ceasing manufacturing operations at its Sarasota, Florida and Mitcheldean, United Kingdom locations. In the third quarter of 2008, the Company announced restructuring initiatives in our Canton, Massachusetts, location. In the fourth quarter of 2008, the Company announced restructuring initiatives in our Orebro, Sweden and Tallinn, Estonia locations as well as additional initiatives in our Canton, Massachusetts location. In response to the depressed conditions in the North American and European commercial vehicle and automotive markets, the Company began

additional restructuring initiatives in our Juarez, Mexico, Tallinn, Estonia and Canton, Massachusetts locations during the first quarter of 2009. In connection with these initiatives, the Company recorded restructuring charges of \$982 and \$2,520 in the Company's condensed consolidated statement of operations for the three months ended March 31, 2009 and 2008, respectively. Restructuring expenses that were general and administrative in nature were included in the Company's condensed consolidated statement of operations as part of restructuring charges, while the remaining restructuring related charges were included in cost of goods sold.

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The expenses related to the restructuring initiatives that belong to the Electronics reportable segment included the following:

|   | Severance<br>Costs | Contract<br>Termination<br>Costs | Other<br>Associated<br>Costs | Total    |
|---|--------------------|----------------------------------|------------------------------|----------|
| Total expected restructuring charges    | \$ 4,064           | \$ 1,397                         | \$ 2,504                     | \$ 7,965 |
| 2007 charge to expense                  | \$ 468             | \$ -                             | \$ 103                       | \$ 571   |
| Cash payments                           | -                  | -                                | (103)                        | (103)    |
| Accrued balance at December 31, 2007    | 468                | -                                | -                            | 468      |
| 2008 charge to expense                  | 2,830              | 1,305                            | 2,401                        | 6,536    |
| Cash payments                           | (2,767)            | -                                | (2,221)                      | (4,988)  |
| Accrued balance at December 31, 2008    | 531                | 1,305                            | 180                          | 2,016    |
| First quarter 2009 charge to expense    | 369                | 92                               | -                            | 461      |
| Cash Payments                           | (732)              | (93)                             | (180)                        | (1,005)  |
| Accrued Balance at March 31, 2009       | \$ 168             | \$ 1,304                         | \$ -                         | \$ 1,472 |
| Remaining expected restructuring charge | \$ 397             | \$ -                             | \$ -                         | \$ 397   |

The expenses related to the restructuring initiatives that belong to the Control Devices reportable segment included the following:

|                                      | Severance<br>Costs | Other<br>Associated<br>Costs | Total (A) |
|--------------------------------------|--------------------|------------------------------|-----------|
| Total expected restructuring charges | \$ 3,375           | \$ 6,449                     | \$ 9,824  |
| 2007 charge to expense               | \$ 357             | \$ 99                        | \$ 456    |
| Cash payments                        | -                  | -                            | -         |
| Accrued balance at December 31, 2007 | 357                | 99                           | 456       |
| 2008 charge to expense               | 2,521              | 6,325                        | 8,846     |
| Cash payments                        | (1,410)            | (6,024)                      | (7,434)   |
| Accrued balance at December 31, 2008 | 1,468              | 400                          | 1,868     |

|   |         |        |         |
|---|---------|--------|---------|
| First quarter 2009 charge to expense    | 497     | 25     | 522     |
| Cash Payments                           | (1,740) | (25)   | (1,765) |
| Accrued Balance at March 31, 2009       | \$ 225  | \$ 400 | \$ 625  |
| Remaining expected restructuring charge | \$ -    | \$ -   | \$ -    |

(A) Total expected restructuring charges does not include the expected gain from the future sale of the Company's Sarasota, Florida, facility.

All restructuring charges result in cash outflows. Severance costs relate to a reduction in workforce. Contract termination costs represent costs associated with long-term lease obligations that were cancelled as part of the restructuring initiatives. Other associated costs include premium direct labor, inventory and equipment move costs, relocation expense, increased inventory carrying cost and miscellaneous expenditures associated with exiting business activities. No fixed-asset impairment charges were incurred because assets were transferred to other locations for continued production.

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## (9) Commitments and Contingencies

In the ordinary course of business, the Company is involved in various legal proceedings, workers' compensation and product liability disputes. The Company is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the results of operations, cash flows or the financial position of the Company.

## Product Warranty and Recall

Amounts accrued for product warranty and recall claims are established based on the Company's best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet dates. These accruals are based on several factors including past experience, production changes, industry developments and various other considerations. The Company can provide no assurances that it will not experience material claims in the future or that it will not incur significant costs to defend or settle such claims beyond the amounts accrued or beyond what the Company may recover from its suppliers.

The following provides a reconciliation of changes in product warranty and recall liability for the three months ended March 31, 2009 and 2008:

|  | 2009     | 2008     |
|--|----------|----------|
| Product warranty and recall at beginning of period                       | \$ 5,527 | \$ 5,306 |
| Accruals for products shipped during period                              | 468      | 841      |
| Aggregate changes in pre-existing liabilities due to claims developments | 7        | 664      |
| Settlements made during the period (in cash or in kind)                  | (1,264)  | (617)    |
| Product warranty and recall at end of period                             | \$ 4,738 | \$ 6,194 |

## (10) Employee Benefit Plans

The Company has a single defined benefit pension plan that covers certain employees in the United Kingdom. The components of net periodic cost (benefit) cost under the defined benefit pension plan are as follows:

|                                     | Three Months Ended<br>March 31, |         |
|-------------------------------------|---------------------------------|---------|
|                                     | 2009                            | 2008    |
| Service cost                        | \$ 14                           | \$ 35   |
| Interest cost                       | 219                             | 316     |
| Expected return on plan assets      | (165)                           | (361)   |
| Amortization of actuarial loss      | 42                              | -       |
| Net periodic benefit cost (benefit) | \$ 110                          | \$ (10) |

The Company expects to contribute \$94 to its defined benefit pension plan in 2009. Of this amount, contributions of \$30 have been made to the pension plan as of March 31, 2009.





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(11) Income Taxes

The Company recognized a provision (benefit) from income taxes of \$(2,108), or 15.4% of pre-tax loss, and \$5,112, or 43.9% of pre-tax income, for federal, state and foreign income taxes for the three months ended March 31, 2009 and 2008, respectively. As reported at December 31, 2008, the Company is in a cumulative loss position and provides a valuation allowance offsetting federal, state and certain foreign deferred tax assets. As a result, a tax benefit is not provided for losses incurred during the first quarter of 2009, for federal, state and certain foreign jurisdictions. The inability to recognize a tax benefit for these losses and other deferred tax assets had a significant impact on our effective tax rate as well as the comparability of the current quarter effective tax rate to prior periods, in which the Company had not recorded a federal valuation allowance. The difference in the effective tax rate for the three months ended March 31, 2009 compared to the three months ended March 31, 2008, was primarily attributable to the federal valuation allowance provided against the domestic loss recognized during the three months ended March 31, 2009 offset by recording a tax benefit related to current period losses in certain foreign jurisdictions in which it is more likely than not that the benefit of those losses will be realized in the current year. Additionally, the effective tax rate for the three months ended March 31, 2008 was negatively affected by the valuation allowance that was required to be recorded during 2008 related to the restructuring expenses incurred in connection with certain United Kingdom operations.

(12) Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (“SFAS 141(R)”). This standard improves reporting by creating greater consistency in the accounting and financial reporting of business combinations. Additionally, SFAS 141(R) 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. SFAS 141(R) became effective for the Company on January 1, 2009. The adoption of SFAS 141(R) did not have an impact on the Company’s financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (“SFAS 160”). This standard 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, SFAS 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. SFAS 160 became effective for the Company on January 1, 2009. The adoption of SFAS 160 did not have an impact on the Company’s financial position, results of operations or cash flows.

In December 2008, the FASB issued Staff Position 132(R)-1, Employers’ Disclosures about Postretirement Benefit Plan Assets (“FAS 132(R)-1”). FAS 132(R)-1 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. FAS 132(R)-1 is effective for the Company beginning with its year ending December 31, 2009. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements.

(13) Segment Reporting

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, establishes standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise that are evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the president and chief executive officer.

The Company has 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 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. The Control Devices reportable segment produces electronic and electromechanical switches and control actuation devices and sensors.

The accounting policies of the Company's reportable segments are the same as those described in Note 2, "Summary of Significant Accounting Policies" of the Company's December 31, 2008 Form 10-K. The Company's management evaluates the performance of its reportable segments based primarily on net sales from external customers, capital expenditures and income (loss) before income taxes. Inter-segment sales are accounted for on terms similar to those to third parties and are eliminated upon consolidation.

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A summary of financial information by reportable segment is as follows:

|   | Three Months Ended<br>March 31, |                   |
|---|---------------------------------|-------------------|
|   | 2009                            | 2008              |
| <b>Net Sales</b>  |                                 |                   |
| Electronics   | \$ 82,771                       | \$ 133,216        |
| Inter-segment sales   | 1,858                           | 3,743             |
| Electronics net sales                                       | 84,629                          | 136,959           |
| Control Devices   | 38,314                          | 69,854            |
| Inter-segment sales   | 709                             | 1,320             |
| Control Devices net sales                                   | 39,023                          | 71,174            |
| Eliminations  | (2,567)                         | (5,063)           |
| <b>Total consolidated net sales</b>                         | <b>\$ 121,085</b>               | <b>\$ 203,070</b> |
| <b>Income (Loss) Before Income Taxes</b>                    |                                 |                   |
| Electronics   | \$ (2,206)                      | \$ 12,991         |
| Control Devices   | (7,020)                         | 2,076             |
| Other corporate activities                                  | 1,015                           | 1,907             |
| Corporate interest expense                                  | (5,477)                         | (5,315)           |
| <b>Total consolidated income (loss) before income taxes</b> | <b>\$ (13,688)</b>              | <b>\$ 11,659</b>  |
| <b>Depreciation and Amortization</b>                        |                                 |                   |
| Electronics   | \$ 2,212                        | \$ 3,516          |
| Control Devices   | 2,789                           | 3,829             |
| Corporate activities  | 60                              | (6)               |
| <b>Total consolidated depreciation and amortization (A)</b> | <b>\$ 5,061</b>                 | <b>\$ 7,339</b>   |
| <b>Interest Expense (Income), net</b>                       |                                 |                   |
| Electronics   | \$ 21                           | \$ 57             |
| Control Devices   | (1)                             | -                 |
| Corporate activities  | 5,477                           | 5,315             |
| <b>Total consolidated interest expense, net</b>             | <b>\$ 5,497</b>                 | <b>\$ 5,372</b>   |
| <b>Capital Expenditures</b>                                 |                                 |                   |
| Electronics   | \$ 1,510                        | \$ 1,771          |
| Control Devices   | 1,935                           | 3,694             |
| Corporate activities  | 500                             | 48                |
| <b>Total consolidated capital expenditures</b>              | <b>\$ 3,945</b>                 | <b>\$ 5,513</b>   |
|   | March 31,                       | December 31,      |
|   | 2009                            | 2008              |
| <b>Total Assets</b>   |                                 |                   |

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|                           |            |            |
|---------------------------|------------|------------|
| Electronics               | \$ 169,202 | \$ 183,574 |
| Control Devices           | 95,995     | 98,608     |
| Corporate (B)             | 236,622    | 239,425    |
| Eliminations              | (139,140)  | (139,170)  |
| Total consolidated assets | \$ 362,679 | \$ 382,437 |

(A) These amounts exclude the amortization of deferred financing costs.

(B) Assets located at Corporate consist primarily of cash, fixed assets, deferred income taxes and equity investments.

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The following table presents net sales and non-current assets for each of the geographic areas in which the Company operates:

|                                       | Three Months Ended<br>March 31, |              |
|---------------------------------------|---------------------------------|--------------|
|                                       | 2009                            | 2008         |
| <b>Net Sales</b>                      |                                 |              |
| North America                         | \$ 99,230                       | \$ 147,198   |
| Europe and other                      | 21,855                          | 55,872       |
| Total consolidated net sales          | \$ 121,085                      | \$ 203,070   |
|                                       | March 31,                       | December 31, |
|                                       | 2009                            | 2008         |
| <b>Non-Current Assets</b>             |                                 |              |
| North America                         | \$ 108,632                      | \$ 110,507   |
| Europe and other                      | 16,767                          | 17,339       |
| Total consolidated non-current assets | \$ 125,399                      | \$ 127,846   |

(14) Investments

PST Eletrônica S.A.

The Company has a 50% equity interest in PST Eletrônica S.A. ("PST"), a Brazilian electronic system provider focused on security and convenience applications primarily for the vehicle and motorcycle industry. The investment is accounted for under the equity method of accounting. The Company's investment in PST was \$31,364 and \$31,021 at March 31, 2009 and December 31, 2008, respectively.

Condensed financial information for PST is as follows:

|                                       | Three Months Ended<br>March 31, |           |
|---------------------------------------|---------------------------------|-----------|
|                                       | 2009                            | 2008      |
| Revenues                              | \$ 21,400                       | \$ 43,946 |
| Cost of sales                         | \$ 11,051                       | \$ 21,048 |
| Total pre-tax income                  | \$ 1,260                        | \$ 8,763  |
| The Company's share of pre-tax income | \$ 630                          | \$ 4,382  |

Equity in earnings of PST included in the condensed consolidated statements of operations was \$603 and \$3,594 for the three months ended March 31, 2009 and 2008, respectively.

Minda Stoneridge Instruments Ltd.

The Company has a 49% interest in Minda Stoneridge Instruments Ltd. (“Minda”), a company based in India that manufactures electronics and instrumentation equipment for the motorcycle and commercial vehicle market. The investment is accounted for under the equity method of accounting. The Company’s investment in Minda was \$4,367 and \$4,808 at March 31, 2009 and December 31, 2008, respectively. Equity in earnings (loss) of Minda included in the condensed consolidated statements of operations was \$(28) and \$225, for the three months ended March 31, 2009 and 2008, respectively.

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## (15) Guarantor Financial Information

The senior notes are fully and unconditionally guaranteed, jointly and severally, by each of the Company's existing and future domestic wholly owned subsidiaries (Guarantor Subsidiaries). The Company's non-U.S. subsidiaries do not guarantee the senior notes (Non-Guarantor Subsidiaries).

Presented below are condensed consolidating financial statements of the Parent (which includes certain of the Company's operating units), the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and the Company on a condensed consolidated basis as of March 31, 2009 and December 31, 2008 and for each of the three months ended March 31, 2009 and 2008, respectively.

These summarized condensed consolidating financial statements are prepared under the equity method. Separate financial statements for the Guarantor Subsidiaries are not presented based on management's determination that they do not provide additional information that is material to investors. Therefore, the Guarantor Subsidiaries are combined in the presentations on the subsequent pages.

|   | Parent            | Guarantor<br>Subsidiaries | March 31, 2009<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations        | Consolidated      |
|---|-------------------|---------------------------|---|---------------------|-------------------|
| <b>ASSETS</b>                                     |                   |                           |   |                     |                   |
| <b>Current Assets:</b>                            |                   |                           |   |                     |                   |
| Cash and cash equivalents                         | \$ 47,123         | \$ 186                    | \$ 41,868   | \$ -                | \$ 89,177         |
| Accounts receivable, net                          | 47,532            | 17,329                    | 21,263  | -                   | 86,124            |
| Inventories, net                                  | 24,983            | 9,403                     | 13,772  | -                   | 48,158            |
| Prepaid expenses and other                        | (301,816)         | 298,104                   | 15,985  | -                   | 12,273            |
| Deferred income taxes, net of valuation allowance | -                 | -                         | 1,548   | -                   | 1,548             |
| <b>Total current assets</b>                       | <b>(182,178)</b>  | <b>325,022</b>            | <b>94,436</b>                                       | <b>-</b>            | <b>237,280</b>    |
| <b>Long-Term Assets:</b>                          |                   |                           |   |                     |                   |
| Property, plant and equipment, net                | 50,155            | 23,510                    | 12,047  | -                   | 85,712            |
| <b>Other Assets:</b>                              |                   |                           |   |                     |                   |
| Investments and other, net                        | 38,648            | 233                       | 806   | -                   | 39,687            |
| Investment in subsidiaries                        | 398,036           | -                         | -   | (398,036)           | -                 |
| <b>Total long-term assets</b>                     | <b>486,839</b>    | <b>23,743</b>             | <b>12,853</b>                                       | <b>(398,036)</b>    | <b>125,399</b>    |
| <b>Total Assets</b>                               | <b>\$ 304,661</b> | <b>\$ 348,765</b>         | <b>\$ 107,289</b>                                   | <b>\$ (398,036)</b> | <b>\$ 362,679</b> |

**LIABILITIES AND  
SHAREHOLDERS' EQUITY**

|                             |           |           |           |      |           |
|-----------------------------|-----------|-----------|-----------|------|-----------|
| <b>Current Liabilities:</b> |           |           |           |      |           |
| Accounts payable            | \$ 19,019 | \$ 12,668 | \$ 11,539 | \$ - | \$ 43,226 |

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|  |            |            |            |              |            |
|--|------------|------------|------------|--------------|------------|
| Accrued expenses and other                 | 18,156     | 5,846      | 22,713     | -            | 46,715     |
| Total current liabilities                  | 37,175     | 18,514     | 34,252     | -            | 89,941     |
| Long-Term Liabilities:                     |            |            |            |              |            |
| Long-term debt                             | 183,000    | -          | -          | -            | 183,000    |
| Deferred income taxes                      | 2,648      | -          | 1,925      | -            | 4,573      |
| Other liabilities                          | 3,130      | 360        | 2,967      | -            | 6,457      |
| Total long-term liabilities                | 188,778    | 360        | 4,892      | -            | 194,030    |
| Shareholders' Equity                       | 78,708     | 329,891    | 68,145     | (398,036)    | 78,708     |
| Total Liabilities and Shareholders' Equity | \$ 304,661 | \$ 348,765 | \$ 107,289 | \$ (398,036) | \$ 362,679 |



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Supplemental condensed consolidating financial statements (continued):

|   | December 31, 2008 |                           |                                   |                     |                   |
|---|-------------------|---------------------------|-----------------------------------|---------------------|-------------------|
|   | Parent            | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations        | Consolidated      |
| <b>ASSETS</b>                                     |                   |                           |                                   |                     |                   |
| <b>Current Assets:</b>                            |                   |                           |                                   |                     |                   |
| Cash and cash equivalents                         | \$ 55,237         | \$ 27                     | \$ 37,428                         | \$ -                | \$ 92,692         |
| Accounts receivable, net                          | 51,274            | 15,888                    | 29,373                            | -                   | 96,535            |
| Inventories, net                                  | 28,487            | 10,927                    | 15,386                            | -                   | 54,800            |
| Prepaid expenses and other                        | (304,638)         | 301,387                   | 12,320                            | -                   | 9,069             |
| Deferred income taxes, net of valuation allowance | -                 | -                         | 1,495                             | -                   | 1,495             |
| <b>Total current assets</b>                       | <b>(169,640)</b>  | <b>328,229</b>            | <b>96,002</b>                     | <b>-</b>            | <b>254,591</b>    |
| <b>Long-Term Assets:</b>                          |                   |                           |                                   |                     |                   |
| Property, plant and equipment, net                | 50,458            | 24,445                    | 12,798                            | -                   | 87,701            |
| <b>Other Assets:</b>                              |                   |                           |                                   |                     |                   |
| Investments and other, net                        | 38,984            | 319                       | 842                               | -                   | 40,145            |
| Investment in subsidiaries                        | 407,199           | -                         | -                                 | (407,199)           | -                 |
| <b>Total long-term assets</b>                     | <b>496,641</b>    | <b>24,764</b>             | <b>13,640</b>                     | <b>(407,199)</b>    | <b>127,846</b>    |
| <b>Total Assets</b>                               | <b>\$ 327,001</b> | <b>\$ 352,993</b>         | <b>\$ 109,642</b>                 | <b>\$ (407,199)</b> | <b>\$ 382,437</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                   |                           |                                   |                     |                   |
| <b>Current Liabilities:</b>                       |                   |                           |                                   |                     |                   |
| Accounts payable                                  | \$ 23,778         | \$ 13,652                 | \$ 13,289                         | \$ -                | \$ 50,719         |
| Accrued expenses and other                        | 21,429            | 5,065                     | 16,991                            | -                   | 43,485            |
| <b>Total current liabilities</b>                  | <b>45,207</b>     | <b>18,717</b>             | <b>30,280</b>                     | <b>-</b>            | <b>94,204</b>     |
| <b>Long-Term Liabilities:</b>                     |                   |                           |                                   |                     |                   |
| Long-term debt                                    | 183,000           | -                         | -                                 | -                   | 183,000           |
| Deferred income taxes                             | 3,873             | 41                        | 3,088                             | -                   | 7,002             |
| Other liabilities                                 | 3,163             | 360                       | 2,950                             | -                   | 6,473             |
| <b>Total long-term liabilities</b>                | <b>190,036</b>    | <b>401</b>                | <b>6,038</b>                      | <b>-</b>            | <b>196,475</b>    |
| <b>Shareholders' Equity</b>                       | <b>91,758</b>     | <b>333,875</b>            | <b>73,324</b>                     | <b>(407,199)</b>    | <b>91,758</b>     |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 327,001</b> | <b>\$ 352,993</b>         | <b>\$ 109,642</b>                 | <b>\$ (407,199)</b> | <b>\$ 382,437</b> |



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Supplemental condensed consolidating financial statements (continued):

|                                     | Three Months Ended March 31, 2009 |                           |                                   |              |              |
|-------------------------------------|-----------------------------------|---------------------------|-----------------------------------|--------------|--------------|
|                                     | Parent                            | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Net Sales                           | \$ 72,572                         | \$ 31,626                 | \$ 34,592                         | \$ (17,705)  | \$ 121,085   |
| <b>Costs and Expenses:</b>          |                                   |                           |                                   |              |              |
| Cost of goods sold                  | 63,393                            | 27,794                    | 27,707                            | (17,084)     | 101,810      |
| Selling, general and administrative | 12,042                            | 6,566                     | 9,090                             | (621)        | 27,077       |
| Restructuring charges               | 16                                | 482                       | 460                               |              | 958          |
| Operating Loss                      | (2,879)                           | (3,216)                   | (2,665)                           | -            | (8,760)      |
| Interest expense (income), net      | 5,544                             | -                         | (47)                              | -            | 5,497        |
| Other expense (income), net         | (572)                             | -                         | 3                                 | -            | (569)        |
| Equity deficit from subsidiaries    | 5,102                             | -                         | -                                 | (5,102)      | -            |
| Loss Before Income Taxes            | (12,953)                          | (3,216)                   | (2,621)                           | 5,102        | (13,688)     |
| Benefit for income taxes            | (1,373)                           | -                         | (735)                             | -            | (2,108)      |
| Net Loss                            | \$ (11,580)                       | \$ (3,216)                | \$ (1,886)                        | \$ 5,102     | \$ (11,580)  |

|                                     | Three Months Ended March 31, 2008 |                           |                                   |              |              |
|-------------------------------------|-----------------------------------|---------------------------|-----------------------------------|--------------|--------------|
|                                     | Parent                            | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Net Sales                           | \$ 104,046                        | \$ 52,567                 | \$ 70,331                         | \$ (23,874)  | \$ 203,070   |
| <b>Costs and Expenses:</b>          |                                   |                           |                                   |              |              |
| Cost of goods sold                  | 82,557                            | 40,259                    | 51,667                            | (23,230)     | 151,253      |
| Selling, general and administrative | 14,265                            | 8,445                     | 14,216                            | (644)        | 36,282       |
| Restructuring charges               | 541                               | -                         | 881                               | -            | 1,422        |
| Operating Income                    | 6,683                             | 3,863                     | 3,567                             | -            | 14,113       |
| Interest expense (income), net      | 5,523                             | -                         | (151)                             | -            | 5,372        |
| Other expense (income), net         | (3,321)                           | -                         | 403                               | -            | (2,918)      |
| Equity earnings from subsidiaries   | (6,125)                           | -                         | -                                 | 6,125        | -            |

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|                            |          |          |          |            |          |
|----------------------------|----------|----------|----------|------------|----------|
| Income Before Income Taxes | 10,606   | 3,863    | 3,315    | (6,125)    | 11,659   |
| Provision for income taxes | 4,059    | 63       | 990      | -          | 5,112    |
| Net Income                 | \$ 6,547 | \$ 3,800 | \$ 2,325 | \$ (6,125) | \$ 6,547 |

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

Supplemental condensed consolidating financial statements (continued):

|   | Three Months Ended March 31, 2009 |                           |                                   |              |              |
|---|-----------------------------------|---------------------------|-----------------------------------|--------------|--------------|
|   | Parent                            | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Net cash provided by (used for)<br>operating activities         | \$ (5,682)                        | \$ 894                    | \$ 5,986                          | \$ -         | \$ 1,198     |
| <b>INVESTING ACTIVITIES:</b>                                    |                                   |                           |                                   |              |              |
| Capital expenditures  | (2,434)                           | (792)                     | (719)                             | -            | (3,945)      |
| Proceeds from the sale of fixed assets                          | 2                                 | 57                        | 33                                | -            | 92           |
| Net cash used for investing activities                          | (2,432)                           | (735)                     | (686)                             | -            | (3,853)      |
| Effect of exchange rate changes on<br>cash and cash equivalents | -                                 | -                         | (860)                             | -            | (860)        |
| Net change in cash and cash<br>equivalents                      | (8,114)                           | 159                       | 4,440                             | -            | (3,515)      |
| Cash and cash equivalents at<br>beginning of period             | 55,237                            | 27                        | 37,428                            | -            | 92,692       |
| Cash and cash equivalents at end of<br>period                   | \$ 47,123                         | \$ 186                    | \$ 41,868                         | \$ -         | \$ 89,177    |

Three Months Ended March 31, 2008