SUPERIOR INDUSTRIES INTERNATIONAL INC
Form 10-K
March 11, 2016
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 27, 2015

Commission file number: 1-6615

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

Delaware	95-2594729
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

26600 Telegraph Road, Suite 400	
Southfield, Michigan	48034
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (248) 352-7300
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]
Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]	Non-accelerated filer [ ]	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The aggregate market value of the registrant's $0.01 par value common equity held by non-affiliates as of the last business day of the registrant's most recently completed second quarter was $499,546,000, based on a closing price of $18.69. On March 4, 2016, there were 25,436,582 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's 2016 Annual Proxy Statement, to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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PART I

ITEM 1 - BUSINESS

Description of Business and Industry

The principal business of Superior Industries International, Inc. (referred to herein as the “company” or in the first person notation “we,” “us” and “our”) is the design and manufacture of aluminum 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 for global OEMs. Our OEM aluminum wheels primarily are sold for factory installation, as either optional or standard equipment, on many vehicle models manufactured by BMW, Fiat Chrysler Automobiles N.V. ("FCA"), Ford, General Motors ("GM"), Mitsubishi, Nissan, Subaru, Tesla, Toyota and Volkswagen.

We have gone through a transformation over the last several years as we have shifted our manufacturing base from higher cost to lower cost sources. With the diversification and increased demands for more customized premium wheels, we have made investments in engineering and design. With these investments, we are enhancing our capabilities to become a leader in premium wheels. We have doubled the wheel finishes that we offer in the last couple of years and we have developed patents, which is all part of our strategic evolution to become a competitive full line manufacturer of aluminum wheels. Another part of our evolution was to move our corporate office to Southfield, Michigan to be closer to many of our customers so we can further strengthen relationships and partner with them to design world class products. We have made significant strides with our customers over the last year as evidenced by receiving the 2015 supplier of the year award from GM. With the addition of our new facility in Mexico we have expanded our manufacturing capacity to allow for growth in the next couple of years. We continue to explore and implement operating improvements to further expand manufacturing capacity with relatively low capital investment. We are also investigating acquisition opportunities to further enhance the value and drive the growth of our business. The charts below show our major customers and our manufacturing capacity by headcount split between lower cost and higher cost sourced labor.

Our industry is mainly driven by production levels in North America and to a much lesser extent in South America. The North American production level, in 2015, was 17.4 million vehicles, a 3 percent, or 0.5 million unit, increase over 2014. 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, low consumer interest rates and relatively inexpensive gas prices 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 2015 that the average age of all light vehicles in the U.S. increased to an all-time high of 11.5 years, according to IHS Automotive.

In 2014, production of automobiles and light-duty trucks in North America reached 16.9 million units, an increase of 5 percent over 2013. Production in 2013 reached 16.1 million units, an increase of 0.7 million, or 5 percent, from 15.4 million vehicles in 2012.

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

Raw Materials

The raw materials used in manufacturing 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 wheels, which accounted for the vast majority of our total raw material requirements during 2015. The majority of our aluminum requirements are met through purchase orders with certain major producers, with physical supply coming from North American locations. Generally, the orders are fixed as to minimum and maximum quantities of aluminum, which the producers must supply during the term of the orders. During 2015, 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 2016. We procure other raw materials through numerous suppliers with whom we have established trade relationships.

When market conditions warrant, we also may enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. We had purchase commitments for the delivery of natural gas through the end of 2015. These natural gas contracts were considered to be derivatives under U.S. generally accepted accounting principles ("GAAP"), and when entering into these contracts, it was expected that we would take full delivery of the contracted quantities of natural gas over the normal course of business. Accordingly, at inception, these contracts qualified for the normal purchase, normal sale ("NPNS") exemption provided under U.S. GAAP.

Customer Dependence

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

Ford, GM, Toyota and FCA were our only customers individually accounting for more than 10 percent of our consolidated trade sales. Net sales to these customers in 2015, 2014 and 2013 were as follows (dollars in millions):

	2015		2014		2013	
	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars
Ford	44%	$315.1	44%	$321.6	45%	$349.7
GM	24%	$175.6	24%	$175.8	24%	$186.4
Toyota	14%	$104.5	12%	$88.3	12%	$92.1
FCA	8%	$56.3	10%	$72.0	10%	$78.1

The loss of all or a substantial portion of our sales to Ford, GM, Toyota or FCA would have a significant adverse effect on our financial results. See also Item 1A - Risk Factors 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 2015 totaled $550.7 million and represented 76 percent of our total net sales. The portion of our products produced in Mexico versus the United States will increase in 2016, as we expect to achieve full commercial production at a new wheel plant in Mexico for most of 2016. Net property, plant and equipment used in our operations in Mexico totaled $190.4 at December 31, 2015, including $112.2 million related to our recently completed wheel plant. The overall cost for us to manufacture wheels in Mexico currently is lower than the cost to manufacture wheels in the U.S., in particular, because of reduced labor cost due to lower prevailing wage rates. Such current advantages to manufacturing our product in Mexico can be affected by changes in cost structures, trade protection laws, policies and other regulations affecting trade and investments, social, political, labor, or general economic conditions in Mexico. Other factors that can affect the business and financial results of our Mexican operations include, but are not limited to, valuation of the peso, availability and competency of personnel and tax regulations in Mexico. See also Item 1A- Risk Factors - International Operations and Item 1A - Risk Factors - Foreign Currency Fluctuations.

Net Sales Backlog

We receive OEM purchase orders to produce aluminum wheels typically for multiple model years. These purchase orders are typically for one year for vehicle wheel programs that usually last three to five years. 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 wheels is based primarily on price, technology, quality, delivery and overall customer service. We are one of the leading suppliers of aluminum wheels for OEM installations in the world, and are the largest producer in North America. We currently supply approximately 20 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 but we have more than twice the North American production capacity of any competitor based on our current estimation. See also Item 1A - Risk Factors 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 79 percent for the 2015 model year and 81 percent for the 2014 model year, compared to 80 percent for the 2013 model year. We expect the ratio of aluminum to steel wheels to remain relatively stable. However, several factors can affect this rate including price, fuel economy requirements and styling preference. Although aluminum wheels currently are more costly than steel, aluminum is a lighter material than steel, which is desirable for fuel efficiency and generally viewed as aesthetically superior to steel, and thus more desirable to the OEMs and their customers.

Research and Development

Our policy is to continuously review, improve and develop our engineering capabilities to satisfy our customer requirements in the most efficient and cost effective manner available. We strive to achieve this objective by attracting and retaining top engineering talent and by maintaining the latest state-of-the-art computer technology to support engineering development. A fully staffed engineering center, located in Fayetteville, Arkansas, supports our research and development manufacturing needs. We also have a technical sales center at our corporate headquarters in Southfield, Michigan that maintains a complement of engineering staff centrally located near some of our largest customers' headquarters and 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 $2.6 million in 2015; $4.4 million in 2014; and $4.8 million in 2013.

Government Regulation

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

Environmental Compliance

Our manufacturing facilities, like most other manufacturing companies, are subject to solid waste, water and air pollution control standards mandated by federal, state and local laws. Violators of these laws are subject to fines and, in extreme cases, plant closure. We believe our facilities are in material compliance with all presently applicable standards. However, costs related to environmental protection may grow due to increasingly stringent laws and regulations. The cost of environmental compliance was approximately $0.7 million in 2015; $0.4 million in 2014; and $0.5 million in 2013. 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.

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Employees

As of December 31, 2015, we had approximately 3,050 full-time employees compared to approximately 3,000 employees at December 31, 2014. 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 2015, 2014 and 2013 comprised the 52-week periods ended on December 27, 2015, December 28, 2014 and December 29, 2013, respectively. For convenience of presentation, all fiscal years are referred to as beginning as of January 1, and ending as of December 31, but actually reflect our financial position and results of operations for the periods described above.

Segment Information

We operate as a single integrated business and, as such, have only one operating segment - automotive wheels. Financial information about this segment and geographic areas is contained in Note 5 - 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.

Available Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q and any amendments thereto are available, without charge, on or through our website, www.supind.com, under “Investors,” as soon as reasonably practicable after they are filed electronically with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website, www.sec.gov, which contains these reports, proxy and information statements and other information regarding the company. Also included on our website, www.supind.com, under "Investor," is our Code of Conduct, which, among others, applies to our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. Copies of all SEC filings and our Code of Conduct are also available, without charge, upon request from Superior Industries International, Inc., Shareholder Relations, 26600 Telegraph Road, Suite 400, Southfield, MI 48034.

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

ITEM 1A - RISK FACTORS

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

("MD&A") and Item 8 - Financial Statements and Supplementary Data of this Annual Report.

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

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Risks Relating To Our Company

The automotive industry is cyclical and volatility in the automotive industry could adversely affect our financial performance.

The majority of our sales are made in domestic U.S. markets and almost exclusively within North America. Therefore, our financial performance depends largely on conditions in the U.S. automotive industry, which in turn can be affected significantly by broad economic and financial market conditions. Consumer demand for automobiles is subject to considerable volatility as a result of consumer confidence in general economic conditions, levels of employment, prevailing wages, fuel prices and the availability and cost of consumer credit. With steady improvement in the North American automotive industry since the global recession that began in 2008, vehicle production levels in 2015 reached the highest level in the last decade. However, there can be no guarantee that the improvements in recent years will be sustained or that reductions from current production levels will not occur in future periods. Demand for aluminum wheels can be further affected by other factors, including pricing and performance comparisons to competitive materials such as steel. Finally, the demand for our products is influenced by shifts of market share between vehicle manufacturers and the specific market penetration of individual vehicle platforms being sold by our customers.

A limited number of customers represent a large percentage of our sales. The loss of a significant customer or decrease in demand could adversely affect our operating results.

Ford, GM, Toyota and FCA, together represented approximately 90 percent of our total wheel sales in 2015. Our OEM customers are not required to purchase any minimum amount of products from us. Increasingly global procurement practices, the pace of new vehicle introduction and demand for price reductions may make it more difficult to maintain long-term supply arrangements with our customers, and there are no guarantees that we will be able to negotiate supply arrangements with our customers on terms acceptable to us in the future. The contracts we have entered into with most of our customers provide that we will manufacture wheels for a particular vehicle model, rather than manufacture 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 consumer demand for certain key models or group of related models sold by any of our major customers, or a decision by a manufacturer not to purchase from us, or to discontinue purchasing from us, for a particular model or group of models, could adversely affect our results of operations and financial condition.

Our new operations at a recently constructed facility in Mexico may not achieve the expected benefits.

In anticipation of continued growth in demand for aluminum wheels in the North American market, we constructed a new manufacturing facility in Mexico. Initial commercial production at this facility began in early 2015. The new manufacturing facility entails a number of risks, including the ability to ramp-up commercial production within the cost and time-frame 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. 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 products manufactured at our existing factories.

We experience continual pressure to reduce costs.

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

We operate in a highly competitive industry.

The automotive component supply industry is highly competitive, both domestically and internationally. Competition is based on a number of factors, including price, technology, quality, delivery and overall customer service and available capacity to meet customer demands. Some of our competitors are companies, or divisions or subsidiaries of companies, which are 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. In particular, our ability to increase manufacturing capacity typically requires significant investments in facilities, equipment and personnel. Our operating facilities are at full or near to full capacity levels which may cause us to incur labor costs 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. 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 poses 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, develop products that are superior to our products, have the ability to produce similar products at a lower cost, or adapt more quickly to new technologies or evolving customer requirements. Consequently, our products may not be able to compete successfully with competitors' products.

Our international operations make us vulnerable to risks associated with doing business in foreign countries.

We manufacture a substantial portion of our products in Mexico, have a minor investment in a wheel manufacturing company in India and we sell our products internationally. Accordingly, unfavorable changes in foreign cost structures, trade protection laws, regulations and policies affecting trade and investments and social, political, labor, or economic conditions in a specific country or region, 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, 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.

Fluctuations in foreign currencies may adversely impact our financial condition.

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

In addition, due to customer requirements, we have experienced a significant shift in the currency denominated in our contracts with our customers. As a result of this change, we currently project that in 2016 and beyond the vast majority of our revenues will be denominated in the US dollar, rather than a more balanced mix of U.S. dollar and Mexican peso. In the past we have relied upon significant revenues denominated in the Mexican peso to provide a "natural hedge" against foreign exchange rate changes impacting our peso denominated costs incurred at our facilities in Mexico. Accordingly, the foreign exchange exposure associated with peso denominated costs is a growing risk and could have a material adverse effect on our operating results.

Fluctuations in foreign currency exchange rates may also affect the value of our foreign assets as reported in U.S. dollars, and may adversely affect reported earnings and, accordingly, the comparability of period-to-period results of operations. Changes in currency exchange rates may affect the relative prices at which we and our foreign competitors sell products in the same market. In addition, changes in the value of the relevant currencies may affect the cost of certain items required in our operations. We cannot ensure that fluctuations in exchange rates will not otherwise have a material adverse effect on our financial condition or results of operations, or cause significant fluctuations in

quarterly and annual results of operations.
We may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions and forecasted future cash flows. We have implemented a program to hedge a portion of our material foreign exchange exposures, typically for up to 36 months. However, we may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to accounting considerations and the prohibitive economic cost of hedging particular exposures. There is no guarantee that our hedge program will effectively mitigate our exposures to foreign exchange changes which could have material adverse effects on our cash flows and results of operations.

Increases in the costs and restrictions on availability of raw materials could adversely affect our operating margins and cash flow.

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

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of raw materials may be driven by the supply/demand relationship for that commodity or governmental regulation. In addition, if any of our suppliers seek bankruptcy relief or otherwise cannot continue their business as anticipated, the availability or price of raw materials could be adversely affected.

Although we are able to periodically pass certain aluminum cost increases on to 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.

Interruption in our production capabilities could reduce our operating results.

An interruption in production capabilities at any of our facilities as a result of equipment failure, interruption of raw materials 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.

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

Aluminum and alloy pricing may have a material effect on our operating margins and results of operations.

The cost of aluminum is a significant component in the overall cost of a wheel and in our selling prices to OEM customers. The price for aluminum we purchase is adjusted monthly based primarily on changes in certain published market indices, but the timing of such adjustments is based on specific customer agreements and can vary from monthly to quarterly. As a result, the timing of aluminum price adjustments flowing through sales rarely will match the timing of such changes in cost, and can result in fluctuations to our gross profit. This is especially true during periods of frequent increases or decreases in the market price of aluminum.

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

Implementing a new enterprise resource planning system could interfere with our business or operations.

We are in the process of implementing a new enterprise resource planning (ERP) system. This project requires a significant investment of capital and human resources, the re-engineering of many processes of our business, and the attention of many personnel who would otherwise be focused on other aspects of our business. Should the system not be implemented successfully, or if the system does not perform in a satisfactory manner once implementation is complete, our business and operations could be disrupted and our results of operations negatively affected, including our ability to report accurate and timely financial results.

We are from time to time subject to litigation, which could adversely impact our financial condition or results of operations.

The nature of our business exposes 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. 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.

We may be unable to successfully implement cost-saving measures or achieve expected benefits under our plans to improve operations.

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. 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 are making it increasingly more difficult to reduce our costs. It is possible that as we incur costs to implement improvement strategies, the impact on our financial position, results of operations and cash flow may be negative.

We may be unable to successfully launch new products and/or achieve technological advances.

In order to effectively compete in the automotive supply industry, we must be able to launch new products and adopt technology 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 for new product programs in time for the start of production, or that the transitioning of our manufacturing facilities and resources 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 the launch of their new product programs on schedule. 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. Further, changes in competitive technologies may render certain of our products obsolete or less attractive. Our ability to anticipate changes in technology 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. Our failure to successfully and timely launch new products or adopt new technologies, or a failure by our customers to successfully launch new programs, could adversely affect our results. 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 subject to various environmental laws

We incur significant costs to comply with applicable environmental, health and safety laws and regulations in the ordinary course of our business. We cannot ensure that we have been or will be at all times in complete compliance with such laws and regulations. Failure to be in compliance with such laws and regulations could result in material fines or sanctions. Additionally, changes to such laws or regulations may have a significant impact on our cash flows, financial condition and results of operations.

We are also 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. 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. 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.

Further, changes in legislation or regulation imposing reporting obligations on, or limiting emissions of greenhouse gases from, or otherwise impacting or limiting our equipment and operations or from the vehicles that use our products could adversely affect demand for those vehicles or require us to incur costs to become compliant with such regulations.

We may be unable to attract and retain key personnel.

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

Our share repurchase program may limit our flexibility to pursue other initiatives.

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

We may be unable to maintain 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 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.

A disruption in our information technology systems, including a disruption related to cybersecurity, could adversely affect our financial performance.

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, an 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.

We may be unable to successfully achieve expected benefits from our joint ventures or acquisitions.

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

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our worldwide headquarters is located in Southfield, Michigan. We currently maintain and operate a total of five facilities that manufacture aluminum wheels for the automotive industry. Four of these five facilities are located in Chihuahua, Mexico and one facility is located in Fayetteville, Arkansas. One of the facilities in Chihuahua, Mexico is new, with construction completed in 2014. The new facility also produces aluminum wheels for the automotive industry, and production levels reached initial rated capacity in the fourth quarter of 2015. An expansion to this facility is in the process of being installed and is expected to be completed during the first quarter of 2016. Excluding the Rogers, Arkansas location which was closed in 2014, the five active facilities encompass 2,540,000 square feet of manufacturing space. We own all of our manufacturing facilities, and we lease one warehouse in Rogers, Arkansas and our worldwide headquarters located in Southfield, Michigan.

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

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

ITEM 3 - LEGAL PROCEEDINGS

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.

ITEM 4A - EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding executive officers who are also Directors is contained in our 2016 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 2016 Annual Proxy Statement, which is incorporated herein by reference.

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

Name	Age	Position	Assumed Position
Scot S. Bowie	42	Vice President and Corporate Controller	2015
		Corporate Controller, Black Diamond Equipment.	2014
		Chief Accounting Officer, Affinia Group Inc.	2011
		Corporate Controller of External Reporting, Affinia Group Inc.	2008
Parveen Kakar	49	Senior Vice President Sales, Marketing and Product Development	2014
		Senior Vice President, Corporate Engineering and Product Development	2008
		Vice President, Program Development	2003
Lawrence R. Oliver	51	Senior Vice President, Manufacturing Operations	2015
		Vice President, Operations, GAF Materials Corporation	2014
		Vice President, Operations & Integrated Supply Chain, Ingersoll Rand PLC	2011
		General Manager and Director of Texas Operations, Residential, Commercial Water, ITT Corporation	2009
Kerry A. Shiba	61	Executive Vice President and Chief Financial Officer	2010
		Director - Ramsey Industries, LLC, a manufacturer of winches, truck mounted cranes and industrial drives	2010
		Senior Vice President and Chief Financial Officer - Remy International, a manufacturer of electrical automotive components	2006
James F. Sistek	52	Senior Vice President, Business Operations and Systems	2014
		Chief Executive Officer and Founder - Infologic, Inc.	2013
		Vice President, Shared Services and Chief Information Officer - Visteon Corporation	2009

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PART II

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

Our common stock is traded on the New York Stock Exchange (symbol: SUP). We had approximately 417 shareholders of record and 25.4 million shares issued and outstanding as of March 4, 2016.

	Superior Industries International, Inc.	Russel 2000	Proxy Peers
2011	$80	$96	$77
2012	$106	$111	$87
2013	$108	$155	$140
2014	$107	$162	$144
2015	$104	$155	$142

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Dividends

Per share cash dividends declared totaled $0.72 during 2015 and 2014. Dividends declared and paid in 2013 totaled $0.20 per share and excluded an accelerated payment of the 2013 regular cash dividend that was paid in December 2012 equal to $0.16 per share. In the third quarter of 2013, the Board of Directors approved a $0.02 increase in the company's quarterly dividend to $0.18 per share from $0.16 per share, or on an annualized basis to $0.72 per share from $0.64 per share. Continuation of dividends is contingent upon various factors, including economic and market conditions, none of which can be accurately predicted, and the approval of our Board of Directors.

Quarterly Common Stock Price Information

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

	2015		2014	
	High	Low	High	Low
First Quarter	$20.12	$17.63	$20.75	$16.89
Second Quarter	$19.68	$18.17	$21.77	$18.82
Third Quarter	$20.22	$16.60	$20.97	$17.94
Fourth Quarter	$20.45	$17.75	$20.25	$17.04

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On March 27, 2013, our Board of Directors approved a new stock repurchase program (the "2013 Repurchase Program") authorizing the repurchase of up to $30.0 million of our common stock. Through December 31, 2014, we repurchased and retired 1,510,759 shares under the program at a total cost of $30.0 million under the 2013 Repurchase Program.

In October 2014, our Board of Directors approved a new stock repurchase program (the "2014 Repurchase Program") authorized the repurchase of up to $30.0 million of our common stock. Under the 2014 Repurchase Program, we repurchased common stock from time to time on the open market or in private transactions, totaling 1,056,954 shares of company stock at a cost of $19.6 million in 2015 and 585,970 shares for $10.3 million in January 2016.

In January of 2016, our Board of Directors approved a new stock repurchase program (the “2016 Repurchase Program”), authorizing the repurchase of up to an additional $50.0 million of common stock. Under the 2016 Repurchase Program, we may repurchase common stock from time to time on the open market or in private transactions. The timing and extent of the repurchases under the 2016 Repurchase Program will depend upon market conditions and other corporate considerations in our sole discretion.

Recent Sales of Unregistered Securities

During the fiscal year 2015, there were no sales of unregistered securities.

In 2015, we withheld 12,260 shares at an average price per share of $19.36 for withholding taxes pertaining to a grant of common stock and the vesting of shares of restricted stock.

ITEM 6 - SELECTED FINANCIAL DATA

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

Our fiscal year is the 52- or 53-week period ending generally on the last Sunday of the calendar year. The fiscal years 2015, 2014, 2013 and 2011 comprised the 52-week periods ended on December 27, 2015, December 28, 2014, 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.

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Fiscal Year Ended December 31,	2015	2014	2013	2012	2011
Income Statement (000s)					
Net sales	$727,946	$745,447	$789,564	$821,454	$822,172
Value added sales (1)	$360,846	$369,355	$400,591	$397,915	$380,120
Closure and Impairment Costs (2)	$7,984	$8,429	$—	$—	$1,337
Gross profit	$71,217	$50,222	$64,061	$60,607	$67,060
Income from operations	$36,294	$17,913	$34,593	$32,880	$39,835
Income before income taxes and equity earnings	$35,283	$15,702	$36,841	$34,489	$41,926
Income tax (provision) benefit (3)	$(11,339)	$(6,899)	$(14,017)	$(3,598)	$25,243
Adjusted EBITDA (4)	$76,053	$55,753	$63,616	$59,599	$69,700
Net income	$23,944	$8,803	$22,824	$30,891	$67,169
Balance Sheet (000s)					
Current assets	$245,820	$276,011	$384,218	$404,908	$404,283
Current liabilities	$73,862	$71,962	$99,430	$66,578	$68,550
Working capital	$171,958	$204,049	$284,788	$338,330	$335,733
Total assets	$539,929	$579,910	$653,388	$599,601	$593,231
Long-term debt	$—	$—	$—	$—	$—
Shareholders' equity	$413,912	$439,006	$483,063	$466,905	$460,515
Financial Ratios					
Current ratio (5)	3.3:1	3.8:1	3.9:1	6.1:1	5.9:1
Return on average shareholders' equity (6)	5.6%	1.9%	4.8%	6.7%	15.4%
Share Data					
Net income					
- Basic	$0.90	$0.33	$0.83	$1.13	$2.48
- Diluted	$0.90	$0.33	$0.83	$1.13	$2.46
Shareholders' equity at year-end	$15.86	$16.42	$17.79	$17.11	$16.96
Dividends declared	$0.72	$0.72	$0.20	$1.12	$0.64

(1) Value added sales is a key measure that is not calculated according to U.S. generally accepted accounting principles ("GAAP"). In the discussion of operating results, we provide information regarding value added sales. Value added sales represents net sales less the value of aluminum and services provided by outside service providers that are included in net sales. As discussed further below, arrangements with our customers allow us to pass on changes in aluminum prices and outside service provider costs; therefore, fluctuations in underlying aluminum prices and the use of outside service providers generally do not directly impact our profitability. Accordingly, value added sales is worthy of being highlighted for the benefit of users of our financial statements. Our intent is to allow users of the financial statements to consider our net sales information both with and without the aluminum and outside service provider cost components thereof. During 2015, we modified the presentation of value added sales to also exclude third-party manufacturing costs passed directly through to customers and retrospectively applied this modification to 2011 thru 2014. See the Non-GAAP financial measures section of this annual report for reconciliation of value added sales to net sales.

(2) See Note 2 - Restructuring in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data in this Annual Report for a discussion of restructuring charges. During 2015, we completed the shutdown of the Rogers facility which resulted in a gross margin loss of $8.0 million. We incurred $4.3 million in restructuring costs related to an impairment of fixed assets and other associated costs such as asset relocation costs. Additionally, we incurred $2.0 million of further closure costs including carrying costs for the closed facility and $1.7

million in depreciation. The adjusted EBITDA impact of the Rogers facility closure for 2015 was $6.3 million, which includes the $4.3 million of restructuring costs and $2.0 million of carrying costs related to the closed facility. The carrying costs for the closed facility are not included in restructuring line in the Consolidated Income Statements of our Consolidated Financial Statements. During 2014, we had $8.4 million of restructuring costs related to the closure of the Rogers facility.

(3) See Note 10 - Income Taxes in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data in this Annual Report for a discussion of material items impacting the 2015, 2014 and 2013 income tax provisions.

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

(5) The current ratio is current assets divided by current liabilities.
(6) Return on average shareholders' equity is net income divided by average shareholders' equity. Average shareholders' equity is the beginning of the year shareholders' equity plus the end of year shareholders' equity divided by two.

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

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

Executive Overview

Adjusted EBITDA as a percent of value added sales grew to 21.1% in 2015 from 15.1% in 2014 as our initiatives to reduce costs in the current year and the prior year were realized. During the fourth quarter of 2014, we opened a new facility in Mexico and closed an older facility in Rogers. We ramped up the new facility to full capacity by the end of 2015. The new facility expands our capacity to take on new business and includes a state of the art paint facility, which improves our competitive position in higher value-added products. The transition of unit production to our operations in Mexico after the closure of the Rogers manufacturing facility and other cost-cutting initiatives resulted in a 14% decrease in manufacturing labor cost per wheel in 2015 when compared with 2014. The Company continued its strategic initiatives by moving its headquarters to Southfield, Michigan from California. This move brought all of its corporate departments together in one location, in order to be closer to and better serve its customers. The total estimated costs related to the relocation were approximately $4 million and were mainly incurred during the third and fourth quarters of 2015. Excluding the relocation costs, EBITDA as a percent of value added sales would have been 22.2%. The chart below illustrates the EBITDA margin improvement in the current year.

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We continue to focus on research and development to further customize our products and expand our market share.

We anticipate in 2016 that with our new plant at full capacity for the entire year we will continue to see improvements. During 2015, we completed the shutdown of the Rogers facility, which resulted in a gross margin loss of $8.0 million. We incurred $4.3 million in restructuring costs related to an impairment of fixed assets and other associated costs such as asset relocation costs. Additionally, we also experienced $2.0 million of further closure costs including inefficiencies and $1.7 million in depreciation. The adjusted EBITDA impact of the Rogers facility closure for 2015 was $6.3 million, which includes the $4.3 million of restructuring costs and $2.0 million of inefficiency costs related to the closure.

Overall North American production of passenger cars and light-duty trucks in 2015 was reported by industry publications as being flat versus 2014, with production of light-duty trucks which includes pick-up trucks, SUV's, vans and "crossover vehicles"--increasing 5 percent with production of passenger cars decreasing 1 percent. Current production levels of the North American automotive industry now have reached the highest level in the past decade. Results for 2015, 2014 and 2013 reflect the continuing trend of growth since the 2009 recession. Current economic conditions and low consumer interest rates have been generally supportive of market growth and, in addition, the continuing high levels in the average age of vehicles on the road appears to be contributing to higher rates of vehicle replacement.

Net sales in 2015 decreased $17.5 million to $727.9 million from $745.4 million in 2014. Wheel sales in 2015 decreased $15.4 million to $721.1 million from $736.5 million in 2014, while our wheel unit shipments increased 0.1 million to 11.2 million in 2015. Value added sales in 2015 decreased $8.6 million to $360.8 million from $369.4 million in 2014. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of value added sales to net sales.

Gross profit in 2015 was $71.2 million, or 10 percent of net sales, compared to $50.2 million, or 7 percent of net sales, in 2014. Net income for 2015 was $23.9 million, or $0.90 per diluted share, including income tax expense of $11.3 million, compared to net income in 2014 of $8.8 million, or $0.33 per diluted share, which included an income tax expense of $6.9 million. Net income as a percentage of net sales was 3 percent in 2015, as compared to 1 percent in 2014. Adjusted EBITDA as a percentage of value added sales in 2015 was 21 percent, as compared to 15 percent in 2014. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of Adjusted EBITDA to net income, and value added sales to net sales.

The comparisons below of 2015 and 2014 operating results reflect higher margins due primarily to the impacts of the company’s cost reduction efforts. The comparisons below of 2014 and 2013 operating results reflect the impact of costs in 2014 totaling $12.2 million ($8.6 million after tax, or $0.32 per share) associated with several items including the closure of our Rogers facility, the sale of the company's two aircraft and the impairment of an investment in an unconsolidated subsidiary located in India. Adjustments for the Rogers facility closure reduced gross profit $8.4 million, while adjustments for the aircraft added charges totaling $1.3 million in SG&A and a $2.5 million impairment charge for the investment in the unconsolidated Indian subsidiary is included in other income (expense). Lower costs in 2013 resulted from several factors including improved equipment and manufacturing process reliability as a result of capital reinvestment and more rigorous maintenance programs.

We continue to focus on programs to reduce costs overall through improved operational and procurement practices, capital reinvestment and more rigorous factory maintenance to improve equipment reliability. These investments typically consisted of equipment upgrades and other capital projects focused on improving equipment reliability, increasing production efficiency and enhancing manufacturing process control to better accommodate newer, more complex wheel programs. While our capital investment projects decreased in 2015 following significant increases in 2014 and 2013 resulting from the construction of the new plant in Mexico, it is possible that capital expenditure levels will continue at 2015 levels as we continue to focus on achieving further improvement to operational efficiencies and manufacturing process capability.

We announced in 2013 our plans to build a new manufacturing facility in Mexico. Initial commercial production began the first quarter of 2015 and reached initial rated capacity during the fourth quarter. We began a project to expand production capacity at this facility which we expect to be completed during the first quarter of 2016. The total costs incurred to date were $132.7 million of which $127.0 million related to the initial rated capacity of the new facility and $5.7 million related to the expansion.

Committed to enhance shareholder value, in March 2013, our Board of Directors approved the 2013 Repurchase Program, authorizing the repurchase of up to $30.0 million of our common stock. Under the 2013 Repurchase Program we repurchased 1,510,759 shares of company stock at a cost of $30.0 million of which 1,089,560 shares were repurchased for $21.8 million in 2014. In October 2014, our Board of Directors approved the 2014 Repurchase Program, authorizing the repurchase of up to $30.0 million of our common stock. Under the 2014 Repurchase Program, we repurchased 1,056,954 shares of company stock at a cost of $19.6 million in 2015 and 585,970 shares for $10.3 million in January 2016. In January of 2016, our Board of Directors approved the 2016 Repurchase Program, authorizing the repurchase of up to $50.0 million of common stock.

We established a senior secured revolving credit facility in December 2014. The facility provides an initial aggregate principal amount of $100.0 million. In addition, the company is entitled to request, under the terms and conditions of the agreement, an increase in the aggregate revolving commitments under the facility or to obtain incremental term loans in an aggregate amount not to exceed $50.0 million, which currently is uncommitted to by any lenders. At December 31, 2015, we had no borrowings under the facility.

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

Results of Operations

Fiscal Year Ended December 31,	2015		2014		2013	
(Thousands of dollars, except per share amounts)						
Net sales	$727,946		$745,447		$789,564	
Value added sales (1)	$360,846		$369,355		$400,591	
Gross profit	$71,217		$50,222		$64,061	
Percentage of net sales	9.8	%	6.7	%	8.1	%
Income from operations	$36,294		$17,913		$34,593	
Percentage of net sales	5.0	%	2.4	%	4.4	%
Adjusted EBITDA (2)	$76,053		$55,753		$63,616	
Percentage of net sales (3)	10.4	%	7.5	%	8.1	%

Percentage of value added sales [4]	21.1	%	15.1	%	15.9	%
Net income	$23,944		$8,803		$22,824	
Percentage of net sales	3.3	%	1.2	%	2.9	%
Diluted earnings per share	$0.90		$0.33		$0.83	

[1] Value added sales represents net sales less the value of aluminum and other charges passed through to customers included in net sales. As discussed further below, arrangements with our customers generally allow us to pass on changes in aluminum prices and charges for outside service providers (OSP's); therefore, fluctuations in underlying aluminum price and services provided by OSP's generally do not directly impact our profitability. Accordingly, we believe value added sales may provide an additional perspective that may benefit users of our financial statements and their understanding of factors affecting net sales. Our intent is to allow users of the financial statements to consider our net sales information both with and without the aluminum and OSP cost component thereof. See the Non-GAAP Financial Measures section of this annual report for a reconciliation of value added sales to net sales.

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

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

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

2014 Restructuring Actions and Ongoing Cost

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

Cost of sales in 2014 includes $5.4 million of depreciation accelerated due to shortened useful lives for assets abandoned when operations ceased at the Rogers facility.

As noted above, the operations ceased at the Rogers facility in the third quarter of 2014. The property is currently held for sale at the current carrying value of the land and building of $2.9 million.

One-time employee severance benefits, equipment lease termination costs, inventory write-downs and other costs related to the Rogers plant closure of $3.1 million in total was recorded in 2014. Within the total 2014 charge, costs for one-time employee severance benefits totaled $1.8 million and were included in cost of sales. These one-time employee severance benefits were derived from the individual agreements with each employee and were accrued ratably over the related remaining service period.

During 2015, we completed the shutdown of the Rogers facility which resulted in a gross margin loss of $8.0 million. We incurred $4.3 million in restructuring costs related to an impairment of fixed assets and other associated costs such as asset relocation costs. Additionally, we also experienced $2.0 million of further carrying costs associated with the closed facility and $1.7 million in depreciation. The adjusted EBITDA impact of the Rogers facility closure for 2015 was $6.3 million.

The total cost expected to be incurred as a result of the Rogers facility closure is $15.6 million, of which $4.1 million is expected to be paid in cash. As of December 31, 2015, estimated remaining cash payments total $0.4 million.

Net Sales

2015 versus 2014

Net sales in 2015 decreased $17.5 million to $727.9 million from $745.4 million in 2014. Wheel sales in 2015 decreased $15.4 million to $721.1 million from $736.5 million in 2014. Wheel shipments increased by 1 percent in 2015 compared to 2014 with the higher volume resulting in $6.7 million higher sales compared to 2014. 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 $11.3 million lower revenues. The average selling price of our wheels decreased 2 percent as the unfavorable impact of the decline in aluminum value and the mix of wheel sizes and finishes sold was offset partially by a favorable change in the volume of wheels sold. Decreases in unit shipments to FCA, BMW, Mitsubishi, Nissan, Tesla and VW were partially offset by increases in unit shipments to Ford, GM, Mazda, Subaru and Toyota. Wheel program development revenues totaled $6.9 million in 2015 and $9.0 million in 2014.

U.S. Operations
Wheel sales of our U.S. wheel plants in 2015 decreased $81.9 million, or 32 percent, to $171.3 million from $253.2 million in 2014, reflecting a decrease in unit shipments and a decrease in the average selling price of our wheels. Unit shipments from our U.S. plants decreased 32 percent in 2015, primarily reflecting the reallocation of production volume from the Rogers facility to our plants in Mexico. The decline in volume resulted in $80.4 million lower sales. The volume impact and the 1 percent decrease in the average selling price of our wheels, primarily due to the mix of wheel sizes and finishes sold, was partially offset by an increase in the pass-through price of aluminum. The lower aluminum value decreased revenues by approximately $2.7 million when compared to 2014.

Mexico Operations
Wheel sales of our Mexico wheel plants in 2015 increased $66.5 million, or 14 percent, to $549.8 million from $483.3 million in 2014, reflecting a 17 percent increase in unit shipments offset partially by a 2 percent decrease in the average selling prices of our wheels. Unit shipments increased in 2015 with the increase in volume resulting in $83.2 million higher sales. The 2 percent decrease in the average selling price of our wheels primarily was a result of an unfavorable mix of wheel sizes and finishes sold and the lower pass-through price of aluminum. The lower aluminum value decreased revenues by approximately $8.6 million when compared to 2014.

2014 versus 2013

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

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

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

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

Fiscal Year Ended December 31,	2015	2014	2013
Ford	42 %	42 %	42 %
GM	25 %	24 %	25 %
Toyota	14 %	12 %	12 %
FCA	8 %	10 %	11 %
International customers	11 %	12 %	10 %
Total	100 %	100 %	100 %

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According to Ward's Auto Info Bank, overall North American production of passenger cars and light-duty trucks in 2015 increased approximately 3 percent, while production of the specific passenger car and light-duty truck programs using our wheels increased 1 percent. In contrast to the overall market, our total shipments increased by only 1 percent, resulting in our share of the North American aluminum wheel market declining by less than 1 percentage point on a year-over-year basis. The decline in market share was 2 percentage points in light-duty trucks, offset by a 2 percentage point rise 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 79 percent for the 2015 model year and 81 percent for the 2014 model year, compared to 80 percent for the 2013 model year. We expect the ratio of aluminum to steel wheels to remain relatively stable. In addition, our ability to increase net sales and sales volume in the future may be negatively impacted by continued customer pricing pressures, increased competition from offshore competitors and overall economic conditions that impact the sales of passenger cars and light-duty trucks.

At the customer level, shipments in 2015 to Ford increased less than 1 percent compared to 2014, as shipments of passenger car wheels increased 34 percent and light-duty truck wheels decreased 9 percent. At the program level, the major unit shipment increases were for the Focus, Fusion, Taurus, F-Series trucks and Explorer offset by shipment decreases for the Mustang, Fiesta, MKZ, Edge, Flex, Expedition, Escape, MKC and Navigator.

Shipments to GM in 2015 increased 4 percent compared to 2014, as unit volume of passenger car wheels increased 4 percent and light-duty truck wheel shipments increased 4 percent. The major unit shipment increases to GM were for the Malibu, Traverse, K2XX platform vehicles, Colorado and Denali/Escalade offset by major unit shipment decreases for the ATS, Volt, Impala, XTS, SRX, Enclave, Terrain and Equinox.

Shipments to Toyota in 2015 increased 17 percent compared to 2014, as shipments of passenger car wheels increased 27 percent and light-duty truck wheels increased 13 percent. The major unit shipment increases to Toyota were for the Camry, Avalon, Corolla, Highlander, Sienna and Tacoma offset by unit shipment decreases for the Venza, Sequoia and Tundra.

Shipments to FCA in 2015 decreased 23 percent compared to 2014, as passenger car wheel shipments decreased 12 percent and unit volume of light-duty truck wheels decreased 24 percent. The major unit shipment decreases to FCA were for the Dodge Challenger, Town and Country, Journey, Durango, Compass and Dodge-Ram trucks which were partially offset by major unit shipment increases for the Magnum/Charger.

Shipments to other customers in 2015 increased 1 percent compared to 2014, as shipments of passenger car wheels increased 6 percent while shipments of light-duty truck wheels decreased 13 percent. Unit shipments increased to Mazda and Subaru, while shipments to Nissan, BMW and VW decreased when compared to 2014. The higher unit volumes included increases of 2,471 percent to Mazda and 3 percent to Subaru, while unit volumes decreased 26 percent to Nissan, 8 percent to BMW and 6 percent to VW. At the program level, major unit shipment increases to international customers were for Nissan's Note and Titan, Mazda 2, Scion iA, Xterra/Frontier and Subaru's Outback, offset by major unit shipment decreases for the Maxima, Tesla Model S, Nissan Xterra/Frontier and BMW X3.

Cost of Sales

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.

2015 versus 2014

In 2015, consolidated cost of goods sold decreased $38.5 million to $656.7 million, or 90 percent of net sales, compared to $695.2 million, or 93 percent of net sales, in 2014. Cost of sales in 2015 primarily reflects a decrease in labor and other costs, reflective of the reallocation of production from the U.S. to facilities in Mexico, as well as due to a decline in aluminum prices, which we generally pass through to our customers, when compared to 2014. Plant labor and benefit costs decreased $23.3 million to $93.5 million in 2015, from $116.8 million in 2014. Direct material and subcontract costs increased approximately $3.2 million to $414.1 million from $410.9 million in 2014 primarily due to the 1 percent rise in sales volume. However, the increase in direct material costs was offset by a decrease of approximately $5.3 million of aluminum price which we generally pass through to our customers. Repair and maintenance costs declined $4.6 million to $22.1 million in 2015, compared to $26.7 million in 2014 and

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supply costs decreased $4.4 million to $19.1 million in 2015, from $23.5 million in 2014. Cost of goods sold for our U.S. operations decreased $82.4 million, while cost of goods sold for our Mexico operations increased $44.4 million, when comparing 2015 to 2014 due to the change in units sold as discussed below. Cost of sales associated with corporate services such as engineering support for wheel program development and manufacturing support decreased $0.7 million in 2015 when compared to 2014.

Productivity, measured in terms of wheels produced per labor hour increased 8 percent in 2015 when compared with 2014, and a 14 percent decrease in manufacturing labor cost per wheel was realized due to the transition of unit production to our operations in Mexico after the closure of the Roger's manufacturing facility. Included below are the major items that impacted cost of sales for our U.S. and Mexico operations during 2015.

U.S. Operations

Cost of sales for our U.S. operations decreased by $82.4 million, or 31 percent, in 2015, when compared to 2014. Cost of sales for our U.S. wheel plants in 2015 primarily reflects the effect of reallocating production volume to Mexico facilities which resulted in a 32 percent decline in unit shipments and reduced labor and other costs, when compared to 2014. During 2015, plant labor and benefit costs, including overtime premiums, decreased approximately $26.8 million, or 46 percent, primarily as a result of reduced headcount and decreases in contract labor, when compared to 2014. The rise in aluminum prices, which we generally pass through to our customers, was $0.5 million. During 2015, labor cost per wheel decreased 11 percent in 2015 when compared with 2014 and the wheels produced per labor hour incurred increased 20 percent, as compared to 2014. Other favorable changes in 2015 included a $3.9 million decrease in supply and small tool costs and a $4.4 million decrease in plant repair and maintenance costs. These cost reductions largely reflect the decline in production volumes due to the closure of the Roger's facility.

Mexico Operations

Cost of sales for our Mexico operations increased by $44.4 million in 2015 when compared to 2014, which is mainly driven by a 17% increase in wheel shipments. During 2015, plant labor and benefit costs, including overtime premiums, increased approximately $3.5 million, or a 6 percent increase, when compared to last year, primarily as a result of higher average headcount and wage increases. Direct material and subcontract costs increased approximately $41.3 million to $307.2 million from $265.9 million in 2014 primarily due to the 17 percent rise in unit shipments. The increase in direct material costs was partially offset by a decrease of approximately $7.1 million of aluminum price which we generally pass through to our customers. Depreciation increased $7.9 million to $24.9 million from $17.0 million in 2014 due to the addition of the new plant in 2015. Supply and small tool costs decreased $0.4 million and plant repair and maintenance expenses decreased $0.2 million. A 21 percent decrease in labor cost per wheel manufactured in 2015 as compared to 2014, and a 3 percent increase in wheels produced per labor hour compared to 2014, reflects the impact of shifting production to the facilities in Mexico and having the new plant in Mexico operating near full capacity by the end of 2015.

2014 versus 2013

Consolidated cost of goods sold decreased $30.3 million to $695.2 million in 2014, or 93 percent of net sales, compared to $725.5 million, or 92 percent of net sales, in 2013. When compared to 2013, cost of sales in 2014 primarily reflects a decrease in costs due to a 7 percent decrease in unit shipments and decreases in labor and other costs, partially offset by an increase in aluminum prices, which we generally pass through to our customers, and $8.4 million of additional costs related to the Rogers facility closure discussed above. Direct material and subcontract costs decreased approximately $20.8 million to $410.9 million from $431.7 million in 2013 primarily due to the decline in sales volume. The decrease in direct material costs was partially offset by an increase of approximately $10.3 million of aluminum price. Depreciation expense increased $5.4 million in 2014 as compared to 2013, with the increase attributable to accelerated write down of value, to reflect a shortened useful life, for assets that were retired after operations ceased at the Rogers facility. Plant labor and benefit costs included $1.9 million of severance costs for the

Rogers facility closure and totaled $113.7 million in 2014, a decrease of $13.6 million from $127.3 million incurred in 2013. Supply costs decreased $3.4 million to $22.9 million in 2014, from $26.3 million in 2013, and repair and maintenance costs decreased $2.5 million to $26.7 million in 2014, compared to $29.2 million in 2013. Cost of goods sold for our U.S. operations decreased $17.2 million, while cost of goods sold for our Mexico operations decreased $11.7 million, when comparing 2014 to 2013. Cost of sales associated with corporate services such as engineering support for wheel program development and manufacturing support decreased $1.3 million in 2014 when compared to 2013.

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

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U.S. Operations

Cost of sales for our U.S. operations decreased by $17.2 million, or 6 percent, in 2014, when compared to 2013. Lower cost of sales for our U.S. wheel plants in 2014 primarily reflects the impact of a 13 percent decline in unit shipments and improved productivity resulting in reduced labor and other costs, when compared to a year ago. The lower cost of sales in 2014 was partially offset by higher aluminum prices which we generally pass on to our customers, and $8.4 million of higher costs resulting from the Rogers facility closure, including additional depreciation charges totaling $5.4 million. When compared to 2013, plant labor and benefit costs decreased approximately $14.8 million, or 20 percent in 2014, primarily as a result of reduced headcount and decreases in contract labor, partially offset by $1.9 million of severance costs related to the Rogers closure. The increase in aluminum prices was $2.4 million. During 2014, labor cost per wheel decreased slightly, while the wheels produced per labor hour incurred increased 11 percent, as compared to 2013. Other favorable changes in 2014 included a $3.2 million decrease in supply and small tool costs and a $2.2 million decrease in plant repair and maintenance costs. These cost reductions largely reflect efficiency gains due to improved equipment reliability and process control resulting from capital reinvestment and more robust maintenance programs, and the decline in production volumes.

Mexico Operations

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

Gross Profit

Consolidated gross profit increased $21.0 million for 2015 to $71.2 million, or 10 percent of net sales, compared to $50.2 million, or 7 percent of net sales, last year. The increase in gross profit primarily reflects the favorable impact of the 1 percent increase in unit shipments and the decrease in labor and other costs which relates to the shift in manufacturing from our Rogers facility to facilities in Mexico.

Consolidated gross profit decreased $13.9 million in 2014 to $50.2 million, or 7 percent of net sales, compared to $64.1 million, or 8 percent of net sales, in 2013. The decrease in gross profit primarily reflects the unfavorable impact of the 7 percent decrease in unit shipments and the $8.4 million of costs related to the Rogers facility closure which equaled 1 percent of net sales in 2014.

The cost of aluminum is a component of our selling prices to OEM customers and a significant component of the overall cost of a wheel. The price for aluminum we purchase is adjusted monthly based primarily on changes in certain published market indices. Our selling prices are adjusted periodically based upon aluminum market price changes, but the timing of such adjustments is based on specific customer agreements and can vary from monthly to quarterly. Even if aluminum selling price adjustments were to perfectly match changes in aluminum purchase prices, an increasing aluminum price will result in a declining gross margin percentage - i.e., same gross profit dollars divided by increased sales dollars equals lower gross profit percentage. The opposite is true in periods during which the price of aluminum decreases. In addition, although our sales are continuously adjusted for aluminum price changes, these adjustments rarely will match exactly the changes in our aluminum purchase prices and cost of sales. As estimated by the company, when compared to 2014, the unfavorable impact on gross profit related to such differences in timing of aluminum adjustments was approximately $6.1 million in 2015. When comparing 2014 with 2013, the favorable impact on gross profit related to such differences in timing of aluminum adjustments was approximately $1.5 million in 2014; however, this impact was offset by unreimbursed cost increases for aluminum alloying premiums.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $34.9 million, or 5 percent of net sales, in 2015 compared to $32.3 million, or 4 percent of net sales, in 2014 and $29.5 million, or 4 percent of net sales, in 2013. The 2015 increase is primarily attributable to higher professional service fees of $1.4 million and legal fees of $0.6 million. The higher level of professional service and legal fees incurred during 2015 relate to cost incurred in association with the move of the corporate office from California to Michigan. We incurred recruiting costs, severance, relocation, duplicative costs and training costs of $4.1 million to ensure a successful transition. Compared to 2013, the $2.8 million increase in 2014 expenses primarily reflects higher professional service fees of $2.1 million, depreciation expense of $1.7 million which includes revised salvage value estimates for the company's aircraft and legal fees of $0.6 million, somewhat offset by $1.3 million lower provisions for doubtful accounts receivable.

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Income from Operations

2015 versus 2014

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 $18.4 million in 2015 to $36.3 million, or 5 percent of net sales, from $17.9 million, or 2 percent of net sales, in 2014. Income from our Mexico operations increased $21.3 million and income from our U.S. operations increased $0.6 million, when comparing 2015 to 2014. Offsetting these increases were costs relating to relocating our corporate office. Included below are the major items that impacted income from operations for our U.S. and Mexico operations during 2015.

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

U.S. Operations
Operating income from our U.S. operations for 2015 increased by $0.6 million compared to the previous year. Operating income increased in 2015 as lower costs overall offset the impact of a 32 percent decrease in unit shipments. The overall cost improvement included reductions in labor due to the reallocation of production to Mexico facilities and improved productivity, as well as lower supply, repair and maintenance costs as more fully explained in the cost of sales discussion above. However, the lower production levels had an unfavorable impact on operating income due to lower absorption of fixed overhead costs in 2015 when compared to last year. As a percentage of net sales, our gross margin decreased 2 percent in 2015 when compared to 2014.

Mexico Operations
Operating income from our Mexico operations increased by $21.3 million in 2015 compared to 2014. Income from operations in 2015 reflects a $22.4 million increase in gross profit in 2015, as compared to 2014. The increase in gross profit is due to a 17 percent increase in unit shipments offset by lower average selling price due to an unfavorable mix of wheel sizes and finishes sold, when compared to 2014.

U.S. versus Mexico Production
During 2015, wheels produced by our Mexico and U.S. operations accounted for 78 percent and 22 percent, respectively, of our total production. During 2014, wheels produced by our Mexico and U.S. operations accounted for 69 percent and 31 percent, respectively, of our total production.

2014 versus 2013

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

Consolidated income from operations in 2014 was unfavorably impacted by start-up costs associated with our new wheel plant in Mexico. While initial commercial production began in the first quarter of 2015, cost absorption was sub-optimal until production volumes reached planned levels towards the end of the year.

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U.S. Operations

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

Mexico Operations

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

U.S. versus Mexico Production

During 2014, wheels produced by our Mexico and U.S. operations accounted for 69 percent and 31 percent, respectively, of our total production. During 2013, wheels produced by our Mexico and U.S. operations accounted for 64 percent and 36 percent, respectively, of our total production. We anticipate that, absent any significant change in the market or overall demand, the percentage of production in Mexico will range between 85 percent and 90 percent of our total production for 2016.

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

Net interest income was $0.1 million, $1.1 million and $1.7 million in 2015, 2014 and 2013, respectively due to the decrease in the average cash balance which was mainly related to the investment in a new plant in Mexico.

Net other income (expense) was expense of $1.1 million and $3.3 million in 2015 and 2014, respectively, and income of $0.6 million in 2013. Included in other income (expense) in 2014 was a $2.5 million impairment charge for an equity investment accounted for under the cost method of accounting. In 2010 we acquired a minority interest in Synergies Casting Limited ("Synergies"), a private aluminum wheel manufacturer based in Visakhapatnam, India. In October 2014, a typhoon caused significant damage to the facilities and operations of Synergies and, in the fourth quarter of 2014, we tested the $4.5 million carrying value of our investment for impairment. Based on our evaluation, we determined that an other-than-temporary impairment existed and wrote the investment down to its estimated fair value of $2.0 million.

Also included in other income (expense) net are foreign exchange gains and (losses), including losses of $1.2 million and $1.0 million in 2015 and 2014, respectively and a gain of $0.2 million in 2013.

Effective Income Tax Rate

Our income before income taxes was $35.3 million in 2015, $15.7 million in 2014 and $36.8 million in 2013. The effective tax rate on the 2015 pretax income was 32.1 percent compared to 43.9 percent in 2014 and 38.0 percent in 2013.

The 2015 effective income tax rate was 32.1 percent. The effective tax rate was lower than the US federal statutory rate primarily as a result of net decreases in the liability for uncertain tax positions partially offset by the reversal of deferred tax assets related to stock based compensation.

Our effective income tax rate for 2014 was 43.9 percent. The effective tax rate was higher than the US federal statutory rate primarily as a result of valuation allowances established for foreign deferred tax assets and various permanent differences including non-deductible expenses related to recent tax law changes in Mexico partially offset by a favorable net impact of a reduction in the liability for unrecognized tax positions.

Our effective income tax rate for 2013 was 38.0 percent. The effective rate was higher than the US federal statutory rate primarily as a result of increases in the liability for unrecognized tax positions and a negative impact of a change in Mexican tax law, offset partially by the favorable impact of tax credits.

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

Net Income

Net income in 2015 was $23.9 million, or 3 percent of net sales, and included an income tax provision of $11.3 million compared to $8.8 million, or 1 percent of net sales in 2014, including an income tax provision of $6.9 million, and to $22.8 million, or 3 percent of net sales in 2013, and included an income tax provision of $14.0 million. Earnings per share were $0.90, $0.33 and $0.83 per diluted share in 2015, 2014 and 2013, respectively.

Liquidity and Capital Resources

Our sources of liquidity include cash and cash equivalents, short-term investments, net cash provided by operating activities, our senior secured revolving credit facility discussed below and other external sources of funds. During the three years ended December 31, 2015, we had no bank or other interest-bearing debt. At December 31, 2015, our cash, cash equivalents and short-term investments totaled $53.0 million compared to $66.2 million at year-end 2014 and $203.1 million at the end of 2013.

Our working capital requirements, investing activities and cash dividend payments have historically been funded from internally generated funds, proceeds from the exercise of stock options or existing cash, cash equivalents and short-term investments, and we believe these sources will continue to meet our capital requirements in the foreseeable future. Our working capital decreased in 2015, primarily due to constructing and equipping our new wheel plant in Mexico discussed below, which was funded out of existing cash during the period. The decrease in working capital is also due to payments to repurchase our common stock, discussed below, and a decrease in inventory and other assets partially offset by an increase in accounts receivable. In December 2014, we entered into a senior secured revolving credit facility (discussed below) to provide financing, as necessary, for general corporate purposes.

During 2013 we announced our plans to build a new manufacturing facility in Mexico, in order to meet anticipated growth in demand for aluminum wheels in the North American market. In 2013, we entered into contracts for the construction of the new facility and for the purchase of equipment for the new facility. The total costs incurred to date were $132.7 million, of which $127.0 million related to the initial rated capacity of the new facility and $5.7 related to an expansion. The new facility is operational and initial commercial production began in the first quarter of 2015. The facility ramped up production in the first quarter and was near full initial rated capacity at the end of the year.

Committed to enhancing shareholder value on March 27, 2013, our Board of Directors approved the 2013 Repurchase Program, authorizing the repurchase of up to $30.0 million of our common stock. Under the 2013 Repurchase Program, we repurchased 1,510,759 shares of company stock at a cost of $30.0 million of which 1,089,560 shares were repurchased for $21.8 million in 2014. In October 2014, our Board of Directors approved the 2014 Repurchase Program, authorizing the repurchase of up to $30.0 million of our common stock. Through December 31, 2015, we repurchased 1,056,954 shares of company stock at a cost of $19.6 million under the 2014 Repurchase Program. The 2014 Repurchase Program was completed in January 2016, with purchases since December 31, 2015 of 585,970 shares for a cost of $10.3 million. In January of 2016, our Board of Directors approved a new stock repurchase program (the “2016 Repurchase Program”), authorizing the repurchase of up to $50.0 million of common stock. Under the 2016 Repurchase Program, we may repurchase common stock from time to time on the open market or in private transactions. The timing and extent of the repurchases under the 2016 Repurchase Program will depend upon market conditions and other corporate considerations in our sole discretion.

On December 19, 2014, we entered into a senior secured credit agreement (the "Credit Agreement") with J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A. (“JPMCB”) and Wells Fargo Bank, National Association (together with JPMCB, the “Lenders”). The Credit Agreement consists of a senior secured revolving credit facility in an initial aggregate principal amount of $100.0 million (the “Facility”). In addition, the company is entitled to request, subject to certain terms and conditions and the agreement of the Lenders, an increase in the aggregate revolving commitments under the Facility or to obtain incremental term loans in an aggregate amount not to exceed $50.0 million, which are uncommitted to by any lender. The company intends to use the proceeds of the Facility to finance the working capital needs, and for the general corporate purposes of the company and its subsidiaries. At December 31, 2015, we had no borrowings under the Facility.

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

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Fiscal Year Ended December 31,	2015	2014	2013
(Thousands of dollars)			
Net cash provided by operating activities	$59,349	$11,627	$69,252
Net cash used in investing activities	(34,946)	(110,435)	(67,424)
Net cash used in financing activities	(31,348)	(33,612)	(5,566)
Effect of exchange rate changes on cash	(3,470)	(4,430)	(325)
Net (decrease) increase in cash and cash equivalents	$(10,415)	$(136,850)	$(4,063)

2015 versus 2014

Our liquidity remained strong in 2015. Working capital (current assets minus current liabilities) and our current ratio (current assets divided by current liabilities) were $172.0 million and 3.3:1, respectively, at December 31, 2015, versus $204.0 million and 3.8:1 at December 31, 2014. The 2015 decrease in working capital resulted primarily from expenditures for an expansion to our new Mexican wheel plant, repurchases of our common stock (see "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in this Annual Report) and timing of activity affecting the working capital accounts. We generate our principal working capital resources primarily through operations. The increase in cash from working capital in 2015 primarily reflects a lower balance of inventory and prepaid aluminum in addition to a higher balance in accrued expenses, offset by higher accounts receivable, and lower accounts payable. Assuming continuation of our historically strong liquidity, which includes funds available under our revolving credit facility, we believe we are well positioned to take advantage of new and complementary business opportunities, and to fund our working capital and capital expenditure requirements for the foreseeable future.

Net cash provided by operating activities increased $47.7 million to $59.3 million for 2015, compared to net cash provided by operating activities of $11.6 million for 2014. The primary operating activities during 2015 included net income of $23.9 million and depreciation of $34.5 million. Additional sources of cash flow related to an $11.5 million decrease in inventories, $4.7 million increase in income tax payable and $4.6 million increase in other current liabilities. Offsetting amounts were cash flow uses of $14.0 million increase in accounts receivable, $2.1 million increase in other assets and a $1.1 million decrease in accounts payable.

Our principal investing activities during 2015 were the funding of $39.5 million of capital expenditures and the purchase of $1.0 million of certificates of deposit, partially offset by the receipt of $3.8 million cash proceeds from maturing certificates of deposit and $1.8 million proceeds from sales of fixed assets. Principal investing activities during 2014 included the funding of $112.6 million of capital expenditures and the purchase of $3.8 million of certificates of deposit, partially offset by the receipt of $3.8 million cash proceeds from maturing certificates of deposit and $1.9 million proceeds from sales of fixed assets.

Our principal financing activities during 2015 consisted of the repurchase of our common stock for cash totaling $19.6 million and payment of cash dividends on our common stock totaling $19.1 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $7.3 million. Financing activities during 2014 consisted of the repurchase of our common stock for cash totaling $21.8 million and payment of cash dividends on our common stock totaling $19.4 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $7.4 million.

2014 versus 2013

Working capital (current assets minus current liabilities) and our current ratio (current assets divided by current liabilities) were $204.0 million and 3.8:1, respectively, at December 31, 2014, versus $284.8 million and 3.9:1 at December 31, 2013. The 2014 decrease in working capital resulted primarily from expenditures for our new Mexican wheel plant, repurchases of our common stock (see "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in this Annual Report) and timing of activity affecting the working capital accounts. We generate our principal working capital resources primarily through operations. The decrease in working capital in 2014 primarily reflects a lower balance of cash on hand, partially offset by higher accounts receivable, prepaid aluminum costs and inventory, as well as lower accounts payable and accrued costs related to our new wheel plant in Mexico.

Net cash provided by operating activities decreased $57.6 million to $11.6 million for 2014, compared to net cash provided by operating activities of $69.3 million for 2013. The primary operating activities during 2014 included net income of $8.8 million, and adjustments for non-cash items of $37.2 million, primarily due to depreciation of $35.6 million, impairment of long-lived assets of $2.5 million and stock-based compensation expense of $2.3 million, partially offset by tax liability changes of ($5.8) million as well as net decreases in operating cash flows from changes in operating assets and liabilities totaling ($34.4) million. Changes in operating assets included a ($16.2) million increase in our accounts receivable, a ($9.3) million increase in inventory

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and ($14.0) million higher other assets primarily due to increases in prepaid aluminum and customer owned tooling. The changes in operating liabilities in 2014 included a $6.4 million increase for income taxes payable and a $4.8 million increase in other liabilities primarily related to deferred tooling revenues, partially offset by a ($6.1) million decrease in accounts payable.

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

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

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 2015, the value of the Mexican peso decreased by 17 percent in relation to the U.S. dollar. For the years ended December 31, 2015 and 2014 we had foreign currency transaction losses of $1.2 million and $1.0 million, respectively, and for the year ended December 31, 2013, we had a foreign currency transaction gain of $0.2 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 changes in value of our foreign operations relative to the U.S. dollar has resulted in a cumulative unrealized translation loss at December 31, 2015 of $88.3 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.

Changes in currency exchange rates may affect the relative prices at which we and our foreign competitors sell products in the same market. In addition, changes in the value of the relevant currencies may affect the cost of certain items required in our operations. Due to customer requirements, a significant shift is occurring in the currency denominated in our contracts with our customers. As a result of this change we currently project that in 2015 and beyond the vast majority of our revenues will be denominated in the U.S. dollar, rather than a more balanced mix of U.S. dollar and Mexican peso. In the past we have relied upon significant revenues denominated in the Mexican peso to provide a "natural hedge" against foreign exchange rate changes impacting our peso denominated costs incurred at our facilities in Mexico. Accordingly, the foreign exchange exposure associated with peso denominated costs is a growing risk factor and could have a material adverse effect on our operating results.

We are entering into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions and forecasted future cash flows. We have implemented a program to hedge a portion of our material foreign exchange exposures, typically for up to 36 months. However, we may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to accounting considerations and the prohibitive economic cost of hedging particular exposures. We do not use derivative contracts for trading, market-making, or speculative purposes. For additional information on our derivatives, see Notes 4 and 15 of the Notes to the Financial Statements in Item 8 - Financial Statements and Supplementary Data of this Annual Report.

When market conditions warrant, we may enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. We previously had several purchase commitments for the delivery of natural gas through 2015. These natural gas contracts were 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.

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Contractual Obligations

Contractual obligations as of December 31, 2015 are as follows (amounts in millions):

	Payments Due by Fiscal Year						
Contractual Obligations	2016	2017	2018	2019	2020	Thereafter	Total
Retirement plans	$1.6	$1.2	$1.5	$1.4	$1.5	$48.8	$56.0
Purchase obligations	1.1	—	—	—	—	—	1.1
Operating leases	1.2	0.6	0.7	0.4	0.4	2.7	6.0
Total	$3.9	$1.8	$2.2	$1.8	$1.9	$51.5	$63.1

The table above includes, under Purchase Obligations, amounts committed related to expansion or purchase of equipment. The table above does not reflect unrecognized tax benefits of $7.3 million, for which the timing of settlement is uncertain, and a $14.2 million liability carried on our consolidated balance sheet at December 31, 2015 for derivative financial instruments maturing in 2016 through 2018.

Off-Balance Sheet Arrangements

As of December 31, 2015, 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, 2015. Cost increases in our principal raw material, aluminum, fundamentally are passed through to our customers, with timing of the pass-through dependent on the specific commercial agreements. Wage increases have averaged approximately 3 percent during this period. Cost increases for labor, other raw materials and for energy may not be recovered in our selling prices. Additionally, competitive global pricing pressures are expected to continue, which may lessen the possibility of recovering these types of cost increases in selling prices.

NON-GAAP FINANCIAL MEASURES

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

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

Fiscal Year Ended December 31,	2015	2014	2013	2012	2011
(Thousands of dollars)					
Net Sales	$727,946	$745,447	$789,564	$821,454	$822,172
Less, aluminum value and OSP	(367,100)	(376,092)	(388,973)	(423,539)	(442,052)
Value added sales	$360,846	$369,355	$400,591	$397,915	$380,120

Adjusted EBITDA is a key measure that is not calculated according to GAAP. Adjusted EBITDA is defined as earnings before interest income and expense, income taxes, depreciation, amortization, restructuring charges and other closure costs and impairments of long-lived assets and investments. We use Adjusted EBITDA as an important indicator of the operating performance of our business. Adjusted EBITDA is used in our internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to our Board of Directors and evaluating short-term and long-term

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operating trends in our operations. We believe the Adjusted EBITDA financial measure assists in providing a more complete understanding of our underlying operational measures to manage our business, to evaluate our performance compared to prior periods and the marketplace, and to establish operational goals. Adjusted EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies.

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

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

The following table reconciles our net income, the most directly comparable GAAP financial measure, to our Adjusted EBITDA:

Fiscal Year Ended December 31,	2015	2014	2013	2012	2011
(Thousands of dollars)					
Net income	$23,944	$8,803	$22,824	$30,891	$67,169
Interest (income), net	(103)	(1,095)	(1,691)	(1,252)	(1,101)
Tax expense (benefit)	11,339	6,899	14,017	3,598	(25,243)
Depreciation [1]	34,530	35,582	28,466	26,362	27,538
Restructuring impairment and closure costs (excluding accelerated depreciation) [2]	6,343	5,564	—	—	1,337
Loss on sale of unconsolidated affiliates	—	—	—	—	—
Adjusted EBITDA	$76,053	$55,753	$63,616	$59,599	$69,700
Adjusted EBITDA as a percentage of net sales	10.4%	7.5%	8.1%	7.3%	8.5%
Adjusted EBITDA as a percentage of value added sales	21.1%	15.1%	15.9%	15.0%	18.3%

(1) Depreciation expense in 2015 and 2014 includes $1.7 million and $6.5 million, respectively of accelerated depreciation charges as a result of shortened estimated useful lives due to restructuring activities described in Note 2 - Restructuring in Notes to Consolidated Financial Statements in Item 8 - Financial Statements and Supplementary Data in this Annual Report.

(2) During 2015, we completed the shutdown of the Rogers facility which resulted in a gross margin loss of $8.0 million. We incurred $4.3 million in restructuring costs related to an impairment of fixed assets and other associated costs such as asset relocation costs. Additionally, we also experienced $2.0 million of further closure costs including inefficiencies and $1.7 million in depreciation. The adjusted EBITDA impact of the Rogers facility closure for 2015 was $6.3 million, which includes the $4.3 million of restructuring costs and $2.0 million of inefficiency costs related to the closure. During 2014, we recorded $3.1 of restructuring costs excluding accelerated depreciation and we impaired an investment by $2.5 million.

Critical Accounting Policies and Estimates

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, inventory valuation, amortization of preproduction costs, impairment of and the estimated useful lives of our long-lived assets and the fair value of stock-based compensation, as well as those used in the determination of liabilities related to self-insured portions of employee benefits, workers' compensation and derivatives and deferred income taxes.

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

Derivative Financial Instruments and Hedging Activities - In order to hedge exposure related to fluctuations in foreign currency rates and the cost of certain commodities used in the manufacture of our products, we periodically may purchase derivative financial instruments such as forward contracts, options or collars to offset or mitigate the impact of such fluctuations. Programs to hedge currency rate exposure may address ongoing transactions including, foreign-currency-denominated receivables and payables, as well as specific transactions related to purchase obligations. Programs to hedge exposure to commodity cost fluctuations would be based on underlying physical consumption of such commodity. At December 31, 2015, we held forward currency exchange contracts as discussed below.

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

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

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

Fair Value Measurements - The company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis, while other assets and liabilities are measured at fair value on a nonrecurring basis, such as when we have an asset impairment. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:
Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 - Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.
Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We estimate the fair value of these instruments using industry-standard valuation models such as a discounted cash flow. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates, commodity prices, and the contractual terms of the derivative instruments. The discount rate used is the relevant interbank deposit rate (e.g., LIBOR) plus an adjustment for non-performance risk. In certain cases, market data may not be available and we may use broker quotes and models (e.g., Black-Scholes) to determine fair value. This includes situations where there is lack of liquidity for a particular currency or commodity or when the instrument is longer dated.

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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 $5.8 million, $8.2 million and $9.3 million, in 2015, 2014 and 2013, 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,	2015	2014
(Dollars in Thousands)		
Unamortized Preproduction Costs		
Preproduction costs	$73,095	$65,621
Accumulated amortization	(58,632)	(53,408)
Net preproduction costs	$14,463	$12,213
Deferred Tooling Revenue		
Accrued expenses	$2,908	$4,833
Other non-current liabilities	1,266	2,449
Total deferred tooling revenue	$4,174	$7,282

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

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

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

The following information illustrates the sensitivity to a change in certain assumptions of our unfunded retirement plans as of December 31, 2015. Note that these sensitivities may be asymmetrical, and are specific to 2015. They also may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown.

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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, 2015	2015 Net Periodic Pension Cost
Discount rate	+ 1.0 %	$(3,319)	$(178)
Rate of compensation increase	+ 1.0 %	$495	$63

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

Workers' Compensation and Loss Reserves - We self-insure any losses arising out of workers' compensation claims. Workers' compensation accruals are based upon reported claims in process and actuarial estimates for losses incurred but not reported. Loss reserves, including incurred but not reported reserves, are estimated using actuarial methods and ultimate settlements may vary significantly from such estimates due to increased claim frequency or the severity of claims.

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

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

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

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

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

New Accounting Standards

In May 2014, the FASB issued an Accounting Standards Update ("ASU') entitled “Revenue from Contracts with Customers.” The ASU requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. In August 2015, the FASB approved a one-year deferral of the effective date. Under the standard it is required to be adopted by public business entities in annual periods beginning on or after December 15, 2017. Early application is not permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

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

In February 2015, the FASB issued an ASU entitled “Consolidation.” The ASU includes amendments to the consolidation analysis which are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption, including adoption in interim periods, is permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

In April 2015, the FASB issued an ASU entitled “Compensation - Retired Benefits.” The ASU provides practical expedients for the measurement date of an employer's defined benefit obligation and plan assets. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, and early adoption is permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

In July 2015, the FASB issued an ASU entitled “Simplifying the Measurement of Inventory.” The ASU replaces the current lower of cost or market test with a lower of cost or net realizable value test when cost is determined on a first-in, first-out or average cost basis. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods therein. It is to be applied prospectively and early adoption is permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

In September 2015, the FASB issued an accounting standards update with new guidance that eliminates the requirement in a business combination to restate prior period financial statements for measurement period adjustments. Instead, measurement period adjustments will be recognized in the reporting period in which the adjustment is identified. The standards update is effective for fiscal years and interim periods beginning after December 15, 2015. The amendments should be applied prospectively to measurement period adjustments that occur after the effective date of this update with early adoption permitted for financial statements that have not been issued. We will adopt this standards update as required and recognize any such future adjustments accordingly.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU 2015-17 requires entities to present deferred tax assets and liabilities as noncurrent in a classified balance sheet instead of separating into current and noncurrent amounts. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, on a prospective or retrospective basis. Early adoption is permitted for all companies in any interim or annual period. ASU 2015-17 was early adopted as of December 31, 2015 on a prospective basis and prior periods have not been restated. The adoption of ASU 2015-17 did not have an impact on the Company's consolidated results of operations, net assets, or cash flows. See Note 10 for additional information regarding deferred tax assets and liabilities.

In February of 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency. A significant portion of our business operations are conducted in Mexico. As a result, we have a certain degree of market risk with respect to our cash flows due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currency, including inter-company transactions. Historically, we have not actively engaged in substantial exchange rate hedging activities and, prior to 2014, we had not entered into any significant foreign exchange contracts. However, as a result of customer requirements, a significant shift is occurring in the currency denominated in our contracts with our customers. As a result of this change, we currently project that in 2016 and beyond the vast majority of our revenues will be denominated in the U.S. dollar, rather than a more balanced mix of U.S. dollar and Mexican peso. In the past we have relied upon significant revenues denominated in the Mexican peso to provide a "natural hedge" against foreign exchange rate changes impacting our peso denominated costs incurred at our facilities in Mexico. Accordingly, the foreign exchange exposure associated with peso denominated costs is a growing risk that could have a material adverse effect on our operating results.

In accordance with our corporate risk management policies, we may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions and forecasted future cash flows. We have implemented a program to hedge a portion of our material foreign exchange exposures, typically for up to 36 months. However, we may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to accounting considerations and the prohibitive economic cost of hedging particular exposures. We do not use derivative contracts for trading, market-making, or speculative purposes. For additional information on our derivatives, see Note 4 - Derivative Financial Instruments and Note 15 - Commitments and Contingent Liabilities in Notes to Consolidated Financial Statements in Item 8.

At December 31, 2015 the fair value liability of foreign currency exchange derivatives was $14.0 million. The potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would be $14.2 million at December 31, 2015.

During 2015, the Mexican peso to U.S. dollar exchange rate averaged 15.8 pesos to $1.00. Based on the balance sheet at December 31, 2015, the value of net assets for our operations in Mexico was 2,279 million pesos. Accordingly, a 10 percent change in the relationship between the peso and the U.S. dollar may result in a translation impact of between $13.1 million and $16.0 million, which would be recognized in other comprehensive income (loss).

Our business requires us to settle transactions between currencies in both directions - i.e., peso to U.S. dollar and vice versa. To the greatest extent possible, we attempt to match the timing of transaction settlements between currencies to create a “natural hedge.” For the full year 2015, we had a $1.2 million net foreign exchange transaction loss related to the peso. Based on the current business model and levels of production and sales activity, the net imbalance between currencies depends on specific circumstances. As discussed above, while changes in the terms of the contracts with our customers will be creating an imbalance between currencies that we are hedging with foreign currency forward contracts, there can be no assurances that our hedging program will effectively offset the impact of the imbalance between currencies or that the net transaction balance will not change significantly in the future.

Natural Gas Purchase Commitments. When market conditions warrant, we enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as natural gas. However, under no circumstances do we enter into derivatives or other financial instrument transactions for speculative purposes. At December 31, 2015, we had no natural gas purchase agreements outstanding.

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

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ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Superior Industries International, Inc. and subsidiaries (the "Company") as of December 27, 2015 and December 28, 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years ended December 27, 2015, December 28, 2014, and December 29, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Superior Industries International, Inc. and subsidiaries as of December 27, 2015 and December 28, 2014, and the results of their operations and their cash flows for each of the three years ended December 27, 2015, December 28, 2014, and December 29, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 27, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Detroit, Michigan
March 11, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Superior Industries International, Inc. and subsidiaries (the "Company") as of December 27, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 27, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 27, 2015 of the Company and our report dated March 11, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Detroit, Michigan
March 11, 2016

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

Fiscal Year Ended December 31,	2015	2014	2013
NET SALES	$727,946	$745,447	$789,564
Cost of sales:			
Cost of sales	650,717	686,796	725,503
Restructuring costs (Note 2)	6,012	8,429	—
	656,729	695,225	725,503
GROSS PROFIT	71,217	50,222	64,061
Selling, general and administrative expenses	34,923	32,309	29,468
INCOME FROM OPERATIONS	36,294	17,913	34,593
Interest income, net	103	1,095	1,691
Other (expense) income, net	(1,114)	(3,306)	557
INCOME BEFORE INCOME TAXES	35,283	15,702	36,841
Income tax provision	(11,339)	(6,899)	(14,017)
NET INCOME	$23,944	$8,803	$22,824
EARNINGS PER SHARE - BASIC	$0.90	$0.33	$0.83
EARNINGS PER SHARE - DILUTED	$0.90	$0.33	$0.83

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

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

Fiscal Year Ended December 31,	2015	2014	2013
Net income	$23,944	$8,803	$22,824
Other comprehensive (loss) income, net of tax:			
Foreign currency translation loss	(16,810)	(13,369)	(521)
Change in unrecognized losses on derivative instruments:			
Change in fair value of derivatives	(7,189)	(7,598)	—
Tax benefit	2,665	2,833	—
Change in unrecognized losses on derivative instruments, net of tax	(4,524)	(4,765)	—
Defined benefit pension plan:			
Actuarial gains (losses) on pension obligation, net of curtailments and amortization	1,807	(4,686)	4,477
Tax (provision) benefit	(761)	1,758	(1,705)
Pension changes, net of tax	1,046	(2,928)	2,772
Other comprehensive (loss) income, net of tax	(20,288)	(21,062)	2,251
Comprehensive income (loss)	$3,656	$(12,259)	$25,075

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

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

Fiscal Year Ended December 31,	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$52,036	$62,451
Short-term investments	950	3,750
Accounts receivable, net	112,588	102,493
Inventories	61,769	74,677
Income taxes receivable	1,104	3,740
Deferred income taxes, net	—	9,897
Other current assets	14,476	17,768
Assets held for sale	2,897	1,235
Total current assets	245,820	276,011
Property, plant and equipment, net	234,646	255,035
Investment in unconsolidated affiliate	2,000	2,000
Non-current deferred income taxes, net	25,598	17,852
Other non-current assets	31,865	29,012
Total assets	$539,929	$579,910
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$20,913	$23,938
Accrued expenses	46,214	48,024
Income taxes payable	6,735	—
Total current liabilities	73,862	71,962
Non-current income tax liabilities	4,510	13,621
Non-current deferred income tax liabilities, net	8,094	15,122
Other non-current liabilities	39,551	40,199
Commitments and contingent liabilities (Note 15)	—	—
Shareholders' equity:		
Preferred stock, $0.01 par value		
Authorized - 1,000,000 shares		
Issued - none	—	—
Common stock, $0.01 par value		
Authorized - 100,000,000 shares		
Issued and outstanding - 26,098,895 shares		
(26,730,247 shares at December 31, 2014)	88,108	81,473
Accumulated other comprehensive loss	(101,713)	(81,425)
Retained earnings	427,517	438,958
Total shareholders' equity	413,912	439,006
Total liabilities and shareholders' equity	$539,929	$579,910

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

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SUPERIOR INDUSTRIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FISCAL YEAR ENDED DECEMBER 31, 2013
(Dollars in thousands, except per share data)

	Common Stock		Accumulated Other Comprehensive Income (Loss)				
	Number of Shares	Amount	Unrecognized Gains/Losses on Derivative Instruments	Pension Obligations	Cumulative Translation Adjustment	Retained Earnings	Total
BALANCE AT FISCAL YEAR END 2012	27,295,488	$71,819	$—	$(5,030)	$(57,584)	$457,700	$466,905
Net income						22,824	22,824
Change in employee benefit plans, net of taxes				2,772		—	2,772
Net foreign currency translation adjustment				—	(521)	—	(521)
Stock options exercised	198,296	2,865		—	—	—	2,865
Restricted stock awards granted, net of forfeitures	82,965	—		—	—	—	—
Stock-based compensation expense	—	2,685		—	—	—	2,685
Tax impact of stock options	—	(899)		—	—	—	(899)
Common stock repurchased	(421,199)	(1,165)		—	—	(6,968)	(8,133)
Cash dividends declared ($0.20 per share)	—	—		—	—	(5,435)	(5,435)
BALANCE AT FISCAL YEAR END 2013	27,155,550	$75,305	$—	$(2,258)	$(58,105)	$468,121	$483,063

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

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SUPERIOR INDUSTRIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FISCAL YEAR ENDED DECEMBER 31, 2014
(Dollars in thousands, except per share data)

	Common Stock		Accumulated Other Comprehensive Income (Loss)				
	Number of Shares	Amount	Unrecognized Gains/Losses on Derivative Instruments	Pension Obligations	Cumulative Translation Adjustment	Retained Earnings	Total
BALANCE AT FISCAL YEAR END 2013	27,155,550	$75,305	$—	$(2,258)	$(58,105)	$468,121	$483,063
Net income						8,803	8,803
Change in unrecognized gains/losses on derivative instruments, net of tax			(4,765)			—	(4,765)
Change in employee benefit plans, net of taxes			—	(2,928)		—	(2,928)
Net foreign currency translation adjustment			—	—	(13,369)	—	(13,369)
Stock options exercised	453,745	7,423	—	—	—	—	7,423
Restricted stock awards granted, net of forfeitures	210,512	—	—	—	—	—	—
Stock-based compensation expense	—	2,315	—	—	—	—	2,315
Tax impact of stock options	—	(416)	—	—	—	—	(416)
Common stock repurchased	(1,089,560)	(3,154)	—	—	—	(18,636)	(21,790)
Cash dividends declared ($0.72 per share)	—	—	—	—	—	(19,330)	(19,330)
BALANCE AT FISCAL YEAR END 2014	26,730,247	$81,473	$(4,765)	$(5,186)	$(71,474)	$438,958	$439,006

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

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SUPERIOR INDUSTRIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FISCAL YEAR ENDED DECEMBER 31, 2015
(Dollars in thousands, except per share data)

	Common Stock		Accumulated Other Comprehensive Income (Loss)				
	Number of Shares	Amount	Unrecognized Gains/Losses on Derivative Instruments	Pension Obligations	Cumulative Translation Adjustment	Retained Earnings	Total
BALANCE AT FISCAL YEAR END 2014	26,730,247	$81,473	$(4,765)	$(5,186)	$(71,474)	$438,958	$439,006
Net income						23,944	23,944
Change in unrecognized gains/losses on derivative instruments, net of tax			(4,524)			—	(4,524)
Change in employee benefit plans, net of taxes			—	1,046		—	1,046
Net foreign currency translation adjustment			—	—	(16,810)	—	(16,810)
Stock options exercised	420,642	7,265	—	—	—	—	7,265
Restricted stock awards granted, net of forfeitures	4,960	—	—	—	—	—	—
Stock-based compensation expense	—	2,807	—	—	—	—	2,807
Tax impact of stock options	—	—	—	—	—	—	—
Common stock repurchased	(1,056,954)	(3,437)	—	—		(16,201)	(19,638)
Cash dividends declared ($0.72 per share)	—	—	—	—	—	(19,184)	(19,184)
BALANCE AT FISCAL YEAR END 2015	26,098,895	$88,108	$(9,289)	$(4,140)	$(88,284)	$427,517	$413,912

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

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SUPERIOR INDUSTRIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

Fiscal Year Ended December 31,	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$23,944	$8,803	$22,824
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	34,530	35,582	28,466
Tax liabilities, non-cash changes	(9,531)	(5,771)	5,630
Impairments of long-lived assets and other charges	2,688	2,500	—
Stock-based compensation	2,807	2,315	2,685
Other non-cash items	1,400	2,560	(1,095)
Changes in operating assets and liabilities:			
Accounts receivable	(14,030)	(16,184)	9,074
Inventories	11,509	(9,297)	5,716
Other assets and liabilities	2,469	(9,138)	3,578
Accounts payable	(1,132)	(6,109)	(2,549)
Income taxes	4,695	6,366	(4,780)
Non-current tax liabilities	—	—	(297)
NET CASH PROVIDED BY OPERATING ACTIVITIES	59,349	11,627	69,252
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(39,543)	(112,556)	(67,980)
Proceeds from sales and maturities of investments	3,750	3,750	3,970
Purchase of investments	(950)	(3,750)	(3,750)
Proceeds from sales of fixed assets	1,815	1,873	16
Other	(18)	248	320
NET CASH USED IN INVESTING ACTIVITIES	(34,946)	(110,435)	(67,424)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash dividends paid	(19,082)	(19,351)	(550)
Cash paid for common stock repurchase	(19,638)	(21,790)	(8,133)
Proceeds from exercise of stock options	7,265	7,423	2,865
Excess tax benefits from exercise of stock options	107	106	252
NET CASH USED IN FINANCING ACTIVITIES	(31,348)	(33,612)	(5,566)
Effect of exchange rate changes on cash	(3,470)	(4,430)	(325)
Net (decrease) increase in cash and cash equivalents	(10,415)	(136,850)	(4,063)
Cash and cash equivalents at the beginning of the period	62,451	199,301	203,364
Cash and cash equivalents at the end of the period	$52,036	$62,451	$199,301

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

SUPERIOR INDUSTRIES INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Headquartered in Southfield, Michigan, the principal business of Superior Industries International, Inc. (referred to herein as the “company” or “we,” “us” and “our”) is the design and manufacture of aluminum 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 manufacturing operations in the United States and Mexico. Customers in North America represent the principal market for our products. As described in Note 5 - Business Segments, the company operates as a single integrated business and, as such, has only one operating segment - automotive wheels.

Presentation of Consolidated Financial Statements

The consolidated financial statements include the accounts of the company and its wholly owned subsidiaries. All intercompany transactions are eliminated in consolidation. The equity method of accounting is used for investments in non-controlled affiliates in which the company's ownership ranges from 20 to 50 percent, or in instances in which the company is able to exercise significant influence but not control (such as representation on the investee's Board of Directors.)

We have made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as delineated by the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC"). Generally, assets and liabilities that are subject to estimation and judgment include the allowance for doubtful accounts, inventory valuation, amortization of preproduction costs, impairment of and the estimated useful lives of our long-lived assets, self-insurance portions of employee benefits, workers' compensation and general liability programs, fair value of stock-based compensation, income tax liabilities and deferred income taxes. While actual results could differ, we believe such estimates to be reasonable.

Our fiscal year is the 52- or 53-week period ending generally on the last Sunday of the calendar year. The fiscal years 2015, 2014 and 2013 comprised the 52-week periods ended on December 27, 2015, December 28, 2014 and December 29, 2013, respectively. For convenience of presentation, all fiscal years are referred to as beginning as of January 1, and ending as of December 31, but actually reflect our financial position and results of operations for the periods described above.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash, certificates of deposit and fixed deposits and money market funds with original maturities of three months or less. Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these investments. Certificates of deposit and fixed deposits whose original maturity is greater than three months and is one year or less are classified as short-term investments and certificates of deposit and fixed deposits whose maturity is greater than one year at the balance sheet date are classified as non-current assets in our consolidated balance sheets. The purchase of any certificates of deposit or fixed deposits that are classified as short-term investments or non-current assets appear in the investing section of our consolidated statements of cash flows. At times throughout the year and at year-end, cash balances held at financial institutions were in excess of federally insured limits.

Restricted Deposits

We purchase certificates of deposit that mature within twelve months and are used to secure or collateralize letters of credit securing our workers' compensation obligations. At December 31, 2015 and 2014, certificates of deposit totaling $1.0 million and $3.8 million, respectively, were restricted in use and were classified as short-term investments on our consolidated balance sheet.

Derivative Financial Instruments and Hedging Activities

In order to hedge exposure related to fluctuations in foreign currency rates and the cost of certain commodities used in the manufacture of our products, we periodically may purchase derivative financial instruments such as forward contracts, options or collars to offset or mitigate the impact of such fluctuations. Programs to hedge currency rate exposure may address ongoing transactions including, foreign-currency-denominated receivables and payables, as well as specific transactions related to purchase obligations. Programs to hedge exposure to commodity cost fluctuations would be based on underlying physical consumption of such commodity. At December 31, 2015 we held forward currency exchange contracts discussed below. At December 31, 2014 we held derivative financial instruments as well as the natural gas contracts discussed below.

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

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

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

Non-Cash Investing Activities

As of December 31, 2015, 2014 and 2013, $1.1 million, $6.4 million and $32.4 million, respectively, of equipment had been purchased but not yet paid for and are included in accounts payable and accrued liabilities in our consolidated balance sheets.

During 2013 the company received a grant of a parcel of land valued at $0.7 million from the state of Chihuahua, Mexico, which is included in property, plant and equipment in our 2013 consolidated balance sheet.

Accounts Receivable

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, which are categorized as raw materials, work-in-process or finished goods, are stated at the lower of cost or market using the first-in, first-out method. When necessary, management uses estimates of net realizable value to record inventory reserves for obsolete and/or slow-moving inventory. Aluminum is the primary material component in our inventories. Our aluminum requirements are supplied from two primary vendors, each accounting for more than 10 percent of our aluminum purchases during 2015 and 2014.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. The cost of additions, improvements and interest during construction, if any, are capitalized. Our maintenance and repair costs are charged to expense when incurred. Depreciation is calculated generally on the straight-line method based on the estimated useful lives of the assets.

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Classification	Expected Useful Life
Computer equipment	3 to 5 years
Production machinery and equipment	7 to 10 years
Buildings	25 years

When property, plant and equipment is replaced, retired or disposed of, the cost and related accumulated depreciation are removed from the accounts. Property, plant and equipment no longer used in operations, which are generally insignificant in amount, are stated at the lower of cost or estimated net realizable value. Gains and losses, if any, are recorded as a component of operating income if the disposition relates to an operating asset. If a non-operating asset is disposed of, any gains and losses are recorded in other income or expense in the period of disposition or write down.

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 which 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 customer-owned tooling and the deferred tooling reimbursement revenues. Recognized tooling reimbursement revenues, which totaled $5.8 million, $8.2 million and $9.3 million in 2015, 2014 and 2013, respectively, are included in net sales in the consolidated income statements. The following tables summarize the unamortized customer-owned tooling costs included in our non-current other assets, and the deferred tooling revenues included in accrued liabilities and other non-current liabilities:

December 31,	2015	2014
(Dollars in Thousands)		
Customer-Owned Tooling Costs		
Preproduction costs	$73,095	$65,621
Accumulated amortization	(58,632)	(53,408)
Net preproduction costs	$14,463	$12,213
Deferred Tooling Revenue		
Accrued expenses	$2,908	$4,833
Other non-current liabilities	1,266	2,449
Total deferred tooling revenue	$4,174	$7,282

Impairment of Long-Lived Assets and Investments

In accordance with the Property, Plant and Equipment Topic of the ASC, management evaluates the recoverability and estimated remaining lives of long-lived assets. The company reviews long-lived assets for impairment whenever facts and circumstances suggest that the carrying value of the assets may not be recoverable or the useful life has changed.

When facts and circumstances indicate that there may have been a loss in value, management will also evaluate its cost method investments to determine whether there was an other-than-temporary impairment. If a loss in the value of the investment is determined to be other than temporary, then the decline in value is recognized as a loss. See Note 9 - Investment in Unconsolidated Affiliate and Note 2 - Restructuring, for discussion of investment impairment.

Foreign Currency Transactions and Translation

We have wholly-owned foreign subsidiaries with operations in Mexico whose functional currency is the peso. In addition, we have operations with U.S. dollar functional currencies with transactions denominated in pesos and other currencies. These operations had monetary assets and liabilities that were denominated in currencies that were different than their functional currency and were translated into the functional currency of the entity using the exchange rate in effect at the end of each accounting period.

Any gains and losses recorded as a result of the remeasurement of monetary assets and liabilities into the functional currency are reflected as transaction gains and losses and included in other income (expense) in the consolidated income statements. We had foreign currency transaction losses of $1.2 million and $1.0 million for the years ended December 31, 2015 and 2014, while we had a foreign currency gain of $0.2 million for the year ended December 31, 2013, which are included in other income (expense) in the consolidated income statements. In addition, we have a minority investment in India that has a functional currency of the Indian rupee.

When our foreign subsidiaries translate their financial statements from the functional currency to the reporting currency, the balance sheet accounts are translated using the exchange rates in effect at the end of the accounting period and retained earnings is translated using historical rates. The income statement accounts are generally translated at the weighted average of exchange rates during the period and the cumulative effect of translation is recorded as a separate component of accumulated other comprehensive income (loss) in shareholders' equity, as reflected in the consolidated statements of shareholders' equity. The value of the Mexican peso decreased by 17 percent in relation to the U.S. dollar in 2015.

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 related to initial tooling reimbursed by our customers are deferred and recognized over the expected life of the wheel program on a straight line basis, as discussed above.

Research and Development

Research and development costs (primarily engineering and related costs) are expensed as incurred and are included in cost of sales in the consolidated income statements. Amounts expensed during each of the three years in the period ended 2015, 2014 and 2013 were $2.6 million, $4.4 million, and $4.8 million, respectively.

Value-Added Taxes

Value-added taxes that are collected from customers and remitted to taxing authorities are excluded from sales and cost of sales.

Stock-Based Compensation

We account for stock-based compensation using the fair value recognition method in accordance with U.S. GAAP. We recognize these compensation costs net of the applicable forfeiture rate and recognize the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term of three to four years. We estimate the forfeiture rate based on our historical experience. See Note 16 - Stock-Based Compensation for additional information concerning our share-based compensation awards.

Income Taxes

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

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

In determining when to release the valuation allowance established against our net deferred income tax assets, we consider all available evidence, both positive and negative. Consistent with our policy, the valuation allowance against our net deferred income

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tax assets will not be reversed until such time as we have generated three years of cumulative pre-tax income and have reached sustained profitability, which we define as two consecutive one year periods of pre-tax income.

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

Presently, we have not recorded a deferred tax liability for temporary differences related to investments in foreign subsidiaries that are essentially permanent in duration. These temporary differences may become taxable upon a repatriation of earnings from the subsidiaries or a sale or liquidation of the subsidiaries. At this time the company does not have any plans to repatriate income from its foreign subsidiaries.

Earnings Per Share

As summarized below, basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding for the period. For purposes of calculating diluted earnings per share, net income is divided by the total of the weighted average shares outstanding plus the dilutive effect of our outstanding stock options under the treasury stock method, which includes consideration of stock-based compensation required by U.S. GAAP.

Year Ended December 31,	2015	2014	2013
(Thousands of dollars, except per share amounts)			
Basic Earnings Per Share			
Reported net income	$23,944	$8,803	$22,824
Weighted average shares outstanding	26,599	26,908	27,392
Basic earnings per share	0.90	$0.33	$0.83
Diluted Earnings Per Share			
Reported net income	$23,944	$8,803	$22,824
Weighted average shares outstanding	26,599	26,908	27,392
Weighted average dilutive stock options	34	112	139
Weighted average shares outstanding - diluted	26,633	27,020	27,531
Diluted earnings per share	$0.90	$0.33	$0.83

The following potential shares of common stock were excluded from the diluted earnings per share calculations because they would have been anti-dilutive due to their exercise prices exceeding the average market prices for the respective periods: for the year ended December 31, 2015 options to purchase 147,150 shares at prices ranging from $21.84 to $22.57; for the year ended December 31, 2014 options to purchase 985,677 shares at prices ranging from $22.57 to $43.22; and for the year ended December 31, 2013 options to purchase 1,291,427 shares at prices ranging from $19.19 to $43.22 per share. In addition, the performance shares discussed in Note 16 - Stock-Based Compensation are not included in the diluted income per share because the performance metrics had not been met as of the year ended December 31, 2015.

New Accounting Pronouncements

In May 2014, the FASB issued an Accounting Standards Update ("ASU") entitled “Revenue from Contracts with Customers.” The ASU requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015,

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the FASB approved a one-year deferral of the effective date. Under the standard it is required to be adopted by public business entities in annual periods beginning on or after December 15, 2017. Early application is not permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

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

In February 2015, the FASB issued an ASU entitled “Consolidation.” The ASU includes amendments to the consolidation analysis which are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption, including adoption in interim periods, is permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

In April 2015, the FASB issued an ASU entitled “Compensation - Retired Benefits.” The ASU provides practical expedients for the measurement date of an employer's defined benefit obligation and plan assets. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, and early adoption is permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

In July 2015, the FASB issued an ASU entitled “Simplifying the Measurement of Inventory.” The ASU replaces the current lower of cost or market test with a lower of cost or net realizable value test when cost is determined on a first-in, first-out or average cost basis. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods therein. It is to be applied prospectively and early adoption is permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

In September 2015, the FASB issued an accounting standards update with new guidance that eliminates the requirement in a business combination to restate prior period financial statements for measurement period adjustments. Instead, measurement period adjustments will be recognized in the reporting period in which the adjustment is identified. The standards update is effective for fiscal years and interim periods beginning after December 15, 2015. The amendments should be applied prospectively to measurement period adjustments that occur after the effective date of this update with early adoption permitted for financial statements that have not been issued. We will adopt this standards update as required and recognize any such future adjustments accordingly.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU 2015-17 requires entities to present deferred tax assets and liabilities as noncurrent in a classified balance sheet instead of separating into current and noncurrent amounts. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, on a prospective or retrospective basis. Early adoption is permitted for all companies in any interim or annual period. ASU 2015-17 was early adopted as of December 31, 2015 on a prospective basis and prior periods have not been restated. As of December 31, 2014, the company had $9.9 million of deferred tax assets which remains classified as current in the consolidated balance sheet. The adoption of ASU 2015-17 did not have an impact on the Company's consolidated results of operations, net assets, or cash flows. See Note 10 for additional information regarding deferred tax assets and liabilities.

In February of 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. We are evaluating the impact this guidance will have on our financial position and statement of operations.

NOTE 2 - RESTRUCTURING

On July 30, 2014, we announced the planned closure of our wheel manufacturing facility located in Rogers, Arkansas. During the fourth quarter of 2014, we shifted production to our other locations and closed operations at the Rogers facility. The closure resulted in a reduction of workforce of approximately 500 employees. The action was undertaken in order to reduce costs and

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enhance our global competitive position. In addition, other measures were taken to reduce costs including the sale of the company's two aircraft. One airplane was sold for cash in September 2014, incurring a $0.2 million loss on sale. The remaining airplane was classified as held-for-sale with a carrying value of $0.9 million and was included in other current assets on our consolidated balance sheet at December 31, 2014. In February 2015, this airplane was also sold.

Included in selling, general and administrative expense in the consolidated income statements for the year ended December 31, 2014 are charges totaling $1.1 million to reduce the carrying balance of the aircraft held for sale to its estimated fair value. Cost of sales for the year ended December 31, 2014 includes $5.4 million of depreciation accelerated due to shorter useful lives for assets to be retired after operations ceased at the Rogers facility. During 2015, we recorded $6.0 million of restructuring costs which related to severance, other costs and depreciation.

As noted above, the operations ceased at the Rogers facility during the fourth quarter of 2014. The property is currently held for sale. Based on the current carrying value of the land and building of $2.9 million, we do not expect a loss on sale at this time. In addition, after production ceased at the facility, machinery and equipment to be held and used at our other plants will be transferred, with the carrying values depreciating over the remaining estimated useful lives of these assets. We transferred a significant amount of assets to other facilities during 2015 and we determined that some of the assets will not ultimately be transferred. For the assets that were not transferred, we recorded a $2.7 million impairment during 2015.

The total cost expected to be incurred as a result of the Rogers facility closure is $15.6 million, of which $6.0 million and $8.4 million was recognized as of December 31, 2015 and 2014, respectively. The following table summarizes the Rogers, Arkansas plant closure costs and classification in the consolidated income statement for the year ended December 31, 2015 and 2014:

(Dollars in thousands)	Year Ended December 31, 2015	Year Ended December 31, 2014	Costs Remaining	Total Expected Costs	Classification
Accelerated and other depreciation of assets idled	$1,641	$5,365	$775	$7,781	Cost of sales, Restructuring costs
Severance costs	114	1,897	—	2,011	Cost of sales, Restructuring costs
Equipment removal and impairment, inventory written-down, lease termination and other costs	4,257	1,167	378	5,802	Cost of sales, Restructuring costs
	$6,012	$8,429	$1,153	$15,594	

Changes in the accrued expenses related to restructuring liabilities during the years ended December 31, 2015 and 2014 are summarized as follows (Dollars in thousands):

Balance December 31, 2013	$—	
Restructuring accruals - severance costs	1,897	
Cash payments	(1,682	)
Balance December 31, 2014	215	
Restructuring accruals - severance costs	114	
Cash payments	(304	)
Balance December 31, 2015	$25	

NOTE 3 - FAIR VALUE MEASUREMENTS

The company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis, while other assets and liabilities are measured at fair value on a nonrecurring basis, such as when we have an asset impairment. Fair value is estimated by applying the following

hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:
Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.
The carrying amounts for cash and cash equivalents, investments in certificates of deposit, accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short period of time until maturity.

Cash and Cash Equivalents
Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as cash and cash equivalents. Time deposits, certificates of deposit, and money market accounts that meet the above criteria are reported at par value on our balance sheet and are excluded from the table below.

Derivative Financial Instruments
Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We estimate the fair value of these instruments using industry-standard valuation models such as a discounted cash flow. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates, commodity prices, and the contractual terms of the derivative instruments. The discount rate used is the relevant interbank deposit rate (e.g., LIBOR) plus an adjustment for non-performance risk. In certain cases, market data may not be available and we may use broker quotes and models (e.g., Black-Scholes) to determine fair value. This includes situations where there is lack of liquidity for a particular currency or commodity or when the instrument is longer dated.

Investment in Unconsolidated Affiliate
In October 2014, a typhoon caused significant damage to the facilities and operations of Synergies Castings Limited ("Synergies"), a private aluminum wheel manufacturer based in Visakhapatnam, India, a company we hold an investment carried on the cost method of accounting (see Note 9 - Investment in Unconsolidated Subsidiary). In the fourth quarter of 2014 we tested the $4.5 million carrying value of our investment in Synergies for impairment. Based on our evaluation, we determined there was an other-than-temporary impairment and wrote the investment down to its estimated fair value of $2.0 million, with the $2.5 million loss recognized in income. The valuation was based on an income approach using current financial forecast data and rates and assumptions market participants would use in pricing the investment using level 3 inputs.

The following tables categorize items measured at fair value at December 31, 2015 and 2014:

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		Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2015		(Level 1)	(Level 2)	(Level 3)
(Dollars in thousands)				
Assets				
Certificates of deposit	$950	$—	$950	$—
Investment in unconsolidated affiliate	2,000	—	—	2,000
Cash surrender value	6,923	—	6,923	—
Derivative contracts	113	—	113	—
Total	9,986	—	7,986	2,000
Liabilities				
Derivative contracts	14,159	—	14,159	—
Total	$14,159	$—	$14,159	$—

		Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2014		(Level 1)	(Level 2)	(Level 3)
(Dollars in thousands)				
Assets				
Certificates of deposit	$3,750	$—	$3,750	$—
Investment in unconsolidated affiliate	2,000	—	—	2,000
Cash surrender value	6,331	—	6,331	—
Total	12,081	—	10,081	2,000
Liabilities				
Derivative contracts	7,552	—	7,552	—
Total	$7,552	$—	$7,552	$—

NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS

We use derivatives to partially offset our business exposure to foreign currency risk. We may enter into forward contracts, option contracts, swaps, collars or other derivative instruments to offset some of the risk on expected future cash flows and on certain existing assets and liabilities. However, we may choose not to hedge certain exposures for a variety of reasons including, but not limited to, accounting considerations and the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign currency exchange rates.

To help protect gross margins from fluctuations in foreign currency exchange rates, certain of our subsidiaries whose functional currency is the U.S. dollar hedge a portion of forecasted foreign currency costs. Generally, we may hedge portions of our forecasted foreign currency exposure associated with costs, typically for up to 36 months.

We record all derivatives in the consolidated balance sheets at fair value. Our accounting treatment for these instruments is based on the hedge designation. The effective portions of cash flow hedges are recorded in AOCI until the hedged item is recognized in earnings. The ineffective portions of cash flow hedges are recorded in cost of sales.

Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in the financial statement line item to which the derivative relates.

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Deferred gains and losses associated with cash flow hedges of foreign currency costs are recognized as a component of cost of sales in the same period as the related cost is recognized. Our foreign currency transactions hedged with cash flow hedges as of December 31, 2015, are expected to occur within 1 month to 36 months.

Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Deferred gains and losses in AOCI associated with such derivative instruments are reclassified immediately into other income and expense. Any subsequent changes in fair value of such derivative instruments are reflected in other income and expense unless they are re-designated as hedges of other transactions.

We had no gains or losses recognized in other income and expense for foreign currency forward and option contracts not designated as hedging instruments during 2015, 2014 and 2013.

The following tables display the fair value of derivatives by balance sheet line item:

December 31, 2015	Other Non-current Assets	Accrued Liabilities	Other Non-current Liabilities
(Dollars in thousands)			
Foreign exchange forward contracts designated as hedging instruments	$113	$9,629	$4,530
Total derivative instruments	$113	$9,629	$4,530

December 31, 2014	Accrued Liabilities	Other Non-current Liabilities
(Dollars in thousands)		
Foreign exchange forward contracts designated as hedging instruments	$5,598	$1,954
Total derivative instruments	$5,598	$1,954

The following tables summarize the notional amount and estimated fair value of our derivative financial instruments:

December 31, 2015	Notional U.S. Dollar Amount	Fair Value
(Dollars in thousands)		
Foreign currency exchange contracts designated as cash flow hedges	$162,590	$14,046
Total derivative financial instruments	$162,590	$14,046

December 31, 2014	Notional U.S. Dollar Amount	Fair Value
(Dollars in thousands)		
Foreign currency exchange contracts designated as cash flow hedges	$115,442	$7,552
Total derivative financial instruments	$115,442	$7,552

Notional amounts are presented on a gross basis. The notional amounts of the derivative financial instruments do not represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates, or commodity volumes and prices.

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The following tables provide the impact of derivative instruments designated as cash flow hedges on our consolidated income statement:

Year Ended December 31, 2015	Amount of Gain or (Loss) Recognized in OCI on Derivatives, net of tax (Effective Portion)	Amount of Pre-tax Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
(Thousands of dollars)			
Foreign exchange contracts	$(4,524)	$ (9,960)	$ 19
Total	$(4,524)	$ (9,960)	$ 19

Year Ended December 31, 2014	Amount of Gain or (Loss) Recognized in OCI on Derivatives, net of tax (Effective Portion)	Amount of Pre-tax Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
(Thousands of dollars)			
Foreign exchange contracts	$(4,765)	$ —	$ —
Total	$(4,765)	$ —	$ —

NOTE 5 - BUSINESS SEGMENTS

The company's Chief Executive Officer is the chief operating decision maker ("CODM") because he has final authority over performance assessment and resource allocation decisions. The CODM evaluates both consolidated and disaggregated financial information for each of the company's business units in deciding how to allocate resources and assess performance. Each manufacturing facility manufactures the same products, ships product to the same group of customers, utilizes the same cast manufacturing process and as a result, production can generally be transferred amongst our facilities. Accordingly, we operate as a single integrated business and, as such, have only one operating segment - automotive wheels.

Geographic information

Net sales by geographic location is the following:

Year Ended December 31,	2015	2014	2013
(Thousands of dollars)			
Net sales:			
U.S.	$177,198	$261,478	$286,380
Mexico	550,748	483,969	503,184
Consolidated net sales	$727,946	$745,447	$789,564