CEMEX SAB DE CV
Form 6-K
February 07, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 or 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of February, 2019

Commission File Number: 001-14946

CEMEX, S.A.B. de C.V.

(Translation of Registrant s name into English)

Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre,

San Pedro Garza García, Nuevo León 66265, México

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, CEMEX, S.A.B. de C.V. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CEMEX, S.A.B. de C.V.
(Registrant)

Date: February 7, 2019

By: /s/ Rafael Garza Lozano

Name: Rafael Garza Lozano
Title: Chief Comptroller

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
1.	Press release, dated February 7, 2019, announcing fourth quarter 2018 results for CEMEX Latam Holdings, S.A., an indirect subsidiary of CEMEX, S.A.B. de C.V. (NYSE: CX).
2.	Fourth quarter 2018 results for CEMEX Latam Holdings, S.A., an indirect subsidiary of CEMEX, S.A.B. de C.V. (NYSE: CX).
3.	Presentation regarding fourth quarter 2018 results for CEMEX Latam Holdings, S.A., an indirect subsidiary of CEMEX, S.A.B. de C.V. (NYSE: CX).

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$
50,105

$
45,936

Mexico

96,992

99,811

Consolidated property, plant and equipment, net

$
147,097

$

145,747

Note 7 – Pre-Production Costs 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 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 customers and recognize the tooling reimbursement revenue over the same period in which the tooling is in use. Recognized deferred tooling revenues included in net sales in the condensed consolidated income statements totaled $2.1 million for the thirteen weeks ended September 23, 2012 and September 25, 2011, and $6.1 million and $6.7 million for the thirty-nine weeks ended September 23, 2012 and September 25, 2011, respectively. The following table summarizes the unamortized customer-owned tooling costs included in our non-current assets, and the deferred tooling revenues included in accrued expenses and other non-current liabilities.

(Dollars in Thousands)	September 23, 2012	December 25, 2011
Unamortized Preproduction Costs		
Preproduction costs	$49,775	$42,118
Accumulated amortization	(36,832)	(31,548)
Net preproduction costs	$12,943	$10,570
Deferred Tooling Revenues		
Accrued expenses	$5,708	$5,158
Other non-current liabilities	3,765	2,401
Total deferred tooling revenues	$9,473	$7,559

Note 8 – Income Per Share

In accordance with U.S. GAAP, basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the dilutive effect of outstanding stock options calculated using the treasury stock method.

The computation of diluted earnings per share does not include stock option awards that were outstanding and anti-dilutive (i.e., including such awards would result in higher earnings per share), since the exercise prices of these awards exceeded the average market price of the company’s common stock during the respective periods. For the thirteen and thirty-nine week periods ended September 23, 2012, 2.5 million and 2.1 million shares issuable under outstanding stock options were excluded from the computations, respectively. For the thirteen and thirty-nine week periods ended September 25, 2011, 1.9 million and 1.5 million

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shares issuable under outstanding stock options were excluded from the computations, respectively. Summarized below are the calculations of basic and diluted earnings per share.

(In thousands, except per share amounts)	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 23, 2012	September 25, 2011	September 23, 2012	September 25, 2011
Basic Income Per Share:				
Reported net income	$15,056	$4,228	$28,204	$26,982
Basic income per share	$0.55	$0.16	$1.04	$1.00
Weighted average shares outstanding - Basic	27,234	27,156	27,205	27,022
Diluted Income Per Share:				
Reported net income	$15,056	$4,228	$28,204	$26,982
Diluted income per share	$0.55	$0.16	$1.03	$0.99
Weighted average shares outstanding	27,234	27,156	27,205	27,022
Weighted average dilutive stock options	87	121	108	357
Weighted average shares outstanding - Diluted	27,321	27,277	27,313	27,379

Note 9 – 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 likelihood of realization 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 taxes 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.

During the fourth quarter of 2011, we determined that it was more likely than not that our deferred tax assets would be realized in future periods and reversed the valuation allowances carried against our federal and certain state net deferred tax assets in the U.S. In determining when to release the valuation allowances, we considered all available evidence, both positive and negative. Consistent with our policy, the valuation allowance against our U.S. net deferred income tax assets was not reversed until such time as we had generated three years of cumulative pre-tax income and had reached sustained profitability in the U.S., which we define as two consecutive one year periods of pre-tax income, which occurred in the fourth quarter of 2011. As of September 23, 2012 valuation allowances carried against our deferred tax assets totaled $2.7 million.

The company adopted the U.S. GAAP method of accounting for uncertain tax positions during 2007. The purpose of this method is to clarify accounting for uncertain tax positions recognized. The U.S. GAAP method of accounting for uncertain tax positions utilizes a two-step approach to evaluate tax positions. Step one, recognition, requires evaluation of the tax position to determine if based solely on technical merits it is more likely than not to be sustained upon examination. Step two, measurement, is addressed only if a position is more likely than not to be sustained. In step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement with tax authorities. If a position does not meet the more likely than not threshold for recognition in step one, no benefit is recorded until the first subsequent period in which the more likely than not standard is met, the issue is resolved with the taxing authority, or the statute of limitations expires. Positions previously recognized are derecognized when we subsequently determine the position no longer is more likely than not to be sustained. Evaluation of tax positions, their technical merits, and measurements using cumulative probability are highly subjective management estimates. Actual results could differ materially from these estimates.

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

For the thirteen weeks ended September 23, 2012 the benefit from income taxes was $5.2 million, which was a negative effective income tax rate of 52 percent. For the thirty-nine weeks ended September 23, 2012 the provision for income taxes was $1.0 million, which was an effective income tax rate of 3 percent. During the third quarter of 2012, the Mexican taxing authorities finalized their audit of the 2004 tax year of Superior Industries de Mexico S.A. de C.V. (SIM), our wholly-owned Mexican subsidiary. As a result of this settlement, the company paid $0.9 million and reversed approximately $21.7 million of liabilities for uncertain tax positions, which was partially offset by the reversal of competent authority deferred tax assets of $12.7 million that were recorded in the U.S. The reversals recorded during the third quarter of 2012 caused the negative effective income tax rate for the thirteen week period ended September 23, 2012 and caused the effective tax rate for the thirty-nine week period ended September 23, 2012 to be substantially lower than the U.S. federal tax rate of 35 percent. The effective tax rates for the thirteen week period and the thirty-nine week period ended September 23, 2012 were also impacted by increases in unrecognized tax benefit positions, foreign income taxes (taxed at rates lower than the U. S. statutory rates) and state income taxes (net of federal tax benefit).

The income tax provision for the thirteen weeks ended September 25, 2011 was $0.9 million, which was an effective income tax rate of 17 percent. The income tax provision for the thirty-nine weeks ended September 25, 2011 was $3.0 million, which was an effective income tax rate of 10 percent. In December 2010, tax laws were amended affecting the taxation of consignment contract manufactures in Mexico, which beginning in 2011, subjected certain income already subject to U.S. federal income taxes to income taxes in Mexico. During the second quarter of 2011, we were advised by the Mexican tax authorities that they would accept an alternative method of income allocation, resulting in a substantial decrease in income subject to Mexican income taxes. As a result, the December 2010 tax law change did not have a significant impact on our third quarter or year-to-date 2011 tax provisions. During the first three quarters of 2011, our federal, state and foreign valuation allowances had been reduced to the extent of taxable income generated in these jurisdictions. This reduction in the valuation allowances was approximately $8.6 million, reducing the aggregate amount of the valuation allowances to $34.7 million from $43.3 million at December 26, 2010. In addition, the effective tax rate is favorably impacted by foreign tax credits and research and development credits.

Within the next twelve month period ending September 29, 2013, we do not expect any of the unrecognized tax benefits to be recognized due to the expiration of related statutes of limitations or completion of any income tax examinations, except as described in the following paragraph. During the first three quarters of 2012, the liability for uncertain tax positions decreased by $23.4 million to $9.7 million from $33.1 million at December 25, 2011, primarily as a result of the $21.7 million reversal resulting from the settlement of the 2004 tax year audit of SIM, and the $6.3 million reversal of the liability as a result of the expiration of the statute of limitations for the 2006 tax year of our operations in Mexico, partially offset by $1.0 million of interest and penalties which were recognized in income tax expense, a $1.3 million increase for uncertain tax positions taken in prior periods and $2.3 million of foreign currency translation adjustments.

We conduct business internationally and, as a result, one or more of our subsidiaries files income tax returns in U.S. federal, U.S. state and certain foreign jurisdictions. Accordingly, in the normal course of business, we are subject to examination by taxing authorities throughout the world, including taxing authorities in Mexico, the Netherlands, India and the United States. We are no longer under examination by taxing authorities regarding any U.S. federal income tax returns for years before 2009 while the years open for examination under various state and local jurisdictions varies. Mexico's Tax Administration Service (SAT), is currently examining the 2007 tax year of Superior Industries de Mexico S.A. de C.V., our wholly-owned Mexican subsidiary, and we expect the 2007 audit to be completed within the next twelve months. On July 18, 2012, we received an observation letter for the 2007 tax audit from SAT. For 2007, SAT has proposed certain adjustments related primarily to intercompany charges and we are currently providing responses to SAT regarding the 2007 audit. We believe that we have adequately provided for any reasonably foreseeable outcomes related to these proposed adjustments and the ultimate resolution of these matters is unlikely to have a material effect on our consolidated financial position; however, there is still a possibility that an adverse outcome of these matters could have a material effect on our consolidated financial condition.

Note 10 – Short-Term Investments

The company's short-term investments include certificates of deposit and fixed deposits whose original maturity is greater than three months and is one year or less. Certificates of deposit and fixed deposits whose original maturity is three months or less are

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classified as cash equivalents 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 condensed consolidated balance sheet. The purchase of any certificate of deposit or fixed deposit that is classified as a short-term investment or non-current asset appear in the investing section of our condensed consolidated statement of cash flows.

Restricted Deposits

We purchase certificates of deposit with maturity dates that expire within twelve months that are used to secure our workers' compensation obligations and collateralize letters of credit securing our forward natural gas contracts in Mexico. At September 23, 2012 and December 25, 2011, certificates of deposit totaling $5.0 million and $5.1 million, respectively, which were restricted in use, were classified as short-term investments on our condensed consolidated balance sheets.

Note 11 – Accounts Receivable
(Dollars in thousands)

	September 23, 2012	December 25, 2011
Trade receivables	$115,599	$114,811
Other receivables	5,619	5,423
	121,218	120,234
Allowance for doubtful accounts	(475)	(339)
Accounts receivable, net	$120,743	$119,895

Note 12 – Inventories
(Dollars in thousands)

	September 23, 2012	December 25, 2011
Raw materials	$17,184	$24,347
Work in process	30,719	26,921
Finished goods	18,643	15,665
Inventories	$66,546	$66,933

Service wheel and parts inventory included in other non-current assets in the condensed consolidated balance sheets was $9.0 million and $2.8 million at September 23, 2012 and December 25, 2011, respectively.

Note 13 – Property, Plant and Equipment
(Dollars in thousands)

	September 23, 2012	December 25, 2011
Land and buildings	$70,302	$67,500
Machinery and equipment	405,422	390,304
Leasehold improvements and others	8,383	8,274
Construction in progress	7,932	8,908
	492,039	474,986
Accumulated depreciation	(344,942)	(329,239)
Property, plant and equipment, net	$147,097	$145,747

Depreciation expense was $6.5 million and $6.7 million for the thirteen weeks ended September 23, 2012 and September 25, 2011, respectively. Depreciation expense was $19.5 million and $20.9 million for the thirty-nine weeks ended September 23, 2012 and September 25, 2011, respectively.

Note 14 – Retirement Plans

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We have an unfunded supplemental executive retirement plan covering certain officers, key members of management and our non-employee directors. Subject to certain vesting requirements, the plan provides for retirement benefits based on the average of the final thirty-six months of base salary. Such benefits become payable upon attaining age sixty-five, or upon retirement, if later. The benefits are paid biweekly and continue for the retiree's remaining life or for a minimum of ten years. The plan was closed to new participants effective February 3, 2011.

For the thirty-nine weeks ended September 23, 2012, payments to retirees or their beneficiaries totaled approximately $865,000. We presently anticipate benefit payments in 2012 to total approximately $1.3 million. The following table summarizes the components of net periodic pension cost for the first three quarters of 2012 and 2011.

(Dollars in thousands)	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 23, 2012	September 25, 2011	September 23, 2012	September 25, 2011
Service cost	$61	$74	$183	$218
Interest cost	304	323	914	957
Net amortization	66	6	197	17
Net periodic pension cost	$431	$403	$1,294	$1,192

Note 15 – Commitments and Contingencies

The third quarter 2012 cost of sales includes a $3.5 million benefit from the release of a contingency reserve, established in a prior year, for an uncertainty related to a foreign consumption tax that was resolved during the third quarter.

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. For additional information concerning contingencies, risks and uncertainties, see Note 16 – Risk Management.

Note 16 – Risk Management

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

The functional currency of certain foreign operations in Mexico is the Mexican peso. The settlement of accounts receivable and accounts payable for our operations in Mexico requires the transfer of funds denominated in the Mexican peso, the value of which increased by 7 percent in relation to the U.S. dollar in the first three quarters of 2012. Foreign currency transaction gains in the third quarter of 2012 totaled $0.5 million compared to foreign currency transaction losses of $1.4 million in the comparable period a year ago. For the first three quarters of 2012, foreign currency transaction gains totaled $0.6 million compared to foreign currency transaction losses of $1.0 million for the comparable period in 2011. All transaction gains and losses are included in other income (expense) in the condensed consolidated income statements.

As it relates to foreign currency translation gains and losses, however, since 1990, the Mexican peso has experienced periods of relative stability followed by periods of major declines in value. The impact of these changes in value relative to our Mexico operations resulted in a cumulative unrealized translation loss at September 23, 2012 of $56.4

million. Translation gains and losses are included in other comprehensive income in the condensed consolidated statements of comprehensive income.

When market conditions warrant, we may also enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. At September 23, 2012 we have several purchase commitments in place for the delivery of natural gas through 2012 for a total cost of $1.3 million. These natural gas contracts are considered to be derivatives under U.S. GAAP, and when entering into these contracts, it was expected that we would take full delivery of the contracted quantities of natural gas over the normal course of business. Accordingly, at inception, these contracts qualified for the normal purchase, normal sale (NPNS) exemption provided for under U.S. GAAP. As such, we do not account for these purchase commitments as derivatives unless there is a change in facts or circumstances in regard to the company's intent or ability to use the contracted quantities of natural gas over the normal course of business. Based on the quarterly analysis of our estimated future production levels, we believe that our remaining natural gas purchase commitments that were in effect as

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of September 23, 2012 will continue to qualify for the NPNS exemption since we can assert that it is probable we will take full delivery of the contracted quantities.

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

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. We may from time to time make written or oral statements in “Management's Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report which constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. These forward-looking statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth, future business plans and costs and potential liability for environmental-related matters. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as “expects,” “anticipates,” “believes,” “will,” “will likel result,” “will continue,” “plans to” and similar expressions.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the company, which could cause actual results to differ materially from such statements and from the company's historical results and experience. The principal factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to, changes in the automotive industry, including the financial condition of our OEM customers and changes in consumer preferences for end products, fluctuations in production schedules for vehicles for which we are a supplier, increased global competitive pressures and pricing pressures, our dependence on major customers and third party suppliers and manufacturers, our ongoing ability to achieve cost savings and other operational improvements, our ability to introduce new products to meet our customers' demand in a timely manner, the impact on our relationship with customers and our market position due to limitations in our manufacturing capacity, increased repair and maintenance costs and costs to replace machinery and equipment on an accelerated basis due to continued operation of our plants at near full capacity levels, our exposure to foreign currency fluctuations, increasing fuel and energy costs, regulatory changes and other factors or conditions described in Item 1A - Risk Factors in Part I of our 2011 Annual Report on Form 10-K and 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 above list 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.

Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited Condensed Consolidated Financial Statements and notes thereto and with the audited Consolidated Financial Statements, notes thereto, and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our 2011 Annual Report on Form 10-K.

Executive Overview

Overall North American production of passenger cars and light trucks in the third quarter of 2012 was reported by industry publications as being up by approximately 15 percent versus the comparable period a year ago, with production of passenger cars increasing 23 percent and production of light trucks and SUVs increasing 9 percent. The North American market for automobiles and light-duty trucks (including SUVs and crossover vehicles) has experienced rather pronounced cyclicality over recent years. Production levels of the U.S. automotive industry for the third quarter of 2012 were 3.7 million vehicles. Recent North American production levels continue to improve as the economy and low consumer interest rates are generally supportive of market growth and, in addition, the continuing increase in the average age of vehicles on the road appears to be contributing to higher rates of vehicle replacement. In 2011, the average age of an automobile in the U.S. reached 11 years, a new record according to Polk Automotive Research.

Net sales in the third quarter of 2012 decreased $13.2 million, or 6 percent, to $193.9 million from $207.1 million in the comparable period a year ago. Wheel sales in the third quarter of 2012 decreased $13.6 million, or 7 percent, to $191.4 million from $205.0 million in the comparable period a year ago. Wheel unit shipments increased to 3.0 million from 2.9 million a year ago. Gross profit in the third quarter of 2012 was $15.0 million, or 8 percent of net sales, compared to $12.6 million, or 6 percent of net sales, in the comparable period a year ago. Net income for the third quarter of 2012 was $15.1 million, or $0.55 per diluted share, and

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included an income tax benefit of $5.2 million, compared to net income in the third quarter of 2011 of $4.2 million, or $0.16 per diluted share, which included income tax expense of $0.9 million. The tax benefit in the third quarter of 2012 resulted from the release of a portion of our net liability for uncertain tax positions upon settlement of the 2004 tax year audit in Mexico.

Despite the benefit of higher unit sales volume, our operating performance continues to reflect a negative impact from product mix changes and operating inefficiencies, primarily in the U.S. operations. We continue to focus on programs to reduce costs and improve efficiencies through improved operational and procurement practices and capital investment. However, this comparison partially reflects what often can be the time-consuming nature of developing and implementing operational cost reduction programs. Other cost increases, such as for energy and raw materials which are not adjusted for in our product pricing agreements, also may occur in the future and have a negative impact on our future operating results, financial condition and cash flows.

Results of Operations
(Dollars in thousands, except per share amounts)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
Selected data	September 23, 2012	September 25, 2011	September 23, 2012	September 25, 2011
Net sales	$193,926	$207,057	$611,436	$605,325
Gross profit	$15,020	$12,575	$47,844	$48,999
Percentage of net sales	7.7 %	6.1 %	7.8 %	8.1 %
Income from operations	$9,060	$5,968	$27,509	$29,006
Percentage of net sales	4.7 %	2.9 %	4.5 %	4.8 %
Net income	$15,056	$4,228	$28,204	$26,982
Percentage of net sales	7.8 %	2.0 %	4.6 %	4.5 %
Diluted income per share	$0.55	$0.16	$1.03	$0.99

Net Sales

Net sales in the third quarter of 2012 decreased $13.2 million, or 6 percent, to $193.9 million from $207.1 million in the comparable period a year ago. Wheel sales in the third quarter of 2012 decreased $13.6 million, or 7 percent, to $191.4 million from $205.0 million in the comparable period a year ago primarily as a result of a decline in the average price of aluminum, which we generally pass through to our customers. The unit volume of wheels shipped increased 2 percent, while the average unit selling price decreased 8 percent to $64.95 per wheel in the current year period from $70.48 per wheel in the third quarter of 2011. A decline in average aluminum price, the value-added price and mix of wheels sold, and a weakening in the Mexican peso were the primary drivers of the 8 percent decrease in the average selling price of our wheels. Unit shipments increased to Ford, Chrysler, Toyota, BMW and Volkswagen, while shipments decreased to GM, Nissan, Mitsubishi and Subaru. Wheel development revenues totaled $2.5 million in the third quarter of 2012 and $2.1 million in the comparable period of 2011.

Net sales in the first three quarters of 2012 increased $6.1 million, or 1 percent, to $611.4 million from $605.3 million in the comparable period a year ago primarily as a result of an increase in the number of wheels shipped. Wheel sales increased $5.8 million, or 1 percent, to $604.4 million from $598.6 million in the first three quarters a year ago, as our wheel shipments increased by 9 percent. The average selling price of our wheels during the first three quarters of 2012 decreased approximately 7 percent primarily due to a decrease in the pass-through price of aluminum, as well as the value-added price and mix of wheels sold, and a weakening in the Mexican peso. Wheel program development revenues totaled approximately $7.0 million in the first three quarters of 2012 and $6.7 million in the comparable period of 2011.

U.S. Operations

Net sales of our U.S. operations in the third quarter of 2012 decreased $8.5 million, or 11 percent, to $68.5 million from $77.0 million in the comparable period a year ago. Wheel sales in the third quarter of 2012 decreased $8.8 million, or 12 percent, to $66.3 million from $75.1 million in the third quarter last year. The decrease in sales in the third quarter of 2012 primarily reflects a 6 percent decrease in unit shipments and an 8 percent decrease in the average selling price primarily resulting from a decrease in the pass-through price of aluminum. During the first three quarters of 2012, net sales of our U.S. wheel plants increased $18.1 million, or 8 percent, to $236.3 million from $218.2 million in the comparable period a year ago. Wheel sales in the first three quarters of 2012 increased $17.9 million, or 8 percent, to $230.0 million from $212.1 million in the comparable period a year ago.

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The increase in wheel sales in 2012 reflects a 16 percent increase in unit shipments partially offset by a 7 percent decrease in the average selling price primarily as a result of a decrease in the pass-through price of aluminum.

Mexico Operations
Net sales of our Mexico operations in the third quarter of 2012 decreased $4.7 million, or 4 percent, to $125.4 million from $130.1 million in the comparable period a year ago. While unit shipments increased by 7 percent in the third quarter of 2012, revenues decreased as a result of an 8 percent decrease in the average selling price. The decline in average selling price was due principally to a 9 percent decrease in the pass-through price of aluminum and a weakening in the Mexican peso, somewhat offset by a favorable change in value-added price and mix of wheels sold. During the first three quarters of 2012, net sales of our Mexico wheel plants decreased $11.9 million, or 3 percent, to $375.2 million from $387.1 million in the comparable period a year ago. While unit volume increased by 5 percent in the first three quarters 2012, revenues decreased due to a 7 percent decrease in the average selling price. The decline in average selling price resulted primarily from a 5 percent decrease in the pass-through price of aluminum and a weakening of the Mexican peso, partially offset by a favorable change in value-added price and mix of wheels sold.

Customer Comparisons
As reported by industry publications, North American production of passenger cars and light trucks in the third quarter of 2012 was up approximately 15 percent compared to the same quarter in the previous year, while our wheel shipments increased 2 percent, for the comparable period. The increase of North American vehicle production included an increase of 23 percent for passenger cars and an increase of 9 percent for light trucks and SUVs. During the comparable period, our shipments of light truck wheels increased by 16 percent, while passenger car wheel shipments decreased by 26 percent.

OEM unit shipment composition by customer was as follows:

	Thirteen Weeks Ended	
	September 23, 2012	September 25, 2011
Ford	41%	33%
General Motors	25%	30%
Chrysler	12%	11%
International customers	22%	26%
Total	100%	100%

At the customer level, shipments in the third quarter of 2012 to Ford increased 24 percent compared to the comparable period a year ago, as light truck and SUV wheel shipments increased 42 percent and shipments of passenger car wheels decreased 16 percent. At the program level, the major unit shipment increases were for the Escape, F-Series trucks, Taurus, Explorer and Flex, partially offset by unit shipment decreases for the Fusion and Lincoln's Town Car.

Shipments to GM in the third quarter of 2012 decreased 16 percent compared to the third quarter of 2011, as passenger car wheel shipments decreased 53 percent and light truck and SUV wheel shipments decreased 5 percent. The major unit shipment decreases to GM were for Chevrolet's Malibu, Camaro and Traverse, partially offset by unit shipment increases in Chevrolet's Volt and Impala.

Shipments to Chrysler in the third quarter of 2012 increased 18 percent compared to the third quarter last year, as shipments of light truck and SUV wheels increased 21 percent and passenger car wheels decreased 17 percent. The major unit shipment increases to Chrysler were for the Jeep Compass, Dodge Journey and the Town and Country, which were partially offset by unit shipment decreases for the discontinued Dodge Nitro.

Shipments to international customers in the third quarter of 2012 decreased 13 percent compared to the third quarter of 2011, as shipments of passenger car wheels decreased 22 percent and shipments of light truck and SUV wheels decreased 1 percent. At the program level, major unit shipment decreases to international customers were for Nissan's Altima and Sentra, Subaru's Outback, Toyota's Avalon and Mitsubishi's Galant and Endeavor, partially offset by unit shipment increases for the Nissan Maxima, Toyota's Camry and Highlander and the BMW X3.

Gross Profit

Consolidated gross profit increased $2.4 million for the third quarter of 2012 to $15.0 million, or 8 percent of net sales, compared to $12.6 million, or 6 percent of net sales, for the comparable period a year ago. As indicated above, unit shipments increased 2 percent in the third quarter of 2012 as compared to the third quarter last year. The third quarter 2012 gross profit includes a $3.5

million benefit from the release of a reserve, established in a prior year, for an uncertainty related to a foreign consumption tax that was resolved during the third quarter. Excluding the benefit from releasing the reserve our gross profit was $11.5 million or 6 percent of net sales. Higher levels of manufacturing costs reflect a variety of factors including higher unit volumes, increased maintenance spending, greater labor and contract labor expense and unfavorable changes in foreign exchange rates negatively impacted gross profit for the third quarter of 2012 when compared to the 2011 period.

Consolidated gross profit for the first three quarters of 2012 decreased $1.2 million to $47.8 million, or 8 percent of net sales, compared to $49.0 million, or 8 percent of net sales, for the comparable period a year ago. As noted above, unit shipments in the first three quarters of 2012 increased 9 percent compared to the first three quarters last year. However, higher levels of manufacturing costs reflect a variety of factors including higher unit volumes, increased maintenance spending, greater labor and contract labor expense and unfavorable changes in foreign exchange rates have resulted in lower gross margins for the first three quarters of 2012 when compared to the 2011 period. Gross margins for 2012 were aided partially by the benefit from releasing the foreign consumption tax reserve described above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the third quarter of 2012 decreased $0.6 million to $6.0 million, or 3 percent of net sales, from $6.6 million, or 3 percent of net sales, for the comparable period in 2011. The 2012 period included decreases in environmental compliance costs, and labor and fringe benefit expenses. For the first three quarters of 2012, selling, general and administrative expenses were $20.3 million, or 3 percent of net sales, compared to $19.7 million, or 3 percent of net sales, for the comparable period in 2011. The year-to-date period included increases totaling $1.1 million in legal, audit and consulting fees, partially offset by $0.4 million lower labor and fringe benefit costs.

Impairment of Long-Lived Assets and Other Charges

During the second quarter of 2011 a $0.3 million charge was recorded to adjust the carrying value of our closed Johnson City, Tennessee facility which was included in assets held for sale until sold on October 14, 2011.

Income from Operations

Aluminum, natural gas and other direct material costs are a significant component of our direct costs to manufacture wheels. These costs are substantially the same for all of our plants since many common suppliers service both our U.S. and Mexico operations. In addition, our operations in the U.S. and Mexico sell to the same customers, utilize the same marketing and engineering resources, have the same material inputs, 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 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 our U.S. and international operations (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 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 $3.1 million in the third quarter of 2012 to $9.1 million, or 5 percent of net sales, from $6.0 million, or 3 percent of net sales, in the comparable period in 2011. Income from our Mexican operations increased $7.6 million, while income from our U.S. operations decreased $6.2 million, when comparing the third quarter of 2012 to the comparable period in 2011. Operating income in the third quarter of 2012 reflects the $3.5 million benefit from releasing the foreign consumption tax reserve described above, partially offset by unfavorable impacts of changes in product mix, as compared to the third quarter last year. Additionally, corporate costs incurred during the third quarter of 2012 were $1.8 million lower than the comparable period in 2011 primarily due to decreases in workers' compensation costs of $0.5 million, medical self-insurance costs of $0.4 million, as well as lower environmental compliance and legal expenses.

For the first three quarters of 2012, consolidated income from operations decreased $1.5 million to income of $27.5 million, or 4 percent of net sales, from $29.0 million, or 5 percent of net sales, in 2011. Income from our U.S. operations decreased $13.3 million, while income from our Mexico operations increased $11.7 million when comparing 2012 to 2011. Operating income in the first three quarters of 2012 has been unfavorably impacted by changes in product mix and foreign exchange rates, partially offset by the benefit from releasing the foreign consumption tax reserve discussed above, as compared to the first three quarters last year. Corporate costs incurred during the first three quarters of 2012 were relatively unchanged as compared to the comparable period in 2011. Included below are the major items that impacted income from operations for our U.S. and Mexico operations during the third quarter and year-to-date period of 2012.

U.S. Operations

Operating income from our U.S. operations in the third quarter of 2012 decreased by $6.2 million compared to the third quarter last year. Our U.S. operations during both periods consisted of two wheel plants located in Arkansas. Income from our U.S operations in the third quarter of 2012 reflects a 6 percent decrease in unit shipments, as well as a negative change in product mix and higher operating costs and inefficiencies which caused gross margin to decline to negative 10 percent of sales in the third quarter of 2012 from a break-even gross margin in the comparable 2011 period. The decline in operating income reflects an increase in plant labor and fringe benefit costs of $2.2 million caused by higher headcount and increases in contract labor, in addition to a $2.3 million increase in plant repair, maintenance and supply costs in the third quarter of 2012, compared to the third quarter last year.

Income from operations for the first three quarters of 2012 decreased by $13.3 million compared to the first three quarters of last year. Income from our U.S. operations in the first three quarters of 2012 included an increase in unit shipments of approximately 16 percent; however, this improvement was offset by a negative change in product mix and higher operating costs which caused our gross margin to decline from 3 percent of sales in 2011 to a negative 3 percent of sales in 2012. High capacity utilization at our plants, especially in the first six months of 2012, and operating inefficiencies have strained personnel and factory resources. The decline in operating income reflects an increase in plant labor costs of $9.3 million, caused by higher headcount and increases in contract labor and medical self-insurance costs, for the 2012 period compared to 2011. Plant repair, maintenance and supply costs also increased $7.9 million in the first three quarters of 2012, compared to the first three quarters last year.

Mexico Operations

Income from operations for our Mexico operations increased by $7.6 million in the third quarter of 2012 compared to the third quarter of 2011. Mexico operations during both periods consisted of three wheel plants. Income for the third quarter of 2012 includes the $3.5 million benefit from releasing the foreign consumption tax reserve described above. Income from our Mexico operations reflects a 7 percent increase in unit shipments and, excluding the benefit from release of the consumption tax reserve, an increase in gross profit margins from 13 percent to 17 percent in the third quarter of 2012 as compared to the third quarter last year. During the third quarter of 2012, plant labor and benefit costs decreased 3 percent while wheels produced per labor hour increased 6 percent, when compared to the third quarter last year. However, product mix and foreign exchange rate changes have unfavorably impacted operating income when comparing the third quarter of 2012 with the third quarter last year.

Income from operations for the first three quarters of 2012 increased by $11.7 million compared to the first three quarters of 2011. Income from our Mexico operations in the first three quarters of 2012 included a 5 percent increase in unit shipments and, excluding the benefit from release of the consumption tax reserve discussed above, an increase in gross profit margins from 14 percent to 17 percent in the first three quarters of 2012 as compared to the first three quarters last year. During the first three quarters of 2012, plant labor and benefit costs decreased 4 percent while wheels produced per labor hour increased 12 percent, when compared to the first three quarters last year, while foreign exchange rate changes unfavorably impacted operating income when comparing the first three quarters of 2012 with the prior year.

U.S. versus Mexico Production

During the third quarter of 2012, wheels produced by our Mexico and U.S. operations accounted for 64 percent and 36 percent, respectively, of our total production. For the first three quarters of 2012, wheels produced by our Mexico and U.S. operations accounted for 62 percent and 38 percent, respectively, of our total production. We currently anticipate that the percentage of production in Mexico will remain between 60 percent and 65 percent of our total production for the remainder of 2012.

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 likelihood of realization 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 taxes 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

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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.

During the fourth quarter of 2011, we determined that it was more likely than not that our deferred tax assets would be realized in future periods and reversed the valuation allowances carried against our federal and certain state net deferred tax assets in the U.S. In determining when to release the valuation allowances, we considered all available evidence, both positive and negative. Consistent with our policy, the valuation allowance against our U.S. net deferred income tax assets was not reversed until such time as we had generated three years of cumulative pre-tax income and had reached sustained profitability in the U.S., which we define as two consecutive one year periods of pre-tax income, which occurred in the fourth quarter of 2011. As of September 23, 2012 valuation allowances carried against our deferred tax assets totaled $2.7 million.

The company adopted the U.S. GAAP method of accounting for uncertain tax positions during 2007. The purpose of this method is to clarify accounting for uncertain tax positions recognized. The U.S. GAAP method of accounting for uncertain tax positions utilizes a two-step approach to evaluate tax positions. Step one, recognition, requires evaluation of the tax position to determine if based solely on technical merits it is more likely than not to be sustained upon examination. Step two, measurement, is addressed only if a position is more likely than not to be sustained. In step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement with tax authorities. If a position does not meet the more likely than not threshold for recognition in step one, no benefit is recorded until the first subsequent period in which the more likely than not standard is met, the issue is resolved with the taxing authority, or the statute of limitations expires. Positions previously recognized are derecognized when we subsequently determine the position no longer is more likely than not to be sustained. Evaluation of tax positions, their technical merits, and measurements using cumulative probability are highly subjective management estimates. Actual results could differ materially from these estimates.

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

For the thirteen weeks ended September 23, 2012 the benefit from income taxes was $5.2 million, which was a negative effective income tax rate of 52 percent. For the thirty-nine weeks ended September 23, 2012 the provision for income taxes was $1.0 million, which was an effective income tax rate of 3 percent. During the third quarter of 2012, the Mexican taxing authorities finalized their audit of the 2004 tax year of Superior Industries de Mexico S.A. de C.V. (SIM), our wholly-owned Mexican subsidiary. As a result of this settlement, the company paid $0.9 million and reversed approximately $21.7 million of liabilities for uncertain tax positions, which was partially offset by the reversal of competent authority deferred tax assets of $12.7 million that were recorded in the U.S. The reversals recorded during the third quarter of 2012 caused the negative effective income tax rate for the thirteen week period ended September 23, 2012 and caused the effective tax rate for the thirty-nine week period ended September 23, 2012 to be substantially lower than the U.S. federal tax rate of 35 percent. The effective tax rates for the thirteen week period and the thirty-nine week period ended September 23, 2012 were also impacted by increases in unrecognized tax benefit positions, foreign income taxes (taxed at rates lower than the U. S. statutory rates) and state income taxes (net of federal tax benefit).

The income tax provision for the thirteen weeks ended September 25, 2011 was $0.9 million, which was an effective income tax rate of 17 percent. The income tax provision for the thirty-nine weeks ended September 25, 2011 was $3.0 million, which was an effective income tax rate of 10 percent. In December 2010, tax laws were amended affecting the taxation of consignment contract manufactures in Mexico, which beginning in 2011, subjected certain income already subject to U.S. federal income taxes to income taxes in Mexico. During the second quarter of 2011, we were advised by the Mexican tax authorities that they would accept an alternative method of income allocation, resulting in a substantial decrease in income subject to Mexican income taxes. As a result, the December 2010 tax law change did not have a significant impact on our third quarter or year-to-date 2011 tax provisions. During the first three quarters of 2011, our federal, state and foreign valuation allowances had been reduced to the extent of taxable income generated in these jurisdictions. This reduction in the valuation allowances was approximately $8.6 million, reducing the aggregate amount of the valuation allowances to $34.7 million from $43.3 million at December 26, 2010. In addition, the effective tax rate is favorably impacted by foreign tax credits and research and development credits.

Within the next twelve month period ending September 29, 2013, we do not expect any of the unrecognized tax benefits to be recognized due to the expiration of related statutes of limitations or completion of any income tax examinations, except as described in the following paragraph. During the first three quarters of 2012, the liability for uncertain tax positions decreased by $23.4

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million to $9.7 million from $33.1 million at December 25, 2011, primarily as a result of the $21.7 million reversal resulting from the settlement of the 2004 tax year audit of SIM, and the $6.3 million reversal of the liability as a result of the expiration of the statute of limitations for the 2006 tax year of our operations in Mexico, partially offset by $1.0 million of interest and penalties which were recognized in income tax expense, a $1.3 million increase for uncertain tax positions taken in prior periods and $2.3 million of foreign currency translation adjustments.

We conduct business internationally and, as a result, one or more of our subsidiaries files income tax returns in U.S. federal, U.S. state and certain foreign jurisdictions. Accordingly, in the normal course of business, we are subject to examination by taxing authorities throughout the world, including taxing authorities in Mexico, the Netherlands, India and the United States. We are no longer under examination by taxing authorities regarding any U.S. federal income tax returns for years before 2009 while the years open for examination under various state and local jurisdictions varies. Mexico's Tax Administration Service (SAT), is currently examining the 2007 tax year of Superior Industries de Mexico S.A. de C.V., our wholly-owned Mexican subsidiary, and we expect the 2007 audit to be completed within the next twelve months. On July 18, 2012, we received an observation letter for the 2007 tax audit from SAT. For 2007, SAT has proposed certain adjustments related primarily to intercompany charges and we are currently providing responses to SAT regarding the 2007 audit. We believe that we have adequately provided for any reasonably foreseeable outcomes related to these proposed adjustments and the ultimate resolution of these matters is unlikely to have a material effect on our consolidated financial position; however, there is still a possibility that an adverse outcome of these matters could have a material effect on our consolidated financial condition.

Net Income

Net income in the third quarter of 2012 was $15.1 million, or $0.55 per diluted share, and included an income tax benefit of $5.2 million, compared to net income in the third quarter of 2011 of $4.2 million, or $0.16 per diluted share, which included tax expense of $0.9 million. Net income in the first three quarters of 2012 was $28.2 million, or $1.03 per diluted share, including income tax expense of $1.0 million compared to net income in the first three quarters of 2011 of $27.0 million, or $0.99 per diluted share, which included income tax expense of $3.0 million.

Financial Condition, Liquidity and Capital Resources

Our sources of liquidity include cash, cash equivalents and short-term investments, net cash provided by operating activities and other external sources of funds. Working capital (current assets minus current liabilities) and our current ratio (current assets divided by current liabilities) were $346.0 million and 5.3:1, respectively, at September 23, 2012, versus $335.7 million and 5.9:1 at December 25, 2011. We have no long-term debt. As of September 23, 2012, our cash, cash equivalents and short-term investments totaled $219.9 million compared to $192.9 million at December 25, 2011 and $152.2 million at September 25, 2011.

Working capital increased in the first three quarters of 2012 and primarily reflects increases in cash generated from operations during the period, partially offset by higher liabilities for pricing adjustments payable to customers from decreases in aluminum prices and income taxes payable. For the foreseeable future, we expect all working capital requirements, funds required for investing activities and cash dividend payments to be funded from internally generated funds or existing cash, cash equivalents and short-term investments. The increase in cash and cash provided by operating activities experienced in the first three quarters of 2012 may not necessarily be indicative of future results.

The following table presents a summary of the net increase in cash and cash equivalents in the periods presented:

(Dollars in thousands)	Thirty-nine Weeks Ended	
		Change

	September 23, 2012	September 25, 2011	
Net cash provided by operating activities	$48,156	$21,288	$26,868
Net cash (used in) provided by investing activities	(10,612)	4,926	(15,538)
Net cash used in financing activities	(12,253)	(8,351)	(3,902)
Effect of exchange rate changes on cash	1,808	(427)	2,235
Net increase in cash and cash equivalents	$27,099	$17,436	$9,663

Operating Activities

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Net cash provided by operating activities increased $26.9 million to $48.2 million for the thirty-nine week period ended September 23, 2012, compared to $21.3 million for the comparable period a year ago. When compared to the prior year the improvement in 2012 included favorable fluctuations in accounts receivable and accounts payable totaling $24.1 million.

Investing Activities

Our principal investing activities during the thirty-nine week period ended September 23, 2012 were the funding of $14.3 million of capital expenditures and the purchase of $4.0 million of certificates of deposit, offset by the receipt of $4.1 million cash proceeds from maturing certificates of deposit, the receipt of $2.1 million cash proceeds from the sale of fixed assets and $1.7 million cash proceeds from a life insurance policy. Investing activities during the comparable period a year ago included the receipt of $20.8 million cash proceeds from maturing certificates of deposit and the collection of $2.9 million of notes receivable, offset by the funding of $13.8 million of capital expenditures and the purchase of $4.0 million of certificates of deposit. The capital expenditures in both periods were for ongoing improvements to our existing facilities, none of which were individually significant.

Financing Activities

Financing activities during the thirty-nine week period ended September 23, 2012 consisted of the payment of cash dividends on our common stock totaling $13.1 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $0.8 million. Financing activities during the thirty-nine week period ended September 25, 2011 consisted of the payment of cash dividends on our common stock totaling $13.0 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $4.4 million.

Critical Accounting 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.

Risk Management

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

The functional currency of certain foreign operations in Mexico is the Mexican peso. The settlement of accounts receivable and accounts payable for these operations requires the transfer of funds denominated in the Mexican peso, the value of which increased by 7 percent in relation to the U.S. dollar in the first three quarters of 2012. Foreign currency transaction gains in the third quarter of 2012 totaled $0.5 million compared to transaction losses of $1.4 million in the comparable period a year ago. For the first three quarters of 2012, foreign currency transaction gains totaled $0.6 million compared to transaction losses of $1.0 million for the comparable period in 2011. All transaction gains and losses are included in other income (expense) in the condensed consolidated income statements.

As it relates to foreign currency translation gains and losses, however, since 1990, the Mexican peso has experienced periods of relative stability followed by periods of major declines in value. The impact of these changes in value relative to our Mexico operations resulted in a cumulative unrealized translation loss at September 23, 2012 of $56.4 million. Translation gains and losses are included in other comprehensive income in the condensed consolidated statements of comprehensive income.

When market conditions warrant, we may also enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. We currently have several purchase commitments in place for the delivery of natural gas through 2012. These natural gas contracts are considered to be derivatives under U.S. GAAP, and when entering into these contracts, it was expected that we would take full delivery of the contracted quantities of natural gas over the normal course of business. Accordingly, at inception, these contracts qualified for the normal purchase, normal sale (NPNS) exemption provided for under U.S. GAAP. As such, we do not account for these purchase commitments as derivatives unless there is a change in facts or circumstances in regard to the company's intent or ability to use the contracted quantities of natural gas over the normal course of business. Based on the quarterly analysis of our estimated future production levels, we believe that our remaining natural gas purchase commitments that were in effect as of September 23, 2012 will continue to qualify for the NPNS exemption since we can assert that it is probable we will take full delivery of the contracted quantities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency. A significant portion of our business operations are conducted in Mexico. As a result, we have a certain degree of market risk with respect to our cash flows due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currency, including inter-company transactions. Historically, we have not actively engaged in substantial exchange rate hedging activities and, at September 23, 2012, we had not entered into any foreign exchange contracts.

During the first three quarters of 2012, the Mexican peso exchange rate to U.S. dollar averaged 13.3 pesos per U.S. dollar. Based on the balance sheet at September 23, 2012, a 10 percent change in the relationship between the peso and the U.S. dollar may result in a translation impact of between $10.2 million and $12.4 million, which would be recognized in other comprehensive income.

Our business requires us to settle transactions between currencies in both directions, i.e., peso to U.S. dollar and vice versa. To the greatest extent possible, we attempt to match the timing of transaction settlements between currencies to create a “natural hedge.” On a net basis our transaction flows were long on the peso. For the first three quarters of 2012, we had a $0.6 million net foreign exchange transaction gain related to the peso. Based on the current business model and levels of production and sales activity, the net imbalance between currencies depends on specific circumstances and there can be no assurances that the net transaction balance will not change significantly in the future.

Natural Gas Purchase Commitments. When market conditions warrant, we enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as natural gas. However, we do not enter into derivatives or other financial instrument transactions for speculative purposes. At September 23, 2012, we had several purchase commitments in place for the delivery of natural gas in 2012 for a total cost of $1.3 million. These fixed price natural gas contracts may expose us to higher costs that cannot be recouped in selling prices in the event that the market price of natural gas declines below the contract price. As of September 23, 2012, we have fixed price natural gas purchase agreements for deliveries in 2012 that represent approximately 9 percent of our estimated natural gas consumption for the year.

Also see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in Part II of our 2011 Annual Report on Form 10-K and Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – “Risk Management” in this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 23, 2012. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decision regarding required disclosures.

The evaluation of our disclosure controls and procedures included a review of their objectives and design, our implementation of the controls and procedures and the effect of the controls and procedures on the information generated for use in this report. In the course of the evaluation, we sought to identify whether we had any data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, was being undertaken if needed. This type of evaluation is performed on a quarterly basis so that conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our Quarterly Reports on Form 10-Q and our Annual Reports on Form 10-K. Many of the components of our disclosure controls and procedures are also evaluated by our internal audit department, our legal department and by personnel in our finance organization. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures on an ongoing basis, and to maintain them as dynamic systems that change as conditions warrant.

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Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 23, 2012, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the most recent fiscal quarter ended September 23, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. 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.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A – Risk Factors in Part I of our 2011 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. There have been no material changes from the risk factors described in our 2011 Annual Report on Form 10-K.

Item 6. Exhibits

3.1	Restated Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).
3.2	Amended and Restated By-Laws of the Registrant (Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed May 25, 2010).
31.1	Certification of Steven J. Borick, Chairman, Chief Executive Officer and President, Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Kerry A. Shiba, Executive Vice President and Chief Financial Officer, Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Steven J. Borick, Chairman, Chief Executive Officer and President, and Kerry Shiba, Executive Vice President and Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	Interactive data file (furnished electronically herewith pursuant to Rule 406T of Regulation S-T).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUPERIOR INDUSTRIES INTERNATIONAL, INC.
(Registrant)

Date: November 1, 2012	/s/ Steven J. Borick Steven J. Borick Chairman, Chief Executive Officer and President
Date: November 1, 2012	/s/ Kerry A. Shiba Kerry A. Shiba Executive Vice President and Chief Financial Officer