

SUPERIOR INDUSTRIES  
INTERNATIONAL, INC.

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2005

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ANNUAL REPORT

SUPERIOR INDUSTRIES is one of the world's largest OEM suppliers of aluminum road wheels for the global automotive industry.

Headquartered in Van Nuys, California, Superior operates eleven manufacturing facilities employing approximately 6,700 people in the United States, Mexico and Europe.



# Dear

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SHAREHOLDERS:

The original equipment automotive supplier environment crystallized significantly in 2005. Traditional North American “Big Three” suppliers battled reduced vehicle build schedules, reduced capacity utilization, and global pricing expectations. Many well-known suppliers were forced into reorganization to deal with these issues, while the stronger players were able to still maintain viable business models and execute positive actions for the future. I am proud to say that Superior Industries stands firmly in the latter category.

**2005** was indeed one of the most challenging years in the history of our company and the domestic automotive industry as a whole. In the face of these issues, Superior made real and important progress on many fronts — progress that is key to our success in the future. We continued to win new and replacement wheel supply programs in 2005, wins that partially offset business we chose to forego or lost to competitors or due to OEM program cutbacks. And despite the difficult business environment we face, we strengthened Superior's competitive position by continuing to focus on building a higher-margin product mix featuring larger wheel sizes and premium finishes that have steadily increased in popularity. Our ability to manufacture the industry's most complex and highly engineered aluminum wheels requires technical development and capital support, and provides Superior with important advantages among our automotive customers going forward.

As the year progressed, we saw benefits of our investments to reduce costs and to improve manufacturing efficiency. We also took important steps to evaluate our employee headcount and to optimize our global manufacturing capacity.

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#### INDUSTRY UPDATE

Pricing pressure is unrelenting. Our reluctance to accept pricing that cannot yield a positive return for Superior has cost us business and market share. Other domestic wheel suppliers are showing signs of increasing stress and in some cases have been forced into bankruptcy or have elected to leave the business. So far, new, very low-cost offshore suppliers, primarily in China, have made up for most of the void caused by the departure of these domestic suppliers.

We have dedicated considerable effort in recent years to expanding our customer base. In 2000, GM and Ford represented virtually all of our wheel business. By 2005, these two customers accounted for a record-low 73% of our unit volume, with DaimlerChrysler growing to 16% and international OEMs increasing to 11%. While we are working hard to continue these trends, it is clear that GM and Ford remain critical to the outlook for Superior. Both of these customers have launched well-publicized restructuring programs designed to sharply reduce costs and manufacturing capacity and enhance competitiveness. Both companies also have announced new, streamlined purchasing programs whose details, and therefore whose long-term impact on Superior, have yet to be made public. But given our long and close relationships with these customers, and the fact that we currently have orders from both companies to supply aluminum wheels for important vehicle programs for years to come, we are confident that Superior will remain a favored vendor to both GM and Ford as they implement their restructuring plans.

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#### STRATEGIC INITIATIVES

Over the past couple of years we have reported on our vigorous efforts to develop and implement programs to enhance Superior's competitive position through cost reduction and efficiency enhancement. The lynchpin of our strategy has been to leverage our successful operations in Mexico as our best option to mitigate the unprecedented deterioration in pricing that has hit our industry so hard and so quickly. We have great confidence in this strategy and we are executing it effectively.

Our two plants in Mexico historically have been our most efficient and productive. Construction of our third Mexican facility is on schedule and on budget, and we

expect it to set the world standard for cast aluminum wheel manufacturing when it comes on line in mid-2006.

One of the most significant effects that the battle for market share among our domestic and international OEM customers has had on our business is to increase the volatility and reduce the predictability of wheel delivery schedules. This has compounded the practical issues we face in keeping our Mexican utilization rates as high as possible while at the same time working to reduce costs and maintain a stable, experienced work force in our U.S. plants. We have adjusted to these new circumstances by becoming more flexible and effective in our planning and plant allocation decisions. The many lessons we have learned as we developed these new procedures have established important new disciplines throughout the management ranks at Superior that will continue to serve us well in the future.

We also have made important strides toward cost reduction in our domestic operations through the automation initiatives and best practice process improvement programs we have discussed in prior reports. Our investments in automation and employee training are yielding savings, our plants are up-to-date and are increasingly efficient.

To further reduce our dependence on relatively high-cost U.S. manufacturing and position Superior for improved long-term performance, we also have focused on rationalizing our production capacity to more effectively balance plant utilization and location against our customers' changing requirements for wheel size, design, delivery scheduling and volume. As part of this program, we have made the difficult decision to reduce our domestic wheel manufacturing capacity and workforce, and announced layoffs of approximately 375 employees at our Van Nuys, California plant.

Our decision to reduce capacity is necessary to ensure the future of the Company and the majority of our loyal employees who are continuing to work on the many solid wheel programs Superior is scheduled to deliver.

In addition, given continued operating losses in our aluminum suspension components operation, we have decided to dispose of this business. We came to this decision reluctantly, as revenue increased in 2005 and we continue to see opportunities for growth in this area. But given the urgency of the competitive challenges in our core wheel business, we felt that we could no longer absorb the costs in terms of management time and financial resources required to bring the components business out of the start-up phase into full commercial production. We have engaged an investment banker to assist us in the process, and we recorded a charge in the fourth quarter of 2005 in connection with the anticipated disposal of assets. We anticipate that this plant closing will result in labor force reductions of approximately 350 workers. Additional workforce reductions at other domestic facilities are possible in 2006.

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#### FINANCIAL RESULTS

Revenue for 2005 decreased 6.3% to \$844,884,000 from \$901,755,000 for 2004. Wheel revenue decreased 7.8% to \$804,161,000 from \$872,258,000 as unit wheel shipments declined 10.8%. Components revenue increased to \$40,723,000 from \$29,497,000 for the prior year.

The impact of the strategic initiatives described above resulted in our recording in the fourth quarter of 2005 impairment and other charges of \$34.0 million in our suspension components business and \$11.7 million in our wheel business. After

these one-time impairment charges, the net loss for 2005 was \$(5,836,000), or \$(0.22) per diluted share compared to net income of \$44,655,000, or \$1.67 per diluted share, for 2004.

During the fourth quarter of 2005, we aligned the accounting period for our 50-percent owned joint venture aluminum wheel manufacturing operation in Hungary with the calendar year period reported by our other operations. The cumulative effect of this accounting change included in the net loss above was income of \$1,225,000, or \$0.05 per diluted share. Additionally, our share of profits from the joint venture declined to \$5.2 million for the calendar year 2005 compared to \$8.6 million reported a year earlier. This operation was affected by the same factors that impacted our performance in the North American market, including pricing pressures, lower volumes and reduced capacity utilization. Still, our Hungarian operation remains a strategic focus for the Company, and together with our Mexican operations continues to be a low-cost benchmark.

The operating loss from the aluminum suspension components business, which we intend to sell as indicated above, was \$13.1 million for 2005 versus an operating loss of \$14.3 million for 2004, which included a \$2.9 million provision for doubtful accounts related to the Tower Automotive, Inc. bankruptcy filing.

It is important to point out that our balance sheet remains strong and highly liquid. At December 31, 2005, working capital was \$249,100,000, including cash and short-term investments of \$107,300,000. We have no debt and we have the financial power to stay the course.

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THE BOTTOM LINE

The fundamental point we want to make about 2005 is this: our strategy to redeploy Superior's assets to more effectively align the business with the realities of today's global automotive market is on track and is moving us in the right direction. Although our industry is still in the midst of a wrenching transformation that has yet to fully run its course, we remain confident that the actions we have taken have positioned Superior to deliver sustained positive performance and enhanced shareholder value for the long term.

Superior remains the leader in the aluminum wheel industry because we offer our customers an unparalleled value proposition based on quality, service, and price. As we transform Superior into a truly global company, we are optimistic that our core wheel business will continue to provide attractive opportunities for the future.

On behalf of Superior's Board of Directors, Corporate officers and employees, thank you for your continued support of our company and strategy for the future.



*Louis L. Borick*

LOUIS L. BORICK  
Chairman of the Board



*Steven J. Borick*

STEVEN J. BORICK  
President and Chief Executive Officer

## Financial Highlights

YEARS ENDED DECEMBER 31,	2005	2004	2003	2002	2001
INCOME STATEMENT (000'S)					
Net Sales	\$ 844,884	\$ 901,755	\$ 840,349	\$ 782,599	\$ 643,395
Gross Profit	36,235	82,116	123,791	140,310	105,355
Net Income (Loss)	\$ (5,836) (a)	\$ 44,655	\$ 73,720	\$ 78,250	\$ 55,354
(a) Includes pretax impairment and other charges of \$45.7 million.					
BALANCE SHEET (000'S)					
Current Assets	\$ 359,740	\$ 368,976	\$ 388,510	\$ 368,941	\$ 280,271
Current Liabilities	110,634	87,343	83,621	97,123	71,137
Working Capital	249,106	281,633	304,889	271,818	209,134
Total Assets	719,479	744,528	703,205	645,796	540,838
Long-Term Debt	—	—	—	—	—
Shareholders' Equity	\$ 578,148	\$ 603,264	\$ 576,582	\$ 515,227	\$ 438,521
FINANCIAL RATIOS					
Current Ratio	3.3:1	4.2:1	4.6:1	3.8:1	3.9:1
Long-term Debt/Total Capitalization	0.0%	0.0%	0.0%	0.0%	0.0%
Return on Average Shareholders' Equity	-1.0%	7.4%	13.1%	16.0%	13.1%
SHARE DATA					
Earnings (Loss) – Basic	\$ (0.22)	\$ 1.68	\$ 2.76	\$ 2.97	\$ 2.14
Earnings (Loss) – Diluted	\$ (0.22)	\$ 1.67	\$ 2.73	\$ 2.91	\$ 2.10
Shareholders Equity at Year-End	\$ 21.73	\$ 22.67	\$ 21.54	\$ 19.39	\$ 16.91
Dividends Declared	\$ 0.64	\$ 0.60	\$ 0.54	\$ 0.49	\$ 0.43

### QUARTERLY COMMON STOCK PRICE INFORMATION

	2005		2004		2003	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
First Quarter	\$29.34	\$24.78	\$43.95	\$34.20	\$43.55	\$33.62
Second Quarter	26.41	20.33	36.48	31.45	43.15	35.55
Third Quarter	25.16	20.66	33.93	29.35	46.15	40.27
Fourth Quarter	23.37	19.90	30.91	26.36	45.96	39.90

# Corporate Information

## DIRECTORS

**Louis L. Borick**  
Chairman of the Board

**Steven J. Borick**  
President and  
Chief Executive Officer

**Sheldon I. Ausman**  
Gumbiner Savett, Inc.

**Raymond C. Brown**  
Retired Senior Vice President

**Philip W. Colburn**  
Business Consultant

**V. Bond Evans**  
Alumax, Inc.  
Retired President and CEO

**Michael J. Joyce**  
Pacific Baja Light Metals  
Retired President and CEO

**R. Jeffrey Ornstein**  
Vice President and Chief  
Financial Officer

**Jack H. Parkinson**  
Chrysler de Mexico, S.A.  
Retired Managing Director

## CORPORATE OFFICERS

**Robert H. Bouskill**  
Senior Vice President,  
Manufacturing Technology

**Emil J. Fanelli**  
Vice President, Corporate  
Controller and Secretary

**James M. Ferguson**  
Senior Vice President,  
Global Sales and Marketing

**Stephen H. Gamble**  
Vice President and Treasurer

**Parveen Kakar**  
Vice President,  
Program Development

**William B. Kelley**  
Vice President, Operations

**Michael J. O'Rourke**  
Senior Vice President,  
Sales and Administration

**Kola Phillips**  
Vice President, Quality and  
Continuous Improvement

## PLANT AND SUBSIDIARY LOCATIONS

**Robert D. Bracy**  
Senior Vice President, Facilities

**Fayetteville, Arkansas**  
**P.S. Reddy**  
General Manager

**Rogers, Arkansas**  
**Larry W. Beals**  
General Manager

**Pittsburg, Kansas**  
**E. James Conover**  
General Manager

**Johnson City, Tennessee**  
**Patrick G. Bowens**  
General Manager

**Superior Industries  
de Mexico, SA de CV**  
**Gabriel Soto**  
Vice President, Mexican Operations

**Heber Springs, Arkansas**  
**Craig A. Hoskins**  
General Manager

**Van Nuys, California**

## JOINT VENTURES

**Suoftec Kft. (Europe)**  
**Otto Fuchs Metallwerke**

**Topy-Superior Limited (Japan)**  
**Topy Industries Limited**

## CORPORATE OFFICES

**Superior Industries  
International, Inc.**

7800 Woodley Avenue  
Van Nuys, California 91406  
Phone: 818/781.4973  
Fax: 818/780.3500  
[www.supind.com](http://www.supind.com)

## DIVIDEND REINVESTMENT PLAN TRANSFER AGENT & REGISTRAR

Information about the Company's  
Dividend Reinvestment Plan,  
a convenient and economical  
method of using the dividend  
to increase holdings and any  
questions about shareholder  
accounts should be directed to:

**Registrar and Transfer Company**  
10 Commerce Drive  
Cranford, New Jersey 07016  
800/368.5948  
[www.rtco.com](http://www.rtco.com)

## ANNUAL MEETING

The annual meeting of Superior  
Industries International, Inc. will  
be held at 10:00 a.m. on May 12,  
2006 at the:

**Airtel Plaza Hotel**  
7277 Valjean Avenue  
Van Nuys, California

## SHAREHOLDER INFORMATION

Form 10-K Annual Report to  
the Securities and Exchange  
Commission will be sent free  
of charge to shareholders  
upon written request to:

**R. Jeffrey Ornstein,**  
Vice President and  
Chief Financial Officer

## SHAREHOLDER RELATIONS

818/902.2701  
[www.supind.com](http://www.supind.com)

## INVESTOR RELATIONS

**Neil G. Berkman Associates**  
Los Angeles, California  
310/277.5162

## COUNSEL AND AUDITORS

General Counsel  
Manatt, Phelps & Phillips, LLP

## AUDITORS

PricewaterhouseCoopers LLP



SUPERIOR INDUSTRIES INTERNATIONAL, INC.

7800 Woodley Avenue  
Van Nuys, California 91406  
TEL 818.781.4973  
FAX 818.780.3500

[www.supind.com](http://www.supind.com)