SUPERIOR INDUSTRIES INTERNATIONAL INC
Form 10-K
March 12, 2015

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

FORM 10-K

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

For the fiscal year ended December 28, 2014

Commission file number: 1-6615

SUPERIOR INDUSTRIES INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

California	95-2594729
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
24800 Denso Drive, Suite 225	
Southfield, Michigan	48033
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (818) 781-4973

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, no 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. Yes [ ] No [X]

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

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 [X] 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 (§ 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). Yes [X] No [ ]

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of the 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. [X]

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]

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 [X]

The aggregate market value of the registrant's no par value common equity held by non-affiliates as of the last business day of the registrant's most recently completed second quarter was $541,717,000, based on a closing price of $20.15. On February 27, 2015, there were 26,942,747 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's 2015 Annual Proxy Statement, to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

SUPERIOR INDUSTRIES INTERNATIONAL, INC.
ANNUAL REPORT ON FORM 10-K

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. We have included or incorporated by reference in this Annual Report on Form 10-K (including in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations"), and from time to time our management may make, statements that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth, future business plans and costs and potential liability for environmental-related matters. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as "expects," "anticipates," "believes," "will," "will likel result," "will continue," "plans to" and similar expressions. These statements include our belief and statements regarding general automotive industry and market conditions and growth rates, as well as general domestic and international economic conditions.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the company, which could cause actual results to differ materially from such statements and from the company's historical results and experience. These risks, uncertainties and other factors include, but are not limited to those described in Part I - Item 1A - Risk Factors and Part II - Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K and elsewhere in the Annual Report and those described from time to time in our future reports filed with the Securities and Exchange Commission.

Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the risks described herein should not be considered to be a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and the company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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PART I

ITEM 1 - BUSINESS

Description of Business and Industry

The principal business of Superior Industries International, Inc. (referred to herein as the “company” or in the first person notation “we,” “us” and “our”) is the design and manufacture of aluminum road wheels for sale to original equipment manufacturers ("OEMs"). We are one of the largest suppliers of cast aluminum wheels to the world's leading automobile and light truck manufacturers, with wheel manufacturing operations in the United States and Mexico. Products made in our North American facilities are delivered primarily to automotive assembly operations in North America, both for domestic and internationally branded customers. Our OEM aluminum road wheels primarily are sold for factory installation, as either optional or standard equipment, on many vehicle models manufactured by Ford, General Motors ("GM"), Toyota, Fiat Chrysler Automobiles N.V. ("FCA"), BMW, Mitsubishi, Nissan, Subaru, Volkswagen and Tesla.

Production levels of the U.S. automotive industry for 2014 were 16.9 million vehicles, a 5 percent, or 0.9 million unit, increase over 2013. We track annual production rates based on information from Ward's Automotive Group. The North American annual production levels of automobiles and light-duty trucks (including SUV's, vans and "crossover vehicles") continue the trend of growth since the 2009 recession. Current economic conditions and low consumer interest rates have been generally supportive of market growth and, in addition, the relatively high average age of vehicles on the road appears to be contributing to higher rates of vehicle replacement. It was reported in 2014 that the average age of all light vehicles in the U.S. remained steady at a record level of 11.4 years, according to IHS Automotive.

In 2013, production of automobiles and light-duty trucks in North America reached 16.1 million units, an increase of 5 percent over 2012. Production in 2012 reached 15.4 million units, an increase of 2.3 million, or 18 percent, from 13.1 million vehicles in 2011. Continued improvement in the U.S. economy and low consumer interest rates both supported market demand recovery following the 2009 recession.

The 2014 rate of vehicle production increase was strongest in the light-duty truck category. Consistent with the overall market, the company's unit sales were stronger in light-duty trucks than passenger cars, and domestic brands held firmer than international brands.

We were initially incorporated in Delaware in 1969 and reincorporated in California in 1994. In 2015, we moved our headquarters from Van Nuys, California to Southfield, Michigan. Our stock is traded on the New York Stock Exchange under the symbol "SUP."

Raw Materials

The raw materials used in producing our products are readily available and are obtained through numerous suppliers with whom we have established trade relations. We purchase aluminum for the manufacture of our aluminum road wheels, which accounted for the vast majority of our total raw material requirements during 2014. The majority of our aluminum requirements are met through purchase orders with certain major domestic and foreign producers, with physical supply coming from North American locations. Generally, the orders are fixed as to minimum and maximum quantities of aluminum, which the producers must supply during the term of the orders. During 2014, we were able to successfully secure aluminum commitments from our primary suppliers to meet production requirements and we anticipate being able to source aluminum requirements to meet our expected level of production in 2015. We procure other raw materials through numerous suppliers with whom we have established trade relationships.

When market conditions warrant, we also may enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. We currently have several purchase commitments for the delivery of natural gas through 2015. These natural gas contracts are considered to be derivatives under U.S. generally accepted accounting principles ("GAAP"), and when entering into these contracts, it was expected that we would take full delivery of the contracted quantities of natural gas over the normal course of business. Accordingly, at inception, these contracts qualified for the normal purchase, normal sale ("NPNS") exemption provided under U.S. GAAP. As such, we do not account for these purchase commitments as derivatives unless there is a change in facts or circumstances in regard to the company's intent or ability to use the contracted quantities of natural gas over the normal course of business. See Note 15 - Commitments and Contingent Liabilities in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report for further discussion of natural gas contracts.

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Customer Dependence

We have proven our ability to be a consistent producer of quality aluminum wheels with the capability to meet our customers' price, quality, delivery and service requirements. We strive to continually enhance our relationships with our customers through continuous improvement programs, not only through our manufacturing operations but in the engineering, wheel development and quality areas as well. These key business relationships have resulted in multiple vehicle supply contract awards with our key customers over the past year.

Ford, GM, Toyota and FCA were our only customers individually accounting for more than 10 percent of our consolidated net sales in 2014. Net sales to these customers in 2014, 2013 and 2012 were as follows (dollars in millions):

	2014		2013		2012	
	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars
Ford	44%	$321.6	45%	$349.7	38%	$313.3
GM	24%	$175.8	24%	$186.4	27%	$217.5
Toyota	12%	$88.3	12%	$92.1	9%	$77.0
FCA	10%	$72.0	10%	$78.1	12%	$95.4

The loss of all or a substantial portion of our sales to Ford, GM, Toyota or FCA would have a significant adverse effect on our financial results. See also Item 1A - Risk Factors - Customer Concentration of this Annual Report.

Foreign Operations

We manufacture in Mexico a significant portion of our products that are sold both in the United States and Mexico. Net sales of wheels manufactured in our Mexico operations in 2014 totaled $483.3 million and represented 65 percent of our total net sales. The portion of our products produced in Mexico versus the United States will increase in 2015 as we ceased production at our Rogers, Arkansas facility in December 2014, and we are beginning initial commercial production at a new wheel plant in Mexico in the first quarter of 2015. Net property, plant and equipment used in our operations in Mexico totaled $199.9 million at December 31, 2014, including $119.4 million related to our recently completed wheel plant. The overall cost for us to manufacture wheels in Mexico currently is lower than in the U.S., in particular because of reduced labor cost due to lower prevailing wage rates. Such current advantages to manufacturing our product in Mexico can be affected by changes in cost structures, trade protection laws, policies and other regulations affecting trade and investments, social, political, labor, or general economic conditions in Mexico. Other factors that can affect the business and financial results of our Mexican operations include, but are not limited to, valuation of the peso, availability and competency of personnel and tax regulations in Mexico. See also Item 1A- Risk Factors - International Operations and Item 1A - Risk Factors - Foreign Currency Fluctuations.

Net Sales Backlog

We receive OEM purchase orders to produce aluminum road wheels typically for multiple model years. These purchase orders are for vehicle wheel programs that usually last three to five years. However, competitive price clauses in such purchase orders can affect our profit margins or the share of volume we are awarded under those purchase orders. We manufacture and ship based on customer release schedules, normally provided on a weekly basis, which can vary in part due to changes in demand, industry and/or customer maintenance cycles, new program introductions or dealer inventory levels. Accordingly, even though customer purchase orders cover multiple model years, our management does not believe that our firm backlog is a meaningful indicator of future operating results.

Competition

Competition in the market for aluminum road wheels is based primarily on price, technology, quality, delivery and overall customer service. We are one of the leading suppliers of aluminum road wheels for OEM installations in the world, and currently are the largest producer in North America. We currently supply approximately 21 percent of the aluminum wheels installed on passenger cars and light-duty trucks in North America. Competition is global in nature with growing exports from Asia into North America. There are several competitors with facilities in North America, none of which represent greater than 12 percent individually of the total North American production capacity based on our current estimation. See also Item 1A - Risk Factors - Competition of

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this Annual Report. Other types of road wheels, such as those made of steel, also compete with our products. According to Ward's Automotive Group, the aluminum wheel penetration rate on passenger cars and light-duty trucks in the U.S. was 81 percent for the 2014 model year and 80 percent for the 2013 model year, compared to 78 percent for the 2012 model year. We expect the ratio of aluminum to steel wheels to remain relatively stable. However, several factors can affect this rate including price, fuel economy requirements and styling preference. Although aluminum wheels currently are more costly than steel, aluminum is a lighter material than steel, which is desirable for fuel efficiency and generally viewed as aesthetically superior to steel, and thus more desirable to the OEMs and their customers.

Research and Development

Our policy is to continuously review, improve and develop our engineering capabilities to satisfy our customer requirements in the most efficient and cost effective manner available. We strive to achieve this objective by attracting and retaining top engineering talent and by maintaining the latest state-of-the-art computer technology to support engineering development. A fully staffed engineering center, located in Fayetteville, Arkansas, supports our research and development manufacturing needs. We also have a technical sales center at our corporate headquarters in Southfield, Michigan, that maintains a complement of engineering staff centrally located near some of our largest customers' headquarters, engineering and purchasing offices.

Research and development costs (primarily engineering and related costs), which are expensed as incurred, are included in cost of sales in our consolidated income statements. Amounts expended on research and development costs during each of the last three years were $4.4 million in 2014; $4.8 million in 2013; and $5.8 million in 2012.

Government Regulation

Safety standards in the manufacture of vehicles and automotive equipment have been established under the National Traffic and Motor Vehicle Safety Act of 1966. We believe that we are in compliance with all federal standards currently applicable to OEM suppliers and to automotive manufacturers.

Environmental Compliance

Our manufacturing facilities, like most other manufacturing companies, are subject to solid waste, water and air pollution control standards mandated by federal, state and local laws. Violators of these laws are subject to fines and, in extreme cases, plant closure. We believe our facilities are in material compliance with all presently applicable standards. However, costs related to environmental protection may grow due to increasingly stringent laws and regulations. The cost of environmental compliance was approximately $0.4 million in 2014; $0.5 million in 2013; and $0.3 million in 2012. We expect that future environmental compliance expenditures will approximate these levels and will not have a material effect on our consolidated financial position. Furthermore, climate change legislation or regulations restricting emission of "greenhouse gases" could result in increased operating costs and reduced demand for the vehicles that use our products. See also Item 1A - Risk Factors - Environmental Matters of this Annual Report.

Employees

As of December 31, 2014, we had approximately 3,000 full-time employees compared to approximately 3,700 employees at December 31, 2013. None of our employees are covered by a collective bargaining agreement.

Fiscal Year End

Our fiscal year is the 52- or 53-week period ending generally on the last Sunday of the calendar year. The fiscal years 2014 and 2013 comprised the 52-week periods ended on December 28, 2014, and December 29, 2013, respectively. The 2012 fiscal year comprised the 53-week period ended December 30, 2012. For convenience of presentation, all fiscal years are referred to as beginning as of January 1, and ending as of December 31, but actually reflect our financial position and results of operations for the periods described above.

Segment Information

We operate as a single integrated business and, as such, have only one operating segment - automotive wheels. Financial information about this segment and geographic areas is contained in Note 5 - Business Segments in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

Seasonal Variations

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The automotive industry is cyclical and varies based on the timing of consumer purchases of vehicles, which in turn vary based on a variety of factors such as general economic conditions, availability of consumer credit, interest rates and fuel costs. While there have been no significant seasonal variations in the past few years, production schedules in our industry can vary significantly from quarter to quarter to meet the scheduling demands of our customers.

Available Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other information statements, and any amendments thereto are available, without charge, on or through our website, www.supind.com, under “Investor,” as soon as reasonably practicable after they are filed electronically with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website, www.sec.gov, which contains these reports, proxy and information statements and other information regarding the company. Also included on our website, www.supind.com, under "Investor," is our Code of Conduct, which, among others, applies to our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. Copies of all SEC filings and our Code of Conduct are also available, without charge, upon request from Superior Industries International, Inc., Shareholder Relations, 7800 Woodley Avenue, Van Nuys, CA 91406.

The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference in this Annual Report on Form 10-K unless expressly noted.

ITEM 1A - RISK FACTORS

The following discussion of risk factors contains “forward-looking” statements, which may be important to understanding any statement in this Annual Report or elsewhere. The following information should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and Item 8 - Financial Statements and Supplementary Data of this Annual Report.

Our business routinely encounters and addresses risks and uncertainties. Our business, results of operations and financial condition could be materially adversely affected by the factors described below. Discussion about the important operational risks that our business encounters can also be found in the MD&A section and in the business description in Item 1 - Business of this Annual Report. Below, we have described our present view of the most significant risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently do not consider significant, could also potentially impair our business, results of operations and financial condition. Our reactions to these risks and uncertainties as well as our competitors' reactions will affect our future operating results.

Risks Relating To Our Company

Automotive Industry Trends - The majority of our sales are made in domestic U.S. markets and almost exclusively within North America. Therefore, our financial performance depends largely on conditions in the U.S. automotive industry, which in turn can be affected significantly by broad economic and financial market conditions. Consumer demand for automobiles is subject to considerable volatility as a result of consumer confidence in general economic conditions, levels of employment, prevailing wages, fuel prices and the availability and cost of consumer credit. With steady improvement in the North American automotive industry since the global recession that began in 2008, vehicle production levels in 2014 reached the highest level in the last decade. However, there can be no guarantee that the improvements in recent years will be sustained or that reductions from current production levels will not occur in future periods. Demand for aluminum wheels can be further affected by other factors, including pricing and performance comparisons to competitive materials such as steel. Finally, the demand for our products is influenced by shifts of market share between vehicle manufacturers and the specific market penetration of individual vehicle platforms being sold by our customers.

Customer Concentration - Ford, GM, Toyota and FCA, together represented approximately 90 percent of our total wheel sales in 2014. Our OEM customers are not required to purchase any minimum amount of products from us. Increasingly global procurement practices, the pace of new vehicle introduction and demand for price reductions may make it more difficult to maintain long-term supply arrangements with our customers, and there are no guarantees that we will be able to negotiate supply arrangements with our customers on terms acceptable to us in the future. The contracts we have entered into with most of our customers provide that we will manufacture wheels for a particular vehicle model, rather than for manufacturing a specific quantity of products. Such contracts range from one year to the life of the model (usually three to five years), typically are non-exclusive, and do not require

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the purchase by the customer of any minimum number of wheels from us. Therefore, a significant decrease in consumer demand for certain key models or group of related models sold by any of our major customers, or a decision by a manufacturer not to purchase from us, or to discontinue purchasing from us, for a particular model or group of models, could adversely affect our results of operations and financial condition.

New Operations - Due to the anticipation of continued growth in demand for aluminum wheels in the North American market, in 2013 we began construction of a new manufacturing facility in Mexico. The new facility was operational at the end of 2014 with initial commercial production beginning at the start of 2015. The total capitalized cost of the new facility was approximately $119.4 million, as of December 31, 2014. The new manufacturing facility still entails a number of risks, including the ability to ramp-up commercial production within the cost and timeframe estimated and to attract a sufficient number of skilled workers to meet the needs of the new facility. Additionally, our assessment of the projected benefits associated with the construction of a new manufacturing facility is subject to a number of estimates and assumptions, including future demand for our products, which in turn are subject to significant economic, competitive and other uncertainties that are beyond our control. If we experience delays or increased costs, our estimates and assumptions are incorrect, or other unforeseen events occur, our business, financial condition and results of operations could be adversely impacted. Operating results could be unfavorably impacted by start-up costs until production levels at the new facility reach planned levels. Additionally, our overall ability to increase total company revenues in the future can be affected by factors affecting the volume of product manufactured at our existing factories.

Although our available cash was adequate to fund the project, dedication of our financial resources to this project reduced our cash and working capital, which in turn may limit our flexibility to pursue other initiatives to grow our business or to return capital to our shareholders. After making such an investment, a significant change in our business, the economy or an unexpected decrease in our cash flow for any reason could result in the need borrow funds available from our senior secured revolving credit facility.

Pricing Pressure - The vehicle market is highly competitive at the OEM level, which drives continual cost-cutting initiatives by our customers. Customer concentration, relative supplier fragmentation and product commoditization have translated into continual pressure from OEMs to reduce the price of our products. It is possible that pricing pressures beyond our expectations could intensify as OEMs pursue restructuring and cost cutting initiatives. If we are unable to generate sufficient production cost savings in the future to offset such price reductions, our gross margin, rate of profitability and cash flows would be adversely affected. In addition, changes in OEMs' purchasing policies or payment practices could have an adverse effect on our business. Our OEM customers typically attempt to qualify more than one wheel supplier for the programs we participate in and for programs we may bid on in the future. As such, our OEM customers are able to negotiate favorable pricing or may decrease sales volume. Such actions may result in decreased sales volumes and unit price reductions for the company, resulting in lower revenues, gross profit, operating income and cash flows.

Competition - The automotive component supply industry is highly competitive, both domestically and internationally. Competition is based primarily on a number of factors, including price, technology, quality, delivery and overall customer service and available capacity to meet customer demands. Some of our competitors are companies, or divisions or subsidiaries of companies, which are large and have greater financial and other resources than we do. We cannot ensure that our products will be able to compete successfully with the products of these competitors. In particular, our ability to increase manufacturing capacity typically requires significant investments in facilities, equipment and personnel. Although we have chosen to make investments to build new manufacturing capacity, we also shut down certain existing capacity at the end of 2014. While our overall capacity utilization in 2014 was lower than for the previous two years, our ability to meet substantially higher customer demand for our products and increase revenues will be delayed due to the length of time required before additional manufacturing capacity becomes available. Additionally, operating our facilities at full or near to full capacity levels may cause us to incur labor cost at premium rates in order to meet customer requirements, experience increased maintenance expenses or require us to replace our machinery and equipment on an accelerated basis. Currently, we expect utilization of available productive capacity in 2015 to approximate 98 percent. Furthermore, the nature of the markets in which we compete has attracted new entrants, particularly from low cost countries. As a result, our sales levels and margins continue to be adversely affected by pricing pressures reflective of significant competition from producers located in low-cost foreign markets, such as China. Such competition with lower cost structures pose a significant threat to our ability to compete internationally and domestically. These factors have led to our customers awarding business to foreign competitors in the past and they may continue to do so in the future. In addition, any of our competitors may foresee the course of market development more accurately than we are able to, develop products that are superior to our products, have the ability to produce similar products at a lower cost than we do, or adapt more quickly than we do to new technologies or evolving customer requirements. Consequently, our products may not be able to compete successfully with competitors' products.

International Operations - We manufacture a substantial portion of our products in Mexico and have a minor investment in a wheel manufacturing company in India. Accordingly, we sell our products internationally. Unfavorable changes in foreign cost structures, trade protection laws, policies and other regulations affecting trade and investments, social, political, labor, or economic conditions in a specific country or region, including foreign exchange rates, difficulties in staffing and managing foreign operations and foreign tax consequences, among other factors, could have a negative effect on our business and results of operations. Legal and regulatory requirements differ among jurisdictions worldwide. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business, and damage to our reputation. Although we have policies, controls, and procedures designed to ensure compliance with these laws, our employees, contractors, or agents may violate our policies.

Foreign Currency Fluctuations - Due to the growth of our operations outside of the United States, we have experienced increased exposure to foreign currency gains and losses in the ordinary course of our business. As a result, fluctuations in the exchange rate between the U.S. dollar, the Mexican peso and any currencies of other countries in which we conduct our business may have a material impact on our financial condition as cash flows generated in foreign currencies may be used, in part, to service our U.S. dollar-denominated liabilities, or vice versa.

In addition, due to customer requirements, a significant shift is occurring in the currency denominated in our contracts with our customers. As a result of this change we currently project that in 2015 and beyond the vast majority of our revenues will be denominated in the US dollar, rather than a more balanced mix of US dollar and Mexican peso. In the past we have relied upon significant revenues denominated in the Mexican peso to provide a "natural hedge" against foreign exchange rate changes impacting our peso denominated costs incurred at our facilities in Mexico. Accordingly, the foreign exchange exposure associated with peso denominated costs is a growing risk factor and could have a material adverse effect on our operating results.

Fluctuations in foreign currency exchange rates may also affect the value of our foreign assets as reported in U.S. dollars, and may adversely affect reported earnings and, accordingly, the comparability of period-to-period results of operations. Changes in currency exchange rates may affect the relative prices at which we and our foreign competitors sell products in the same market. In addition, changes in the value of the relevant currencies may affect the cost of certain items required in our operations. We cannot ensure that fluctuations in exchange rates will not otherwise have a material adverse effect on our financial condition or results of operations, or cause significant fluctuations in quarterly and annual results of operations.
We may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions and forecasted future cash flows. We have implemented a program to hedge a portion of our material foreign exchange exposures, typically for up to 24 months. However, we may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to accounting considerations and the prohibitive economic cost of hedging particular exposures. There is no guarantee that our hedge program will effectively mitigate our exposures to foreign exchange changes which could have material adverse effects on our cash flows and results of operations.

Dependence on Third-Party Suppliers and Manufacturers - Generally, we obtain our raw materials, supplies and energy requirements from various sources. Although we currently maintain alternative sources, our business is subject to the risk of price increases and periodic delays in delivery. Fluctuations in the prices of raw materials may be driven by the supply/demand relationship for that commodity or governmental regulation. In addition, if any of our suppliers seek bankruptcy relief or otherwise cannot continue their business as anticipated, the availability or price of raw materials could be adversely affected.

Although we are able to periodically pass certain aluminum cost increases onto our customers, we may not be able to pass along all changes in aluminum costs and our customers are not obligated to accept energy or other supply cost increases that we may attempt to pass along to them. In addition, fixed price natural gas contracts that expire in the future may expose us to higher costs that cannot be immediately recouped in selling prices. This inability to pass on these cost increases to our customers could adversely affect our operating margins and cash flow, possibly resulting in lower operating income and profitability.

Unexpected Production Interruptions - An interruption in production capabilities at any of our facilities as a result of equipment failure, interruption of raw material or other supplies, labor disputes or other reasons could result in our inability to produce our products, which would reduce our sales and operating results for the affected period and harm our customer relationships. We have, from time to time, undertaken significant re-tooling and modernization initiatives at our facilities which in the past have caused, and in the future may cause, unexpected delays and plant underutilization, and such adverse consequences may continue to occur as we continue to modernize our production facilities. In addition, we generally deliver our products only after receiving the order from the customer and thus typically do not hold large inventories. In the event of a production interruption at any of our manufacturing facilities, even if only temporary, or if we experience delays as a result of events that are beyond our control, delivery times to our customers could be severely affected. Any significant delay in deliveries to our customers could lead to premium freight costs and other performance penalties, as well as contract cancellations, and cause us to lose future sales and expose us to other claims for damages. Our manufacturing facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, earthquakes, explosions or violent weather conditions. We have in the past, and may in the

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future, experience plant shutdowns or periods of reduced production which could have a material adverse effect on our results of operations or financial condition.

Similarly, it also is possible that our customers may experience production delays or disruptions for a variety of reasons, which could include supply-chain disruption for parts other than wheels, equipment breakdowns or other events affecting vehicle assembly rates that impact us, work stoppages or slow-downs at factories where our products are consumed, or even catastrophic events such as fires, disruptive weather conditions or natural disasters. Such disruptions at the customer level may cause the affected customer to halt or limit the purchase of our products.

Impact of Aluminum Pricing - The cost of aluminum is a significant component in the overall cost of a wheel and a portion of our selling prices to OEM customers is attributable to the cost of aluminum. The price for aluminum we purchase is adjusted monthly based primarily on changes in certain published market indices. Our selling prices are adjusted periodically based upon aluminum market price changes, but the timing of such adjustments is based on specific customer agreements and can vary from monthly to quarterly. As a result, the timing of aluminum price adjustments flowing through sales rarely will match the timing of such changes in cost and can result in fluctuation to our gross profit which may at times be negative. This is especially true during periods of frequent increases or decreases in the market price of aluminum.

The aluminum we use to manufacture wheels also contains additional alloying materials, including silicon. The cost of alloying materials also is a component of the overall cost of a wheel. The price of the alloys we purchase is also based on certain published market indices; however, most of our customer agreements do not provide price adjustments for changes in market prices of alloying materials. Increases or decreases in the market prices of these alloying materials could have a material effect on our operating margins and results of operations.

Legal Proceedings - The nature of our business subjects us to litigation in the ordinary course of our business. We are exposed to potential product liability and warranty risks that are inherent in the design, manufacture and sale of automotive products, the failure of which could result in property damage, personal injury or death. Accordingly, individual or class action suits alleging product liability or warranty claims could result. Although we currently maintain what we believe to be suitable and adequate product liability insurance in excess of our self-insured amounts, we cannot assure you that we will be able to maintain such insurance on acceptable terms or that such insurance will provide adequate protection against potential liabilities. In addition, if any of our products prove to be defective, we may be required to participate in a recall involving such products. A successful claim brought against us in excess of available insurance coverage, if any, or a requirement to participate in any product recall, could have a material adverse effect on our results of operations or financial condition. We cannot give assurance that any current or future claims will not adversely affect our cash flows, financial condition or results of operations.

Implementation of Operational Improvements - As part of our ongoing focus on being a low-cost provider of high quality products, we continually analyze our business to further improve our operations and identify cost-cutting measures. Our continued analysis may include identifying and implementing opportunities for: (i) further rationalization of manufacturing capacity; (ii) streamlining of marketing and general and administrative overhead; (iii) implementation of lean manufacturing and Six Sigma initiatives; or (iv) efficient investment in new equipment and technologies and the upgrading of existing equipment. We may be unable to successfully identify or implement plans targeting these initiatives, or fail to realize the benefits of the plans we have already implemented, as a result of operational difficulties, a weakening of the economy or other factors.

Cost reductions may not fully offset decreases in the prices of our products due to the time required to develop and implement cost reduction initiatives. Additional factors such as inconsistent customer ordering patterns, increasing product complexity and heightened quality standards also are making it increasingly more difficult to reduce our costs. It is also possible that as we incur costs to implement improvement strategies, the initial impact on our financial position, results of operations and cash flow may be negative. The impact of these factors on our future financial position and results of operations may be negative, to an extent that cannot be predicted, and we may not be able to implement sufficient cost saving strategies to mitigate any future impact.

New Product Introduction - In order to effectively compete in the automotive supply industry, we must be able to launch new products to meet our customers' demand in a timely manner. However, we cannot ensure that we will be able to install and certify the equipment needed to produce products for new product programs in time for the start of production, or that the transitioning of our manufacturing facilities and resources to full production under new product programs will not impact production rates or other operational efficiency measures at our facilities. In addition, we cannot ensure that our customers will execute on schedule the launch of their new product programs, for which we might supply products. Our failure to successfully launch new products, or a failure by our customers to successfully launch new programs, could adversely affect our results.

Technological and Regulatory Changes - Changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of our products obsolete or less attractive. Our ability to anticipate changes in technology and regulatory

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standards and to successfully develop and introduce new and enhanced products on a timely basis will be a significant factor in our ability to remain competitive. We cannot ensure that we will be able to achieve the technological advances that may be necessary for us to remain competitive or that certain of our products will not become obsolete. We are also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development and failure of products to operate properly.

Environmental Matters - We are subject to various foreign, federal, state and local environmental laws, ordinances, and regulations, including those governing discharges into the air and water, the storage, handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances or wastes, and the health and safety of our employees. Under certain of these laws, ordinances or regulations, a current or previous owner or operator of property may be liable for the costs of removal or remediation of certain hazardous substances on, under, or in its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. The presence of, or failure to remediate properly, such substances may adversely affect the ability to sell or rent such property or to borrow using such property as collateral. Persons who generate, arrange for the disposal or treatment of, or dispose of hazardous substances may be liable for the costs of investigation, remediation or removal of these hazardous substances at or from the disposal or treatment facility, regardless of whether the facility is owned or operated by that person. Additionally, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Future developments could lead to material costs of environmental compliance for us. The nature of our current and former operations and the history of industrial uses at some of our facilities expose us to the risk of liabilities or claims with respect to environmental and worker health and safety matters which could have a material adverse effect on our financial health. We are also required to obtain permits from governmental authorities for certain operations. We cannot ensure that we have been or will be at all times in complete compliance with such permits. If we violate or fail to comply with these permits, we could be fined or otherwise sanctioned by regulators. In some instances, such a fine or sanction could be material. In addition, some of our properties are subject to indemnification and/or cleanup obligations of third parties with respect to environmental matters. However, in the event of the insolvency or bankruptcy of such third parties, we could be required to bear the liabilities that would otherwise be the responsibility of such third parties.

Climate change legislation or regulations restricting emission of “greenhouse gases” could result in increased operating costs and reduced demand for the vehicles that use our product. The U.S. Environmental Protection Agency (EPA) has proposed regulations that would require a reduction in emissions of greenhouse gases from motor vehicles and could trigger permit review for greenhouse gas emissions from certain stationary sources and also published a final rule requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States, including facilities that emit more than 25,000 tons of greenhouse gases on an annual basis. At the state level, more than one-third of the states have implemented legal measures to reduce emissions of greenhouse gases. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations or from the vehicles that use our product could adversely affect demand for those vehicles or require us to incur costs to reduce emissions of greenhouse gases associated with our operations.

We incur significant costs to comply with applicable environmental, health and safety laws and regulations in the ordinary course of our business. Given the nature of our operations and the extensive environmental, public health and safety regulatory framework, we believe there is a long-term trend to place more restrictions and limitations on activities that may be perceived to affect the environment. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the company and the industry in the future. Such regulation changes may have a significant impact on our cash flows, financial condition and results of operations.

Dependence on Key Personnel - Our success depends, in part, on our ability to attract, hire, train and retain qualified managerial, engineering, sales and marketing personnel. We face significant competition for these types of employees in our industry. We may be unsuccessful in attracting and retaining the personnel we require to conduct our operations successfully. In addition, key personnel may leave us and compete against us. Our success also depends to a significant extent on the continued service of our senior management team. We may be unsuccessful in replacing key managers who either resign or retire. The loss of any member of our senior management team or other experienced senior employees could impair our ability to execute our business plans and strategic initiatives, cause us to lose customers and experience reduced net sales, or lead to employee morale problems and/or the loss of other key employees. In any such event, our financial condition, results of operations, internal control over financial reporting, or cash flows could be adversely affected.

Repurchases of Common Stock - Although our existing cash and funds available under our senior secured credit facility are currently adequate to fund our approved common stock repurchase plan, dedication of our financial resources to the repurchase of outstanding shares will reduce our liquidity and working capital, which in turn may limit our flexibility to pursue other initiatives to grow our business or to return capital to our shareholders through other means. After making such expenditures, a significant change in our business, the economy or an unexpected decrease in our cash flow for any reason could result in the need for additional outside financing.

Effective Internal Control Over Financial Reporting - Management is responsible for establishing and maintaining adequate internal control over financial reporting. Many of our key controls rely on maintaining a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of accounting principles generally accepted in the United States of America in order to operate effectively. Material weaknesses or deficiencies may cause our financial statements to contain material misstatements, unintentional errors, or omissions and late filings with regulatory agencies may occur.

Implementation of New Systems - Technical and operating difficulties are often encountered when implementing new systems both during and following the implementation process. Disruptions while implementing new systems could have an adverse impact on our financial condition, cash flows or results of operations and could prevent us from effectively reporting our financial results in a timely manner. In addition, the costs incurred in correcting any errors or problems with new systems could be substantial.

Cybersecurity - A cyber-attack that bypasses our information technology ("IT") security systems causing an IT security breach, may lead to a material disruption of our IT business systems and/or the loss of business information resulting in adverse consequences to our business, including: an adverse impact on our operations due to the theft, destruction, loss, misappropriation or release of confidential data or intellectual property, operational or business delays resulting from the disruption of IT systems and subsequent clean-up and mitigation activities, inability to timely prepare and file our financial reports with the Securities Exchange Commission and negative publicity resulting in reputation or brand damage with our customers, partners or industry peers.

Integration of Joint Ventures and Acquisitions. As we continue to expand globally, we have engaged, and may continue to engage, in joint ventures and we may pursue acquisitions that involve potential risks, including failure to successfully integrate and realize the expected benefits of such joint ventures or acquisitions. Integrating acquired operations is a significant challenge and there is no assurance that we will be able to manage the integrations successfully. Failure to successfully integrate operations or to realize the expected benefits of such joint ventures or acquisitions may have an adverse impact on our results of operations and financial condition.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our worldwide headquarters is located in Southfield, Michigan. We currently maintain and operate a total of five facilities, excluding the Rogers, Arkansas facility, which we closed in December 2014, which manufacture aluminum wheels for the automotive industry. Four of these five facilities are located in Chihuahua, Mexico and one facility is located in Fayetteville, Arkansas. One of the facilities in Chihuahua, Mexico is new, with construction completed in 2014. The new facility also produces aluminum wheels for the automotive industry, with initial commercial production underway beginning in 2015 and expected to increase steadily throughout 2015. Excluding the closed Rogers location, the five active facilities encompass 2,540,000 square feet of manufacturing space. We own all of our manufacturing facilities, while we lease one warehouse in Rogers, Arkansas, our worldwide headquarters located in Southfield, Michigan and administrative offices in Van Nuys, California.

In general, our manufacturing facilities, which have been constructed at various times over the past several years, are in good operating condition and are adequate to meet our current production capacity requirements. There are active maintenance programs to keep these facilities in good condition, and we have an active capital spending program to replace equipment as needed to maintain factory reliability and keep technologically competitive on a worldwide basis.

Additionally, reference is made to Note 1 - Summary of Significant Accounting Policies, Note 8 - Property, Plant and Equipment and Note 11 - Leases and Related Parties, in Notes to the Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

ITEM 3 - LEGAL PROCEEDINGS

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We are party to various legal and environmental proceedings incidental to our business. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against us. Based on facts now known, we believe all such matters are adequately provided for, covered by insurance, are without merit, and/or involve such amounts that would not materially adversely affect our consolidated results of operations, cash flows or financial position. See also under Item 1A - Risk Factors - Legal Proceedings of this Annual Report.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding executive officers who are also Directors is contained in our 2015 Annual Proxy Statement under the caption “Election of Directors.” Such information is incorporated into Part III, Item 10 – Directors, Executive Officers and Corporate Governance. With the exception of the Chief Executive Officer ("CEO"), all executive officers are appointed annually by the Board of Directors and serve at the will of the Board of Directors. For a description of the CEO’s employment agreement, see “Employment Agreements” in our 2015 Annual Proxy Statement, which is incorporated herein by reference.

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Listed below are the name, age, position and business experience of each of our officers, as of the filing date, who are not directors:

Name	Age	Position	Assumed Position
Don Chambers	50	Vice President, Human Resources	2014
		Director, Human Resources, Allegion PLC	2013
		Director, Human Resources, Ingersoll Rand PLC	2008
Parveen Kakar	48	Senior Vice President, Corporate Engineering and Product Development	2008
		Vice President, Program Development	2003
Mike Nelson	60	Vice President and Corporate Controller	2011
		Chief Accounting and Financial Officer, Youbet.com, an internet company offering horse race betting	2007
Lawrence R. Oliver	50	Senior Vice President, Operations	2015
		Vice President, Operations, GAF Materials Corporation	2014
		Vice President, Operations & Integrated Supply Chain, Ingersoll Rand PLC	2011
		General Manager and Director of Texas Operations, Residential, Commercial Water, ITT Corporation	2009
Kerry A. Shiba	60	Executive Vice President and Chief Financial Officer	2010
		Director - Ramsey Industries, LLC, a manufacturer of winches, truck mounted cranes and industrial drives	2010
		Senior Vice President and Chief Financial Officer - Remy International, a manufacturer of electrical automotive components	2006
James F. Sistek	51	Senior Vice President, Business Operations	2014
		Chief Executive Officer and Founder - Infologic, Inc.	2013
		Vice President, Shared Services and Chief Information Officer - Visteon Corporation	2009

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PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange (symbol: SUP). We had approximately 421 shareholders of record and 26.9 million shares issued and outstanding as of February 27, 2015.

	Superior Industries International, Inc.	Dow Jones US Total Market Index	Dow Jones US Auto Parts Index
2009	$100.00	$100.00	$100.00
2010	$143.96	$116.65	$158.18
2011	$114.97	$118.22	$139.53
2012	$151.98	$137.52	$156.14
2013	$155.21	$182.86	$243.66
2014	$154.47	$206.53	$269.56

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Dividends

Per share cash dividends declared totaled $0.72 and $0.20 during 2014 and 2013, respectively. Dividends declared and paid in 2012 totaled $1.12 per share and included an accelerated payment of the 2013 regular cash dividend that was paid in December 2012, in addition to the regular dividend paid each quarter during 2012 equal to $0.16 per share. The accelerated dividend payment was intended to be in lieu of regular quarterly dividends that the company otherwise would have paid in calendar year 2013. In the third quarter of 2013, the Board of Directors approved a $0.02 increase in the company's quarterly dividend to $0.18 per share from $0.16 per share, or on an annualized basis to $0.72 per share from $0.64 per share. Continuation of dividends is contingent upon various factors, including economic and market conditions, none of which can be accurately predicted, and the approval of our Board of Directors.

Quarterly Common Stock Price Information

The following table sets forth the high and low sales price per share of our common stock during the fiscal periods indicated.

	2014		2013	
	High	Low	High	Low
First Quarter	$20.75	$16.89	$22.09	$18.38
Second Quarter	$21.77	$18.82	$18.81	$17.01
Third Quarter	$20.97	$17.94	$18.83	$17.15
Fourth Quarter	$20.25	$17.04	$20.66	$17.50

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On March 27, 2013, our Board of Directors approved a new stock repurchase program (the "2013 Repurchase Program") authorizing the repurchase of up to $30.0 million of our common stock. Through December 31, 2014, we repurchased and retired 1,511,000 shares under the program at a total cost of $30.0 million under the 2013 Repurchase Program.

In October 2014, our Board of Directors approved a new stock repurchase program (the "2014 Repurchase Program") authorizing the repurchase of up to $30.0 million of our common stock. Under the 2014 Repurchase Program, we may repurchase common stock from time to time on the open market or in private transactions. The timing and extent of the repurchases under the 2014 Repurchase Program will depend upon market conditions and other corporate considerations in our sole discretion.

In 2014, we repurchased 1,089,560 of our common shares at a total cost of $21.8 million. There were no common stock repurchases made by or on behalf of the company during the three months ended December 28, 2014.

Recent Sales of Unregistered Securities

During the fiscal year 2014, there were no sales of unregistered securities.

In May 2014, we withheld 37,967 shares at an average price per share of $20.49 for withholding taxes pertaining to a grant of common stock and the vesting of shares of restricted stock.

ITEM 6 - SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 - Financial Statements and Supplementary Data of this Annual Report.

Our fiscal year is the 52- or 53-week period ending generally on the last Sunday of the calendar year. The fiscal years 2014 and 2013 comprised the 52-week periods ended on December 28, 2014, and December 29, 2013, respectively. The 2012 fiscal year comprised the 53-week period ended December 30, 2012. For convenience of presentation, all fiscal years are referred to as beginning as of January 1, and ending as of December 31, but actually reflect our financial position and results of operations for the periods described above.

Fiscal Year Ended December 31,	2014	2013	2012	2011	2010
Income Statement (000s)					
Net sales	$745,447	$789,564	$821,454	$822,172	$719,500
Value added sales [1]	414,709	452,999	462,641	438,998	419,083
Restructuring Costs [2]	8,429	—	—	—	2,109
Gross profit	50,222	64,061	60,607	67,060	89,237
Impairments of long-lived assets and other charges	—	—	—	1,337	1,153
Income from operations	17,913	34,593	32,880	39,835	59,799
Income before income taxes and equity earnings	15,702	36,841	34,489	41,926	57,483
Income tax (provision) benefit [3]	(6,899)	(14,017)	(3,598)	25,243	(2,993)
Equity investment losses [4]	—	—	—	—	(2,847)
Adjusted EBITDA [5]	$55,753	$63,616	$59,599	$69,700	$89,497
Net income	$8,803	$22,824	$30,891	$67,169	$51,643
Balance Sheet (000s)					
Current assets	$276,011	$384,218	$404,908	$404,283	$381,612
Current liabilities	$71,962	$99,430	$66,578	$68,550	$70,538
Working capital	$204,049	$284,788	$338,330	$335,733	$311,074
Total assets	$579,910	$653,388	$599,601	$593,231	$572,442
Long-term debt	$—	$—	$—	$—	$—
Shareholders' equity	$439,006	$483,063	$466,905	$460,515	$413,482
Financial Ratios					
Current ratio [6]	3.8:1	3.9:1	6.1:1	5.9:1	5.4:1
Long-term debt/total capitalization [7]	— %	— %	— %	— %	— %
Return on average shareholders' equity [8]	1.9 %	4.8 %	6.7 %	15.4 %	13.1 %
Share Data					
Net income					
- Basic	$0.33	$0.83	$1.13	$2.48	$1.93
- Diluted	$0.33	$0.83	$1.13	$2.46	$1.93
Shareholders' equity at year-end	$16.42	$17.79	$17.11	$16.96	$15.40
Dividends declared	$0.72	$0.20	$1.12	$0.64	$0.64

[1] Value added sales is a key measure that is not calculated according to U.S. generally accepted accounting principles (“GAAP”). Value added sales represents net sales less the value of aluminum included in net sales. As discussed further below, as a result of the contractual terms with our customers generally allowing us to pass on changes in aluminum prices, fluctuations in underlying aluminum price do not directly impact our profitability. Accordingly, value added sales is worthy of being highlighted for the benefit of users of our financial statements. Our intent is to allow users of the financial statements to consider our net sales information both with and without the aluminum cost component thereof.

[2] See Note 2 - Restructuring in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data in this Annual Report for a discussion of restructuring charges.

[3] See Note 10 - Income Taxes in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data in this Annual Report for a discussion of material items impacting the 2014, 2013 and 2012 income tax provisions.

(4) In 1995, we entered into a joint venture, based in Meinerzhagen, Germany, named Suoftec Light Metal Products Production & Distribution Ltd ("Suoftec") to manufacture cast and forged aluminum wheels in Hungary principally for the European automobile industry. On June 18, 2010, we sold our 50-percent ownership for total sales proceeds of 7.0 million euros ($8.6 million) and the loss on sale of our investment was $4.1 million. Being 50-percent owned and non-controlled, Suoftec was not consolidated but was accounted for using the equity method of accounting. Equity losses in 2010 through the date of sale in June 2010 were $2.8 million. Our share of the joint venture's net losses was included in “Equity Investment Losses.”

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(5) Adjusted EBITDA is a key measure that is not calculated according to GAAP. Adjusted EBITDA is defined as earnings before interest income and expense, income taxes, depreciation, amortization, restructuring charges, impairments of long-lived assets and investments and losses on sales of unconsolidated affiliates. We use Adjusted EBITDA as an important indicator of the operating performance of our business. We use Adjusted EBITDA in internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to our board of directors and evaluating short-term and long-term operating trends in our operations. We believe the Adjusted EBITDA financial measure assists in providing a more complete understanding of our underlying operational measures to manage our business, to evaluate our performance compared to prior periods and the marketplace, and to establish operational goals. We believe that these non-GAAP financial adjustments are useful to investors because they allow investors to evaluate the effectiveness of the methodology and information used by management in our financial and operational decision-making. Adjusted EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of our adjusted Adjusted EBITDA to net income.

(6) The current ratio is current assets divided by current liabilities.

(7) Long-term debt/total capitalization represents long-term debt divided by the sum of total shareholders' equity plus long-term debt.

(8) Return on average shareholders' equity is net income (loss) divided by average shareholders' equity. Average shareholders' equity is the beginning of the year shareholders' equity plus the end of year shareholders' equity divided by two.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in Item 8 - Financial Statements and Supplementary Data in this Annual Report. This discussion contains forward-looking statements, which involve risks and uncertainties. For cautions about relying on such forward-looking statements, please refer to the section entitled “Forward Looking Statements” at the beginning of this Annual Report immediately prior to Item 1. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including but not limited to those discussed in Item 1A - Risk Factors and elsewhere in this Annual Report.

Executive Overview

During the second half of 2014, we completed a review of initiatives to reduce costs and enhance our competitive position. Based on this review, we committed to a plan to close operations at our Rogers, Arkansas facility. During the fourth quarter of 2014, we shifted production to our other facilities and closed the operations at the Rogers facility. The closure resulted in a reduction of workforce of approximately 500 employees. In addition, other measures were taken or are in process to reduce costs, including the sale of the company's two aircraft. Operating results for 2014 were unfavorably impacted by these actions. Additional charges related to the Rogers facility closure will continue into the first half of 2015.

Overall North American production of passenger cars and light-duty trucks in 2014 was reported by industry publications as being up by approximately 5 percent versus 2013, with production of light-duty trucks--the light-duty truck category includes pick-up trucks, SUV's, vans and "crossover vehicles"--increasing 10 percent with production of passenger cars remaining flat. Current production levels of the North American automotive industry now have reached the highest level in the past decade. Results for 2014, 2013 and 2012 reflect the continuing trend of growth since the 2009 recession. Current economic conditions and low consumer interest rates have been generally supportive of market growth and, in addition, the continuing high levels in the average age of vehicles on the road appears to be contributing to higher rates of vehicle replacement.

Net sales in 2014 decreased $44.2 million to $745.4 million from $789.6 million in 2013. Wheel sales in 2014 decreased $43.0 million to $736.5 million from $779.5 million in 2013, while our wheel unit shipments decreased 0.8 million to 11.1 million in 2014. Value added sales in 2014 decreased $38.3 million to $414.7 million from $453.0 million in 2013. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of value added sales to net sales.

The results for 2014 reflect the impacts of costs totaling $12.2 million ($8.6 million after tax, or $0.32 per share) associated with several items including the closure of our Rogers facility, the sale process of the company's two aircraft and the impairment of an investment in an unconsolidated subsidiary located in India. Adjustments for the Rogers facility closure reduced gross profit $8.4 million, while adjustments for the aircraft added charges totaling $1.3 million in SG&A and a $2.5 million impairment charge is included in other income (expense) for the investment in the unconsolidated Indian subsidiary. Gross profit in 2014 was $50.2 million, or 7 percent of net sales, compared to $64.1 million, or 8 percent of net sales, in 2013. Net income for 2014 was $8.8 million, or $0.33 per diluted share, including income tax expense of $6.9 million, compared to net income in 2013 of $22.8 million, or $0.83 per diluted share, which included an income tax expense of $14.0 million. Net income as a percentage of net sales was

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1 percent in 2014, as compared to 3 percent in 2013. Adjusted EBITDA as a percentage of value added sales in 2014 was 13 percent, as compared to 14 percent in 2013. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of Adjusted EBITDA to net income, and value added sales to net sales.

The comparisons below of 2014 and 2013 operating results reflect lower margins due primarily to the impacts of costs related to the Rogers facility closure in 2014. The comparisons below of 2013 and 2012 operating results reflect higher margins due to lower operating costs in 2013 at our U.S. operations. Lower costs in 2013 resulted from several factors including improved equipment and manufacturing process reliability as a result of capital reinvestment and more rigorous maintenance programs.

We continue to focus on programs to reduce costs overall through improved operational and procurement practices, increased capital reinvestment and more rigorous factory maintenance to improve equipment reliability. Our capital investment projects increased significantly in 2014, 2013 and 2012. These investments typically consisted of equipment upgrades and other capital projects focused on improving equipment reliability, increasing production efficiency and enhancing manufacturing process control to better accommodate newer, more complex wheel programs. It is possible that capital expenditure levels will continue at these levels as we continue to focus on achieving further improvement to operational efficiencies and manufacturing process capability. However, it is possible that global pricing pressures may continue at a pace faster than our ability to reduce costs through these programs. In addition, although a portion of our natural gas requirements are covered by fixed-price contracts through 2015, costs may increase to a level that cannot be immediately recouped in selling prices or offset by cost-saving strategies. Similarly, a portion of our foreign currency risk in 2015 and 2016 associated with costs incurred at our Mexico facilities is covered with currency exchange contracts maturing over this period of time; however, changes in exchange rates may result in higher costs on portions of our currency risk we do not hedge.

Supported by the expectation of continued strength in the North American market, we announced in 2013 our plans to build a new manufacturing facility in Mexico. The new facility is now operational, with initial commercial production occurring in the first quarter of 2015. Steps to further qualify the manufacturing process and products with our customers are underway. In June 2013 we entered into a contract for the construction of the new facility and we subsequently entered into contracts for the purchase of equipment for the new facility. As of the end of 2014 the total cost of the new facility was approximately $119.4 million.

Committed to enhance shareholder value, in March 2013, our Board of Directors approved the 2013 Repurchase Program, authorizing the repurchase of up to $30.0 million of our common stock. Under the 2013 Repurchase Program we repurchased 1,510,759 shares of company stock at a cost of $30.0 million. During 2014 we repurchased a total of 1,089,560 shares and total repurchases reached the maximum expenditure authorized under the 2013 Repurchase Program of $30.0 million. In October 2014, our Board of Directors approved the 2014 Repurchase Program, authorizing the repurchase of up to $30.0 million of our common stock.

We established a senior secured revolving credit facility in December 2014. The facility provides an initial aggregate principal amount of $100.0 million. In addition, the company is entitled to request, subject to certain terms and conditions and the agreement of the lenders, an increase in the aggregate revolving commitments under the facility or to obtain incremental term loans in an aggregate amount not to exceed $50.0 million. At December 31, 2014, we had no borrowings under the facility.

Listed in the table below are several key indicators we use to monitor our financial condition and operating performance.

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Results of Operations

Fiscal Year Ended December 31,	2014		2013		2012	
(Thousands of dollars, except per share amounts)						
Net sales	$745,447		$789,564		$821,454	
Value added sales [(1)]						
Gross profit	$50,222		$64,061		$60,607	
Percentage of net sales	6.7	%	8.1	%	7.4	%
Income from operations	$17,913		$34,593		$32,880	
Percentage of net sales	2.4	%	4.4	%	4.0	%
Adjusted EBITDA [(2)]	$55,753		$63,616		$59,599	
Percentage of net sales [(3)]	7.5	%	8.1	%	7.3	%
Percentage of value added sales [(4)]	13.4	%	14.0	%	12.9	%
Net income	$8,803		$22,824		$30,891	
Percentage of net sales	1.2	%	2.9	%	3.8	%
Diluted earnings per share	$0.33		$0.83		$1.13	

[(1)] Value added sales represents net sales less the value of aluminum included in net sales. As discussed further below, arrangements with our customers generally allow us to pass on changes in aluminum prices; therefore, fluctuations in underlying aluminum price generally do not directly impact our profitability. Accordingly, value added sales is worthy of being highlighted for the benefit of users of our financial statements. Our intent is to allow users of the financial statements to consider our net sales information both with and without the aluminum cost component thereof. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of value added sales to net sales.

[(2)] Adjusted EBITDA is defined as earnings before interest income and expense, income taxes, depreciation, amortization, restructuring charges and impairments of long-lived assets and investments, and losses on sales of unconsolidated affiliates. We use Adjusted EBITDA as an important indicator of the operating performance of our business. We use Adjusted EBITDA in internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to our board of directors and evaluating short-term and long-term operating trends in our operations. We believe the Adjusted EBITDA financial measure assists in providing a more complete understanding of our underlying operational measures to manage our business, to evaluate our performance compared to prior periods and the marketplace, and to establish operational goals. We believe that these non-GAAP financial adjustments are useful to investors because they allow investors to evaluate the effectiveness of the methodology and information used by management in our financial and operational decision-making. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of our adjusted Adjusted EBITDA to net income.

[(3)] Adjusted EBITDA: Percentage of net sales is a key measure that is not calculated according to GAAP. Adjusted EBITDA as a percentage of net sales is defined as Adjusted EBITDA divided by net sales. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of Adjusted EBITDA.

[(4)] Adjusted EBITDA: Percentage of value added sales is a key measure that is not calculated according to GAAP. Adjusted EBITDA as a percentage of value added sales is defined as Adjusted EBITDA divided by value added sales. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of Adjusted EBITDA and value added sales.

Restructuring Actions

During the second half of 2014, we completed a review of initiatives to reduce costs and enhance our competitive position. Based on this review, we committed to a plan to close operations at our Rogers, Arkansas manufacturing facility. During the fourth quarter of 2014 we shifted production to our other locations and closed operations at the Rogers facility. The closure resulted in a workforce reduction of approximately 500 employees. In addition, other measures were taken or are in process to reduce costs including the sale of the company's two aircraft. The results for 2014 reflect the impacts of costs totaling $9.7 million ($6.1 million after tax) related to these actions, including costs associated with the closure of our Rogers facility affecting gross profit totaling $8.4 million, charges totaling $1.3 million in SG&A for the write-down of the carrying value of an aircraft we sold in February 2015 and a small loss on the sale of our second aircraft.

Cost of sales in in 2014 includes $5.4 million of depreciation accelerated due to shortened useful lives for assets retired when operations ceased at the Rogers facility. We do not expect any significant additional charges or impairments related to the fixed assets at this time.

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As noted above, the operations ceased at the Rogers facility in the second half of 2014. We are readying the property for sale and currently expect to actively market the property for sale in the near future. Based on the current carrying value of the land and building of $3.2 million, we do not expect a loss on sale at this time.

Employee severance benefits, equipment lease termination costs, inventory write-downs and other costs related to this plant closure are estimated to approximate $5.2 million, of which $3.1 million in total was recorded in 2014. Within the total 2014 charge, costs for employee severance benefits totaled $1.8 million and were included in cost of sales. These employee severance benefits were derived from the individual agreements with each employee and were accrued ratably over the related remaining service period. We expect to incur additional employee severance costs of approximately $0.1 million.

The total cost expected to be incurred as a result of the Rogers facility closure is $10.6 million, of which $4.7 million is expected to be paid in cash. As of December 31, 2014, estimated remaining cash payments total $2.3 million. As a result of the closure of the Rogers manufacturing facility, we estimate annual depreciation expense for 2015 will decrease $1.7 million and annual labor savings will approximate $14.8 million, based on year-to-date actual expenses through the end of the third quarter of 2014. However, we also will incur increasing depreciation, labor and other operating costs associated with our new wheel plant in Mexico as production activity grows during 2015.

Net Sales

2014 versus 2013

Net sales in 2014 decreased $44.2 million to $745.4 million from $789.6 million in 2013. Wheel sales in 2014 decreased $43.0 million to $736.5 million from $779.5 million in 2013. Wheel shipments decreased by 7 percent compared to 2013 with the lower volume resulting in $50.6 million lower sales compared to 2013. Net sales were favorably impacted by an increase in the value of the aluminum component of sales which we generally pass through to our customers and resulted in $11.9 million higher revenues. The average selling price of our wheels increased 1 percent as the favorable impact of the increase in aluminum value was offset by unfavorable changes in the mix of wheel sizes and finishes sold. Decreases in unit shipments to Ford, GM, FCA, BMW, Toyota and Mitsubishi were partially offset by increases in unit shipments to Nissan, Subaru, Mazda, Tesla and VW. Wheel program development revenues totaled $9.0 million in 2014 and $10.1 million in 2013.

U.S. Operations

Net sales of our U.S. wheel plants in 2014 decreased $23.9 million, or 9 percent, to $253.2 million from $277.1 million a year ago, reflecting a decrease in unit shipments partially offset by an increase in the average selling price of our wheels. Unit shipments decreased 13 percent in 2014, with the decline in volume resulting in $36.4 million lower sales. The volume impact was partially offset by a 5 percent increase in the average selling price of our wheels, primarily due to an improved mix of wheel sizes and finishes sold and an increase in the pass-through price of aluminum. The higher aluminum value increased revenues by approximately $3.4 million in 2014 when compared to 2013.

Mexico Operations

Net sales of our Mexico wheel plants in 2014 decreased $19.2 million, or 4 percent, to $483.3 million from $502.5 million in 2013, reflecting a decline in unit shipments and a small decrease in average selling prices of our wheels. Unit shipments decreased 3 percent in 2014, with the decline in volume resulting in $14.0 million lower sales. The average selling price of our wheels decreased 1 percent in 2014 primarily as a result of an unfavorable mix of wheel sizes and finishes sold, partially offset by a higher pass-through price of aluminum. The higher aluminum value increased revenues approximately $8.5 million when compared to 2013.

2013 versus 2012

Net sales in 2013 decreased $31.9 million to $789.6 million from $821.5 million in 2012. Wheel sales in 2013 decreased $32.9 million to $779.5 million from $812.4 million in 2012. Wheel shipments decreased by 5 percent compared to 2012, with the lower volume resulting in $37.5 million lower sales compared to 2012. Net sales were unfavorably impacted by a decline in the value of the aluminum component of sales, which we generally pass through to our customers and resulted in $12.8 million lower revenues. The average selling price of our wheels was relatively flat as the unfavorable impact of the decline in aluminum value was offset by favorable changes in the mix of wheel sizes and finishes sold. Decreases in unit shipments to Nissan, GM, FCA, Subaru, BMW, Mitsubishi and VW were partially offset by increases in unit shipments to Ford, Toyota, Tesla and Mazda. Wheel program development revenues totaled $10.1 million in 2013 and $9.1 million in 2012.

U.S. Operations

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Net sales of our U.S. wheel plants in 2013 decreased $30.9 million, or 10 percent, to $277.1 million from $308.0 million in 2012, reflecting a decrease in unit shipments partially offset by an increase in the average selling price of our wheels. Unit shipments decreased 12 percent in 2013, with the decline in volume resulting in $36.7 million lower sales. The volume impact was partially offset by a 1 percent increase in the average selling price of our wheels, primarily due to an improved mix of wheel sizes and finishes sold partially offset by a decrease in the pass-through price of aluminum. The decline in aluminum value reduced revenues by approximately $4.2 million in 2013 when compared to 2012.

Mexico Operations

Net sales of our Mexico wheel plants in 2013 decreased $1.8 million, or less than 1 percent, to $502.5 million from $504.3 million in 2012, reflecting flat unit shipments and a slight decrease in average selling prices of our wheels. The average selling price of our wheels decreased 1 percent in 2013, primarily as a result of a lower pass-through price of aluminum partially offset by a favorable mix of wheel sizes and finishes sold. The decline in aluminum value reduced revenues approximately $8.6 million when compared to 2012.

When looking at our major customer mix, OEM unit shipment percentages were as follows:

Fiscal Year Ended December 31,	2014		2013		2012	
Ford	42	%	42	%	37	%
GM	24	%	25	%	27	%
Toyota	12	%	12	%	9	%
FCA	10	%	11	%	12	%
International customers (excluding Toyota)	12	%	10	%	15	%
Total	100	%	100	%	100	%

According to Ward's Auto Info Bank, overall North American production of passenger cars and light-duty trucks in 2014 increased approximately 5 percent, while production of the specific passenger car and light-duty truck programs using our wheels increased 3 percent. In contrast to the market, our total shipments decreased 7 percent, resulting in our share of the North American aluminum wheel market declining by 3 percentage points on a year-over-year basis. The decline in market share was 4 percentage points in light-duty trucks, with a 1 percentage point decline in passenger car programs.

According to Ward's Automotive Group, the aluminum wheel penetration rate on passenger cars and light-duty trucks in the U.S. was 81 percent for the 2014 model year and 80 percent for the 2013 model year, compared to 78 percent for the 2012 model year. We expect the ratio of aluminum to steel wheels to remain relatively stable. In addition, our ability to increase net sales and sales volume in the future may be negatively impacted by continued customer pricing pressures, increased competition from offshore competitors and overall economic conditions that impact the sales of passenger cars and light-duty trucks.

At the customer level, shipments in 2014 to Ford decreased 7 percent compared to last year, as shipments of passenger car wheels decreased 12 percent and light-duty truck wheels decreased 6 percent. At the program level, the major unit shipment decreases were for the F-Series trucks--a vehicle undergoing a redesign and model year changeover--the Fiesta, Flex, Escape, Mustang and Edge, partially offset by shipment increases for the Explorer and Lincoln MKC.

Shipments to GM in 2014 decreased 9 percent compared to 2013, as unit volume of passenger car wheels decreased 25 percent and light-duty truck wheel shipments decreased 8 percent. The major unit shipment decreases to GM were for the K2XX platform vehicles and Chevrolet’s Impala, which were partially offset by major unit shipment increases for the Cadillac SRX.

Shipments to Toyota in 2014 decreased 5 percent compared to last year, as shipments of passenger car wheels decreased 20 percent while light-duty truck wheels increased 4 percent. The major unit shipment decreases to Toyota were for the Avalon and Venza, partially offset by unit shipment increases for the Highlander and Tundra.

Shipments to FCA in 2014 decreased 12 percent compared to last year, as passenger car wheel shipments decreased 39 percent and unit volume of light-duty truck wheels decreased 10 percent. The major unit shipment decreases to FCA were for the Dodge Journey, Jeep Compass, Dodge Challenger and Caravan, which were partially offset by major unit shipment increases for the Town and Country and Dodge Durango.

Shipments to other customers in 2014 increased 7 percent compared to 2013, as shipments of passenger car wheels increased 19 percent while shipments of light-duty truck wheels decreased 19 percent. Unit shipments increased to Nissan, Subaru, Mazda and

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VW, while shipments to BMW and Mitsubishi decreased when compared to last year. The higher unit volumes included increases of 17 percent to Nissan, 10 percent to Subaru, 1,014 percent to Mazda and 10 percent to VW, while unit volumes decreased 23 percent to BMW, along with smaller decreases to Mitsubishi. At the program level, major unit shipment increases to international customers were for Nissan's Note, Maxima, Xterra/Frontier and Subaru's Outback, offset by major unit shipment decreases for the BMW X3.

Cost of Sales
2014 versus 2013

Aluminum, natural gas and other direct material costs are a significant component of our costs to manufacture wheels. These costs are substantially the same for all of our plants since many common suppliers service both our U.S. and Mexico operations. Consolidated cost of sales includes costs for both our U.S. and international operations, which are principally our wheel manufacturing operations in Mexico, and certain costs that are not allocated to a specific operation. These unallocated expenses include corporate services that are primarily incurred in the U.S. but are not charged directly to our world-wide operations, such as engineering services for wheel program development and manufacturing support, environmental and other governmental compliance services.

Consolidated cost of goods sold decreased $30.3 million to $695.2 million in 2014, or 93 percent of net sales, compared to $725.5 million, or 92 percent of net sales, in 2013. When compared to 2013, cost of sales in 2014 primarily reflects a decrease in costs due to a 7 percent decrease in unit shipments and decreases in labor and other costs, partially offset by an increase in aluminum prices, which we generally pass through to our customers, and $8.4 million of additional costs related to the Rogers facility closure discussed above. Direct material and subcontract costs decreased approximately $20.8 million to $410.9 million from $431.7 million in 2013 primarily due to the decline in sales volume. The decrease in direct material costs was partially offset by an increase of approximately $10.3 million of aluminum price. Depreciation expense increased $5.4 million in 2014 as compared to 2013, with the increase attributable to accelerated write down of value, to reflect a shortened useful life, for assets that were retired after operations ceased at the Rogers facility. Plant labor and benefit costs included $1.9 million of severance costs for the Rogers facility closure and totaled $113.7 million in 2014, a decrease of $13.6 million from $127.3 million incurred in 2013. Supply costs decreased $3.4 million to $22.9 million in 2014, from $26.3 million in 2013, and repair and maintenance costs decreased $2.5 million to $26.7 million in 2014, compared to $29.2 million in 2013. Cost of goods sold for our U.S. operations decreased $17.2 million, while cost of goods sold for our Mexico operations decreased $11.7 million, when comparing 2014 to 2013. Cost of sales associated with corporate services such as engineering support for wheel program development and manufacturing support decreased $1.3 million in 2014 when compared to 2013.

The lower levels of manufacturing costs reflect a variety of factors which primarily include lower unit volumes, labor costs, supplies and maintenance spending, partially offset by higher aluminum prices and Rogers facility closure costs. Productivity, measured in terms of wheels produced per labor hour increased 6 percent in 2014 when compared with 2013, and a 1 percent increase in manufacturing labor cost per wheel was lower than the average rate of hourly wage increase in our manufacturing operations. Included below are the major items that impacted cost of sales for our U.S. and Mexico operations during 2014.

U.S. Operations
Cost of sales for our U.S. operations decreased by $17.2 million, or 6 percent, in 2014, when compared to 2013. Lower cost of sales for our U.S. wheel plants in 2014 primarily reflects the impact of a 13 percent decline in unit shipments and improved productivity resulting in reduced labor and other costs, when compared to a year ago. The lower cost of sales in 2014 was partially offset by higher aluminum prices which we generally pass on to our customers, and $8.4 million of higher costs resulting from the Rogers facility closure, including additional depreciation charges totaling $5.4 million. When compared to 2013, plant labor and benefit costs decreased

approximately $14.8 million, or 20 percent in 2014, primarily as a result of reduced headcount and decreases in contract labor, partially offset by $1.9 million of severance costs related to the Rogers closure. The increase in aluminum prices was $2.4 million. During 2014, labor cost per wheel decreased slightly, while the wheels produced per labor hour incurred increased 11 percent, as compared to 2013. Other favorable changes in 2014 included a $3.2 million decrease in supply and small tool costs and a $2.2 million decrease in plant repair and maintenance costs. These cost reductions largely reflect efficiency gains due to improved equipment reliability and process control resulting from capital reinvestment and more robust maintenance programs, and the decline in production volumes.

Mexico Operations

Cost of sales for our Mexico operations decreased by $11.7 million in 2014 when compared to 2013. Cost of sales in 2014 primarily reflects a decrease in costs due to a 3 percent decline in unit shipments partially offset by an increase in aluminum prices, which we generally pass through to our customers, and increases in labor and other costs. Cost of sales in 2014 reflects an increase in aluminum prices, which we generally pass through to our customers, of approximately $7.8 million. During 2014, plant labor and benefit costs increased approximately $1.2 million, or 2 percent, when compared to last year, primarily as a result of wage increases and a $0.7 million increase in severance expenses. A utility cost increase of $0.7 million was offset partially by a $0.2 million decline in supply and small tool costs and plant repair and maintenance expenses which decreased $0.3 million. A 3 percent increase in labor cost per wheel manufactured partially reflects the higher labor cost incurred in 2014 as compared to 2013.

2013 versus 2012

In 2013, consolidated cost of goods sold decreased $35.3 million to $725.5 million or 92 percent of net sales, compared to $760.8 million, or 93 percent of net sales, in 2012. Cost of sales in 2013 primarily reflects a decrease in costs due to a 5 percent decrease in unit shipments, a decline in aluminum prices, which we generally pass through to our customers and reduced labor and other costs, when compared to a year ago. Direct material and subcontract costs decreased approximately $29.8 million to $431.7 million from $461.5 million in 2012. The decrease in direct material costs includes approximately $13.6 million of aluminum price decreases which we generally pass through to our customers. Plant labor and benefit costs decreased $5.5 million to $127.3 million in 2013, from $132.8 million in 2012, repair and maintenance costs declined $3.0 million to $29.2 million in 2013, compared to $32.2 million in 2012, and supply costs decreased $2.9 million to $26.3 million in 2013, from $29.2 million in 2012. Cost of goods sold for our U.S. operations decreased $36.6 million, while cost of goods sold for our Mexico operations decreased $0.1 million, when comparing 2013 to 2012. The 2012 cost of goods sold for our Mexico operations includes a reduction of $3.5 million from the release of a reserve, established in a prior year, for an uncertainty related to a foreign consumption tax that was resolved in 2012. Cost of sales associated with corporate services, such as engineering support for wheel program development and manufacturing support, increased $1.4 million in 2013 when compared to 2012.

The lower levels of manufacturing costs in 2013 reflect a variety of factors which primarily include lower unit volumes, labor costs, supplies and maintenance spending. Productivity, measured in terms of wheels produced per labor hour decreased 3 percent in 2013 when compared with 2012 primarily due to the volume decline. A 2 percent increase in manufacturing labor cost per wheel was lower than the average rate of hourly wage increase in manufacturing operations. Included below are the major items that impacted cost of sales for our U.S. and Mexico operations during 2013.

U.S. Operations
Cost of sales for our U.S. operations decreased by $36.6 million, or 11 percent, in 2013, as compared to 2012. Cost of sales for our U.S. wheel plants in 2013 primarily reflects a decrease in costs due to a 12 percent decline in unit shipments and reduced labor, aluminum and other costs, when compared to a year ago. During 2013, plant labor and benefit costs including overtime premiums decreased approximately $8.9 million, or 11 percent, primarily as a result of reduced headcount and decreases in contract labor when compared to last year. The decline in aluminum prices, which we generally pass through to our customers was $5.7 million. During 2013, labor cost per wheel decreased slightly while the wheels produced per labor hour incurred increased 1 percent, as compared to 2012. Other favorable changes in 2013 included a $4.0 million decrease in supply and small tool costs and a $3.5 million decrease in plant repair and maintenance costs. These cost reductions largely reflect efficiency gains due to improved equipment reliability and process control resulting from capital reinvestment and more robust maintenance programs. A decline in production levels in 2013 also contributed overall to improved factory reliability.

Mexico Operations
Cost of sales for our Mexico operations decreased by $0.1 million in 2013, when compared to 2012. The 2012 cost of goods sold includes a reduction of $3.5 million from release of the foreign consumption tax reserve described above. Cost of sales in 2013 also reflects a decrease in aluminum prices, which we generally pass through to our customers, of approximately $7.9 million, partially offset by labor and other cost increases. During 2013, plant labor and benefit

costs increased approximately $3.4 million, or 7 percent, when compared to last year primarily as a result of higher average headcount and wage increases, while supply and small tool costs increased $1.0 million and plant repair and maintenance expenses increased $0.4 million. A 9 percent increase in labor cost per wheel manufactured partially reflects the higher labor cost incurred, as well as a change in product mix which contributed to a 6 percent decline in the number of wheels produced per labor hour in 2013 as compared to 2012.

Gross Profit

Consolidated gross profit decreased $13.9 million for 2014 to $50.2 million, or 7 percent of net sales, compared to $64.1 million, or 8 percent of net sales, last year. The decrease in gross profit primarily reflects the unfavorable impact of the 7 percent decrease in unit shipments and the $8.4 million of costs related to the Rogers facility closure which equaled 1 percent of net sales.

Consolidated gross profit increased $3.5 million in 2013 to $64.1 million, or 8 percent of net sales, compared to $60.6 million, or 7 percent of net sales, in 2012 as unit shipments decreased 5 percent in 2013. The 2012 gross profit includes a $3.5 million benefit from the release of a reserve for an uncertainty related to a foreign consumption tax, as described above. The gross profit and margin percentage increases were largely the result of efficiency improvements at our U.S. operations due to improved equipment reliability and process control resulting from capital reinvestment and more robust maintenance programs. A decline in production levels in 2013 also contributed overall to improved factory reliability.

The cost of aluminum is a component of our selling prices to OEM customers and a significant component of the overall cost of a wheel. The price for aluminum we purchase is adjusted monthly based primarily on changes in certain published market indices. Our selling prices are adjusted periodically based upon aluminum market price changes, but the timing of such adjustments is based on specific customer agreements and can vary from monthly to quarterly. Even if aluminum selling price adjustments were to perfectly match changes in aluminum purchase prices, an increasing aluminum price will result in a declining gross margin percentage - i.e., same gross profit dollars divided by increased sales dollars equals lower gross profit percentage. The opposite is true in periods during which the price of aluminum decreases. In addition, although our sales are continuously adjusted for aluminum price changes, these adjustments rarely will match exactly the changes in our aluminum purchase prices and cost of sales. As estimated by the company, when compared to 2013, the favorable impact on gross profit related to such differences in timing of aluminum adjustments was approximately $1.5 million in 2014; however, this impact was offset by unreimbursed cost increases for aluminum alloying premiums. When comparing 2013 with 2012, as estimated by the company, the impact on gross profit related to such differences in timing of aluminum adjustments was not material.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $32.3 million, or 4 percent of net sales, in 2014 compared to $29.5 million, or 4 percent of net sales, in 2013 and $27.7 million, or 3 percent of net sales, in 2012. The 2014 increase is primarily attributable to higher professional service fees of $2.1 million, depreciation expense of $1.7 million which includes revised salvage value estimates for the company's aircraft as discussed above, and legal fees of $0.6 million, somewhat offset by $1.3 million lower provisions for doubtful accounts receivable. The higher level of professional service and legal fees incurred during 2014 relate to cost incurred in association with a proxy contest, as well as for strategy and other company assessments and executive recruiting completed during the year. Compared to 2012, the $1.7 million increase in 2013 expenses primarily reflects a $2.0 million increase in executive severance related costs, $0.8 million higher medical self-insurance costs and a $0.9 million higher provision for uncollectible receivables, partially offset by $0.9 million lower legal fees in 2013 and a $0.7 million gain from land granted to the company by the state of Chihuahua, Mexico for our new wheel plant.

Income from Operations

2014 versus 2013

As described in the discussion of cost of sales above, aluminum, natural gas and other direct material costs are substantially the same for all our plants since many common suppliers service both our U.S. and Mexico operations. In addition, our operations in the U.S. and Mexico sell to the same customers, utilize the same marketing and engineering resources, have interchangeable manufacturing processes and provide the same basic end product. However, profitability between our U.S. and Mexico operations can vary as a result of differing labor and benefit costs, the specific mix of wheels manufactured and sold by each plant, as well as differing plant utilization levels resulting from our internal allocation of wheel programs to our plants.

Consolidated income from operations includes results for both our U.S. and international operations, which are principally our wheel manufacturing operations in Mexico, and certain costs that are not allocated to a specific operation. These unallocated expenses include corporate services that are primarily incurred in the U.S. but are not charged directly to our world-wide operations, such as selling, general and administrative expenses, engineering services for wheel program development and manufacturing support, environmental and other governmental compliance services.

Consolidated income from operations decreased $16.7 million in 2014 to $17.9 million, or 2 percent of net sales, from $34.6 million, or 4 percent of net sales, in 2013. Income from our Mexico operations decreased $5.9 million and income from our U.S. operations decreased $6.3 million, when comparing 2014 to 2013. Corporate service costs were $4.5 million higher during 2014 when compared to 2013, primarily as a result of the higher professional service fees of $2.1 million, depreciation expense of $1.7 million and legal fees of $0.6 million, described above in the selling, general and administrative expense discussion. Included below are the major items that impacted income from operations for our U.S. and Mexico operations during 2014.

Consolidated income from operations in 2015 may be unfavorably impacted by start up costs associated with our new wheel plant in Mexico. While initial commercial production began in the first quarter of 2015, cost absorption will be sub-optimal until production volumes reach planned levels towards the end of the year.

U.S. Operations

Operating income from our U.S. operations for 2014 decreased by $6.3 million compared to the previous year, including $8.4 million of costs incurred in the current year for the Rogers facility closure as discussed above. Excluding the costs related to the Rogers closure, operating income increased in 2014 as improvements in average selling prices of our wheels and lower costs overall offset the impact of a 13 percent decrease in unit shipments. The average selling price of our wheels increased due to an improved mix of wheel sizes and finishes sold. Excluding the Rogers closure costs, the overall cost improvement included reductions in labor due to improved productivity, and lower supply, repair and maintenance costs as more fully explained in the cost of sales discussion above. However, the lower production levels had an unfavorable impact on operating income due to lower absorption of fixed overhead costs in 2014 when compared to last year. As a percentage of net sales, excluding the Rogers closure costs, our gross margin improved slightly in 2014 when compared to the same period of 2013.

Mexico Operations
Operating income from our Mexico operations decreased by $5.9 million in 2014 compared to 2013. Income from operations in 2014 reflects a $7.5 million decrease in gross profit, while as a percentage of net sales our gross margins decreased 1 percentage point in 2014, as compared to 2013. Unit shipments decreased 3 percent in 2014 and the average selling price of our wheels decreased due to an unfavorable mix of wheel sizes and finishes sold, when compared to 2013.

U.S. versus Mexico Production
During 2014, wheels produced by our Mexico and U.S. operations accounted for 69 percent and 31 percent, respectively, of our total production. During 2013, wheels produced by our Mexico and U.S. operations accounted for 64 percent and 36 percent, respectively, of our total production. We anticipate that, absent any significant change in the market or overall demand, the percentage of production in Mexico will range between 80 percent and 85 percent of our total production for 2015.

2013 versus 2012

In 2013, consolidated income from operations increased $1.7 million to $34.6 million, or 4 percent of net sales, from $32.9 million, or 4 percent of net sales, in 2012. Income from our U.S. operations increased $5.3 million, while income from our Mexico operations decreased $2.9 million when comparing 2013 to 2012. Corporate service costs were $0.7 million higher during 2013 when compared to 2012. Included below are the major items that impacted income from operations for our U.S. and Mexico operations during 2013.

U.S. Operations
Operating income from our U.S. operations for 2013 increased by $5.3 million compared to the previous year. Income from operations in 2013 reflects a $5.5 million improvement in gross margin versus 2012 due to reductions in operating costs, which more than offset the impact of a 12 percent decrease in unit shipments and caused a 2 percentage point increase in margin as a percentage of net sales, when comparing 2013 with 2012. The operating cost reduction reflects declines in expense for labor, supplies and small tools, and repairs and maintenance as more fully explained in the 2013 versus 2012 cost of sales discussion above. Better cost performance largely was the result of efficiency gains due to improved equipment reliability and process control resulting from capital reinvestment and more robust maintenance programs. A decline in production levels in 2013 also contributed overall to improved factory reliability.

Mexico Operations
Operating income from our Mexico operations decreased by $2.9 million in 2013 compared to 2012. Excluding the benefit from release of the consumption tax reserve in 2012 discussed above, income from operations in 2013 increased $0.6 million as gross profit increased $1.6 million. As a percentage of net sales, our margins were flat in 2013 as compared to 2012. Unit shipments were flat in 2013 when compared to 2012.

U.S. versus Mexico Production
During 2013, wheels produced by our Mexico and U.S. operations accounted for 64 percent and 36 percent, respectively, of our total production. During 2012, wheels produced by our Mexico and U.S. operations accounted for 63 percent and 37 percent, respectively, of our total production.

Interest Income, net and Other Income (Expense), net

Net interest income for 2014 decreased 35 percent to $1.1 million from $1.7 million in 2013, due principally to a decrease in the average balance of cash invested. Net interest income for 2013 increased 35 percent to $1.7 million from $1.3 million in 2012, due principally to an increase in the average rate of return on the average balance of cash invested.

Net other income (expense) was expense of $3.3 million in 2014, and income of $0.6 million and $0.4 million in 2013 and 2012, respectively. Included in other income (expense) in 2014 was a $2.5 million impairment charge for an equity investment accounted

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for under the cost method of accounting. In 2010 we acquired a minority interest in Synergies Casting Limited ("Synergies"), a private aluminum wheel manufacturer based in Visakhapatnam, India. In October 2014, a typhoon caused significant damage to the facilities and operations of Synergies and, in the fourth quarter of 2014, we tested the $4.5 million carrying value of our investment for impairment. Based on our evaluation, we determined that an other-than-temporary impairment existed and wrote the investment down to its estimated fair value of $2.0 million.

Also included in other income (expense) net are foreign exchange gains and (losses), including losses of $1.0 million in 2014, and gains of $0.2 million and $0.1 million in 2013 and 2012, respectively. Other income and expense items included were income of $0.2 million, $0.4 million and $0.3 million in 2014, 2013 and 2012, respectively.

Effective Income Tax Rate

Our income before income taxes was $15.7 million in 2014, $36.8 million in 2013 and $34.5 million in 2012. The effective tax rate on the 2014 pretax income was 43.9 percent compared to 38.0 percent in 2013 and 10.4 percent in 2012. The following is a reconciliation of the U. S. federal tax rate to our effective income tax rate along with a discussion of the key drivers that impacted our effective income tax rates for the periods presented:

Year Ended December 31,	2014		2013		2012	
Statutory rate	(35.0	)%	(35.0	)%	(35.0	)%
State tax provisions, net of federal income tax benefit [(1)]	(0.5	)	(1.0	)	(0.6	)
Permanent differences [(2)]	(5.3	)	(0.1	)	5.3	
Tax credits [(3)]	2.8		6.0		3.3	
Foreign income taxed at rates other than the statutory rate [(4)]	(0.5	)	0.7		0.5	
Valuation allowance and other [(5)]	(8.4	)	—		(9.8	)
Changes in tax liabilities, net [(6)]	4.2		(5.7	)	22.0	
Other [(7)]	(1.2	)	(2.9	)	3.9	
Effective income tax rate	(43.9	)%	(38.0	)%	(10.4	)%

1) During the three years ended December 31, 2014, actual state tax provisions, net of federal income taxes, were $0.1 million, $0.4 million and $0.2 million in 2014, 2013 and 2012, respectively. The state provisions, net of federal income taxes, are relatively small primarily due to net operating losses in certain states, and in 2013, a $0.7 million refund of state taxes paid in prior years related to an issue that was resolved in 2013.

2) Actual permanent differences impacting the income tax provisions during the three years ended December 31, 2014 were expense of $0.8 million and $0.1 million, in 2014 and 2013, respectively, and a benefit of $1.8 million in 2012. The permanent differences increased in 2014 due primarily to certain non-deductible costs related to recent tax law changes in Mexico of $3.9 million, as compared to 2013 which included non-deductible costs of $2.7 million, while 2012 included income from the reversal of a reserve for a non-deductible cost related to the resolution of a certain VAT tax exposure of $3.5 million during 2012. There were no other material changes overall in the permanent differences in the periods presented. Changes in the effective income tax rate related to permanent differences are also affected by the fluctuating levels of income before income taxes.

3) Tax credits for 2014 of $0.4 million primarily related to federal research and development credits generated during the year. Tax credits for 2013 include credits recognized as a result of the 2013 enactment of the American Taxpayer Relief Act of 2012, and equaled $0.5 million recognized retroactively from 2012 and $0.5 million for 2013. Also included in 2013 are state tax credits totaling $1.2 million.

4) The impact of foreign income taxed at rates other than the statutory rate on our reported tax provisions was an expense of $0.1 million in 2014 while there were benefits of $0.3 million and $0.2 million in 2013 and 2012, respectively. The unfavorable rate impact in 2014 is primarily due to certain foreign benefits recorded in jurisdictions with tax rates lower than the U.S. statutory tax rate.

5) During 2014, valuation allowances of $0.5 million were established primarily for foreign benefits generated by the impairment of our investment in an unconsolidated subsidiary in India and due to a $0.8 million write down of a deferred tax asset that we determined was no longer recoverable. During 2012, increases in our valuation allowances resulted in

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additional tax expense of $3.4 million primarily due to state deferred tax assets for net operating loss and tax credit carryforwards that are no longer expected to be realized.

During 2014, the impact of changes in our tax liabilities for uncertain tax positions resulted in a net benefit of $0.7 million, primarily due to a net benefit of $1.9 million as a result of the expiration of the statute of limitations for the 2010 tax year and closure of the U.S. audit of our 2011 tax year, partially offset by $1.2 million of net interest and penalties which resulted in increases to our tax provision. During 2013, the impact of changes in our tax liabilities for uncertain tax positions resulted in a net expense of $2.1 million, primarily due to $1.3 million of interest and penalties which resulted in increases to our tax provision, as well as increases for new uncertain tax positions.

6) During 2012, the Mexican taxing authorities finalized their audit of the 2004 tax year, and the statute of limitations expired for the 2006 tax year, of one of our wholly-owned subsidiaries in Mexico. As a result, we recorded a net benefit of $8.1 million primarily due to a release of liabilities related to uncertain tax positions resulting from the Mexican taxing authorities finalizing their audit of the 2004 tax year. As a result of the audit settlement, the company paid $0.9 million and reversed approximately $21.7 million of liabilities for uncertain tax positions, which was partially offset by the $12.7 million reversal of related deferred tax assets established for the indirect benefit in the U.S. for the potential non-deductibility of expenses in Mexico. In 2012, we also had a net benefit of approximately $2.1 million from the expiration of the statute of limitations for the 2006 tax year. Partially offsetting these benefits was $2.0 million of interest and penalties we continued to accrue on the liability for uncertain tax positions established at the beginning of 2007 upon adoption of the U.S. GAAP method of accounting.

7) A change in tax law in 2013 had a discrete $1.0 million negative impact on our 2013 foreign income tax expense. In 2013 the Mexican Congress approved the 2014 Mexican tax reform package, which among other provisions, eliminated scheduled reductions in corporate income tax rates and thereby increased our deferred tax liabilities.

We are a multinational company subject to taxation in many jurisdictions. We record liabilities dealing with uncertainty in the application of complex tax laws and regulations in the various taxing jurisdictions in which we operate. If we determine that payment of these liabilities will be unnecessary, we reverse the liability and recognize the tax benefit during the period in which we determine the liability no longer applies. Conversely, we record additional tax liabilities or valuation allowances in a period in which we determine that a recorded liability is less than we expect the ultimate assessment to be or that a tax asset is impaired. The effects of recording liability increases and decreases are included in the effective income tax rate.

Net Income

Net income in 2014 was $8.8 million, or 1 percent of net sales, and included an income tax provision of $6.9 million, compared to $22.8 million, or 3 percent of net sales in 2013, and included an income tax provision of $14.0 million, and to $30.9 million, or 4 percent of net sales in 2011, including an income tax provision of $3.6 million. Earnings per share was $0.33, $0.83 and $1.13 per diluted share in 2014, 2013 and 2012, respectively.

Liquidity and Capital Resources

Our sources of liquidity include cash and cash equivalents, short-term investments, net cash provided by operating activities, our senior secured revolving credit facility discussed below and other external sources of funds. During the three years ended December 31, 2014, we had no bank or other interest-bearing debt. At December 31, 2014, our cash, cash equivalents and short-term investments totaled $66.2 million compared to $203.1 million at year-end 2013 and $207.3 million at the end of 2012.

Our working capital requirements, investing activities and cash dividend payments have historically been funded from internally generated funds, proceeds from the exercise of stock options or existing cash, cash equivalents and short-term investments, and we believe these sources will continue to meet our capital requirements in the foreseeable future. Our working capital decreased in 2014, primarily due to constructing and equipping our new wheel plant in Mexico discussed below, which was funded out of existing cash during the period. The change in working capital also reflects payments to repurchase our common stock, discussed below, partially offset by increases in accounts receivable, inventory and other assets. In December 2014, we entered into a senior secured revolving credit facility (discussed below) to provide financing, as necessary, for general corporate purposes.

During 2013 we announced our plans to build a new manufacturing facility in Mexico, in order to meet anticipated growth in demand for aluminum wheels in the North American market. In 2013, we entered into contracts for the construction of the new facility and for the purchase of equipment for the new facility. At December 31, 2014, the total cost of the facility was approximately $119.4 million, and cash expenditures in 2014 totaled $82.7 million. Purchase commitments relating to the facility were $6.3 million at December 31, 2014. The new facility is operational and initial commercial production began in the first quarter of 2015.

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On March 27, 2013, our Board of Directors approved the 2013 Repurchase Program, authorizing the repurchase of up to $30.0 million of our common stock. Through December 31, 2014, we repurchased 1,511,000 shares of our common stock at a total investment of $30.0 million under the 2013 Repurchase Program. During 2014, total repurchases reached the maximum expenditure authorized under the 2013 Repurchase Program. In October 2014, our Board of Directors approved the 2014 Repurchase Program, authorizing the buyback of up to $30.0 million of our common stock. The timing and extent of the repurchases under the 2014 Repurchase Program will depend upon market conditions and other corporate considerations in our sole discretion.

On December 19, 2014, we entered into a senior secured credit agreement (the "Credit Agreement") with J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A. (“JPMCB”) and Wells Fargo Bank, National Association (together with JPMCB, the “Lenders”). The Credit Agreement consists of a senior secured revolving credit facility in an initial aggregate principal amount of $100.0 million (the “Facility”). In addition, the company is entitled to request, subject to certain terms and conditions and the agreement of the Lenders, an increase in the aggregate revolving commitments under the Facility or to obtain incremental term loans in an aggregate amount not to exceed $50.0 million. The company intends to use the proceeds of the Facility to finance the working capital needs, and for the general corporate purposes of the company and its subsidiaries. At December 31, 2014, we had no borrowings under the Facility.

The following table summarizes the cash flows from operating, investing and financing activities as reflected in the consolidated statements of cash flows.

Fiscal Year Ended December 31,	2014	2013	2012
(Thousands of dollars)			
Net cash provided by operating activities	$11,627	$69,252	$65,761
Net cash used in investing activities	(110,435)	(67,424)	(18,532)
Net cash used in financing activities	(33,612)	(5,566)	(33,344)
Effect of exchange rate changes on cash	(4,430)	(325)	1,684
Net (decrease) increase in cash and cash equivalents	$(136,850)	$(4,063)	$15,569

2014 versus 2013

Our liquidity remained strong in 2014. Working capital (current assets minus current liabilities) and our current ratio (current assets divided by current liabilities) were $204.0 million and 3.8:1, respectively, at December 31, 2014, versus $284.8 million and 3.9:1 at December 31, 2013. The 2014 decrease in working capital resulted primarily from expenditures for our new Mexican wheel plant, repurchases of our common stock (see "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in this Annual Report) and timing of activity affecting the working capital accounts. We generate our principal working capital resources primarily through operations. The decrease in working capital in 2014 primarily reflects a lower balance of cash on hand, partially offset by higher accounts receivable, prepaid aluminum costs and inventory, as well as lower accounts payable and accrued costs related to our new wheel plant in Mexico. Assuming continuation of our historically strong liquidity, which includes funds available under our revolving credit facility, we believe we are well positioned to take advantage of new and complementary business opportunities, and to fund our working capital and capital expenditure requirements for the foreseeable future.

Net cash provided by operating activities decreased $57.6 million to $11.6 million for 2014, compared to net cash provided by operating activities of $69.3 million for 2013. The primary operating activities during 2014 included net income of $8.8 million, and adjustments for non-cash items of $37.2 million, primarily due to depreciation of $35.6 million, impairment of long-lived assets of $2.5 million and stock-based compensation expense of $2.3 million, partially offset by deferred income tax changes of ($5.2) million as well as net decreases in operating cash flows from changes in operating assets and liabilities totaling ($34.4) million. Changes in operating assets included a ($16.2) million increase in our accounts receivable, a ($9.3) million increase in inventory and ($14.0) million higher other assets primarily due to increases in prepaid aluminum and customer owned tooling. The changes in operating liabilities in 2014 included an $6.4 million increase for income taxes payable and a $4.8 million increase in other liabilities primarily related to deferred tooling revenues, partially offset by a a ($6.1) million decrease in accounts payable.

Our principal investing activities during 2014 were the funding of $112.6 million of capital expenditures and the purchase of $3.8 million of certificates of deposit, partially offset by the receipt of $3.8 million cash proceeds from maturing certificates of deposit and $1.9 million proceeds from sales of fixed assets. Principal investing activities during 2013 included the funding of $68.0 million of capital expenditures and the purchase of $3.8 million of certificates of deposit, partially offset by the receipt of $4.0 million cash proceeds from maturing certificates of deposit.

Our principal financing activities during 2014 consisted of the repurchase of our common stock for cash totaling $21.8 million and payment of cash dividends on our common stock totaling $19.4 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $7.4 million. Financing activities during 2013 consisted of the repurchase of our common stock for cash totaling $8.1 million and payment of cash dividends on our common stock totaling $0.6 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $2.9 million.

2013 versus 2012

Working capital (current assets minus current liabilities) and our current ratio (current assets divided by current liabilities) were $284.8 million and 3.9:1, respectively, at December 31, 2013, versus $338.3 million and 6.1:1 at December 31, 2012. The 2013 decreases in working capital and current ratio primarily reflect liabilities and expenditures for our new wheel plant, expenditures for repurchases of our common stock (see "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in this Annual Report) and timing of activity affecting the working capital accounts. We generate our principal working capital resources primarily through operations. The decrease in working capital in 2013 resulted primarily from lower accounts receivable, prepaid aluminum costs, inventory and cash-on-hand balances, as well as significant increases in accrued costs related to our new wheel plant in Mexico.

Net cash provided by operating activities increased $3.5 million to $69.3 million for 2013, compared to net cash provided by operating activities of $65.8 million for 2012. The primary operating activities during 2013 included net income of $22.8 million, and adjustments for non-cash items of $35.7 million, primarily due to depreciation of $28.5 million, income tax liability changes of $3.7 million and stock-based compensation expense of $2.7 million, as well as changes in operating assets and liabilities totaling $10.7 million. Changes in operating assets included a $9.1 million decrease in our accounts receivable, a $5.7 million decrease in inventory and a ($3.6) million change in other assets primarily due to customer owned tooling. The changes in operating liabilities in 2013 included a $4.3 million increase primarily related to deferred tooling revenues and a ($4.8) million change in income taxes payable.

Our principal investing activities during 2013 were the funding of $68.0 million of capital expenditures and the purchase of $3.8 million of certificates of deposit, partially offset by the receipt of $4.0 million cash proceeds from maturing certificates of deposit. Principal investing activities during 2012 included the funding of $23.1 million of capital expenditures and the purchase of $4.0 million of certificates of deposit, partially offset by the receipt of $5.1 million cash proceeds from maturing certificates of deposit.

Our principal financing activities during 2013 consisted of the repurchase of our common stock for cash totaling $8.1 million and payment of cash dividends on our common stock totaling $0.6 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $2.9 million. Financing activities during 2012 consisted of the payment of cash dividends on our common stock totaling $34.9 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $1.5 million. As discussed in "Item 5 - Dividends" in this Annual Report, dividends declared and paid in 2012 included an accelerated payment of the 2013 regular cash dividend of $0.64 that was paid in December 2012 in addition to the regular dividend paid each quarter during 2012 of $0.16 per share.

Risk Management

We are subject to various risks and uncertainties in the ordinary course of business due, in part, to the competitive global nature of the industry in which we operate, to changing commodity prices for the materials used in the manufacture of our products, and to development of new products.

We have operations in Mexico with sale and purchase transactions denominated in both pesos and dollars. The peso is the functional currency of certain of our operations in Mexico. The settlement of accounts receivable and accounts payable transactions denominated in a non-functional currency results in foreign currency transaction gains and losses. In 2014, the value of the Mexican peso decreased by 13 percent in relation to the U.S. dollar. For the year ended December 31, 2014 we had foreign currency transaction losses of $1.0 million, and for the years ended December 31, 2013 and 2012, we had foreign currency transaction gains of $0.2 million and $0.1 million, respectively, which are included in other income (expense) in the Consolidated Income Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

Since 1990, the Mexican peso has experienced periods of relative stability followed by periods of major declines in value. The impact of changes in value of our foreign operations relative to the U.S. dollar has resulted in a cumulative unrealized translation loss at December 31, 2014 of $71.4 million. Translation gains and losses are included in other comprehensive income (loss) in

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the Consolidated Statements of Shareholders' Equity in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

Changes in currency exchange rates may affect the relative prices at which we and our foreign competitors sell products in the same market. In addition, changes in the value of the relevant currencies may affect the cost of certain items required in our operations. Due to customer requirements, a significant shift is occurring in the currency denominated in our contracts with our customers. As a result of this change we currently project that in 2015 and beyond the vast majority of our revenues will be denominated in the U.S. dollar, rather than a more balanced mix of U.S. dollar and Mexican peso. In the past we have relied upon significant revenues denominated in the Mexican peso to provide a "natural hedge" against foreign exchange rate changes impacting our peso denominated costs incurred at our facilities in Mexico. Accordingly, the foreign exchange exposure associated with peso denominated costs is a growing risk factor and could have a material adverse effect on our operating results.
We may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions and forecasted future cash flows. We have implemented a program to hedge a portion of our material foreign exchange exposures, typically for up to 24 months. However, we may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to accounting considerations and the prohibitive economic cost of hedging particular exposures. We do not use derivative contracts for trading, market-making, or speculative purposes. For additional information on our derivatives, see Notes 4 and 15 of the Notes to the Financial Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

When market conditions warrant, we may enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. We currently have several purchase commitments for the delivery of natural gas through 2015. These natural gas contracts are considered to be derivatives under U.S. GAAP, and when entering into these contracts, it was expected that we would take full delivery of the contracted quantities of natural gas over the normal course of business. Accordingly, at inception, these contracts qualified for the normal purchase, normal sale ("NPNS") exemption provided for under U.S. GAAP. As such, we do not account for these purchase commitments as derivatives unless there is a change in facts or circumstances in regard to the company's intent or ability to use the contracted quantities of natural gas over the normal course of business. Based on the quarterly analysis of our estimated future production levels, we believe that our remaining natural gas purchase commitments that were in effect as of December 31, 2014 will continue to qualify for the NPNS exemption since we can assert that it is probable we will take full delivery of the contracted quantities.

Contractual Obligations

Contractual obligations as of December 31, 2014 are as follows (amounts in millions):

	Payments Due by Fiscal Year						
Contractual Obligations	2015	2016	2017	2018	2019	Thereafter	Total
Natural gas contracts	$1.1	$—	$—	$—	$—	$—	$1.1
Retirement plans	1.5	1.5	1.2	1.4	1.4	53.0	60.0
Purchase obligations	6.7	—	—	—	—	—	6.7
Operating leases	1.5	1.0	0.5	0.2	—	—	3.2
Total	$10.8	$2.5	$1.7	$1.6	$1.4	$53.0	$71.0

The table above includes, under Purchase Obligations, amounts committed on outstanding contracts related to the construction of the facility and equipment for our new wheel plant in Mexico. The table above does not reflect unrecognized tax benefits of $13.6 million, for which the timing of settlement is uncertain, and a $7.6 million liability carried on our consolidated balance sheet at December 31, 2014 for derivative financial instruments maturing in 2015 and 2016.

Off-Balance Sheet Arrangements

As of December 31, 2014, we had no significant off-balance sheet arrangements.

Inflation

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Inflation has not had a material impact on our results of operations or financial condition for the three years ended December 31, 2014. Cost increases in our principal raw material, aluminum, fundamentally are passed through to our customers, with timing of the pass-through dependent on the specific commercial agreements. Wage increases have averaged approximately 3 percent during this period. Cost increases for labor, other raw materials and for energy may not be recovered in our selling prices. Additionally, competitive global pricing pressures are expected to continue, which may lessen the possibility of recovering these types of cost increases in selling prices.

NON-GAAP FINANCIAL MEASURES

In this annual report, we discuss two important measures that are not calculated according to U.S. generally accepted accounting principles ("GAAP"), value added sales and Adjusted EBITDA.

Value added sales is a key measure that is not calculated according to GAAP. In the discussion of operating results, we provide information regarding value added sales. Value added sales represents net sales less the value of aluminum included in net sales. As discussed further below, arrangements with our customers allow us to pass on changes in aluminum prices; therefore, fluctuations in underlying aluminum price generally do not directly impact our profitability. Accordingly, value added sales is worthy of being highlighted for the benefit of users of our financial statements. Our intent is to allow users of the financial statements to consider our net sales information both with and without the aluminum cost component thereof.

Fiscal Year Ended December 31,	2014	2013	2012	2011	2010
(Thousands of dollars)					
Net Sales	$745,447	$789,564	$821,454	$822,172	$719,500
Less, aluminum value	(330,738)	(336,565)	(358,813)	(383,174)	(300,417)
Value added sales	$414,709	$452,999	$462,641	$438,998	$419,083

Adjusted EBITDA is a key measure that is not calculated according to GAAP. Adjusted EBITDA is defined as earnings before interest income and expense, income taxes, depreciation, amortization, restructuring charges, impairments of long-lived assets and investments and losses on sales of unconsolidated affiliates. We use Adjusted EBITDA as an important indicator of the operating performance of our business. Adjusted EBITDA is used in our internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to our Board of Directors and evaluating short-term and long-term operating trends in our operations. We believe the Adjusted EBITDA financial measure assists in providing a more complete understanding of our underlying operational measures to manage our business, to evaluate our performance compared to prior periods and the marketplace, and to establish operational goals. Adjusted EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies.

Adjusted EBITDA as a percentage of net sales is a key measure that is not calculated according to GAAP. Adjusted EBITDA as a percentage of net sales is defined as Adjusted EBITDA divided by net sales.

Adjusted EBITDA as percentage of value added sales is a key measure that is not calculated according to GAAP. Adjusted EBITDA as a percentage of value added sales is defined as Adjusted EBITDA divided by value added sales. The following table reconciles our net income, the most directly comparable GAAP financial measure, to our Adjusted EBITDA:

Fiscal Year Ended December 31,	2014	2013	2012	2011	2010
(Thousands of dollars)					
Net income	$8,803	$22,824	$30,891	$67,169	$51,643
Interest (income), net	(1,095)	(1,691)	(1,252)	(1,101)	(1,604)
Tax expense (benefit)	6,899	14,017	3,598	(25,243)	2,993
Depreciation [1]	35,582	28,466	26,362	27,538	29,093
Restructuring charges (excluding accelerated depreciation)	3,064	—	—	—	2,109
Impairment of long-lived assets and investments	2,500	—	—	1,337	1,153
Loss on sale of unconsolidated affiliates	—	—	—	—	4,110
Adjusted EBITDA	$55,753	$63,616	$59,599	$69,700	$89,497
Adjusted EBITDA as a percentage of net sales	7.5%	8.1%	7.3%	8.5%	12.4%
Adjusted EBITDA as a percentage of value added sales	13.4%	14.0%	12.9%	15.9%	21.4%

[1] Depreciation expense in 2014 includes $6.5 million of accelerated depreciation charges as a result of shortened estimated useful lives due to restructuring activities described in Note 2 - Restructuring in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data in this Annual Report.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to apply significant judgment in making estimates and assumptions that affect amounts reported therein, as well as financial information included in this Management's Discussion and Analysis of Financial Condition and Results of Operations. These estimates and assumptions, which are based upon historical experience, industry trends, terms of various past and present agreements and contracts, and information available from other sources that are believed to be reasonable under the circumstances, form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent through other sources. There can be no assurance that actual results reported in the future will not differ from these estimates, or that future changes in these estimates will not adversely impact our results of operations or financial condition. As described below, the most significant accounting estimates inherent in the preparation of our financial statements include estimates and assumptions as to revenue recognition, allowance for doubtful accounts, inventory valuation, amortization of preproduction costs, impairment of and the estimated useful lives of our long-lived assets and the fair value of stock-based compensation, as well as those used in the determination of liabilities related to self-insured portions of employee benefits, workers' compensation and general liability programs and deferred income taxes.

Wheel Revenue Recognition - Our products are manufactured to customer specifications under standard purchase orders. We ship our products to OEM customers based on release schedules provided weekly by our customers. Our sales and production levels are highly dependent upon the weekly forecasted production levels of our customers. Sales of these products, net of estimated pricing adjustments, and their related costs are recognized when title and risk of loss transfers to the customer, generally upon shipment. A portion of our selling prices to OEM customers is attributable to the aluminum content of our wheels. Our selling prices are adjusted periodically for changes in the current aluminum market based upon specified aluminum price indices during specific pricing periods, as agreed with our customers. See Preproduction Costs and Revenue Recognition Related to Long-Term Supply Arrangements below for a discussion of tooling reimbursement revenues.

Derivative Financial Instruments and Hedging Activities - In order to hedge exposure related to fluctuations in foreign currency rates and the cost of certain commodities used in the manufacture of our products, we periodically may purchase derivative financial instruments such as forward contracts, options or collars to offset or mitigate the impact of such fluctuations. Programs to hedge currency rate exposure may address ongoing transactions including, foreign-currency-denominated receivables and payables, as well as specific transactions related to purchase obligations. Programs to hedge exposure to commodity cost fluctuations would be based on underlying physical consumption of such commodity. At December 31, 2014, we held forward currency exchange contracts and natural gas contracts discussed below.

We account for our derivative instruments as either assets or liabilities and carry them at fair value.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income ("AOCI") in shareholders’ equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in current income. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. For forward exchange contracts designated as cash flow hedges, changes in the time value are included in the definition of hedge effectiveness. Accordingly, any gains or losses related to this component are reported as a component of AOCI in shareholders’ equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. Derivatives that do not qualify as hedges are adjusted to fair value through current income. See Note 4 - Derivative Financial Instruments in Notes to Consolidated Financial Statements in Item 8 for further discussion of derivatives.

We enter into contracts to purchase certain commodities used in the manufacture of our products, such as aluminum, natural gas, and other raw materials. Our natural gas contracts are considered to be derivative instruments under US GAAP. However, upon entering into these contracts, we expect to fulfill our purchase commitments and take full delivery of the contracted quantities of natural gas during the normal course of business. Accordingly, under U.S. GAAP, these purchase contracts are not accounted for as derivatives because they qualify for the normal purchase normal sale exception under U.S. GAAP, unless there is a change in the facts or circumstances that causes management to believe that these commitments would not be used in the normal course of business. See Note 15 - Commitments and Contingent Liabilities in Notes to Consolidated Financial Statements in Item 8 for additional information pertaining to these purchase commitments.

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Fair Value Measurements - The company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis, while other assets and liabilities are measured at fair value on a nonrecurring basis, such as when we have an asset impairment. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:
Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.
Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We estimate the fair value of these instruments using industry-standard valuation models such as a discounted cash flow. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates, commodity prices, and the contractual terms of the derivative instruments. The discount rate used is the relevant interbank deposit rate (e.g., LIBOR) plus an adjustment for non-performance risk. In certain cases, market data may not be available and we may use broker quotes and models (e.g., Black-Scholes) to determine fair value. This includes situations where there is lack of liquidity for a particular currency or commodity or when the instrument is longer dated.

Allowance for Doubtful Accounts - We maintain an allowance for doubtful accounts receivable based upon the expected collectability of all trade receivables. The allowance is reviewed continually and adjusted for amounts deemed uncollectible by management.

Inventories - Inventories are stated at the lower of cost or market value and categorized as raw material, work-in-process or finished goods. When necessary, management uses estimates of net realizable value to record inventory reserves for obsolete and/or slow-moving inventory. Our inventory values, which are based upon standard costs for raw materials and labor and overhead established at the beginning of the year, are adjusted to actual costs on a first-in, first-out ("FIFO") basis. Current raw material prices and labor and overhead costs are utilized in developing these adjustments.

Preproduction Costs and Revenue Recognition Related to Long-Term Supply Arrangements - We incur preproduction engineering and tooling costs related to the products produced for our customers under long-term supply agreements. We expense all preproduction engineering costs for which reimbursement is not contractually guaranteed by the customer or that are in excess of the contractually guaranteed reimbursement amount. We amortize the cost of the customer-owned tooling over the expected life of the wheel program on a straight line basis. Also, we defer any reimbursements made to us by our customer and recognize the tooling reimbursement revenue over the same period in which the tooling is in use. Changes in the facts and circumstances of individual wheel programs may accelerate the amortization of both the cost of the customer-owned tooling and the deferred tooling reimbursement revenues. Recognized tooling reimbursement revenues totaled approximately $8.2 million, $9.3 million and $8.0 million, in 2014, 2013 and 2012, respectively, and are included in net sales in the Consolidated Income Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report. The following tables summarize the unamortized customer-owned tooling costs included in our long-term other assets, and the deferred tooling revenues included in accrued expenses and other non-current liabilities:

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December 31,	2014	2013
(Dollars in Thousands)		
Unamortized Preproduction Costs		
Preproduction costs	$65,621	$60,776
Accumulated amortization	(53,408)	(46,213)
Net preproduction costs	$12,213	$14,563
Deferred Tooling Revenue		
Accrued expenses	$4,833	$5,950
Other non-current liabilities	2,449	2,619
Total deferred tooling revenue	$7,282	$8,569

Impairment of Long-Lived Assets and Investments - In accordance with U.S. GAAP, management evaluates the recoverability and estimated remaining lives of long-lived assets whenever facts and circumstances suggest that the carrying value of the assets may not be recoverable or the useful life has changed. See Note 1 - Summary of Significant Accounting Policies in Notes to Consolidated Financial Statements in Item 8 for further discussion of asset impairments.

When facts and circumstances indicate that there may have been a loss in value, management will also evaluate its cost and equity method investments to determine whether there was an other-than-temporary impairment. If a loss in the value of the investment is determined to be other than temporary, then the decline in value is recognized in earnings. See Note 9 - Investment in Unconsolidated Affiliate in Notes to Consolidated Financial Statements in Item 8 for discussion of our investment.

Retirement Plans - Subject to certain vesting requirements, our unfunded retirement plan generally provides for a benefit based on final average compensation, which becomes payable on the employee's death or upon attaining age 65, if retired. The net periodic pension cost and related benefit obligations are based on, among other things, assumptions of the discount rate, future salary increases and the mortality of the participants. The net periodic pension costs and related obligations are measured using actuarial techniques and assumptions. See Note 12 - Retirement Plans in Notes to Consolidated Financial Statements in Item 8 for a description of these assumptions.

The following information illustrates the sensitivity to a change in certain assumptions of our unfunded retirement plans as of December 31, 2014. Note that these sensitivities may be asymmetrical, and are specific to 2014. They also may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown.

The effect of the indicated increase (decrease) in selected factors is shown below (in thousands):

Assumption	Percentage Change	Increase (Decrease) in: Projected Benefit Obligation at December 31, 2014	2014 Net Periodic Pension Cost
Discount rate	+ 1.0 %	$(3,733)	$(242)
Rate of compensation increase	+ 1.0 %	$1,002	$135

Stock-Based Compensation - We account for stock-based compensation using the fair value recognition in accordance with U.S. GAAP. We use the Black-Scholes option-pricing model to determine the fair value of any stock options granted, which requires us to make estimates regarding dividend yields on our common stock, expected volatility in the price of our common stock, risk free interest rates, forfeiture rates and the expected life of the option. To the extent these estimates change, our stock-based compensation expense would change as well. The fair value of any restricted shares awarded is calculated using the closing market price of our common stock on the date of issuance. We recognize these compensation costs net of the applicable forfeiture rates and recognize the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of three or four years. We estimated the forfeiture rate based on our historical experience.

Workers' Compensation and Loss Reserves - We self-insure any losses arising out of workers' compensation claims. Workers' compensation accruals are based upon reported claims in process and actuarial estimates for losses incurred but not reported. Loss

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reserves, including incurred but not reported reserves, are estimated using actuarial methods and ultimate settlements may vary significantly from such estimates due to increased claim frequency or the severity of claims.

Accounting for Income Taxes - We account for income taxes using the asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax basis and financial reporting basis of our assets and liabilities. We calculate current and deferred tax provisions based on estimates and assumptions that could differ from actual results reflected on the income tax returns filed during the following years. Adjustments based on filed returns are recorded when identified in the subsequent years.

The effect on deferred taxes for a change in tax rates is recognized in income in the period that the tax rate change is enacted. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion of the deferred tax assets will not be realized. A valuation allowance is provided for deferred income tax assets when, in our judgment, based upon currently available information and other factors, it is more likely than not that all or a portion of such deferred income tax assets will not be realized. The determination of the need for a valuation allowance is based on an on-going evaluation of current information including, among other things, historical operating results, estimates of future earnings in different taxing jurisdictions and the expected timing of the reversals of temporary differences. We believe that the determination to record a valuation allowance to reduce a deferred income tax asset is a significant accounting estimate because it is based, among other things, on an estimate of future taxable income in the United States and certain other jurisdictions, which is susceptible to change and may or may not occur, and because the impact of adjusting a valuation allowance may be material.

In determining when to release the valuation allowance established against our net deferred income tax assets, we consider all available evidence, both positive and negative. Consistent with our policy, the valuation allowance against our net deferred income tax assets will not reversed until such time as we have generated three years of cumulative pre-tax income and have reached sustained profitability, which we define as two consecutive one year periods of pre-tax income.

We account for our uncertain tax positions in accordance with U.S. GAAP. The purpose of this method is to clarify accounting for uncertain tax positions recognized. The U.S. GAAP method of accounting for uncertain tax positions utilizes a two-step approach to evaluate tax positions. Step one, recognition, requires evaluation of the tax position to determine if based solely on technical merits it is more likely than not to be sustained upon examination. Step two, measurement, is addressed only if a position is more likely than not to be sustained. In step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement with tax authorities. If a position does not meet the more likely than not threshold for recognition in step one, no benefit is recorded until the first subsequent period in which the more likely than not standard is met, the issue is resolved with the taxing authority, or the statute of limitations expires. Positions previously recognized are derecognized when we subsequently determine the position no longer is more likely than not to be sustained. Evaluation of tax positions, their technical merits, and measurements using cumulative probability are highly subjective management estimates. Actual results could differ materially from these estimates.

Presently, we have not recorded a deferred tax liability for temporary differences related to investments in foreign subsidiaries that are essentially permanent in duration. These temporary differences may become taxable upon a repatriation of earnings from the subsidiaries or a sale or liquidation of the subsidiaries. Generally, the U.S. income taxes imposed on the repatriated earnings would be reduced by foreign income taxes paid on the earnings. During 2011, the company provided a provision for taxes for its European subsidiary, as a result of the repatriation of 2011 earnings and profits of approximately $0.1 million. At this time the company does not have any plans to repatriate additional income from its foreign subsidiaries.

New Accounting Standards

In June 2014, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") entitled "Compensation - Stock Compensation." The ASU provides guidance on when the terms of an award provide that a performance target could be achieved after the requisite service period. The new guidance becomes effective for annual reporting periods beginning after December 15, 2015, early adoption is permitted. We are currently evaluating the impact this guidance will have on our financial position and results of operations.

In May 2014, the FASB issued an ASU entitled “Revenue from Contracts with Customers.” The ASU requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

In July 2013, the FASB issued guidance regarding the presentation in the statement of financial position of an unrecognized tax benefit when a net operating loss carryforward or a tax credit carryfoward exists. The guidance generally provides that an entity's unrecognized tax benefit, or a portion of its unrecognized tax benefit, should be presented in its financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The new guidance applies prospectively to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The new standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, early adoption is permitted. The new standard did not have a material effect on our consolidated results of operations and financial position, when adopted, on December 29, 2013.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency. A significant portion of our business operations are conducted in Mexico. As a result, we have a certain degree of market risk with respect to our cash flows due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currency, including inter-company transactions. Historically, we have not actively engaged in substantial exchange rate hedging activities and, prior to 2014, we had not entered into any significant foreign exchange contracts. However, as a result of customer requirements, a significant shift is occurring in the currency denominated in our contracts with our customers. As a result of this change, we currently project that in 2015 and beyond the vast majority of our revenues will be denominated in the U.S. dollar, rather than a more balanced mix of U.S. dollar and Mexican peso. In the past we have relied upon significant revenues denominated in the Mexican peso to provide a "natural hedge" against foreign exchange rate changes impacting our peso denominated costs incurred at our facilities in Mexico. Accordingly, the foreign exchange exposure associated with peso denominated costs is a growing risk factor that could have a material adverse effect on our operating results.

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In accordance with our corporate risk management policies, we may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions and forecasted future cash flows. We have implemented a program to hedge a portion of our material foreign exchange exposures, typically for up to 24 months. However, we may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to accounting considerations and the prohibitive economic cost of hedging particular exposures. We do not use derivative contracts for trading, market-making, or speculative purposes. For additional information on our derivatives, see Note 4 - Derivative Financial Instruments and Note 15 - Commitments and Contingent Liabilities in Notes to Consolidated Financial Statements in Item 8.

At December 31, 2014 the fair value liability of foreign currency exchange derivatives was $7.6 million. The potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would be $11.0 million at December 31, 2014.

During 2014, the Mexican peso to U.S. dollar exchange rate averaged 13.3 pesos to $1.00. Based on the balance sheet at December 31, 2014, the value of net assets for our operations in Mexico was 1,579 million pesos. Accordingly, a 10 percent change in the relationship between the peso and the U.S. dollar may result in a translation impact of between $10.8 million and $13.2 million, which would be recognized in other comprehensive income (loss).

Our business requires us to settle transactions between currencies in both directions - i.e., peso to U.S. dollar and vice versa. To the greatest extent possible, we attempt to match the timing of transaction settlements between currencies to create a “natural hedge.” For the full year 2014, we had a $0.8 million net foreign exchange transaction loss related to the peso. Based on the current business model and levels of production and sales activity, the net imbalance between currencies depends on specific circumstances. As discussed above, while changes in the terms of the contracts with our customers will be creating an imbalance between currencies that we are hedging with foreign currency forward contracts, there can be no assurances that our hedging program will effectively offset the impact of the imbalance between currencies or that the net transaction balance will not change significantly in the future.

Natural Gas Purchase Commitments. When market conditions warrant, we enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as natural gas. However, under no circumstances do we enter into derivatives or other financial instrument transactions for speculative purposes. At December 31, 2014, we had natural gas purchase agreements with deliveries through 2015 for 240 MMbtu of natural gas for a total cost of $1.1 million. These fixed price natural gas contracts may expose us to higher costs that cannot be recouped in selling prices in the event that the market price of natural gas declines below the contract price.

See the section captioned "Risk Management" in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations for a further discussion about the market risk we face.

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ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to the Consolidated Financial Statements of Superior Industries International, Inc.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Superior Industries International, Inc.
Van Nuys, California

We have audited the accompanying consolidated balance sheets of Superior Industries International, Inc. and subsidiaries (the “Company”) as of December 28, 2014 and December 29, 2013, and the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the three years ended December 28, 2014, December 29, 2013, and December 30, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement 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, such consolidated financial statements present fairly, in all material respects, the financial position of Superior Industries International, Inc. and subsidiaries as of December 28, 2014 and December 29, 2013, and the results of their operations and their cash flows for each of the three years ended December 28, 2014, December 29, 2013, and December 30, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 28, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2015 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Los Angeles, California
March 12, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Superior Industries International, Inc.
Van Nuys, California

We have audited the internal control over financial reporting of Superior Industries International, Inc. and subsidiaries (the "Company") as of December 28, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 28, 2014 of the Company and our report dated March 12, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Los Angeles, California
March 12, 2015

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SUPERIOR INDUSTRIES INTERNATIONAL, INC.
CONSOLIDATED INCOME STATEMENTS
(Dollars in thousands, except per share data)

Fiscal Year Ended December 31,	2014	2013	2012
NET SALES	$745,447	$789,564	$821,454
Cost of sales:			
Cost of sales	686,796	725,503	760,847
Restructuring costs (Note 2)	8,429	—	—
	695,225	725,503	760,847
GROSS PROFIT	50,222	64,061	60,607
Selling, general and administrative expenses	32,309	29,468	27,727
INCOME FROM OPERATIONS	17,913	34,593	32,880
Interest income, net	1,095	1,691	1,252
Other income (expense), net	(3,306)	557	357
INCOME BEFORE INCOME TAXES	15,702	36,841	34,489
Income tax provision	(6,899)	(14,017)	(3,598)
NET INCOME	$8,803	$22,824	$30,891
EARNINGS PER SHARE - BASIC	$0.33	$0.83	$1.13
EARNINGS PER SHARE - DILUTED	$0.33	$0.83	$1.13

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

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SUPERIOR INDUSTRIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

Fiscal Year Ended December 31,	2014	2013	2012
Net income	$8,803	$22,824	$30,891
Other comprehensive income (loss), net of tax:			
Foreign currency translation gain (loss)	(13,369)	(521)	4,839
Change in unrecognized gains (losses) on derivative instruments:			
Change in fair value of derivatives	(7,598)	—	—
Tax benefit	2,833	—	—
Change in unrecognized gains (losses) on derivative instruments, net of tax	(4,765)	—	—
Defined benefit pension plan:			
Actuarial gains (losses) on pension obligation, net of curtailments and amortization	(4,686)	4,477	(2,994)
Tax (provision) benefit	1,758	(1,705)	1,141
Pension changes, net of tax	(2,928)	2,772	(1,853)
Other comprehensive income (loss), net of tax	(21,062)	2,251	2,986
Comprehensive income (loss)	$(12,259)	$25,075	$33,877

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

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SUPERIOR INDUSTRIES INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

Fiscal Year Ended December 31,	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$62,451	$199,301
Short-term investments	3,750	3,750
Accounts receivable, net	102,493	89,623
Inventories	74,677	67,193
Income taxes receivable	3,740	7,584
Deferred income taxes	9,897	7,917
Other current assets	19,003	8,850
Total current assets	276,011	384,218
Property, plant and equipment, net	255,035	219,892
Investment in and advances to unconsolidated affiliate	2,000	4,565
Non-current deferred income taxes, net	17,852	14,664
Other non-current assets	29,012	30,049
Total assets	$579,910	$653,388
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$23,938	$34,494
Accrued liabilities	48,024	64,936
Total current liabilities	71,962	99,430
Non-current income tax liabilities	13,621	15,050
Non-current deferred income tax liabilities, net	15,122	21,070
Other non-current liabilities	40,199	34,775
Commitments and contingent liabilities (Note 15)	—	—
Shareholders' equity:		
Preferred stock, no par value		
Authorized - 1,000,000 shares		
Issued - none	—	—
Common stock, no par value		
Authorized - 100,000,000 shares		
Issued and outstanding - 26,730,247 shares		
(27,155,550 shares at December 31, 2013)	81,473	75,305
Accumulated other comprehensive loss	(81,425)	(60,363)
Retained earnings	438,958	468,121
Total shareholders' equity	439,006	483,063
Total liabilities and shareholders' equity	$579,910	$653,388

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

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SUPERIOR INDUSTRIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FISCAL YEAR ENDED DECEMBER 31, 2012
(Dollars in thousands, except per share data)

Common Stock		Accumulated Other Comprehensive Income (Loss)	
Number of Shares	Amount	Unrecognized Gains/Losses on Derivative Instruments	Pension Obligations