SUPERIOR INDUSTRIES INTERNATIONAL INC
Form 10-K
March 07, 2012
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
(Mark One)

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

For the fiscal year ended December 25, 2011
OR

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

For the transition period from _______________ to _______________

Commission file number: 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.)

7800 Woodley Avenue	
Van Nuys, California	91406
(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. [ ]
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 $575,660,000, based on a closing price of $21.20. On March 1, 2012, there were 27,171,513 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's 2012 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 may from time to time make written or oral statements in Management's Discussion and Analysis of Financial Condition and Results of Operations, Letter to Shareholders and elsewhere in this report which constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities 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 likely result,” “will continue,” “plans to” and similar expressions.

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 Item 1A - Risk Factors 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

General Development and Description of Business

Headquartered in Van Nuys, California, 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), Chrysler Group LLC (Chrysler), BMW, Mitsubishi, Nissan, Subaru, Toyota and Volkswagen.

The North American market for automobiles and light-duty trucks (including SUV's and crossover vehicles) has experienced rather pronounced cyclicality over recent years. We track annual production rates based on information from Ward's Automotive Group. For several years prior to 2008, annual North American vehicle production approached or exceeded 15 million units. Many factors, including general economic conditions and consumer access to credit, contributed to this trend of consistent and relatively strong market activity.

Beginning with the third quarter of 2008, the automotive industry was negatively impacted by several factors, including the continued dramatic shift away from full-size trucks and SUVs caused by continuing high fuel prices, rapidly rising commodity prices and the tightening of consumer credit due to the then deteriorating financial markets. These negative factors resulted in a dramatic cutback in vehicle production rates, reaching a the low level of 8.6 million units in 2009.

Accordingly, many vehicle manufacturers announced unprecedented restructuring actions, including assembly plant closures, significant reductions in production of light trucks and SUVs, delayed launches of key 2009 model-year light truck programs and movement toward more fuel-efficient passenger cars and cross-over type vehicles. These restructuring actions culminated in the bankruptcy reorganizations of Chrysler and GM in 2009.

Following the steep decline in 2009, North American automotive markets recovered substantially in 2010. Production of automobiles and light-duty trucks in North America reached 11.9 million units in 2010, an increase of 3.3 million, or 39 percent, from 8.6 million vehicles in 2009. An improved U.S. economy, low consumer interest rates and pent-up demand for vehicles following the recession all contributed to market demand recovery. Restructuring actions taken in many areas of the supply chain also contributed to general improvement in the overall financial health of the automotive sector.

The post-2009 North American market recovery continued on into 2011. Production in 2011 reached 13.1 million units, an increase of 10 percent over 2010. In addition to the economy, consumer credit and interest rates being generally supportive of market growth, the continuing increase in average age of automobiles on the road appeared to be contributing to higher rates of vehicle replacement. In 2011, the average age of an automobile in the U.S. reached 10.8 years, a new record according to Polk Automotive Research.

The 2011 rate of vehicle production increase was strong in both automobiles and light-duty trucks. The domestic brands gained market share, with international brands negatively impacted by lost production at Toyota and Honda due to effects of the earthquake and tsunami that occurred in March 2011. In contrast to the overall market, the company's unit sales to international brands grew more rapidly than to domestic brands.

We have taken significant steps in the past to reduce our overall costs, including rationalizing our production capacity in response to the late 2008 and 2009 industry recession and falloff in demand. In August 2008, we announced the planned closure of our wheel manufacturing facility located in Pittsburg, Kansas, and workforce reductions in our other North American plants, resulting in the layoff of approximately 665 employees and the elimination of 90 open positions. On January 13, 2009, we also announced the planned closure of our Van Nuys, California wheel manufacturing facility, thereby eliminating an additional 290 jobs. The Kansas and California facilities ceased operations in December 2008 and June 2009, respectively.

Raw Materials

The raw materials used in producing our products are readily available and are obtained through numerous suppliers with whom

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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 2011. The majority of our aluminum requirements are met through purchase orders with certain major domestic and foreign producers. 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 2011, we were able to successfully secure aluminum commitments from our primary suppliers to meet production requirements. In late December 2011, a significant supplier of aluminum informed us of a large decline in production rates of a smelter that has been our largest single source of purchased aluminum during both 2011 and 2010. The production decline has been caused by a labor issue that may continue unresolved for several months. While we anticipate being able to source aluminum requirements to meet our expected level of production in 2012, it currently is not clear whether we will incur any negative cost consequences resulting from our supplier's production cutbacks. We procure other raw materials through numerous suppliers with whom we have established trade relationships.

When market conditions warrant, we may also 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 in place for the delivery of natural gas through 2012. 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. See Note 11 - 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.

Seasonal Variations

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.

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 and Chrysler were our only customers accounting for more than 10 percent of our consolidated net sales in 2011. Net sales to these customers in 2011, 2010 and 2009 were as follows (dollars in millions):

	2011		2010		2009	
	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars
Ford	35%	$286.5	33%	$239.6	35%	$146.1
GM	30%	$245.7	33%	$236.9	34%	$143.4
Chrysler	11%	$90.3	14%	$97.7	12%	$52.0

The loss of all or a substantial portion of our sales to Ford, GM or Chrysler would have a significant adverse effect on our financial results.

Foreign Operations

We manufacture and sell a significant portion of our products in Mexico. Net sales of our Mexico operations in 2011 totaled $520 million and represented 63% of our total net sales. Net property, plant and equipment of our operations in Mexico totaled $100

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million at December 31, 2011. 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. 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.

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 supply approximately 31 percent of the aluminum wheels installed on passenger cars and light 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 10 percent of the total North American production capacity. See also Item 1A - Risk Factors - Competition of 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 trucks in the U.S. was 65 percent for the 2011 model year compared to 65 percent for the 2010 model year and 64 percent for the 2009 model year. The penetration rate for aluminum wheels has increased significantly since the mid-1980s, when this rate was only 10 percent. We expect the more recent trend of a stable penetration rate for aluminum wheels to continue. 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 and generally viewed as “more stylish."

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 center in Detroit, Michigan, that maintains a complement of engineering staff centrally located near 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 the consolidated statements of operations. Amounts expended on research and development costs during each of the last three years were $5.3 million in 2011; $4.9 million in 2010; and $3.1 million in 2009. The lower level experienced in 2009 was due to closure of our engineering center in Van Nuys, California, and the reduction of wheel program development activities in that year.

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 standards presently applicable. However, costs related to environmental

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protection may grow due to increasingly stringent laws and regulations. The cost of environmental compliance was approximately $0.5 million in 2011; $0.4 million in 2010; and $0.7 million in 2009. 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, 2011, we had approximately 3,800 full-time employees in our North American operations compared to approximately 3,500 employees at December 31, 2010. 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 2011, 2010 and 2009 comprised the 52-week periods ended on December 25, 2011, December 26, 2010, and December 27, 2009, respectively. 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 2 - Business Segments in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

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, and our SEC filings. 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.

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

Current Economic and Financial Market Conditions - Economic activity throughout much of the world remains uncertain and potential weakness, stalling or even reversal in the recovery from the global economic recession may materially and adversely

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affect our results of operations and financial condition. The global economic recession that began in late 2008 and continued through 2009 had a significant negative impact in 2009 on the automotive industry generally and the financial stability of our customers, suppliers and other parties with whom we do business. Specifically, the impact of these volatile and negative conditions may include: decreased demand for automobiles and our products; negative impact on the financial position of our OEM customers; our decreased ability to accurately forecast future product trends and demand; a negative impact on our ability to timely collect receivables from our customers and, conversely, reductions in the level and tightening of terms of trade credit available to us.

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 as noted above. Consumer demand for automobiles is subject to considerable volatility as a result of consumer confidence in general economic conditions, levels of employment and prevailing wages, fuel prices and the availability and cost of consumer credit. Despite the improvement in the U.S. automotive industry that began in the later part of 2009, vehicle production levels still remain below historical highs. 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. Vehicle demand is subject to many unpredictable factors such as changes in the general economy, gasoline prices, consumer credit availability and interest rates. 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. As previously discussed, our results for fiscal year 2009 were negatively impacted by severe reductions in customer demand. In reaction to the steep decline in demand in 2009, a significant number of our customers announced restructuring actions, including bankruptcy reorganizations, planned assembly plant closures, delays in launching key 2009 model-year light truck programs, and other actions to accelerate movement toward more fuel-efficient passenger cars and crossover-type vehicles. Although 2010 and 2011 have witnessed significant recovery in demand for vehicles and our products, the events of 2009 demonstrate the degree to which industry volatility can occur and be beyond the control of industry participants. There can be no assurances that industry recovery occurring in 2010 and continuing in 2011 will continue or that a reversal of that recovery, including the degree of such reversal, will not occur in the future.

Customer Concentration - Ford, GM and Chrysler, together represented approximately 76 percent of our total wheel sales in 2011. During 2009, both Chrysler and GM were forced to reorganize their businesses under Chapter 11 of the U.S. Bankruptcy Code. While the reorganizations of GM and Chrysler have been aided in-part by the recovery of vehicle demand in 2011 and 2010, there can be no assurances as to the future success of these reorganizations. There also can be no assurances that other restructurings within the automotive industry will not occur and negatively affect the company.

Furthermore, 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 on terms acceptable to us in the future. The contracts we have entered into with most of our customers provide that we will provide 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 the purchase by the customer of any minimum number of wheels from us. Therefore, a significant decrease in 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.

Difficulties Associated with Fixed Capacity Levels - As a result of increased consumer demand for automobiles, as well as actions previously taken by us to rationalize the costs associated with our business, we operated our business at near full capacity levels for most of 2011. Our ability to increase manufacturing capacity may require significant investments in equipment and personnel. To the extent that we make investments to increase manufacturing capacity and demand for our products is not sustained, our results of operations and financial condition may be adversely affected. Conversely, if we choose not to make investments to increase manufacturing capacity, our ability to meet customer demand for our products and increase revenues may be adversely affected. Additionally, operating our facilities at near 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, each of which could cause our results of operations and financial condition to be adversely affected.

Customer Leverage Over Suppliers - Our OEM customers typically attempt to qualify more than one wheel supplier for the programs we participate on and for future programs we may bid on. To the extent that supplier capacity and other factors permit, our customers exerting leverage may result in decreased sales volumes and unit price reductions, resulting in lower revenues, gross profit and operating income and cash flows.

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Additionally, the vehicle market is highly competitive at the OEM level, which drives continual cost-cutting initiatives by our customers. Our OEM customers historically have reacted by exerting significant leverage over their outside suppliers. Customer concentration, relative supplier fragmentation and product commoditization have translated into continual pressure from OEMs to reduce the price of our products. If we are unable to generate sufficient production cost savings in the future to offset 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.

Competition - The automotive component supply industry is highly competitive, both domestically and internationally. Competition is based primarily on price, technology, quality, delivery and overall customer service. Some of our competitors are companies, or divisions or subsidiaries of companies that are larger 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. Furthermore, the rapidly evolving nature of the markets in which we compete has attracted new entrants, particularly in low cost countries. As a result, our sales levels and margins are being adversely affected by pricing pressures caused by such new entrants, especially in low-cost foreign markets, such as China. Such new entrants with lower cost structures pose a significant threat to our ability to compete internationally and domestically. These factors led to selective sourcing of future business by our customers 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 their products. As a result of highly competitive market conditions in our industry, a number of our competitors were forced to seek bankruptcy protection in recent years. These competitors may emerge, and in some cases have emerged, from bankruptcy protection with stronger balance sheets and a desire to gain market share by offering their products at a lower price than our products, which would have an adverse impact on our financial condition and results of operations and cash flows.

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

It also is possible that our customers may experience production delays for a variety of reasons, which in-part could include supply-chain disruption for parts other than wheels that negatively affect assembly rates of vehicles using our parts, equipment breakdowns or other events affecting 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.

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

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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.

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.

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 generally 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 are based on specific customer agreements and can vary from monthly to quarterly to semi-annually. In addition, the timing of aluminum price adjustments flowing through sales rarely will match the timing of such changes in cost. This is especially true during periods of frequent increases or decreases in the market price of aluminum and when a portion of our aluminum purchases is via long-term fixed purchase agreements. Accordingly, our gross profit is subject to fluctuations, since the change in the product selling prices related to the cost of aluminum does not necessarily match the change in the aluminum raw material purchase prices during the period being reported, which may have an adverse effect on our operating results for the period being reported.

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 New Systems - We implemented a new enterprise resource planning system as of the beginning of the second quarter of 2010. We encountered technical and operating difficulties during and following the implementation process, as our employees learned and operated the new system which is critical to the management of and reporting of results for our operations. Any similar disruption while implementing other 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 the new system could be substantial.

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

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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 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.

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.

Foreign Currency Fluctuations - Due to the growth of our operations outside of the United States, we have experienced increased 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 other currencies will be used, in part, to service our U.S. dollar-denominated creditors.

In addition, fluctuations in foreign currency exchange rates may 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.

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. We believe that we are in material compliance with environmental laws, ordinances and regulations and do not anticipate any material adverse effect on our earnings or competitive position relating to environmental matters. It is possible, however, that 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. On December 15, 2009, the U.S. Environmental Protection Agency (EPA)

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published its findings that emissions of carbon dioxide, methane and other “greenhouse gases” present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. These findings allow the EPA to adopt and implement regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. Accordingly, the 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. In addition, on October 30, 2009, the EPA 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, beginning in 2011 for emissions occurring in 2010. At the state level, more than one-third of the states, either individually or through multi-state regional initiatives, already have begun implementing 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, the clear course of action is 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.

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, and
- negative publicity resulting in reputation or brand damage with our customers, partners or industry peers.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our worldwide headquarters is located in leased office space in Van Nuys, California. We currently maintain and operate a total of five facilities that produce aluminum wheels for the automotive industry, located in Arkansas and Chihuahua, Mexico. These five facilities encompass 2,466,000 square feet of manufacturing space and 30,000 square feet of office space. We own all of these facilities with the exception of one warehouse in Rogers, Arkansas, and our worldwide headquarters located in Van Nuys, California that are leased.

In general, these 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 productive 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 keep technologically competitive on a worldwide basis.

Additionally, reference is made to Note 1 - Summary of Significant Accounting Policies, Note 5 - Property, Plant and Equipment and Note 8 - 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

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 “Legal Proceedings”

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under Item 1A - Risk Factors 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 2012 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 2012 Annual Proxy Statement, which is incorporated herein by reference.

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

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Name	Age	Position	Assumed Position
Robert D. Bracy	64	Senior Vice President, Facilities	2005
Michael Bakaric	44	Vice President, Midwest Operations	2011
		President - Pace Industries, Harrison Division	2009
		Vice President - Pace Industries, Auburn Division	2008
Robert A. Earnest	50	Vice President, General Counsel and Corporate Secretary	2007
		Director, Tax and Legal and Corporate Secretary	2006
Stephen H. Gamble	57	Vice President, Treasurer	2006
Parveen Kakar	45	Senior Vice President, Corporate Engineering and Product Development	2008
		Vice President, Program Development	2003
Mike Nelson	57	Vice President and Corporate Controller	2011
		Chief Accounting and Financial Officer - Youbet.com	2007
		Vice President and Controller - Point.360	2004
Michael J. O’Rourke	51	Executive Vice President, Sales, Marketing and Operations	2009
		Senior Vice President, Sales and Administration	2003
Razmik Perian	54	Chief Information Officer	2006
Kerry A. Shiba	57	Executive Vice President and Chief Financial Officer	2010
		Director - Ramsey Industries, LLC.	2010
		Senior Vice President and Chief Financial Officer - Remy International	2006
Gabriel Soto	63	Vice President, Mexico Operations	2004
Cameron Toyne	52	Vice President, Supply Chain Management	2008
		Vice President, Purchasing	2007
		Director of Purchasing	2004

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 529 shareholders of record and 27.2 million shares issued and outstanding as of March 1, 2012.

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	Superior Industries International, Inc.	Dow Jones US Total Market Index	Dow Jones US Auto Parts Index
2006	$100.00	$100.00	$100.00
2007	$97.17	$106.01	$114.88
2008	$59.07	$66.61	$57.23
2009	$89.87	$85.79	$85.37
2010	$129.37	$100.08	$135.04
2011	$103.32	$101.42	$119.12

Dividends

Cash dividends declared during 2011 and 2010 totaled $0.64 per share in each year and were paid on a quarterly basis. Continuation of quarterly 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 periods indicated.

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	2011		2010	
	High	Low	High	Low
First Quarter	$25.67	$18.42	$16.50	$13.56
Second Quarter	$26.34	$19.59	$18.06	$13.84
Third Quarter	$22.71	$14.17	$17.50	$12.55
Fourth Quarter	$20.01	$14.54	$21.96	$16.65

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On March 17, 2000, the Board of Directors authorized the repurchase of 4.0 million shares of our common stock as part of the 2000 Stock Repurchase Plan (Repurchase Plan). During the last two fiscal years, there were no repurchases of common stock. As of December 31, 2011, approximately 3.2 million shares remained available for repurchase under the Repurchase Plan.

Recent Sales of Unregistered Securities

During the fiscal year 2011, there were no sales of unregistered securities.

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 on the last Sunday of the calendar year. The fiscal years 2011, 2010, 2009, 2008 and 2007 comprised the 52-week periods ended December 25, 2011, December 26, 2010, December 27, 2009, December 28, 2008 and December 30, 2007, respectively. 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.

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Fiscal Year Ended December 31,	2011	2010	2009	2008	2007
Statement of Operations (000s)					
Net sales	$822,172	$719,500	$418,846	$754,894	$956,892
Gross profit (loss)	67,060	89,237	(10,169)	6,577	32,492
Impairments of long-lived assets and other charges	1,337	1,153	11,804	18,501	—
Income (loss) from operations	39,835	59,799	(44,618)	(37,668)	3,321
Income (loss) before income taxes and equity earnings	41,926	57,483	(43,255)	(28,573)	10,200
Income tax (provision) benefit [1]	25,243	(2,993)	(26,047)	1,778	(6,263)
Equity earnings (loss) [2]	—	(2,847)	(24,840)	742	5,355
Net income (loss)	$67,169	$51,643	$(94,142)	$(26,053)	$9,292
Balance Sheet (000s)					
Current assets	$404,283	$381,612	$308,132	$319,289	$356,079
Current liabilities	$68,550	$70,538	$66,776	$62,201	$95,596
Working capital	$335,733	$311,074	$241,356	$257,088	$260,483
Total assets	$593,231	$572,442	$541,853	$628,539	$729,922
Long-term debt	$—	$—	$—	$—	$—
Shareholders' equity	$460,515	$413,482	$373,272	$471,593	$550,573
Financial Ratios					
Current ratio [3]	5.9:1	5.4:1	4.6:1	5.1:1	3.7:1
Long-term debt/total capitalization [4]	—%	—%	—%	—%	—%
Return on average shareholders' equity [5]	15.4%	13.1%	(22.3)%	(5.1)%	1.7%
Share Data					
Net income (loss)					
- Basic	$2.48	$1.93	$(3.53)	$(0.98)	$0.35
- Diluted	$2.46	$1.93	$(3.53)	$(0.98)	$0.35
Shareholders' equity at year-end	$16.96	$15.40	$14.00	$17.68	$20.67
Dividends declared	$0.64	$0.64	$0.64	$0.64	$0.64

(1) See Note 7 - 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 2011, 2010 and 2009 income tax provisions.
(2) See Note 6 - Investments 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 our 2010 and 2009 unconsolidated affiliate losses.
(3) The current ratio is current assets divided by current liabilities.
(4) Long-term debt/total capitalization represents long-term debt divided by the sum of total shareholders' equity plus long-term debt.
(5) 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. 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.

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Executive Overview

Results for 2011 and 2010 reflect the continued recovery in the market for our products as the U.S. automobile industry continues to emerge from the extremely difficult market conditions existing in 2009 and 2008. Overall North American production of passenger cars and light trucks in 2011 was reported by industry publications as being up by approximately 10 percent versus 2010, with production of passenger cars increasing 8 percent and production of light trucks and SUVs increasing 11 percent. While current production levels of the U.S. automotive industry are better than 2010 levels, they are still below historical highs.

Net sales in 2011 increased $102.7 million, or 14 percent, to $822.2 million from $719.5 million in 2010. Wheel sales in 2011 increased $103.5 million, or 15 percent, to $813.0 million from $709.5 million in 2010, while our wheel unit shipments increased 0.7 million to 11.7 million in 2011. Gross profit in 2011 was $67.1 million, or 8 percent of net sales, compared to $89.2 million, or 12 percent of net sales, in 2010. Net income for 2011 was $67.2 million, or $2.46 per diluted share and includes an income tax benefit of $25.2 million, compared to net income in 2010 of $51.6 million, or $1.93 per diluted share, which includes an income tax provision of $3.0 million. The 2011 tax benefit resulted from the release of deferred tax asset valuation allowances established in prior years.

The recovery in the North American automobile industry since 2009 is evidenced in production rates of passenger cars and light trucks. As reported by industry publications, passenger car and light truck production in 2010 increased by approximately 39 percent to 11.9 million, which compares to 8.6 million in 2009. This recovery follows a period of rapid deterioration in late 2008 and 2009, especially in the U.S. market which caused or resulted in:

- Bankruptcy filings by two of our largest customers in 2009 - GM and Chrysler
- Extended 2009 shutdowns of certain of our customers light truck and SUV assembly plants
- Announcements by customers during 2009 of plans to discontinue certain product lines
- Lingering uncertainty as to the full extent of customer restructuring plans
- Year-over-year demand for our wheels declining over 50 percent in the first half of 2009
- Impairment charges recorded by the company totaling $11.8 million in 2009 and $18.5 million in 2008
- Plant closure related costs and natural gas mark-to-market adjustments recorded by the company in 2009 totaling $21.5 million

The comparisons below of 2011 operating results to those in 2010 reflect the sustained recovery of the automotive industry in 2011 as our shipments increased somewhat over 2010. However, competitive pricing pressures and difficulties commercializing new product programs, as well as operating issues occurring during sustained high-volume production led to higher costs and lower margins overall in 2011 compared to 2010. The comparisons below of 2010 operating results to those in 2009 are very favorable overall.

We are continuing to implement and monitor action plans to improve our operational performance and mitigate the impact of continuing negative pricing pressure on our operating results and financial condition. While we continue to focus on programs to reduce costs through improved operational and procurement practices, global pricing pressures may continue at a rate faster than our progress on achieving cost reductions for an indefinite period of time. This is due to the inherently time-consuming nature of developing and implementing these cost reduction programs. In addition, although we have a portion of our natural gas requirements covered by fixed-price contracts expiring through 2012, costs may increase to a level that cannot be immediately recouped in selling prices. The impact of these factors on our future operating results and financial condition and cash flows 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.

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

Results of Operations

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Fiscal Year Ended December 31,	2011		2010		2009	
(Thousands of dollars, except per share amounts)						
Net sales	$822,172		$719,500		$418,846	
Gross profit (loss)	$67,060		$89,237		$(10,169	)
Percentage of net sales	8.2	%	12.4	%	(2.4	)%
Income (loss) from operations	$39,835		$59,799		$(44,618	)
Percentage of net sales	4.8	%	8.3	%	(10.7	)%
Net income (loss)	$67,169		$51,643		$(94,142	)
Percentage of net sales	8.2	%	7.2	%	(22.5	)%
Diluted earnings (loss) per share	$2.46		$1.93		$(3.53	)

Net Sales

2011 versus 2010

Net sales in 2011 increased $102.7 million, or 14 percent, to $822.2 million from $719.5 million in 2010. Wheel sales in 2011 increased $103.5 million, or 15 percent, to $813.0 million from $709.5 million in 2010, as our wheel shipments increased by 6 percent compared to 2010. Changes in aluminum price, which we generally pass through to our customers, contributed approximately $55.4 million to the sales increase and was the primary driver of the 7 percent increase in the average selling price of our wheels. Increases in unit shipments to Ford, BMW and Nissan were partially offset by declines in unit shipments to Chrysler. Wheel program development revenues totaled $9.2 million in 2011 and $10.0 million in 2010.

U.S. Operations
Net sales of our U.S. wheel plants in 2011 increased $50.5 million, or 21 percent, to $293.7 million from $243.2 million a year ago. The increase in sales in 2011 reflects both a 9 percent increase in unit shipments and a 12 percent increase in the average selling price primarily due to the increase in the pass-through price of aluminum.

Mexico Operations
Net sales of our Mexico wheel plants in 2011 increased $54.4 million, or 12 percent, to $519.3 million from $464.9 million in 2010. The increase in net sales in 2011 reflects both a 5 percent increase in unit shipments and an 6 percent increase in the average selling price primarily resulting from higher pass-through price of aluminum.

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

Fiscal Year Ended December 31,	2011		2010		2009	
Ford	34	%	32	%	35	%
GM	30	%	32	%	34	%
Chrysler	11	%	14	%	13	%
International customers	25	%	22	%	18	%
Total	100	%	100	%	100	%

According to Ward's Auto Info Bank, overall North American production of passenger cars and light trucks in 2011 increased approximately 10 percent, while production of the specific passenger car and light truck programs using our wheels increased 7 percent. When compared to our 6 percent increase in total shipments, our market share declined by 1 percentage point, on a year-over-year basis, and remained relatively flat in the portion of the market where we are qualified to participate on individual vehicle programs. When looking separately at passenger cars versus light trucks and SUV's, we had a market share gain of 1 percentage point in light trucks and SUVs, while share in the passenger car market declined 5 percent points. Production of light trucks and SUV's with our wheel programs increased 12 percent compared to our 15 percent increase in shipments. For passenger cars, vehicle production with our wheel programs increased 1 percent compared to our 7 percent decrease in shipments.

According to Ward's Automotive Group, aluminum wheel installation rates on passenger cars and light trucks in the U.S. has remained relatively flat for the model years 2011 to 2009 -- 65 percent for the 2011 model year compared to 65 percent for the 2010 model year and 64 percent for the 2009 model year. Aluminum wheel installation rates have increased to the current level since the mid-1980s, when this rate was only 10 percent. However, in recent years, this growth rate has slowed with the aluminum wheel installation rate increasing only 13 percentage points cumulatively from 52 percent for the 1997 model year. We expect the more recent trend of slow growth or no growth in the aluminum penetration rate to continue. In addition, our ability to increase net sales and sales volume in the future may be negatively impacted by continued customer pricing pressures, limits in our production capacity and overall economic conditions that impact the sales of passenger cars and light trucks, such as continued fluctuating fuel prices and continued stringent consumer credit conditions.

At the customer level, shipments in 2011 to Ford increased 11 percent compared to last year, as light truck and SUV wheel shipments increased 40 percent and shipments of passenger car wheels decreased 25 percent. At the program level, the major unit shipment increases were for the Edge, the F-Series trucks and Fiesta, with a major unit shipment decrease for the Focus.

Shipments to GM in 2011 decreased 1 percent compared to 2010, as passenger car, light truck and SUV wheel shipments decreased slightly. The major unit shipment decreases to GM were for Chevrolet's exited Cobalt program and the GMC Acadia, offset by major unit shipment increases for the Malibu.

Shipments to Chrysler in 2011 decreased 15 percent compared to last year, as shipments of passenger car wheels decreased 50 percent and light truck and SUV wheels increased 2 percent. The major unit shipment decreases to Chrysler were for the Dodge Charger and the Chrysler 300 vehicles which were partially offset by major unit shipment increases for the Jeep Grand Cherokee and Dodge Avenger.

Shipments to international customers in 2011 increased 25 percent compared to 2010, as shipments of passenger car wheels increased 26 percent and shipments of light truck and SUV wheels increased 22 percent. This increase was led by higher unit shipments to Nissan and BMW, with 2011 shipments to these customers up 28 percent and 194 percent, respectively, over the prior year. Despite production delays following the March 2011 natural disasters in Japan, 2011 shipments to Toyota still increased 8 percent compared to last year. At the program level, major unit shipment increases to international customers were for BMW's X3, Nissan's Altima and Maxima, and Toyota's Camry.

2010 versus 2009

Net sales increased $300.7 million, or 72 percent, to $719.5 million in 2010 from $418.8 million in 2009. Aluminum wheel sales increased $300.6 million in 2010 to $709.5 million from $408.9 million a year ago, a 74 percent increase. Volume of wheels shipped in 2010 increased 3.8 million, or 54 percent, to 11.0 million from 7.2 million in 2009. While the average total selling price of our wheels in 2010 increased by 13 percent compared to 2009, the average price of the aluminum component of sales increased by 26 percent in 2010 when compared to 2009. The aluminum price change, which we fundamentally pass through to our customers, accounted for $63.0 million of the wheel sales increase, while volume growth accounted for $218.8 million of the increase. The balance of the total wheel sales increase primarily was due to the change in sales mix. Tooling reimbursement revenues were approximately $10.0 million in both years.

U.S. Operations
Net sales from our U.S. wheel plants increased $108.9 million, or 81 percent, to $243.2 million in 2010 from $134.3 million in 2009. The 2010 net sales increase results primarily from a 61 percent increase in volume shipped, which reflects strong recovery of demand for vehicles as well as our products. Although to a much lesser degree, higher prices of aluminum also contributed to the net sales increase. The mix of sales from our U.S. and Mexico operations also was affected by the June 2009 closure of our California wheel manufacturing facility and resulting shift of a portion of related production to our Mexico plants.

Mexico Operations

Net sales by our Mexican wheel plants increased $192.0 million, or 70 percent, to $464.9 million in 2010 from $272.9 million in 2009. The increase in net sales in 2010 compared to 2009 results primarily from a 50 percent increase in volume shipped and, to a lesser degree, from higher prices for aluminum.

Gross Profit (Loss)

Consolidated gross profit decreased $22.1 million in 2011 to $67.1 million, or 8 percent of net sales, compared to $89.2 million, or 12 percent of net sales, in 2010. Unit shipments in 2011 increased 6 percent compared to last year. The decline in gross profit and margin percentage reflects a weaker product mix and higher manufacturing costs, principally increased labor expense. While continuing to operate at full capacity to meet customer demand, inefficiency while commercializing certain new product programs, equipment reliability problems and other manufacturing process issues incurred while in the midst of continuing high volume demands resulted in manufacturing cost per wheel increasing. For 2011, productivity measured in terms of wheels produced per labor hour declined 4 percent when compared with 2010 and manufacturing labor cost per wheel increased 12 percent. Plant labor costs overall have increased at a higher rate than sales, and repair, maintenance and supply costs increased $9.0 million in 2011

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compared to last year.

Consolidated gross profit for 2010 increased $99.4 million to $89.2 million, or 12 percent of net sales, which compares to a gross loss of $(10.2) million, or (2) percent of net sales in 2009. As indicated above, unit shipments increased 3.8 million units, or 54 percent, during 2010. Reflecting the significant increase in sales volume, wheel production in our five wheel plants increased 67 percent in 2010 compared with 2009. When combining the effect of increased sales volume and the mid-2009 closure of our California production facility, our average plant utilization rate in 2010 increased 39 percentage points over the depressed level in 2009. Our plant utilization rate averaged over 90 percent during 2010 and neared full practical capacity levels for much of the second half of the year. Total manufacturing expenses in the five wheel plants in 2010 increased 51 percent as compared to the 67 percent increase in production in the same plants. This resulted in a 9 percent reduction in the average cost to manufacture a wheel in 2010 when compared to 2009. The additional gross profit on the increased sales volume and the impact of improved cost leverage due to the higher production level in 2010 were the major factors contributing to the increased gross profit in 2010. As discussed in more detail below, the comparison of 2010 gross profit to the prior year is also favorably impacted by 2009 charges related to restructuring actions totaling approximately $21.3 million.

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 generally 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 to semi-annually. 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 would then be true in periods during which the price of aluminum decreases. In addition, the timing of aluminum price adjustments flowing through sales rarely will match the timing of such changes in cost. As estimated by the company, the impact on gross profit in 2011 related to such differences in timing of aluminum adjustments was not material when compared to the same period in 2010.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $25.9 million, or 3 percent of net sales, in 2011 compared to $28.3 million, or 4 percent of net sales, in 2010 and $22.6 million, or 5 percent of net sales, in 2009. Compared to 2011, the 2010 expenses were higher by $1.3 million due to implementation costs related to our new enterprise resource planning (ERP) system and to $0.9 million higher legal fees, while the 2011 results include a $1.5 million reduction in our deferred compensation liability offset partially by $0.7 million higher medical self-insurance costs. Compared to 2009, selling, general and administrative expenses were $5.6 million higher in 2010 due principally to increases of $1.8 million in incentive bonus expense, $1.7 million in costs for installing our new ERP system, and $1.0 million in the provision for doubtful accounts.

Impairment of Long-Lived Assets and Other Charges

Impairment of long-lived assets and other charges totaled $1.3 million in 2011, $1.2 million in 2010 and $11.8 million in 2009. During 2009, due to the deteriorating financial condition of our major customers and other changes that occurred in the automotive industry, we performed impairment analyses on all of our long-lived assets and evaluated our assets held for sale for impairment in accordance with U.S. GAAP. During 2011 and 2010, we did not identify any indicators that would have required us to test our long-lived assets for impairment under U.S. GAAP, due to the significant increases in sales and plant utilization when compared to 2009. The $1.3 million charge in 2011 and the $1.2 million charge in 2010 primarily reflect adjustments to the carrying value of certain assets held for sale, for which the estimated fair value had declined during the year. For further discussion of impairments and other charges, see Note 15 - Impairment of Long-Lived Assets and Other Charges in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

Income (Loss) from Operations

2011 versus 2010

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. 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.

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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 $20.0 million in 2011 to $39.8 million, or 5 percent of net sales, from $59.8 million, or 8 percent of net sales, in 2010. Income from our U.S. operations decreased $15.1 million, while income from our Mexico operations decreased $5.6 million when comparing 2011 to 2010. While corporate costs were $0.7 million lower during 2011 when compared to 2010. Included below are the major items that impacted income from operations for our U.S. and Mexico operations during 2011.

U.S. Operations

Operating income from our U.S. operations for 2011 decreased by $15.1 million compared to the previous year. Our U.S. operations during both periods consisted of two wheel plants located in Arkansas. Although, income from our U.S. operations in 2011 reflects a 9 percent increase in unit shipments, this improvement was more than offset by higher operating costs which caused gross margin to decline from 10 percent of sales in 2010 to 3 percent of sales in 2011. The decline reflects an increase in plant labor costs of 20 percent and the impact of changes in product mix which impacted negatively on production efficiencies and gross margins. Labor costs, including overtime premiums incurred, also increased in 2011 due to a variety of reasons including new product launch inefficiencies, weather related disruptions in the first quarter, and equipment reliability issues during a time of consistently high capacity utilization. Other increases in 2011 operating costs included a $5.5 million increase in plant repair, maintenance and supply costs and a $2.1 million increase in self-insured medical costs when compared to last year. The company is self-insured for medical claim costs up to specified stop-loss limits in our insurance contracts.

Mexico Operations

Operating income from our Mexico operations decreased by $5.6 million in 2011 compared to 2010. Mexico operations during 2011 and 2010 consisted of three wheel plants. Income from our Mexico operations in 2011 included an increase in unit shipments of 5 percent. However, the benefit of higher unit shipments was offset by operating cost increases and product mix changes in 2011 when compared to a year ago. Higher costs and product mix caused our gross margin to decline from 17 percent of sales in 2010 to 14 percent of sales in 2011. Increases in operating costs in 2011 included approximately $3.6 million in plant repair, maintenance, supply and small tool costs. Additionally, plant labor and benefit costs increased 9 percent due to training inefficiencies resulting from increasing headcount to better balance manpower with production levels, new product launch difficulties, as well as certain equipment and process reliability issues encountered in several facilities. Changes in product mix, impacting both pricing and manufacturability, also caused gross margin erosion.

U.S. versus Mexico Production

During 2011, wheels produced by our Mexico and U.S. operations accounted for 63 percent and 37 percent, respectively, of our total production. This compares to 62 percent in Mexico and 38 percent in the U.S. in 2010. We anticipate that the percentage of production in Mexico will remain between 60 percent and 65 percent of our total production for 2012.

2010 versus 2009

Consolidated income (loss) from operations increased $104.4 million to $59.8 million in 2010 from an operating loss of ($44.6) million in 2009. Income from our U.S. operations increased $63.7 million, while income from our Mexico operations increased $43.3 million when comparing 2010 to 2009. The net increase in income from our North

American manufacturing operations compared to 2009 was partially offset by a $2.6 million increase in corporate costs during 2010. The 2010 improvement in consolidated income (loss) from operations primarily mirrors the improvement in Gross Profit (Loss) as described earlier. Asset impairment charges, also described earlier, favorably affect the comparison of 2010 with 2009.

U.S. Operations

As noted above, income from our U.S. operations increased by $63.7 million from 2009 to 2010. Our U.S. operations during 2010 consisted of two wheel plants for the entire year, whereas 2009 also included our Van Nuys, California, facility for the first half of the year. After operations ceased at our California facility, the bulk of the related production was redirected to our Mexico facilities. However, the majority of the 2010 increase in income for our U.S. operations resulted primarily from a 61 percent increase in unit shipments and an increase in plant utilization of 49 percentage points. Improvement in 2010 also reflected a $10.7 million decrease in impairments and an $18.5 million decrease in plant closure related costs and natural gas mark-to-market adjustments incurred in 2009, as discussed earlier.

Mexico Operations

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Income from our Mexico operations increased by $43.3 million in 2010. Mexico operations during 2010 and 2009 consisted of three fully operational wheel plants. The 2010 improvement primarily reflects a 50 percent increase in unit shipments and an increase of 32 percentage points in plant utilization. The comparison between 2010 and the prior year also reflects 2009 charges incurred for workforce reductions and mark-to-market losses on certain forward natural gas contracts totaling $2.4 million, as well as 2010 gains on settlement of the same natural gas contracts totaling $0.4 million.

U.S. versus Mexico Production
In 2010, wheels produced by our Mexico and U.S. operations accounted for 62 percent and 38 percent, respectively, of our total production. This compares to 69 percent in Mexico and 31 percent in the U.S. in 2009.

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

Net interest income for 2011 decreased 31 percent to $1.1 million from $1.6 million in 2010, due principally to a decrease in the average rate of return on the average balance of cash invested. Net interest income for 2010 decreased 26 percent to $1.6 million from $2.2 million in 2009, also due primarily to a decrease in the average rate of return on the average balance of cash invested.

Net other income (expense) was income of $1.0 million and $0.2 million in 2011 and 2010, respectively, and an expense of ($0.8) million in 2009. Foreign exchange gains and (losses) included in other income (expense) net were losses of ($0.9) million, ($1.2) million and ($0.8) million in 2011, 2010 and 2009, respectively. Other income and expense items included were income of $1.9 million in 2011 and $1.4 million in 2010.

Effective Income Tax Rate

Our income (loss) before income taxes and equity earnings was income of $41.9 million in 2011, income of $57.5 million in 2010, and a loss of ($43.3) million in 2009. The effective tax rate on the 2011 pretax income was a benefit of 60.2 percent compared to expense of 5.2 percent in 2010 and expense of 60.2 percent in 2009. 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,	2011		2010		2009	
Statutory rate - (provision) benefit	(35.0	)%	(35.0	)%	35	%
State tax (provisions), net of federal income tax benefit (1)	(0.4	)	(5.6	)	10.6	
Permanent differences (2)	1.6		0.3		(5.0	)
Tax credits	1.5		1.5		0.1	
Foreign income taxed at rates other than the statutory rate (3)	1.0		(11.0	)	1.4	
Valuation allowance (4)	100.9		40.1		(106.4	)
Changes in tax liabilities, net (5)	(5.8	)	6.5		7.3	
Other	(3.6	)	(2.0	)	(3.2	)
Effective income tax rate	60.2	%	(5.2	)%	(60.2	)%

1) During the three years ended December 31, 2011, actual state tax provisions and benefits, net of federal income taxes, were expense of $0.2 million in 2011 and $3.2 million in 2010, and a benefit of $4.6 million in 2009. The primary drivers for the decrease in the state tax expense in 2011 relates to the favorable impact on deferred state taxes resulting from the change in the Michigan state income tax rates effective in 2012, and to lower apportionment of income to the state of California.

2) Actual permanent differences impacting the income tax provisions during the three years ended December 31, 2011 were benefits of $0.7 million in 2011 and $0.2 million in 2010, and expense of $2.2 million in 2009. There were no material changes overall in the permanent differences for each of the periods presented. The primary drivers of the percentage changes in the effective income tax rate related to permanent differences were the fluctuating levels of income (loss) before income taxes and equity earnings.

3) The impact of foreign income taxed at rates other than the statutory rate on our reported tax provisions during the three years ended December 31, 2011 was a benefit of $0.4 million in 2011, expense of $6.3 million in 2010, and a benefit of $0.6 million in 2009. In 2011, the decline in foreign taxes resulted from being subject to Mexico's income tax regime,

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rather than to a flat tax regime which was applied in 2010 and 2009. The increase in 2010 when compared to 2009 primarily reflects an increase in flat tax in Mexico due to increased business activity.

4) During 2011, we released valuation allowances carried against our deferred tax assets based on an evaluation of current evidence and in accordance with our accounting policy. This adjustment resulted in a benefit of $42.3 million to the provision. 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. During 2011, we generated pre-tax income of $41.9 million, and in the fourth quarter of 2011 we achieved three years of cumulative pre-tax income. We also reached sustained profitability, which our accounting policy defines as two consecutive one year periods of pre-tax income. With further consideration given to, among other things, historical operating results, estimates of future earnings in different taxing jurisdictions and the expected timing of reversals of temporary differences, we concluded that it was more likely than not that our deferred tax assets would be realized. During 2010, we released a portion of our valuation allowance which resulted in a benefit of $22.9 million. The primary driver for the release in the valuation allowance in 2010 was the use of federal, state, and foreign net operating losses and credits which were offset against taxable income, thus reducing our need for a valuation allowance. During 2009, increases in our valuation allowances resulted in additional tax expense of $46.0 million. The significant increase in valuation allowances during 2009 was due to an increase in the valuation allowance recorded for our beginning federal deferred tax assets in the amount of $35.6 million, an increase related to current year deferred tax assets for which a valuation allowance was established in the amount of $7.5 million, and an increase in the valuation allowance recorded for our foreign net operating loss carryforwards of $0.6 million for which we had determined that it was more likely than not that the benefit would not be realized.

5) The impact of changes in our tax liabilities for uncertain tax positions resulted in a net expense of $2.4 million in 2011, primarily due to $3.1 million of interest and penalties we continue 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. During 2010 we had a net benefit of $3.7 million from changes in our tax liabilities for uncertain tax positions as a result of the completion of certain tax examinations, which reduced our tax liabilities and provision, offset in part by $3.2 million of interest and penalties on the beginning tax liabilities which resulted in increases to our tax provision. During 2009 we had a net benefit of $3.2 million from changes in our tax liabilities for uncertain tax positions as a result of the completion of certain tax examinations, which reduced our tax liabilities and provision, offset in part by $4.3 million of interest and penalties on the beginning tax liabilities which resulted in increases to our tax provision.

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.

Effective January 1, 2011, tax laws were amended affecting the taxation of consignment contract manufacturers in Mexico, which beginning in 2011, would subject certain income that is already subject to U.S. federal income taxes to income taxes in Mexico. The 2011 tax law change has not had a significant impact on our 2011 tax provision.

Equity in Earnings of Unconsolidated Subsidiaries

Joint Venture in Hungary
In 1995, we entered into a joint venture with Otto Fuchs Kg (Otto Fuchs), based in Meinerzhagen, Germany, to form 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 to our joint venture partner, Otto Fuchs. Total sales proceeds of 7.0 million euros ($8.6 million) for our investment consisted of 4.0 million euros ($4.9 million) received in the second quarter of 2010, and 3.0 million euros ($3.7 million) subsequently received in machinery, equipment and cash. As of the date of sale, our net investment in Suoftec, including amounts included in other comprehensive income, was approximately $12.8 million, resulting in a loss on the sale of our investment of $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 through the date of sale in June 2010 were ($2.8) million compared to equity losses of ($24.8) million in 2009. In 2009, Suoftec's net sales and results of operations were negatively impacted by customer restructurings and the economic conditions affecting the automotive industry in Europe. The joint venture's net sales were $83.1 million in 2009, and gross profit was a loss of ($17.4) million, or (21) percent of net sales. Gross profit margin in 2009 was impacted negatively by the continuing shift in sales mix to smaller, lower-profit margin wheels and was also impacted negatively by cost increases related

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to operating inefficiencies and quality issues. Selling, general and administrative costs in 2009 were $1.9 million, or 2 percent of net sales, and net other income (expense) was ($1.0) million.

Because our 50 percent-owned joint venture in Hungary was affected by negative economic conditions impacting the European automotive industry similar to those in the U.S., management had tested the long-lived assets of the Hungarian joint venture, Suoftec, for impairment at the end of each fiscal quarter in 2009 in accordance with U.S. GAAP. Due to the general decline in the European automotive industry, during the fourth quarter of 2009, projected future shipments declined sharply compared to the projections earlier in the year. The impairment analysis performed at the end of 2009 indicated that the estimated undiscounted future cash flows from the reduced projected shipments of our joint venture facility would not be sufficient to recover the carrying value of long-lived assets attributable to that facility. As a result, our joint venture recorded a $28.8 million pretax impairment charge against their long-lived assets, reducing the carrying value of such assets from $76.0 million to their fair value. We recorded our share of the charge, or $14.4 million, in our equity in losses from unconsolidated affiliates during the fourth quarter of 2009.

Due to the net operating losses for the last three years and a reduced outlook, Suoftec's management established valuation allowances totaling $4.2 million during 2009 for net operating losses and other deferred tax assets. The annual effective income tax rate for 2009 was (2.2) percent.

The resulting net loss was ($50.1) million in 2009, and our 50-percent share of the loss was ($25.1) million. After adjusting for the elimination of intercompany profits on wheels purchased from Suoftec, our equity earnings (losses) in 2009 was ($24.8) million. Our share of the joint venture's net loss was included in “Equity in Losses of Unconsolidated Affiliates" in the Consolidated Statements of Operations in Item 8 - Financial Statements and Supplementary Data.

Investment in India

On June 28, 2010, we executed a share subscription agreement (the "Agreement") with Synergies Casting Limited (Synergies), a private aluminum wheel manufacturer based in Visakhapatnam, India, providing for our acquisition of a minority interest in Synergies by the company. As of December 31, 2011, the total cash investment in Synergies amounted to $4.5 million, representing 12.6 percent of the outstanding equity shares of Synergies. The agreement provided for additional investments that would have increased our ownership to approximately 26 percent if certain conditions were met by Synergies. However, no additional investments were made as the conditions were not met by deadlines, as extended during 2010 and 2011. At December 31, 2011, provisions requiring or providing for additional investment were expired. Additionally, we had the right on or before January 31, 2012, to have elected to cause Synergies to use reasonable efforts to sell within three months our equity shares at our cost, and if unsuccessful, we may have caused certain shareholders of Synergies to purchase our equity shares at our purchase cost within three months, however, we did not exercise these rights. Our share of the equity income associated with our investment in Synergies since our initial investment has been immaterial to the consolidated results of the company. Our investment in Synergies was initially accounted for under the equity method of accounting; however, during the third quarter of 2011, an amendment of the Synergies shareholder agreement eliminated our ability to exercise significant influence over the financial policies and operations of Synergies. As a result, effective with the amendment, we began accounting for the investment using the cost method of accounting on a prospective basis.

Net Income (Loss)

Net income in 2011 was $67.2 million, or 8 percent of net sales, and included an income tax benefit of $25.2 million, compared to $51.6 million, or 7 percent of net sales in 2010, including an income tax provision of $3.0 million, and a net loss of ($94.1) million, or (22) percent of net sales in 2009, including an income tax provision of $26.0 million. Earnings per share was $2.46 and $1.93 per diluted share in 2011 and 2010, respectively, and a per share loss of ($3.53) in 2009.

Liquidity and Capital Resources

Our sources of liquidity include cash and cash equivalents, short-term investments, net cash provided by operating activities, and other external sources of funds. During the three years ended December 31, 2011, we had no bank or other interest-bearing debt. At December 31, 2011, our cash, cash equivalents and short-term investments totaled $192.9 million compared to $151.6 million at year-end 2010 and $140.5 million at the end of 2009.

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. 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,	2011	2010	2009
(Thousands of dollars)			
Net cash provided by operating activities	$67,660	$30,578	$22,327
Net cash provided by (used in) investing activities	3,681	5,146	(43,564)
Net cash used in financing activities	(12,509)	(14,660)	(17,067)
Effect of exchange rate changes on cash	$(668)	$—	$—
Net increase (decrease) in cash and cash equivalents	$58,164	$21,064	$(38,304)

2011 versus 2010

Our liquidity remained strong in 2011. Working capital (current assets minus current liabilities) and our current ratio (current assets divided by current liabilities) were $335.7 million and 5.9:1, respectively, at December 31, 2011, versus $311.1 million and 5.4:1 at December 31, 2010. We generate our principal working capital resources primarily through operations. Working capital increased in 2011 and primarily reflects increases in cash, cash equivalents and short-term investments, partially offset by lower prepaid aluminum. Accordingly, we believe we are well positioned to take advantage of new and complementary business opportunities, with the ability to further expand into emerging international markets and to fund our working capital and capital expenditure requirements for the foreseeable future.

Net cash provided by operating activities increased $37.1 million to $67.7 million for 2011, compared to net cash provided by operating activities of $30.6 million for 2010. The primary operating activities during 2011 included net income of $67.2 million, changes in operating assets and liabilities totaling $7.5 million, and adjustments for non-cash items resulting in a net reduction of ($7.0) million, primarily due to deferred income tax changes of ($38.7) million related to the release of the valuation allowance, depreciation of $27.5 million, stock-based compensation expense of $2.3 million and asset impairment charges totaling $1.3 million. Changes in operating assets included an $11.0 million increase in our trade accounts receivable, an $8.0 million decrease in other assets primarily due to lower prepaid aluminum, and a $4.6 million decrease in inventory. The changes in operating liabilities in 2011 included a $6.7 million increase in other liabilities, principally deferred tooling revenue.

Our principal investing activities during 2011 were the receipt of $21.7 million cash proceeds from maturing certificates of deposit, offset by the funding of $17.0 million of capital expenditures and the purchase of $4.9 million of certificates of deposit. Investing activities during 2010 included the receipt of $36.1 million cash proceeds from maturing certificates of deposits, partially offset by the purchase of $22.1 million of certificates of deposit and the funding of $9.3 million of capital expenditures.

Financing activities during 2011 consisted of the payment of cash dividends on our common stock totaling $17.4 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $4.5 million. Financing activities during 2010 consisted of the payment of cash dividends on our common stock totaling $17.1 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $2.4 million.

2010 versus 2009

Our liquidity remained strong in 2010. Working capital of $311.1 million at December 31, 2010 included $151.6 million in total cash, cash equivalents and short-term investments. The current ratio at December 31, 2010 was 5.4:1 compared to 4.6:1 at December 31, 2009.

Net cash provided by operating activities increased $8.3 million to $30.6 million in 2010 from $22.3 million for the comparable period in 2009. The primary operating activities during 2010 included net income of $51.6 million and adjustments for non-cash expenses totaling $48.3 million, including depreciation of $29.1 million and deferred income taxes of $8.6 million, offset by changes in operating assets and liabilities totaling $69.3 million. Changes in operating assets included increases of $22.1 million in accounts receivable, $25.8 million in inventory, and $24.0 million in other assets, primarily prepaid aluminum, as our working capital requirements increased in 2010 to support the increase in customer orders. The changes in operating liabilities in 2010 included a $15.0 million decrease in non-current tax liabilities.

For 2009, the primary operating activities included a net loss of $94.1 million which was offset by favorable adjustments for non-cash expenses totaling $111.1 million, including depreciation of $30.8 million and increased deferred income taxes of $39.8 million, largely due to valuation allowance increases, and $24.8 million in equity in losses of Suoftec. Also in 2009, a $5.4 million change in operating assets and liabilities favorably impacted cash from operations principally due to a $24.1 million decrease in inventory somewhat offset by a $11.6 million increase in other assets due to increased prepaid aluminum.

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Our principal investing activities during 2010 were the receipt of $36.1 million cash proceeds from maturing certificates of deposit, offset by the purchase of $22.1 million of certificates of deposit and the funding of $9.3 million of capital expenditures. Investing activities during 2009 included the purchase of $47.5 million of certificates of deposit, and the funding of $8.5 million of capital expenditures, offset by the receipt of $11.5 million cash proceeds from maturing certificates of deposit.

Financing activities during 2010 consisted of the payment of cash dividends on our common stock totaling $17.1 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $2.4 million. Financing activities during 2009 consisted of the payment of cash dividends on our common stock totaling $17.1 million.

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 2011, the value of the Mexican peso decreased by 12 percent in relation to the U.S. dollar. For the years ended December 31, 2011, 2010 and 2009, we had foreign currency transaction losses of ($0.9) million, ($1.2) million, and ($0.8) million, respectively, which are included in other income (expense) in the Consolidated Statements of Operations 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 this change in value relative to our Mexico operations has resulted in a cumulative unrealized translation loss at December 31, 2011 of $61.4 million. Translation gains and losses are included in other comprehensive income (loss) in the Consolidated Statements of Shareholders' Equity 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 in place for the delivery of natural gas through 2012. 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.

During 2010 and 2009, certain of these natural gas contracts no longer continued to qualify for the NPNS exemption because we could not take full delivery of the contracted quantities of natural gas under these contracts due to plant shutdowns and low levels of production caused by the sharp decline in our customers' requirements. In accordance with U.S. GAAP, the purchase commitments that no longer qualified for the NPNS exemption were accounted for as derivatives, with the changes in estimated fair value of these contracts being recorded in cost of sales in our statement of operations. The fair value measurements of our natural gas purchase commitments that were accounted for as derivatives were based on quoted market prices using the market approach and the fair values were determined using Level 1 inputs within the fair value hierarchy provided by U.S. GAAP. The amounts recorded for the natural gas purchase commitments that were accounted for as derivatives for each period were as follows:

Fiscal Year Ended December 31,	2010	2009
(Thousands of dollars)		
Estimated fair value of remaining purchase commitments	$—	$5,639
Less: Remaining purchase commitments	—	(8,600)
Liability recorded in accrued expenses [1]	$—	$(2,961)
Gains (losses) recorded in cost of sales [1]	$1,903	$(2,465)

[1] The natural gas purchase commitments accounted for as derivatives were settled or full delivery was taken by December 31, 2010. In the first quarter of 2010, settlement payments for natural gas purchase commitments related to closed facilities totaled $1.1 million.

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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, 2011 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, 2011 are as follows (amounts in millions):

	Payments Due by Fiscal Year						
Contractual Obligations	2012	2013	2014	2015	2016	Thereafter	Total
Natural gas contracts	$5.0	$—	$—	$—	$—	$—	$5
Retirement plans	1.3	1.4	1.5	1.5	1.5	50.5	57.7
Operating leases	1.4	1.1	1.1	0.7	—	—	4.3
Total	$7.7	$2.5	$2.6	$2.2	$1.5	$50.5	$67.0

The table above does not reflect unrecognized tax benefits of $33.1 million, the timing of which is uncertain.

Off-Balance Sheet Arrangements

As of December 31, 2011, we had no significant off-balance sheet arrangements.

Inflation

Inflation has not had a material impact on our results of operations or financial condition for the three years ended December 31, 2011. Wage increases have averaged 3 to 4 percent during this period and, as indicated above, cost increases of our principal raw material, aluminum, are passed through to our customers. However, cost increases for our other raw materials and for energy may not be similarly recovered in our selling prices. Additionally, the competitive global pricing pressures we have experienced recently are expected to continue, which may also lessen the possibility of recovering these types of cost increases.

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.

Allowance for Doubtful Accounts - We maintain an allowance for doubtful accounts receivable based upon the expected

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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 $8.3 million in 2011 and $10.0 million in both 2010 and 2009, and are included in net sales in the Consolidated Statements of Operations 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:

December 31,	2011	2010
(Dollars in Thousands)		
Unamortized Preproduction Costs		
Preproduction costs	$42,118	$36,754
Accumulated amortization	(31,548)	(24,159)
Net preproduction costs	$10,570	$12,595
Deferred Tooling Revenue		
Accrued expenses	$5,158	$5,491
Other non-current liabilities	2,401	2,384
Total deferred tooling revenue	$7,559	$7,875

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 15 - Impairment of Long-Lived Assets and Other Charges 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 6 - Investment in Unconsolidated Subsidiaries in Notes to Consolidated Financial Statements in Item 8 for further discussion of investment impairments.

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 9 - 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, 2011. Note that these sensitivities may be asymmetrical, and are specific to 2011. They also may not be additive,

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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, 2011	2012 Net Periodic Pension Cost
Discount rate	+ 1.0 %	$(2,912)	$(238)
Rate of compensation increase	+ 1.0 %	$1,118	$193

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 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 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 U.S. net deferred income tax assets, we consider all available evidence, both positive and negative. Consistent with our policy, the valuation allowance against our U.S. net deferred income tax assets will not be reversed until such time as we have generated three years of cumulative pre-tax income and have reached sustained profitability in the U.S., 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

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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. 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 2011, authoritative guidance was issued on the presentation of comprehensive income. Specifically, the guidance allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. This guidance will be applied retrospectively and will be effective for our interim and annual reporting periods beginning after December 15, 2011. We expect to add a new primary consolidated statement of other comprehensive income, which will immediately follow our consolidated statements of operations, to our filings when applicable.

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, at December 31, 2011, we had not entered into any significant foreign exchange contracts.

During 2011, the Mexican peso to U.S. dollar exchange rate averaged was 12.41 pesos to $1.00. Based on the balance sheet at December 31, 2011, the value of net assets for our operations in Mexico was 1,035 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 $7.6 million and $9.3 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.” On a net basis our transaction flows were long on the peso in 2011. For the full year 2011, we incurred a $0.9 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 and there can be no assurances 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, 2011, we had several purchase commitments in place for the delivery of natural gas through 2012 for a total cost of $5.0 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.

Based on 2011, we consumed approximately 2.3 million Mcf of natural gas in our operations. As of December 31, 2011, we had fixed price natural gas purchase agreements for deliveries in 2012 of 960,000 Mcf.

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.

We have audited the accompanying consolidated balance sheets of Superior Industries International, Inc. and subsidiaries (the "Company") as of December 25, 2011 and December 26, 2010, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 25, 2011, December 26, 2010, and December 27, 2009. Our audits also included the financial statement schedule for the years then ended December 25, 2011, December 26, 2010, and December 27, 2009 listed in the Index at Item 15. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the 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 the Company as of December 25, 2011 and December 26, 2010, and the results of operations and cash flows for the years ended December 25, 2011, December 26, 2010, and December 27,2009 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, presents 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 25, 2011, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 6, 2012, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte and Touche, LLP
Los Angeles, California
March 6, 2012

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Report of the Independent Registered Public Accounting Firm

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

We have audited the internal control over financial reporting of Superior Industries International, Inc. and subsidiaries (the "Company") as of December 25, 2011 based on criteria established in Internal Control - Integrated Framework 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 has maintained effective internal control over financial reporting as of December 25, 2011, based on the criteria established in Internal Control - Integrated Framework 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 December 25, 2011 and December 26, 2010, and for the years ended December 25, 2011, December 26, 2010, and December 27, 2009, of the Company and our report dated March XX, 2012 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte and Touche LLP
Los Angeles, California
March 6, 2012

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

Fiscal Year Ended December 31,	2011	2010	2009
NET SALES	$822,172	$719,500	$418,846
Cost of sales	755,112	630,263	429,015
GROSS PROFIT (LOSS)	67,060	89,237	(10,169)
Selling, general and administrative expenses	25,888	28,285	22,645
Impairments of long-lived assets and other charges	1,337	1,153	11,804
INCOME (LOSS) FROM OPERATIONS	39,835	59,799	(44,618)
Loss on sale of unconsolidated affiliates	—	(4,110)	—
Interest income, net	1,101	1,604	2,155
Other income (expense), net	990	190	(792)
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY EARNINGS	41,926	57,483	(43,255)
Income tax benefit (provision)	$25,243	$(2,993)	$(26,047)
Equity in losses of unconsolidated affiliates	$—	$(2,847)	$(24,840)
NET INCOME (LOSS)	$67,169	$51,643	$(94,142)
EARNINGS (LOSS) PER SHARE - BASIC	$2.48	$1.93	$(3.53)
EARNINGS (LOSS) PER SHARE - DILUTED	$2.46	$1.93	$(3.53)

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,	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$187,795	$129,631
Short-term investments	5,126	21,922
Accounts receivable, net	119,895	116,726
Inventories	66,933	74,897
Income taxes receivable	4,950	1,221
Deferred income taxes, net	5,299	3,920
Assets held for sale	1,500	4,548
Other current assets	12,785	28,747
Total current assets	404,283	381,612
Property, plant and equipment, net	145,747	167,207
Investment in and advances to unconsolidated affiliate	4,725	4,500
Non-current deferred income taxes, net	16,795	—
Other non-current assets	21,681	19,123
Total assets	$593,231	$572,442
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$29,018	$30,230
Accrued expenses	39,532	40,308
Total current liabilities	68,550	70,538
Non-current income tax liabilities	33,102	33,049
Non-current deferred income tax liabilities, net	—	25,492
Other non-current liabilities	31,064	29,881
Commitments and contingent liabilities (Note 11)	—	—
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 - 27,164,013 shares		
(26,853,790 shares at December 31, 2010)	68,775	61,675
Accumulated other comprehensive loss	(65,600)	(55,722)
Retained earnings	457,340	407,529
Total shareholders' equity	460,515	413,482
Total liabilities and shareholders' equity	$593,231	$572,442

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 AND COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands, except per share data)

	Common Stock		Accumulated Other		
	Number of Shares	Amount	Comprehensive Income (Loss)	Retained Earnings	Total
BALANCE AT FISCAL YEAR END 2008	26,668,440	$54,634	$(67,244)	$484,203	$471,593
Comprehensive income (loss):					
Net loss	—	—	—	(94,142)	(94,142)
Other comprehensive income	—	—	10,668	—	10,668
Total comprehensive loss					