SUPERIOR INDUSTRIES INTERNATIONAL INC
Form 10-K
March 07, 2014

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

FORM 10-K

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

For the fiscal year ended December 29, 2013

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 $472,070,000, based on a closing price of $17.21. On February 21, 2014, there were 27,108,065 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's 2014 Annual Proxy Statement, to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the company, which could cause actual results to differ materially from such statements and from the company's historical results and experience. These risks, uncertainties and other factors include, but are not limited to those described in 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"), Toyota, Chrysler Group LLC ("Chrysler"), BMW, Mitsubishi, Nissan, Subaru, Volkswagen and Tesla.

Production levels of the U.S. automotive industry for 2013 were 16.1 million vehicles, a 5 percent, or 0.7 million unit, increase over 2012. We track annual production rates based on information from Ward's Automotive Group. The North American annual production levels of automobiles and light-duty trucks (including SUV's, vans and "crossover vehicles") continue the trend of growth since the 2009 recession. Current economic conditions and low consumer interest rates have been generally supportive of market growth and, in addition, the relatively high average age of vehicles on the road appears to be contributing to higher rates of vehicle replacement. It was reported in 2013 that the average age of an automobile in the U.S. reached 11.4 years, a new record according to Polk Automotive Research.

In 2012, production of automobiles and light-duty trucks in North America reached 15.4 million units, an increase of 18 percent over 2011. Production in 2011 reached 13.1 million units, an increase of 1.2 million, or 10 percent, from 11.9 million vehicles in 2010. Continued improvement in the U.S. economy, low consumer interest rates and pent-up demand for vehicles following the 2009 recession all contributed to market demand recovery.

The 2013 rate of vehicle production increase was strongest in the light-duty truck category with the domestic brands gaining market share in 2013. Consistent with the overall market, the company's unit sales were stronger in light-duty trucks than passenger cars and domestic brands held firmer than international brands.

Raw Materials

The raw materials used in producing our products are readily available and are obtained through numerous suppliers with whom we have established trade relations. We purchase aluminum for the manufacture of our aluminum road wheels, which accounted for the vast majority of our total raw material requirements during 2013. 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 2013, we were able to successfully secure aluminum commitments from our primary suppliers to meet production requirements and we anticipate being able to source aluminum requirements to meet our expected level of production in 2014. 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 for the delivery of natural gas through 2015. These natural gas contracts are considered to be derivatives under U.S. GAAP, and when entering into these contracts, it was expected that we would take full delivery of the contracted quantities of natural gas over the normal course of business. Accordingly, at inception, these contracts qualified for the normal purchase, normal sale ("NPNS") exemption provided for under U.S. GAAP. As such, we do not account for these purchase commitments as derivatives unless there is a change in facts or circumstances in regard to the company's intent or ability to use the contracted quantities of natural gas over the normal course of business. 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.

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

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continuous improvement programs, not only through our manufacturing operations but in the engineering, wheel development and quality areas as well. These key business relationships have resulted in multiple vehicle supply contract awards with our key customers over the past year.

Ford, GM, Toyota and Chrysler were our only customers accounting for more than 10 percent of our consolidated net sales in 2013. Net sales to these customers in 2013, 2012 and 2011 were as follows (dollars in millions):

	2013		2012		2011	
	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars
Ford	45%	$349.7	38%	$313.3	35%	$286.5
GM	24%	$186.4	27%	$217.5	30%	$245.7
Toyota	12%	$92.1	9%	$77.0	8%	$66.8
Chrysler	10%	$78.1	12%	$95.4	11%	$90.3

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

Foreign Operations

We manufacture a significant portion of our products in Mexico that are sold both in the United States and Mexico. Net sales of wheels manufactured in our Mexico operations in 2013 totaled $503.2 million and represented 64 percent of our total net sales. Net property, plant and equipment used in our operations in Mexico totaled $157.1 million at December 31, 2013, including $67.0 million related to our new wheel plant under construction. 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. See also Item 1A- Risk Factors - International Operations and Item 1A - Risk Factors - Foreign Currency Fluctuations.

Net Sales Backlog

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

Competition

Competition in the market for aluminum road wheels is based primarily on price, technology, quality, delivery and overall customer service. We are one of the leading suppliers of aluminum road wheels for OEM installations in the world, and currently are the largest producer in North America. We currently supply approximately 23 percent of the aluminum wheels installed on passenger cars and light-duty trucks in North America. Competition is global in nature with growing exports from Asia into North America. There are several competitors with facilities in North America, none of which represent greater than 12 percent individually of the total North American production capacity based on our current estimation. See also Item 1A - Risk Factors - Competition of this Annual Report. Other types of road wheels, such as those made of steel, also compete with our products. According to Ward's Automotive Group, the aluminum wheel penetration rate on passenger cars and light-duty trucks in the U.S. was 80 percent for the 2013 model year and 78 percent for the 2012 model year, compared to 74 percent for the 2011 model year. We expect the ratio of aluminum to steel wheels to remain relatively stable. However, several factors can affect this rate including price, fuel economy requirements and styling preference. Although aluminum wheels currently are more costly than steel, aluminum is a

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lighter material than steel, which is desirable for fuel efficiency and generally viewed as aesthetically superior to steel, and thus more desirable to the OEMs and customers.

Research and Development

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

Research and development costs (primarily engineering and related costs), which are expensed as incurred, are included in cost of sales in our consolidated income statements. Amounts expended on research and development costs during each of the last three years were $4.8 million in 2013; $5.8 million in 2012; and $5.3 million in 2011.

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 protection may grow due to increasingly stringent laws and regulations. The cost of environmental compliance was approximately $0.5 million in 2013; $0.3 million in 2012; and $0.5 million in 2011. 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, 2013, we had approximately 3,700 full-time employees compared to approximately 3,900 employees at December 31, 2012. 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 2013 and 2011 comprised the 52-week periods ended on December 29, 2013, and December 25, 2011, respectively. The 2012 fiscal year comprised the 53-week period ended December 30, 2012. For convenience of presentation, all fiscal years are referred to as beginning as of January 1, and ending as of December 31, but actually reflect our financial position and results of operations for the periods described above.

Segment Information

We operate as a single integrated business and, as such, have only one operating segment - automotive wheels. Financial information about this segment and geographic areas is contained in Note 2 - Business Segments in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

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.

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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.

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

ITEM 1A - RISK FACTORS

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

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

Risks Relating To Our Company

Automotive Industry Trends - The majority of our sales are made in domestic U.S. markets and almost exclusively within North America. Therefore, our financial performance depends largely on conditions in the U.S. automotive industry, which in turn can be affected significantly by broad economic and financial market conditions. Consumer demand for automobiles is subject to considerable volatility as a result of consumer confidence in general economic conditions, levels of employment, prevailing wages, fuel prices and the availability and cost of consumer credit. Despite the improvement in the U.S. automotive industry since the global recession that began in 2008, 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. Demand for aluminum wheels can be further affected by other factors, including pricing and performance comparisons to competitive materials such as steel. Finally, the demand for our products is influenced by shifts of market share between vehicle manufacturers and the specific market penetration of individual vehicle platforms being sold by our customers.

Customer Concentration - Ford, GM, Toyota and Chrysler, together represented approximately 91 percent of our total wheel sales in 2013. 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 manufacture wheels for a particular vehicle model, rather than for manufacturing a specific quantity of products. Such contracts range from one year to the life of the model (usually three to five years), typically are non-exclusive, and do not require 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.

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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 2012 and 2013. Our ability to increase manufacturing capacity requires significant investments in facilities, equipment and personnel. Although we have chosen to make investments to increase manufacturing capacity (see "Future Expansion" below), our ability to meet customer demand for our products and increase revenues will be delayed due to the length of time required before additional manufacturing capacity becomes available. Additionally, operating our facilities at 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.

Future Expansion - Due to the anticipation of continued growth in demand for aluminum wheels in the North American market, in 2013 we began construction of a new manufacturing facility in Mexico with an estimated cost of $125 million to $135 million. The construction of a new manufacturing facility entails a number of risks, including the ability to begin production within the cost and timeframe estimated and to attract a sufficient number of skilled workers to meet the needs of the new facility. Additionally, our assessment of the projected benefits associated with the construction of a new manufacturing facility is subject to a number of estimates and assumptions, including future demand for our products, which in turn are subject to significant economic, competitive and other uncertainties that are beyond our control. If we experience delays or increased costs, our estimates and assumptions are incorrect, or other unforeseen events occur, our business, financial condition and results of operations could be adversely impacted. Operating results could be unfavorably impacted by start-up costs until production levels at the new facility reach planned levels. Additionally, our overall ability to increase total company revenues in the future can be affected by factors affecting the volume of product manufactured at our existing factories.

Although our existing liquidity is currently adequate to fund the project, dedication of our financial resources to this project will reduce our liquidity and working capital, which in turn may limit our flexibility to pursue other initiatives to grow our business or to return capital to our shareholders. After making such an investment, a significant change in our business, the economy or an unexpected decrease in our cash flow for any reason could result in the need for outside financing.

Customer Leverage Over Suppliers - Our OEM customers typically attempt to qualify more than one wheel supplier for the programs we participate in and for programs we may bid on in the future. 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, operating income and cash flows.

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, which 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 nature of the markets in which we compete has attracted new entrants, particularly from low cost countries. As a result, our sales levels and margins continue to be adversely affected by pricing pressures reflective of significant competition from producers located in low-cost foreign markets, such as China. Such competition with lower cost structures pose a significant threat to our ability to compete internationally and domestically. These factors have led to our customers awarding business to foreign competitors in the past and they may continue to do so in the future. In addition, any of our competitors may foresee the course of market development more accurately than we are able to, develop products that are superior to our products, have the ability to produce similar products at a lower cost than we do, or adapt more quickly than we do to new technologies or evolving customer requirements. Consequently, our products may not be able to compete successfully with competitors' products.

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.

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

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

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

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

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

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

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

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

Technological and Regulatory Changes - Changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of our products obsolete or less attractive. Our ability to anticipate changes in technology and regulatory 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. Legal and regulatory requirements differ among jurisdictions worldwide. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business, and damage to our reputation. Although we have policies, controls, and procedures designed to ensure compliance with these laws, our employees, contractors, or agents may violate our policies.

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

In addition, 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. Future developments could lead to material

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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) 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, we believe there is a long-term trend to place more restrictions and limitations on activities that may be perceived to affect the environment. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the company and the industry in the future. Such regulation changes may have a significant impact on our cash flows, financial condition and results of operations.

CEO Search; Dependence on Key Personnel - We are currently conducting a search for a new Chief Executive Office to replace Steven J. Borick, who is retiring. Any failure to timely retain a chief executive officer, or interim chief executive officer, with the necessary qualifications may materially and adversely affect our ability to develop and execute long term strategies as well as our ability to operate with the desired level of efficiency. Our success depends, in part, on our ability to attract, hire, train and retain qualified managerial, engineering, sales and marketing personnel. We face significant competition for these types of employees in our industry. We may be unsuccessful in attracting and retaining the personnel we require to conduct our operations successfully. In addition, key personnel may leave us and compete against us. Our success also depends to a significant extent on the continued service of our senior management team. We may be unsuccessful in replacing key managers who either resign or retire. The loss of any member of our senior management team or other experienced senior employees could impair our ability to execute our business plans and strategic initiatives, cause us to lose customers and experience reduced net sales, or lead to employee morale problems and/or the loss of other key employees. In any such event, our financial condition, results of operations, internal control over financial reporting, or cash flows could be adversely affected.

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

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

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

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

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our worldwide headquarters is located 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. An additional facility that will also produce aluminum wheels for the automotive industry is under construction in Chihuahua, Mexico. These six facilities encompass 2,907,000 square feet of manufacturing 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 under Item 1A - Risk Factors - Legal Proceedings of this Annual Report.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding executive officers who are also Directors is contained in our 2014 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 2014 Annual Proxy Statement, which is incorporated herein by reference.

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Listed below are the name, age as of December 31, 2013, position and business experience of each of our officers who are not directors:

Name	Age	Position	Assumed Position
Michael Bakaric	46	Vice President, Midwest Operations	2011
		President - Harrison Division of Pace Industries, a die castings manufacturer	2009
		Vice President - Auburn Division of Pace Industries	2008
Robert D. Bracy	66	Senior Vice President, Facilities	2005
Emory Brown	53	Vice President, Project Management	2012
		Director of Technology, Wieland Copper Products, a copper tube manufacturer	2010
		Owner, Principal in Charge & Record, Spartan Engineering, an engineering services firm	2009
		Director of Project Engineering & Environmental Services, Pace Industries	2003
Parveen Kakar	47	Senior Vice President, Corporate Engineering and Product Development	2008
		Vice President, Program Development	2003
Mike Nelson	59	Vice President and Corporate Controller	2011
		Chief Accounting and Financial Officer, Youbet.com, an internet company offering horse race betting	2007
Michael J. O’Rourke	53	Executive Vice President, Sales, Marketing and Operations	2009
		Senior Vice President, Sales and Administration	2003
Razmik Perian	56	Chief Information Officer	2006
Kerry A. Shiba	59	Executive Vice President and Chief Financial Officer	2010
		Director - Ramsey Industries, LLC, a manufacturer of winches, truck mounted cranes and industrial drives	2010
		Senior Vice President and Chief Financial Officer - Remy International, a manufacturer of electrical automotive components	2006
Gabriel Soto	65	Vice President, Mexico Operations	2004
Cameron Toyne	54	Vice President, Supply Chain Management	2008
		Vice President, Purchasing	2007

	Director of Purchasing	2004

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PART II

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

Our common stock is traded on the New York Stock Exchange (symbol: SUP). We had approximately 479 shareholders of record and 27.1 million shares issued and outstanding as of February 21, 2014.

	Superior Industries International, Inc.	Dow Jones US Total Market Index	Dow Jones US Auto Parts Index
2008	$100.00	$100.00	$100.00
2009	$152.14	$128.79	$149.18
2010	$219.02	$150.24	$235.98
2011	$174.91	$152.26	$208.15
2012	$231.23	$177.11	$232.93
2013	$236.14	$235.51	$363.50

Dividends

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

Quarterly Common Stock Price Information

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

	2013		2012	
	High	Low	High	Low
First Quarter	$22.09	$18.38	$20.22	$16.26
Second Quarter	$18.81	$17.01	$20.27	$15.50
Third Quarter	$18.83	$17.15	$18.42	$15.75
Fourth Quarter	$20.66	$17.50	$19.79	$16.51

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On March 27, 2013, our Board of Directors approved a new stock repurchase program (the "Repurchase Program") authorizing the repurchase of up to $30.0 million of our common stock. This new repurchase program replaced the previously existing share repurchase program. Under the Repurchase Program, we may repurchase common stock from time to time on the open market or in private transactions. Currently, we expect to fund the repurchases through available cash, although credit options are being evaluated in the context of total capital needs. The timing and extent of the repurchases will depend upon market conditions and other corporate considerations in our sole discretion.
The following table provides common stock repurchases made by or on behalf of the company during the three months ended December 29, 2013:

(Thousands of dollars, except per share amounts)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans and Programs	Maximum Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
September 30, 2013 - October 27, 2013	—	$—	—	
October 28, 2013 - November 24, 2013	—	$—	—	
November 25, 2013 - December 29, 2013	421,199	$19.31	421,199	$21,866
Total	421,199		421,199	$21,866

In January 2014, an additional 92,485 shares were repurchased at a total cost of $1.8 million.

Recent Sales of Unregistered Securities

During the fiscal year 2013, 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.

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Our fiscal year is the 52- or 53-week period ending generally on the last Sunday of the calendar year. The fiscal years 2013 and 2011 comprised the 52-week periods ended on December 29, 2013, and December 25, 2011, respectively. The 2012 fiscal year comprised the 53-week period ended December 30, 2012. For convenience of presentation, all fiscal years are referred to as beginning as of January 1, and ending as of December 31, but actually reflect our financial position and results of operations for the periods described above.

Fiscal Year Ended December 31,	2013	2012	2011	2010	2009
Statement of Operations (000s)					
Net sales	$789,564	$821,454	$822,172	$719,500	$418,846
Gross profit (loss)	64,061	60,607	67,060	89,237	(10,169)
Impairments of long-lived assets and other charges	—	—	1,337	1,153	11,804
Income (loss) from operations	34,593	32,880	39,835	59,799	(44,618)
Income (loss) before income taxes and equity earnings	36,841	34,489	41,926	57,483	(43,255)
Income tax (provision) benefit (1)	(14,017)	(3,598)	25,243	(2,993)	(26,047)
Equity earnings (loss) (2)	—	—	—	(2,847)	(24,840)
Net income (loss)	$22,824	$30,891	$67,169	$51,643	$(94,142)
Balance Sheet (000s)					
Current assets	$384,218	$404,908	$404,283	$381,612	$308,132
Current liabilities	$99,430	$66,578	$68,550	$70,538	$66,776
Working capital	$284,788	$338,330	$335,733	$311,074	$241,356
Total assets	$653,388	$599,601	$593,231	$572,442	$541,853
Long-term debt	$—	$—	$—	$—	$—
Shareholders' equity	$483,063	$466,905	$460,515	$413,482	$373,272
Financial Ratios					
Current ratio (3)	3.9:1	6.1:1	5.9:1	5.4:1	4.6:1
Long-term debt/total capitalization (4)	—%	—%	—%	—%	—%
Return on average shareholders' equity (5)	4.8%	6.7%	15.4%	13.1%	(22.3)%
Share Data					
Net income (loss)					
- Basic	$0.83	$1.13	$2.48	$1.93	$(3.53)
- Diluted	$0.83	$1.13	$2.46	$1.93	$(3.53)
Shareholders' equity at year-end	$17.79	$17.11	$16.96	$15.40	$14.00
Dividends declared	$0.20	$1.12	$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 2013, 2012 and 2011 income tax provisions.

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

(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.

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

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

Executive Overview

Overall North American production of passenger cars and light-duty trucks in 2013 was reported by industry publications as being up by approximately 5 percent versus 2012, with production of light-duty trucks--the light-duty truck category includes pick-up trucks, SUV's, vans and "crossover vehicles"--increasing 7 percent and production of passenger cars increasing 2 percent. While current production levels of the U.S. automotive industry are better than 2012 levels, they are still below historical highs. Results for 2013, 2012 and 2011 reflect the continuing trend of growth since the 2009 recession. Current economic conditions and low consumer interest rates have been generally supportive of market growth and, in addition, the continuing increase in the average age of vehicles on the road appears to be contributing to higher rates of vehicle replacement.

Net sales in 2013 decreased $31.9 million to $789.6 million from $821.5 million in 2012. Wheel sales in 2013 decreased $32.9 million to $779.5 million from $812.4 million in 2012, while our wheel unit shipments decreased 0.6 million to 11.9 million in 2013. Gross profit in 2013 was $64.1 million, or 8 percent of net sales, compared to $60.6 million, or 7 percent of net sales, in 2012. Net income for 2013 was $22.8 million, or $0.83 per diluted share, including income tax expense of $14.0 million, compared to net income in 2012 of $30.9 million, or $1.13 per diluted share, which included an income tax expense of $3.6 million.

The comparisons below of 2013 and 2012 operating results reflect higher margins due to lower operating costs in 2013 at our U.S. operations. Lower costs in 2013 resulted from several factors including improved equipment and manufacturing process reliability as a result of capital reinvestment and more rigorous maintenance programs. The comparisons below of 2012 and 2011 operating results reflect higher costs in 2012 resulting from equipment reliability problems and manufacturing process issues with certain wheel programs which continued to increase our costs during sustained periods of high manufacturing capacity utilization.

We continue to focus on programs to reduce costs overall through improved operational and procurement practices, increased capital reinvestment and more rigorous factory maintenance to improve equipment reliability. Our capital investment projects have increased significantly in 2013 and 2012. These investments typically consisted of equipment upgrades and other capital projects that are focused on improving equipment reliability, increasing production efficiency and enhancing manufacturing process control to better accommodate newer, more complex wheel programs. It is possible that capital expenditure levels will continue at these higher levels as we continue to focus on achieving further improvement to operational efficiencies and manufacturing process capability. Despite our gross margin improvement in 2013, it is possible that global pricing pressures may continue at a pace faster than our ability to reduce costs. In addition, although we have a portion of our natural gas requirements covered by fixed-price contracts expiring through 2015, costs may increase to a level that cannot be immediately recouped in selling prices or offset by cost-saving strategies.

Due to the anticipation of continued growth in demand for aluminum wheels in the North American market, during 2013 we announced our plans to invest between $125 million and $135 million to build a new manufacturing facility in Mexico. In June 2013, we entered into a contract for the construction of the new facility and in the second half of 2013 we entered into contracts for the purchase of equipment for the new facility. The total value of these contracts was approximately $96.6 million at the end of 2013. We currently project the new facility will be operational in late 2014, with commercial production beginning towards the middle of 2015 after we are able to qualify the manufacturing process and products with our customers.

Committed to enhance shareholder value, in March 2013, our Board of Directors approved a new stock repurchase program authorizing the repurchase of up to $30.0 million of our common stock. During 2013 we repurchased 421,000 shares of our common stock at a total investment of $8.1 million and in January 2014 we repurchased an additional 92,000 shares bringing our total investment under the program to $10.0 million.

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

Results of Operations

Fiscal Year Ended December 31,	2013		2012		2011	
(Thousands of dollars, except per share amounts)						
Net sales	$789,564		$821,454		$822,172	
Gross profit	$64,061		$60,607		$67,060	
Percentage of net sales	8.1	%	7.4	%	8.2	%
Income from operations	$34,593		$32,880		$39,835	
Percentage of net sales	4.4	%	4.0	%	4.8	%
Net income	$22,824		$30,891		$67,169	
Percentage of net sales	2.9	%	3.8	%	8.2	%
Diluted earnings per share	$0.83		$1.13		$2.46	

Net Sales

2013 versus 2012

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

U.S. Operations

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

Mexico Operations

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

2012 versus 2011

Net sales in 2012 decreased $0.7 million to $821.5 million from $822.2 million in 2011. Wheel sales in 2012 decreased $0.6 million to $812.4 million from $813.0 million in 2011. Wheel shipments increased by 7 percent compared to 2011 with the increased volume contributing approximately $53.6 million in additional revenue. However, the favorable volume impact was substantially offset by a decline in the value of the aluminum component of sales which we generally pass through to our customers. The decline in aluminum value resulted in $49.7 million lower revenues, and also was the primary cause of a 6 percent reduction in the average selling price of our wheels. Additional factors leading to the overall change in sales such as the mix of wheel sizes and finishes sold were not individually material. Increases in unit shipments to Ford, Toyota, Chrysler and BMW were partially offset by declines in unit shipments to GM, Nissan, Subaru and Mitsubishi. Wheel program development revenues totaled $9.1 million in 2012 and $9.2 million in 2011.

U.S. Operations

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Net sales of our U.S. wheel plants in 2012 increased $14.3 million, or 5 percent, to $308.0 million from $293.7 million a year ago, reflecting an increase in unit shipments partially offset by decreases in the average selling prices of our wheels. Unit shipments increased 13 percent in 2012, with the higher volume contributing approximately $38.4 million to the sales increase. The volume impact was partially offset by a 7 percent decrease in the average selling price of our wheels, primarily due to the decrease in the pass-through price of aluminum. The decline in aluminum value reduced revenues by approximately $19.9 million in 2012 when compared to 2011. Additional factors leading to the overall change in U.S. operations sales such as the mix of wheel sizes and finishes sold were not individually material.

Mexico Operations

Net sales of our Mexico wheel plants in 2012 decreased $15.0 million, or 3 percent, to $504.3 million from $519.3 million in 2011, reflecting a decrease in average selling prices of our wheels somewhat offset by an increase in unit shipments. Unit shipments increased 3 percent in 2012, with the higher volume contributing approximately $15.2 million in revenues. However, impact of the volume increase was offset by a 5 percent decrease in the average selling price of our wheels in 2012 primarily resulting from a lower pass-through price of aluminum. The decline in aluminum value reduced revenues approximately $29.8 million when compared to 2011. Additional factors leading to the overall change in Mexico operations sales such as the mix of wheel sizes and finishes sold were not individually material.

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

Fiscal Year Ended December 31,	2013	2012	2011
Ford	42%	37%	34%
GM	25%	27%	30%
Toyota	12%	9%	8%
Chrysler	11%	12%	11%
International customers (excluding Toyota)	10%	15%	17%
Total	100%	100%	100%

According to Ward's Auto Info Bank, overall North American production of passenger cars and light-duty trucks in 2013 increased approximately 5 percent, while production of the specific passenger car and light-duty truck programs using our wheels increased 3 percent. In contrast to the market, our total shipments decreased 5 percent as lack of available manufacturing capacity was a key factor constraining our ability to participate in the market growth. As a result, our share of the North American aluminum wheel market decreased by 3 percentage points on a year-over-year basis, with the share decline lower when measured against wheel programs where we currently are qualified to participate. The decline in market share was 2 percentage points in light-duty trucks, with a 5 percentage point decline in passenger car programs.

According to Ward's Automotive Group, the aluminum wheel penetration rate on passenger cars and light-duty trucks in the U.S. was 80 percent for the 2013 model year and 78 percent for the 2012 model year, compared to 74 percent for the 2011 model year. We expect the ratio of aluminum to steel wheels to remain relatively stable. In addition, our ability to increase net sales and sales volume in the future may be negatively impacted by continued customer pricing pressures, limits in our production capacity and overall economic conditions that impact the sales of passenger cars and light-duty trucks.

At the customer level, shipments in 2013 to Ford increased 9 percent compared to last year, as shipments of light-duty truck wheels increased 11 percent and passenger car wheels increased 1 percent. At the program level, the major unit shipment increases were for the F-Series trucks, the Lincoln MKZ, Explorer, Edge, Fiesta and Flex with shipment decreases for the Fusion and Mustang.

Shipments to GM in 2013 decreased 11 percent compared to 2012, as unit volume of passenger car wheels decreased 57 percent and light-duty truck wheel shipments decreased 1 percent. The major unit shipment decreases to GM were for Chevrolet's Malibu, Impala and Traverse, and the Cadillac SRX which were partially offset by major unit shipment increases for the Chevrolet Enclave and the Cadillac ATS.

Shipments to Toyota in 2013 increased 21 percent compared to last year, as shipments of passenger car wheels increased 61 percent and light-duty truck wheels increased 5 percent. The major unit shipment increases to Toyota were for the Avalon and Sienna.

Shipments to Chrysler in 2013 decreased 17 percent compared to last year, as unit volume of light-duty truck wheels decreased 19 percent and passenger car wheel shipments increased 7 percent. The major unit shipment decreases to Chrysler were for the

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Jeep Grand Cherokee, Dodge Journey, Jeep Compass, Dodge Caravan, and Jeep Liberty, which were partially offset by major unit shipment increases for the Dodge Ram, Durango and Challenger.

Shipments to international customers, excluding Toyota, in 2013 decreased 33 percent compared to 2012, as shipments of passenger car wheels decreased 38 percent and shipments of light-duty truck wheels decreased 20 percent. Unit shipments decreased to each of our international customers except Toyota and Mazda when compared to last year. The lower unit volumes included decreases of 41 percent to Nissan, 28 percent to Subaru, 14 percent to BMW and 98 percent to Mitsubishi along with smaller decreases to VW and Isuzu. At the program level, major unit shipment decreases to international customers were for Nissan's Sentra, Maxima, Altima and Versa, Subaru's Outback, BMW's X3 and Mitsubishi's Galant, offset by major unit shipment increases for the Nissan Note.

Cost of Sales
2013 versus 2012

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

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

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

U.S. Operations
Cost of sales for our U.S. operations decreased by $36.6 million, or 11 percent, in 2013, as compared to 2012. Cost of sales for our U.S. wheel plants in 2013 primarily reflects a decrease in costs due to a 12 percent decline in unit shipments and reduced labor, aluminum and other costs, when compared to a year ago. During 2013, plant labor and

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

Mexico Operations

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

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

2012 versus 2011

In 2012, consolidated cost of goods sold increased $5.7 million to $760.8 million, or 93 percent of net sales, compared to $755.1 million, or 92 percent of net sales, in 2011. Cost of sales in 2012 primarily reflects an increase in costs due to a 7 percent increase in unit shipments and increases in labor and other costs, when compared to a year ago, somewhat offset by a decrease in aluminum prices, which we generally pass through to our customers. Direct material costs decreased approximately $15.8 million to $399.3 million from $415.1 million in 2011. The decrease in direct material costs includes approximately $51.1 million of aluminum price decreases which we generally pass through to our customers. Plant labor and benefit costs increased $13.4 million to $132.8 million in 2012, from $119.4 million in 2011, repair and maintenance costs increased $5.6 million to $32.2 million in 2012, compared to $26.6 million in 2011, and supply costs increased $7.4 million to $29.2 million in 2012, from $21.8 million in 2011. Cost of goods sold for our U.S. operations increased $34.6 million while cost of goods sold for our Mexico operations decreased $25.8 million, when comparing 2012 to 2011. The cost of goods sold for our Mexico operations includes a reduction of $3.5 million from the release of a reserve, established in a prior year, for an uncertainty related to a foreign consumption tax that was resolved in 2012. Cost of sales associated with corporate services such as engineering support for wheel program development and manufacturing support decreased $3.1 million in 2012 when compared to 2011.

The higher levels of manufacturing costs reflect a variety of factors which primarily include higher unit volumes, labor costs, supplies and increased maintenance spending. Despite inefficiencies incurred as a result of equipment reliability problems and other manufacturing process issues while in the midst of continuing high volume demands, productivity measured in terms of wheels produced per labor hour was unchanged in 2012 when compared with 2011. A 2 percent increase in manufacturing labor cost per wheel was lower than the average rate of hourly wage increase in manufacturing operations. Included below are the major items that impacted cost of sales for our U.S. and Mexico operations during 2012.

U.S. Operations
In 2012, cost of sales for our U.S. operations increased by $34.6 million, or 12 percent, as compared to 2011. Cost of sales for our U.S. wheel plants in 2012 primarily reflects an increase in costs due to a 13 percent increase in unit shipments and increases in labor and other costs, when compared to a year ago, somewhat offset by an approximate $18.3 million decrease in aluminum prices, which we generally pass through to our customers. During 2012, plant labor and benefit costs including overtime premiums increased approximately $12.1 million, or 17 percent, primarily as a result of higher headcount and increases in contract labor, when compared to last year. During 2012, labor cost per wheel increased 5 percent while the wheels produced per labor hour incurred decreased 12 percent, as compared to 2011 due primarily to equipment reliability and other manufacturing process issues. Other increases in 2012 included a $7.1 million increase in supply and small tool costs and a $4.1 million increase in plant repair and maintenance costs. These cost increases largely were the result of operating inefficiencies and cost incurred directly in response to equipment reliability issues. Higher costs also reflect an increasingly difficult mix of products being produced.

Mexico Operations
In 2012, cost of sales for our Mexico operations decreased by $25.8 million, or 6 percent, when compared to 2011. The decline in cost of sales for our Mexico operations in 2012 primarily reflects a decrease in aluminum prices,

which we generally pass through to our customers, of approximately $32.8 million. The aluminum cost decline was offset partially by an increase in costs due primarily to a 3 percent increase in unit shipments. During 2012, plant labor and benefit costs increased approximately $1.3 million, or 3 percent, when compared to last year. However, operating efficiencies in 2012 improved as reflected in a 5 percent decrease in labor cost per wheel and a 10 percent improvement in the number of wheels produced per labor hour as compared to 2011. Additionally, cost of sales in 2012 included approximately $1.5 million higher plant repair and maintenance expenses and $0.3 million higher supply and small tool costs, as well as the $3.5 million reduction from releasing the foreign consumption tax reserve described above.

Gross Profit

Consolidated gross profit increased $3.5 million in 2013 to $64.1 million, or 8 percent of net sales, compared to $60.6 million, or 7 percent of net sales, in 2012 as unit shipments decreased 5 percent in 2013. The 2012 gross profit includes a $3.5 million benefit from the release of a reserve for an uncertainty related to a foreign consumption tax, as described above. The gross profit and margin percentage increases were largely the result of efficiency improvements at our U.S. operations due to improved equipment

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reliability and process control resulting from capital reinvestment and more robust maintenance programs. A decline in production levels in 2013 also contributed overall to improved factory reliability.

In 2012, consolidated gross profit decreased $6.5 million to $60.6 million, or 7 percent of net sales, compared to $67.1 million, or 8 percent of net sales, in 2011. The 2012 gross profit includes the $3.5 million benefit from the release of foreign consumption tax reserve discussed above. Excluding the benefit from releasing the reserve our 2012 gross profit was $57.1 million, or 7 percent of net sales. Unit shipments in 2012 increased 7 percent compared to last year. However, the gross profit and margin percentage decline were largely the result of operating inefficiencies and cost incurred directly in response to equipment reliability issues, as well as an increasingly difficult mix of products being produced, as described in the "2012 versus 2011" discussion of cost of sales above.

The cost of aluminum is a significant component in the overall cost of a wheel and a portion of our selling prices to OEM customers is attributable to the cost of aluminum. The price for aluminum we purchase is adjusted monthly based primarily on changes in certain published market indices. Our selling prices are adjusted periodically based upon aluminum market price changes, but the timing of such adjustments is based on specific customer agreements and can vary from monthly to quarterly. 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 exactly the timing of such changes in cost. As estimated by the company, the impact on gross profit in 2013 related to such differences in timing of aluminum adjustments was not material when compared to the same period in 2012.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $29.5 million, or 4 percent of net sales, in 2013 compared to $27.7 million, or 3 percent of net sales, in 2012 and $25.9 million, or 3 percent of net sales, in 2011. Compared to 2012, the $1.7 million increase in 2013 expenses primarily reflects a $2.0 million increase in executive severance related costs, $0.8 million higher medical self-insurance costs and a $0.9 million higher provision for uncollectible receivables, partially offset by $0.9 million lower legal fees in 2013 and a $0.7 million gain from land granted to the company by the state of Chihuahua, Mexico for our new wheel plant currently under construction. Compared to 2011, the $1.8 million increase in 2012 expenses primarily reflects $1.0 million higher legal fees in 2012 and a $1.5 million benefit in 2011 for a reduction in our deferred compensation liability.

Impairment of Long-Lived Assets and Other Charges

Impairment of long-lived assets and other charges totaled $1.3 million in 2011. The $1.3 million charge in 2011 primarily reflects 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 14 - 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 from Operations

2013 versus 2012

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

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

Consolidated income from operations increased $1.7 million in 2013 to $34.6 million, or 4 percent of net sales, from $32.9 million, or 4 percent of net sales, in 2012. Income from our U.S. operations increased $5.3 million, while income from our Mexico operations decreased $2.9 million when comparing 2013 to 2012. Corporate costs were $0.7 million higher during 2013 when

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compared to 2012. Included below are the major items that impacted income from operations for our U.S. and Mexico operations during 2013.

Consolidated income from operations in the near future may be unfavorably impacted by start-up costs associated with our new wheel plant under construction in Mexico. The new facility is expected to be operational by the end of 2014; however, until production volumes reach planned levels profit margins will be unfavorably affected.

U.S. Operations

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

Mexico Operations

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

U.S. versus Mexico Production

During 2013, wheels produced by our Mexico and U.S. operations accounted for 64 percent and 36 percent, respectively, of our total production. During 2012, wheels produced by our Mexico and U.S. operations accounted for 63 percent and 37 percent, respectively, of our total production. We anticipate that, absent any significant change in the market or overall demand, the percentage of production in Mexico will remain between 60 percent and 65 percent of our total production for 2014.

2012 versus 2011

In 2012, consolidated income from operations decreased $6.9 million to $32.9 million, or 4 percent of net sales, from $39.8 million, or 5 percent of net sales, in 2011. Income from our U.S. operations decreased $20.4 million, while income from our Mexico operations increased $11.1 million when comparing 2012 to 2011. Corporate costs were $2.4 million lower during 2012 when compared to 2011. Included below are the major items that impacted income from operations for our U.S. and Mexico operations during 2012.

U.S. Operations

Operating income from our U.S. operations for 2012 decreased by $20.4 million compared to the previous year. Although income from our U.S. operations in 2012 reflects a 13 percent increase in unit shipments, this improvement was more than offset by higher operating costs which caused gross profit to decrease by $20.3 million, and as a percentage of net sales our margin declined 7 percentage points when comparing 2012 with 2011. The decline reflects increases in labor, repair, maintenance, and supply and small tool costs as more fully explained in the cost of sales discussion above. The lower gross profit was largely the result of operating inefficiencies and cost incurred directly in response to equipment reliability issues, as well as an increasingly difficult mix of products being produced.

Mexico Operations

Operating income from our Mexico operations increased by $11.1 million in 2012 compared to 2011. Income from our Mexico operations in 2012 included an increase in unit shipments of 3 percent and, excluding the benefit from release of the consumption tax reserve discussed above, gross profit increased $7.5 million, and as a percentage of net sales our margins increased 2 percentage points in 2012, as compared to 2011.

U.S. versus Mexico Production

During 2012 and 2011, wheels produced by our Mexico and U.S. operations accounted for 63 percent and 37 percent, respectively, of our total production.

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

Net interest income for 2013 increased 35 percent to $1.7 million from $1.3 million in 2012, due principally to an increase in the average rate of return on the average balance of cash invested. Net interest income for 2012 increased 14 percent to $1.3 million from $1.1 million in 2011, due primarily to an increase in the average rate of return on the average balance of cash invested.

Net other income (expense) was income of $0.6 million, $0.4 million and $1.0 million in 2013, 2012 and 2011, respectively. Foreign exchange gains and (losses) included in other income (expense) net were gains of $0.2 million and $0.1 million in 2013 and 2012, respectively, and a loss of ($0.9) million in 2011. Other income and expense items included were income of $0.4 million, $0.3 million and $1.9 million in 2013, 2012 and 2011, respectively.

Effective Income Tax Rate

Our income before income taxes and equity earnings was $36.8 million in 2013, $34.5 million in 2012 and $41.9 million in 2011. The effective tax rate on the 2013 pretax income was 38.0 percent compared to 10.4 percent in 2012 and a benefit of 60.2 percent in 2011. 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,	2013		2012		2011	
Statutory rate - (provision) benefit	(35.0	)%	(35.0	)%	(35.0	)%
State tax provisions, net of federal income tax benefit (1)	(1.0	)	(0.6	)	(0.4	)
Permanent differences (2)	(0.1	)	5.3		1.6	
Tax credits (3)	6.0		3.3		1.5	
Foreign income taxed at rates other than the statutory rate (4)	0.7		0.5		1.0	
Valuation allowance (5)	—		(9.8	)	100.9	
Changes in tax liabilities, net (6)	(5.7	)	22.0		(5.8	)
Other (7)	(2.9	)	3.9		(3.6	)
Effective income tax rate	(38.0	)%	(10.4	)%	60.2	%

1) During the three years ended December 31, 2013, actual state tax provisions, net of federal income taxes, were $0.4 million, $0.2 million and $0.2 million in 2013, 2012 and 2011, respectively. The state provisions, net of federal income taxes, are relatively small primarily due to state income tax credits, and in 2013 a $0.7 million refund of state taxes paid in prior years related to an issue that was resolved in 2013.

2) Actual permanent differences impacting the income tax provisions during the three years ended December 31, 2013 were an expense of $0.1 million in 2013, and benefits of $1.8 million and $0.7 million in 2012 and 2011, respectively. The permanent differences decreased in 2013 due primarily to non-deductible costs of $2.7 million and increased in 2012 primarily due to income from the reversal of a reserve for a non-deductible cost related to the resolution of a certain VAT tax exposure of $3.5 million during 2012, there were no other material changes overall in the permanent differences in the periods presented. Changes in the effective income tax rate related to permanent differences are also affected by the fluctuating levels of income before income taxes and equity earnings.

3) Tax credits for 2013 include credits recognized as a result of the 2013 enactment of the American Taxpayer Relief Act of 2012 of $0.5 million recognized retroactively from 2012 and $0.5 million for 2013. Also included in 2013 are state tax credits totaling $1.2 million.

4) The impact of foreign income taxed at rates other than the statutory rate on our reported tax provisions during the three years ended December 31, 2013 were benefits of $0.3, $0.2 million and $0.4 million in 2013, 2012 and 2011, respectively.

5) During 2012, increases in our valuation allowances resulted in additional tax expense of $3.4 million primarily due to state deferred tax assets for net operating loss and tax credit carryforwards that are no longer expected to be realized. During 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

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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.

6) During 2013, the impact of changes in our tax liabilities for uncertain tax positions resulted in a net expense of $2.1 million, primarily due to $1.3 million of interest and penalties which resulted in increases to our tax provision, as well as increases for new uncertain tax positions. During 2012, the Mexican taxing authorities finalized their audit of the 2004 tax year, and the statute of limitations expired for the 2006 tax year, of one of our wholly-owned subsidiaries in Mexico. As a result, we recorded a net benefit of $8.1 million primarily due to a release of liabilities related to uncertain tax positions resulting from the Mexican taxing authorities finalizing their audit of the 2004 tax year. As a result of the audit settlement, the company paid $0.9 million and reversed approximately $21.7 million of liabilities for uncertain tax positions, which was partially offset by the $12.7 million reversal of related deferred tax assets established for the indirect benefit in the U.S. for the potential non-deductibility of expenses in Mexico. In 2012 we also had a net benefit of approximately $2.1 million from the expiration of the statute of limitations for the 2006 tax year. Partially offsetting these benefits was $2.0 million of interest and penalties we continued to accrue on the liability for uncertain tax positions established at the beginning of 2007 upon adoption of the U.S. GAAP method of accounting. 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 on the beginning tax liabilities which resulted in increases to our tax provision.

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

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

Unconsolidated Subsidiary

On June 28, 2010, we executed a share subscription 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. As of December 31, 2013, the total cash investment in the equity of Synergies amounted to $4.5 million, representing 12.6 percent of the outstanding equity shares of Synergies. Our share of the equity income associated with our investment in Synergies since our initial investment has been immaterial to our consolidated results. 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. As of December 31, 2013 we have a note receivable from Synergies totaling $0.3 million.

Net Income

Net income in 2013 was $22.8 million, or 3 percent of net sales, and included an income tax provision of $14.0 million, compared to $30.9 million, or 4 percent of net sales in 2012, and included an income tax provision of $3.6 million, and to $67.2 million, or 8 percent of net sales in 2011, including an income tax benefit of $25.2 million. Earnings per share was $0.83, $1.13 and $2.46 per diluted share in 2013, 2012 and 2011, respectively.

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, 2013, we had no bank or other interest-bearing debt. At December 31, 2013, our cash, cash equivalents and short-term investments totaled $203.1 million compared to $207.3 million at year-end 2012 and $192.9 million at the end of 2011.

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.

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During the first half of 2013 we announced our plans to invest between $125 million and $135 million to build a new manufacturing facility in Mexico, in order to meet anticipated growth in demand for aluminum wheels in the North American market. In June 2013 we entered into a contract for the construction of the new facility and in the second half of 2013 we entered into contracts for the purchase of equipment for the new facility. The total value of these contracts was approximately $96.6 million at the end of 2013 and cash paid under these agreements totaled $35.8 million in 2013. We currently project the new facility will be operational in late 2014. Although our existing liquidity is currently adequate to fund the project, we are evaluating various financing options available to the company, including new borrowings.

On March 27, 2013, our Board of Directors approved a new stock repurchase program (the "Repurchase Program") authorizing the repurchase of up to $30.0 million of our common stock. Under the Repurchase Program, we may repurchase common stock from time to time on the open market or in private transactions. The timing and extent of the repurchases will depend upon market conditions and other corporate considerations in our sole discretion. As of December 31, 2013, additional shares with a total cost of $21.9 million may be purchased under the Repurchase Program authorization. During 2013 we repurchased 421,000 shares of our common stock at a total investment of $8.1 million, and in January 2014, we repurchased an additional 92,000 shares bringing our total investment under the program to $10.0 million. Currently, we expect to continue funding any repurchases through available cash, although credit options are being evaluated in the context of total capital needs.

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,	2013		2012		2011	
(Thousands of dollars)						
Net cash provided by operating activities	$69,252		$65,761		$67,660	
Net cash provided by (used in) investing activities	(67,424	)	(18,532	)	3,681	
Net cash used in financing activities	(5,566	)	(33,344	)	(12,509	)
Effect of exchange rate changes on cash	(325	)	1,684		(668	)
Net increase in cash and cash equivalents	$(4,063	)	$15,569		$58,164	

2013 versus 2012

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

Net cash provided by operating activities increased $3.5 million to $69.3 million for 2013, compared to net cash provided by operating activities of $65.8 million for 2012. The primary operating activities during 2013 included net income of $22.8 million, and adjustments for non-cash items of $35.7 million, primarily due to depreciation of $28.5

million, income tax liability changes of $3.7 million and stock-based compensation expense of $2.7 million, as well as changes in operating assets and liabilities totaling $10.7 million. Changes in operating assets included a $9.1 million decrease in our accounts receivable, a $5.7 million decrease in inventory and a ($3.6) million change in other assets primarily due to customer owned tooling. The changes in operating liabilities in 2013 included a $4.3 million increase primarily related to deferred tooling revenues and a ($4.8) million change in income taxes payable.

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

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

2012 versus 2011

Working capital (current assets minus current liabilities) and our current ratio (current assets divided by current liabilities) were $338.3 million and 6.1:1, respectively, at December 31, 2012, versus $335.7 million and 5.9:1 at December 31, 2011. We generate our principal working capital resources primarily through operations. Working capital increased slightly in 2012 and primarily reflects increases in cash, cash equivalents and inventory, partially offset by lower accounts receivable.

Net cash provided by operating activities decreased $1.9 million to $65.8 million for 2012, compared to net cash provided by operating activities of $67.7 million for 2011. The primary operating activities during 2012 included net income of $30.9 million, changes in operating assets and liabilities totaling $19.3 million, and adjustments for non-cash items of $15.5 million, primarily due to depreciation of $26.3 million, deferred income tax changes of $13.6 million substantially related to the reversal of deferred tax assets established for the indirect benefit from uncertain tax positions that were resolved during the year, and stock-based compensation expense of $2.1 million, partially offset by ($26.3) million of non-cash reductions in tax liabilities primarily related to uncertain tax positions resolved during the year. Changes in operating assets included a $21.4 million decrease in our trade accounts receivable, an ($8.3) million change in inventory and an ($8.1) million change in other assets primarily due to customer owned tooling. The changes in operating liabilities in 2012 included an $8.8 million increase substantially related to deferred tooling revenues.

Our principal investing activities during 2012 were the funding of $23.1 million of capital expenditures and the purchase of $4.0 million of certificates of deposit, partially offset by the receipt of $5.1 million cash proceeds from maturing certificates of deposit. Investing activities during 2011 included the receipt of $21.7 million cash proceeds from maturing certificates of deposits, partially offset by the funding of $17.0 million of capital expenditures and the purchase of $4.9 million of certificates of deposit.

Financing activities during 2012 consisted of the payment of cash dividends on our common stock totaling $34.9 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $1.5 million. 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.

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 2013, the value of the Mexican peso decreased by 1 percent in relation to the U.S. dollar. For the years ended December 31, 2013 and 2012, we had foreign currency transaction gains of $0.2 million and $0.1 million, respectively, and for the year ended December 31, 2011, we had a foreign currency transaction loss of ($0.9) million, which are included in other income (expense) in the Consolidated Income Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

Since 1990, the Mexican peso has experienced periods of relative stability followed by periods of major declines in value. The impact of this change in value relative to our Mexico operations has resulted in a cumulative unrealized translation loss at December 31, 2013 of $57.1 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.

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When market conditions warrant, we may enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. We currently have several purchase commitments for the delivery of natural gas through 2015. These natural gas contracts are considered to be derivatives under U.S. GAAP, and when entering into these contracts, it was expected that we would take full delivery of the contracted quantities of natural gas over the normal course of business. Accordingly, at inception, these contracts qualified for the normal purchase, normal sale ("NPNS") exemption provided for under U.S. GAAP. As such, we do not account for these purchase commitments as derivatives unless there is a change in facts or circumstances in regard to the company's intent or ability to use the contracted quantities of natural gas over the normal course of business. Based on the quarterly analysis of our estimated future production levels, we believe that our remaining natural gas purchase commitments that were in effect as of December 31, 2013 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, 2013 excluding amounts already recorded in our consolidated balance sheet, are as follows (amounts in millions):

	Payments Due by Fiscal Year						
Contractual Obligations	2014	2015	2016	2017	2018	Thereafter	Total
Natural gas contracts	$2.1	$1.1	$—	$—	$—	$—	$3.2
Retirement plans	1.5	1.5	1.5	1.2	1.5	44.0	51.2
Purchase obligations	60.7	—	—	—	—	—	60.7
Operating leases	1.4	0.9	0.4	0.2	—	—	2.9
CEO separation obligation	1.3	—	—	—	—	—	1.3
Total	$67.0	$3.5	$1.9	$1.4	$1.5	$44.0	$119.3

The table above includes, under Purchase Obligations, amounts committed on outstanding contracts related to the construction of the facility and equipment for our new wheel plant in Mexico. The table above does not reflect unrecognized tax benefits of $15.2 million, for which the timing of settlement is uncertain.

Off-Balance Sheet Arrangements

As of December 31, 2013, 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, 2013. Cost increases in our principal raw material, aluminum, fundamentally are passed through to our customers, with timing of the pass-through dependent on the specific commercial agreements. Wage increases have averaged 4 to 5 percent during this period. Cost increases for labor, other raw materials and for energy may not be recovered in our selling prices. Additionally, competitive global pricing pressures are expected to continue, which may lessen the possibility of recovering these types of cost increases in selling prices.

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

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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 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 $9.3 million, $8.0 million and $8.3 million, in 2013, 2012 and 2011, respectively, and are included in net sales in the Consolidated Income Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report. The following tables summarize the unamortized customer-owned tooling costs included in our long-term other assets, and the deferred tooling revenues included in accrued expenses and other non-current liabilities:

December 31,	2013	2012
(Dollars in Thousands)		
Unamortized Preproduction Costs		
Preproduction costs	$60,776	$51,638
Accumulated amortization	(46,213)	(38,667)
Net preproduction costs	$14,563	$12,971
Deferred Tooling Revenue		
Accrued expenses	$5,950	$5,688
Other non-current liabilities	2,619	3,443
Total deferred tooling revenue	$8,569	$9,131

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 14 - 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

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is determined to be other than temporary, then the decline in value is recognized in earnings. See Note 6 - Investment in Unconsolidated Affiliate in Notes to Consolidated Financial Statements in Item 8 for discussion of our investment.

Retirement Plans - Subject to certain vesting requirements, our unfunded retirement plan generally provides for a benefit based on final average compensation, which becomes payable on the employee's death or upon attaining age 65, if retired. The net periodic pension cost and related benefit obligations are based on, among other things, assumptions of the discount rate, future salary increases and the mortality of the participants. The net periodic pension costs and related obligations are measured using actuarial techniques and assumptions. See Note 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, 2013. Note that these sensitivities may be asymmetrical, and are specific to 2013. They also may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown.

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

Assumption	Percentage Change	Increase (Decrease) in: Projected Benefit Obligation at December 31, 2013	2013 Net Periodic Pension Cost
Discount rate	+ 1.0 %	$(2,776)	$(51)