

SUPERIOR INDUSTRIES INTERNATIONAL INC  
Form 10-Q  
August 07, 2009  
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 28, 2009

OR

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

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

Commission file number: 1-6615

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

California  
(State or Other Jurisdiction of  
Incorporation or Organization)

95-2594729  
(I.R.S. Employer Identification No.)

7800 Woodley Avenue  
Van Nuys, California  
(Address of Principal Executive Offices)

91406  
(Zip Code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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  No

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	<input type="radio"/>	Accelerated Filer	<input checked="" type="radio"/>	Non-Accelerated Filer	<input type="radio"/>	Smaller Reporting Company	<input type="radio"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Number of shares of no par value common stock outstanding as of August 6, 2009: 26,668,440.

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## TABLE OF CONTENTS

	Page
<u>PART I</u> - <u>FINANCIAL INFORMATION</u>	
<u>Item 1</u> - <u>Financial Statements</u>	
	1
	2
	3
	4
	5
<u>Item 2</u> - <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3</u> - <u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
<u>Item 4</u> - <u>Controls and Procedures</u>	23
<u>PART II</u> - <u>OTHER INFORMATION</u>	
<u>Item 1</u> - <u>Legal Proceedings</u>	24
<u>Item 1A</u> - <u>Risk Factors</u>	24
<u>Item 2</u> - <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
<u>Item 4</u> - <u>Submission of Matters to a Vote of Security Holders</u>	25
<u>Item 6</u> - <u>Exhibits</u>	26
<u>Signatures</u>	27



Table of ContentsPART I  
FINANCIAL INFORMATION

## Item 1. Financial Statements

Superior Industries International, Inc.  
Condensed Consolidated Statements of Operations  
(Dollars in thousands, except per share data)  
(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
NET SALES	\$80,886	\$217,385	\$162,434	\$439,623
Cost of sales	92,942	205,331	189,003	418,183
GROSS PROFIT (LOSS)	(12,056 )	12,054	(26,569 )	21,440
Selling, general and administrative expenses	5,838	6,900	10,613	13,110
Impairment of long-lived assets	2,894	-	11,804	-
INCOME (LOSS) FROM OPERATIONS	(20,788 )	5,154	(48,986 )	8,330
Interest income, net	359	706	759	1,686
Other expense, net	(1,153 )	(1,464 )	(2,454 )	(1,906 )
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY EARNINGS	(21,582 )	4,396	(50,681 )	8,110
Income tax benefit (provision)	2,817	79	(23,643 )	(2,541 )
Equity in earnings (loss) of joint venture	(2,204 )	620	(3,146 )	2,705
NET INCOME (LOSS)	\$(20,969 )	\$5,095	\$(77,470 )	\$8,274
EARNINGS (LOSS) PER SHARE - BASIC	\$(0.79 )	\$0.19	\$(2.90 )	\$0.31
EARNINGS (LOSS) PER SHARE - DILUTED	\$(0.79 )	\$0.19	\$(2.90 )	\$0.31
DIVIDENDS DECLARED PER SHARE	\$0.16	\$0.16	\$0.32	\$0.32

See notes to condensed consolidated financial statements.



Table of Contents

Superior Industries International, Inc.  
Condensed Consolidated Balance Sheets  
(Dollars in thousands, except share amounts)  
(Unaudited)

	June 28, 2009	December 28, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 169,285	\$ 146,871
Accounts receivable, net	54,004	89,426
Inventories, net	46,388	70,115
Income taxes receivable	8,360	3,901
Deferred income taxes	7,228	5,995
Assets held for sale	9,599	-
Other current assets	2,813	2,981
Total current assets	297,677	319,289
Property, plant and equipment, net	188,229	216,209
Investments	44,912	48,196
Non-current deferred income taxes	10,761	39,152
Other assets	4,716	5,693
Total assets	\$ 546,295	\$ 628,539
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 17,675	\$ 26,318
Accrued expenses	32,651	35,239
Income taxes payable	-	644
Total current liabilities	50,326	62,201
Non-current tax liabilities	55,440	51,330
Non-current deferred income taxes	15,280	22,535
Other non-current liabilities	29,444	20,880
Commitments and contingencies (Note 16)	-	-
Shareholders' equity:		
Preferred stock, no par value		
Authorized - 1,000,000 shares		
Issued - none		
Common stock, no par value		
Authorized - 100,000,000 shares		
Issued and outstanding - 26,668,440 shares		
(26,668,440 shares at December 28, 2008)	55,548	54,634
Accumulated other comprehensive loss	(57,943 )	(67,244 )
Retained earnings	398,200	484,203
Total shareholders' equity	395,805	471,593
Total liabilities and shareholders' equity	\$ 546,295	\$ 628,539

See notes to condensed consolidated financial statements.

2

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Table of Contents

Superior Industries International, Inc.  
 Condensed Consolidated Statements of Cash Flows  
 (Dollars in thousands)  
 (Unaudited)

	Twenty-Six Weeks Ended	
	June 28, 2009	June 29, 2008
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$36,642	\$5,141
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property, plant and equipment	(5,746 )	(5,855 )
Proceeds from sales of fixed assets	51	133
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(5,695 )	(5,722 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash dividends paid	(8,533 )	(8,528 )
Proceeds from exercise of stock options	-	450
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(8,533 )	(8,078 )
Net increase (decrease) in cash and cash equivalents	22,414	(8,659 )
Cash and cash equivalents at the beginning of the period	146,871	106,769
Cash and cash equivalents at the end of the period	\$169,285	\$98,110

See notes to condensed consolidated financial statements.

Table of Contents

Superior Industries International, Inc.  
 Condensed Consolidated Statement of Shareholders' Equity and Comprehensive Loss  
 (Dollars in thousands, except per share data)  
 (Unaudited)

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Number of Shares	Amount			
BALANCE AT DECEMBER 28, 2008	26,668,440	\$ 54,634	\$ (67,244 )	\$ 484,203	\$ 471,593
Comprehensive income (loss):					
Net loss	-	-	-	(77,470 )	(77,470 )
Other comprehensive income, net of tax:					
Foreign currency translation gain	-	-	9,294	-	9,294
Net actuarial gain on pension obligation	-	-	7	-	7
Total comprehensive loss					(68,169 )
Stock-based compensation expense	-	1,118	-	-	1,118
Tax impact of stock options exercised	-	(204 )	-	-	(204 )
Cash dividends declared (\$0.32 per share)	-	-	-	(8,533 )	(8,533 )
BALANCE AT JUNE 28, 2009	26,668,440	\$ 55,548	\$ (57,943 )	\$ 398,200	\$ 395,805

Comprehensive income, net of tax was \$20,480 for the six months ended June 29, 2008, which included: net income of \$8,274, foreign currency translation adjustment gain of \$12,157 and an unrealized gain of \$49 on our pension obligation.

See notes to condensed consolidated financial statements.



Table of Contents

Superior Industries International, Inc.  
Notes to Condensed Consolidated Financial Statements  
June 28, 2009  
(Unaudited)

Note 1 – Nature of Operations

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 (OEM). We are one of the largest suppliers of cast and forged aluminum wheels to the world’s leading automobile and light truck manufacturers, with wheel manufacturing operations in the United States, Mexico and Hungary. Customers based in North America represent the principal market for our products. However approximately 21 percent of our net sales are made by our North American facilities to international customers, shipments are delivered primarily to their assembly operations in the United States.

Ford Motor Company (Ford), General Motors Corporation, or its successor, General Motors Company (GM) and Chrysler LLC or its successor, Chrysler Group LLC (Chrysler), together represented approximately 79 percent of our total wheel sales during the first two fiscal quarters of 2009 and 82 percent for the 2008 fiscal year. The loss of all or a substantial portion of our sales to Ford, GM or Chrysler would have a significant adverse impact on our operating results and financial condition, unless the lost volume could be replaced. This risk is partially mitigated by our long term relationships with these OEM customers and our supply arrangements which are generally for multi-year periods.

The second quarter of 2009 continued to include extremely difficult market conditions in the U.S. auto industry due to the further deterioration of market demand for cars and light trucks in North America. Since late 2008, both GM and Chrysler have been provided with emergency funding from the U.S. federal government as part of efforts to restructure both automakers. On April 23, 2009, GM announced extended plant shutdown schedules that took place primarily in the second quarter of 2009. Certain GM plants temporarily ceased production for as long as nine weeks in this period, impacting primarily production of full size pick-up trucks and SUVs, with less downtime at facilities supporting passenger cars and crossover type SUVs. On April 30, 2009, Chrysler, another of our key customers, announced that it had reached an agreement in principle to establish an alliance with Fiat SpA, and that despite substantial progress in obtaining concessions from many of its lenders it was unable to avoid filing a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. The Chrysler announcement also indicated that all assembly plants would be closed during the bankruptcy proceedings. This was followed on June 1, 2009 by GM’s announcement that it was also filing for protection under Chapter 11 of the U.S. Bankruptcy Code. Reorganized entities for both Chrysler and GM emerged from bankruptcy on June 10, 2009 and July 10, 2009, respectively, with Chrysler combining its operations with those of Fiat SpA. Shortly after the Chapter 11 filings, both Chrysler and GM designated us as a key supplier, indicating that all pre- and post-petition accounts receivable would be paid in accordance with payment terms existing prior to the bankruptcy filing. See Note 12 – Accounts Receivable for additional discussion of Chrysler and GM accounts receivable balances.

While we have had long term relationships with our customers and our supply arrangements are generally for multi-year periods, the unprecedented recent bankruptcy filings and announcements of North American automotive plant closures and other restructuring activities by our customers have and will continue to have a negative impact on our business. We are unable to quantify the impact on our operating results for future periods until we receive additional details concerning the specific plants and wheel programs affected by these actions.

In addition to the financial situation of our key customers, we are also faced with adverse trends such as consumer shifts away from SUVs and trucks to more fuel-efficient vehicles and continued global competitive pricing pressures. These factors may make it more difficult to maintain long-term supply arrangements with our customers and there are no guarantees that supply arrangements could be negotiated on terms acceptable to us in the future. We expect the trends to more fuel-efficient vehicles and global competitive pricing pressures to continue into the foreseeable future. Including our 50-percent owned joint venture in Europe, we also manufacture aluminum wheels for Audi, BMW, Jaguar, Land Rover, Mercedes Benz, Mitsubishi, Nissan, Seat, Skoda, Subaru, Suzuki, Toyota, Volkswagen and Volvo.

The availability and demand for aluminum wheels are subject to unpredictable factors, such as changes in the general economy, the automobile industry, gasoline prices and consumer credit availability and interest rates. The raw materials used in producing our products are readily available and are obtained through numerous suppliers with whom we have established trade relations.

Table of Contents

Note 2 – Presentation of Condensed Consolidated Financial Statements

During interim periods, we follow the accounting policies set forth in our 2008 Annual Report on Form 10-K and apply appropriate interim financial reporting standards for a fair statement of our operating results and financial position in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), as indicated below. Users of financial information produced for interim periods in 2009 are encouraged to read this Quarterly Report on Form 10-Q in conjunction with our consolidated financial statements and notes thereto filed with the Securities and Exchange Commission (SEC) in our 2008 Annual Report on Form 10-K.

Interim financial reporting standards require us to make estimates that are based on assumptions regarding the outcome of future events and circumstances not known at that time, including the use of estimated effective tax rates. Inevitably, some assumptions will not materialize, unanticipated events or circumstances may occur which vary from those estimates and such variations may significantly affect our future results. Additionally, interim results may not be indicative of our results for future interim periods or our annual results.

We use a 4-4-5 convention for our fiscal quarters, which are thirteen week periods generally ending on the last Sunday of each calendar quarter. We refer to these thirteen week fiscal periods as “quarters” throughout this report. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the SEC’s requirements for Form 10-Q and contain all adjustments, of a normal and recurring nature, which are necessary for a fair statement of (i) the condensed consolidated statements of operations for the thirteen and twenty-six week periods ended June 28, 2009 and June 29, 2008, (ii) the condensed consolidated balance sheets at June 28, 2009 and December 28, 2008, (iii) the condensed consolidated statements of cash flows for the twenty-six week periods ended June 28, 2009 and June 29, 2008, and (iv) the condensed consolidated statement of shareholders’ equity and comprehensive loss for the twenty-six week period ended June 28, 2009. The condensed consolidated balance sheet as of December 28, 2008 was derived from our 2008 audited financial statements, but does not include all disclosures required by U.S. GAAP.

Note 3 – Subsequent Events

As indicated above, on July 10, 2009, GM emerged from Chapter 11 bankruptcy. See Note 12 – Accounts Receivable for further discussion of GM and Chrysler accounts receivable balances.

Note 4 – Impairment of Long-Lived Assets, Other Charges and Assets Held for Sale

Due to the deteriorating financial condition of our major customers and others in the automotive industry, we performed impairment analyses as of the end of the second quarter of 2009 on all long-lived assets in our operating plants, in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, “Accounting for the Impairment of or Disposal of Long-Lived Assets” (SFAS No. 144). Our estimated undiscounted cash flow projections as of the end of the second quarter of 2009 exceeded the asset carrying values in all of our wheel manufacturing plants. Additionally, because our 50-percent owned joint venture in Hungary is also affected by these same economic conditions, we performed an analysis of our investment in the joint venture, in accordance with Accounting Principles Board Opinions (APB) No. 18, “The Equity Method of Accounting for Investments in Common Stock” (APB No. 18). This analysis also indicated that our investment was not impaired as of June 28, 2009.

Based on the impairment analysis performed at the end of the first quarter of 2009, we concluded that the estimated future undiscounted cash flows of our Fayetteville, Arkansas manufacturing facility would not be sufficient to recover the carrying value of our long-lived assets attributable to that facility. As a result we recorded a pretax asset impairment charge against earnings totaling \$8.9 million during the first quarter of 2009, reducing the \$18.2 million carrying value of certain assets at this facility to their respective estimated fair values. The estimated fair values of the

long-lived assets at our Fayetteville, Arkansas manufacturing facility were based, in part, on the estimated fair values of comparable properties. These assets are classified as held and used within the scope of SFAS No. 144. We have classified the inputs to the nonrecurring fair value measurement of these assets as being Level 2 within the fair value hierarchy of SFAS No. 157, "Fair Value Measurements" (as amended) (SFAS No. 157), utilizing the market approach.

In January 2009, we announced the planned closure of our wheel manufacturing facility located in Van Nuys, California in an effort to further reduce costs and more closely align our capacity with sharply lower demand for aluminum wheels by the automobile and light truck manufacturers. The closure, which was completed by the end of the second quarter of 2009, resulted in the layoff of approximately 290 employees. A pretax asset impairment charge against earnings totaling \$10.3 million, reducing the \$10.8 million carrying value of certain assets at the Van Nuys manufacturing facility to their respective fair values, was recorded in the fourth quarter of 2008, when we concluded that the estimated future undiscounted cash flows of that operation would not be sufficient to recover the carrying value of our long-lived assets attributable to that facility. One-time termination benefits and other shutdown costs related to this plant closure are estimated to approximate \$5.7 million, of which \$1.9 million was recorded in the second quarter and \$3.5 million for the first two quarters of 2009. Costs for one-time termination benefits totaled \$1.0 million and were included in cost of sales in the current quarter and \$2.2 million of the \$2.4 million costs for the first two quarters were included in cost of sales. These one-time termination benefits are derived from the individual agreements with each employee and are being accrued for ratably over the requisite service period. As of June 28, 2009, our liability for one-time termination benefits related to the closure of the Van Nuys, California manufacturing facility totaled \$0.7 million and was included in accrued expenses in our condensed consolidated balance sheet. Payments for one-time termination benefits related to the closure of this facility totaled \$1.2 million in the second quarter of 2009 and \$1.8 million for the first two quarters.

Table of Contents

We recorded a total of \$1.5 million in the second quarter of 2009 and \$2.3 million for the first two quarters of 2009 for one-time termination benefits costs related to our other workforce reductions. These amounts were also recorded in cost of sales in our condensed consolidated statement of operations and were paid in full as of June 28, 2009.

During the second quarter of 2009, we accepted an offer for the sale of our Johnson City, Tennessee manufacturing facility, at a selling price below its current carrying value. As a result, we have recorded a reduction in our carrying value of this facility by \$0.6 million to its estimated fair value of \$2.2 million. Subsequent to the end of the second quarter, we received some indications, based on equipment sales that occurred subsequent to June 28, 2009, that the carrying values of the held for sale equipment from our Pittsburg, Kansas, and Van Nuys, California, facilities, totaling \$2.6 million, were higher than current market values. Consequently, we recorded an additional impairment charge of \$1.9 million to reduce the carrying value of this equipment to its new estimated fair value. We have classified the above nonrecurring fair value measurements as Level 1 inputs within the fair value hierarchy of SFAS No 157 utilizing the market approach. Due to plant shutdowns and the realignment of our business to match our current production needs, we have identified, and are in the process of selling, specific long-lived assets from our former manufacturing operations in Van Nuys, California, Johnson City, Tennessee, and Pittsburg, Kansas. These assets, which totaled \$9.6 million at June 28, 2009, are classified as assets held for sale in accordance with SFAS No. 144.

## Note 5 – Stock-Based Compensation

Our 2008 Equity Incentive Plan authorizes us to issue incentive and non-qualified stock options, as well as stock appreciation rights, restricted stock and performance units to our non-employee directors, officers, employees and consultants totaling up to 3.5 million shares of common stock. No more than 100,000 shares may be used under such plan as “full value” awards, which include restricted stock and performance units. It is our policy to issue shares from authorized but not issued shares upon the exercise of stock options. At June 28, 2009, there were 3.4 million shares available for future grants under this plan. Options are granted at not less than fair market value on the date of grant and expire no later than ten years after the date of grant. Options granted under this plan require no less than a three year ratable vesting period.

During the first two quarters of 2009, we granted options for a total of 135,000 shares, compared to 616,000 options granted during the first two quarter of 2008. In the first two quarters of 2009, a valuation allowance was established for the income tax benefit on our stock based compensation expense. The weighted average fair value at the grant date for options issued during the first two quarters of 2009 and 2008 was \$2.91 per option and \$5.30 per option, respectively. The fair value of options at the grant date was estimated utilizing the Black-Scholes valuation model with the following weighted average assumptions for 2009 and 2008, respectively: (a) dividend yield on our common stock of 3.27 percent and 3.23 percent; (b) expected stock price volatility of 37.0 percent and 30.5 percent; (c) a risk-free interest rate of 2.50 percent and 3.41 percent; and (d) an expected option term of 6.9 years and 7.0 years. For the twenty-six weeks ended June 28, 2009, no options were exercised compared to options for 25,500 shares exercised during the same period in 2008.

Stock-based compensation expense related to our stock option plans under SFAS No. 123R (revised 2004), “Share-Based Payment”, was allocated as follows:

(Dollars in thousands)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Cost of sales	\$72	\$102	\$160	\$210
Selling, general and administrative	472	475	958	998



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Stock-based compensation expense before income taxes	544	577	1,118	1,208
Income tax benefit	-	(152 )	-	(349 )
Stock-based compensation expense after income taxes	\$544	\$425	\$1,118	\$859

7

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Table of Contents

As discussed in Note 10 – Income Taxes, we established a valuation allowance on our deferred tax assets in the first quarter of 2009. Consequently, no income tax benefit was recognized on our stock based compensation expense in the first or second quarters of 2009. As of June 28, 2009, a total of \$4.0 million of unrecognized compensation cost related to non-vested awards is expected to be recognized over a weighted average period of approximately 2.32 years. There were no significant capitalized stock-based compensation costs at June 28, 2009 and December 28, 2008. There were no stock options exercised during the first two quarters of 2009. Proceeds from stock options exercised during the first two quarters of 2008 totaled \$450,000.

Note 6 - New Accounting Standards

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141(R), “Business Combinations” (SFAS No. 141(R)). This statement replaces SFAS No. 141, “Business Combinations” (SFAS No. 141), and defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. This statement’s scope is broader than that of SFAS No. 141, which applied only to business combinations in which control was obtained by transferring consideration. SFAS No. 141(R) applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of the applicable provisions of SFAS No. 141(R) as of January 1, 2009 did not have a material impact on our consolidated results of operations or statement of financial position or disclosures.

In February 2008, the FASB decided to issue a final Staff Position to allow a one-year deferral of adoption of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The FASB also decided to amend SFAS No. 157 to exclude FASB Statement No. 13 and its related interpretive accounting pronouncements that address leasing transactions. We adopted SFAS No. 157 effective January 1, 2009 for nonrecurring fair value measurements of nonfinancial assets and liabilities and have included the required discussion in Note 4 – Impairment of Long-lived Assets, Other Charges and Assets Held for Sale and Note 17 – Risk Management.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (SFAS No. 161), an amendment of FASB Statement No. 133 “Accounting for Derivative Instruments and Hedging Activities” (SFAS No. 133). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity’s derivative instruments and hedging activities and their effects on the entity’s financial position, financial performance, and cash flows. SFAS No. 161 applies to all derivative instruments within the scope of SFAS No. 133, as well as related hedged items, bifurcated derivatives and non-derivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS No. 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS No. 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. The adoption of the applicable provisions of SFAS No. 161 as of January 1, 2009, did not have a material impact on our consolidated results of operations or statement of financial position.

In November 2008, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 08-06 “Equity Method Investment Accounting Considerations” (EITF 08-06), which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-06 is effective for fiscal years beginning after December 15, 2008. The adoption of the applicable provisions of EITF 08-06 as of January 1, 2009, did not have a material impact on our consolidated results of operations or statement of financial position or disclosures.

During May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (SFAS No. 165), to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. SFAS No. 165 requires the disclosure of the date through which an

entity has evaluated subsequent events and the basis for that date. This statement is effective for interim or annual financial periods ending after June 15, 2009. we adopted SFAS No. 165 during our second fiscal quarter and it had no impact on results of operations or financial position. In the preparation of the condensed consolidated financial statements, we evaluated subsequent events after the balance sheet date of June 28, 2009 through August 6, 2009.

During June 2009, the FASB issued FAS No. 167, "Amendments to FASB Interpretation No. 46(R)" (SFAS No. 167), which changes the approach in determining the primary beneficiary of a variable interest entity (VIE) and requires companies to more frequently assess whether they must consolidate VIEs. SFAS No.167 is effective for annual periods beginning after November 15, 2009. We are evaluating the impact, if any, the adoption of SFAS No. 167 will have on its consolidated financial statements.

During June 2009, the FASB issued FAS No. 168, "FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No.162" (SFAS No. 168), which establishes the FASB Accounting Standards Codification as the single official source of authoritative U.S. GAAP (other than guidance issued by the SEC), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force, and related literature. SFAS No.168 will become effective during our third quarter of 2009. We expect that the adoption of SFAS No. 168 will not have an impact on its results of operations or financial position.

Table of Contents

## Note 7 – Business Segments

We currently have only one reportable segment – automotive wheels. Net sales and net property, plant and equipment by geographic area are summarized below.

(Dollars in thousands)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Net sales:				
U.S.	\$35,716	\$117,547	\$68,490	\$245,462
Mexico	45,170	99,838	93,944	194,161
Consolidated net sales	\$80,886	\$217,385	\$162,434	\$439,623

	June 28, 2009	December 28, 2008
Property, plant and equipment, net:		
U.S.	\$50,271	\$80,016
Mexico	137,958	136,193
Consolidated property, plant and equipment, net	\$188,229	\$216,209

## Note 8 - Revenue Recognition

Sales of products and any related costs are recognized when title and risk of loss transfers to the purchaser, generally upon shipment. Tooling reimbursement revenues, representing internal development expenses and initial tooling expenses that are reimbursable by our customers, are recognized as such related costs and expenses are incurred and recoverability is probable, generally upon receipt of a customer purchase order. Tooling reimbursement revenues included in net sales totaled \$2.3 million and \$6.7 million for the second quarter of 2009 and 2008, respectively. Tooling reimbursement revenues included in net sales totaled \$4.5 million and \$10.2 million for the first two quarters of 2009 and 2008, respectively.

## Note 9 – Earnings Per Share

In accordance with the provisions of SFAS No. 128, “Earnings Per Share,” basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share includes the dilutive effect of outstanding stock options, calculated using the treasury stock method.

Of the 3.2 million stock options outstanding at June 28, 2009, 3.1 million shares had an exercise price greater than the weighted-average market price of the stock for the thirteen week and twenty-six week periods ended June 28, 2009 and were excluded in the calculations of diluted earnings (loss) per share for the period. In addition, options to purchase the remaining 0.1 million shares for the thirteen and twenty-six week periods ended June 28, 2009 were excluded from diluted earnings (loss) per share calculation, because they were anti-dilutive due to the net loss in each period.

Of the 3.6 million stock options outstanding at June 29, 2008, 1.9 million shares had an exercise price greater than the weighted-average market price of the stock for the thirteen weeks ended June 29, 2008, and for the twenty-six weeks ended June 29, 2008, 2.5 million shares had an exercise price greater than the weighted-average price of the stock which were excluded in the calculation of diluted earnings (loss) per share for that period.



Table of Contents

Summarized below are the calculations of basic and diluted earnings (loss) per share for the respective periods:

(Dollars in thousands, except per share amounts)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
<b>Basic Earnings (Loss) per Share:</b>				
Reported net income (loss)	\$ (20,969 )	\$ 5,095	\$ (77,470 )	\$ 8,274
Weighted average shares outstanding - Basic	26,668	26,652	26,668	26,645
Basic earnings (loss) per share	\$ (0.79 )	\$ 0.19	\$ (2.90 )	\$ 0.31
<b>Diluted Earnings (Loss) per Share:</b>				
Reported net income (loss)	\$ (20,969 )	\$ 5,095	\$ (77,470 )	\$ 8,274
Weighted average shares outstanding	26,668	26,652	26,668	26,645
Weighted average dilutive stock options	-	140	-	88
Weighted average shares outstanding - Diluted	26,668	26,792	26,668	26,733
Diluted earnings (loss) per share	\$ (0.79 )	\$ 0.19	\$ (2.90 )	\$ 0.31

## Note 10 – Income Taxes

Income taxes are accounted for pursuant to SFAS No. 109, “Accounting for Income Taxes” (SFAS No. 109), which requires the use of the liability method and the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period of enactment. Provision is made for U.S. income taxes on undistributed earnings of international subsidiaries and 50-percent owned joint venture, unless such future earnings are considered permanently reinvested. Tax credits are accounted for as a reduction of the provision for income taxes in the period in which the credits arise.

In considering whether a valuation allowance was required for our U.S. federal deferred tax assets when preparing our Annual Report on Form 10-K for the year ended December 28, 2008, we considered all positive and negative evidence available at the time of filing. At that time, we concluded the positive evidence outweighed the negative evidence, including continued deterioration of the automotive industry as part of the negative evidence. We also indicated that if our future results and projections were less than projected at that time, a substantial valuation allowance might be required in the near term.

In accordance with SFAS No. 109, we determined in the first quarter of 2009 that a valuation allowance was required to reduce our U.S. federal deferred tax asset. In addition to the cumulative U.S. tax losses for the past three years, and the expectation of a U.S. tax loss in 2009, we considered, among other factors, the announcements of filing for bankruptcy by Chrysler and prolonged plant closures by GM and Chrysler, which severely limited our ability to identify objectively verifiable positive evidence to support the likelihood of the realization of this deferred tax asset. Further, the current volatility of the automotive industry creates significant uncertainty and subjectivity to the timing of our profitability in future periods. Under these circumstances, SFAS No. 109 imposes a strong presumption that a valuation allowance is required in the absence of objectively verifiable information. Consequently, in considering the weight of all positive and negative evidence available as of the date of our 10-Q filing for the first quarter, we recorded a valuation allowance of \$25.3 million, which was reflected as a charge against tax expense in

the period.

In the second quarter we continued to evaluate all positive and negative evidence available at the time of filing this quarterly report. At this time, we have concluded that a valuation allowance is still required due to the cumulative U.S. tax losses for the past three years, and the expectations of U.S. tax losses in the current year, as well as the anticipated contraction in the automotive industry in the foreseeable future.

The income tax (provision) benefit on income before income taxes and equity earnings for the twenty-six weeks ended June 28, 2009 was a provision of \$(23.6) million, including the \$(25.3) million impact of the valuation allowance described above, compared to a provision of \$(2.5) million for the twenty-six week period ended June 29, 2008.

Within the next twelve month period ending June 27, 2010, we anticipate that unrecognized tax benefits in the amount of \$11.5 million of our \$55.4 million liability for our unrecognized tax liability, which includes interest and penalties, will be recognized due to the expiration of statutes of limitations and terminations of examinations.

Table of Contents

We conduct business internationally and, as a result, one or more of our subsidiaries file income tax returns in U.S. federal, U.S. state and certain foreign jurisdictions. Accordingly, in the normal course of business, we are subject to examination by taxing authorities throughout the world, including taxing authorities in Hungary, Mexico, the Netherlands and the United States. On July 28, 2009, we received notification by the Joint Committee on Taxation of final approval of tax years 2003 through 2007. We are no longer subject to U.S. federal, state and local income tax examinations for years before 2008.

The 2003 income tax return of Superior Industries de Mexico S.A. de C.V, our wholly-owned Mexican subsidiary, is under review by Mexico's Tax Administration Service (Servicio de Administracion Tributaria).

## Note 11 – Equity in Earnings of Joint Venture

Included below are summary statements of operations for Suoftec, our 50-percent owned joint venture in Hungary, which manufactures cast and forged aluminum wheels principally for the European automobile industry. Being 50-percent owned and non-controlled, Suoftec is not consolidated, but accounted for using the equity method.

(Dollars in thousands)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Net sales	\$19,940	\$39,025	\$38,642	\$83,145
Cost of sales	24,614	38,276	45,102	76,146
Gross profit (loss)	(4,674 )	749	(6,460 )	6,999
Selling, general and administrative expenses	387	771	902	1,460
Income (loss) from operations	(5,061 )	(22 )	(7,362 )	5,539
Other income (expense), net	(289 )	1,047	(417 )	1,032
Income (loss) before income taxes	(5,350 )	1,025	(7,779 )	6,571
Income tax (provision) benefit	870	(163 )	1,351	(1,222 )
Net income (loss)	\$(4,480 )	\$862	\$(6,428 )	\$5,349
50-percent of Suoftec net income (loss)	\$(2,240 )	\$431	\$(3,214 )	\$2,675
Intercompany profit elimination	36	189	68	30
Equity in earnings (loss) of Suoftec	\$(2,204 )	\$620	\$(3,146 )	\$2,705

## Note 12 – Accounts Receivable

(Dollars in thousands)

	June 28, 2009	December 28, 2008
Trade receivables	\$ 46,054	\$ 82,647
Tooling reimbursement receivables	3,799	4,628
Other receivables	5,666	5,279
	55,519	92,554
Allowance for doubtful accounts	(1,515)	(3,128)
Accounts receivable, net	\$ 54,004	\$ 89,426

Shortly after the bankruptcy filings by Chrysler on April 30, 2009 and by GM on June 1, 2009, both customers designated us as a key supplier, indicating that all pre- and post-petition accounts receivable would be paid in accordance with payment terms existing prior to the bankruptcy filing dates. The pre-petition accounts receivable for the Chrysler entities that filed for bankruptcy totaled \$2.9 million as of the date of filing. As of June 28, 2009, \$2.7 million of the pre-petition accounts receivable has been paid, leaving a balance of \$0.2 million scheduled for payment



at a future date.

The pre-petition accounts receivable for the GM entities that filed for bankruptcy totaled \$7.2 million as of the date of filing. As of June 28, 2009, the entire pre-petition accounts receivable balance was still unpaid, since GM did not emerge from bankruptcy until July 10, 2009. However, as of August 3, 2009, \$6.5 million of the GM pre-petition accounts receivable has been paid, leaving a balance of \$0.7 million scheduled for payment at a future date. We do not anticipate having to write-off any of the remaining pre-petition accounts receivable for either customer.

Table of Contents

## Note 13 – Inventories

(Dollars in thousands)

	June 28, 2009	December 28, 2008
	\$ 3,203	\$
Raw materials		12,755
Work in process	13,267	22,266
Finished goods	29,918	35,094
	\$ 46,388	\$
Inventories, net		70,115

## Note 14 – Property, Plant and Equipment

(Dollars in thousands)

	June 28, 2009	December 28, 2008
	\$ 69,130	\$
Land and buildings		86,600
Machinery and equipment	405,994	464,674
Leasehold improvements and others	8,723	9,359
Construction in progress	6,641	18,728
	490,488	579,361
Accumulated depreciation	(302,259)	(363,152)
	\$ 188,229	\$
Property, plant and equipment, net		216,209

Depreciation expense was \$7.6 million for the thirteen weeks ended June 28, 2009 compared to \$11.7 million for the same period ended June 29, 2008. Depreciation expense was \$15.5 million for the twenty-six weeks ended June 28, 2009 compared to \$23.0 million for the same period ended June 29, 2008. The impairment charges are recorded in the appropriate fixed assets cost categories in the table above as discussed in Note 4 – Impairment of Long-lived Assets, Other Charges and Assets Held for Sale.

## Note 15 – Retirement Plans

We previously had individual Salary Continuation Agreements with all of our directors, officers, and other key members of management who are participants in our unfunded supplemental executive retirement program. Due to recent changes in the tax laws, payments made under this program could be subject to substantial new taxes for the participants, which may be avoided if these agreements are amended or are replaced by a plan that complies with such law changes. In the first quarter of 2008, we offered affected participants the opportunity to terminate their individual Salary Continuation Agreements and become a participant in a new unfunded Salary Continuation Plan (Plan), which now covers all subsequent participants. The terms of both the Salary Continuation Agreements and the Plan provide that after having reached specified vesting dates and after reaching the age of 65 (or in the event of death while in the employ of the company prior to separation from service), the company will pay to the individual, upon ceasing to be employed by the company for any reason, a benefit equal to 30 percent of the individual's final average compensation over the preceding 36 months. Final average compensation only includes base salary. The benefit is paid weekly and continues for the retiree's remaining life or for a minimum of ten years.

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For the twenty-six weeks ended June 28, 2009, payments to retirees or their beneficiaries approximating \$457,000 have been made. We presently anticipate benefit payments in 2009 to total approximately \$894,000.

(Dollars in thousands)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Service cost	\$223	\$118	\$447	\$236
Interest cost	301	289	603	578
Net amortization	16	42	31	84
Net periodic pension cost	\$540	\$449	\$1,081	\$898

Table of Contents

Note 16 – Commitments and Contingencies

Derivative Litigation

In late 2006, two shareholder derivative complaints were filed, one each by plaintiffs Gary B. Eldred and Darrell D. Mack, based on allegations concerning some of the company's past stock option grants and practices. These cases were subsequently consolidated as *In re Superior Industries International, Inc. Derivative Litigation*, which is pending in the United States District Court for the Central District of California. In the plaintiffs' consolidated complaint, filed on March 23, 2007, the company was named only as a nominal defendant from whom the plaintiffs sought no monetary recovery. In addition to naming the company as a nominal defendant, the plaintiffs named various present and former employees, officers and directors of the company as individual defendants from whom they sought monetary and/or equitable relief, purportedly for the benefit of the company.

Plaintiffs purported to base their claims against the individual defendants on allegations that the grant dates for some of the options granted to certain company directors, officers and employees occurred prior to upward movements in the stock price, and that the stock option grants were not properly accounted for in the company's financial reports and not properly disclosed in the company's SEC filings. The company and the individual defendants filed motions to dismiss plaintiffs' consolidated complaint on May 14, 2007. In an order dated August 9, 2007, the court granted our motion to dismiss the consolidated complaint, and granted the plaintiffs leave to file an amended complaint.

On August 29, 2007, the plaintiffs filed an amended consolidated complaint that was substantially similar to the prior consolidated complaint. In response, the company and the individual defendants filed motions to dismiss on September 21, 2007. In an order dated April 14, 2008, the court again granted our motion to dismiss the amended consolidated complaint, with leave to amend. On May 5, 2008, the plaintiffs filed a second amended consolidated shareholder derivative complaint that alleges claims substantially similar to the prior complaints. Once again, the company and the individual defendants filed motions to dismiss on May 30, 2008. The court conducted a hearing on the motions to dismiss on September 15, 2008 but has yet to rule on the motions. On March 6, 2009, the court ordered that it would hold its rulings in abeyance for 60 days to permit the parties an opportunity to conclude settlement negotiations. On May 5, 2009 and July 7, 2009 the parties requested an additional 60 days to conclude settlement negotiations, which the court granted in both cases. Discovery is stayed in the case pending resolution of motions to dismiss. We anticipate that the resolution of this matter will not have a material adverse affect on our financial position or results of operations.

Air Quality Matters

The South Coast Air Quality Management District (the SCAQMD) issued to us notices of violation (NOVs) on December 14, 2007 and in late 2008 and early 2009, alleging violations of certain permitting and air quality rules at our Van Nuys, California manufacturing facility. The late 2008 and early 2009 notices were issued as a matter of administrative procedure well after the company self-disclosed and corrected certain discrepancies associated with the manner that the facility reported nitrogen oxide (NOx) emissions from 2004 through 2007. After researching the history of the air quality permits and other facts, we worked closely with the SCAQMD to achieve compliance. We met with the SCAQMD on May 1, 2008 and October 17, 2008 to discuss the permit modifications needed to resolve the issues raised in the NOVs, to address other compliance issues, and to reconcile any NOx emission reporting deficiencies over the last several years.

We have taken all steps to remedy the issues associated with the violations. The initial NOVs alleged that we failed to submit permit applications to modify the burners for the three furnaces and failed to update the NOx emission factors for the same three furnaces. We agreed to conduct source testing to update the NOx emission factors and to submit new permit applications for the furnaces, which we did on June 6, 2008. The agency has not yet processed the furnace

applications because it had placed a temporary hold on all applications in order to address internal agency policy on the processing of permit applications. In an effort to expedite permitting, we proposed amendments to the furnace permit applications in early 2009. Additionally, to address the permit for two facility paint powder booths, we obtained an administrative variance order on April 22, 2009 that revised the conditions that should apply to the two powder booths. Further, on May 15, 2009, we reconciled all issues associated with the late 2008 and early 2009 NOV's that related to the manner that the facility reports NOx emissions.

We are in the process of proposing that in lieu of penalties, the violations be resolved primarily through surrendering applications for certain emission reductions or trading credits that arose when the Van Nuys manufacturing activities ceased in June 2009. It is premature to anticipate what the probable resolution may be or its associated cost. We anticipate that the resolution of these matters will not have a material adverse effect on our financial position or results of operations.

Table of Contents

Other

We are party to various other 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.

For additional information concerning contingencies, risks and uncertainties we face, see Note 17 – Risk Management.

Note 17 – 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, changing commodity prices for the materials used in the manufacture of our products, and the development of new products.

The functional currencies of our foreign operations in Mexico and Hungary are the Mexican peso and the euro, respectively. We have foreign operations in Mexico and Hungary that, due to the settlement of accounts receivable and accounts payable, require the transfer of funds denominated in their respective functional and legal currencies – the Mexican peso and the euro. The value of the Mexican peso increased by 4 percent in relation to the U.S. dollar in the first two quarters of 2009. The euro experienced no significant change versus the U.S. dollar in the first two quarters of 2009. Foreign currency transaction losses in the second quarter of 2009 totaled \$1.6 million compared to a loss of \$1.3 million in the same period a year ago. For the first half of 2009, we had foreign currency transaction losses totaling \$1.6 million compared to a loss of \$1.7 million in 2008. All transaction gains and losses are included in other income (expense) in the consolidated statement of operations.

As it relates to foreign currency translation gains and losses, however, since 1990, the Mexican peso has experienced periods of relative stability followed by periods of major declines in value. The impact of these changes in value relative to our Mexico operations has resulted in a cumulative unrealized translation loss at June 28, 2009 of \$61.8 million. Since our initial investment in our joint venture in Hungary in 1995, the fluctuations in functional currencies have resulted in a cumulative unrealized translation gain at June 28, 2009 of \$5.7 million. Translation gains and losses are included in other comprehensive income (loss) in the consolidated statements of shareholders' equity and comprehensive loss.

When market conditions warrant, we may also enter into contracts to purchase certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials in order to mitigate commodity price risk. Typically, any such commodity commitments are expected to be purchased and used over a reasonable period of time in the normal course of business. Accordingly, such normal purchase/normal sale (NPNS) commitments are not subject to the provisions of SFAS No. 133, unless there is a change in the facts or circumstances in regard to the probability of taking full delivery of the contracted quantities.

We currently have several purchase agreements for the delivery of natural gas through 2012. With the recent closure of our manufacturing facility in Van Nuys, California in June 2009, and our recently completed closure in December 2008 of our manufacturing facility in Pittsburg, Kansas, we will no longer qualify for the NPNS exemption provided for under SFAS No. 133 for the remaining natural gas purchase commitments related to those facilities. In addition, we have concluded that the natural gas purchase commitments for our manufacturing facility in Arkansas and certain natural gas commitments for our facilities in Chihuahua, Mexico no longer qualify for the NPNS exemption provided for under SFAS No. 133, since we can no longer assert that it is probable we will take full delivery of these contracted quantities in light of the continued decline of our industry. In accordance with SFAS No. 133, these natural gas

purchase commitments are classified as being with “no hedging designation” and, accordingly, we are required to record any gains and/or losses associated with the changes in the estimated fair values of these commitments in our current earnings. The contract and fair values of these purchase commitments classified as “no hedging designation” at June 28, 2009 were \$12.9 million and \$7.9 million, respectively, which represents a gross liability of \$5.0 million, of which \$3.7 million was included in accrued expenses and the remaining \$1.3 million was included in other non-current liabilities in our June 28, 2009 condensed consolidated balance sheet. The gains and losses on these commitments totaled a gain of \$0.5 million in the second quarter of 2009 and a loss of \$3.4 million for the first half of 2009 which were included in cost of sales of our 2009 condensed consolidated statement of operations.

Based on the quarterly analysis of our estimated future production levels, certain natural gas purchase commitments with a contract value of \$11.2 million and a fair value of \$8.0 million for our manufacturing facilities in Mexico continue to qualify for the NPNS exemption provided for under SFAS No. 133, since we can assert that it is probable we will take full delivery of the contracted quantities. The contract and fair values of all natural gas purchase commitments were \$24.1 million and \$15.9 million, respectively, at June 28, 2009. As of December 28, 2008, the aggregate contract and fair values of natural gas commitments were approximately \$28.0 million and \$21.1 million, respectively. Percentage changes in the market prices of natural gas will impact the fair values by a similar percentage.

## Table of Contents

The recurring fair value measurement of the natural gas purchase commitments are based on quoted market prices using the market approach and the fair value is determined based on Level 1 inputs within the fair value hierarchy provided for under SFAS No. 157.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. We may from time to time make written or oral statements that are "forward-looking" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, including statements contained in this report and other filings with the SEC and other reports and public statements. These statements may, for example, express expectations or projections about future actions or results that we may anticipate but, due to developments beyond our control, do not materialize. Actual results could differ materially because of issues and uncertainties such as those listed herein, which, among others, should be considered in evaluating our financial outlook. The principal factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to, changes in the automotive industry, including the financial distress of our OEM customers and changes in consumer preferences for end products, fluctuations in production schedules for vehicles for which we are a supplier, increased global competitive pressures, our dependence on major customers and third party suppliers and manufacturers, our ability to achieve cost savings from reductions in manufacturing capacity, our exposure to foreign currency fluctuations, increasing fuel prices and other factors or conditions described in Item 1A – Risk Factors in Part II of this Quarterly Report on Form 10-Q and in Item 1A – Risk Factors in Part I of our 2008 Annual Report on Form 10-K. We assume no obligation to update publicly any forward-looking statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and notes thereto.

#### Executive Overview

The second quarter of 2009 continued to include extremely difficult market conditions in the U.S. auto industry due to the further deterioration of market demand for cars and light trucks in North America. Since late 2008, both GM and Chrysler have been provided with emergency funding from the U.S. federal government as part of efforts to restructure both automakers. On April 23, 2009, GM announced extended plant shutdown schedules that took place primarily in the second quarter of 2009. Certain GM plants temporarily ceased production for as long as nine weeks in this period, impacting primarily production of full size pick-up trucks and SUVs, with less downtime at facilities supporting passenger cars and crossover type SUVs. On April 30, 2009, Chrysler, another of our key customers, announced that it had reached an agreement in principle to establish an alliance with Fiat SpA, and that despite substantial progress in obtaining concessions from many of its lenders it was unable to avoid filing a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. The Chrysler announcement also indicated that all assembly plants would be closed during the bankruptcy proceedings. This was followed on June 1, 2009 by GM's announcement that it was also filing for protection under Chapter 11 of the U.S. Bankruptcy Code. Chrysler and GM emerged from bankruptcy on June 10, 2009 and July 10, 2009, respectively. Shortly after the Chapter 11 filings, both Chrysler and GM designated us as a key supplier, indicating that all pre- and post-petition accounts receivable would be paid in accordance with payment terms existing prior to the bankruptcy filing.

While we have had long term relationships with our customers and our supply arrangements are generally for multi-year periods, the unprecedented recent bankruptcy filings and announcements of North American automotive plant closures and other restructuring activities by our customers have and will continue to have a negative impact on



our business. We are unable to quantify the impact on our operating results for future periods until we receive additional details concerning the specific plants and wheel programs affected by these actions.

We have taken steps to manage our costs in order to rationalize our production capacity after announcement by our major customers of assembly plant closures and sweeping production cuts, particularly in the light truck and SUV platforms. In August 2008, we announced the planned closure of our wheel manufacturing facility located in Pittsburg, Kansas, and workforce reductions in our other North American plants, resulting in the layoff of approximately 665 employees and the elimination of 90 open positions. On January 13, 2009, we also announced the planned closure of our Van Nuys, California wheel manufacturing facility, thereby eliminating an additional 290 jobs. The Kansas facility ceased operations in December 2008 and the California facility terminated operations in June 2009.

Table of Contents

Due to the deteriorating financial condition of our major customers and others in the automotive industry, we again performed impairment analyses on all long-lived assets in our operating plants, in accordance with SFAS No. 144. Our estimated undiscounted cash flow projections as of the end of the second quarter of 2009 exceeded the asset carrying values in all of our wheel manufacturing plants. Additionally, because our 50-percent owned joint venture in Hungary is also affected by these same economic conditions, we performed an analysis of our investment in the joint venture, in accordance with APB No. 18. This analysis also indicated that our investment was not impaired as of June 28, 2009.

Our customers continue to request price reductions as they work through their own financial hurdles. We are engaged in ongoing programs to reduce our own costs through process automation and identification of industry best practices, and we have been successful in substantially mitigating pricing pressures in the past. However, it has become increasingly more difficult to react quickly enough given the continuing pressure for price reductions, reductions in customer orders, and the lengthy transitional periods necessary to reduce labor and other costs. As such, our profit margins will continue to be lower than our historical levels. We will continue to strive to increase our operating margins from current operating levels by aligning our plant capacity with industry demand and aggressively implementing cost-saving strategies to enable us to meet customer-pricing expectations. However, as we incur costs to implement these strategies, the initial impact on our future financial position, results of operations and cash flow may be negative, the extent to which cannot be predicted. Additionally, even if successfully implemented, these strategies may not be sufficient to offset the impact of on-going pricing pressures and additional reductions in customer demand in future periods.

Overall North American production of passenger cars and light trucks in the second quarter was reported by industry publications as being down approximately 48 percent versus the same period a year ago, with production of passenger cars decreasing 45 percent while production of light trucks and SUVs decreased 51 percent. The U.S. automotive industry continued to be impacted negatively by extended assembly plant closures, the lack of available consumer credit as a result of the deterioration of the U.S. financial markets and overall recessionary economic conditions in the U.S.

Consolidated revenues in the second quarter of 2009 decreased \$136.5 million, or 63 percent, to \$80.9 million from \$217.4 million in the same period a year ago. Wheel sales decreased \$132.1 million, or 63 percent, to \$78.6 million from \$210.7 million in the second quarter a year ago, as our wheel shipments decreased 52 percent to approximately 1.4 million. For the second consecutive quarter unit shipments approximated 1.4 million wheels, which is the lowest level for any quarter since the first quarter of 1992. This shipment decrease and the resulting decline in wheel production profoundly impacted our ability to absorb fixed costs during the quarter, resulting in a gross margin loss of \$(12.1) million. The net loss after income taxes and equity earnings for the period was \$(21.0) million, or \$(0.79) per diluted share, compared to a net income in 2008 of \$5.1 million, or \$0.19 per diluted share.

## Results of Operations

(Dollars in thousands,  
except per share  
amounts)

Selected data	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Net sales	\$ 80,886	\$ 217,385	\$ 162,434	\$ 439,623
Gross profit (loss)	\$ (12,056 )	\$ 12,054	\$ (26,569 )	\$ 21,440
Percentage of net sales	-14.9 %	5.5 %	-16.4 %	4.9 %
	\$ (20,788 )	\$ 5,154	\$ (48,986 )	\$ 8,330

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Income (loss) from  
operations

Percentage of net sales	-25.7	%	2.4	%	-30.2	%	1.9	%
Net income (loss)	\$	(20,969 )	\$	5,095	\$	(77,470 )	\$	8,274