TORONTO DOMINION BANK
Form 424B2
April 27, 2018
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Registration Statement No. 333-211718

Pricing Supplement dated April 25, 2018 to the

Product Prospectus Supplement MLN-EI-1 dated June 30, 2016,

Product Prospectus Supplement MLN-ES-ETF-1 dated July 8, 2016 and

Prospectus Dated June 30, 2016

The
Toronto-Dominion
Bank

$2,692,000

Basket-Linked
Leveraged Capped
Buffered Notes

Due July 25, 2019

The Toronto-Dominion Bank ("TD" or "we") has offered the Leveraged Capped Buffered Notes (the "Notes") linked to the performance of an unequally weighted basket of the S&P 500® Index (60%), the shares of the iShares® MSCI EAFE ETF (25%), the Russell 2000® Index (10%) and the shares of the iShares® MSCI Emerging Markets ETF (5%). The amount that you will be paid on your Notes on the Maturity Date (July 25, 2019) is based on the performance of a weighted basket of indices and exchange trade funds as specified under "Summary— Basket" below, as measured from the Pricing Date (April 25, 2018) to and including the Valuation Date (July 22, 2019).

If the Final Basket Level on the Valuation Date is greater than the Initial Basket Level, the return on your notes will be positive and will equal the participation rate of 150% times the Percentage Change of the Basket, subject to the Maximum Payment Amount of $1,120.00 for each $1,000 principal amount of your Notes. If the Final Basket Level declines by up to 10% from the Initial Basket Level, you will receive the Principal Amount of your notes. **If the Final Basket Level declines by more than 10% from the Initial Basket Level, the return on your Notes will be negative, and you will lose 1% of the principal amount of your notes for every 1% decrease from the Initial Basket Level of more than 10%, and may lose up to 90% of your Principal Amount. Any payments on the notes are subject to our credit risk.**

The Initial Basket Level is 100 and the Final Basket Level will equal (i) 100 *times* (ii) the *sum* of 1 *plus*, as calculated for each Basket Component, (a) the Percentage Change of each Basket Component from the Pricing Date to the Valuation Date *multiplied by* (b) its Component Weighting.

The Payment at Maturity will be greater than the Principal Amount only if the Percentage Change is greater than zero. The Notes do not guarantee the return of the Principal Amount and investors may lose up to 90% of their investment in the Notes. Any payments on the Notes are subject to our credit risk
Decreases in the levels of the Basket Components may offset increases in the levels of other Basket Components. The performance of the Basket Components with the higher weightings will have a larger impact on your return on the Notes. The Notes do not guarantee the return of principal at maturity.

The Notes are unsecured and are not savings accounts or insured deposits of a bank. The Notes are not insured or guaranteed by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other governmental agency or instrumentality. Any payments on the Notes are subject to our credit risk. The Notes will not be listed or displayed on exchange or any electronic communications network.

You should read the disclosure herein to better understand the terms and risks of your investment. See "Additional Risk Factors" on page P-7 of this pricing supplement, "Additional Risk Factors Specific to the Notes" beginning on page PS-5 of the product prospectus supplement MLN-EI-1 dated June 30, 2016 and "Additional Risk Factors Specific to the Notes" beginning on page PS-5 of the product prospectus supplement MLN-ES-ETF-1 dated July 8, 2016 (each a "product prospectus supplement") and "Risk Factors" on page 1 of the prospectus dated June 30, 2016 (the "prospectus").

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this pricing supplement, either product prospectus supplement or the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We will deliver the Notes in book-entry only form through the facilities of The Depository Trust Company on April 30, 2018, against payment in immediately available funds.

The estimated value of your Notes at the time the terms of your Notes are set on the Pricing Date is $988.90 per Note, as discussed further under "Additional Risk Factors — Estimated Value" beginning on page P-9 and "Additional Information Regarding the Estimated Value of the Notes" on page P-38 of this document. The estimated value is less than the public offering price of the Notes.

	Public Offering Price[1]	Underwriting Discount[2]	Proceeds to TD
Per Note	$1,000.00	$6.00	$994.00
Total	$2,692,000.00	$16,152.00	$2,675,848.00

The public offering price, underwriting discount and proceeds to TD listed above relate to the Notes we issue initially. We may decide to sell additional Notes after the date of the final pricing supplement, at public offering prices and with underwriting discounts and proceeds to TD that differ from the amounts set forth above. The return (whether positive or negative) on your investment in the Notes will depend in part on the public offering price you pay for such Notes.

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[1] Certain dealers who purchase the Notes for sale to certain fee-based advisory accounts may forego some or all of their selling concessions, fees or commissions. The public offering price for investors purchasing the Notes in these accounts may be as low as $994.00 (99.40%) per Note.

[2] TD Securities (USA) LLC ("TDS") will purchase the Notes from TD at the public offering price less an underwriting discount of $6.00 (0.60%) per Note for distribution to other registered broker-dealers, or has offered the Notes directly to investors. The underwriting discount represents the selling concessions for other dealers in connection with the distribution of the Notes. The other dealers may forgo, in their sole discretion, some or all of their selling concessions. TD will reimburse TDS for certain expenses in connection with its role in the offer and sale of the Notes, and TD will pay TDS a fee in connection with its role in the offer and sale of the Notes. See "Supplemental Plan of Distribution (Conflicts of Interest)" on page P-37 of this pricing supplement.

Basket-Linked Leveraged Capped Buffered Notes

Due July 25, 2019

Summary

The information in this "Summary" section is qualified by the more detailed information set forth in this pricing supplement, each product prospectus supplement and the prospectus.

Issuer:	TD
Issue:	Senior Debt Securities
Type of Note:	Leveraged Capped Buffered Basket-Linked Notes (the "Notes")
Term:	Approximately 15 months
Basket:	An unequally weighted basket consisting of the following indices (the "Component Indices") and ETFs (the "Component ETFs" and together with the Component Indices, the "Basket Components"):

Basket Component	Bloomberg Ticker	Component Weighting	Initial Component Level*
S&P 500® Index	SPX	60%	2,639.40
iShares® MSCI EAFE ETF	EFA	25%	$70.55
Russell 2000® Index	RTY	10%	1,550.467
iShares® MSCI Emerging Markets ETF	EEM	5%	$46.30

	* With respect to each Basket Component, its Closing Level on the Pricing Date.
Component ETF Target Index:	With respect to EFA, the MSCI EAFE® Index. With respect to EEM, the MSCI® Emerging Markets Index℠. There are no Target Indices for the Component Indices.
CUSIP / ISIN:	89114QMT2 / US89114QMT21
Agent:	TDS
Currency:	U.S. Dollars
Minimum Investment:	$1,000 and minimum denominations of $1,000 in excess thereof
Principal Amount:	$1,000 per Note; $2,692,000 in the aggregate for all the offered Notes; the aggregate principal amount of the offered Notes may be increased if the Issuer, at its sole option, decides to sell an additional amount of the offered Notes on a date subsequent to the date of this final pricing supplement.
Pricing Date:	April 25, 2018

Issue Date:	April 30, 2018, which is three Business Days following the Pricing Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two Business Days (T+2), unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes in the secondary market on any date prior to two Business Days before delivery of the Notes will be required, by virtue of the fact that each Note initially will settle in three Business Days (T+3), to specify alternative settlement arrangements to prevent a failed settlement of the secondary market trade.
Valuation Date:	July 22, 2019, subject to postponement for market and other disruptions as described under "General Terms of the Notes—Market Disruption Events" in, with respect to each Component Index, the product prospectus supplement MLN-EI-1 and, with respect to each Component ETF, the product prospectus supplement MLN-ES-ETF-1. If such day is not a Trading Day for a Basket Component, the Valuation Date for that Basket Component will be the next succeeding Trading Day.
Maturity Date:	July 25, 2019 (scheduled to be 3 Business Days following the Valuation Date), subject to postponement for market and other disruptions as described under "General Terms of the Notes—Market Disruption Events" in, with respect to each Component Index, the product prospectus supplement MLN-EI-1 and, with respect to each Component ETF, the product prospectus supplement MLN-ES-ETF-1. If such day is not a Business Day, the Maturity Date will be the next succeeding Business Day.
Payment at Maturity:	For each $1,000 principal amount of the Notes, we will pay you on the Maturity Date an amount in cash equal to: if the Final Basket Level is *greater than* or *equal to* the Cap Level, the Maximum Payment Amount; if the Final Basket Level is *greater than* the Initial Basket Level but *less than* the Cap Level, the *sum* of (i) $1,000 *plus* (ii) the *product* of (a) $1,000 *times* (b) the Leverage Factor *times* (c) the Percentage Change; if the Final Basket Level is *equal to* or *less than* the Initial Basket Level but *greater than* or *equal to* the Buffer Level, $1,000; or if the Final Basket Level is *less than* the Buffer Level, the *sum* of (i) $1,000 *plus* (ii) the *product* of (a) $1,000 *times* (b) the *sum* of the Percentage Change *plus* the Buffer Percentage. **If the Final Basket Level is less than the Buffer Level, the investor will receive less than the principal amount of the Notes at maturity and may lose 90% of their Principal Amount.** All amounts used in or resulting from any calculation relating to the Notes, including the Payment at Maturity, will be rounded upward or downward as appropriate, to the nearest cent.
Leverage Factor:	150.00%
Cap Level:	108.00% of the Initial Basket Level
Buffer Percentage:	10.00%
Buffer Level:	90, which is 90.00% of the Initial Basket Level
Maximum Payment Amount:	$1,120.00 per $1,000 principal amount of the Notes (112.00% of the Principal Amount of the Notes). As a result of the Maximum Payment Amount, the maximum return at maturity of the Notes is 12.00% of the principal amount of the Notes.

Percentage Change:	The quotient of (1) the Final Basket Level minus the Initial Basket Level divided by (2) the Initial Basket Level, expressed as a percentage.
Initial Basket Level:	100
Final Basket Level:	100 × [1 + (the sum of the products of the Basket Component Return for each Basket Component multiplied by its Component Weighting)]
Basket Component Return:	With respect to each Basket Component: $\frac{\text{Final Component Level - Initial Component Level}}{\text{Initial Component Level}}$
Initial Component Level:	With respect to each Basket Component, its Closing Level on the Pricing Date, as shown in the table above, subject to adjustment in the case of a Component ETF, as provided in the product prospectus supplement MLN-ES-ETF-1.
Final Component Level:	With respect to each Basket Component, its Closing Level on the Valuation Date.
Closing Level:	With respect to each Component Index, its Closing Level will be the official closing level of that Component Index published by its sponsor (its "Index Sponsor") or any successor index (as defined in the product prospectus supplement MLN-EI-1) on any Trading Day for that Component Index. With respect to each Component ETF, its Closing Level will be the closing sale price or last reported sale price (or, in the case of NASDAQ, the official closing price) for that Component ETF on a per-share or other unit basis, on any Trading Day for that Component ETF or, if such Component ETF is not quoted on any national securities exchange on that day, on any other market system or quotation system that is the primary market for the trading of such Component ETF.
Business Day:	Any day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law to close in New York City or Toronto.
Trading Day:	A Trading Day with respect to a Component Index means a day on which (1) the NYSE and The NASDAQ Stock Market, or their successors, are scheduled to be open for trading, and (2) such Component Index or any successor thereto is calculated and published by its Index Sponsor. A Trading Day with respect to a Component ETF means a day on which the principal trading market for such Component ETF is scheduled to be open for trading.
U.S. Tax Treatment:	By purchasing a Note, each holder agrees, in the absence of a statutory or regulatory change or administrative or judicial ruling to the contrary, to characterize the Notes, for U.S. federal income tax purposes, as pre-paid derivative contracts with respect to the Basket. Based on certain factual representations received from us, in the opinion of our special U.S. tax counsel, Cadwalader, Wickersham & Taft LLP, it is reasonable to treat the Notes in the manner described above. However, because there is no authority that specifically addresses the tax treatment of the Notes, it is possible that your Notes could alternatively be treated for tax purposes as a single contingent payment debt instrument, or pursuant to some other characterization, such that the timing and character of your income from the Notes could differ materially and adversely from the treatment described above. Please see the discussion below under "Supplemental Discussion of U.S. Federal Income Tax Consequences".

Canadian Tax Treatment:	Please see the discussion in each product prospectus supplement under "Supplemental Discussion of Canadian Tax Consequences," which applies to the Notes.
Calculation Agent:	TD
Listing:	The Notes will not be listed or displayed on any securities exchange or electronic communications network.
Clearance and Settlement:	DTC global (including through its indirect participants Euroclear and Clearstream, Luxembourg) as described under "Forms of the Debt Securities" and "Book-Entry Procedures and Settlement" in the prospectus.

Additional Terms of Your Notes

You should read this pricing supplement together with the prospectus, as supplemented by the product prospectus supplement MLN-EI-1 with respect to the Component Indices and the product prospectus supplement MLN-ES-ETF-1 with respect to the Component ETFs, each relating to our Senior Debt Securities of which these Notes are a part. Capitalized terms used but not defined in this pricing supplement will have the meanings given to them in the applicable product prospectus supplement. In the event of any conflict the following hierarchy will govern: first, this pricing supplement; second, the applicable product prospectus supplement; and last, the prospectus. ***The Notes vary from the terms described in the applicable product prospectus supplement in several important ways. You should read this pricing supplement carefully.***

This pricing supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Additional Risk Factors" beginning on page P-7 of this pricing supplement, "Additional Risk Factors Specific to the Notes" of each product prospectus supplement and "Risk Factors" on page 1 of the prospectus, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the Securities and Exchange Commission (the "SEC") website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website):

§ Prospectus dated June 30, 2016:
https://www.sec.gov/Archives/edgar/data/947263/000119312516638441/d162493d424b3.htm

§ Product Prospectus Supplement MLN-EI-1 dated June 30, 2016:
https://www.sec.gov/Archives/edgar/data/947263/000089109216015847/e70323_424b2.htm

§ Product Prospectus Supplement MLN-ES-ETF-1 dated July 8, 2016:
https://www.sec.gov/Archives/edgar/data/947263/000089109216016045/e70441_424b2.htm

Our Central Index Key, or CIK, on the SEC website is 0000947263. As used in this pricing supplement, the "Bank," "we," "us," or "our" refers to The Toronto-Dominion Bank and its subsidiaries. Alternatively, The Toronto-Dominion Bank, any agent or any dealer participating in this offering will arrange to send you each product prospectus supplement and the prospectus if you so request by calling 1-855-303-3234.

We reserve the right to change the terms of, or reject any offer to purchase, the Notes prior to their issuance. In the event of any changes to the terms of the Notes, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes, in which case we may reject your offer to purchase.

Additional Risk Factors

The Notes involve risks not associated with an investment in conventional debt securities. This section describes the most significant risks relating to the terms of the Notes. For additional information as to these risks, please see "Additional Risk Factors Specific to the Notes" in each product prospectus supplement and "Risk Factors" on page 1 in the prospectus.

You should carefully consider whether the Notes are suited to your particular circumstances before you decide to purchase them. Accordingly, prospective investors should consult their investment, legal, tax, accounting and other advisors as to the risks entailed by an investment in the Notes and the suitability of the Notes in light of their particular circumstances.

Principal at Risk.

Investors in the Notes could lose up to 90% of their Principal Amount if there is a decline in the level of the Basket. Specifically, you will lose 1% of the Principal Amount of your Notes for each 1% that the Final Basket Level is less than the Initial Basket Level by more than the Buffer Percentage and you may lose up to 90% of your Principal Amount.

The Notes Do Not Pay Interest and Your Return on the Notes May Be Less Than the Return on Conventional Debt Securities of Comparable Maturity.

There will be no periodic interest payments on the Notes as there would be on a conventional fixed-rate or floating-rate debt security having the same term. The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of TD.

Your Potential Return Will be Limited by the Maximum Payment Amount and May Be Lower Than the Return on a Hypothetical Direct Investment In the Basket Components.

The opportunity to participate in the possible increases in the level of the Basket through an investment in the Notes will be limited because the Payment at Maturity will not exceed the Maximum Payment Amount. Furthermore, the full effect of the Leverage Factor will not be taken into account for any Final Basket Level exceeding the Cap Level because the Payment at Maturity is limited to the Maximum Payment Amount no matter how much the level of the Basket may rise above the Cap Level. Accordingly, your return on the Notes may be less than your return would be if you made an investment in a security directly linked to the performance of the Basket Components.

Changes in the Level of One Basket Component May Be Offset by Changes in the Level of the Other Basket Components.

A change in the level of one Basket Component may not correlate with changes in the levels of the other Basket Components. The level of one or more Basket Components may increase while the level of one or more other Basket Components may not increase as much, or may even decrease. Therefore, in determining the level of the Basket as of any time, increases in the level of one Basket Component may be moderated, or wholly offset, by lesser increases or decreases in the level of one or more other Basket Components. Because the weightings of the Basket Components are not equal, the performances of the higher weighted Basket Components will have a significantly larger impact on your return on the Notes than the performance of the lesser weighted Basket Components.

Investors Are Subject to TD's Credit Risk, and TD's Credit Ratings and Credit Spreads May Adversely Affect the Market Value of the Notes.

Although the return on the Notes will be based on the performance of the Basket, the payment of any amount due on the Notes is subject to TD’s credit risk. The Notes are TD’s senior unsecured debt obligations. Investors are dependent on TD’s ability to pay all amounts due on the Notes on the Maturity Date and, therefore, investors are subject to the credit risk of TD and to changes in the market’s view of TD’s creditworthiness. Any decrease in TD’s credit ratings or increase in the credit spreads charged by the market for taking TD’s credit risk is likely to adversely affect the market value of the Notes. If TD becomes unable to meet its financial obligations as they become due, investors may not receive any amounts due under the terms of the Notes.

The Agent Discount, Offering Expenses and Certain Hedging Costs Are Likely to Adversely Affect Secondary Market Prices.

Assuming no changes in market conditions or any other relevant factors, the price, if any, at which you may be able to sell the Notes will likely be lower than the public offering price. The public offering price includes, and any price quoted to you is likely to exclude, the underwriting discount paid in connection with the initial distribution, offering expenses as well as the cost of hedging our obligations under the Notes. In addition, any such price is also likely to reflect dealer discounts, mark-ups and other transaction costs, such as a discount to account for costs associated with establishing or unwinding any related hedge transaction.

There May Not Be an Active Trading Market for the Notes — Sales in the Secondary Market May Result in Significant Losses.

There may be little or no secondary market for the Notes. The Notes will not be listed or displayed on any securities exchange or electronic communications network. The Agent may make a market for the Notes; however, it is not required to do so and may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and ask prices for your Notes in any secondary market could be substantial.

If you sell your Notes before the Maturity Date, you may have to do so at a substantial discount from the Principal Amount irrespective of the level of one or more Basket Components or the level of the Basket, and as a result, you may suffer substantial losses.

If the Level of the Basket Components Change, the Market Value of Your Notes May Not Change in the Same Manner.

Your Notes may trade quite differently from the performance of the Basket Components. Changes in the levels of the Basket Components may not result in a comparable change in the market value of your Notes. Even if the levels of the Basket Components increase above their Initial Component Levels during the term of the Notes, the market value of your Notes may not increase by the same amount and could decline.

The Payment at Maturity Is Not Linked to the Levels of the Basket Components at Any Time Other than the Valuation Date.

The Final Basket Level will be based on the Closing Levels of the Basket Components on the Valuation Date (subject to adjustment as described elsewhere in this pricing supplement). Therefore, if the Closing Levels of the Basket Components declined precipitously on the Valuation Date, the Payment at Maturity for your Notes may be significantly less than it would have been had the Payment at Maturity been linked to the Closing Levels of the Basket Components prior to such declines. Although the actual levels of the Basket Components on the Maturity Date or at other times during the life of your Notes may be higher than their levels on the Valuation Date, you will only benefit from the Closing Levels of the Basket Components on the Valuation Date.

We May Sell an Additional Aggregate Principal Amount of the Notes at a Different Public Offering Price.

At our sole option, we may decide to sell an additional aggregate principal amount of the Notes subsequent to the date of this pricing supplement. The public offering price of the Notes in the subsequent sale may differ substantially (higher or lower) from the original public offering price you paid as provided on the cover of this pricing supplement.

If You Purchase Your Notes at a Premium to Principal Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Principal Amount and the Impact of Certain Key Terms of the Notes Will be Negatively Affected.

The Payment at Maturity will not be adjusted based on the public offering price you pay for the Notes. If you purchase Notes at a price that differs from the Principal Amount of the Notes, then the return on your investment in such Notes held to the Maturity Date will differ from, and may be substantially less than, the return on Notes purchased at principal amount. If you purchase your Notes at a premium to principal amount and hold them to the Maturity Date, the return on your investment in the Notes will be lower than it would have been had you purchased the Notes at principal amount or a discount to principal amount. In addition, the impact of the Buffer Level and the Cap Level on the return on your investment will depend upon the price you pay for your Notes relative to principal amount. For example, if you purchase your Notes at a premium to principal amount, the Cap Level will only permit a lower positive return on your investment in the Notes than would have been the case for Notes purchased at principal amount or a discount to principal amount. Similarly, the Buffer Level, while still providing some protection for the return on the Notes, will allow a greater percentage decrease in your investment in the Notes than would have been the case for Notes purchased at principal amount or a discount to principal amount.

You Will Not Have Any Rights to the Securities Included in Any Basket Component.

As a holder of the Notes, you will not have voting rights or rights to receive cash dividends or other distributions or other rights that holders of the Component ETFs or the securities included in a Basket Component (the “Basket Component Constituents”) would have. The Final Basket Level will not reflect any dividends paid on any Component ETFs or Basket Component Constituents.

We Have No Affiliation with Any Index Sponsor, Investment Advisor or Target Index Sponsor and Will Not Be Responsible for Any Actions Taken by Them.

None of the Index Sponsors, Investment Advisors or Target Index Sponsors are affiliates of ours or will be involved in the offering of the Notes in any way. Consequently, we have no control over the actions of any Index Sponsor, Investment Advisor or Target Index Sponsor, including any actions of the type that would require the Calculation Agent to adjust any amounts payable on the Notes. No Index Sponsor, Investment Advisor or Target Index Sponsor have any obligation of any sort with respect to the Notes. Thus, no Index Sponsor, Investment Advisor or Target Index Sponsor has any obligation to take your interests into consideration for any reason, including in taking any actions that might affect the value of the Notes. None of our proceeds from the issuance of the Notes will be delivered to any Index Sponsor, Investment Advisor or Target Index Sponsor.

Trading and Business Activities by TD or its Affiliates May Adversely Affect the Market Value of the Notes.

We, the Agent and our respective affiliates may hedge our obligations under the Notes by purchasing securities, futures, options or other derivative instruments with returns linked or related to changes in the level of one or more Basket Components or one or more Basket Component Constituents, and we may adjust these hedges by, among other things, purchasing or selling securities, futures, options or other derivative instruments at any time. It is possible that we or one or more of our affiliates could receive substantial returns from these hedging activities while the market value of the Notes declines. We or one or more of our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in one or more Basket Components or one or more Basket Component Constituents.

These trading activities may present a conflict between the holders' interest in the Notes and the interests we and our affiliates will have in our or their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for our or their customers' accounts and in accounts under our or their management. These trading activities could be adverse to the interests of the holders of the Notes.

We, the Agent and our respective affiliates may, at present or in the future, engage in business with one or more Issuers of the Basket Component Constituents (each, a "Component Constituent Issuer"), including making loans to or providing advisory services to those companies. These services could include investment banking and merger and acquisition advisory services. These business activities may present a conflict between our, the Agent's and our affiliates' obligations, and your interests as a holder of the Notes. Moreover, we, the Agent or our affiliates may have published, and in the future expect to publish, research reports with respect to one or more Basket Components or one or more Basket Component Constituents. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities by us or one or more of our affiliates or the Agents or their affiliates may affect the level of one or more Basket Components or one or more Basket Component Constituents and, therefore, the market value of the Notes and the Payment at Maturity.

Estimated Value

The Estimated Value of Your Notes Is Lower Than the Public Offering Price of Your Notes.

The estimated value of your Notes is lower than the public offering price of your Notes. The difference between the public offering price of your Notes and the estimated value of the Notes reflects costs and expected profits associated with selling and structuring the Notes, as well as hedging our obligations under the Notes. Because hedging our obligations entails risks and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or a loss.

The Estimated Value of Your Notes Is Based on Our Internal Funding Rate.

The estimated value of your Notes is determined by reference to our internal funding rate. The internal funding rate used in the determination of the estimated value of the Notes generally represents a discount from the credit spreads for our conventional fixed-rate debt securities and the borrowing rate we would pay for its conventional fixed-rate debt securities. This discount is based on, among other things, our view of the funding value of the Notes as well as the higher issuance, operational and ongoing liability management costs of the Notes in comparison to those costs for our conventional fixed-rate debt, as well as estimated financing costs of any hedge positions, taking into account regulatory and internal requirements. If the interest rate implied by the credit spreads for our conventional fixed-rate debt securities, or the borrowing rate we would pay for our conventional fixed-rate debt securities were to be used, we would expect the economic terms of the Notes to be more favorable to you. Additionally, assuming all other economic terms are held constant, the use of an internal funding rate for the Notes is expected to increase the estimated value of the Notes at any time.

The Estimated Value of the Notes Is Based on Our Internal Pricing Models, Which May Prove to Be Inaccurate and May Be Different from the Pricing Models of Other Financial Institutions.

The estimated value of your Notes is based on our internal pricing models. Our pricing models take into account a number of variables, such as our internal funding rate on the Pricing Date, and are based on a number of subjective assumptions, which are not evaluated or verified on an independent basis and may or may not materialize. Further, our pricing models may be different from other financial institutions' pricing models and the methodologies used by us to estimate the value of the Notes may not be consistent with those of other financial institutions that may be purchasers or sellers of Notes in the secondary market. As a result, the secondary market price of your Notes may be materially lower than the estimated value of the Notes determined by reference to our internal pricing models. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect.

The Estimated Value of Your Notes Is Not a Prediction of the Prices at Which You May Sell Your Notes in the Secondary Market, If Any, and Such Secondary Market Prices, If Any, Will Likely be Lower Than the Public Offering Price of Your Notes and May Be Lower Than the Estimated Value of Your Notes.

The estimated value of the Notes is not a prediction of the prices at which the Agent, other affiliates of ours or third parties may be willing to purchase the Notes from you in secondary market transactions (if they are willing to purchase, which they are not obligated to do). The price at which you may be able to sell your Notes in the secondary market at any time, if any, will be influenced by many factors that cannot be predicted, such as market conditions, and any bid and ask spread for similar sized trades, and may be substantially less than the estimated value of the Notes. Further, as secondary market prices of your Notes take into account the levels at which our debt securities trade in the secondary market, and do not take into account our various costs and expected profits associated with selling and structuring the Notes, as well as hedging our obligations under the Notes, secondary market prices of your Notes will likely be lower than the public offering price of your Notes. As a result, the price at which the Agent, other affiliates of ours or third parties may be willing to purchase the Notes from you in secondary market transactions, if any, will likely be lower than the price you paid for your Notes, and any sale prior to the Maturity Date could result in a substantial loss to you.

The Temporary Price at Which the Agent May Initially Buy the Notes in the Secondary Market May Not Be Indicative of Future Prices of Your Notes.

Assuming that all relevant factors remain constant after the Pricing Date, the price at which the Agent may initially buy or sell the Notes in the secondary market (if the Agent makes a market in the Notes, which it is not obligated to do) may exceed the estimated value of the Notes on the Pricing Date, as well as the secondary market value of the Notes, for a temporary period after the Issue Date of the Notes, as discussed further under "Additional Information Regarding the Estimated Value of the Notes." The price at which the Agent may initially buy or sell the Notes in the secondary market may not be indicative of future prices of your Notes.

The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors.

When we refer to the market value of your Notes, we mean the value that you could receive for your Notes if you chose to sell them in the open market before the Maturity Date. A number of factors, many of which are beyond our control, will influence the market value of your Notes, including:

- the levels of the Basket Components;
- the volatility – i.e., the frequency and magnitude of changes – in the level of the Basket;
- the dividend rates, if applicable, of the Component ETFs and the Basket Component Constituents;
- economic, financial, regulatory and political, military or other events that may affect the levels of the Basket Components, the prices of any of the Basket Component Constituents and, thus, the level of the Basket;

- the correlation among the Basket Components;
- interest rate and yield rates in the market;
- the time remaining until your Notes mature;
- fluctuations in the exchange rate between currencies in which the applicable Basket Component Constituents are quoted and traded and the U.S. dollar; and
- our creditworthiness, whether actual or perceived, and including actual or anticipated upgrades or downgrades in our credit ratings or changes in other credit measures.

These factors will influence the price you will receive if you sell your Notes before maturity, including the price you may receive for your Notes in any market-making transaction. If you sell your Notes prior to maturity, you may receive less than the principal amount of your Notes.

The future levels of the Basket cannot be predicted. The actual change in the level of the Basket over the life of the Notes, as well as the Payment at Maturity, may bear little or no relation to the hypothetical historical closing levels of the Basket or to the hypothetical examples shown elsewhere in this document.

There Are Liquidity and Management Risks Associated with each Component ETF.

Although shares of each Component ETF are listed for trading on a securities exchange and a number of similar products have been traded on various exchanges for varying periods of time, there is no assurance that an active trading market will continue for such shares or that there will be liquidity in that trading market.

Each Component ETF is subject to management risk, which is the risk that the strategy of its investment advisor ("Investment Advisor"), the implementation of which is subject to a number of constraints, may not produce the intended results.

Changes that Affect the Target Index of a Component ETF Will Affect the Market Value of the Notes and the Amount You Will Receive at Maturity.

Each Component ETF seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of a particular index (each, a "Target Index"). The policies of the sponsor of the Target Index (the "Target Index Sponsor") concerning the calculation of the Index, additions, deletions or substitutions of the components of the Target Index and the manner in which changes affecting those components, such as stock dividends, reorganizations or mergers, may be reflected in the Target Index and, therefore, could affect the amount payable on the Notes at maturity and the market value of the Notes prior to maturity. The amounts payable on the Notes and their market value could also be affected if the Target Index Sponsor changes these policies, for example, by changing the manner in which it calculates the Target Index. Some of the risks that relate to a target index of an ETF include those discussed in the product prospectus supplement MLN-ES-ETF-1, which you should review before investing in the Notes.

A Component ETF and its Target Index Are Different and the Performance of a Component ETF May Not Correlate With That of its Target Index.

The performance of a Component ETF may not exactly replicate the performance of its Target Index because a Component ETF will reflect transaction costs and fees that are not included in the calculation of its Target Index. It is also possible that a Component ETF may not fully replicate or may in certain circumstances diverge significantly from the performance of its Target Index due to the temporary unavailability of certain securities in the secondary market, the performance of any derivative instruments contained in such Component ETF, differences in trading hours between such Component ETF and its Target Index or due to other circumstances.

The Level of a Component ETF May Not Completely Track its Net Asset Value.

The level a Component ETF will usually track the value of its Target Index, but may not track its Target Index's level completely. The level of a Component ETF will reflect costs and fees that its Target Index does not have. In addition, because the shares of a Component ETF are traded on a securities exchange and are subject to market supply and investor demand, the level of a Component ETF may differ from its net asset value ("NAV") per share.

Adjustments to a Component ETF Could Adversely Affect the Notes.

The Investment Advisor is responsible for calculating and maintaining its Component ETF. The Investment Advisor can add, delete or substitute the Basket Component Constituents of its Component ETF. The Investment Advisor may make other methodological changes that could change the level of its Component ETF at any time. If one or more of these events occurs, the calculation of the amount payable at maturity may be adjusted to reflect such event or events. Consequently, any of these actions could adversely affect the amount payable at maturity and/or the market value of the Notes.

You Will Have No Rights to Receive Any Shares of any Component ETF or Basket Component Constituent held by a Basket Component, and You Will Not Be Entitled to Dividends or Other Distributions by any Component ETF or Basket Component Constituent.

The Notes are our debt securities. They are not equity instruments, shares of stock, or securities of any other issuer. Investing in the Notes will not make you a holder of shares of any Component ETF or Basket Component Constituent. You will not have any voting rights, any rights to receive dividends or other distributions, any rights against an Investment Advisor or Component Constituent Issuer, or any other rights with respect to any Component ETF or Basket Component Constituent. As a result, the return on your Notes may not reflect the return you would realize if you actually owned shares of a Component ETF or Basket Component Constituent and received the dividends paid or other distributions made in connection with them. Your Notes will be paid in cash and you have no right to receive delivery of shares of any Component ETF or Basket Component Constituent.

An Investment in the Notes Is Subject to Risks Associated with Non-U.S. Securities Markets.

Because non-U.S. companies or non-U.S. equity securities held by EFA and EEM are publicly traded in the applicable non-U.S. countries and trade in currencies other than U.S. dollars, investments in the Notes involve particular risks. For example, the non-U.S. securities markets may be more volatile and have less liquidity than the U.S. securities markets, and market developments may affect these markets differently from the U.S. or other securities markets. Direct or indirect government intervention to stabilize the securities markets outside the U.S., as well as cross-shareholdings in certain companies, may affect trading prices and trading volumes in those markets. Also, the public availability of information concerning the non-U.S. issuers may vary depending on their home jurisdiction and the reporting requirements imposed by their respective regulators. In addition, the non-U.S. issuers may be subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

Securities prices outside the U.S. are subject to political, economic, financial, military and social factors that apply in non-U.S. countries. These factors, which could negatively affect non-U.S. securities markets, include the possibility of changes in a non-U.S. government’s economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to non-U.S. companies or investments in non-U.S. equity securities, the possibility of fluctuations in the rate of exchange between currencies and the possibility of outbreaks of hostility or political instability or adverse public health developments. Moreover, non-U.S. economies may differ favorably or unfavorably from the U.S. economy in important respects such as growth of gross national product, rate of inflation, trade surpluses, capital reinvestment, resources and self-sufficiency.

An Investment in the Notes Is Subject to Exchange Rate Risk.

The levels of EFA and EEM will fluctuate based in large part upon their respective NAVs, which will in turn depend in part upon changes in the value of the currencies in which the Basket Component Constituents are traded. Accordingly, investors in the Notes will be exposed to currency exchange rate risk with respect to each of the currencies in which the Basket Component Constituents are traded. An investor’s net exposure will depend on the extent to which these currencies strengthen or weaken against the U.S. dollar. If the dollar strengthens against these currencies, the NAV of the relevant Component ETF will be adversely affected and the level of the relevant Component ETF, and consequently the level of the Basket, the market value of the Notes and the Payment at Maturity may decrease.

The U.K.'s referendum to leave the European Union may adversely affect the performance of the Basket Components.

The Target Index of EFA consists of stocks that have been issued by U.K. and/or European Union member companies. The U.K.'s referendum on June 23, 2016 to leave the European Union, which we refer to as "Brexit," has and may continue to cause disruptions to capital and currency markets worldwide and to the markets tracked by EFA in particular. The full impact of the Brexit decision, however, remains uncertain. A process of negotiation, which is likely to take a number of years, will determine the future terms of the U.K.'s relationship with the European Union. The performance of EFA may be negatively affected by interest rate, exchange rate and other market and economic volatility, as well as regulatory and political uncertainty.

An Investment in the Notes Is Subject to Emerging Markets Risk.

The Target Index of EEM consists of stocks issued by companies in countries with emerging markets. Countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on non-U.S. ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions (due to economic dependence upon commodity prices and international trade), and may suffer from extreme and volatile debt burdens, currency devaluations or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times.

The Basket Component Constituents included in EEM may be listed on a non-U.S. stock exchange. A non-U.S. stock exchange may impose trading limitations intended to prevent extreme fluctuations in individual security prices and may suspend trading in certain circumstances. These actions could limit variations in the Closing Levels of EEM which could, in turn, adversely affect the level of the Basket and thus, the market value and Payment at Maturity of the Notes.

Time Zone Differences Between the Cities Where the Component ETFs and its Basket Component Constituents Trade May Create Discrepancies in Trading Levels.

As a result of the time zone difference, if applicable, between the cities where the Basket Component Constituents of the Component ETFs and where the shares of the Component ETFs trade, there may be discrepancies between the levels of the Component ETFs and their Basket Component Constituents. In addition, there may be periods when the non-U.S. securities markets are closed for trading (for example, during holidays in a country other than the United States) that may result in the values of the Component ETFs remaining unchanged for multiple trading days in the city where the shares of the Component ETFs trade. Conversely, there may be periods in which the applicable non-U.S. securities markets are open, but the securities market on which the Component ETFs trade are closed.

You Will Have Limited Anti-Dilution Protection with respect to the Component ETFs.

The Calculation Agent will adjust the Initial Level and Barrier Level for stock splits, reverse stock splits, stock dividends, extraordinary dividends and other events that affect the applicable Component ETF, but only in the situations we describe in “General Terms of the Notes—Anti-Dilution Adjustments” in the product prospectus supplement MLN-ES-ETF-1. The Calculation Agent will not be required to make an adjustment for every event that may affect a Component ETF. Those events or other actions by an Investment Advisor or a third party may nevertheless adversely affect the level of its Component ETF, and adversely affect the value of your Notes.

The Component Indices Reflect Price Return, Not Total Return.

The Component Indices included in the Basket reflect changes in the market prices of their respective Basket Component Constituents. They are not, however, a “total return” index or strategy, which, in addition to reflecting those returns, would also reflect dividends paid on the Basket Component Constituents. The return on your Notes will not include such a total return feature or dividend component with respect to the Component Indices.

As of the Date of this Pricing Supplement, There is No Actual History for the Closing Levels of the Basket.

The Payment at Maturity, if any, for the Notes is linked to the Percentage Change in the Basket, which will begin to be calculated on the Pricing Date. Since there will be no actual history for the closing levels of the Basket, no actual historical information about the Closing Levels of the Basket will be available for you to consider in making an independent investigation of the performance of the Basket, which may make it difficult for you to make an informed decision with respect to an investment in your Notes.

Past Basket Component and Hypothetical Basket Performance is No Guide to Future Performance.

The actual performance of the Basket Components, and therefore the Basket, over the life of the Notes, as well as the Payment at Maturity, may bear little relation to the historical closing levels of the Basket Components of the hypothetical historical Closing Levels of the Basket (when available) or to the hypothetical return examples set forth elsewhere in this document. The future performance of the Basket Components and the Basket cannot be predicted.

There Are Potential Conflicts of Interest Between You and the Calculation Agent.

The Calculation Agent will, among other things, determine the amount of your payment on the Notes. We will serve as the Calculation Agent and may appoint a different Calculation Agent after the Issue Date without notice to you. The Calculation Agent will exercise its judgment when performing its functions and may take into consideration our ability to unwind any related hedges. Since this discretion by the Calculation Agent may affect payments on the Notes, the Calculation Agent may have a conflict of interest if it needs to make any such decision. For example, the Calculation Agent may have to determine whether a market disruption event affecting a Basket Component has occurred. This determination may, in turn, depend on the Calculation Agent's judgment whether the event has materially interfered with our ability or the ability of one of our affiliates to unwind our hedge positions. Since this determination by the Calculation Agent will affect the payment on the Notes, the Calculation Agent may have a conflict of interest if it needs to make a determination of this kind. For additional information as to the Calculation Agent's role, see "General Terms of the Notes — Role of Calculation Agent" in each product prospectus supplement.

Market Disruption Events and Adjustments.

The Valuation Date, and therefore the Maturity Date, are subject to postponement as described in the applicable product prospectus supplement due to the occurrence of one or more market disruption events. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event, see "General Terms of the Notes—Market Disruption Events" in, with respect to each Component Index, the product prospectus supplement MLN-EI-1 and, with respect to each Component ETF, the product prospectus supplement MLN-ES-ETF-1.

Significant Aspects of the Tax Treatment of the Notes Are Uncertain.

Significant aspects of the U.S. tax treatment of the Notes are uncertain. You should consult your tax advisor about your tax situation and should read carefully the section entitled "Supplemental Discussion of U.S. Federal Income Tax Consequences" below.

For a more complete discussion of the Canadian federal income tax consequences of investing in the Notes, please see the discussions in each product prospectus supplement under "Supplemental Discussion of Canadian Tax Consequences".

If you are not a Non-resident Holder (as that term is defined in the prospectus) for Canadian federal income tax purposes or if you acquire the Notes in the secondary market, you should consult your tax advisors as to the consequences of acquiring, holding and disposing of the Notes and receiving the payments that might be due under the Notes.

Hypothetical Returns

The examples and graph set out below are included for illustration purposes only. They should not be taken as an indication or prediction of future investment results and merely are intended to illustrate the impact that the various hypothetical Basket levels on the Valuation Date could have on the Payment at Maturity assuming all other variables remain constant.

The examples below are based on a range of Final Basket Levels and Final Component Levels that are entirely hypothetical; the Basket level on any day throughout the life of the Notes, including the Final Basket Level on the Valuation Date, cannot be predicted. The Basket Components have been highly volatile in the past — meaning that the levels of the Basket Components have changed considerably in relatively short periods — and the performance of the Basket cannot be predicted for any future period.

The information in the following examples reflects hypothetical rates of return on the offered Notes assuming that they are purchased on the Issue Date at the principal amount and held to the Maturity Date. If you sell your Notes in a secondary market prior to the Maturity Date, your return will depend upon the market value of your Notes at the time of sale, which may be affected by a number of factors that are not reflected in the examples below, such as interest rates, the volatility of the Basket Components and our creditworthiness. In addition, the estimated value of your Notes at the time the terms of your Notes are set on the Pricing Date is less than the original public offering price of your Notes. For more information on the estimated value of your Notes, see "Additional Risk Factors — The Estimated Value of Your Notes Is Lower Than the Public Offering Price of Your Notes" in this document. The information in the examples also reflect the key terms and assumptions in the box below.

Key Terms and Assumptions	
Principal Amount	$1,000
Initial Basket Level	100
Leverage Factor	150.00%
Cap Level	108.00% of the Initial Basket Level
Maximum Payment Amount	$1,120.00
Buffer Level	90 (90.00% of the Initial Basket Level)
Buffer Percentage	10.00%
Neither a market disruption event nor a non-Trading Day occurs with respect to any Basket Component on the originally scheduled Valuation Date	
No change in or affecting any of the Basket Components or the method by which an Index Sponsor calculates the relevant Basket Component	
Notes purchased on the Issue Date at the principal amount and held to the Maturity Date	

The actual performance of the Basket over the life of your Notes, as well as the Payment at Maturity, if any, may bear little relation to the hypothetical examples shown below or to the hypothetical levels of the Basket or the historical levels of the Basket Components shown elsewhere in this pricing supplement. For information about the historical levels of the Basket Components and the hypothetical levels of the Basket during recent periods, see "Information Regarding the Basket Components — Historical Information of the Basket Components" and "Information Regarding the Basket Components — Hypothetical Information of the Basket" below.

Also, the hypothetical examples shown below do not take into account the effects of applicable taxes. Because of the U.S. tax treatment applicable to your Notes, tax liabilities could affect the after-tax rate of return on your Notes to a comparatively greater extent than the after-tax return on the Basket Components.

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The levels in the left column of the table below represent hypothetical Final Basket Levels and are expressed as percentages of the Initial Basket Level. The amounts in the right column represent the hypothetical Payment at Maturity, based on the corresponding hypothetical Final Basket Level, and are expressed as percentages of the principal amount of a Note (rounded to the nearest one-thousandth of a percent). Thus, a hypothetical Payment at Maturity of 100.000% means that the value of the cash payment that we would deliver for each $1,000 of the outstanding principal amount of the offered Notes on the Maturity Date would equal 100.000% of the principal amount of a Note, based on the corresponding hypothetical Final Basket Level and the assumptions noted above.

	Hypothetical Final Basket Level **(as Percentage of Initial Basket Level)**	**Hypothetical Payment at Maturity** **(as Percentage of Principal Amount)**						
0.19			$	0.27	$	0.60		
DIVIDENDS DECLARED PER SHARE		$	0.18		$0.02		$0.54	$0.02

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

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Superior Industries International, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Dollars in thousands)
(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Net income (loss)	$(2,419)	$5,171	$7,442	$16,429
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	(3,837)	2,068	(3,419)	375
Defined benefit pension plan:				
Adjustment to unrealized loss for unvested termination	—	522	—	522
Amortization of amounts resulting from changes in actuarial assumptions	30	135	89	404
Tax provision	(11)	(233)	(33)	(333)
Pension changes, net of tax	19	424	56	593
Other comprehensive income (loss), net of tax	(3,818)	2,492	(3,363)	968
Comprehensive income (loss)	$(6,237)	$7,663	$4,079	$17,397

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

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

	September 28, 2014	December 29, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$83,133	$199,301
Short term investments	3,750	3,750
Accounts receivable, net	104,081	89,623
Inventories	77,674	67,193
Income taxes receivable	6,305	7,584
Deferred income taxes, net	7,854	7,917
Other current assets	15,052	8,850
Total current assets	297,849	384,218
Property, plant and equipment, net	258,518	219,892
Investment in and advances to unconsolidated affiliate	4,500	4,565
Non-current deferred income taxes, net	15,105	14,664
Non-current assets	29,735	30,049
Total assets	$605,707	$653,388
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$25,971	$34,494
Accrued expenses	50,713	64,936
Total current liabilities	76,684	99,430
Non-current income tax liabilities	16,154	15,050
Non-current deferred income tax liabilities, net	20,354	21,070
Other non-current liabilities	34,615	34,775
Commitments and contingencies (Note 16)	—	—
Shareholders' equity:		
Preferred stock, no par value		
Authorized - 1,000,000 shares		
Issued - none	—	—
Common stock, no par value		
Authorized - 100,000,000 shares		
Issued and outstanding - 26,632,794 shares		
(27,155,550 shares at December 29, 2013)	79,213	75,305
Accumulated other comprehensive loss	(63,726)	(60,363)
Retained earnings	442,413	468,121
Total shareholders' equity	457,900	483,063
Total liabilities and shareholders' equity	$605,707	$653,388

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

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

	Thirty-nine Weeks Ended	
	September 28, 2014	September 29, 2013
NET CASH PROVIDED BY OPERATING ACTIVITIES	$5,693	$20,684
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(92,043)	(43,408)
Proceeds from life insurance policy	352	297
Proceeds from sales and maturities of investments	3,750	3,970
Purchase of investments	(3,750)	(3,750)
Proceeds from sale of property, plant and equipment	1,973	13
Premiums paid for life insurance	(340)	(347)
Other	158	—
NET CASH USED IN INVESTING ACTIVITIES	(89,900)	(43,225)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(14,605)	—
Cash paid for common stock repurchase	(21,790)	—
Proceeds from exercise of stock options	5,568	1,515
Excess tax benefits from exercise of stock options	47	322
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(30,780)	1,837
Effect of exchange rate changes on cash	(1,181)	64
Net decrease in cash and cash equivalents	(116,168)	(20,640)
Cash and cash equivalents at the beginning of the period	199,301	203,364
Cash and cash equivalents at the end of the period	$83,133	$182,724

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

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

	Common Stock		Accumulated Other Comprehensive Income (Loss)			
	Number of Shares	Amount	Pension Obligations	Cumulative Translation Adjustment	Retained Earnings	Total
Balance at December 29, 2013	27,155,550	$75,305	$(2,258)	$(58,105)	$468,121	$483,063
Net income					7,442	7,442
Change in employee benefit plans, net of taxes			56	—	—	56
Net foreign currency translation adjustment			—	(3,419)	—	(3,419)
Stock options exercised	346,835	5,568	—	—	—	5,568
Restricted stock awards granted, net of forfeitures	219,969	—	—	—	—	—
Stock-based compensation expense	—	1,832	—	—	—	1,832
Tax impact of stock options	—	(338)	—	—	—	(338)
Common stock repurchased	(1,089,560)	(3,154)	—	—	(18,636)	(21,790)
Cash dividends declared ($0.54 per share)	—	—	—	—	(14,514)	(14,514)
Balance at September 28, 2014	26,632,794	$79,213	$(2,202)	$(61,524)	$442,413	$457,900

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

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Superior Industries International, Inc.
Notes to Condensed Consolidated Financial Statements
September 28, 2014
(Unaudited)

Note 1 – Nature of Operations

Headquartered in Van Nuys, California, the principal business of Superior Industries International, Inc. (referred to herein as the “company” or in the first person notation “we,” “us” and “our”) is the design and manufacture of aluminum road wheels for sale to original equipment manufacturers ("OEMs"). We are one of the largest suppliers of cast aluminum wheels to the world’s leading automobile and light-duty truck manufacturers, with wheel manufacturing operations in the United States and Mexico. Customers in North America represent the principal market for our products. In addition, the majority of our net sales to international customers by our North American facilities are delivered primarily to such customers' assembly operations in North America.

Ford Motor Company ("Ford"), General Motors Company ("GM"), Toyota Motor Company ("Toyota") and Chrysler Group LLC ("Chrysler") were our customers individually accounting for more than 10 percent of our consolidated sales in the first three quarters of 2014 and together represented approximately 90 percent and 91 percent of our total sales during the first three quarters of 2014 and 2013, respectively. We also manufacture aluminum wheels for BMW, Mazda, Mitsubishi, Nissan, Subaru, Tesla and Volkswagen. The loss of all or a substantial portion of our sales to Ford, GM, Toyota or Chrysler would have a significant adverse impact on our operating results and financial condition. This risk is partially mitigated by our long-term relationships with these OEM customers and our supply arrangements, which are generally for multi-year periods.

Demand for automobiles and light-duty trucks (including SUV's and crossover vehicles) in the North American market is subject to many unpredictable factors such as changes in the general economy, gasoline prices, consumer credit availability and interest rates. Demand for aluminum wheels can be further affected by other factors, including pricing and performance comparisons to competitive materials such as steel. Finally, the demand for our products is influenced by shifts of market share between vehicle manufacturers and the specific market penetration of individual vehicle platforms being sold by our customers.

While we historically have had long-term relationships with our customers and our supply arrangements generally are for multi-year periods, maintaining such long-term arrangements on terms acceptable to us has become increasingly difficult. Global competitive pricing pressures continue to affect our business negatively as our customers maintain and/or further develop alternative supplier options. Increasingly global procurement practices and competition, and the pressure for price reductions, may make it more difficult to maintain long-term supply arrangements with our customers. As a result, there can be no guarantees that we will be able to negotiate supply arrangements with our customers on terms acceptable to us in the future.

We are engaged in ongoing programs to reduce our own costs through improved operational and procurement practices in an attempt to mitigate the impact of these pricing pressures. However, these improvement programs may not be sufficient to offset the adverse impact of ongoing pricing pressures and potential reductions in customer demand in future periods. Additional factors such as inconsistent customer ordering patterns, increasing product complexity and heightened quality standards also are making it increasingly difficult to reduce our costs. It is also possible that as we incur costs to implement improvement strategies, the initial impact of these strategies on our financial position, results of operations and cash flow may be negative.

The raw materials used in producing our products are readily available and are obtained through suppliers with whom we have, in many cases, relatively long-standing trade relations.

Note 2 – Presentation of Condensed Consolidated Financial Statements

During interim periods, we follow the accounting policies set forth in our Annual Report on Form 10-K for the fiscal year ended December 29, 2013 (the "2013 Annual Report on Form 10-K") and apply appropriate interim financial reporting standards for a fair statement of our operating results and financial position in conformity with accounting principles generally accepted in the United States of America, as codified by the Financial Accounting Standards Board ("FASB") in the Accounting Standards Codification ("ASC") (referred to herein as "U.S. GAAP"), as indicated below. Users of financial information produced for interim periods in 2014 are encouraged to read this Quarterly Report on Form 10-Q in conjunction with our consolidated financial statements and notes thereto filed with the Securities and Exchange Commission ("SEC") in our 2013 Annual Report on Form 10-K.

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

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significantly affect our future results. Additionally, interim results may not be indicative of our results for future interim periods or our annual results.

We use a 4-4-5 convention for our fiscal quarters, which are thirteen week periods generally ending on the last Sunday of each calendar quarter. We refer to these thirteen week fiscal periods as “quarters” throughout this report. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the SEC’s requirements for Form 10-Q and, in our opinion, contain all adjustments, of a normal and recurring nature, which are necessary for a fair statement of (i) the condensed consolidated statements of operations for the thirteen and thirty-nine week periods ended September 28, 2014 and September 29, 2013, (ii) the condensed consolidated statements of comprehensive income (loss) for the thirteen and thirty-nine week periods ended September 28, 2014 and September 29, 2013, (iii) the condensed consolidated balance sheets at September 28, 2014 and December 29, 2013, (iv) the condensed consolidated statements of cash flows for the thirty-nine week periods ended September 28, 2014 and September 29, 2013, and (v) the condensed consolidated statement of shareholders’ equity for the thirty-nine week period ended September 28, 2014. However, the accompanying unaudited condensed consolidated financial statements do not include all information and notes required by U.S. GAAP. The condensed consolidated balance sheet as of December 29, 2013, included in this report, was derived from our 2013 audited financial statements, but does not include all disclosures required by U.S. GAAP.

New Accounting Pronouncement

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. We are evaluating the impact this guidance will have on our financial position and statement of operations.

Note 3 – Restructuring

On July 30, 2014, we announced the planned closure of our wheel manufacturing facility located in Rogers, Arkansas, that will result in a workforce reduction of approximately 500 employees and a shift in production to other facilities. The planned closure of the Rogers facility, which is expected to be effective in the fourth quarter of 2014, was approved on July 29, 2014. The action was necessary in order to reduce costs and enhance our global competitive position. In addition, other measures were taken to reduce costs including the planned 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 is classified as held-for-sale with a carrying value of $1.0 million and is included in other current assets on our condensed consolidated balance sheet at September 28, 2014.
Included in selling, general and administrative expense in the condensed consolidated statements of operations for the thirteen weeks ended September 28, 2014 are charges totaling $1.0 million to reduce the carrying balance of the aircraft we currently are marketing for sale at its estimated fair value. Cost of sales for the thirteen weeks ended September 28, 2014 includes $3.1 million of depreciation accelerated due to shorter useful lives for assets to be abandoned when operations cease at the Rogers facility. Additional depreciation accelerated due to shorter useful lives of approximately $3.1 million related to the plant closure will be recorded in the fourth quarter of 2014. We do not expect any significant additional charges or impairments related to the fixed assets at this time.

As noted above, the operations are expected to cease at the facility in the fourth quarter of 2014. Following the date production ceases at the facility we currently expect to actively market the facility for sale. Based on the current carrying value of the land and building of $3.0 million, we do not expect a loss on the sale at this time. In addition, after production ceases at the facility, machinery and equipment to be held and used at our other plants will be transferred, with the carrying values depreciated over the remaining estimated useful lives of these assets.

The total cost expected to be incurred as a result of the Rogers facility closure is $10.5 million, of which $3.8 million is expected to be paid in cash. One-time termination benefits, equipment lease termination costs, inventory write-downs and other costs related to this plant closure are estimated to approximate $4.3 million, of which $1.1 million was recorded in the thirteen weeks ended September 28, 2014. Costs for one-time termination benefits included in cost of sales in the third quarter of 2014 totaled $0.8 million. These one-time termination benefits are derived from the individual agreements with each employee and are being accrued ratably over the requisite service period. We expect to incur additional one-time severance costs of approximately $1.2 million over the next three to six months.

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The following table summarizes the Rogers, Arkansas plant closure costs and classification in the condensed consolidated statements of operations as of September 28, 2014:

(Dollars in thousands)	Costs Incurred Through September 28, 2014	Costs Remaining	Total Expected Costs	Classification
Accelerated depreciation of assets to be abandoned	$ 3,112	$ 3,145	$ 6,257	Cost of sales, Restructuring costs
One-time severance costs	800	1,158	1,958	Cost of sales, Restructuring costs
Equipment removal, inventory write-down, lease termination and other costs	250	2,054	2,304	Cost of sales, Restructuring costs
	$ 4,162	$ 6,357	$ 10,519	

Changes in the accrued expenses related to restructuring liabilities during the thirty-nine weeks ended September 28, 2014 are summarized as follows:
(Dollars in thousands)

Balance December 29, 2013	$ —
Restructuring accruals	1,050
Cash payments	—
Balance September 28, 2014	$ 1,050

Note 4 – Investment in Unconsolidated Affiliate

On June 28, 2010, we executed a share subscription agreement with Synergies Castings Limited ("Synergies"), a private aluminum wheel manufacturer based in Visakhapatnam, India, providing for our acquisition of a minority interest in Synergies. As of September 28, 2014, the total cash investment in Synergies amounted to $4.5 million, representing 12.6 percent of the outstanding equity shares of Synergies. Our Synergies investment is accounted for using the cost method. During 2011, a group of existing equity holders, including the company, made a loan of $1.5 million to Synergies for working capital needs. The company's share of this unsecured advance was $450,000. The principal balance as of September 28, 2014 was $116,000 and is scheduled to be repaid over the next 7 months.

Note 5 – Stock-Based Compensation

2008 Equity Incentive Plan

Our 2008 Equity Incentive Plan (the "Plan") was amended and restated effective May 22, 2013 upon approval by our shareholders at our annual shareholders meeting. As amended, the plan authorizes us to issue up to 3.5 million shares of common stock, along with non-qualified stock options, stock appreciation rights, restricted stock and performance units to our officers, key employees, non-employee directors and consultants. At September 28, 2014, there were 1.9 million shares available for future grants under this plan. No more than 600,000 shares may be used under the plan as “full value” awards, which include restricted stock and performance units. It is our policy to issue shares from authorized but not issued shares upon the exercise of stock options. Options are granted at not less than fair market value on the date of grant and expire no later than ten years after the date of grant. Options and restricted shares granted under the plan generally require no less than a three year ratable vesting period.

During the first three quarters of 2014 no stock options were granted, 346,835 stock options were exercised and 145,417 options were canceled.

During the first three quarters of 2014 we granted restricted shares, or “full value” awards under our Plan, totaling 90,750 shares. The fair values of each issued restricted share on the applicable date of grant averaged $19.21 for the first three quarters of 2014.

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In addition, during the second quarter of 2014, we granted 35,081 restricted shares in connection with Mr. Steven J. Borick's, our former company President and Chief Executive Officer's, separation agreement (see Note 16 - Commitments and Contingencies). These shares fully vested on the grant date (March 31, 2014) and the cost was recognized from the date of the separation agreement (October 14, 2013) through March 31, 2014, the separation date. The shares issued also were net of an amount equal to required tax withholdings. The cash equivalent of the withheld shares was remitted by the company to the tax authorities. Restricted share awards, which are generally subject to forfeiture if employment terminates prior to the shares vesting, are expensed ratably over the vesting period. Shares of restricted stock granted under the Plan are considered issued and outstanding at the date of grant and have the same dividend and voting rights as other common stock. Dividends paid on the restricted shares granted under the Plan are non-forfeitable if the restricted shares do not ultimately vest.

Other Awards

During the second quarter of 2014 we granted 132,455 restricted shares, including 50,000 shares vesting April 30, 2017, and 82,455 shares vesting on December 31, 2016. The fair value of each of these restricted shares was $19.44. These grants were made outside of the Plan as inducement grants in connection with the appointment of our new CEO and company President (see Note 16 - Commitments and Contingencies).

Stock-based compensation expense related to our unvested stock options and restricted share awards was allocated as follows:

(Dollars in thousands)	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Cost of sales	$18	$50	$98	$168
Selling, general and administrative expenses	505	464	1,734	1,332
Stock-based compensation expense before income taxes	523	514	1,832	1,500
Income tax benefit	(180)	(132)	(568)	(360)
Total stock-based compensation expense after income taxes	$343	$382	$1,264	$1,140

As of September 28, 2014, a total of $3.4 million of unrecognized compensation cost related to non-vested awards is expected to be recognized over a weighted average period of approximately 2.2 years. There were no significant capitalized stock-based compensation costs at September 28, 2014 and December 29, 2013.

Note 6 – Business Segments

Our Chief Executive Officer is our chief operating decision maker ("CODM"). Our CODM evaluates both consolidated and disaggregated financial information at each manufacturing facility in deciding how to allocate resources and assess performance. Each manufacturing facility functions as a separate cost center, manufactures the same products, ships product to the same group of customers, and utilizes the same cast manufacturing process and, as a result, production can be transferred among our facilities. Accordingly, we operate as a single integrated business and, as such, have only one operating segment - original equipment aluminum automotive wheels. Net sales and net property, plant and equipment by geographic area are summarized below.

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(Dollars in thousands)	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
Net sales:	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
U.S.	$58,569	$65,090	$196,637	$219,228
Mexico	117,850	126,529	362,138	377,825
Consolidated net sales	$176,419	$191,619	$558,775	$597,053

Property, plant and equipment, net:	September 28, 2014	December 29, 2013
U.S.	$57,215	$62,821
Mexico	201,303	157,071
Consolidated property, plant and equipment, net	$258,518	$219,892

Note 7 – Pre-Production Costs Related to Long-Term Supply Arrangements

We incur preproduction engineering and tooling costs related to the products manufactured 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 statements of operations totaled $2.0 million and $2.3 million for the thirteen weeks ended September 28, 2014 and September 29, 2013, respectively, and $6.1 million and $7.2 million for the thirty-nine weeks ended September 28, 2014 and September 29, 2013, 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 28, 2014	December 29, 2013
Unamortized Preproduction Costs		
Preproduction costs	$64,820	$60,776
Accumulated amortization	(51,580)	(46,213)
Net preproduction costs	$13,240	$14,563
Deferred Tooling Revenues		
Accrued expenses	$5,501	$5,950
Other non-current liabilities	2,976	2,619
Total deferred tooling revenues	$8,477	$8,569

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 28, 2014 there were 2.0 million and 0.9 million shares issuable under outstanding stock options excluded from the computations, respectively. For the thirteen and thirty-nine week periods ended September 29, 2013, there were 1.8 million and 0.9 million shares issuable under outstanding stock options excluded from the computations, respectively. Summarized below are the calculations of basic and diluted earnings per share.

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(In thousands, except per share amounts)	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Basic Income (Loss) Per Share:				
Reported net income (loss)	$(2,419)	$5,171	$7,442	$16,429
Basic income (loss) per share	$(0.09)	$0.19	$0.28	$0.60
Weighted average shares outstanding - Basic	26,652	27,453	26,991	27,370
Diluted Income (Loss) Per Share:				
Reported net income (loss)	$(2,419)	$5,171	$7,442	$16,429
Diluted income (loss) per share	$(0.09)	$0.19	$0.27	$0.60
Weighted average shares outstanding	26,652	27,453	26,991	27,370
Weighted average dilutive stock options	—	83	137	144
Weighted average shares outstanding - Diluted	26,652	27,536	27,128	27,514

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 of 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. Our valuation allowances totaled $3.4 million as of September 28, 2014 and December 29, 2013, and relate to state deferred tax assets for net operating loss and tax credit carryforwards that are not expected to be realized due to changes in tax law and cessation of business in Kansas.

We record uncertain tax positions in accordance with US GAAP on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. 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.

The income tax benefit for the thirteen weeks ended September 28, 2014 was $0.3 million, which was an effective income tax rate of 12 percent. For the thirty-nine weeks ended September 28, 2014 the provision for income taxes was $6.5 million, which

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was an effective income tax rate of 47 percent. The tax benefit for the thirteen weeks ended September 28, 2014 was lower than the benefit calculated using the U.S. federal statutory rate due to interest and penalties on unrecognized tax benefits and the write-down of a tax refund receivable, partially offset by the release of certain liabilities related to uncertain tax positions due to the expiration of a statute of limitations. The effective tax rate for the thirty-nine weeks ended September 28, 2014 was higher than the federal statutory rate as a result of non-deductible expenses primarily related to compensation deduction limitations and recent tax law changes in Mexico, interest and penalties on unrecognized tax benefits, the write-down of a tax refund receivable and state income taxes (net of federal tax benefit), partially offset by the release of a reserve due to the expiration of a statute of limitations and foreign income taxed at rates that are lower than the U. S. statutory rates.

For the thirteen weeks ended September 29, 2013 the provision for income taxes was $2.5 million, which was an effective income tax rate of 33 percent. The effective tax rate was favorably affected by income tax credits and foreign income taxes that are taxed at rates lower than the U. S. statutory rates, partially offset by unfavorable non-deductible expenses incurred during the quarter, interest on unrecognized tax benefits and state income taxes (net of federal tax benefit). The provision for income taxes for the thirty-nine weeks ended September 29, 2013 was $8.0 million, which was an effective income tax rate of 33 percent. The effective tax rate was favorably impacted by foreign income taxes (taxed at rates lower than the U. S. statutory rates) and tax credits, including credits recognized as a result of the 2013 enactment of the American Taxpayer Relief Act of 2012 and the settlement of a tax audit at our Mexican subsidiary discussed below, partially offset by state income taxes (net of federal tax benefit).

During the first three quarters of 2014, the liability for uncertain tax positions increased by $1.2 million to $16.4 million from $15.2 million at December 29, 2013. The increase primarily resulted from $1.1 million of interest and penalties which were recognized in income tax expense during the first three quarters of 2014 and a $0.8 million increase for tax positions taken in the current period, partially offset by a $0.5 million reduction due to the expiration of a statute of limitations. During February 2013, Mexico's Tax Administration Service (Servicio de Administracion Tributaria, or "SAT"), finalized its examination of the 2007 tax year of Superior Industries de Mexico S.A. de C.V., our wholly-owned Mexican subsidiary. As a result, we reached a settlement with SAT for the 2007 tax year and made a cash payment of $0.3 million during the first quarter of 2013.

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 open for examination by taxing authorities regarding any U.S. federal income tax returns for years before 2011 while the years open for examination under various state and local jurisdictions vary. The Internal Revenue Service ("IRS") is currently conducting an audit of the 2011 tax year of Superior Industries International and subsidiaries. We expect this IRS audit to be completed during the fourth quarter of 2014. We expect approximately $9.4 million of unrecognized tax benefits related to our U.S. and Mexico operations will be recognized in the twelve month period ending September 27, 2015 due to the expiration of certain statutes of limitations or due to settlement of uncertain tax positions.

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 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 appears 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 directly secure or collateralize letters of credit securing our workers' compensation obligations. At September 28, 2014 and December 29, 2013, certificates of deposit totaling $3.8 million were restricted in use and were classified as short-term investments on our condensed consolidated balance sheets.

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Note 11 – Accounts Receivable
(Dollars in thousands)

	September 28, 2014	December 29, 2013
Trade receivables	$97,035	$82,809
Other receivables	7,574	7,724
	104,609	90,533
Allowance for doubtful accounts	(528)	(910)
Accounts receivable, net	$104,081	$89,623

Note 12 – Inventories
(Dollars in thousands)

	September 28, 2014	December 29, 2013
Raw materials	$17,334	$15,631
Work in process	34,533	27,835
Finished goods	25,807	23,727
Inventories	$77,674	$67,193

Service wheel and supplies inventory included in other non-current assets in the condensed consolidated balance sheets totaled $6.6 million and $5.6 million at September 28, 2014 and December 29, 2013, respectively. Included in raw materials was supplies inventory totaling $8.8 million and $9.2 million at September 28, 2014 and December 29, 2013, respectively.

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

	September 28, 2014	December 29, 2013
Land and buildings	$71,587	$72,310
Machinery and equipment	424,048	421,219
Leasehold improvements and others	9,921	9,152
Construction in progress	122,874	78,442
	628,430	581,123
Accumulated depreciation	(369,912)	(361,231)
Property, plant and equipment, net	$258,518	$219,892

Construction in progress includes $114.6 million and $66.3 million of costs related to our new wheel plant under construction in Mexico, at September 28, 2014 and December 29, 2013, respectively, including amounts accrued in accounts payable and accrued liabilities of $10.6 million and $29.2 million, at September 28, 2014 and December 29, 2013, respectively. Depreciation expense was $11.5 million and $7.3 million for the thirteen weeks ended September 28, 2014 and September 29, 2013, respectively. Depreciation expense was $25.9 million and $21.4 million for the thirty-nine weeks ended September 28, 2014 and September 29, 2013, respectively. Depreciation expense and asset write-downs for the thirteen weeks ended September 28, 2014 includes $4.1 million of additional charges for depreciation accelerated due to shorter useful lives for assets to be abandoned when operations cease at our Rogers facility and charges to reduce the carrying value of equipment (see Note 3 - Restructuring).

Note 14 – Retirement Plans

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 remainder of the retiree's life or for a minimum of ten years. The plan was closed to new participants effective February 3, 2011.

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For the thirty-nine weeks ended September 28, 2014, payments to retirees or their beneficiaries totaled approximately $1,040,000. We presently anticipate benefit payments in 2014 to total approximately $1.5 million. The following table summarizes the components of net periodic pension cost for the first three quarters of 2014 and 2013.

(Dollars in thousands)	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Service cost	$21	$67	$346	$201
Interest cost	293	283	879	851
Net amortization	30	135	89	404
Net periodic pension cost	$344	$485	$1,314	$1,456

Note 15 - Common Stock Repurchase Programs
In March 2013, our board of directors approved a new stock repurchase program (the "2013 Program") authorizing the repurchase of up to $30.0 million of our common stock. This 2013 Program replaced the previously existing share repurchase program. Shares repurchased under the 2013 Program totaled 1,510,759 at a cost of $30.0 million through September 28, 2014, including 1,089,560 shares repurchased at a cost of $21.8 million in the first three quarters of 2014. Accordingly, no additional shares may be repurchased under the 2013 Program.

In October 2014, our Board of Directors approved a new stock repurchase program (the "2014 Program") authorizing the repurchase of up to $30.0 million of our common stock. Under the 2014 Program, we may repurchase common stock from time to time on the open market or in private transactions. Currently, we expect to fund the repurchases through available cash, although credit options are being evaluated in the context of total capital needs. The timing and extent of the repurchases under the 2014 Program will depend upon market conditions and other corporate considerations in our sole discretion.

Note 16 – Commitments and Contingencies

Steven J. Borick Separation Agreement

On October 14, 2013, the company and Steven J. Borick entered into a Separation Agreement (the "Separation Agreement"), providing for Mr. Borick's separation from employment as the company's President and Chief Executive Officer. Mr. Borick's separation was effective March 31, 2014. In accordance with the Separation Agreement, in addition to payment of his salary and accrued vacation through his separation date, the company paid or provided Mr. Borick with the following upon his separation:

- A lump-sum cash payment of $1,345,833,
- Mr. Borick's 2013 annual incentive bonus,
- A grant of a number of shares of company common stock equal to the Black-Scholes value of an annual award of 120,000 stock options divided by the company's closing stock price on the separation date (See Note 5 - Stock-Based Compensation), and
- Vesting of all of Mr. Borick's unvested stock options and unvested restricted stock.

During 2014, the company recognized $1.1 million of compensation expense in connection with the Separation Agreement.

Donald J. Stebbins, Executive Employment Agreement
On April 30, 2014, we entered into an Executive Employment Agreement (the "Employment Agreement") with Donald J. Stebbins in connection with his appointment as President and Chief Executive Officer of the company. The Employment Agreement became effective May 5, 2014 and is for a 3 year term that expires on April 30, 2017, with additional one-year automatic renewals unless either Mr. Stebbins or the company provides advance notice of

nonrenewal of the Employment Agreement. The Employment Agreement provides for an annual base salary of $900,000. Mr. Stebbins may receive annual bonuses based on attainment of performance goals, determined by the company’s independent compensation committee, in the amount of 80 percent of annual base salary at threshold level performance, 100 percent of annual base salary at target level performance, and up to 200 percent of annual base salary for performance substantially above target level.

Mr. Stebbins received inducement grants of restricted stock for 50,000 shares vesting April 30, 2017, and an additional number of shares of 82,455 determined by dividing $1,602,920 by the per share value of the company’s common stock on May 5, 2014, with the additional shares vesting on December 31, 2016. Beginning in 2015, Mr. Stebbins will be granted restricted stock unit awards each year under Superior's 2008 Equity Incentive Plan, or any successor equity plan. Under the Employment Agreement,

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Mr. Stebbins is to be granted time-vested restricted stock units each year, cliff vesting at the third fiscal year end following grant, for a number of shares equal to 66.7 percent of his annual base salary divided by the per share value of Superior's common stock on the date of grant. In addition, Mr. Stebbins is to be granted performance-vested restricted stock units each year, vesting based on company performance goals established by the independent compensation committee during the three fiscal years following grant, for a maximum number of shares equal to 200 percent of his annual base salary divided by the per share value of Superior's common stock on the date of grant. In general, the equity awards vest only if Mr. Stebbins continues in employment with the company through the vesting date or end of the performance period.
The Employment Agreement also contains provisions for severance benefits including lump sum payments calculated based on Mr. Stebbins' base salary and bonus, as well as health care continuation, if he is terminated without "cause" or resigns for "good reason." In addition, if Mr. Stebbins is terminated without "cause" or resigns for "good reason" within one year following a change in control of the company, the severance benefits are increased 100 percent.

Mexico Facility

In June 2013 we entered into a contract for the construction of the facility for our new wheel plant in Mexico and subsequently entered into non-cancellable contracts for the purchase of equipment for the new facility. These contracts are denominated in U.S. dollars, Mexican pesos and euros with a U.S. dollar value at September 28, 2014 of approximately $120.6 million, of which a total of $102.9 million was paid in cash in 2013 and 2014, with the remaining payments expected to be made over the next 3 months.

Other

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 17 – Risk Management.

Note 17 – Risk Management

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

The functional 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 decreased 3 percent in relation to the U.S. dollar in the first three quarters of 2014. Foreign currency transaction losses totaled $0.4 million and $0.2 million in the third quarter of 2014 and 2013, respectively. Foreign currency transaction losses totaled $0.6 million in the first three quarters of 2014, while transaction gains totaled $0.2 million in the first three quarters of 2013. All transaction gains and losses are included in other income (expense) in the condensed consolidated statements of operations.

As it relates to foreign currency translation gains and losses, however, since 1990, the Mexican peso has experienced periods of relative stability followed by periods of major declines in value. The impact of these changes in value relative to our Mexico operations resulted in a cumulative unrealized translation loss at September 28, 2014 of $60.5 million. Translation gains and losses are included in other comprehensive income in the condensed consolidated statements of comprehensive income (loss).

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 28, 2014 we have several purchase commitments in place for the delivery of natural gas in 2014 through 2015 for a total cost of $1.6 million. These natural gas contracts are considered to be derivatives under U.S. GAAP, and when entering into these contracts, we expected to 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 in effect as of September 28, 2014 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.

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Note 18 – Subsequent Event

On November 1, 2014, we entered into a commitment letter (the “Commitment Letter”) with J.P. Morgan Securities LLC (“JPMorgan” or the “Lead Arranger”), JPMorgan Chase Bank, N.A. (“JPMCB”) and Wells Fargo Bank, National Association (“WFB” and, collectively with JPMCB, the “Commitment Lenders”). Under the terms of the Commitment Letter, the Lead Arranger agrees to structure and arrange a senior secured revolving credit facility in an initial aggregate principal amount of $100.0 million (the “Facility”) and the Commitment Lenders commit to provide the entire principal amount of the Facility. Pursuant to an expansion feature, Superior may request to increase the aggregate amount of the Facility or obtain incremental term loans in an amount up to $50.0 million, which amount is uncommitted at this time. The Facility would have a term of five years, include certain restrictive covenants and would be secured by certain assets of the company.

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 Exchange Act of 1933 and Section 21E of the Securities Act of 1934. These forward-looking statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth, future business plans and costs and potential liability for environmental-related matters. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as “expects,” “anticipates,” “believes,” “will,” “will likely result,” “will continue,” “plans to” and similar expressions.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the company, which could cause actual results to differ materially from such statements and from the company's historical results and experience. 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, fluctuations in anticipated demand for aluminum wheels in the North American market, increased global competitive pressures and pricing pressures, our dependence on major customers and third party suppliers and manufacturers, cost, capacity and time of completion for our new manufacturing facility and the related impact on our operating performance and financial condition, our future liquidity and credit options, our future capital spending for existing operations, 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 2013 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 2013 Annual Report on Form 10-K.

Executive Overview

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 effective during the fourth quarter of 2014. The closure will result in a reduction of workforce of approximately 500 employees and a shift in production to other facilities. In addition, other measures were taken or are in process to reduce costs including the sale of the company's two aircraft.

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Operating results for the third quarter were unfavorably impacted by these actions. Additional charges related to the Rogers facility fixed assets and other closing costs will continue into the fourth quarter of 2014.

North American production of passenger cars and light-duty trucks in the third quarter of 2014 was reported by industry publications as increasing by approximately 8 percent overall versus the comparable period a year ago, continuing the trend of growth since the 2009 recession. Production of light-duty trucks -- the light-duty truck category includes pick-up trucks, SUV's, vans and "crossover vehicles"-- increased 11 percent and production of passenger cars increased 5 percent. The production level for the North American automotive industry for the third quarter of 2014 was 4.2 million vehicles. Factors contributing to the continued market recovery include general economic improvement, low consumer interest rates and the relatively high average age of vehicles, which may be an indicator of pent-up demand. In June 2014, it was reported that the average age of all light vehicles in the U.S. remained steady at a record level of 11.4 years, according to IHS Automotive.

Net sales in the third quarter of 2014 decreased $15.2 million, or 8 percent, to $176.4 million from $191.6 million in the comparable period a year ago. Wheel sales in the third quarter of 2014 decreased $14.9 million, to $174.2 million from $189.1 million in the comparable period a year ago, as wheel unit shipments decreased 11 percent in 2014 to 2.6 million.

The results for the third quarter of 2014 reflect the impacts of costs totaling $5.4 million ($3.3 million after tax) associated with several items including the closure of our Rogers facility and affecting gross profit totaling $4.2 million, depreciation charges totaling $1.0 million in SG&A for the write-down of an aircraft we currently are marketing for sale and a loss on the sale of our second aircraft of $0.2 million. Gross profit in the third quarter of 2014 was $7.3 million, or 4 percent of net sales, compared to $15.4 million, or 8 percent of net sales, in the comparable period a year ago. The loss from operations for the third quarter of 2014 was $2.6 million, a $9.8 million decline from operating income of $7.2 million for the third quarter of 2013. Net loss for the third quarter of 2014 was $2.4 million, or $0.09 per diluted share. In comparison, net income in the third quarter of 2013 was $5.2 million, or $0.19 per diluted share.

Supported by the expectation of continued strength in the North American market, we announced in 2013 our plans to invest between $125 million and $135 million to build a new manufacturing facility in Mexico, which we currently project will be operational in late 2014. In June 2013 we entered into a contract for the construction of the new facility and we subsequently entered into contracts for the purchase of equipment for the new facility. As of the end of the third quarter of 2014 the total value of these contracts was approximately $120.6 million.

Under the share repurchase program we instituted in 2013 to enhance shareholder value, we repurchased 436,777 additional shares of company stock at a cost of $8.8 million in the third quarter of 2014. As of the end of the third quarter of 2014, total repurchases reached the maximum expenditure authorized under the program of $30.0 million. In October 2014, our Board of Directors approved a new stock buyback program authorizing the repurchase of up to $30.0 million of our common stock.

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

Selected data	Thirteen Weeks Ended September 28, 2014	Thirteen Weeks Ended September 29, 2013	Thirty-nine Weeks Ended September 28, 2014	Thirty-nine Weeks Ended September 29, 2013
Net sales	$176,419	$191,619	$558,775	$597,053
Gross profit	$7,318	$15,418	$38,686	$45,173
Percentage of net sales	4.1 %	8.0 %	6.9 %	7.6 %

Income (loss) from operations	$(2,637)	$7,163	$13,510	$22,619
Percentage of net sales	(1.5)%	3.7%	2.4%	3.8%
Net income (loss)	$(2,419)	$5,171	$7,442	$16,429
Percentage of net sales	(1.4)%	2.7%	1.3%	2.8%
Diluted income (loss) per share	$(0.09)	$0.19	$0.27	$0.60

Restructuring Actions

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 is expected to be completed during the fourth quarter of 2014. The closure will result in a reduction of workforce of approximately 500 employees and a shift

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in production to other facilities. In addition, other measures were taken or are in process to reduce costs including the sale of the company's two aircraft. The results for the third quarter of 2014 reflect the impacts of costs totaling $5.4 million ($3.3 million after tax) related to these actions, including costs associated with the closure of our Rogers facility affecting gross profit totaling $4.2 million, charges totaling $1.0 million in SG&A for the write-down of the carrying value of an aircraft we currently are marketing for sale and a loss on the sale of our second aircraft of $0.2 million.

Cost of sales in the current quarter includes $3.1 million of depreciation accelerated due to shorter useful lives for assets to be abandoned when operations cease at the Rogers facility. Additional depreciation accelerated due to shorter useful lives of an estimated $3.1 million related to the plant closure will be recorded in the fourth quarter of 2014. We do not expect any significant additional charges or impairments related to the fixed assets at this time.

As noted above, the operations are expected to cease at the Rogers facility in the fourth quarter of 2014. Following the date production ceases at the facility we currently expect to actively market the property for sale. Based on the current carrying value of the land and building of $3.0 million, we do not expect a loss on sale at this time.

One-time employee severance benefits, equipment lease termination costs, inventory write-downs and other costs related to this plant closure are estimated to approximate $4.3 million, of which $1.1 million in total was recorded in the third quarter of 2014. Within the total third quarter charge, costs for one-time employee severance benefits totaled $0.8 million and were included in cost of sales. These one-time employee severance benefits are derived from the individual agreements with each employee and are being accrued ratably over the related remaining service period. We expect to incur additional one-time employee severance costs of approximately $1.2 million over the next three to six months.

The total cost expected to be incurred as a result of the Rogers facility closure is $10.5 million, of which $3.8 million is expected to be paid in cash. As a result of the closure of the Rogers manufacturing facility, we estimate annual depreciation expense for 2015 will decrease $1.7 million and annual labor savings will approximate $14.8 million, based on year-to-date actual expenses through the end of the third quarter of 2014. However, we also will incur increasing depreciation and other operating costs associated with our new wheel plant in Mexico as production activity grows during 2015.

Net Sales

As noted above, net sales in the third quarter of 2014 decreased $15.2 million, or 8 percent, to $176.4 million from $191.6 million in the comparable period a year ago. Wheel sales in the third quarter of 2014 decreased $14.9 million to $174.2 million from $189.1 million in 2013 as wheel shipments decreased 11 percent in the 2014 period. Unit shipments decreased to Ford, GM, Toyota, BMW and Chrysler, while shipments to Subaru, VW and Nissan increased. Shipments to other customers were minimal and remained relatively unchanged. The average selling price of our wheels increased 3 percent primarily reflecting an increase in the value of the aluminum component of sales which we generally pass through to our customers. The increase in aluminum value resulted in $5.8 million higher revenues in the third quarter of 2014 when compared to 2013. Wheel development revenues totaled $2.2 million in the third quarter of 2014 and $2.5 million in the comparable 2013 period.

Net sales in the first three quarters of 2014 decreased $38.3 million, or 6 percent, to $558.8 million from $597.1 million in the comparable period a year ago. Wheel sales in the first three quarters of 2014 decreased $37.2 million to $552.1 million from $589.3 million in 2013. The decline in wheel sales primarily resulted from 6 percent lower unit shipments in the first three quarters of 2014 compared to the first three quarters of 2013. The average selling price of our wheels decreased 1 percent, primarily reflecting a decline in the value of the aluminum component of sales which we generally pass through to our customers. The decline in aluminum value resulted in $3.0 million lower revenues in the first three quarters of 2014 when compared to 2013. Wheel development revenues totaled $6.7 million in the first three quarters of 2014 and $7.8 million in the comparable 2013 period.

U.S. Operations

Net sales of our U.S. wheel plants in the third quarter of 2014 decreased $6.5 million, or 10 percent, to $58.6 million from $65.1 million in the comparable period a year ago, due to a decline in unit shipments partially offset by an increase in average selling prices. Wheel sales in the third quarter of 2014 decreased $6.3 million, or 10 percent, to $56.5 million from $62.8 million in the third quarter last year, with $8.7 million of lower revenue resulting from a 14 percent decrease in unit shipments. The average unit selling price increased 5 percent due to a higher pass-through price of aluminum and a favorable mix of wheel sizes and finishes sold. A higher aluminum value increased revenues by approximately $1.8 million in 2014 when compared to 2013.

During the first three quarters of 2014, net sales of our U.S. wheel plants decreased $22.6 million, or 10 percent, to $196.6 million from $219.2 million in the comparable period a year ago. The decline reflected a decrease in unit shipments, partially offset by an increase in average selling prices. Wheel sales in the first three quarters of 2014 decreased $21.5 million, or 10 percent, to

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$190.5 million from $212.0 million in the first three quarters last year. A 14 percent decrease in unit shipments caused a $29.1 million decline in revenue. The average unit selling price increased 4 percent due to a favorable mix of wheel sizes and finishes sold, which was partially offset by a decrease in the pass-through price of aluminum. The decline in aluminum value reduced revenues by approximately $1.3 million in 2014 when compared to 2013.

Mexico Operations

Net sales of our Mexico operations in the third quarter of 2014 decreased $8.7 million, or 7 percent, to $117.8 million from $126.5 million in the comparable period a year ago. The sales decline reflected lower unit shipments, partially offset by an increase in average selling prices of our wheels. Unit shipments decreased 9 percent in the third quarter of 2014, with the decline in volume resulting in an $11.6 million revenue decrease. The average unit selling price increased 3 percent due to an increase in the value of the aluminum component of sales, which we generally pass through to our customers, partially offset by an unfavorable change in the mix of wheel sizes and finishes sold. The increase in aluminum value increased revenues by approximately $4.1 million in the third quarter of 2014 when compared to the third quarter of 2013.

During the first three quarters of 2014, net sales of our Mexico operations decreased $15.7 million, or 4 percent, to $362.1 million from $377.8 million in the comparable period a year ago. The sales decline reflected a decrease in average selling prices of our wheels and lower unit shipments. The average unit selling price decreased 3 percent due to an unfavorable change in the mix of wheel sizes and finishes sold and a slight decline in the value of the aluminum component of sales, which we generally pass through to our customers. The decline in aluminum value reduced revenues by approximately $1.7 million in the first three quarters of 2014 when compared to the first three quarters of 2013. Unit shipments decreased 1 percent in the first three quarters of 2014, with the lower volume resulting in a $5.5 million revenue decrease.

Customer Comparisons

As reported by industry publications, North American production of passenger cars and light trucks in the third quarter of 2014 was up approximately 8 percent compared to the same quarter in the previous year, while our unit wheel shipments decreased 11 percent for the comparable period. The overall increase in North American light vehicle production included an 11 percent increase in the light-duty truck category and a 5 percent increase for passenger cars. Comparing the same time periods for Superior, our shipments of passenger car wheels decreased 16 percent and light-duty truck wheels decreased 9 percent.

OEM unit shipment composition by customer was as follows:

	Thirteen Weeks Ended	
	September 28, 2014	September 29, 2013
Ford	42%	43%
General Motors	25%	25%
Toyota	12%	12%
Chrysler	9%	9%
International customers (excluding Toyota)	12%	11%
Total	100%	100%

At the customer level, unit shipments to Ford in the third quarter of 2014 decreased 11 percent compared to the third quarter last year, as passenger car wheel shipments decreased 18 percent and light-duty truck wheels decreased 10 percent. At the program level, the major unit shipment decreases were for the F-Series Truck, Fusion, Expedition, Flex and Taurus, partially offset by unit shipment increases for the Explorer and the Lincoln MKC.

Shipments to GM in the third quarter of 2014 decreased 12 percent compared to the third quarter of 2013, as passenger car wheel shipments decreased 30 percent and light-duty truck wheel shipments decreased 11 percent. The major unit shipment decreases to GM were for the K2XX platform vehicles, Chevrolet Impala and Buick Enclave.

Shipments to Toyota in the third quarter of 2014 decreased 16 percent compared to the third quarter last year, as shipments of passenger car wheels decreased 44 percent and light-duty truck wheels increased 1 percent. The major unit shipment decreases to Toyota were for the Avalon, Camry and Venza, partially offset by unit shipment increases for the Tundra.

Shipments to Chrysler in the third quarter of 2014 declined 8 percent compared to the third quarter last year, as shipments of passenger car wheels decreased 92 percent and shipments of light-duty truck wheels were unchanged. The major unit shipment decreases to Chrysler were for the Dodge Challenger, Journey and Ram truck, which were partially offset by unit shipment increases for the Chrysler Town & Country and Dodge Durango.

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Shipments to international customers (excluding Toyota) in the third quarter of 2014 decreased 1 percent compared to the third quarter of 2013, as shipments of light-duty truck wheels decreased 32 percent and shipments of passenger car wheels increased 14 percent. At the program level, major unit shipment decreases to international customers were for BMW's X3 and Nissan's Titan, partially offset by unit shipment increases for the Nissan Altima and Subaru Outback.

Cost of Sales

Aluminum, natural gas and other direct material costs are a significant component of our costs to manufacture wheels. These components of our costs of sales 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 and certain costs that are not allocated to a specific operation. These unallocated expenses include corporate services that are primarily incurred in the U.S. but are not charged directly to our world-wide operations, such as engineering services for wheel program development and manufacturing support, environmental and other governmental compliance services.

Consolidated cost of goods sold decreased $7.1 million to $169.1 million in the third quarter of 2014, or 96 percent of net sales, compared to $176.2 million, or 92 percent of net sales, in the third quarter of 2013. Cost of sales in 2014 primarily reflects an 11 percent decrease in unit shipments partially offset by an increase in aluminum prices, which we generally pass through to our customers and $4.2 million of additional costs related to the Rogers facility closure discussed above. Direct material and subcontract costs decreased approximately $6.2 million to $98.0 million from $104.2 million in the third quarter of 2013, primarily due to the decline in sales volume. The decrease in direct material costs was partially offset by an increase of approximately $6.2 million due to aluminum price increases, which we generally pass through to our customers. Depreciation expense increased $3.0 million in the third quarter of 2014 as compared to the third quarter of 2013 and included $3.1 million of accelerated cost to reflect shorter useful lives for assets that will no longer be used after operations cease at the Rogers facility. Plant labor and benefit costs included $0.8 million of severance costs for the Rogers facility closure and totaled $29.4 million in the third quarter of 2014, a decrease of $0.8 million compared to the third quarter last year. Third quarter repair and maintenance costs decreased $0.6 million to $6.9 million and supply and small tool costs decreased $0.1 million to $5.8 million when compared to the third quarter of 2013. Cost of sales associated with centralized services such as wheel program development engineering and manufacturing support services increased $0.2 million in the third quarter of 2014 when compared to the 2013 period.

For the first three quarters of 2014 our consolidated cost of goods sold decreased $31.8 million to $520.1 million in the first three quarters of 2014, or 93 percent of net sales, compared to $551.9 million, or 92 percent of net sales, in the first three quarters of 2013. Lower cost of sales in 2014 primarily reflects a 6 percent decrease in unit shipments and a decline in aluminum prices, which we generally pass through to our customers. Direct material and subcontract costs decreased approximately $26.5 million to $303.6 million, from $330.1 million in the first three quarters of 2013. The change in direct material costs includes a reduction of approximately $4.8 million due to aluminum price decreases, which we generally pass through to our customers. Cost of sales in 2014 includes $4.2 million of costs related to the Rogers facility closure including additional depreciation charges totaling $3.1 million and severance costs of $0.8 million. Compared to the first three quarters of 2013, plant labor and benefit costs were $90.1 million in the first three quarters of 2014, a decrease of $7.3 million compared to the first three quarters last year. Supply and small tool costs decreased $2.5 million to $18.0 million and repair and maintenance costs decreased $1.2 million to $20.6 million, in the first three quarters of 2014. Cost of sales associated with centralized services such as wheel program development engineering and manufacturing support services decreased $0.6 million in the first three quarters of 2014 when compared to the 2013 period. Excluding the restructuring related charges discussed above, the cost improvements were reflective of several items including reduction of headcount in reaction to the unit volume decline, as well as the benefits to manufacturing productivity from capital improvements and increased equipment reliability. The lower production levels, however, had an unfavorable impact on cost of sales from lower absorption of fixed overhead costs in the first three quarters of 2014, when compared to last year.

Included below are the major items that impacted cost of sales for our U.S. and Mexico operations during the third quarter and first three quarters of 2014.

U.S. Operations

Cost of sales for our U.S. operations decreased by $3.5 million, or 5 percent, in the third quarter of 2014 as compared to the third quarter of 2013. Compared to the prior year, lower cost of sales in the 2014 period primarily reflects a 14 percent decrease in unit shipments and a decline in labor costs, offset by $4.2 million of costs related to the Rogers facility closure and a $1.6 million increase in aluminum prices, which we generally pass on to our customers. Depreciation expense increased $3.1 million in the third quarter of 2014 as a result of the planned Rogers facility closure. When compared to the prior year, the third quarter 2014 decline in plant labor and benefit costs was approximately $2.1 million, or 13 percent, primarily as a result of decreases in headcount and contract labor costs, partially offset by $0.8 million of severance costs related to the Rogers closure. Additionally, wheels produced per labor hour increased 10 percent while labor cost per wheel decreased 1 percent when compared to the third quarter

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of 2013. Cost of sales in the 2014 period also includes a $0.5 million decrease in plant repair and maintenance costs and $0.4 million lower supply and small tool costs, when compared to the third quarter of 2013. Excluding costs related to the Rogers closure, costs for the current year period declined overall. However, lower production levels had an unfavorable impact on cost of sales due to lower absorption of fixed overhead costs in the third quarter of 2014 when compared to last year.

For the first three quarters of 2014, cost of sales for our U.S. operations decreased by $19.1 million, or 9 percent, when compared to the first three quarters of 2013. Lower cost of sales for our U.S. wheel plants in the 2014 period primarily reflects the impact of a 14 percent decrease in unit shipments, improved productivity resulting in decreases in labor and other costs, as well as a $1.9 million decline in aluminum prices, which we generally pass on to our customers. The lower cost of sales in 2014 was partially offset by $4.2 million of higher costs resulting from the Rogers facility closure, including additional depreciation charges totaling $3.1 million. When compared to the prior year, the decline in plant labor and benefit costs was approximately $10.3 million, or 18 percent, in the first three quarters of 2014, primarily as a result of decreases in headcount, contract labor and overtime, partially offset by $0.8 million of severance costs related to the Rogers closure. Additionally, wheels produced per labor hour increased 12 percent while labor cost per wheel decreased 1 percent when compared to the first three quarters of 2013. Lower cost of sales in the 2014 period also resulted from decreases in supply and small tool costs of $2.6 million and plant repair and maintenance costs of $1.1 million. Excluding costs related to the Rogers closure, the improvements were reflective of several items including reduction of headcount in reaction to the unit volume decline, as well as the benefits to manufacturing productivity from capital improvements and increased equipment reliability. The lower production levels, however, had an unfavorable impact on cost of sales from lower absorption of fixed overhead costs in the first three quarters of 2014, when compared to last year.

Mexico Operations

Cost of sales for our Mexico operations in the third quarter of 2014 decreased by $3.7 million, or 4 percent, when compared to the third quarter of 2013. The 2014 decrease primarily reflects a 9 percent decrease in unit shipments offset by an approximate $4.6 million increase in aluminum prices which we generally pass through to our customers, as well as increased labor costs. During the third quarter of 2014, plant labor and benefit costs increased approximately $1.4 million, or 10 percent, when compared to the third quarter last year. During the third quarter of 2014, wheels produced per labor hour decreased 1 percent while labor cost per wheel increased 10 percent when compared to the third quarter of 2013.

For the first three quarters of 2014, cost of sales for our Mexico operations decreased by $12.1 million, or 4 percent, when compared to the first three quarters of 2013. The lower cost of sales in 2014 primarily reflects a 1 percent decrease in unit shipments, an approximate $3.0 million decrease in aluminum prices, which we generally pass through to our customers, and a mix of wheels with lower production costs, when compared to last year. During the first three quarters of 2014, plant labor and benefit costs increased approximately $3.0 million, or 7 percent, when compared to the first three quarters last year. During the first three quarters of 2014, wheels produced per labor hour increased 2 percent while labor cost per wheel increased 4 percent when compared to the first three quarters of 2013.

Gross Profit

Consolidated gross profit decreased $8.1 million for the third quarter of 2014 to $7.3 million, or 4 percent of net sales, compared to $15.4 million, or 8 percent of net sales, for the comparable period a year ago. The decrease in gross profit primarily reflects the 11 percent decrease in unit shipments, the $4.2 million of costs related to the Rogers facility closure and unreimbursed cost increases for aluminum alloying premiums in the third quarter of 2014 when compared to the comparable period last year. For the first three quarters of 2014, consolidated gross profit decreased $6.5 million to $38.7 million, or 7 percent of net sales, compared to $45.2 million, or 8 percent of net sales, for the comparable period a year ago. Unit shipments decreased 6 percent in the first three quarters of 2014 when compared to the comparable period last year. Gross profit in the first three quarters of 2014 primarily reflects the unfavorable impact of the lower volume and costs associated with the Rogers facility closure, partially offset by favorable timing of aluminum pricing adjustments as explained below.

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, the unfavorable impact on gross profit related to such differences in timing of aluminum adjustments was approximately $0.4 million in the third quarter of 2014, while for the first three quarters of 2014 the favorable impact was approximately $1.8 million, when compared to the comparable periods in 2013.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses for the third quarter of 2014 increased $1.7 million to $10.0 million, or 6 percent of net sales, from $8.3 million, or 4 percent of net sales, for the comparable period in 2013. The 2014 period cost increase is primarily attributable to $1.0 million of charges resulting from the write-down of the carrying value of an aircraft we currently are holding for sale, higher professional service fees of $1.3 million, legal fees of $0.2 million and a $0.2 million loss on sale of an aircraft, while the third quarter of 2013 included $1.1 million higher severance costs. For the first three quarters of 2014, selling, general and administrative expenses were $25.2 million, or 5 percent of net sales, compared to $22.6 million, or 4 percent of net sales for the comparable period last year. The 2014 period cost increase is primarily attributable to higher professional service fees of $2.1 million, depreciation expense of $1.3 million primarily due to revised salvage value estimates discussed above and legal fees of $0.4, somewhat offset by $1.1 million lower provisions for doubtful accounts receivable. The higher level of professional service and legal fees incurred during 2014 relate to cost incurred in association with a proxy contest, as well as for strategy and other company assessments and executive recruiting completed during the year.

Income (Loss) from Operations

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 (loss) from operations includes our U.S. and international operations 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 loss from operations was $2.6 million in the third quarter of 2014, a decrease of $9.8 million from operating income of $7.2 million, or 4 percent of net sales, in the comparable period in 2013. Excluding additional depreciation expenses of $4.1 million and Rogers facility closure costs of $1.1 million discussed above, consolidated income from operations in the third quarter of 2014 totaled $2.7 million, or 2 percent of net sales. Income from our Mexican operations decreased $4.6 million in the third quarter of 2014. For the third quarter of 2014, including the restructuring impacts discussed above, income from our U.S. operations decreased $2.8 million when compared to the third quarter of 2013. Unallocated corporate costs incurred during the third quarter of 2014 were $2.4 million higher than the comparable period in 2013 and included increases of $1.0 million in depreciation expense resulting from revised salvage value estimates related to an aircraft currently held for sale, $1.3 million of other professional service fees, $0.4 million of unreimbursed development costs and higher legal fees of $0.2 million, while the third quarter of 2013 included $1.1 million higher severance costs.

Consolidated income from operations decreased $9.1 million to $13.5 million, or 2 percent of net sales, for the first three quarters of 2014 from $22.6 million, or 4 percent of net sales, in the comparable period in 2013. Income from our Mexican operations decreased $2.1 million in the first three quarters of 2014. Income from our U.S. operations decreased $2.3 million when comparing the first three quarters of 2014 to the comparable period in 2013. Unallocated corporate costs incurred during the first three quarters of 2014 were $4.6 million higher than the comparable period in

2013 and included increases of $2.1 million in other professional service fees, $1.3 million in depreciation expense resulting primarily from revised salvage value estimates related to the aircraft discussed above and $1.0 million of unreimbursed development costs.

Included below are the major items that impacted income from operations for our U.S. and Mexico operations during 2014.

U.S. Operations

Operating income (loss) from our U.S. operations in the third quarter of 2014 decreased $2.8 million when compared to the third quarter last year, including $4.2 million of costs incurred in the current year related to the Rogers facility closure discussed above. Excluding the costs related to the Rogers closure, operating income increased in the third quarter of 2014 as improvements in average selling prices of our wheels and lower costs overall offset the impact of a 14 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 was primarily driven by lower labor costs due to improved productivity; however, the lower production levels had an unfavorable impact on operating income due to lower absorption of fixed overhead costs in the

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third quarter of 2014, when compared to last year. As a percentage of net sales, excluding the Rogers closure costs, our gross margin increased 2 percentage points in the third quarter of 2014 when compared to the same period of 2013.

For the first three quarters of 2014, income from our U.S. operations decreased $2.3 million when compared to the first three quarters last year, including $4.2 million of costs incurred in the current year for the Rogers facility closure discussed above. Excluding the costs related to the Rogers closure, operating income increased in the first three quarters of 2014 as improvements in average selling prices of our wheels and lower costs overall offset the impact of a 14 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 repair, maintenance and supply costs. However, the lower production levels had an unfavorable impact on operating income due to lower absorption of fixed overhead costs in the first three quarters of 2014 when compared to last year. As a percentage of net sales, excluding the Rogers closure costs, our gross margin increased 1 percentage point in the first three quarters of 2014 when compared to the same period of 2013.

Mexico Operations

Income from our Mexico operations decreased $4.6 million in the third quarter of 2014 as compared to the third quarter of 2013. As a percentage of net sales, our gross margin decreased 3 percentage points when comparing the third quarter of 2014 with the third quarter of 2013. Income from operations decreased as a result of a 9 percent decline in unit shipments, an unfavorable impact on average selling prices due to a change in the mix of wheel sizes and finishes sold and higher manufacturing costs.

For the first three quarters of 2014, income from our Mexico operations decreased $2.1 million when compared to the first three quarters of 2013. Income from operations in 2014 reflects a decrease in gross profit of $3.6 million. As a percentage of net sales, our gross margin was flat when comparing the first three quarters of 2014 with the first three quarters of 2013. Income from operations decreased as a result of a 1 percent decrease in unit shipments, an unfavorable impact on average selling prices due to a change in the mix of wheel sizes and finishes sold and higher manufacturing costs, partially offset by a favorable timing impact of aluminum price adjustments.

U.S. versus Mexico Production

For both the third quarter and first nine months of 2014, wheels produced by our Mexico and U.S. operations accounted for 68 percent and 32 percent, respectively, of our total production. We currently anticipate that the percentage of production in Mexico will be between 68 percent and 73 percent of our total production for the remainder of 2014.

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

Net interest income decreased $0.2 million in the third quarter of 2014 when compared to the third quarter of 2013, and decreased $0.4 million in the first three quarters of 2014 when compared to the first three quarters of 2013.

Net other income (expense) was expense of $0.3 million in the third quarter of 2014, compared to income of $0.1 million in the third quarter of 2013. Foreign exchange gains and (losses) included in other income (expense) net were exchange losses of $0.4 million in the third quarter of 2014, compared to exchange losses of $0.2 million in the third quarter of 2013. For the first three quarters of 2014, net other income (expense) was expense of $0.4 million, compared to income of $0.6 million in the first three quarters of 2013. Foreign exchange gains and (losses) included in other income (expense) net were exchange losses of $0.6 million in the first three quarters of 2014 primarily reflective of unfavorable exchange rate changes in the U.S. dollar to Mexican peso and the euro, compared to exchange gains of $0.2 million in the first three quarters of 2013.

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 of 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

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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. Our valuation allowances totaled $3.4 million as of September 28, 2014 and December 29, 2013, and relate to state deferred tax assets for net operating loss and tax credit carryforwards that are not expected to be realized due to changes in tax law and cessation of business in Kansas.

We record uncertain tax positions in accordance with US GAAP on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. 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.

The income tax benefit for the thirteen weeks ended September 28, 2014 was $0.3 million, which was an effective income tax rate of 12 percent. For the thirty-nine weeks ended September 28, 2014 the provision for income taxes was $6.5 million, which was an effective income tax rate of 47 percent. The tax benefit for the thirteen weeks ended September 28, 2014 was lower than the benefit calculated using the U.S. federal statutory rate due to interest and penalties on unrecognized tax benefits and the write-down of a tax refund receivable, partially offset by the release of certain liabilities related to uncertain tax positions due to the expiration of a statute of limitations. The effective tax rate for the thirty-nine weeks ended September 28, 2014 was higher than the federal statutory rate as a result of non-deductible expenses primarily related to compensation deduction limitations and recent tax law changes in Mexico, interest and penalties on unrecognized tax benefits, the write-down of a tax refund receivable and state income taxes (net of federal tax benefit), partially offset by the release of a reserve due to the expiration of a statute of limitations and foreign income taxed at rates that are lower than the U. S. statutory rates.

For the thirteen weeks ended September 29, 2013 the provision for income taxes was $2.5 million, which was an effective income tax rate of 33 percent. The effective tax rate was favorably affected by income tax credits and foreign income taxes that are taxed at rates lower than the U. S. statutory rates, partially offset by unfavorable non-deductible expenses incurred during the quarter, interest on unrecognized tax benefits and state income taxes (net of federal tax benefit). The provision for income taxes for the thirty-nine weeks ended September 29, 2013 was $8.0 million, which was an effective income tax rate of 33 percent. The effective tax rate was favorably impacted by foreign income taxes (taxed at rates lower than the U. S. statutory rates) and tax credits, including credits recognized as a result of the 2013 enactment of the American Taxpayer Relief Act of 2012 and the settlement of a tax audit at our Mexican subsidiary discussed below, partially offset by state income taxes (net of federal tax benefit).

During the first three quarters of 2014, the liability for uncertain tax positions increased by $1.2 million to $16.4 million from $15.2 million at December 29, 2013. The increase primarily resulted from $1.1 million of interest and penalties which were recognized in income tax expense during the first three quarters of 2014 and a $0.8 million increase for tax positions taken in the current period, partially offset by a $0.5 million reduction due to the expiration of a statute of limitations. During February 2013, Mexico's Tax Administration Service (Servicio de Administracion Tributaria, or "SAT"), finalized its examination of the 2007 tax year of Superior Industries de Mexico S.A. de C.V., our wholly-owned Mexican subsidiary. As a result, we reached a settlement with SAT for the 2007 tax year and made a cash payment of $0.3 million during the first quarter of 2013.

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 open for examination by taxing authorities regarding any U.S. federal income tax returns for years before 2011 while the years open for examination under various state and local jurisdictions vary. The Internal Revenue Service ("IRS") is currently conducting an audit of the 2011 tax year of Superior Industries International and subsidiaries. We expect this IRS audit to be completed during the fourth quarter of 2014. We expect approximately $9.4 million of unrecognized tax benefits related to our

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U.S. and Mexico operations will be recognized in the twelve month period ending September 27, 2015 due to the expiration of certain statutes of limitations or due to settlement of uncertain tax positions.

Net Income (Loss)

As discussed above, the results for the third quarter and first three quarters of 2014 reflect the $5.4 million (approximately $3.3 million after tax) impacts of depreciation adjustments for an aircraft, loss on sale of an aircraft and costs associated with the closure of our Rogers facility. The net loss in the third quarter of 2014 was $2.4 million, or $0.09 per diluted share, compared to net income in the third quarter of 2013 of $5.2 million, or $0.19 per diluted share. Net income in the first three quarters of 2014 was $7.4 million, or $0.27 per diluted share, compared to net income in the first three quarters of 2013 of $16.4 million, or $0.60 per diluted share.

Financial Condition, Liquidity and Capital Resources

Our sources of liquidity primarily include cash, cash equivalents and short-term investments and net cash provided by operating activities and, from time to time, other external sources of funds. Working capital (current assets minus current liabilities) and our current ratio (current assets divided by current liabilities) were $221.2 million and 3.9:1, respectively, at September 28, 2014, versus $284.8 million and 3.9:1 at December 29, 2013. We have no long-term debt. As of September 28, 2014, our cash, cash equivalents and short-term investments totaled $86.9 million compared to $203.1 million at December 29, 2013 and $186.5 million at September 29, 2013.

Working capital decreased in the first three quarters of 2014 and primarily reflects payments related to constructing and equipping our new wheel plant in Mexico discussed below, which decreased cash during the period. The change in working capital also reflects payments to repurchase our common stock, discussed below, partially offset by increases in accounts receivable, inventory and other assets. At this time, we expect all working capital requirements, funds required for investing activities and cash dividend payments for 2014 to be funded from internally generated funds or existing cash, cash equivalents and short-term investments. Depending on future requirements, the company may seek to implement some form of financing as it reviews its future capital allocation and capital structure. The level of change in cash and cash provided by operating activities experienced in the first three quarters of 2014 may not necessarily be indicative of future results.

During the first half of 2013 we announced our plans to invest between $125 million and $135 million to build a new manufacturing facility in Mexico, supported by the expectation of continued strength in demand for aluminum wheels in the North American market. In June 2013 we entered into a contract for the construction of the new facility and subsequently entered into contracts for the purchase of equipment for the new facility. Through the end of the first three quarters of 2014, the total value of these contracts was approximately $120.6 million, of which a total of $102.9 million was paid in cash in 2013 and 2014, with the remaining payments expected to be made over the next 3 months. We currently project the new facility will be operational in late 2014.

On March 27, 2013, our Board of Directors approved a new stock repurchase program (the "2013 Program") authorizing the repurchase of up to $30.0 million of our common stock. Through September 28, 2014, we repurchased 1,511,000 shares of our common stock at a total investment of $30.0 million under the 2013 Program. As of September 28, 2014, total repurchases reached the maximum expenditure authorized under the 2013 Program. In October 2014, our Board of Directors approved a new stock repurchase program (the "2014 Program") authorizing the buyback of up to $30.0 million of our common stock. Currently, we expect to fund the repurchases through available cash, although credit options are being evaluated in the context of total capital needs. The timing and extent of the repurchases under the 2014 Program will depend upon market conditions and other corporate considerations in our sole discretion.

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

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(Dollars in thousands)	Thirty-nine Weeks Ended		
	September 28, 2014	September 29, 2013	Change
Net cash provided by operating activities	$5,693	$20,684	$(14,991)
Net cash used in investing activities	(89,900)	(43,225)	(46,675)
Net cash (used in) provided by financing activities	(30,780)	1,837	(32,617)
Effect of exchange rate changes on cash	(1,181)	64	(1,245)
Net decrease in cash and cash equivalents	$(116,168)	$(20,640)	$(95,528)

Operating Activities

Net cash provided by operating activities was $5.7 million for the thirty-nine week period ended September 28, 2014, compared to $20.7 million for the comparable period a year ago. Compared to the first three quarters of 2013, the $15.0 million decrease in cash from operating activities in the first three quarters of 2014 resulted primarily from unfavorable fluctuations in inventory, accounts payable and prepaid aluminum totaling $27.4 million, partially offset by a favorable change in accounts receivable, income taxes payable and other liabilities totaling $12.6 million.

Investing Activities

Our principal investing activities during the thirty-nine week period ended September 28, 2014 included the funding of $92.0 million of capital expenditures, including payments totaling $67.1 million related to our new wheel plant discussed above, and the purchase of $3.8 million of certificates of deposit, offset by the receipt of $3.8 million cash proceeds from maturing certificates of deposit and $2.0 million cash proceeds from the sale of equipment. Investing activities during the comparable period a year ago included the funding of $43.4 million of capital expenditures, including payments totaling $19.7 million related to our new wheel plant, and the purchase of $3.8 million of certificates of deposit, offset by the receipt of $4.0 million cash proceeds from maturing certificates of deposit.

Financing Activities

Financing activities during the thirty-nine week period ended September 28, 2014 consisted of the repurchase of our common stock for cash totaling $21.8 million and the payment of cash dividends on our common stock totaling $14.6 million, partially offset by receipt of cash proceeds from the exercise of stock options totaling $5.6 million. Financing activities during the thirty-nine week period ended September 29, 2013 consisted of the receipt of cash proceeds from the exercise of stock options totaling $1.5 million and excess tax benefits from the option exercises of $0.3 million. In December 2012 the company's Board of Directors approved an accelerated payment of the 2013 regular cash dividends into 2012. Accordingly, a payment of $17.5 million, representing the 2013 regular cash dividend of $0.64, was made in December 2012.

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.

New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board 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. We are evaluating the impact this guidance will have on our financial position and statement of operations.

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Other Commitments

Steven J. Borick, Separation Agreement
On October 14, 2013, the company and Steven J. Borick entered into a Separation Agreement (the "Separation Agreement"), providing for Mr. Borick's separation from employment as the company's President and Chief Executive Officer. Mr. Borick’s separation was effective March 31, 2014.
In accordance with the Separation Agreement, in addition to payment of his salary and accrued vacation through his separation date, the company will pay or provided Mr. Borick with the following upon his separation:

- A lump-sum cash payment of $1,345,833,
- Mr. Borick’s 2013 annual incentive bonus,
- A grant of a number of shares of company common stock equal to the Black-Scholes value of an annual award of 120,000 stock options divided by the company's closing stock price on the separation date (See PART I - Financial Information, Item 1. Financial Statements, Note 4 - Stock-Based Compensation), and
- Vesting of all of Mr. Borick's unvested stock options and unvested restricted stock.

In the first quarter of 2014, the company accrued an additional $1.1 million of compensation expense in connection with Mr. Borick's Separation Agreement.
Donald J. Stebbins, Executive Employment Agreement
On April 30, 2014, we entered into an Executive Employment Agreement (the “Employment Agreement”) with Donald J. Stebbins in connection with his appointment as President and Chief Executive Officer of the company. The Employment Agreement became effective May 5, 2014 and is for a three year term that expires on April 30, 2017, with additional one-year automatic renewals unless either Mr. Stebbins or the company provides advance notice of nonrenewal of the Employment Agreement. The Employment Agreement provides for an annual base salary of $900,000. Mr. Stebbins may receive annual bonuses based on attainment of performance goals, determined by the company’s independent compensation committee, in the amount of 80 percent of annual base salary at threshold level performance, 100 percent of annual base salary at target level performance, and up to 200 percent of annual base salary for performance substantially above target level.
Mr. Stebbins received inducement grants of restricted stock for 50,000 shares vesting April 30, 2017, and an additional number of shares of 82,455 determined by dividing $1,602,920 by the per share value of the company’s common stock on May 5, 2014, with the additional shares vesting on December 31, 2016. Beginning in 2015, Mr. Stebbins will be granted restricted stock unit awards each year under Superior's 2008 Equity Incentive Plan, or any successor equity plan. Under the Employment Agreement, Mr. Stebbins is to be granted time-vested restricted stock units each year, cliff vesting at the third fiscal year end following grant, for a number of shares equal to 66.67 percent of his annual base salary divided by the per share value of Superior’s common stock on the date of grant. In addition, Mr. Stebbins is to be granted performance-vested restricted stock units each year, vesting based on company performance goals established by the independent compensation committee during the three fiscal years following grant, for a maximum number of shares equal to 200 percent of his annual base salary divided by the per share value of Superior’s common stock on the date of grant. In general, the equity awards vest only if Mr. Stebbins continues in employment with the company through the vesting date or end of the performance period.
The Employment Agreement also contains provisions for severance benefits including lump sum payments calculated based on Mr. Stebbins' base salary and bonus, as well as health care continuation, if he is terminated without “cause” or resigns for “good reason." In addition, if Mr. Stebbins is terminated without “cause” or resigns for “good reason” within one year following a change in control of the company, the severance benefits are increased 100 percent.

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 was unchanged in relation to the U.S. dollar in the first three quarters of 2014. Foreign currency transaction losses totaled $0.6 million in the first three quarters of 2014 while transaction gains totaled $0.2 million in the first three quarters of 2013. All transaction gains and losses are included in other income (expense) in the condensed consolidated statements of operations.

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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 28, 2014 of $60.5 million. Translation gains and losses are included in other comprehensive income in the condensed consolidated statements of comprehensive income (loss).

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 2015. These natural gas contracts are considered to be derivatives under U.S. GAAP, and when entering into these contracts, we expected to 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 our 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 28, 2014 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 28, 2014, we had not entered into any foreign exchange contracts.

During the first three quarters of 2014, the Mexican peso exchange rate to U.S. dollar averaged 13.1 pesos per U.S. dollar. Based on the balance sheet at September 28, 2014, a 10 percent change in the relationship between the peso and the U.S. dollar may result in a translation impact of between $10.7 million and $13.1 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.” Foreign currency transaction losses totaled $0.6 million in the first three quarters of 2014. 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 28, 2014, we had several purchase commitments in place for the delivery of natural gas through 2015 for a total cost of $1.6 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 28, 2014, we have fixed price natural gas purchase agreements for deliveries through 2015 that represent approximately 8 percent of our estimated natural gas consumption through 2015.

Also see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in Part II of our 2013 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 28, 2014. 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 interim Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

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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.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 28, 2014, 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 28, 2014 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 2013 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 2013 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

During the first three quarters of 2014, there were no sales of unregistered securities.

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 Program") authorizing the repurchase of up to $30.0 million of our common stock. Through September 28, 2014, we repurchased and retired 1,511,000 shares under the program at a total cost of $30.0 million under the 2013 Program.

In October 2014, our Board of Directors approved a new stock repurchase program (the "2014 Program") authorizing the repurchase of up to $30.0 million of our common stock. Under the 2014 Program, we may repurchase common stock from time to time on the open market or in private transactions. Currently, we expect to fund the repurchases through available cash, although credit options are being evaluated in the context of total capital needs. The timing and extent of the repurchases under the 2014 Program will depend upon market conditions and other corporate considerations in our sole discretion.

The following table provides common stock repurchases made by or on behalf of the company during the three months ended September 28, 2014:

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(Thousands of dollars, except per share amounts)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans and Programs	Maximum Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
June 30, 2014 - July 27, 2014	226,657	$20.33	226,657	
July 28, 2014 - August 24, 2014	210,120	$20.00	210,120	
August 25, 2014 - September 28, 2014	—	$—	—	
Total	436,777		436,777	$—

Item 6. Exhibits

3.1	Restated Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed May 23, 2013).
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 Donald J. Stebbins, 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 Donald J. Stebbins, Chief Executive Officer and President, and Kerry A. 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).

Items 3, 4, and 5 are not applicable and have been omitted.

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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 4, 2014	/s/ Donald J. Stebbins Donald J. Stebbins Chief Executive Officer and President
Date: November 4, 2014	/s/ Kerry A. Shiba Kerry A. Shiba Executive Vice President and Chief Financial Officer

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