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

FORM 10-Q

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

For the quarterly period ended September 30, 2019

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

For the transition period from _________ to _________.

Commission file number: 1-6615

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

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**95-2594729** **(I.R.S. Employer Identification No.)**
26600 Telegraph Road, Suite 400 **Southfield, Michigan** **(Address of Principal Executive Offices)**	**48033** **(Zip Code)**

Registrant's Telephone Number, Including Area Code: (248) 352-7300

Securities registered pursuant to Section 12(b) of the Act:

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares of common stock outstanding as of October 30, 2019: 25,128,158

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

SUPERIOR INDUSTRIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
NET SALES	$ 352,014	$ 347,612	$ 1,062,206	$ 1,123,004
Cost of sales	335,967	323,939	973,042	995,781
GROSS PROFIT	16,047	23,673	89,164	127,223
Selling, general and administrative expenses	16,290	15,985	46,737	60,631
INCOME (LOSS) FROM OPERATIONS	(243)	7,688	42,427	66,592
Interest expense, net	(11,807)	(12,378)	(35,532)	(37,417)
Other income (expense), net	1,676	(3,238)	3,716	(6,796)
Change in fair value of redeemable preferred stock embedded derivative	(1,042)	214	(323)	(3,476)
INCOME (LOSS) BEFORE INCOME TAXES	(11,416)	(7,714)	10,288	18,903
Income tax (provision) benefit	4,785	7,051	(7,699)	(1,114)
NET INCOME (LOSS)	$ (6,631)	$ (663)	$ 2,589	$ 17,789
LOSS PER SHARE – BASIC	$ (0.57)	$ (0.37)	$ (0.84)	$ (0.32)
LOSS PER SHARE – DILUTED	$ (0.57)	$ (0.37)	$ (0.84)	$ (0.32)

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

SUPERIOR INDUSTRIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net income (loss)	$ (6,631)	$ (663)	$ 2,589	$ 17,789
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss), net of tax	(22,143)	4,313	(21,459)	(10,016)
Change in unrecognized gains (losses) on derivative instruments:				
Change in fair value of derivatives	(10,406)	22,018	(1,862)	17,124
Tax (provision) benefit	2,104	(4,495)	342	(3,680)
Change in unrecognized gains (losses) on derivative instruments, net of tax	(8,302)	17,523	(1,520)	13,444
Defined benefit pension plan:				
Amortization of actuarial loss	50	147	155	324
Tax provision	(11)	(23)	(33)	(69)
Pension changes, net of tax	39	124	122	255
Other comprehensive income (loss), net of tax	(30,406)	21,960	(22,857)	3,683
Comprehensive income (loss)	$ (37,037)	$ 21,297	$ (20,268)	$ 21,472

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

SUPERIOR INDUSTRIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 49,308	$ 47,464
Short-term investments	—	750
Accounts receivable, net	131,790	104,649
Inventories, net	162,079	175,578
Income taxes receivable	2,151	6,791
Other current assets	20,832	35,189
Total current assets	366,160	370,421
Property, plant and equipment, net	516,892	532,767
Deferred income tax assets, net	42,329	42,105
Goodwill	278,543	291,434
Intangibles, net	142,689	168,369
Other non-current assets	56,749	46,520
Total assets	$ 1,403,362	$ 1,451,616
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 124,402	$ 107,274
Short-term debt	3,300	3,052
Accrued expenses	71,230	65,662
Income taxes payable	1,441	2,475
Total current liabilities	200,373	178,463
Long-term debt (less current portion)	614,682	661,426
Embedded derivative liability	3,457	3,134
Non-current income tax liabilities	9,583	9,046
Deferred income tax liabilities, net	15,465	18,664
Other non-current liabilities	65,768	49,306
Commitments and contingent liabilities (Note 18)	—	—
Mezzanine equity:		
Preferred stock, $0.01 par value		
Authorized - 1,000,000 shares		
Issued and outstanding – 150,000 shares outstanding at September 30, 2019 and December 31, 2018	156,682	144,463
European non-controlling redeemable equity	9,136	13,849
Shareholders' equity:		
Common stock, $0.01 par value		
Authorized - 100,000,000 shares		
Issued and outstanding – 25,128,158 and 25,019,237 shares at September 30, 2019 and December 31, 2018	91,310	87,723
Accumulated other comprehensive loss	(128,352)	(105,495)
Retained earnings	365,258	391,037
Total shareholders' equity	328,216	373,265
Total liabilities, mezzanine equity and shareholders' equity	$ 1,403,362	$ 1,451,616

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

SUPERIOR INDUSTRIES INTERNATIONAL, INC.

Nine Months Ended September 30,	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,589	$ 17,789
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,500	71,932
Income tax, non-cash changes	(3,472)	4,422
Stock-based compensation	3,695	2,960
Amortization of debt issuance costs	3,681	2,899
Other non-cash items	444	2,835
Changes in operating assets and liabilities:		
Accounts receivable	(30,464)	2,755
Inventories	9,028	(21,997)
Other assets and liabilities	20,313	(11,462)
Accounts payable	11,176	(8,575)
Income taxes	7,861	782
NET CASH PROVIDED BY OPERATING ACTIVITIES	102,351	64,340
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(47,584)	(55,466)
Other investing activities	9,631	-
NET CASH USED IN INVESTING ACTIVITIES	(37,953)	(55,466)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt repayment	(35,015)	(5,390)
Cash dividends paid	(19,171)	(21,680)
Purchase of non-controlling redeemable shares	(3,888)	(33,421)
Payments related to tax withholdings for stock-based compensation	(108)	(606)
Proceeds from the exercise of stock options	-	68
Proceeds from borrowings on revolving credit facility	69,600	234,700
Repayments of borrowings on revolving credit facility	(69,600)	(216,100)
Other financing activities	(1,035)	-
NET CASH USED IN FINANCING ACTIVITIES	(59,217)	(42,429)
Effect of exchange rate changes on cash	(3,337)	(1,321)
Net increase (decrease) in cash and cash equivalents	1,844	(34,876)
Cash and cash equivalents at the beginning of the period	47,464	46,360
Cash and cash equivalents at the end of the period	$ 49,308	$ 11,484

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

SUPERIOR INDUSTRIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

For the nine months ended September 30, 2018

(Unaudited)	Common Stock		Accumulated Other Comprehensive (Loss) Income					
	Number of Shares	Amount	Unrecognized Gains (Losses) on Derivative Instruments	Pension Obligations	Cumulative Translation Adjustment	Retained Earnings	Non-controlling Interest	Total
BALANCE AT DECEMBER 31, 2017	24,917,025	$ 89,755	$ (8,498)	$ (5,257)	$ (75,366)	$ 393,146	$ 51,943	$ 445,723
Net income	—	—	—	—	—	17,789	—	17,789
Change in unrecognized gains (losses) on derivative instruments, net of tax	—	—	13,444	—	—	—	—	13,444
Change in employee benefit plans, net of taxes	—	—	—	255	—	—	—	255
Net foreign currency translation adjustment	—	—	—	—	(10,016)	—	—	(10,016)
Stock options exercised	4,500	68	—	—	—	—	—	68
Common stock issued, net of shares withheld for employee taxes	97,712	—	—	—	—	—	—	—
Stock-based compensation	—	2,355	—	—	—	—	—	2,355
Cash dividends declared ($0.09 per common share)	—	—	—	—	—	(7,101)	—	(7,101)
Redeemable preferred dividend (9% per preferred share and $0.09 per common share equivalent) and accretion	—	—	—	—	—	(24,499)	—	(24,499)
Reclassification to European non-controlling redeemable equity	—	—	—	—	—	—	(51,943)	(51,943)
Adjust European non-controlling redeemable equity to redemption value	—	(3,625)	—	—	—	—	—	(3,625)
European non-controlling redeemable equity dividend	—	—	—	—	—	(1,342)	—	(1,342)
BALANCE AT SEPTEMBER 30, 2018	25,019,237	$ 88,553	$ 4,946	$ (5,002)	$ (85,382)	$ 377,993	$ —	$ 381,108

For the three months ended September 30, 2018

(Unaudited)	Common Stock		Accumulated Other Comprehensive (Loss) Income					
	Number of Shares	Amount	Unrecognized Gains (Losses) on Derivative Instruments	Pension Obligations	Cumulative Translation Adjustment	Retained Earnings	Non-controlling Interest	Total
BALANCE AT JUNE 30, 2018	25,011,730	$ 87,305	$ (12,577)	$ (5,126)	$ (89,695)	$ 389,465	$ —	$ 369,372
Net income	—	—	—	—	—	(663)	—	(663)
Change in unrecognized gains (losses) on derivative instruments, net of tax	—	—	17,523	—	—	—	—	17,523
Change in employee benefit plans, net of taxes	—	—	—	124	—	—	—	124
Net foreign currency translation adjustment	—	—	—	—	4,313	—	—	4,313
Stock options exercised	—	—	—	—	—	—	—	—
Common stock issued, net of shares withheld for employee taxes	7,507	—	—	—	—	—	—	—
Stock-based compensation	—	1,248	—	—	—	—	—	1,248
Cash dividends declared ($0.09 per common share)	—	—	—	—	—	(2,256)	—	(2,256)
Redeemable preferred dividend (9% per preferred share and $0.09 per common share equivalent) and accretion	—	—	—	—	—	(8,295)	—	(8,295)
European non-controlling redeemable equity dividend	—	—	—	—	—	(258)	—	(258)
BALANCE AT SEPTEMBER 30, 2018	25,019,237	$ 88,553	$ 4,946	$ (5,002)	$ (85,382)	$ 377,993	$ —	$ 381,108

SUPERIOR INDUSTRIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

For the nine months ended September 30, 2019

(Unaudited)	Common Stock		Accumulated Other Comprehensive (Loss) Income				
	Number of Shares	Amount	Unrecognized Gains (Losses) on Derivative Instruments	Pension Obligations	Cumulative Translation Adjustment	Retained Earnings	Total
BALANCE AT DECEMBER 31, 2018	25,019,237	$ 87,723	$ (3,205)	$ (3,000)	$ (99,290)	$ 391,037	$ 373,265
Net income	—	—	—	—	—	2,589	2,589
Change in unrecognized gains (losses) on derivative instruments, net of tax	—	—	(1,520)	—	—	—	(1,520)
Change in employee benefit plans, net of taxes	—	—	—	122	—	—	122
Net foreign currency translation adjustment	—	—	—	—	(21,459)	—	(21,459)
Common stock issued, net of shares withheld for employee taxes	108,921	—	—	—	—	—	—
Stock-based compensation	—	3,587	—	—	—	—	3,587
Cash dividends declared ($0.09 per common share)	—	—	—	—	—	(4,597)	(4,597)
Redeemable preferred dividend (9% per preferred share and $0.09 per common share equivalent) and accretion	—	—	—	—	—	(23,275)	(23,275)
European non-controlling redeemable equity dividend	—	—	—	—	—	(496)	(496)
BALANCE AT SEPTEMBER 30, 2019	25,128,158	$ 91,310	$ (4,725)	$ (2,878)	$ (120,749)	$ 365,258	$ 328,216

For the three months ended September 30, 2019

(Unaudited)	Common Stock		Accumulated Other Comprehensive (Loss) Income				
	Number of Shares	Amount	Unrecognized Gains (Losses) on Derivative Instruments	Pension Obligations	Cumulative Translation Adjustment	Retained Earnings	Total
BALANCE AT JUNE 30, 2019	25,114,598	$ 89,532	$ 3,577	$ (2,917)	$ (98,606)	$ 379,604	$ 371,190
Net income	—	—	—	—	—	(6,631)	(6,631)
Change in unrecognized gains (losses) on derivative instruments, net of tax	—	—	(8,302)	—	—	—	(8,302)
Change in employee benefit plans, net of taxes	—	—	—	39	—	—	39
Net foreign currency translation adjustment	—	—	—	—	(22,143)	—	(22,143)
Common stock issued, net of shares withheld for employee taxes	13,560	—	—	—	—	—	—
Stock-based compensation	—	1,778	—	—	—	—	1,778
Cash dividends declared ($0.09 per common share)	—	—	—	—	—	(15)	(15)
Redeemable preferred dividend (9% per preferred share) and accretion	—	—	—	—	—	(7,587)	(7,587)
European non-controlling redeemable equity dividend	—	—	—	—	—	(113)	(113)
BALANCE AT SEPTEMBER 30, 2019	25,128,158	$ 91,310	$ (4,725)	$ (2,878)	$ (120,749)	$ 365,258	$ 328,216

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

Superior Industries International, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2019
(Unaudited)

NOTE 1 – NATURE OF OPERATIONS AND PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Nature of Operations

Superior Industries International, Inc. (referred to herein as the "Company" or "we," "us" and "our") designs and manufactures aluminum wheels for sale to original equipment manufacturers ("OEMs") and aftermarket customers. We are one of the largest suppliers of cast aluminum wheels to the world's leading automobile and light truck manufacturers, with manufacturing operations in the United States, Mexico, Germany and Poland. Our OEM aluminum wheels are sold primarily for factory installation, as either standard equipment or optional equipment on vehicle models manufactured by BMW-Mini, Daimler AG Company (Mercedes-Benz, AMG, Smart), FCA, Ford, GM, Honda, Jaguar-Land Rover, Mazda, Nissan, PSA, Renault, Subaru, Suzuki, Toyota, VW Group (Volkswagen, Audi, Skoda, Porsche, Bentley) and Volvo. We also sell aluminum wheels to the European aftermarket under the brands ATS, RIAL, ALUTEC and ANZIO. North America and Europe represent the principal markets for our products, but we have a global presence and influence with North American, European and Asian OEMs. We have determined that our North American and European operations should be treated as separate operating segments as further described in Note 5, "Business Segments."

Presentation of Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the SEC's requirements for quarterly reports on Form 10-Q and U.S. GAAP and, in our opinion, contain all adjustments, of a normal and recurring nature, which are necessary for fair presentation of (i) the condensed consolidated income (loss) statements for the three and nine month periods ended September 30, 2019 and September 30, 2018, (ii) the condensed consolidated statements of comprehensive income (loss) for the three and nine month periods ended September 30, 2019 and September 30, 2018, (iii) the condensed consolidated balance sheets at September 30, 2019 and December 31, 2018, (iv) the condensed consolidated statements of cash flows for the nine month periods ended September 30, 2019 and September 30, 2018, and (v) the condensed consolidated statements of shareholders' equity for the three and nine month periods ended September 30, 2019 and September 30, 2018. This Quarterly Report on Form 10-Q should be read in conjunction with our consolidated financial statements and notes thereto filed with the Securities and Exchange Commission ("SEC") in our 2018 Annual Report on Form 10-K.

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

Cash Paid for Interest and Taxes and Non-Cash Investing Activities

Cash paid for interest was $28.2 million and $28.6 million for the nine months ended September 30, 2019, and 2018, respectively. Net cash income taxes paid was $6.5 million and $3.6 million for the nine months ended September 30, 2019, and 2018, respectively. As of September 30, 2019, and 2018, $15.8 million and $12.8 million, respectively, of equipment had been purchased but not yet paid for and is included in accounts payable and accrued expenses in our consolidated balance sheets.

New Accounting Standards

ASU 2016-02, Topic 842, "Leases." Effective January 1, 2019, we adopted ASU 2016-02, ASC 842, "Leases," the new lease accounting standard, using the optional transition approach. Adoption of the standard resulted in recognition of operating lease right-of-use ("ROU") assets and lease liabilities of $18.2 million and $18.6 million, respectively, as well as a charge to eliminate previously deferred rent of $0.4 million, as of January 1, 2019. The ASU also requires lessees to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Under the optional transition approach, financial statements for prior periods have not been restated and the disclosures applicable under the previous standard will be included for those periods. In adopting the standard, the Company has adopted the package of practical expedients. As a consequence, the Company has not reassessed (1) whether existing or expired contracts contain leases under the new definition of a lease, (2) lease classification for expired or existing leases (finance vs. operating) and (3) whether previously capitalized initial direct costs qualify for capitalization under the new standard. In addition, the Company has also adopted an accounting policy to exclude leases of less than one year from capitalization.

ASU 2018-02, "Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." In January 2018, the FASB issued ASU 2018-02, "Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which gives entities the option to reclassify to retained earnings the tax effects resulting from the Tax Cut and Jobs Act ("the Act") related to items in accumulated other comprehensive income ("AOCI") that the FASB refers to as having been stranded in AOCI. The new guidance may be applied retrospectively to each period in which the effect of the Act is recognized in the period of adoption. The Company adopted this guidance in the first quarter of 2019. The guidance requires new disclosures regarding a company's accounting policy for releasing tax effects in AOCI. The Company has elected to not reclassify the income tax effects of the Tax Cut and Jobs Act from AOCI.

Accounting Standards Issued But Not Yet Adopted

ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350:) ASU 2017-04 amends the requirement that entities compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. As a result, entities should perform their annual or interim goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount and recognize an impairment if the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 is effective for annual periods beginning after December 15, 2019 with early adoption permitted. The new standard should be applied prospectively. We will consider the merits of early adoption of the new standard, if relevant, when performing our annual impairment test in the fourth quarter.

ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model based on Current Expected Credit Losses (CECL) rather than incurred losses. Under CECL, estimated credit losses would incorporate relevant information about past events, current conditions and reasonable and supportable forecasts and any expected credit losses would be recognized at the time of sale. We plan to adopt ASU 2016-13 on January 1, 2020. The Company does not expect that adoption will have any significant effect on our financial statements or disclosures because we generally do not incur any significant credit losses due to the financial strength and credit worthiness of our customers.

ASU 2018-13, "Fair Value Measurement." In August 2018, the FASB issued an ASU entitled "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement," which is designed to improve the effectiveness of disclosures by removing, modifying and adding disclosures related to fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The ASU allows for early adoption in any interim period after issuance of the update. We are evaluating the impact this guidance will have on our financial statement disclosures.

ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans." In August 2018, the FASB issued an ASU entitled "Compensation - Retirement Benefits - Defined Benefit Plans - General Subtopic 715-20 - Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans," which is designed to improve the effectiveness of disclosures by removing and adding disclosures related to defined benefit plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2020. The new standard allows for early adoption in any year end after issuance of the update. We are evaluating the impact this new standard will have on our financial statement disclosures.

Restatement for Reclassification of Certain Foreign Currency Translation Adjustments

Subsequent to the issuance of the September 30, 2018 interim financial statements, the Company identified an error related to the classification of foreign currency translation adjustments associated with the European non-controlling redeemable equity within the June 30, 2018 and September 30, 2018 condensed consolidated statements of shareholders' equity, condensed consolidated balance sheets, condensed consolidated income statements and condensed consolidated statements of comprehensive income. As a result, the amounts previously reported have been corrected as the Company has reclassified $0.03 million and $2.9 million of European non-controlling redeemable equity translation adjustments from retained earnings to cumulative translation adjustment for the three and nine month periods ended September 30, 2018, respectively. In addition, the basic and diluted earnings (loss) per share amounts for the three and nine month periods ended September 30, 2018 have been corrected accordingly. The Company's condensed consolidated statement of cash flows for the nine-month period ended September 30, 2018 was unaffected. Management evaluated the materiality of this misstatement from quantitative and qualitative perspectives and concluded it is not material to the prior periods.

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	As Previously Reported	Adjustment	As Restated	As Previously Reported	Adjustment	As Restated
Condensed Consolidated Income Statements and Note 12 Earnings per Share						
Loss per share - Basic	$ (0.37)		$ (0.37)	$ (0.21)	$ (0.11)	$ (0.32)
Loss per share - Diluted	(0.37)		(0.37)	(0.21)	(0.11)	(0.32)
Condensed Consolidated Statements of Comprehensive Income (Loss)						
Foreign currency translation gain (loss), net of tax	$ 4,282	$ 31	$ 4,313	$ (12,898)	$ 2,882	$ (10,016)
Other comprehensive income (loss), net of tax	21,929	31	21,960	801	2,882	3,683
Comprehensive income (loss)	21,266	31	21,297	18,590	2,882	21,472

	Nine Months Ended September 30, 2018		
	As Previously Reported	Adjustment	As Restated
Condensed Consolidated Statement of Shareholders' Equity			
Cumulative Translation Adjustment:			
Net foreign currency translation adjustment	$ (12,898)	$ 2,882	$ (10,016)
Cumulative translation adjustment balance at September 30, 2018	(88,264)	2,882	(85,382)
Retained Earnings:			
European non-controlling redeemable equity translation adjustment	2,882	(2,882)	—
Retained earnings balance at September 30, 2018	380,875	(2,882)	377,993
Total Shareholders' Equity:			
Net foreign currency translation adjustment	(12,898)	2,882	(10,016)
European non-controlling redeemable equity translation adjustment	2,882	(2,882)	—
Total shareholders' equity balance at September 30, 2018	381,108		381,108

NOTE 2 – REVENUE

In accordance with ASC 606, "Revenue from Contracts with Customers," the Company disaggregates revenue from contracts with customers into our operating segments, North America and Europe. Revenues by segment for the three and nine months ended September 30, 2019 are summarized in Note 5, "Business Segments."

The Company's customer receivables and current and long-term contract liabilities balances as of September 30, 2019 and December 31, 2018 are as follows (in thousands):

	September 30, 2019	December 31, 2018
Customer receivables	$ 125,665	$ 97,566
Contract liabilities—current	7,219	5,810
Contract liabilities—noncurrent	9,892	8,354

NOTE 3 – FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts for cash and cash equivalents, investments in certificates of deposit, accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short period of time until maturity.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash, certificates of deposit and fixed deposits and money market funds with original maturities of three months or less. Certificates of deposit and fixed deposits whose original maturity is greater than three months and is one year or less are classified as short-term investments.

Derivative Financial Instruments

Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We estimate the fair value of these instruments using industry-standard valuation models such as discounted cash flow. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates, commodity prices and the contractual terms of the derivative instruments. The discount rate used is the relevant interbank deposit rate (e.g., LIBOR) plus an adjustment for non-performance risk. In certain cases, market data may not be available and we may use broker quotes and models to determine fair value. This includes situations where there is lack of liquidity for a particular currency or commodity or when the instrument is longer dated. The fair value measurements of the redeemable preferred stock embedded derivative are based upon Level 3 unobservable inputs reflecting management's own assumptions about the inputs used in pricing the liability – refer to Note 4, "Derivative Financial Instruments."

Cash Surrender Value

We have an unfunded salary continuation plan, which was closed to new participants effective February 3, 2011. We purchased life insurance policies on certain participants to provide, in part, for future liabilities. In the second quarter of 2019, we terminated our life insurance policies in exchange for the cash surrender value of $7.6 million. We also received $0.6 million for death benefit claims.

The following tables categorize items measured at fair value at September 30, 2019 and December 31, 2018:

September 30, 2019 (Dollars in thousands)		Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Derivative contracts	$ 8,879	$ —	$ 8,879	$ —
Total	8,879	—	8,879	—
Liabilities				
Derivative contracts	14,856	—	14,856	—
Embedded derivative liability	3,457	—	—	3,457
Total	$ 18,313	$ —	$ 14,856	$ 3,457

December 31, 2018 (Dollars in thousands)		Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Certificates of deposit	$ 750	$ —	$ 750	$ —
Cash surrender value	8,057	—	8,057	—
Derivative contracts	4,218	—	4,218	—
Total	13,025	—	13,025	—
Liabilities				
Derivative contracts	8,836	—	8,836	—
Embedded derivative liability	3,134	—	—	3,134
Total	$ 11,970	$ —	$ 8,836	$ 3,134

The following table summarizes the changes during 2019 and 2018 in the Level 3 fair value measurement of the embedded derivative liability relating to the redeemable preferred stock issued May 22, 2017 in connection with the acquisition of our European operations:

January 1, 2018 – September 30, 2019 (Dollars in thousands)	
Beginning fair value - January 1, 2018	$ 4,685
Change in fair value of redeemable preferred stock embedded derivative liability	(3,480)
Effect of redeemable preferred stock modification	1,929
Ending fair value - December 31, 2018	3,134
Change in fair value of redeemable preferred stock embedded derivative liability	323
Ending fair value - September 30, 2019	$ 3,457

Debt Instruments

The carrying values of the Company's debt instruments vary from their fair values. The fair values were determined by reference to transacted prices of these securities (Level 2 input based on the U.S. GAAP fair value hierarchy). The estimated fair value, as well as the carrying value, of the Company's debt instruments are shown below:

(Dollars in thousands)	September 30, 2019	December 31, 2018
Estimated aggregate fair value	$ 601,714	$ 624,943
Aggregate carrying value [1]	634,745	684,922

[1] Long-term debt excluding the impact of unamortized debt issuance costs.

NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Instruments and Hedging Activities

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

To help protect gross margins from fluctuations in foreign currency exchange rates, certain of our subsidiaries, whose functional currency is the U.S. dollar or the Euro, hedge a portion of their forecasted foreign currency costs denominated in the Mexican Peso and Polish Zloty, respectively. We may hedge portions of our forecasted foreign currency exposure up to 48 months.

We record all derivatives in the condensed consolidated balance sheets at fair value. Our accounting treatment for these instruments is based on the hedge designation. Gains or losses on cash flow hedges that are designated as hedging instruments are recorded in accumulated other comprehensive income (loss) ("AOCI") until the hedged item is recognized in earnings, at which point accumulated gains or losses will be recognized in earnings and classified with the underlying hedged transaction. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in the financial statement line item to which the derivative relates. The Company has derivatives that are designated as hedging instruments as well as derivatives that did not qualify for designation as hedging instruments.

Redeemable Preferred Stock Embedded Derivative

We have determined that the conversion option embedded in our redeemable preferred stock is required to be accounted for separately from the redeemable preferred stock as a derivative liability. Separation of the conversion option as a derivative liability is required because its economic characteristics are considered more akin to an equity instrument and therefore the conversion option is not considered to be clearly and closely related to the economic characteristics of the redeemable preferred stock. The economic characteristics of the redeemable preferred stock are considered more akin to a debt instrument due to the fact that the shares are redeemable at the holder's option, the redemption value is significantly greater than the face amount, the shares carry a fixed mandatory dividend and the stock price necessary to make conversion more attractive than redemption ($56.32) is significantly greater than the price at the date of issuance ($19.05), all of which led to the conclusion that redemption is more likely than conversion.

We also have determined that the embedded early redemption option upon the occurrence of a redemption event (e.g. change of control, etc.) must also be bifurcated and accounted for separately from the redeemable preferred stock, because the debt host contract involves a substantial discount (face of $150.0 million as compared to the redemption value of $300.0 million) and the redemption event would accelerate the holder's option to redeem the shares (refer to Note 10, "Redeemable Preferred Stock").

Accordingly, we have recorded an embedded derivative liability representing the combined fair value of the right of holders to receive common stock upon conversion of redeemable preferred stock at any time (the "conversion option") and the right of the holders to exercise their early redemption option upon the occurrence of a redemption event (the "early redemption option"). The embedded derivative liability is adjusted to reflect fair value at each period end with changes in fair value recorded in the change in fair value of redeemable preferred stock embedded derivative financial statement line item of the Company's condensed consolidated income statements (refer to Note 3, "Fair Value Measurements").

A binomial option pricing model is used to estimate the fair value of the conversion and early redemption options embedded in the redeemable preferred stock. The binomial model utilizes a "decision tree" whereby future movement in the Company's common stock price is estimated based on a volatility factor. The binomial option pricing model requires the development and use of assumptions. These assumptions include estimated volatility of the value of our common stock, assumed possible conversion or early redemption dates, an appropriate risk-free interest rate, risky bond rate and dividend yield.

The expected volatility of the Company's common stock is estimated based on historical volatility. The assumed base case term used in the valuation model is the period remaining until September 14, 2025 (the earliest date at which the holder may exercise its unconditional redemption option). A number of other scenarios incorporate earlier redemption dates to address the possibility of early redemption upon the occurrence of a redemption event. The risk-free interest rate is based on the U.S. Treasury zero coupon yield with a remaining term equal to the expected term of the conversion and early redemption options. The significant assumptions utilized in the Company's valuation of the embedded derivative at September 30, 2019 are as follows: valuation scenario terms between 2.25 and 5.96 years, volatility of 68.0 percent, risk-free rate of 1.6 percent related to the respective assumed terms, a risky bond rate of 20.0 percent and no dividend yield.

The following tables display the fair value of derivatives by balance sheet line item at September 30, 2019 and December 31, 2018:

	September 30, 2019			
(Dollars in thousands)	Other Current Assets	Other Non-current Assets	Accrued Liabilities	Other Non-current Liabilities
Foreign exchange forward contracts designated as hedging instruments	$ 3,537	$ 4,205	$ 1,557	$ 3,695
Foreign exchange forward contracts not designated as hedging instruments	1,130	—	454	—
Aluminum forward contracts designated as hedging instruments	—	—	563	—
Natural gas forward contracts designated as hedging instruments	7	—	741	790
Interest rate swaps designated as hedging instruments	—	—	2,216	4,840
Embedded derivative liability	—	—	—	3,457
Total derivative financial instruments	$ 4,674	$ 4,205	$ 5,531	$ 12,782

	December 31, 2018			
(Dollars in thousands)	Other Current Assets	Other Non-current Assets	Accrued Liabilities	Other Non-current Liabilities
Foreign exchange forward contracts designated as hedging instruments	$ 2,599	$ 1,011	$ 659	$ 6,202
Foreign exchange forward contracts not designated as hedging instruments	333	—	207	—
Aluminum forward contracts designated as hedging instruments	—	—	927	—
Cross currency swap not designated as a hedging instrument	—	—	227	—
Natural gas forward contracts designated as hedging instruments	275	—	355	—
Interest rate swaps designated as hedging instruments	—	—	131	128
Embedded derivative liability	—	—	—	3,134
Total derivative financial instruments	$ 3,207	$ 1,011	$ 2,506	$ 9,464

The following table summarizes the notional amount and estimated fair value of our derivative financial instruments:

(Dollars in thousands)	September 30, 2019 Notional U.S. Dollar Amount	September 30, 2019 Fair Value	December 31, 2018 Notional U.S. Dollar Amount	December 31, 2018 Fair Value
Foreign exchange forward contracts designated as hedging instruments	$ 474,672	$ 2,490	$ 467,253	$ (3,251)
Foreign exchange forward contracts not designated as hedging instruments	83,768	676	45,905	126
Aluminum forward contracts designated as hedging instruments	11,905	(563)	10,810	(927)
Cross currency swap not designated as a hedging instrument	—	—	12,151	(227)
Natural gas forward contracts designated as hedging instruments	5,758	(1,524)	2,165	(80)
Interest rate swaps designated as hedging instruments	260,000	(7,056)	90,000	(259)
Total derivative financial instruments	$ 836,103	$ (5,977)	$ 628,284	$ (4,618)

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

The following tables summarize the gain or loss recognized in AOCI as of September 30, 2019 and 2018, the amounts reclassified from AOCI into earnings and the amounts recognized directly into earnings for the three and nine months ended September 30, 2019 and 2018:

Three months ended September 30, 2019 (Dollars in thousands)	Amount of Gain or (Loss) Recognized in AOCI on Derivatives, net of tax	Amount of Pre-tax Gain or (Loss) Reclassified from AOCI into Income	Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives
Derivative contracts	$ (8,302)	$ 703	$ 1,817
Total	$ (8,302)	$ 703	$ 1,817

Nine months ended September 30, 2019 (Dollars in thousands)	Amount of Gain or (Loss) Recognized in AOCI on Derivatives, net of tax	Amount of Pre-tax Gain or (Loss) Reclassified from AOCI into Income	Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives
Derivative contracts	$ (1,520)	$ 2,417	$ 3,557
Total	$ (1,520)	$ 2,417	$ 3,557

Three months ended September 30, 2018	Amount of Gain or (Loss) Recognized in AOCI on Derivatives, net of tax	Amount of Pre-tax Gain or (Loss) Reclassified from AOCI into Income	Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives
(Dollars in thousands)			
Derivative contracts	$ 17,523	$ 233	$ (411)
Total	$ 17,523	$ 233	$ (411)

Nine months ended September 30, 2018	Amount of Gain or (Loss) Recognized in AOCI on Derivatives, net of tax	Amount of Pre-tax Gain or (Loss) Reclassified from AOCI into Income	Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives
(Dollars in thousands)			
Derivative contracts	$ 13,444	$ 279	$ (720)
Total	$ 13,444	$ 279	$ (720)

NOTE 5 - BUSINESS SEGMENTS

The North American and European businesses represent separate operating segments in view of significantly different markets, customers and products in each of these regions. Within each of these regions, markets, customers, products and production processes are similar and production can be readily transferred between production facilities. Moreover, our business within each region leverages common systems, processes and infrastructure. Accordingly, North America and Europe comprise the Company’s reportable segments.

(Dollars in thousands)	Net Sales		Income from Operations	
Three months ended	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
North America	$ 188,089	$ 197,776	$ (4,440)	$ 2,901
Europe	163,925	149,836	4,197	4,787
	$ 352,014	$ 347,612	$ (243)	$ 7,688

(Dollars in thousands)	Depreciation and Amortization		Capital Expenditures	
Three months ended	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
North America	$ 15,432	$ 8,300	$ 5,425	$ 11,197
Europe	15,396	15,292	13,494	6,249
	$ 30,828	$ 23,592	$ 18,919	$ 17,446

(Dollars in thousands)	Net Sales		Income from Operations	
Nine months ended	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
North America	$ 553,607	$ 606,684	$ 13,586	$ 26,362
Europe	508,599	516,320	28,841	40,230
	$ 1,062,206	$ 1,123,004	$ 42,427	$ 66,592

(Dollars in thousands)	Depreciation and Amortization		Capital Expenditures	
Nine months ended	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
North America	$ 31,248	$ 25,701	$ 15,988	$ 29,790
Europe	46,252	46,231	31,596	25,676
	$ 77,500	$ 71,932	$ 47,584	$ 55,466

(Dollars in thousands)	Property, Plant and Equipment, net		Goodwill and Intangible Assets	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
North America	$ 235,115	$ 249,791	$ —	$ —
Europe	281,777	282,976	421,232	459,803
	$ 516,892	$ 532,767	$ 421,232	$ 459,803

(Dollars in thousands)	Total Assets	
	September 30, 2019	December 31, 2018
North America	$ 461,584	$ 484,682
Europe	941,778	966,934
	$ 1,403,362	$ 1,451,616

Geographic information

Net sales by geographic location are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
(Dollars in thousands)				
Net sales:				
U.S.	$ 26,916	$ 27,653	$ 81,638	$ 88,663
Mexico	161,173	170,123	471,969	518,021
Germany	59,548	57,205	180,785	199,398
Poland	104,377	92,631	327,814	316,922
Consolidated net sales	$ 352,014	$ 347,612	$ 1,062,206	$ 1,123,004

NOTE 6 - INVENTORIES

(Dollars in thousands)	September 30, 2019	December 31, 2018
Raw materials	$ 43,104	$ 49,571
Work in process	49,951	42,886
Finished goods	69,024	83,121
Inventories, net	$ 162,079	$ 175,578

Service wheel and supplies inventory included in other non-current assets in the condensed consolidated balance sheets totaled $7.9 million and $8.9 million at September 30, 2019 and December 31, 2018, respectively.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

(Dollars in thousands)	September 30, 2019	December 31, 2018
Land and buildings	$ 142,542	$ 140,471
Machinery and equipment	793,325	769,451
Leasehold improvements and other	11,486	12,883
Construction in progress	76,395	67,559
	1,023,748	990,364
Accumulated depreciation	(506,856)	(457,597)
Property, plant and equipment, net	$ 516,892	$ 532,767

Depreciation expense for the three and nine months ended September 30, 2019 was $24.2 million and $57.4 million, respectively. Depreciation expense for the three months ended September 30, 2019 included accelerated depreciation of $7.6 million related to excess equipment arising from the plan to reduce production at our Fayetteville, Arkansas manufacturing facility (refer to Note 20, "Restructuring"). Depreciation expense for the three and nine months ended September 30, 2018 was $17.1 million and $52.0 million, respectively.

NOTE 8 - GOODWILL AND OTHER INTANGIBLE ASSETS

Following is a summary of the Company's finite-lived and indefinite-lived intangible assets and goodwill as of September 30, 2019 and December 31, 2018.

Nine Months Ended September 30, 2019 (Dollars in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Currency Translation**	**Net Carrying Amount**	**Remaining Weighted Average Amortization Period**
Brand name	$ 9,000	$ (4,333)	$ 2	$ 4,669	3-4
Technology	15,000	(7,221)	3	7,782	2-4
Customer relationships	167,000	(48,681)	(1,646)	116,673	4-9
Total finite	191,000	(60,235)	(1,641)	129,124	
Trade names	14,000	—	(435)	13,565	Indefinite
Total intangibles	$ 205,000	$ (60,235)	$ (2,076)	$ 142,689	

Nine Months Ended September 30, 2019 (Dollars in thousands)	**Beginning Balance**	**Currency Translation**	**Ending Balance**
Goodwill	$ 291,434	$ (12,891)	$ 278,543

Year Ended December 31, 2018 (Dollars in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Currency Translation**	**Net Carrying Amount**	**Remaining Weighted Average Amortization Period**
Brand name	$ 9,000	$ (2,979)	$ 237	$ 6,258	4-5
Technology	15,000	(4,964)	394	10,430	3-5
Customer relationships	167,000	(33,468)	3,823	137,355	5-10
Total finite	191,000	(41,411)	4,454	154,043	
Trade names	14,000	—	326	14,326	Indefinite
Total intangibles	$ 205,000	$ (41,411)	$ 4,780	$ 168,369	

Year Ended December 31, 2018 (Dollars in thousands)	**Beginning Balance**	**Currency Translation**	**Ending Balance**
Goodwill	$ 304,805	$ (13,371)	$ 291,434

Amortization expense for these intangible assets was $6.6 million and $6.5 million for the quarters ended September 30, 2019 and 2018, respectively. Amortization for the first nine months of the year was $20.1 million and $19.9 million for September 30, 2019 and 2018, respectively. The anticipated annual amortization expense for these intangible assets is $25.0 million for 2019 to 2021, $22.2 million for 2022 and $20.2 million for 2023.

The identification of potential impairment involves comparing our Europe reporting unit's estimated fair value to its carrying value, including goodwill. In performing our valuation, we utilize both an income approach and a market approach to determine fair value. The income approach is based on projected debt-free cash flow, which is discounted to the present value using discount factors that consider the timing and risk of cash flows. The discount rate used is the weighted average of an estimated cost of equity and of debt ("weighted average cost of capital"). The weighted average cost of capital is adjusted as necessary to reflect risk associated with the business of the Europe reporting unit. Financial projections are based on estimated production volumes, product prices and expenses, including raw material cost, wages, energy and other expenses. Other significant assumptions include terminal value cash flow and growth rates, future capital expenditures and changes in future working capital requirements. The market approach is based on the observed ratios of enterprise value to earnings before interest, taxes, depreciation and amortization (EBITDA) of comparable, publicly traded companies. The market approach fair value is determined by multiplying historical and anticipated financial metrics of the European reporting unit by the EBITDA pricing multiples derived from the comparable, publicly traded companies. Our 2018 assessment of European goodwill indicated that the fair value of the European reporting unit exceeded its respective carrying value by approximately $12.2 million, or approximately 2%. A considerable amount of management judgment and assumptions are required in performing the quantitative impairment test, principally related to determining the fair value of the reporting unit. While the Company believes its judgments and assumptions are reasonable, different assumptions could change the estimated fair value.

The identification and evaluation of potential triggering events in interim periods between annual impairment assessments also involves considerable judgment. Recent analyst forecasts of automotive passenger car and light truck sales in Europe for 2020 to 2023 are lower than previously issued forecasts. In addition, the Company's closing stock price (which fluctuated higher and lower than the December 31, 2018 stock price during the first two quarters) has ranged between a low of $2.41 and high of $3.74 during the third quarter with a price of $2.89 as of September 30, 2019, representing a 40 percent decline in market capitalization since December 31, 2018. While these factors may indicate a potential decline in the fair value of the European reporting unit, we do not have sufficient evidence to conclude that it is more likely than not that the carrying value of the European reporting unit exceeds its fair value. The Company plans to complete its long-term business planning in the fourth quarter of 2019. These financial projections are a key input into the quantitative impairment test of goodwill and indefinite-lived intangibles, which we plan to perform in the fourth quarter.

NOTE 9 – DEBT

A summary of long-term debt and the related weighted average interest rates is shown below:

	September 30, 2019 (Dollars in Thousands)			
Debt Instrument	**Total Debt**	**Debt Issuance Costs [1]**	**Total Debt, Net**	**Weighted Average Interest Rate**
Term Loan Facility	$ 375,800	$ (10,953)	$ 364,847	6.1%
6.00% Senior Notes due 2025	243,962	(5,810)	238,152	6.0%
Other	13,183	—	13,183	2.2%
Capital Leases	1,800	—	1,800	2.9%
	$ 634,745	$ (16,763)	617,982	
Less: Current portion			(3,300)	
Long-term debt			$ 614,682	

	December 31, 2018 (Dollars in Thousands)			
Debt Instrument	**Total Debt**	**Debt Issuance Costs [1]**	**Total Debt, Net**	**Weighted Average Interest Rate**
Term Loan Facility	$ 382,800	$ (13,078)	$ 369,722	6.3%
6.00% Senior Notes due 2025	286,100	(7,366)	278,734	6.0%
Other	16,022	—	16,022	2.2%
	$ 684,922	$ (20,444)	664,478	
Less: Current portion			(3,052)	
Long-term debt			$ 661,426	

(1) Unamortized portion

Senior Notes

On June 15, 2017, the Company issued 250.0 million Euro aggregate principal amount of 6.00% Senior Notes (the "Notes") due June 15, 2025. Interest on the Notes is payable semiannually, on June 15 and December 15. The Company may redeem the Notes, in whole or in part, on or after June 15, 2020 at redemption prices of 103.000% and 101.500% of the principal amount thereof if the redemption occurs during the 12-month period beginning June 15, 2020 or 2021, respectively, and a redemption price of 100% of the principal amount thereof on or after June 15, 2022, in each case plus accrued and unpaid interest to, but not including, the applicable redemption date. In addition, the Company may redeem some or all of the Notes prior to June 15, 2020 at a price equal to 100.0% of the principal amount thereof plus a "make-whole" premium and accrued and unpaid interest, if any, up to, but not including, the redemption date. Prior to June 15, 2020, the Company may redeem up to 40% of the aggregate principal amount of the Notes using the proceeds of certain equity offerings at a certain redemption price. If we experience a change of control or sell certain assets, the Company may be required to offer to purchase the Notes from the holders. The Notes are senior unsecured obligations ranking equally in right of payment with all of its existing and future senior indebtedness and senior in right of payment to any subordinated indebtedness. The Notes are effectively subordinated in right of payment to the existing and future secured indebtedness of the Company, including the Senior Secured Credit Facilities (as defined below), to the extent of the assets securing such indebtedness.

During the second and third quarters of 2019, the Company opportunistically purchased Notes on the open market with face values of $22.4 million (20.0 million Euro) and $7.8 million (7.0 million Euro) for $19.4 million and $6.6 million, respectively. The associated carrying values of the Notes, net of allocable debt issuance costs, were $21.8 million and $7.6 million, respectively, resulting in net gains of $2.4 million and $1.0 million for the second and third quarters, respectively, which are included in other income.

Guarantee

The Notes are unconditionally guaranteed by all material wholly-owned direct and indirect domestic restricted subsidiaries of the Company (the "Subsidiary Guarantors"), with customary exceptions including, among other things, where providing such guarantees is not permitted by law, regulation or contract or would result in adverse tax consequences.

Covenants

Subject to certain exceptions, the indenture governing the Notes contains restrictive covenants that, among other things, limit the ability of the Company and the Subsidiary Guarantors to: (i) incur additional indebtedness or issue certain preferred stock; (ii) pay dividends on, or make distributions in respect of, their capital stock; (iii) make certain investments or other restricted payments; (iv) sell certain assets or issue capital stock of restricted subsidiaries; (v) create liens; (vi) merge, consolidate, transfer or dispose of substantially all of their assets; and (vii) engage in certain transactions with affiliates. These covenants are subject to several important limitations and exceptions that are described in the indenture.

The indenture provides for customary events of default that include, among other things (subject in certain cases to customary grace and cure periods): (i) nonpayment of principal, premium, if any, and interest, when due; (ii) breach of covenants in the indenture; (iii) a failure to pay certain judgments; and (iv) certain events of bankruptcy and insolvency. If an event of default occurs and is continuing, the Bank of New York Mellon, London Branch ("the Trustee") or holders of at least 30% in principal amount of the then outstanding Notes may declare the principal, premium, if any, and accrued and unpaid interest on all the Notes to be due and payable. These events of default are subject to several important qualifications, limitations and exceptions that are described in the indenture. As of September 30, 2019, the Company was in compliance with all covenants under the indenture governing the Notes.

Senior Secured Credit Facilities

On March 22, 2017, the Company entered into a senior secured credit agreement (the "Credit Agreement") with Citibank, N.A, as Administrative Agent, Collateral Agent and Issuing Bank, JP Morgan Chase N.A., Royal Bank of Canada and Deutsche Bank A.G. New York Branch as Joint Lead Arrangers and Joint Book Runners, and the other lenders party thereto (collectively, the "Lenders"). The Credit Agreement consisted of a $400.0 million senior secured term loan facility (the "Term Loan Facility"), which matures on May 23, 2024, and a $160.0 million revolving credit facility maturing on May 23, 2022 (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Secured Credit Facilities").

On June 29, 2018, the Company entered into an amendment to the Credit Agreement pursuant to which the interest rate under the Term Loan Facility was reduced to LIBOR plus 4.00 percent (from LIBOR plus 4.50 percent), subject to a LIBOR floor of 0.00 percent (in place of the previous LIBOR floor of 1.00 percent). Substantially all of the original loans under the Term Loan Facility were replaced with loans from existing lenders under terms that were not substantially different than those of the original loans. As a result, this transaction did not result in any debt extinguishment and the unamortized debt issuance costs associated with the original loans will continue to be amortized over the remaining term of the replacement loans (which is unchanged from the original term).

Borrowings under the Term Loan Facility will bear interest at a rate equal to, at the Company's option, either (a) LIBOR for the relevant interest period, with a floor of zero, plus an applicable rate of 4.00 percent or (b) a base rate, subject to a floor of 2.00 percent per annum, equal to the highest of (1) the rate of interest in effect as publicly announced by the administrative agent as its prime rate,

(2) the federal funds rate plus 0.50 percent and (3) LIBOR for an interest period of one month plus 1.00 percent, in each case, plus an applicable rate of 3.00 percent.

Borrowings under the Revolving Credit Facility initially bear interest at a rate equal to, at the Company's option, either (a) LIBOR for the relevant interest period, with a floor of 1.00 percent per annum, plus an applicable rate of 3.50 percent or (b) a base rate, equal to the highest of (1) the rate of interest in effect as publicly announced by the administrative agent as its prime rate, (2) the federal funds effective rate plus 0.50 percent and (3) LIBOR for an interest period of one month plus 1.00 percent, in each case, plus an applicable rate of 2.50 percent provided such rate may not be less than zero. The initial commitment fee for unused commitments under the Revolving Credit Facility shall be 0.50 percent. The applicable rates for borrowings under the Revolving Credit Facility and commitment fees for unused commitments under the Revolving Credit Facility are based upon the First Lien Net Leverage Ratio effective for the preceding quarter with LIBOR applicable rates between 3.50 percent and 3.00 percent, base rate applicable rates between 2.50 percent and 2.00 percent and commitment fees between 0.50 percent and 0.25 percent. Commitment fees are included in our consolidated financial statements line, interest expense.

As of September 30, 2019, the Company had repaid $24.2 million under the Term Loan Facility resulting in a balance of $375.8 million. As of September 30, 2019, the Company had no outstanding borrowings under the Revolving Credit Facility and had outstanding letters of credit of $3.6 million and available unused commitments under this facility of $156.4 million.

Guarantees and Collateral Security

Our obligations under the Credit Agreement are unconditionally guaranteed by all material wholly-owned direct and indirect domestic restricted subsidiaries of the Company, with customary exceptions including, among other things, where providing such guarantees is not permitted by law, regulation or contract or would result in adverse tax consequences. The guarantees of such obligations, will be secured, subject to permitted liens and other exceptions, by substantially all of our assets and the Subsidiary Guarantors' assets, including but not limited to: (i) a perfected pledge of all of the capital stock issued by each of the Company's direct wholly-owned domestic restricted subsidiaries or any guarantor (subject to certain exceptions) and up to 65 percent of the capital stock issued by each direct wholly-owned foreign restricted subsidiary of the Company or any guarantor (subject to certain exceptions) and (ii) perfected security interests in and mortgages on substantially all tangible and intangible personal property and material fee-owned real property of the Company and the guarantors (subject to certain exceptions and exclusions).

Covenants

The Senior Secured Credit Facilities contain a number of restrictive covenants that, among other things, restrict, subject to certain exceptions, our ability to incur additional indebtedness and guarantee indebtedness, create or incur liens, engage in mergers or consolidations, sell, transfer or otherwise dispose of assets, make investments, acquisitions, loans or advances, pay dividends, distributions or other restricted payments, or repurchase our capital stock, prepay, redeem, or repurchase any subordinated indebtedness, enter into agreements which limit our ability to incur liens on our assets or that restrict the ability of restricted subsidiaries to pay dividends or make other restricted payments to us, and enter into certain transactions with our affiliates.

In addition, the Credit Agreement contains customary default provisions, representations and warranties and other covenants. The Credit Agreement also contains a provision permitting the Lenders to accelerate the repayment of all loans outstanding under the Senior Secured Credit Facilities during an event of default. As of September 30, 2019, the Company was in compliance with all covenants under the Credit Agreement.

Acquisition Debt and European Credit Facility

In connection with the acquisition of Uniwheels, AG, the Company assumed $70.7 million of outstanding debt. At September 30, 2019, $13.2 million of debt remained outstanding, of which $3.0 million was classified as current. The outstanding debt is related to equipment and bears interest at 2.2 percent.

During the second quarter of 2019, the Company amended its European revolving credit facility (the "European Credit Facility"), increasing the available borrowing limit from 30.0 million Euro to 45.0 million Euro and extending the term to May 22, 2022. At September 30, 2019, there was 44.6 million Euro of available funds under the European Credit Facility. The credit facility bears interest at Euribor (with a floor of zero) plus a margin (ranging from 1.55 percent to 3.0 percent based on the net debt leverage ratio of Superior Industries Europe AG and its wholly owned subsidiaries, collectively "Superior Europe AG"), currently 1.55 percent. The annual commitment fee for unused commitments (ranging from 0.50 percent to 1.05 percent based on the net debt leverage ratio of Superior Europe AG), is currently 0.50 percent per annum. In addition, a management fee is assessed equal to 0.07 percent of borrowings outstanding at each month end. The commitment and management fees are both included in interest expense. Superior

Europe AG has pledged substantially all of its assets, including land and buildings, receivables, inventory, and other moveable assets (other than collateral associated with the equipment loan) as collateral under the European Credit Facility.

The European Credit Facility is subject to a number of restrictive covenants that, among other things, restrict, subject to certain exceptions, the ability of Superior Europe AG to incur additional indebtedness and guarantee indebtedness, create or incur liens, engage in mergers or consolidations, sell, transfer or otherwise dispose of assets, make investments, acquisitions, loans or advances, pay dividends or distributions, or repurchase our capital stock, prepay, redeem, or repurchase any subordinated indebtedness, and enter into agreements which limit our ability to incur liens on our assets. At September 30, 2019, Superior Europe AG was in compliance with all covenants under the European Credit Facility.

NOTE 10 - REDEEMABLE PREFERRED STOCK

During 2017, we issued 150,000 shares of Series A (140,202 shares) and Series B (9,798 shares) Perpetual Convertible Preferred Stock, par value $0.01 per share to TPG Growth III Sidewall, L.P. ("TPG") for an aggregate purchase price of $150.0 million. On August 30, 2017, the Series B shares were converted into Series A redeemable preferred stock, the "redeemable preferred stock," after approval by our shareholders. The redeemable preferred stock has an initial stated value of $1,000 per share, par value of $0.01 per share and liquidation preference over common stock.

The redeemable preferred stock is convertible into shares of our common stock equal to the number of shares determined by dividing the sum of the stated value and any accrued and unpaid dividends by the conversion price of $28.162. The redeemable preferred stock accrues dividends at a rate of 9 percent per annum, payable at our election either in-kind or in cash and is also entitled to participate in dividends on common stock in an amount equal to that which would have been due had the shares been converted into common stock.

We may mandate conversion of the redeemable preferred stock if the price of the common stock exceeds $84.49. TPG may redeem the shares upon the occurrence of any of the following events (referred to as a "redemption event"): a change in control, recapitalization, merger, sale of substantially all of the Company's assets, liquidation or delisting of the Company's common stock. In addition, as originally issued, TPG has the right, at its option, to unconditionally redeem the shares at any time after May 23, 2024, subsequently extended to September 14, 2025 (the "redemption date"). We may, at our option, redeem in whole at any time all of the shares of redeemable preferred stock outstanding. At redemption by either party, the redemption value will be the greater of two times the initial face value ($150.0 million) and any accrued unpaid dividends or dividends paid-in-kind, currently $300.0 million, or the product of the number of common shares into which the redeemable preferred stock could be converted (5.3 million shares currently) and the then current market price of the common stock. We have determined that the conversion option and the redemption option exercisable upon occurrence of a "redemption event" which are embedded in the redeemable preferred stock must be accounted for separately from the redeemable preferred stock as a derivative liability (as more fully described under Note 4, "Derivative Financial Instruments").

Since the redeemable preferred stock may be redeemed at the option of the holder, but is not mandatorily redeemable, the redeemable preferred stock has been classified as mezzanine equity and initially recognized at fair value of $150.0 million (the proceeds on the date of issuance) less issuance costs of $3.7 million, resulting in an initial value of $146.3 million. This amount has been further reduced by $10.9 million assigned to the embedded derivative liability at date of issuance, resulting in an adjusted initial value of $135.5 million. The difference between the adjusted initial value of $135.5 million and the redemption value of $300 million was being accreted over the seven-year period from the date of issuance through May 23, 2024 (the original date at which the holder had the unconditional right to redeem the shares, deemed to be the earliest likely redemption date) using the effective interest method. The accretion to the carrying value of the redeemable preferred stock is treated as a deemed dividend, recorded as a charge to retained earnings and deducted in computing earnings per share (analogous to the treatment for stated and participating dividends paid on the redeemable preferred stock).

On November 7, 2018, the Company filed a Certificate of Correction to the Certificate of Designations for the preferred stock, which became effective upon filing and corrected the redemption date to September 14, 2025. This resulted in a modification of the redeemable preferred stock. As a result of the modification, the carrying value of the redeemable preferred stock decreased $17.2 million (which was credited to retained earnings, treated as a deemed dividend and is added back to compute earnings per share) and the period for accretion of the carrying value to the redemption value has been extended to September 14, 2025. The accretion has been adjusted to amortize the excess of the redemption value over the carrying value over the period through September 14, 2025. The accumulated accretion net of the modification adjustment as of September 30, 2019 is $21.3 million resulting in an adjusted redeemable preferred stock balance of $156.7 million.

NOTE 11 – EUROPEAN NON-CONTROLLING REDEEMABLE EQUITY

On May 30, 2017, the Company acquired 92.3 percent of the outstanding shares of Uniwheels, Inc. Subsequently, the Company commenced a delisting and associated tender offer for the remaining shares. On January 17, 2018, the Company entered into a Domination and Profit and Loss Transfer agreement ("DPLTA") retroactively effective as of January 1, 2018 pursuant to which we offered to purchase the remaining outstanding shares at Euro 62.18. This price may be subject to change based on appraisal proceedings initiated by the minority shareholders which have not yet been concluded. The Company must also pay an annual dividend of Euro 3.23 as long as the DPLTA is in effect. For any shares tendered prior to the annual dividend payment, we must pay interest at a statutory rate, currently 4.12 percent, in place of the dividend. As a result, non-controlling interests with a carrying value of $51.9 million were reclassified from stockholders' equity to mezzanine equity as of January 1, 2018 because non-controlling interests with redemption rights (not within the Company's control) are considered redeemable and must be classified outside shareholders' equity. As a result of purchases pursuant to the tender offer and the DPLTA, the Company has increased its ownership to 98.9 percent as of September 30, 2019. In addition, the carrying value of the non-controlling interests must be adjusted to redemption value since they are currently redeemable. The following table summarizes the European non-controlling redeemable equity activity for the twenty-one months ended September 30, 2019 (in thousands):

Balance at December 31, 2017	$ —
Reclassification of non-controlling interests	51,943
Redemption value adjustment	3,625
Dividends accrued	1,512
Dividends paid	(964)
Translation adjustment	(3,219)
Purchase of shares	(39,048)
Balance at December 31, 2018	13,849
Dividends accrued	496
Dividends paid	(755)
Translation adjustment	(566)
Purchase of shares	(3,888)
Balance at September 30, 2019	$ 9,136

NOTE 12 – EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income (loss) attributable to Superior, after deducting preferred dividends and accretion and European non-controlling redeemable equity dividends, by the weighted average number of common shares outstanding. For purposes of calculating diluted earnings per share, the weighted average shares outstanding includes the dilutive effect of outstanding stock options and time and performance based restricted stock units under the treasury stock method. The redeemable preferred shares discussed in Note 10, “Redeemable Preferred Stock” are not included in the diluted earnings per share because the conversion would be anti-dilutive for the periods ended September 30, 2019 and September 30, 2018.

	Three Months Ended		Nine Months Ended	
(Dollars in thousands, except per share amounts)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Basic Earnings Per Share:				
Reported net income	$ (6,631)	$ (663)	$ 2,589	$ 17,789
Less: Redeemable preferred stock dividends and accretion	(7,587)	(8,295)	(23,275)	(24,499)
Less: European non-controlling redeemable equity dividend	(113)	(258)	(496)	(1,342)
Basic numerator	$ (14,331)	$ (9,216)	$ (21,182)	$ (8,052)
Basic (loss) earnings per share	$ (0.57)	$ (0.37)	$ (0.84)	$ (0.32)
Weighted average shares outstanding-Basic	25,127	25,017	25,089	24,985
Diluted Earnings Per Share:				
Reported net income	$ (6,631)	$ (663)	$ 2,589	$ 17,789
Less: Redeemable preferred stock dividends and accretion	(7,587)	(8,295)	(23,275)	(24,499)
Less: European non-controlling redeemable equity dividend	(113)	(258)	(496)	(1,342)
Diluted numerator	$ (14,331)	$ (9,216)	$ (21,182)	$ (8,052)
Diluted (loss) earnings per share	$ (0.57)	$ (0.37)	$ (0.84)	$ (0.32)
Weighted average shares outstanding-Basic	25,127	25,017	25,089	24,985
Dilutive effect of common share equivalents	—	—	—	—
Weighted average shares outstanding-Diluted	25,127	25,017	25,089	24,985

NOTE 13 - INCOME TAXES

The estimated annual effective tax rate is forecasted quarterly using actual historical information and forward-looking estimates and applied to year-to-date ordinary income. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances, settlements with taxing authorities and effects of changes in tax laws or rates, are reported in the interim period in which they occur.

The income tax benefit for the three months ended September 30, 2019, was $4.8 million, resulting in an effective income tax rate of a 41.9 percent. The income tax provision for the nine months ended September 30, 2019 was $7.7 million, resulting in an effective income tax rate of and 75.0 percent for nine months. The effective tax rate was higher than the statutory rate primarily due to the United States (U.S.) taxation of foreign earnings under the Global Intangible Low-Tax Income (“GILTI”) provisions of the Act, and the recognition of a valuation allowance on forecasted non-deductible interest, offset with a benefit due to the mix of earnings among tax jurisdictions.

The income tax provision for the nine months ended September 30, 2018 was $1.1 million resulting in an effective income tax rate of 5.9 percent. The effective tax rate was lower than the statutory rate primarily due to earnings in countries with tax rates lower than the U.S. statutory rate, offset in part by U.S. taxation of foreign earnings under the GILTI provisions of the Act. The income tax benefit for the three months ended September 30, 2018 was $7.1 million resulting in an effective tax rate of 91.4 percent. The effective tax rate was a benefit primarily due to a revision to the estimated U.S. tax on foreign earnings under the GILTI provisions of the Act.

At September 30, 2019, the Company remains indefinitely reinvested with respect to its initial investment and any associated potential withholding tax on earnings of its non-U.S. subsidiaries subject to the transition tax, as well as with respect to future earnings that will primarily fund the operations of the subsidiaries.

NOTE 14 - LEASES

Effective January 1, 2019, we adopted ASU 2016-02, ASC 842, “Leases,” the new lease accounting standard, using the optional transition approach resulting in recognition of operating lease right-of-use (“ROU”) assets and lease liabilities of $18.2 million and $18.6 million, respectively, as well as a charge to eliminate previously deferred rent of $0.4 million.

The Company determines whether an arrangement is or contains a lease at the inception of the arrangement. Operating leases are included in other non-current assets, accrued expenses and other non-current liabilities in our condensed consolidated balance sheets. Finance leases are included in property, plant and equipment, net, short-term debt and long-term debt (less current portion) in our condensed consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. Since we generally do not have access to the interest rate implicit in the lease, the Company uses our incremental borrowing rate (for fully collateralized debt) at the inception of the lease in determining the present value of the lease payments. The implicit rate is, however, used where readily available. Lease expense under operating leases is recognized on a straight-line basis over the term of the lease. Certain of our leases contain both lease and non-lease components, which are accounted for separately.

The Company has operating and finance leases for office facilities, a data center and certain equipment. The remaining terms of our leases range from over one year to just under nine years. Certain leases include options to extend the lease term for up to ten years, as well as options to terminate which have been excluded from the term of the lease since exercise of these options is not reasonably certain.

Lease expense, cash flow, operating and finance lease assets and liabilities, average lease term and average discount rate are as follows:

	September 30, 2019	
	Three Months Ended	Nine Months Ended
Lease Expense		
Finance lease expense:		
Amortization of right-of-use assets	$ 548	$ 1,551
Interest on lease liabilities	34	65
Operating lease expense	846	2,560
Total lease expense	$ 1,428	$ 4,176
Cash Flow Components		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from finance leases	$ 34	$ 65
Operating cash outflows from operating leases	821	2,484
Financing cash outflows from finance leases	381	1,035
Right-of-use assets obtained in exchange for new finance lease liabilities, net of terminations and disposals	1,292	1,803
Right-of-use assets obtained in exchange for operating lease liabilities (including adoption impact of $18.2 million) net of terminations and disposals	12	18,353

Balance Sheet Information	September 30, 2019
Operating leases:	
Other non-current assets	$ 15,079
Accrued liabilities	$ (2,694)
Other non-current liabilities	(13,508)
Total operating lease liabilities	$ (16,202)
Finance leases:	
Property and equipment gross	$ 4,109
Accumulated depreciation	(1,677)
Property and equipment, net	$ 2,432
Current portion of long-term debt	$ (328)
Long-term debt	(1,472)
Total finance lease liabilities	$ (1,800)
Lease Term and Discount Rates	
Weighted-average remaining lease term - finance leases (years)	4.4
Weighted-average remaining lease term - operating leases (years)	6.7
Weighted-average discount rate - finance leases	2.9%
Weighted-average discount rate - operating leases	4.0%

Summarized future minimum payments under our leases are as follows:

Lease Maturities (in thousands)	September 30, 2019 Finance Leases	September 30, 2019 Operating Leases
Three remaining months of 2019	$ 247	$ 835
2020	824	3,227
2021	560	2,823
2022	224	2,409
2023	5	2,140
Thereafter	—	6,859
Total	1,860	18,293
Less: Imputed Interest	(60)	(2,091)
Total lease liabilities, net of interest	$ 1,800	$ 16,202

Lease Maturities (in thousands)	December 31, 2018 Operating Leases
2019	4,249
2020	3,232
2021	2,870
2022	2,635
2023	2,346
Thereafter	7,647
Total	$ 22,979

The 2018 disclosure includes certain non-lease components that have been excluded from our ASC 842 accounting and disclosures for 2019.

NOTE 15 – RETIREMENT PLANS

We have an unfunded salary continuation plan covering certain directors, officers and other key members of management. Subject to certain vesting requirements, the plan provides for a benefit based on final average compensation, which becomes payable on the employee's death or upon attaining age 65, if retired. The plan was closed to new participants effective February 3, 2011. We purchased life insurance policies on certain participants to provide in part for future liabilities. Cash surrender value of these policies, totaling $8.1 million, are included in other non-current assets in the Company's condensed consolidated balance sheets at December 31, 2018. In the second quarter of 2019, we terminated our life insurance policies in exchange for the cash surrender value of $7.6 million. We also received $0.6 million for death benefit claims.

For the nine months ended September 30, 2019, payments to retirees or their beneficiaries totaled approximately $1.0 million. We presently anticipate benefit payments in 2019 to total approximately $1.4 million. The following table summarizes the components of net periodic pension cost for the three and nine months ended September 30, 2019 and 2018.

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Interest cost	$ 286	$ 272	$ 858	$ 815
Net amortization	52	109	156	328
Net periodic pension cost	$ 338	$ 381	$ 1,014	$ 1,143

NOTE 16 - STOCK-BASED COMPENSATION

Equity Incentive Plan

Our 2018 Equity Incentive Plan (the “Plan”) was approved by stockholders in May 2018. The Plan authorizes us to issue up to 4.35 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 30, 2019, there were 1.6 million shares available for future grants under this Plan. No more than 1.2 million 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.

Under the terms of the Plan, each year eligible participants are granted time value restricted stock units (“RSUs”), vesting ratably over a three-year period, and performance restricted stock units (“PSUs”), with three-year cliff vesting. Upon vesting, each restricted stock award is exchangeable for one share of the Company’s common stock, with accrued dividends.

Other Awards

On May 16, 2019 the Company granted the following equity awards to our new President and Chief Executive Officer in connection with the 2019 Inducement Grant Plan (the “Inducement Plan”): (i) an initial award consisting of (a) 666,667 PSUs at target, vesting in three approximately equal installments, to the extent the performance metrics are satisfied, during each of three performance periods and (b) 333,333 RSUs, vesting in approximately equal installments on February 28, 2020, 2021 and 2022; (ii) a 2019-2021 PSU grant, with the target number of 316,832 PSUs, which will vest to the extent the performance metrics are satisfied; and (iii) a 2019 RSU grant of 158,416 RSUs, vesting in approximately equal installments on February 28, 2020, 2021 and 2022. The PSU awards may be earned at up to 200% of target depending on the level of achievement of the performance metrics.

	Equity Incentive Awards					
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Performance Shares	Weighted Average Grant Date Fair Value	Options	Weighted Average Exercise Price
Balance at December 31, 2018	183,726	$ 17.26	296,523	$ 19.1	59,000	$ 18.33
Granted	1,021,317	4.98	1,477,734	6.09	—	—
Settled	(103,681)	17.12	(31,081)	22.81	—	—
Forfeited or expired	(83,373)	9.79	(204,438)	12.36	(8,750)	15.30
Balance at September 30, 2019	1,017,989	$ 5.57	1,538,738	$ 7.43	50,250	$ 18.86
Vested or expected to vest at September 30, 2019	885,208	$ 5.63	1,278,648	$ 6.73	50,250	$ 18.86

Stock-based compensation expense was $1.8 million and $1.2 million for the three-month period ended September 30, 2019 and 2018, respectively. Stock-based compensation expense was $3.7 million and $2.9 million for the nine-month period ended September 30, 2019 and 2018, respectively. Unrecognized stock-based compensation expense related to non-vested awards of $9.3 million is expected to be recognized over a weighted average period of approximately 1.9 years as of September 30, 2019.

NOTE 17 - COMMON STOCK REPURCHASE PROGRAMS

In January 2016, our Board of Directors approved a common stock repurchase program (the “Repurchase Program”), authorizing the repurchase of up to $50.0 million of our common stock. Under the Repurchase Program we have purchased $15.4 million, leaving a remaining authorization of $34.6 million, which we may repurchase from time to time on the open market or in private transactions. The timing and extent of the repurchases under the Repurchase Program will depend upon market conditions and other corporate considerations in our sole discretion. There were no repurchases under this program for the nine months ended September 30, 2019.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Purchase Commitments

When market conditions warrant, we may enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. Prices under our aluminum contracts are based on a market index, the London Mercantile Exchange (LME), and regional premiums for processing, transportation and alloy components which are adjusted quarterly for purchases in the ensuing quarter. Changes in aluminum prices are generally passed through to our OEM customers and adjusted on a quarterly basis. Certain of our purchase agreements include volume commitments, however any excess commitments are generally negotiated with suppliers and those which have occurred in the past have been carried over to future periods.

Contingencies

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.

NOTE 19 – RECEIVABLES FACTORING

The Company sells certain customer trade receivables on a non-recourse basis under factoring arrangements with designated financial institutions. These transactions are accounted for as sales and cash proceeds are included in cash provided by operating activities. Factoring arrangements incorporate customary representations and warranties, including representations as to validity of amounts due, completeness of performance obligations and absence of commercial disputes. During the nine months ended September 30, 2019, the Company sold trade receivables totaling $272.4 million and incurred factoring fees of $0.8 million, which are included in other expense, net. During the third quarter of 2019, the Company sold trade receivables totaling $80.6 million and incurred factoring fees of $0.2 million. The collective limit under our factoring arrangements is $116.3 million at any point in time. As of September 30, 2019, $56.6 million of receivables had been factored under the arrangements.

NOTE 20 – RESTRUCTURING

During the third quarter, the Company initiated a plan to significantly reduce production and manufacturing operations at its Fayetteville, Arkansas location. As a result, the Company recognized a non-cash charge of $13.0 million in cost of sales, comprised of (1) $7.6 million of accelerated depreciation for excess equipment, (2) $3.2 million relating to the write-down of certain supplies inventory to net salvage value, (3) $1.6 million of employee severance and (4) $0.6 million of accelerated amortization of right of use assets under operating leases. Relocation costs for redeployment of machinery and equipment will be recognized in cost of sales as incurred over the next 12-18 months.

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 have included or incorporated by reference in this Quarterly Report on Form 10-Q (including in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations") and from time to time our management may make statements that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities 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 using words and phrases such as "expects," "anticipates," "believes," "will," "will likely result," "will continue," "plans to" and similar expressions. These statements include our belief regarding general automotive industry and market conditions and growth rates, as well as general domestic and international economic conditions.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the company, which could cause actual results to differ materially from such statements and from the company's historical results and experience. These risks, uncertainties and other factors include, but are not limited to, those described in Part I—Item 1A—"Risk Factors" and Part II—Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2018, and Part I—Item 2—"Management's Discussion and Analysis and Analysis of Financial Condition and Results of Operations" of this Quarterly Report of Form 10-Q and elsewhere in the Quarterly Report and those described from time to time in our other reports filed with the Securities and Exchange Commission.

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

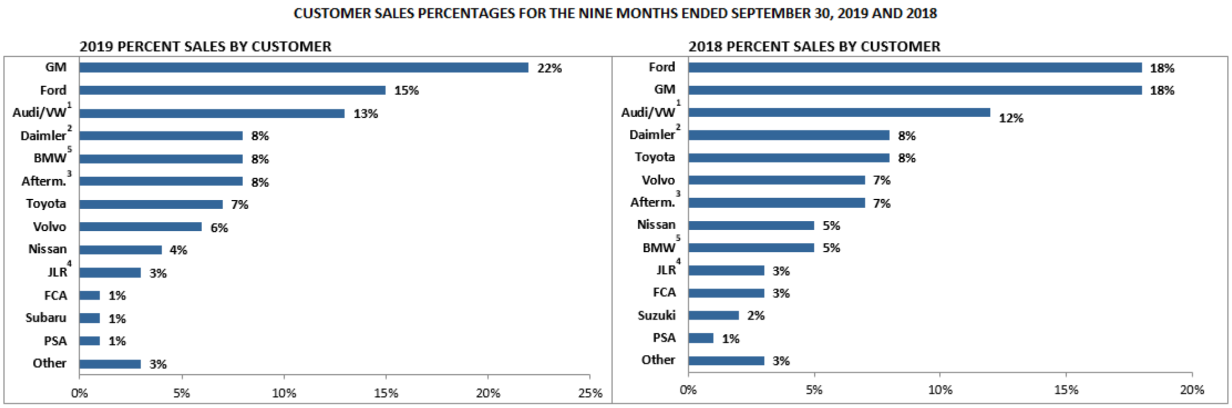
Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and notes thereto and with the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Executive Overview

Overview of Superior

Our principal business is the design and manufacture of aluminum wheels for sale to original equipment manufacturers ("OEM") in North America and Europe and aftermarket distributors in Europe. We employ approximately 8,000 employees, operating nine manufacturing facilities in North America and Europe with a combined annual manufacturing capacity of approximately 21 million wheels. We are one of the largest suppliers to global OEMs, and we believe that we are the #1 European aluminum wheel aftermarket manufacturer and supplier. Our OEM aluminum wheels account for approximately 92% of our sales and are primarily sold for factory installation on many vehicle models manufactured by BMW-Mini, Daimler AG Company (Mercedes-Benz, AMG, Smart), FCA, Ford, GM, Honda, Jaguar-Land Rover, Mazda, Nissan, PSA, Renault, Subaru, Suzuki, Toyota, VW Group (Volkswagen, Audi, Skoda, Porsche, Bentley) and Volvo. We also sell aluminum wheels to the European aftermarket under the brands ATS, RIAL, ALUTEC and ANZIO. North America and Europe represent the principal markets for our products but we have a global presence and diversified customer base consisting of North American, European and Asian OEMs. We continue to deliver on our strategic plan to be one of the leading light vehicle aluminum wheel suppliers globally, delivering innovative wheel solutions to our customers.

Our global reach encompasses sales to the ten largest OEMs in the world. The following chart shows our sales by customer for the nine months ended September 30, 2019 and 2018.



[1] **Audi/VW** = VW Group (VW, Audi, Skoda, Porsche, Bentley) in 2019 disclosure, 2018 percentages of sales by customer is presented in a consistent manner.

[2] **Daimler** = Daimler AG Company (Mercedes, AMG, and Smart) in 2019 disclosure, 2018 percentages of sales by customer is presented in a consistent manner.

[3] **Afterm** = Aftermarket

[4] **JLR** = Land Rover and Jaguar

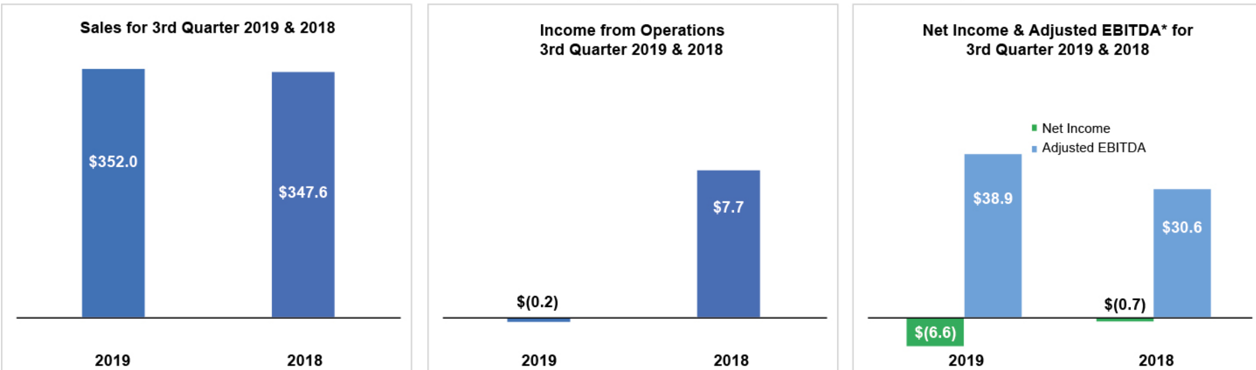
[5] **BMW** = BMW-Mini

Demand for our products is driven by light-vehicle production levels in North America and Europe and customer take rates on specific vehicle platforms. The majority of our customers' wheel programs are awarded two to four years in advance. Our purchase orders with OEMs are typically specific to a particular vehicle model.

Overview of the Third Quarter of 2019

The following charts show the operational performance in the quarter ended September 30, 2019 in comparison to September 30, 2018.

SALES AND PROFITABILITY FOR THE 3RD QUARTER OF 2019 AND 2018 ($ in millions)



*See the Non-GAAP Financial Measures section of this quarterly report for a reconciliation of our Adjusted EBITDA to Net Income (Loss).

Results of Operations

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Net Change
Net sales			
North America	$ 188,089	$ 197,776	$ (9,687)
Europe	163,925	149,836	14,089
Net sales	352,014	347,612	4,402
Cost of sales	335,967	323,939	12,028
Gross profit	16,047	23,673	(7,626)
Percentage of net sales	4.6%	6.8%	(2.2)%
Selling, general and administrative	16,290	15,985	(305)
Income (loss) from operations	(243)	7,688	(7,931)
Percentage of net sales	(0.1)%	2.2%	(2.3)%
Interest expense, net	(11,807)	(12,378)	571
Other income (expense), net	1,676	(3,238)	4,914
Change in fair value of redeemable preferred stock embedded derivative	(1,042)	214	(1,256)
Income tax benefit	4,785	7,051	(2,266)
Net income (loss)	$ (6,631)	$ (663)	$ (5,968)
Percentage of net sales	(1.9)%	(0.2)%	(1.7)%
Diluted loss per share	$ (0.57)	$ (0.37)	$ (0.20)
Value added sales (1)	$ 195,451	$ 179,101	$ 16,350
Adjusted EBITDA (2)	$ 38,852	$ 30,572	$ 8,280
Percentage of net sales	11.0%	8.8%	2.2%
Percentage of value added sales	19.9%	17.1%	2.8%
Unit shipments in thousands	4,851	4,734	117

(1) Value added sales is a key measure that is not calculated according to U.S. GAAP. Refer to “Non-U.S. GAAP Financial Measures” for a definition of value added sales and a reconciliation of value added sales to net sales, the most comparable U.S. GAAP measure.

(2) Adjusted EBITDA is a key measure that is not calculated according to U.S. GAAP. Refer to “Non-U.S. GAAP Financial Measures” for a definition of adjusted EBITDA and a reconciliation of our adjusted EBITDA to net income, the most comparable U.S. GAAP measure.

Shipments

Wheel unit shipments were 4.9 million for the third quarter of 2019 compared to unit shipments of 4.7 million in the prior year period, an increase of 2.5 percent. The increase occurred in our European operations and was driven by higher production levels related to some of our key European customers and higher aftermarket volumes, partially offset by lower shipments in our North America operations.

Net Sales

Net sales for the third quarter of 2019 were $352.0 million, compared to net sales of $347.6 million for the same period in 2018. The increase in net sales is primarily driven by favorable product mix and increased volumes, partially offset by lower aluminum prices and a weaker Euro.

Cost of Sales

Cost of sales were $336.0 million for the third quarter of 2019 compared to cost of sales of $323.9 million for the same period in 2018. The increase in cost of sales was primarily due to changes in product mix and $13.0 million of restructuring costs related to our Fayetteville, Arkansas, location, partially offset by lower aluminum costs and a weaker Euro.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the third quarter of 2019 were $16.3 million, or 4.6 percent of net sales, compared to SG&A expense of $16.0 million, or 4.6 percent of net sales, for the same period in 2018.

Net Interest Expense

Net interest expense for the third quarter of 2019 was $11.8 million compared to net interest expense of $12.4 million for the same period in 2018. The reduction in interest expense was primarily due to reduced interest expense resulting from the 2019 early extinguishment of a portion of our Senior Notes and lower interest rates.

Other Income (Expense)

Other income was $1.7 million for the third quarter of 2019 compared to other expense of $3.2 million for the same period in 2018. The increase in other income was primarily driven by a $1.0 million gain on the early extinguishment of a portion of our Senior Notes in the third quarter of 2019 and a foreign exchange gain in the third quarter of 2019 versus a foreign exchange loss for the same period in 2018.

Change in Fair Value of Redeemable Preferred Stock Embedded Derivative

During the third quarter of 2019, the redeemable preferred stock derivative liability increased $1.0 million. This was primarily due to an increase in the conversion option value that was driven by an increase in assumed stock price volatility as well as a reduction to the assumed dividend yield given the suspension of the common stock dividend in the third quarter of 2019.

Income Tax (Provision) Benefit

The income tax provision for quarter ended September 30, 2019 was a $4.8 million benefit on pre-tax loss of $11.4 million, representing an effective income tax rate benefit of 41.9 percent. The effective tax rate was higher than the statutory rate primarily due to the effects of the U.S. taxation of foreign earnings under the Global Intangible Low-Tax Income ("GILTI") provisions of the Act, and a forecasted valuation allowance on non-deductible interest, partially offset by a benefit due to the mix of earnings among tax jurisdictions. The income tax benefit for the quarter ended September 30, 2018 was $7.1 million on a pre-tax loss of $7.7 million, representing an effective income tax rate of 91.4 percent. The tax effective tax rate was primarily due to a revision to the estimated U.S. tax on foreign earnings under the GILTI provisions of the Act.

Net Income (Loss)

Net loss for the third quarter of 2019 was $6.6 million, or a loss of $0.57 per diluted share, compared to a net loss of $0.7 million, or a loss of $0.37 per diluted share for the same period in 2018.

Segment Sales and Income from Operations

(Dollars in thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Change
Selected data			
Net sales			
North America	$ 188,089	$ 197,776	$ (9,687)
Europe	163,925	149,836	14,089
Total net sales	$ 352,014	$ 347,612	$ 4,402
Income from operations			
North America	$ (4,440)	$ 2,901	$ (7,341)
Europe	4,197	4,787	(590)
Total income from operations	$ (243)	$ 7,688	$ (7,931)

North America

Net sales for our North American segment for the third quarter of 2019 decreased 4.9 percent, compared to the same period in 2018 primarily due to a 5.4 percent decrease in volumes and lower aluminum prices, partially offset by improved product mix comprised of larger diameter wheels and premium wheel finishes. The decline in unit shipments was primarily due to lower sales to Ford, Toyota, Subaru and FCA, partially offset by increased sales to GM. U.S. and Mexico sales as a percentage of North America total sales were approximately 14.3 percent and 85.7 percent, respectively, for the quarter ended September 30, 2019, which compares to 14.0 percent and 86.0 percent for the prior year period. North American segment income from operations decreased for the three months ended September 30, 2019 primarily due to restructuring costs related to our Fayetteville, Arkansas manufacturing operations and reduced volumes, partially offset by favorable product mix.

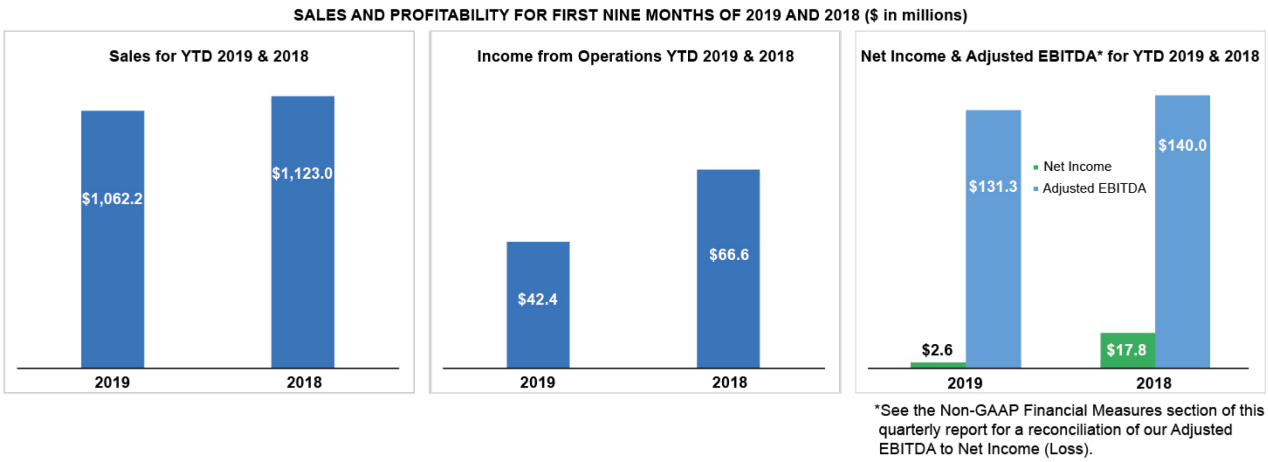
On September 15, 2019, the United Auto Workers (UAW) at GM went on a national strike. As of the date of this filing, GM's settlement offer has been ratified by the UAW and this situation is resolved.

Europe

Net sales for our European segment for the third quarter of 2019 increased 9.4 percent, compared to the same period in 2018, primarily due to a 12.5 percent increase in volumes, favorable product mix of higher diameter wheels and premium finishes, partially offset by lower aluminum prices. European segment sales in Germany and Poland were approximately 36.3 percent and 63.7 percent, respectively, during the quarter ended September 30, 2019, which compares to 38.2 percent and 61.8 percent for the prior period. European segment income from operations for the third quarter in 2019 decreased primarily due to higher energy and material costs, which was mostly offset by increased volume and favorable mix.

Overview of the nine months of 2019

The following chart shows the operational performance in the nine months ended September 30, 2019 in comparison to September 30, 2018.



Results of Operations

	Nine Months Ended		
(Dollars in thousands, except per share data)	**September 30, 2019**	**September 30, 2018**	**Net Change**
Net sales			
North America	$ 553,607	$ 606,684	$ (53,077)
Europe	508,599	516,320	(7,721)
Net sales	1,062,206	1,123,004	(60,798)
Cost of sales	973,042	995,781	(22,739)
Gross profit	89,164	127,223	(38,059)
Percentage of net sales	8.4%	11.3%	(2.9)%
Selling, general and administrative	46,737	60,631	13,894
Income from operations	42,427	66,592	(24,165)
Percentage of net sales	4.0%	5.9%	(1.9)%
Interest expense, net	(35,532)	(37,417)	1,885
Other income (expense), net	3,716	(6,796)	10,512
Change in fair value of redeemable preferred stock embedded derivative	(323)	(3,476)	3,153
Income tax provision	(7,699)	(1,114)	(6,585)
Net income	$ 2,589	$ 17,789	$ (15,200)
Percentage of net sales	0.2%	1.6%	(1.4)%
Diluted loss per share	$ (0.84)	$ (0.32)	$ (0.52)
Value added sales (1)	$ 581,899	$ 590,932	$ (9,033)
Adjusted EBITDA (2)	$ 131,282	$ 140,008	$ (8,726)
Percentage of net sales	12.4%	12.5%	(0.1)%
Percentage of value added sales	22.6%	23.7%	(1.1)%
Unit shipments in thousands	14,780	15,824	(1,044)

(1) Value added sales is a key measure that is not calculated according to U.S. GAAP. Refer to “Non-U.S. GAAP Financial Measures” for a definition of value added sales and a reconciliation of value added sales to net sales, the most comparable U.S. GAAP measure.

(2) Adjusted EBITDA is a key measure that is not calculated according to U.S. GAAP. Refer to “Non-U.S. GAAP Financial Measures” for a definition of adjusted EBITDA and a reconciliation of our adjusted EBITDA to net income, the most comparable U.S. GAAP measure.

Shipments
Wheel unit shipments were 14.8 million for the first nine months of 2019 compared to unit shipments of 15.8 million in the prior year period, a decrease of 6.6 percent. The decrease occurred primarily in our North American operations and was driven by softer industry production levels at our key customers, lower take rates, and reduced share.

Net Sales
Net sales for the first nine months of 2019 were $1,062.2 million, compared to net sales of $1,123.0 million for the same period in 2018. The reduction in net sales is primarily driven by reduced volumes, lower aluminum prices in both North America and Europe and a weaker Euro, partially offset by improved product mix comprised of larger diameter wheels and premium finishes in both regions.

Cost of Sales
Cost of sales were $973.0 million for the first nine months of 2019 compared to cost of sales of $995.8 million for the same period in 2018. The decrease in cost of sales was primarily due to lower volumes in our North American operations, lower aluminum prices, favorable North American foreign exchange, and a weaker Euro, partially offset by higher aluminum content associated with larger diameter wheels and $13.0 million of restructuring costs related to our Fayetteville, Arkansas, manufacturing location.

Selling, General and Administrative Expenses
SG&A expenses for the first nine months of 2019 were $46.7 million, or 4.4 percent of net sales, compared to SG&A of $60.6 million, or 5.4 percent of net sales for the same period in 2018. The decrease is primarily due to a reduction in acquisition and integration expenses, the alignment of reporting for SG&A between our North American and European operations, and actions to align costs with current industry production levels.

Net Interest Expense
Net interest expense for the first nine months of 2019 was $35.5 million compared to interest expense of $37.4 million for the same period in 2018. The reduction in interest expense was primarily due to the 2018 repricing of the Company's term loan facility, reduced interest expense on our Senior Notes, resulting from the early extinguishment of a portion of our Senior Notes in 2019 and lower interest rates.

Other Income (Expense)
Other income was $3.7 million for the first nine months of 2019 compared to other expense of $6.8 million for the same period in 2018. The increase in other income was primarily driven by a $3.4 million gain on the early extinguishment of a portion of our Senior Notes in 2019 and a foreign exchange gain in the first nine months of 2019 versus a foreign exchange loss for the same period in 2018.

Change in Fair Value of Redeemable Preferred Stock Embedded Derivative
During the first nine months of 2018, the redeemable preferred stock derivative liability increased $3.5 million primarily due to the increase in our stock price during that period as well as a decrease in assumed discount rate.

Income Tax Provision
The income tax provision for the nine months ended September 30, 2019 was $7.7 million on pre-tax income of $10.3 million, representing an effective income tax rate of 75.0%. The effective tax rate was higher than the statutory rate primarily due to the effects of the U.S. taxation of foreign earnings, under Global Intangible Low-Tax Income ("GILTI") provisions of tax reform, and a forecasted valuation allowance on non-deductible interest, partially offset with a benefit due to the mix of earnings among tax jurisdictions. The income tax provision for the nine months ended September 30, 2018 was $1.1 million on pre-tax income of $18.9 million, representing an effective income tax rate of 5.9 percent.

Net Income
Net income for the first nine months of 2019 was $2.6 million, or a loss of $0.84 per diluted share, compared to net income of $17.8 million, or a loss of $0.32 per diluted share for the same period in 2018.

Segment Sales and Income from Operations

(Dollars in thousands)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Change
Selected data			
Net sales			
North America	$ 553,607	$ 606,684	$ (53,077)
Europe	508,599	516,320	(7,721)
Total net sales	$ 1,062,206	$ 1,123,004	$ (60,798)
Income from operations			
North America	$ 13,586	$ 26,362	$ (12,776)
Europe	28,841	40,230	(11,389)
Total income from operations	$ 42,427	$ 66,592	$ (24,165)

North America

Net sales for our North American segment for the first nine months of 2019 decreased 8.8 percent, compared to the same period in 2018, primarily due to a 11.8 percent decrease in volumes and lower aluminum prices, partially offset by improved product mix comprised of larger diameter wheels and premium wheel finishes. The decline in unit shipments was primarily due to lower sales to Ford, Nissan, FCA and Toyota; partially offset by increased sales to GM. U.S. and Mexico sales as a percentage of North America total sales were approximately 14.7 percent and 85.3 percent, respectively, for year-to-date September 30, 2019, which compares to 14.6 percent and 85.4 percent for the prior year period. North American segment income from operations decreased for the first nine months of 2019 primarily due to a reduction in volumes and Fayetteville restructuring costs, partially offset by favorable procurement savings, product mix and foreign exchange.

On September 15, 2019, the United Auto Workers (UAW) at GM went on a national strike. As of the date of this filing, GM's settlement offer has been ratified by the UAW and this situation is resolved.

Europe

Net sales for our European segment for the first nine months of 2019 decreased 1.5 percent, compared to the same period in 2018, primarily due to a weaker Euro and lower aluminum prices, partially offset by improved product mix comprised of higher diameter wheels and premium wheel finishes. European segment sales between Germany and Poland were approximately 35.5 percent and 64.5 percent, respectively, during the first nine months of 2019, which compares to 38.6 percent and 61.4 percent for the first nine months of 2018. European segment income from operations for nine months ended September 30, 2019 decreased primarily due to negative foreign exchange effects from the Euro, higher energy costs and lower manufacturing capacity utilization, partially offset by favorable mix.

Financial Condition, Liquidity and Capital Resources

Our sources of liquidity primarily include cash, cash equivalents and short-term investments, net cash provided by operating activities, and borrowings under available debt facilities, factoring arrangements for trade receivables 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 $165.8 million and 1.8:1, respectively, at September 30, 2019, versus $192.0 million and 2.1:1 at December 31, 2018. As of September 30, 2019, our cash, cash equivalents and short-term investments totaled $49.3 million compared to $48.2 million at December 31, 2018.

Our working capital requirements, investing activities and cash dividend payments have historically been funded from internally generated funds, debt facilities, cash equivalents and short-term investments, and we believe these sources will continue to meet our capital requirements in the foreseeable future.

In connection with the acquisition of our European operations, we entered into several debt and equity financing arrangements during 2017. On March 22, 2017, we entered into a senior secured credit agreement (the "Credit Agreement") consisting of a $400.0 million senior secured term loan facility (the "Term Loan Facility") and a $160.0 million revolving credit facility. On May 22, 2017, we issued 150,000 shares of redeemable preferred stock to TPG Growth III Sidewall, L.P. ("TPG") for an aggregate purchase price of $150.0 million. On June 15, 2017, we issued 250.0 million Euro aggregate principal amount of 6.00% Senior Notes (the "Notes") due June 15, 2025. In addition, as a part of our European business acquisition, we assumed $70.7 million of outstanding debt. At September 30, 2019, balances outstanding under the Term Loan Facility, Notes, and an equipment loan were $375.8 million, $244.0 million, $13.2 million, respectively. At September 30, 2019, we had total available liquidity of $254.5 million, which consisted of $49.3 million in cash and cash equivalents, $156.4 million of unused revolving credit facility commitments and 44.6 million Euro available under our European business line of credit.

During the second quarter of 2019, the Company amended its European revolving credit facility (the "European Credit Facility"), increasing the available borrowing limit from 30.0 million Euro to 45.0 million Euro and extending the term to May 22, 2022. At September 30, 2019, there were 44.6 million Euro of available funds under the European Credit Facility.

Additionally, on September 3, 2019, the Company announced that its Board of Directors determined to suspend the Company's quarterly common dividend.

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

Nine Months Ended September 30, (Thousands of dollars)	**2019**	**2018**	**Change**
Net cash provided by operating activities	$ 102,351	$ 64,340	$ 38,011
Net cash used in investing activities	(37,953)	(55,466)	17,513
Net cash used in financing activities	(59,217)	(42,429)	(16,788)
Effect of exchange rate changes on cash	(3,337)	(1,321)	(2,016)
Net increase (decrease) in cash and cash equivalents	$ 1,844	$ (34,876)	$ 36,720

Operating Activities

Net cash provided by operating activities was $102.4 million for the first nine months of 2019 and $64.3 million for the same period in 2018. The increase in cash flow provided by operating activities was mainly due to reductions in inventory caused by reduced production volumes and lower aluminum pricing, as well as increases in payables due to improved terms with aluminum suppliers.

Investing Activities

Net cash used in investing activities was $38.0 million for the first nine months of 2019 compared to $55.5 million for the same period in 2018. Net cash used in investing activities was lower in 2019 due to reductions in capital expenditures, as well as cash proceeds received upon sale of other assets.

Financing Activities

Net cash used in financing activities was $59.2 million for the first nine months of 2019 compared to $42.4 million for the same period in 2018. This increase was primarily due to the early extinguishment of a portion of our Senior Notes and Term Loan in the second and third quarters of 2019 and a reduction in net borrowings on our revolver facility, partially offset by reduced purchases of European non-controlling redeemable equity shares.

Off-Balance Sheet Arrangements

As of September 30, 2019, we had no significant off-balance sheet arrangements other than factoring of $56.6 million of our trade receivables.

Non-GAAP Financial Measures

In this quarterly report, we discuss two important measures that are not calculated according to U.S. GAAP, value added sales and adjusted EBITDA.

Value added sales is a key measure that is not calculated according to U.S. GAAP. In the discussion of operating results, we provide information regarding value added sales. Value added sales represents net sales less the value of aluminum and services provided by outsourced service providers (“OSP”) that are included in net sales. As discussed further below, arrangements with our customers allow us to pass on changes in aluminum prices; therefore, fluctuations in underlying aluminum price generally does not directly impact our profitability. Accordingly, value added sales is worthy of being highlighted for the benefit of users of our financial statements. Our intent is to allow users of the financial statements to consider our net sales information both with and without the aluminum and OSP cost components. Management utilizes value added sales as a key metric to determine growth of the Company because it eliminates the volatility of aluminum prices.

Adjusted EBITDA is a key measure that is not calculated according to U.S. GAAP. Adjusted EBITDA is defined as earnings before interest income and expense, income taxes, depreciation, amortization, restructuring charges and other closure costs and impairments of long-lived assets and investments, changes in fair value of redeemable preferred stock embedded derivative, acquisition and integration costs, certain hiring and separation related costs, gains associated with early debt extinguishment and accounts receivable factoring fees. We use adjusted EBITDA as an important indicator of the operating performance of our business. Adjusted EBITDA is used in our internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to our Board of Directors and evaluating short-term and long-term operating trends in our operations. We believe the adjusted EBITDA financial measure assists in providing a more complete understanding of our underlying operational measures to manage our business, to evaluate our performance compared to prior periods and the marketplace and to establish operational goals. Adjusted EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with U.S. GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies.

The following table reconciles our net sales, the most directly comparable U.S. GAAP financial measure, to our value added sales:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net sales	$ 352,014	$ 347,612	$ 1,062,206	$ 1,123,004
Less: aluminum value and outside service provider costs	(156,563)	(168,511)	(480,307)	(532,072)
Value added sales	$ 195,451	$ 179,101	$ 581,899	$ 590,932

The following table reconciles our net income, the most directly comparable U.S. GAAP financial measure, to our adjusted EBITDA:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net income (loss)	$ (6,631)	$ (663)	$ 2,589	$ 17,789
Interest expense, net	11,807	12,378	35,532	37,417
Income tax provision (benefit)	(4,785)	(7,051)	7,699	1,114
Depreciation	24,192	17,135	57,382	52,026
Amortization	6,636	6,457	20,118	19,906
Acquisition, integration, restructuring, debt extinguishment gains and factoring fees (1)	6,591	2,530	7,639	8,280
Change in fair value of redeemable preferred stock embedded derivative liability	1,042	(214)	323	3,476
Adjusted EBITDA	$ 38,852	$ 30,572	$ 131,282	$ 140,008
Adjusted EBITDA as a percentage of net sales	11.0%	8.8%	12.4%	12.5%
Adjusted EBITDA as a percentage of value added sales	19.9%	17.1%	22.6%	23.7%

(1) In the third quarter of 2019, we incurred approximately $5.4 million of Fayetteville restructuring costs (excluding $7.6 million of accelerated depreciation), $1.6 million of certain hiring and separation costs, $0.4 million of acquisition and integration costs, $0.2 million of accounts receivable factoring fees, and $1.0 million of gains on extinguishment of debt. In the third quarter of 2018, we incurred approximately $2.5 million in integration costs. In the first nine months of 2019, we

incurred approximately $5.4 million of Fayetteville restructuring costs (excluding $7.6 million of accelerated depreciation), $3.1 million of certain hiring and separation costs, $1.7 million of acquisition and integration costs, $0.8 million of accounts receivable factoring fees and $3.4 million of gains on extinguishment of debt. In the first nine months of 2018, we incurred approximately $8.3 million in integration costs.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to apply significant judgment in making estimates and assumptions that affect amounts reported therein, as well as financial information included in this Management's Discussion and Analysis of Financial Condition and Results of Operations. These estimates and assumptions, which are based upon historical experience, industry trends, terms of various past and present agreements and contracts, and information available from other sources that are believed to be reasonable under the circumstances, form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent through other sources. There can be no assurance that actual results reported in the future will not differ from these estimates, or that future changes in these estimates will not adversely impact our results of operations or financial condition.

Impairment of Goodwill - The identification of potential impairment involves comparing our Europe reporting unit's estimated fair value to its carrying value, including goodwill. In performing our valuation, we utilize both an income approach and a market approach to determine fair value. The income approach is based on projected debt-free cash flow, which is discounted to the present value using discount factors that consider the timing and risk of cash flows. The discount rate used is the weighted average of an estimated cost of equity and of debt ("weighted average cost of capital"). The weighted average cost of capital is adjusted as necessary to reflect risk associated with the business of the Europe reporting unit. Financial projections are based on estimated production volumes, product prices and expenses, including raw material cost, wages, energy and other expenses. Other significant assumptions include terminal value cash flow and growth rates, future capital expenditures and changes in future working capital requirements. The market approach is based on the observed ratios of enterprise value to earnings before interest, taxes, depreciation and amortization (EBITDA) of comparable, publicly traded companies. The market approach fair value is determined by multiplying historical and anticipated financial metrics of the European reporting unit by the EBITDA pricing multiples derived from the comparable, publicly traded companies. Our 2018 assessment of European goodwill indicated that the fair value of the European reporting unit exceeded its respective carrying value by approximately $12.2 million, or approximately 2%. A considerable amount of management judgment and assumptions are required in performing the quantitative impairment test, principally related to determining the fair value of the reporting unit. While the Company believes its judgments and assumptions are reasonable, different assumptions could change the estimated fair value.

The identification and evaluation of potential triggering events in interim periods between annual impairment assessments also involves considerable judgment. Recent analyst forecasts of automotive passenger car and light truck sales in Europe for 2020 to 2023 are lower than previously issued forecasts. In addition, the Company's closing stock price (which fluctuated higher and lower than the December 31, 2018 stock price during the first two quarters) has ranged between a low of $2.41 and high of $3.74 during the third quarter with a price of $2.89 as of September 30, 2019, representing a 40 percent decline in market capitalization since December 31, 2018. While these factors may indicate a potential decline in the fair value of the European reporting unit, we do not have sufficient evidence to conclude that it is more likely than not that the carrying value of the European reporting unit exceeds its fair value. The Company plans to complete its long-term business planning in the fourth quarter of 2019. These financial projections are a key input into the quantitative impairment test of goodwill and indefinite-lived intangibles, which we plan to perform in the fourth quarter.

Also see Item 7— "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our 2018 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency. We have business operations in the United States, Mexico, Germany and Poland. 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.

In accordance with our corporate risk management policies, we may enter into foreign currency forward, swap and option contracts with financial institutions to mitigate foreign currency exposures associated with certain existing assets and liabilities, firmly committed transactions and forecasted future cash flows. We have implemented a program to hedge a portion of our Peso, Zloty and Euro foreign exchange exposure, for up to approximately 48 months. We do not use derivative contracts for trading, market-making, or speculative purposes. For additional information on our derivatives, refer to Note 4, "Derivative Financial Instruments" in the notes to these condensed consolidated financial statements.

At September 30, 2019, the net fair value asset of foreign currency exchange derivatives with an aggregate notional value of $558.4 million was $3.2 million. The potential loss in fair value of such financial instruments from a 10 percent adverse change in foreign currency exchange rates would be $59.7 million at September 30, 2019.

Interest Rate Risk. At September 30, 2019, approximately $375.8 million of our debt bears interest at variable rates, currently 6.1 percent. A 100 basis point change in our rate would result in an increase or decrease in our interest expense of $3.8 million. We have entered into interest rate swaps exchanging floating for fixed rate interest payments in order to reduce interest rate volatility. At September 30, 2019 the fair value liability for interest rate swaps with a notional value of $260 million was $7.1 million. These swaps mature as follows: $25.0 million in March 31, 2020, $35.0 million in December 31, 2020, $50 million September 30, 2022 and $150 million in December 31, 2022. In the future, we may again enter into interest rate swaps to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

Also see Item 7A—"Quantitative and Qualitative Disclosures About Market Risk" in Part II of our 2018 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of our 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 30, 2019. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2019 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 nine months ended September 30, 2019 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. See also under Item 1A, “Risk Factors - We are from time to time subject to litigation, which could adversely impact our financial condition or results of operations” of our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 1A. Risk Factors

See Part I—Item 1A— “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

Not applicable.

Item 5. Other Information

On October 30, 2019, the Company entered into an amendment to the management board service contract of Andreas Meyer, dated September 26, 2019 and effective November 1, 2019 (the “Amendment”). The Amendment provides that Mr. Meyer will receive a €70,000 sign-on bonus within 30 days following his employment start date, which is intended to make up for certain long-term incentives and the annual incentive opportunity that Mr. Meyer forfeited with his current employer by resigning before year-end. The foregoing description of the Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which is attached hereto as Exhibit 10.3.

Item 6. Exhibits

10.1	Retention Award Letter, dated August 8, 2019, between Matti Masanovich and Superior Industries International, Inc.*, **
10.2	Management Board Member Service Contract, dated September 26, 2019, between Superior Industries Europe AG and Andreas Meyer.*, **
10.3	Amendment Agreement, dated October 30, 2019, to the Management Board Member Service Contract, dated September 26, 2019, between Superior Industries Europe AG and Andreas Meyer.*, **
10.4	Superior Industries International, Inc. 2019 Inducement Grant Plan (Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8 dated August 8, 2019).*
31.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.**
31.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.**
32.1	Certification of Majdi B. Abulaban, President and Chief Executive Officer, and Matti M. Masanovich, 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.INS	XBRL Instance Document.***
101.SCH	XBRL Taxonomy Extension Schema Document.***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.***

* Indicates management contract or compensatory plan or arrangement.
** Filed herewith.
*** Submitted electronically with the Report.

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, 2019	/s/ Majdi B. Abulaban Majdi B. Abulaban President and Chief Executive Officer
Date: November 4, 2019	/s/ Matti M. Masanovich Matti M. Masanovich Executive Vice President and Chief Financial Officer