GOLD RESERVE INC
Form 6-K
August 12, 2009

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the month of August, 2009

Commission File Number: 001-31819

Gold Reserve Inc.

(Exact name of registrant as specified in its charter)

926 W. Sprague Avenue, Suite 200
Spokane, Washington 99201
(Address of principal executive offices)

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

Form 20-F x Form 40-F x

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

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): ____________

Filed with this Form 6-K are the following, which are incorporated herein by reference:

99.1	**June 30, 2009 Interim Consolidated Financial Statements**
99.2	**June 30, 2009 Management s Discussion and Analysis**
99.3	**Chief Executive Officer s Certification of Interim Filings**
99.4	**Chief Financial Officer s Certification of Interim Filings**

Forward Looking Statements

Certain statements included herein constitute forward-looking statements that may state Gold Reserve s or its management s intentions, hopes, beliefs, expectations or predictions for the future. In this report, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies. We caution that such forward-looking statements involve known and unknown risks, uncertainties and other risks that may cause the actual financial results, performance, or achievements of Gold Reserve to be materially different from our estimated future results, performance, or achievements expressed or implied by those forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation; the outcome of any potential proceedings under the Venezuelan legal system or before arbitration tribunals as provided in investment treaties entered into between Venezuela, Canada and Barbados to determine the compensation due to Gold Reserve in the event that Gold Reserve and the Venezuelan government do not reach an agreement regarding construction and operation of the Brisas project, or the Brisas project is transferred to the Venezuelan government and the parties do not reach agreement on compensation; concentration of operations and assets in Venezuela; corruption; requests for improper payments; competition with companies that are not subject to or do not follow Canadian and U.S. laws and regulations; regulatory, political and economic risks associated with Venezuelan operations; uncertain legal enforcement (including changes in previously established laws, legal regimes, rules, regulations or processes- such as restrictions on gold sales and currency controls); the ability to obtain, maintain or re-acquire the necessary permits or additional funding for the development of the Brisas project; the result or outcome of the trial regarding Rusoro Mining Ltd. s enjoined hostile takeover bid; significant differences or changes in any key findings or assumptions previously determined by us or our experts in conjunction with our 2005 bankable feasibility study (as updated in 2007 or modified from time to time) due to actual results in our expected construction and production at the Brisas Project (including capital and operating cost estimates); the method and manner of our determination of reserves, risk that actual mineral reserves may vary considerably from estimates presently made; impact of currency, metal prices and metal production volatility; fluctuations in energy prices; changes in proposed development plans (including technology used); our dependence upon the abilities and continued participation of certain key employees; the prices, production levels and supply of and demand for gold and copper produced or held by Gold Reserve; the potential volatility of Gold Reserve s Class A common shares; the price and value of Gold Reserve s notes, including any conversion of notes into Gold Reserve s Class A common shares; the prospects for exploration and development of projects by Gold Reserve; and risks normally incident to the operation and development of mining properties.

This list is not exhaustive of the factors that may affect any of Gold Reserve s forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to Gold Reserve or persons acting on its behalf are expressly qualified in their entirety by this notice. Gold Reserve disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to its disclosure obligations under applicable rules promulgated by the U.S. Securities and Exchange Commission (the SEC).

In addition to being subject to a number of assumptions, forward-looking statements contained herein involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including the risks identified under Important Note for U.S. Investors Concerning Resource Calculations as well as the risks identified in the filings by Gold Reserve with the SEC and Canadian provincial securities regulatory authorities, including Gold Reserve s annual information form for the year ended December 31, 2008, dated March 31, 2009, and Gold Reserve s Annual Report on Form 20-F for the fiscal year ended December 31, 2008 filed with the SEC on March 31, 2009.

(Signature page follows)

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.

Dated: August 12, 2009

GOLD RESERVE INC.

(Registrant)

By:	s/Robert A. McGuinness
Name:	Robert A. McGuinness

Title: Vice President Finance & CFO

EXHIBIT 99.1

June 30, 2009 Interim Consolidated Financial Statements

GOLD RESERVE INC.

June 30, 2009

Interim Consolidated Financial Statements

U.S. Dollars
(unaudited)

CONSOLIDATED BALANCE SHEETS

June 30, 2009 ***(unaudited)***

U.S. Dollars	**June 30, 2009**	**December 31, 2008**
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	$ 63,227,897	$ 91,550,167
Marketable equity securities (Note 4)	2,185,381	1,342,760
Deposits, advances and other	1,302,790	1,123,002
Total current assets	66,716,068	94,015,929
Property, plant and equipment, net (Note 8)	184,868,921	175,132,478
Marketable debt securities (Note 5)	10,271,151	
Restricted cash (Note 13)	16,760,864	17,509,672
Prepaid and other	904,326	956,435
Total assets	$ 279,521,330	$ 287,614,514
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$ 4,472,021	$ 8,134,708
Accrued interest	234,550	236,848
Total current liabilities	4,706,571	8,371,556
Convertible notes (Note 11)	92,152,456	91,829,699

Minority interest in consolidated subsidiaries	2,301,859	2,306,823
Total liabilities	99,160,886	102,508,078
Measurement uncertainty (Note 1)		
Commitments (Note 13)		
SHAREHOLDERS' EQUITY		
Serial preferred stock, without par value, none issued		
Common shares and equity units, without par value (Note 12)	247,893,297	247,501,272
Equity component of convertible notes (Note 11)	28,652,785	28,774,221
Less common shares held by affiliates	(636,267)	(636,267)
Stock options	9,813,544	9,428,802
Accumulated deficit	(104,679,303)	(100,180,541)
Accumulated other comprehensive income (loss)	(572,921)	329,640
KSOP debt	(110,691)	(110,691)
Total shareholders' equity	180,360,444	185,106,436
Total liabilities and shareholders' equity	$ 279,521,330	$ 287,614,514

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

Approved by the Board of Directors:

s/ Chris D. Mikkelsen s/ Patrick D. McChesney

Page 1

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three and Six Months Ended June 30, 2009 and 2008 *(unaudited)*

		Three Months Ended		**Six Months Ended**
		2008		**2008**
U.S. Dollars	**2009**	(restated, Note 2)	**2009**	(restated, Note 2)
OTHER INCOME				
Interest	$ 67,310	$ 621,813	$ 147,252	$ 1,818,419
Foreign currency gain (loss)	(28,971)	146,601	(50,921)	444,184
Gain on extinguishment of debt			601,936	
Gain (loss) on disposition of marketable securities	1,853,983		1,853,983	(243,053)
	1,892,322	768,414	2,552,250	2,019,550
EXPENSES				

General and administrative	1,360,948	2,302,758	2,497,252	4,452,180
Technical services	787,203	1,830,286	1,680,093	3,060,101
Takeover defense and litigation (Note 14)	(32,107)		2,000,005	
Corporate communications	180,346	461,416	349,011	699,399
Legal and accounting	154,326	138,171	362,938	429,632
	2,450,716	4,732,631	6,889,299	8,641,312
Net loss before tax and minority interest	$ (558,394)	$ (3,964,217)	$ (4,337,049)	$ (6,621,762)
Minority interest	7,645	(6,649)	4,964	(16,720)
Net loss before tax	$ (550,749)	$ (3,970,866)	$ (4,332,085)	$ (6,638,482)
Income tax expense	(236,807)	(202,069)	(166,677)	(393,230)
Net loss for the period	$ (787,556)	$ (4,172,935)	$ (4,498,762)	$ (7,031,712)
Net loss per share, basic and diluted	$ (0.01)	$ (0.07)	$ (0.08)	$ (0.13)
Weighted average common shares outstanding	57,421,516	56,058,821	57,191,673	55,771,163

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

CONSOLIDATED STATEMENTS OF DEFICIT

For the Six Months Ended June 30, 2009 and 2008 *(unaudited)*

U.S. Dollars	
Deficit, December 31, 2008	$ (100,180,541)
Net loss for the period	(4,498,762)
Deficit, June 30, 2009	$ (104,679,303)
Deficit, December 31, 2007 (restated, Note 2)	$ (80,454,420)
Net loss for the period (restated, Note 2)	(7,031,712)
Deficit, June 30, 2008 (restated, Note 2)	$ (87,486,132)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Three and Six Months Ended June 30, 2009 and 2008 *(unaudited)*

U.S. Dollars	Three Months Ended 2009	Three Months Ended 2008 (restated, Note 2)	Six Months Ended 2009	Six Months Ended 2008 (restated, Note 2)
Net loss for the period	$ (787,556)	$ (4,172,935)	$ (4,498,762)	$ (7,031,712)
Other comprehensive loss, net of tax:				
Unrealized gain (loss) on marketable securities	816,597	(389,285)	951,422	(997,112)
Adjustment for realized (gains) losses				
included in net loss	(1,853,983)		(1,853,983)	243,053
Other comprehensive loss	(1,037,386)	(389,285)	(902,561)	(754,059)
Comprehensive loss for the period	$ (1,824,942)	$ (4,562,220)	$ (5,401,323)	$ (7,785,771)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Six Months Ended June 30, 2009 and 2008 *(unaudited)*

U.S. Dollars	Three Months Ended 2009	Three Months Ended 2008 (restated, Note 2)	Six Months Ended 2009	Six Months Ended 2008 (restated, Note 2)
Cash Flows from Operating Activities:				
Net loss for the period	$ (787,556)	$ (4,172,935)	$ (4,498,762)	$ (7,031,712)
Adjustments to reconcile net loss to net cash				
used by operating activities:				
Stock option compensation	199,906	527,082	384,742	1,157,937
Depreciation	53,954	55,258	108,047	113,565
Amortization of premium on marketable securities	13,584		13,584	
Gain on extinguishment of debt			(601,936)	
Foreign currency (gain) loss	35,586	(213,947)	108,078	(610,219)
Minority interest in net (income) loss of				
consolidated subsidiaries	(7,645)	6,648	(4,964)	16,719
Net loss (gain) on disposition of marketable securities	(1,853,983)		(1,853,983)	243,053

Future income tax expense	239,270	200,540	169,815	388,454
Shares issued for compensation		2,228,501	392,025	2,462,484
Changes in non-cash working capital:				
Net (increase) decrease in deposits and advances	413,623	(954,852)	(207,288)	(1,081,532)
Net increase (decrease) in accounts payable				
and accrued expenses	(1,702,128)	383,763	(3,706,225)	(5,277,877)
Net cash used in operating activities	(3,395,389)	(1,939,942)	(9,696,867)	(9,619,128)
Cash Flows from Investing Activities:				
Proceeds from disposition of marketable securities	2,574,279	1,000,000	3,074,279	2,716,821
Purchase of marketable securities	(12,920,028)	(1,000,000)	(13,420,028)	(1,512,239)
Purchase of property, plant and equipment	(2,851,248)	(15,389,918)	(5,755,898)	(21,388,115)
Decrease in restricted cash	748,808	10,582,338	748,808	11,749,656
Capitalized interest paid on convertible notes	(2,828,841)	(2,846,250)	(2,828,841)	(2,846,250)
Other	2,896	(197,050)	(28,469)	(216,294)
Net cash used in investing activities	(15,274,134)	(7,850,880)	(18,210,149)	(11,496,421)
Cash Flows from Financing Activities:				
Net proceeds from the issuance of common shares				309,205
Extinguishment of convertible notes			(415,254)	
Net cash (used in) provided by financing activities			(415,254)	309,205
Change in Cash and Cash Equivalents:				
Net decrease in cash and cash equivalents	(18,669,523)	(9,790,822)	(28,322,270)	(20,806,344)
Cash and cash equivalents - beginning of period	81,897,420	83,665,054	91,550,167	94,680,576
Cash and cash equivalents - end of period	$ 63,227,897	$ 73,874,232	$ 63,227,897	$ 73,874,232

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

Selected Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008 *(unaudited)*

Expressed in U.S. Dollars

1. Basis of Presentation and Measurement Uncertainty

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in Canada for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in Canada for complete financial statements.

In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position of Gold Reserve Inc. and subsidiaries (the Company, we, us, or our) as of June 30, 2009, and the results of operations and the cash flows for the three and six months ended June 30, 2009 and 2008. The results of operations for the six months ended June 30, 2009 and 2008 are not necessarily indicative of the results to be expected for the full year.

Except as noted in Note 2 below, these financial statements follow the same accounting policies and methods of their application as the most recent consolidated annual audited financial statements, and should be read in conjunction with the consolidated financial statements, including notes thereto, included in the 2008 annual report.

Our operations in Venezuela are subject to the effects of changes in legal, tax and regulatory regimes, national and local political issues, Venezuelan legal system, labor and economic developments, social and political unrest, currency and exchange controls, import/export restrictions, government bureaucracy, corruption and uncertain legal enforcement. At June 30, 2009, with the exception of machinery and equipment deposits, substantially all of the Company's property, plant and equipment are related to the Brisas Project and Choco 5 property, both of which are located in Venezuela (See footnote 8 Property, Plant and Equipment- Venezuela).

In May 2008, the Company received notification from the Venezuelan Ministry of Environment of its decision to revoke the Authorization for the Affectation of Natural Resources for the Construction of Infrastructure and Services Phase of the Brisas Project (the Authorization to Affect). More recently, in May 2009, MIBAM denied the normal course extension of our Brisas del Cuyuni alluvial gold concession and also denied the extension of the El Pauji concession held for infrastructure purposes in contravention of its own laws.

Management s capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are based on, among other things, the Company s estimate of current mineral reserves and resources which are based on engineering and geological estimates, estimated gold and copper prices, estimated plant construction and operating costs and the procurement of all necessary regulatory permits and approvals, compliance with the terms of our concessions and related agreements and our adherence to Venezuelan mining laws.

In addition, the Company records amounts paid for value-added tax as a non-current asset based on the assumption that these amounts will be recoverable when the Brisas Project begins production. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded as property and mineral rights, capitalized exploration and development costs and other assets. The Company operates and files tax returns in a number of jurisdictions. The preparation of such tax filings requires considerable judgment and the use of assumptions. Accordingly, the amounts reported could vary in the future.

The Company believes that its concession rights remain in good standing, holds an operating plan as revised approved by the Ministry of Energy and Mines in 2003, the predecessor to the current MIBAM, holds an Environmental and Social Impact Study for the Construction of Infrastructure and for the Exploitation and Processing of Gold and Copper Ore (the ESIA) approved by MinAmb in early 2007, and is in receipt of accreditation letters of technical compliance for the properties that comprise the Brisas Project from MIBAM in the third quarter of 2008. As a result, until the impasse with the Venezuelan government is clarified management has concluded that no adjustment to the carrying value of capitalized costs associated with the development of Brisas is warranted at this time.

It remains our intent to settle this dispute amicably, notwithstanding our notice to the Venezuelan government of our investment dispute related to the impasse at the Brisas Project. As of the date of this report, the Company has not been able to confirm how the government wishes to proceed regarding the resolution of our investment dispute and as a result it is unclear how future actions by the government will effect operations or impair the carrying value of the capitalized costs associated with Brisas.

The Company is working with various government officials to resolve this matter and the ultimate resolution, if unfavorable, could result in a material impairment in the carrying value of the amounts recorded as property, plant and equipment, which totaled $184.9 million at June 30, 2009. In addition to the investment dispute discussed herein current or future laws and regulations implemented by the Venezuelan government including restrictions on gold sales and currency controls or other factors beyond our control could adversely affect our operations and investment in Venezuela in the future.

Selected Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008 *(unaudited)*

Expressed in U.S. Dollars

2. Restatement and New Accounting Policies

The Company restated its June 30, 2008 financial statements due to the adoption of EIC 172, Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain in Other Comprehensive Income. This abstract provides guidance on whether the tax benefit of tax loss carryforwards consequent to the recording of unrealized gains in other comprehensive income, such as unrealized gains on available-for-sale securities, should be recognized in net income or in other comprehensive income. Upon adoption effective September 30, 2008, EIC 172 was applied retrospectively with restatement of prior periods from January 1, 2007 resulting in reclassifications of $200,540 and $388,454 of income tax expense from other comprehensive loss to net loss for the three and six months ended June 30, 2008, respectively.

Accounting Policy adopted effective January 1, 2009:

CICA Section 3064, Goodwill and Intangible Assets. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on the Company s financial statements.

Accounting Policy adopted effective July 1, 2009:

FASB 165, Subsequent events. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The adoption of this standard will not have a material impact on the Company s financial statements.

Future Accounting Policies:

CICA Section 1582, Business Combinations. This Section replaces Section 1581 and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company is currently evaluating the impact of this Section on its financial statements.

CICA Section 1601, Consolidated Financial Statements. This section establishes standards for the preparation of consolidated financial statements and applies to financial reporting periods beginning on or after January 1, 2011. The Company is currently evaluating the impact of this Section on its financial statements.

CICA Section 1602, Non-Controlling Interests. This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination and applies to financial reporting periods beginning on or after January 1, 2011. The Company is currently evaluating the impact of this Section on its financial statements.

3. Cash and Cash Equivalents

	June 30, 2009	December 31, 2008
Bank deposits	$ 57,874,669	$ 85,925,019
Money market funds	5,353,228	5,625,148
Total	$ 63,227,897	$ 91,550,167

The above amounts exclude restricted cash of approximately $16.8 million and $17.5 million as at June 30, 2009 and December 31, 2008, respectively. See Note 13, Commitments. At June 30, 2009 and December 31, 2008, the Company had approximately $358,000 and $205,000 respectively, in Venezuela and banks outside Canada and the U.S.

Selected Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008 ***(unaudited)***

Expressed in U.S. Dollars

4. Marketable Equity Securities

	June 30, 2009	December 31, 2008
Fair value at beginning of year	$ 1,342,760	$ 4,987,511
Acquisitions	2,135,293	12,239
Dispositions, at cost	(220,296)	(1,459,874)
Realized (gain) loss on sale	(1,853,983)	243,053
Unrealized gain (loss)	781,607	(2,440,169)
Fair value at balance sheet date	$ 2,185,381	$ 1,342,760

The Company s marketable equity securities are classified as available-for-sale and are recorded at quoted market value with gains and losses recorded within other comprehensive income until realized. As of June 30, 2009 and December 31, 2008 marketable securities had a cost basis of $2,758,301 and $843,305, respectively.

5. Marketable Debt Securities

	June 30, 2009	December 31, 2008
Amortized cost	$ 10,271,151	$

The Company s marketable debt securities are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method.

6. Financial Instruments

The fair values as at June 30, 2009 and December 31, 2008 along with the carrying amounts shown on the consolidated balance sheets for each classification of financial instrument are as follows:

		June 30, 2009		December 31, 2008	
	Classification	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	held for trading	$ 63,227,897	$ 63,227,897	$ 91,550,167	$ 91,550,167
Restricted cash	held for trading	16,760,864	16,760,864	17,509,672	17,509,672
Marketable equity securities	available for sale	2,185,381	2,185,381	1,342,760	1,342,760
Marketable debt securities	held to maturity	10,271,151	10,271,151		

Derivative liability	held for trading			1,442,635	1,442,635
A/P and accruals	other financial liabilities	4,472,021	4,472,021	6,692,073	6,692,073
Accrued interest	other financial liabilities	234,550	234,550	236,848	236,848
Convertible notes	other financial liabilities	92,152,456	51,686,245	91,829,699	37,723,480

Fair value estimates for marketable equity securities are made at the balance sheet date by reference to published price quotations in active markets. At June 30, 2009 and December 31, 2008, the fair value of the convertible notes was estimated using an indicative valuation based on recent market information.

The Company is exposed to various risks including credit risk, liquidity risk, currency risk and interest rate risk as described below:

a) Credit risk is the risk that a counterparty will fail to meet its obligations to the Company. The Company s primary exposure to credit risk is through its cash and cash equivalents and restricted cash balances. The Company diversifies its cash holdings into major Canadian and U.S. financial institutions and corporations.

Selected Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008 *(unaudited)*

Expressed in U.S. Dollars

b) Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company manages this risk by maintaining adequate cash balances through equity and debt offerings to meet its current and foreseeable obligations. The following table presents the Company s payments due on accounts payable and accrued expenses and its undiscounted interest and principal payments due on its convertible notes, based on the estimate that the term of the notes will end on June 15, 2012. If the notes were to reach their contractual maturity date of June 15, 2022, additional interest payments would amount to $56.3 million over the additional ten year term of the notes.

	Payments due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
A/P and accruals	$ 4,472,071	$ 4,472,071			
Interest	16,887,585	5,629,195	$ 11,258,390		
Principal	102,349,000		102,349,000		
Total	$ 123,708,656	$ 10,101,266	$ 113,607,390		

c) The Company is subject to currency risk mainly due to its operations in Venezuela. Transactions denominated in foreign currency are exposed to exchange rate fluctuations which have an impact on the statement of operations. The Company s cash, value added tax and other monetary assets and liabilities that are held in Venezuelan and Canadian currency are subject to fluctuations against the US dollar. A 10% weakening of those currencies against the US dollar would have increased the Company s net loss from the translation of foreign currency denominated financial instruments, for the six months ended June 30, 2009 and 2008, by the amounts shown below.

	2009	2008
Venezuelan Bolívar	$ 69,580	$ 87,443
Canadian dollar	625	15,968
Total	$ 70,205	$103,411

The Company limits the amount of currency held in non-U.S dollar accounts, but does not actively use derivative instruments to limit its exposure to fluctuations in foreign currency rates.

d) The Company is subject to the risk that changes in market interest rates will cause fluctuations in the fair values of its financial instruments. Cash and cash equivalents earn floating market rates of interest. Other current financial assets and liabilities are generally not exposed to this risk because of their immediate or short-term maturity. The interest rate on the Company s convertible notes is fixed and therefore the interest payments are not subject to changes in market rates of interest.

7. Capital Management

The capital structure of the Company consists of common shares and equity units, convertible notes, stock options, accumulated deficit, accumulated other comprehensive income and KSOP debt. The Company s objectives when managing its capital are to:

a) maintain sufficient liquidity in order to meet financial obligations including the costs of developing mining projects and servicing debt;

b) safeguard the Company s assets and its ability to continue as a going concern and

c) maintain a capital structure that provides the flexibility to access additional sources of capital with minimal dilution to existing shareholders.

The Company manages its capital consistent with the objectives stated above and makes adjustments to its capital structure based on
economic conditions and the risk characteristics of the underlying assets. The Company is in compliance with the covenants of its convertible notes. There were no changes to the Company s capital management during 2009.

Selected Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008 *(unaudited)*

Expressed in U.S. Dollars

8. Property, Plant and Equipment

	Cost	Accumulated Depreciation	Net
June 30, 2009			
United States			
Furniture and office equipment	$ 497,909	$ (378,959)	$ 118,950
Leasehold improvements	41,190	(36,096)	5,094
	$ 539,099	$ (415,055)	$ 124,044
Venezuela			
Property and mineral rights	$ 11,252,335		$ 11,252,335
Capitalized exploration costs	84,596,766		84,596,766
Capitalized interest	35,532,984		35,532,984

Machinery and equipment deposits	52,541,600		52,541,600
Buildings	756,282	(391,593)	364,689
Furniture and office equipment	602,476	(537,356)	65,120
Transportation equipment	636,187	(467,221)	168,966
Machinery and equipment	548,964	(326,547)	222,417
	186,467,594	(1,722,717)	184,744,877
Total	$ 187,006,693	$ (2,137,772)	$ 184,868,921

	Cost	Accumulated Depreciation	Net
December 31, 2008			
United States			
Furniture and office equipment	$ 485,036	$ (355,924)	$ 129,112
Leasehold improvements	35,633	(35,633)	
	$ 520,669	$ (391,557)	$ 129,112
Venezuela			
Property and mineral rights	$ 11,252,335		$ 11,252,335
Capitalized exploration costs	84,267,573		84,267,573
Capitalized interest	31,487,930		31,487,930
Machinery and equipment deposits	47,081,189		47,081,189
Buildings	756,282	(368,600)	387,682
Furniture and office equipment	602,476	(519,883)	82,593
Transportation equipment	636,187	(425,685)	210,502
Machinery and equipment	557,561	(323,999)	233,562
	176,641,533	(1,638,167)	175,003,366
Total	$ 177,162,202	$ (2,029,724)	$ 175,132,478

Machinery and equipment deposits include amounts paid for infrastructure and milling equipment either in the manufacturing stage or being stored by the manufacturer.

9. Geographic Segments

Net Loss (Income) for the Three and Six Months Ended June 30, 2009 and 2008

	Three Months Ended		Six Months Ended	
	2009	2008 (restated, Note 2)	2009	2008 (restated, Note 2)
US/Canada	$ (1,151)	$ 3,088,518	$ 3,036,530	$ 5,452,037
Venezuela	789,707	1,084,417	1,462,232	1,579,675
Consolidated	$ 787,556	$ 4,172,935	$ 4,498,762	$ 7,031,712

10. Stock Based Compensation

The Company has two equity incentive plans; the 1997 Equity Incentive Plan (last amended in March 2006 and last re-approved by the shareholders in June 2009, the 1997 Plan) and the 2008 Venezuelan Equity Incentive Plan (approved by the shareholders in June 2008, the Venezuelan Plan). Both plans permit the grants of stock options, stock appreciation rights and restricted stock, or any combination thereof, and each shall be 10% of the Company s outstanding shares, from time to time. The grants will be for terms up to ten years with vesting periods ranging from immediate to up to 3 years. As of June 30, 2009, there were a total of 48 participants in the plans.

Insiders (officers and directors) of the Company and its subsidiaries are not eligible to participate in the Venezuelan Plan. Subsequent to shareholder approval in June 2008, 1,056,947 options previously granted to Venezuelan employees and consultants under the 1997 Plan were transferred to the Venezuelan Plan. The 1997 Plan remains available for insiders, employees and consultants of the Company.

Combined share option transactions for the six months ended June 30, 2009 and 2008 are as follows:

	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	5,007,931	$ 3.18	4,445,139	$ 4.14
Options exercised			(162,133)	1.91
Options expired	(382,922)	4.15		
Options forfeited	(10,000)	4.83	(65,000)	4.69
Options granted	547,500	0.73		
Options outstanding at end of period	5,162,509	2.85	4,218,006	4.22
Options exercisable at end of period	3,693,199	$ 3.74	3,201,896	$ 4.07
Options available for grant at end of period under 1997 plan	1,610,988		1,222,536	
Options available for grant at end of period				

under Venezuelan plan	4,860,661	
	Price Range	Price Range
Exercise price at end of period	$0.29 - $ 5.36	$ 0.72 - $ 5.36
Exercise price for exercisable shares	$0.29 - $ 5.36	$ 0.72 - $ 5.36

Selected Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008 *(unaudited)*

Expressed in U.S. Dollars

The following table relates to stock options at June 30, 2009

Price Range	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price of Exercisable Options
$0.29 - $0.29	1,303,352	4.43	$0.29	434,442	$0.29
$0.73 - $1.89	974,000	3.25	$1.24	426,500	$1.89
$3.39 - $4.19	881,000	1.81	$3.97	881,000	$3.97
$4.22 - $4.62	476,500	2.25	$4.46	456,100	$4.47
$4.83 - $4.83	1,248,657	1.11	$4.83	1,216,157	$4.83
$5.07 - $5.36	279,000	2.42	$5.19	279,000	$5.19
$0.29 - $5.36	5,162,509	2.65	$2.85	3,693,199	$3.74

The Company recorded compensation expense, during the six months ended June 30, 2009 and 2008, of $384,741 and $1,157,937, respectively, for stock options granted. During the six months ended June 30, 2009, 547,500 new options were granted. The fair value of options granted was calculated at $323,449 using the Black-Scholes model based on the following assumptions:

Weighted average risk free interest rate	1.46%
Expected life	4.6 years
Expected volatility	120%
Dividend yield	nil

In addition to the equity incentive plans, the Company also maintains the Gold Reserve Director and Employee Retention Plan. Units granted under the plan become fully vested and payable upon achievement of certain milestones related to the Brisas project or in the event of a change of control. Each Unit granted to a participant entitles such person to receive a cash payment equal to the fair market value of one Gold Reserve Class A Common Share (1) on the date the Unit was granted or (2) on the date any such participant becomes entitled to payment, whichever is greater. As of June 30, 2009, an aggregate of 1,732,500 unvested Units have been granted to directors, executive officers and affiliates of the Company and 315,000 Units have been granted to other participants. The value of these units, based on the grant date value of the Class A shares, was approximately $8.9 million.

11. Convertible Notes

In May 2007, the Company issued $103,500,000 aggregate principal amount of its 5.50% Senior subordinated convertible notes. The notes are unsecured, bear interest at a rate of 5.50% annually, pay interest semi-annually in arrears and are due on June 15, 2022. The notes are convertible into Class A common shares of the Company at the initial conversion rate, subject to adjustment, of 132.626 shares per $1,000 principal amount (equivalent to a conversion price of $7.54). Upon conversion, the Company will have the option, unless there has occurred and is then continuing an event of default under the Company s indenture, to deliver common shares, cash or a combination of common shares and cash for the notes surrendered.

At December 31, 2008, the Company revised its estimate of the expected life of the notes to June 15, 2012 and adjusted the carrying value accordingly. The adjusted carrying value was calculated by computing the present value of the estimated future interest and principal payments at the original effective interest rate. As a result of this change, the carrying value of the notes increased by approximately $20.5 million with a corresponding increase in capitalized interest and accretion The note holders have the option to require the Company to repurchase the notes on June 15, 2012, at a price equal to 100% of the principal amount of the notes plus accrued but unpaid interest. The Company may elect to satisfy its obligation to pay the repurchase price, in whole or in part, by delivering Common Shares. In the event of a change of control of the Company, the Company will be required to offer to repurchase the notes at a purchase price equal to 100% of the principal amount of the notes plus accrued but unpaid interest unless there has occurred and is continuing certain events of default under the Company s indenture.

At any time on or after June 16, 2010, and until June 15, 2012, the Company may redeem the notes, in whole or in part, for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest if the closing sale price of the Common Shares is equal to or greater than 150% of the conversion price then in effect and the closing price for the Company s Common Shares has remained above that price for at least twenty trading days in the period of thirty trading days preceding the Company s notice of redemption. Beginning on June 16, 2012, the Company may, at its option, redeem all or part of the notes for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest.

Selected Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008 *(unaudited)*

Expressed in U.S. Dollars

Canadian accounting standards require the Company to allocate the notes between their equity and debt component parts based on their respective fair values at the time of issuance. The liability component was computed by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated equity component. The equity portion of the notes was estimated using the residual value method at approximately $29 million, net of issuance costs. The fair value of the debt component is accreted to the face value of the notes using the effective interest rate method over the expected life of the notes, with the resulting charge recorded as interest expense. The expected life of the notes is an estimate and is subject to change, if warranted by facts and circumstances related to the potential early redemption of the notes by either the Company or the holders. Interest and accretion expense allocable to the qualifying cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use. The Company capitalized interest and accretion expense totaling $4.0 million and $3.4 million, during the six months ended June 30, 2009 and 2008, respectively.

As of June 30, 2009, convertible notes with a face value of $1,151,000 had been converted for cash or repurchased by the Company at a total cost of approximately $451,000. At June 30, 2009 and December 31, 2008, the fair value of the convertible notes was estimated to be $51.7 million and $37.7 million, respectively, based on recent market information

12. Common Shares and Equity Units

During the six months ended June 30, 2009, the Company issued 551,500 shares at an average price of $0.71 per share as compensation. As of June 30, 2009, there were a total of 57,670,555 Class A and 500,236 Class B shares issued.

During the six months ended June 30, 2008, the Company issued 162,133 shares at an average price of $1.91 per share upon exercise of stock options, and 524,625 shares at an average price of $4.69 per share were issued as compensation.

13. Commitments

In mid 2007, we commenced procurement efforts with the assistance of SNC-Lavalin and placed orders for the gyratory crusher, pebble crushers, SAG and ball mills and related processing equipment, mill motors, and other equipment for the Brisas Project. In November 2008, we sold a portion of this equipment recovering $19.2 million in deposits and reducing our future commitment by $21.9 million while incurring a $1.3 million loss as a result of changes in foreign currency exchange rates. As of June 30, 2009, the Company has equipment commitments totaling $73.0 million and has made payments on these orders of $52.1 million. Payments on the remaining commitments of $20.9 million are due within one year. In connection with a portion of these commitments, the Company opened an irrevocable standby letter of credit with a Canadian chartered bank providing security on the performance of obligations. As of June 30, 2009 and December 31, 2008, the Company had restricted cash of $16.8 million and $17.5 million, respectively, as required by this letter of credit.

14. Takeover Defense and Litigation

On December 15, 2008, Rusoro Mining Ltd. (Rusoro) commenced an unsolicited offer to acquire all of the outstanding shares and equity units of the Company in consideration for three shares of Rusoro for each Company share or equity unit. On December 16, 2008, the Company filed an action in the Ontario Superior Court of Justice against Rusoro and Endeavour Financial International Corporation ("Endeavour") seeking an injunction restraining Rusoro and Endeavour from proceeding with Rusoro s unsolicited offer, significant monetary damages, and various other items.

On February 10, 2009, the Ontario Superior Court of Justice granted an interlocutory injunction restraining Rusoro from proceeding with any hostile takeover bid to acquire the shares of the Company until the conclusion and disposition at trial of the action commenced by the Company. The injunction was granted by the Court following a motion by the Company on the basis that Rusoro had access to or benefited from the use of the Company s confidential information as a result of Rusoro s relationship with Endeavour. The Court also issued an interlocutory injunction restraining Endeavour from having any involvement with a hostile takeover bid for the Company. The Court further required that Rusoro, Endeavour and their agents return to the Company both all the confidential information of the Company and also anything produced from that confidential information and pay the court costs. Following the issuance of the interlocutory injunctions, Rusoro withdrew its unsolicited offer to acquire the outstanding shares and equity units of the Company.

On February 15, 2009, Rusoro and Endeavour both served a motion with the Ontario Superior Court of Justice seeking permission to appeal to the Divisional Court the February 10, 2009 order that was granted against them. The Company opposed these motions which were heard in Toronto on April 2, 2009. On April 6, 2009 the permission to appeal was denied. The legal action commenced December 16, 2008 by the Company is ongoing. Rusoro has filed a counterclaim against the Company for, among other things, damages of Cdn $102.5 million allegedly arising from the Company s successful motion for an interlocutory injunction.

Costs associated with the takeover defense and litigation amounted to $2.0 million and $5.4 million in 2009 and 2008, respectively. A portion of these costs relates to contracts which require payment based on the consideration paid to the Company in the event of a transaction or, in the event of a successful defense, the consideration that would have been paid had a transaction been completed. These contracts are considered to be derivative instruments or to contain embedded derivatives because the amounts payable are linked to the

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Company s share price and accordingly they are accounted for at fair value with unrealized gains and losses recorded in income until completion of the terms of the contracts. At June 30, 2009, the value of the contracts has been determined and the contracts are no longer accounted for as derivatives.

15. Subsequent Event

In July 2009, the Company sold certain mining equipment that had been manufactured for use on the Brisas project. Upon close of the transaction, the Company received net proceeds of approximately $7.3 million for equipment with an original cost of approximately $10.8 million.

EXHIBIT 99.2

June 30, 2009 Management s Discussion and Analysis

GOLD RESERVE INC.

June 30, 2009

Management s Discussion and Analysis

U.S. Dollars

(unaudited)

Unless stated otherwise all references to US$, $ or dollars in this report are references to United States dollars and references to Cdn$ are to Canadian dollars.

Operations Overview

BRISAS PROJECT

The Company is engaged in the business of exploration and development of mining projects. Since 1992, the Company has focused substantially all of its corporate and operations management and financial resources on the development of its most significant asset, the Brisas gold and copper project (Brisas Project , Brisas or the Brisas Property), and more recently and to a lesser extent the exploration of its Choco 5 property, both located in Bolivar State of the Bolivarian Republic of Venezuela ("Venezuela").

Brisas is located in the Kilometre 88 mining district of the State of Bolivar in south-eastern Venezuela. Brisas is primarily comprised of a 500-hectare land parcel consisting of the Brisas alluvial concession and the Brisas hardrock concession beneath the alluvial concession. Together these concessions contain substantially all of the mineralization identified in the Brisas Report described below. Brisas also includes a number of other concessions, Corporacion Venezolana de Guayana ("CVG") work contracts, easements and pending applications for land use authorizations relating to as much as 11,000 hectares of land parcels adjacent to or near the existing alluvial and hardrock concessions.

Substantial work has been completed by the Company supporting the economic development of Brisas. In 2003 the Venezuelan Ministry of Mines (MIBAM) approved the Brisas Project operating plan and in 2007 the Venezuelan Ministry of Environment (MinAmb) approved the Brisas Environmental and Social Impact Study for the Exploitation and Processing of Gold and Copper Ore (Estudio de Impacto Ambiental y Sociocultural) (ESIA). As a result of these approvals and the Company's years of substantive effort and compliance with Venezuelan mining laws and regulations, the Venezuelan Ministry of Environment (MinAmb) in March 2007 issued the Authorization for the Affectation of Natural Resources for the Construction of Infrastructure and Services Phase of the Brisas Project (the Authorization to Affect).

In May 2008, MinAmb advised the Company of its decision to revoke the Authorization to Affect. MinAmb referenced in its formal notice, among other things, the existence of environmental degradation and affectation on the Brisas property, the presence of a large number of miners on or near the property, the Imataca Forest Reserve and the effects of global warming as the basis for their decision.

Venezuelan legal counsel advised management that the Authorization to Affect was granted to our Venezuelan subsidiary by MinAmb, a competent authority, following the corresponding legal procedure and in accordance with applicable laws and regulations. At the time the Authorization to Affect was issued, there was no legal norm prohibiting MinAmb from authorizing performance of mining activities in the area of the Brisas Project. Further, in response to the various points contained within the revocation notice, Venezuelan legal counsel advised management that the revocation of the Authorization to Affect is groundless and legally unsupported.

Shortly after the revocation the Company filed an appeal with the Minister of MinAmb outlining the facual flaws referenced in the revocation and requesting the Minister to reinstate the Company s Authorization to Affect. MinAmb has not yet issued an official decision regarding our appeal. In order to protect our rights under Venezuelan law, the Company also filed an appeal with the Political Administrative Chamber of the Venezuelan Supreme Court in March 2009 which was admitted in July 2009.

In April 2009, as a result of the Venezuelan Government s failure to reinstate the March 2007 permit and the lack of any meaningful dialog to resolve the prolonged obstruction of our rights to the Brisas Project, the Company notified the Bolivarian Republic of Venezuela of the existence of a dispute between the Company and the Venezuelan Government under both: (1) the Agreement between the Government of Canada and the Government of the Republic of Venezuela for the Promotion and Protection of Investments (Canada Venezuela Treaty) and (2) the Agreement between the Government of Barbados and the Government of the Republic of Venezuela for the Promotion and Protection of Investments (Barbados-Venezuela Treaty).

In May 2009, MIBAM denied the normal course extension of our Brisas alluvial concession which contains approximately 3% of the Brisas Project proven and probable gold reserves and also denied the extension of the El Pauji concession held for infrastructure purposes. The Company applied for the extension of both the Brisas alluvial concession and the El Pauji concession pursuant to Article 25 of the Venezuelan mining law, which provided MIBAM a six-month period ending in April 2008 and July 2008, respectively, to decide on the extension requests. MIBAM did not respond to either of our requests for extension during the requisite time period. As a result of MIBAM's failure to expressly deny the extension application in the requisite time period, the extension was automatically granted pursuant to Article 25 of the mining law.

MIBAM, in both extension denials, acknowledged that the Company timely filed its extension application and acknowledged that MIBAM made its evaluation on the status of the concession subsequent to the six month time period promulgated in Article 25 of the mining law effectively ignoring its own regulations and laws. More than one year after the six month time periods elapsed, MIBAM in internal reports asserts without evidence or prior notice to the Company that the Company is not in compliance with its obligations in regards to the concessions when in September 2008, subsequent to the lapse of the six month time period, the Company received from MIBAM a certificate of compliance (or good standing) of the Company s obligations set forth in the mining law and in the title for the Brisas alluvial concession.

Since MinAmb s revocation of the Authorization to Affect, management has communicated from time to time with members of MinAmb, MIBAM and other government officials with the intention of obtaining a resolution to the impasse. A number of alternatives have been discussed with government officials in addition to various public statements by the Minister of MIBAM and President Chavez. As a result of the discussions and various public statements the Company has not been able to confirm how the government wishes to proceed regarding the development of Brisas.

Not withstanding our April 2009 notification to the Venezuelan government, it remains our intent to settle this dispute amicably. We continue to believe there are two courses of action available to us in Venezuela at this time. 1) seek a financial settlement with the Venezuelan government if development is not permitted to proceed on terms acceptable to us; or 2) seek remedies either under Venezuela s domestic legal system or via bilateral investment treaties that we believe protect investments such as ours in Venezuela.

If this dispute cannot be settled amicably, the Company may file for international arbitration at anytime under the Barbados-Venezuela Treaty or after six months from April 21, 2009, the date of notification under the Canada-Venezuela Treaty. In the event the Company is compelled to file for international arbitration, we expect to make a claim for the fair market value of our investment at the time of the revocation which could be in excess of US$5 billion.

As a result of the delays in Venezuela, the uncertainty related to the future development of Brisas and the investment opportunities being created as a result of the world-wide financial crisis, management is actively evaluating opportunities available within the industry outside of

Venezuela. We have an experienced senior management team with considerable operational, financial and administrative experience and we continue to evaluate from time to time other opportunities outside of Venezuela. The timing of any such investment or transaction if any, and the amounts required which may include the redeployment of some or all of the processing equipment originally obtained for the Brisas Project, cannot be determined at this time.

Project Work to Date

Since acquiring Brisas in 1992, the Company has spent in excess of $250 million on the project (including capitalized costs and equipment recorded in the Consolidated Balance Sheet and operating costs in support of our Venezuelan operations recorded in the Consolidated Statement of Operations). In addition, approximately $20.9 million remains contractually committed for equipment as of June 30, 2009.

The costs expended include property and mineral rights, easements, acquisition costs, equipment expenditures, litigation settlement costs, general and administrative costs, extensive exploration costs including geology, geophysics and geochemistry, over 200,000 meters of drilling, independent audits of our drilling, sampling, assaying and ore reserves estimates, environmental baseline work/socioeconomic studies, hydrology studies, geotechnical studies, mine planning, advanced stage grinding and metallurgical test work, tailings dam designs, milling process flow sheet designs, Environmental Impact Statement and Bankable Feasibility Study, including a number of subsequent updates, detailed engineering which is approximately 85% complete and an independent CSA National Instrument 43-101 report which was most recently updated in March 2008. With the issuance of the Authorization to Affect, we commenced significant pre-construction procurement efforts which included contracts for site prep and construction camp facilities, submitting orders for the gyratory crusher, pebble crushers, SAG and ball mills, mill motors and other related processing equipment, early-works construction equipment and various other site equipment totaling approximately $125.3 million, accelerated detailed engineering, hired a number of senior technical staff, completed the sale of approximately $103.5 million of convertible notes and $74 million in new equity, launched a number of environmental and social initiatives and commenced preparation at the Brisas site for construction activities.

We have enjoyed broad support from the local communities. As part of our on-going commitment to the local region, we completed the construction of a medical facility and a computer and internet center, refurbished and expanded a local school and a community liaison commission facility, constructed new recreational and sport facilities, supported a number of farming and community development programs and continue to maintain the ongoing expenditures associated with these programs and facilities, including the Brisas Community Sport Program whereby over 800 children actively participate in daily supervised activities. In addition, we continue to monitor environmental parameters related to Brisas including monthly air and water quality studies, climate and hydrological information and biodiversity assessments. Management is evaluating the Company s social programs currently in place and the related financial commitment to the local and regional area which may be reduced or eliminated based on the ultimate resolution of the our dispute with the Venezuelan government.

Brisas Report

In March 2008, the Company updated and prepared a new Canadian Securities Act ("CSA") National Instrument 43-101 report for the Brisas Project, which is summarized below. The 2008 NI 43-101 report utilizes $600 per ounce gold and $2.25 per pound copper for the base-case economic model and at such prices, cash operating costs (net of copper byproduct credits) are estimated at $120 per ounce of gold. Total costs including cash operating costs, exploitation taxes, initial capital costs (excluding sunk cost), and sustaining capital costs are estimated at $268 per ounce of gold. The operating plan assumes a large open pit mine containing proven and probable reserves of approximately 10.2 million ounces of gold and 1.4 billion pounds of copper in 483 million tonnes of ore grading 0.66 grams of gold per tonne and 0.13% copper, at a revenue cutoff grade of $3.54 per tonne using a gold price of $470 per ounce and a copper price of $1.35 per pound. The operating plan anticipates utilizing conventional truck and shovel mining methods with the processing of ore at maximum production of 75,000 tonnes per day, yielding an average annual production of 457,000 ounces of gold and 63 million pounds of copper over an estimated mine life of approximately 18.25 years. The strip ratio (waste to ore) is estimated at 2.24:1. The estimated initial capital cost to construct and place Brisas into production totals $731 million excluding working capital, critical spares and initial fills of approximately $53 million and ongoing life-of-mine requirements estimated at $269 million. Initial capital cost estimates exclude value added taxes of approximately $54 million for which future exonerations may be available.

MINERAL RESOURCE AND RESERVE ESTIMATE

Cautionary Note to U.S. Investors. We advise U.S. investors that definitions contained in CSA National Instrument 43-101 differ in certain respects from those set forth in the U.S. Securities and Exchange Commission Industry Guide 7. This quarterly report uses the terms measured, indicated and inferred resource. We advise U.S. investors that while these terms are recognized and required by Canadian Securities Regulators, the U.S. Securities and Exchange Commission does not recognize them. U.S. investors are cautioned not to assume that the mineralization not already categorized as mineral reserves, will ever be converted into reserves. Further, an "inferred resource" has a great amount of uncertainty as

to its existence and its economic and legal feasibility. Under Canadian disclosure rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. U.S. investors are cautioned not to assume that part or all of an inferred resource exists, is economically or legally mineable or that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Also, while disclosure of contained ounces is permitted under Canadian regulations, the SEC generally requires mineral resource information to be reported as in-place tonnage and grade.

In March 2008 Pincock, Allen & Holt assisted the Company in the calculation of an updated mineral resource and reserve estimate in accordance with CSA National Instrument 43-101 which is summarized in the tables below. The qualified persons involved in the property evaluation and resource and reserve estimate were Susan Poos, P.E. of Marston & Marston Inc. and Richard Lambert, P.E., Richard Addison, P.E. and Bart Stone, C.P.G. of Pincock, Allen & Holt. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in this report have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System and not the SEC s Industry Guide 7. These standards differ from the requirements of the SEC (including under its Industry Guide 7), and reserve and resource information contained in this report may not be comparable to similar information disclosed by U.S. companies.

Mineral Resource Estimate

The estimated measured and indicated mineral resource utilizing an off-site smelter process is summarized in the following table and includes the mineral reserve estimate shown in the following section:

(kt=1,000 tonnes)	Measured			Indicated			Measured and Indicated		
Au Eq		Au	Cu		Au	Cu		Au	Cu
Cut-off Grade	kt	(gpt)	(%)	kt	(gpt)	(%)	kt	(gpt)	(%)
0.40 gpt	256,483	0.71	0.12	300,367	0.62	0.13	556,850	0.66	0.13

(In Millions)	Measured		Indicated		Measured and Indicated	
Au Eq	Au	Cu	Au	Cu	Au	Cu
Cut-off Grade	oz.	lb.	oz.	lb.	oz.	lb.
0.40 gpt	5.853	674	5.986	888	11.839	1,562

The inferred mineral resource, based on an off-site smelter process (0.4 grams per tonne gold equivalent cut-off), is estimated at 121.0 million tonnes containing 0.590 grams gold per tonne and 0.12% copper, or 2.28 million ounces of gold and 316 million pounds of copper. The mineral resource and gold equivalent (AuEq) cut-off is based on $400 per ounce gold and $1.15 per pound copper.

Mineral Reserve Estimate

The estimated proven and probable mineral reserve utilizing traditional flotation and off-site smelter processes is summarized in the following table:

Class	Reserve tonnes (millions)	Au Grade (gpt)	Cu Grade (%)	Au ounces (millions)	Cu pounds (millions)	Waste tonnes (millions)	Total tonnes (millions)	Strip Ratio
Proven	237.7	0.71	0.12	5.429	643			
Probable	245.1	0.61	0.14	4.800	746			
Total	482.8	0.66	0.13	10.229	1,389	1,080.3	1,563.1	2.24

Note that the mineral resource estimate does not represent material that exists in addition to the mineral reserve. The mineral reserve estimates disclosed above which are designated as commercially viable are included in and a part of the mineral resource estimates shown in the previous section.

The mineral reserve (within a pit design) has been estimated using average recovery rates for gold and copper of approximately 83% and 87% respectively, metal prices of $470 per ounce gold and $1.35 per pound copper and an internal revenue cut-off of $3.54 per tonne for hard rock and $3.74 per tonne for saprolite material.

CHOCO 5 PROPERTY

Since acquiring the property, the Company has invested approximately $1.5 million on the exploration of the Choco 5 property, which has included acquisition costs, geological mapping, airborne geophysics, stream sediment and soil geochemistry, mapping, geomorphological study, drilling and assaying. The Company has significantly reduced its exploration activities on Choco 5 until it receives clarification regarding new mining rules and regulations and the resolution of the Brisas delays. Choco 5 exploration activities planned for 2009 are expected to be limited to baseline geological activities such as minimal geochemical analysis.

Financial Overview

Forward-Looking Statements

Certain statements included herein constitute forward-looking statements that may state Gold Reserve s or its management s intentions, hopes, beliefs, expectations or predictions for the future. In this report, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies. We caution that such forward-looking statements involve known and unknown risks, uncertainties and other risks that may cause the actual financial results, performance, or achievements of Gold Reserve to be materially different from our estimated future results, performance, or achievements expressed or implied by those forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation; the outcome of any potential proceedings under the Venezuelan legal system or before arbitration tribunals as provided in investment treaties entered into between Venezuela, Canada and Barbados to determine the compensation due to Gold Reserve in the event that Gold Reserve and the Venezuelan government do not reach an agreement regarding construction and operation of the Brisas project, or the Brisas project is transferred to the Venezuelan government and the parties do not reach agreement on compensation; concentration of operations and assets in Venezuela; corruption and uncertain legal enforcement; requests for improper payments; competition with companies that are not subject to or do not follow Canadian and U.S. laws and regulations; regulatory, political and economic risks associated with Venezuelan operations (including changes in previously established laws, legal regimes, rules or processes); the ability to obtain, maintain or re-acquire the necessary permits or additional funding for the development of the Brisas project; the result or outcome of the trial regarding Rusoro Mining Ltd. s enjoined hostile takeover bid; significant differences or changes in any key findings or assumptions previously determined by us or our experts in conjunction with our 2005 bankable feasibility study (as updated or modified from time to time) due to actual results in our expected construction and production at the Brisas Project (including capital and operating cost estimates); the method and manner of our determination of reserves, risk that actual mineral reserves may vary considerably from estimates presently made; impact of currency, metal prices and metal production volatility; fluctuations in energy prices; changes in proposed development plans (including technology used); our dependence upon the abilities and continued participation of certain key employees; the prices, production levels and supply of and demand for gold and copper produced or held by Gold Reserve; the potential volatility of Gold Reserve s Class A common shares; the price and value of Gold Reserve s notes, including any conversion of notes into Gold Reserve s Class A common shares; the prospects for exploration and development of projects by Gold Reserve; and risks normally incident to the operation and development of mining properties.

This list is not exhaustive of the factors that may affect any of Gold Reserve s forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to Gold Reserve or persons acting on its behalf are expressly qualified in their entirety by this notice. Gold Reserve disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to its disclosure obligations under applicable rules promulgated by the U.S. Securities and Exchange Commission (the SEC).

In addition to being subject to a number of assumptions, forward-looking statements contained herein involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including the risks identified under Cautionary Note to U.S. Investors as well as the risks identified in the filings by Gold Reserve with the SEC and Canadian provincial securities regulatory authorities, including Gold Reserve s annual information form for the year ended December 31, 2008, dated March 31, 2009, and Gold Reserve s Annual Report on Form 20-F for the fiscal year ended December 31, 2008 filed with the SEC on March 31, 2009.

Overview

The following discussion of our financial position as of June 30, 2009 and results of operations for the three and six months ended June 30, 2009 and 2008 should be read in conjunction with our unaudited interim consolidated financial statements and related notes, included therein.

Our consolidated financial statements are prepared in U.S. dollars in accordance with generally accepted accounting principles (GAAP) in Canada. Those financial statements together with the management s discussion and analysis, dated August 12, 2009, are intended to provide investors with a reasonable basis for assessing our financial performance as well as certain forward-looking statements relating to our potential future performance. Additional information can be found at www.goldreserveinc.com, www.sedar.com or www.sec.gov.

As noted above, since 1992, we have focused substantially all our corporate and operations management and financial resources on Brisas. We have no commercial production at this time and, as a result, we have not recorded revenue or cash flows from our mining operations and have experienced losses from operations for each of the last five years, a trend we expect to continue until Brisas is put into commercial production or the Company acquires or invests in an alternative project. Historically we have financed the Company s operations through the issuance of common stock, other equity securities and convertible debt.

In April 2009, as a result of the Venezuelan Government s failure to reinstate the March 2007 permit and the lack of any meaningful dialog to resolve the prolonged obstruction of our rights to the Brisas Project, the Company notified the Bolivarian Republic of Venezuela of the existence of a dispute between the Company and the Venezuelan Government under both: (1) Canada Venezuela Treaty and (2) Barbados-Venezuela Treaty. More recently, in May 2009, MIBAM denied the normal course extension of our Brisas del Cuyuni alluvial gold concession and also denied the extension of the El Pauji concession. If we cannot arrive at an amicable settlement, the Company may file for international arbitration requesting that the Republic of Venezuela compensate us for the fair value of our investment at the time of the revocation which could be in excess of US$5 billion.

Management s capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are based on, among other things, the Company s estimate of current mineral reserves and resources which are based on engineering and geological estimates, estimated gold and copper prices, estimated plant construction and operating costs and the procurement of all necessary regulatory permits and approvals, compliance with the terms of our concessions and related agreements and our adherence to Venezuelan mining laws.

In addition, the Company records amounts paid for value-added tax as a non-current asset based on the assumption that these amounts will be recoverable when the Brisas Project begins production. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded as property and mineral rights, capitalized exploration and development costs and other assets. The Company operates and files tax returns in a number of jurisdictions. The preparation of such tax filings requires considerable judgment and the use of assumptions. Accordingly, the amounts reported could vary in the future.

The Company believes that its concession rights remain in good standing, holds an operating plan as revised approved by the Ministry of Energy and Mines in 2003, the predecessor to the current MIBAM, holds an Environmental and Social Impact Study for the Construction of Infrastructure and for the Exploitation and Processing of Gold and Copper Ore (the ESIA) approved by MinAmb in early 2007, and is in receipt of accreditation letters of technical compliance for the properties that comprise the Brisas Project from MIBAM in the third quarter of 2008. As a result, until the impasse is clarified with the Venezuelan government, management has concluded that no adjustment to the carrying value of capitalized costs associated with the development of Brisas is warranted at this time.

It remains our intent to settle this dispute amicably, notwithstanding our notice to the Venezuelan government of our investment dispute related to the impasse at the Brisas Project. As of the date of this report, the Company has not been able to confirm how the government wishes to proceed regarding the resolution of our investment dispute and as a result it is unclear how future actions by the government will effect operations or impair the carrying value of the capitalized costs associated with Brisas.

The Company is working with various government officials to resolve this matter and the ultimate resolution, if unfavorable, could result in a material impairment in the carrying value of the amounts recorded as property, plant and equipment, which totaled $184.9 million at June 30, 2009. In addition to the investment dispute discussed herein current or future laws and regulations implemented by the Venezuelan government including restrictions on gold sales and currency controls or other factors beyond our control could adversely affect our operations and

investment in Venezuela in the future.

As of August 12, 2009, the Company had the following shares, equity units, share purchase options and senior subordinated convertible notes issued:

Class A common shares	57,670,555
Equity units [1]	500,236
Class A common share purchase options [2]	4,937,842
5.50% Senior Subordinated Convertible Notes [3]	-

1) An equity unit consists of one class B common share of Gold Reserve Inc. and one class B common share of Gold Reserve Corporation. Equity units are convertible into Class A common shares of Gold Reserve Inc. on a one-to-one basis.

2) Exercisable for Class A common shares on a one-to-one basis at between $0.29 and $5.36 per share.

3) $102,349,000 aggregate principal amount is outstanding as at August 12, 2009. The Senior Subordinated Convertible Notes are convertible at the option of the holder at any time prior to maturity at an initial conversion rate of 132.626 Class A common shares per $1,000 principal amount of the notes, subject to adjustment. See Note 11 to our unaudited interim consolidated financial statements for the quarter ended June 30, 2009.

Liquidity and Capital Resources

Our financial resources, which include cash, cash equivalents, restricted cash and marketable debt securities, decreased approximately $18.8 million from December 31, 2008 to approximately $90.3 million as of June 30, 2009. Management continues to implement cost reduction and containment programs to slow down and reduce operational expenditures, including the sale of certain equipment as discussed herein. The timing and extent of these initiatives will be influenced by the Company s intent to maintain a strong financial position while maintaining maximum flexibility.

Investing Activities

The operating plan approved by MIBAM in 2003 as revised, assumes an estimated initial capital cost to construct and place Brisas into production of approximately $731 million excluding working capital, critical spares and initial fills of approximately $53 million and ongoing life-of-mine requirements estimated at $269 million. Initial capital cost estimates exclude value added taxes of approximately $54 million for which future exonerations may be available.

As a result of the actions by the Venezuelan government in regards to Brisas, the activities outlined in the operating plan, as revised, and all project engineering being provided by SNC Lavalin were suspended. Likewise further capital expenditure commitments with respect to Brisas have been terminated. We previously placed orders related to initial capital costs totaling approximately $125.3 million, of which we have paid for or disposed of approximately $104.4 million as of June 30, 2009. (See Contractual Obligations below).

Subsequent to the revocation of the Permit to Affect, the Board of Directors authorized management to evaluate the sale or redeployment of all or a portion of the equipment for Brisas. In late 2008 the Company sold one SAG mill, two ball mills (35,000 tonne per day through-put) and related motors being manufactured for the Company's Brisas Project. The Company recovered approximately $19.2 million of progress payments and the purchaser assumed the Company's remaining payment obligations related to the equipment of approximately $21.9 million. On July 3, 2009, the Company agreed to sell certain mobile equipment originally costing $10.8 million for net proceeds of approximately $7.3 million. The equipment recently disposed of was originally purchased to support early works activities planned for the Brisas Project. In addition to the redeployment of some or all of the remaining equipment obtained for the Brisas Project in one or more alternative projects, the Company has also engaged an equipment broker to manage inqu-right:2px;border-top:2px solid #000000;">

$
457,700

$
466,905

Net income

11,258

11,258

Change in employee benefit plans, net of taxes

169

—

—

169

Net foreign currency translation adjustment

—

(1,693
)

—

(1,693
)
Stock options exercised
92,808

1,133

—

—

—

1,133

Restricted stock awards granted, net of forfeitures
41,682

—

—

—

—

—

Stock-based compensation expense
—

986

—

—

—

986

Tax impact of stock options
—

249

—

—

—

249

Balance at June 30, 2013
27,429,978

$
74,187

$
(4,861
)

$
(59,277
)

$
468,958

$
479,007

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

Table of Contents

Superior Industries International, Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2013
(Unaudited)

Note 1 – Nature of Operations

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

Ford Motor Company ("Ford"), General Motors Company ("GM"), Toyota Motor Company ("Toyota") and Chrysler Group LLC ("Chrysler") were our customers individually accounting for more than 10 percent of our consolidated sales in the first two quarters of 2013 and together represented approximately 92 percent and 84 percent of our total sales during the first two quarters of 2013 and 2012, respectively. We also manufacture aluminum wheels for Nissan, BMW, Subaru, Mitsubishi and Volkswagen. The loss of all or a substantial portion of our sales to Ford, GM, Toyota or Chrysler would have a significant adverse impact on our operating results and financial condition. This risk is partially mitigated by our long-term relationships with these OEM customers and our supply arrangements, which are generally for multi-year periods.

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

While we historically have had long-term relationships with our customers and our supply arrangements generally are for multi-year periods, maintaining such long-term arrangements on terms acceptable to us has become increasingly difficult. Despite recovery of the market for our products since late in 2009, global competitive pricing pressures continue to affect our business negatively as our customers maintain and/or further develop alternative supplier options. Increasingly global procurement practices and competition, and the pressure for price reductions, may make it more difficult to maintain long-term supply arrangements with our customers. As a result, there can be no guarantees that we will be able to negotiate supply arrangements with our customers on terms acceptable to us in the future.

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

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

Note 2 – Presentation of Condensed Consolidated Financial Statements

During interim periods, we follow the accounting policies set forth in our Annual Report on Form 10-K for the fiscal year ended December 30, 2012 (the "2012 Annual Report on Form 10K") and apply appropriate interim financial reporting standards for a fair statement of our operating results and financial position in conformity with accounting principles generally accepted in the United States of America, as codified by the Financial Accounting Standards Board ("FASB") in the Accounting Standards Codification ("ASC") (referred to herein as "U.S. GAAP"), as indicated below. Users of financial information produced for interim periods in 2013 are encouraged to read this Quarterly Report on Form 10-Q in conjunction with our consolidated financial statements and notes thereto filed with the Securities and Exchange Commission ("SEC") in our 2012 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

Table of Contents

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

We use a 4-4-5 convention for our fiscal quarters, which are thirteen week periods generally ending on the last Sunday of each calendar quarter. We refer to these thirteen week fiscal periods as "quarters" throughout this report. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the SEC's requirements for Form 10-Q and contain all adjustments, of a normal and recurring nature, which are necessary for a fair statement of (i) the condensed consolidated income statements for the twenty-six week periods ended June 30, 2013 and June 24, 2012, (ii) the condensed consolidated statements of comprehensive income for the twenty-six week periods ended June 30, 2013 and June 24, 2012, (iii) the condensed consolidated balance sheets at June 30, 2013 and December 30, 2012, (iv) the condensed consolidated statements of cash flows for the twenty-six week periods ended June 30, 2013 and June 24, 2012, and (v) the condensed consolidated statement of shareholders' equity for the twenty-six week period ended June 30, 2013. However, the accompanying unaudited condensed consolidated financial statements do not include all information and notes required by U.S. GAAP. The condensed consolidated balance sheet as of December 30, 2012, included in this report, was derived from our 2012 audited financial statements, but does not include all disclosures required by U.S. GAAP.

Note 3 – Investment in Unconsolidated Affiliate

On June 28, 2010, we executed a share subscription agreement (the "Agreement") with Synergies Castings Limited ("Synergies"), a private aluminum wheel manufacturer based in Visakhapatnam, India, providing for our acquisition of a minority interest in Synergies. As of June 30, 2013, the total cash investment in Synergies amounted to $4.5 million, representing 12.6 percent of the outstanding equity shares of Synergies. Our Synergies investment is accounted for using the cost method. During 2011, a group of existing equity holders, including the company, made a loan of $1.5 million to Synergies for working capital needs. The company's share of this unsecured advance was $450,000, with original terms including repayment over 24 months, and bearing interest at 7 percent per annum, payable quarterly. The principal balance as of June 30, 2013 was $346,000.

Note 4 – Stock-Based Compensation

Our 2008 Equity Incentive Plan was amended and restated effective May 22, 2013 upon approval by our shareholders at our annual shareholders meeting. As amended, the plan authorizes us to issue up to 3.5 million shares of common stock, along with non-qualified stock options, stock appreciation rights, restricted stock and performance units to our officers, key employees, non-employee directors and consultants. At June 30, 2013, there were 2.0 million shares available for future grants under this plan. No more than 600,000 shares may be used under the plan as "full value" awards, which include restricted stock and performance units. It is our policy to issue shares from authorized but not issued shares upon the exercise of stock options. Options are granted at not less than fair market value on the date of grant and expire no later than ten years after the date of grant. Options and restricted shares granted under the plan generally require no less than a three year ratable vesting period.

During the first two quarters of 2013 there were no option grants. During the first two quarters of 2012, we granted options for a total of 237,500 shares. The weighted average fair values at the grant dates for options issued during the first two quarters of 2012 was $5.11 per option share. The fair value of options at the grant date was estimated utilizing the Black-Scholes valuation model with the following weighted average assumptions for the first two quarters of 2012: (i) dividend yield on our common stock of 3.75 percent; (ii) expected stock price volatility of 41.2 percent; (iii) a risk-free interest rate of 1.37 percent; and (iv) an expected option term of 6.9 years. During the first two quarters of 2013, the number of stock options exercised totaled 92,808 and 111,925 options were canceled. During the first two quarters of 2012, stock options totaling 27,325 were exercised, and 65,050 options were canceled.

During the first two quarters of 2013 and 2012, we granted restricted shares, or "full value" awards, totaling 47,681 and 33,550 shares, respectively. The fair values of each issued restricted share on the applicable date of grant averaged $17.77 and $16.92 for the first two quarters of 2013 and 2012, respectively. Restricted share awards, which are subject to forfeiture if employment terminates prior to the shares vesting, are expensed ratably over the vesting period. Shares of restricted stock are considered issued and outstanding shares at the date of grant and have the same dividend and voting rights as other common stock. Dividends paid on the restricted shares are non-forfeitable if the restricted shares do not ultimately vest.

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

Table of Contents

(Dollars in thousands)	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Cost of sales	$59	$46	$118	$138
Selling, general and administrative expenses	388	470	868	863
Stock-based compensation expense before income taxes	447	516	986	1,001
Income tax benefit	(100)	(89)	(228)	(180)
Total stock-based compensation expense after income taxes	$347	$427	$758	$821

As of June 30, 2013, a total of $2.5 million of unrecognized compensation cost related to non-vested awards is expected to be recognized over a weighted average period of approximately 1.8 years. There were no significant capitalized stock-based compensation costs at June 30, 2013 and December 30, 2012.

Note 5 – Business Segments

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

(Dollars in thousands)	Thirteen Weeks Ended		Twenty-six Weeks Ended	
Net sales:	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
U.S.	$77,255	$86,099	$154,138	$167,755
Mexico	121,738	128,954	251,296	249,755
Consolidated net sales	$198,993	$215,053	$405,434	$417,510

Property, plant and equipment, net:	June 30, 2013	December 30, 2012
U.S.	$57,171	$52,458
Mexico	92,633	95,086
Consolidated property, plant and equipment, net	$149,804	$147,544

Note 6 – Pre-Production Costs Related to Long-Term Supply Arrangements

We incur preproduction engineering and tooling costs related to the products produced for our customers under long-term supply agreements. We amortize the cost of the customer-owned tooling over the expected life of the wheel program on a straight line basis. Also, we defer any reimbursements made to us by our customers and recognize the tooling reimbursement revenue over the same period in which the tooling is in use. Recognized deferred tooling revenues included in net sales in the condensed consolidated income statements totaled $2.9 million and $1.8 million for the thirteen weeks ended June 30, 2013 and June 24, 2012, respectively, and $4.8 million and $3.9 million for the twenty-six weeks ended June 30, 2013 and June 24, 2012, respectively. The following table summarizes the unamortized customer-owned tooling costs included in our non-current assets, and the deferred tooling revenues

included in accrued expenses and other non-current liabilities.

Table of Contents

(Dollars in Thousands)	June 30, 2013	December 30, 2012
Unamortized Preproduction Costs		
Preproduction costs	$56,394	$51,638
Accumulated amortization	(42,273)	(38,667)
Net preproduction costs	$14,121	$12,971
Deferred Tooling Revenues		
Accrued expenses	$5,801	$5,688
Other non-current liabilities	3,369	3,443
Total deferred tooling revenues	$9,170	$9,131

Note 7 – Income Per Share

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

The computation of diluted earnings per share does not include stock option awards that were outstanding and anti-dilutive (i.e., including such awards would result in higher earnings per share), since the exercise prices of these awards exceeded the average market price of the company's common stock during the respective periods. For the thirteen and twenty-six week periods ended June 30, 2013, 1.8 million and 1.6 million shares issuable under outstanding stock options were excluded from the computations, respectively. For the thirteen and twenty-six week periods ended June 24, 2012, 2.6 million and 2.0 million shares issuable under outstanding stock options were excluded from the computations, respectively. Summarized below are the calculations of basic and diluted earnings per share.

(In thousands, except per share amounts)	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Basic Income Per Share:				
Reported net income	$6,324	$6,414	$11,258	$13,147
Basic income per share	$0.23	$0.24	$0.41	$0.48
Weighted average shares outstanding - Basic	27,348	27,209	27,328	27,190
Diluted Income Per Share:				
Reported net income	$6,324	$6,414	$11,258	$13,147
Diluted income per share	$0.23	$0.23	$0.41	$0.48
Weighted average shares outstanding	27,348	27,209	27,328	27,190
Weighted average dilutive stock options	104	98	176	123
Weighted average shares outstanding - Diluted	27,452	27,307	27,504	27,313

Note 8 – Income Taxes

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

9

Table of Contents

The effect on deferred taxes of a change in tax rates is recognized in income in the period that the tax rate change is enacted. In assessing the likelihood of realization of deferred tax assets, we consider whether it is more likely than not that some portion of the deferred tax assets will not be realized. A valuation allowance is provided for deferred income taxes when, in our judgment, based upon currently available information and other factors, it is more likely than not that all or a portion of such deferred income tax assets will not be realized. The determination of the need for a valuation allowance is based on an on-going evaluation of current information including, among other things, historical operating results, estimates of future earnings in different taxing jurisdictions and the expected timing of the reversals of temporary differences. We believe that the determination to record a valuation allowance to reduce a deferred income tax asset is a significant accounting estimate because it is based, among other things, on an estimate of future taxable income in the United States and certain other jurisdictions, which is susceptible to change and may or may not occur, and because the impact of adjusting a valuation allowance may be material. The valuation allowances carried against our deferred tax assets totaled $3.4 million as of June 30, 2013 and December 30, 2012.

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

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

For the thirteen weeks ended June 30, 2013 the provision for income taxes was $3.5 million, which was an effective income tax rate of 36 percent. The effective tax rate was unfavorably affected by non-deductible expenses incurred during the quarter and interest on unrecognized tax benefits, partially offset by income tax credits and foreign income taxes that are taxed at rates lower than the U. S. statutory rates. The provision for income taxes for the twenty-six weeks ended June 30, 2013 was $5.5 million, which was an effective income tax rate of 33 percent. The effective tax rate was favorably impacted by the settlement of a tax audit at our Mexican subsidiary discussed below, foreign income taxes (taxed at rates lower than the U. S. statutory rates) and tax credits recognized as a result of the 2013 enactment of the American Taxpayer Relief Act of 2012, partially offset by state income taxes (net of federal tax benefit) and non-deductible expenses incurred during the period.

The income tax provision for the thirteen weeks ended June 24, 2012 was $2.0 million, which was an effective income tax rate of 24 percent. The effective tax rate was favorably affected by a $6.3 million benefit from the reversal of a portion of our liability for unrecognized tax benefits related to our Mexico subsidiary, which was partially offset by a $4.2 million reduction in related deferred tax assets resulting from the expiration of the statute of limitations for our 2006 tax year. Additional favorable effects on the effective tax rate resulted from an increase in additional unrecognized tax benefits, as well as reductions in certain state deferred taxes and unrecognized tax benefit increases. The income tax provision for the twenty-six weeks ended June 24, 2012 was $6.2 million, which was an effective

income tax rate of 32 percent. The effective tax rate was favorably affected by the items having a favorable impact as described for the thirteen week period June 24, 2012 above, as well as foreign income taxed at rates lower than the U. S. statutory rates, offset partially by unfavorable rate impacts of state taxes which are net of federal tax benefit.

Within the next twelve month period ending June 29, 2014, we do not expect any of the yet unrecognized tax benefits to be recognized due to the expiration of related statutes of limitations or completion of any income tax examinations. Mexico's Tax Administration Service (Servicio de Administracion Tributaria, or "SAT"), finalized its examination of the 2007 tax year of Superior Industries de Mexico S.A. de C.V., our wholly-owned Mexican subsidiary, during February 2013. In February 2013 we reached a settlement with SAT for the 2007 tax year and made a cash payment of $0.3 million. During the first two quarters of 2013, the liability for uncertain tax positions increased by $0.4 million to $11.7 million from $11.3 million at December 30, 2012. The increase primarily resulted from $1.0 million of liabilities established against tax credits recognized during the first half of 2013 and $0.4 million of interest and penalties which were recognized in income tax expense, partially offset by a $0.9 million reduction resulting from the settlement of the 2007 tax year described above and $0.1 million of foreign currency translation adjustments.

Table of Contents

We conduct business internationally and, as a result, one or more of our subsidiaries files income tax returns in U.S. federal, U.S. state and certain foreign jurisdictions. Accordingly, in the normal course of business, we are subject to examination by taxing authorities throughout the world, including taxing authorities in Mexico, the Netherlands, India and the United States. We are no longer under examination by taxing authorities regarding any U.S. federal income tax returns for years before 2009 while the years open for examination under various state and local jurisdictions vary.

Note 9 – Short-Term Investments

The company's short-term investments include certificates of deposit and fixed deposits whose original maturity is greater than three months and is one year or less. Certificates of deposit and fixed deposits whose original maturity is three months or less are classified as cash equivalents and certificates of deposit and fixed deposits whose maturity is greater than one year at the balance sheet date are classified as non-current assets in our condensed consolidated balance sheet. The purchase of any certificate of deposit or fixed deposit that is classified as a short-term investment or non-current asset appears in the investing section of our condensed consolidated statement of cash flows. Included in cash and cash equivalents are money market funds of $18.5 million and $28.5 million at June 30, 2013 and December 30, 2012, respectively. Our money market funds are categorized as Level 1 in the fair value hierarchy with fair value measurements based on quoted prices in active markets for identical assets.

Restricted Deposits

We purchase certificates of deposit with maturity dates that expire within twelve months that are used to directly secure or collateralize letters of credit securing our workers' compensation obligations. At June 30, 2013 and December 30, 2012, certificates of deposit totaling $4.0 million were restricted in use and were classified as short-term investments on our condensed consolidated balance sheets.

Note 10 – Accounts Receivable
(Dollars in thousands)

	June 30, 2013	December 30, 2012
Trade receivables	$101,034	$91,747
Other receivables	6,182	7,293
	107,216	99,040
Allowance for doubtful accounts	(634)	(573)
Accounts receivable, net	$106,582	$98,467

Note 11 – Inventories
(Dollars in thousands)

	June 30, 2013	December 30, 2012
Raw materials	$14,728	$18,325
Work in process	26,277	31,525
Finished goods	29,193	22,098
Inventories	$70,198	$71,948

Service wheel and supplies inventory included in other non-current assets in the condensed consolidated balance sheets totaled $5.8 million and $6.5 million at June 30, 2013 and December 30, 2012, respectively. Included in raw materials was supplies inventory totaling $9.2 million and $10.2 million at June 30, 2013 and December 30, 2012, respectively.

Table of Contents

Note 12 – Property, Plant and Equipment
(Dollars in thousands)

	June 30, 2013	December 30, 2012
Land and buildings	$70,630	$70,235
Machinery and equipment	415,099	408,620
Leasehold improvements and others	8,488	8,374
Construction in progress	13,540	7,565
	507,757	494,794
Accumulated depreciation	(357,953)	(347,250)
Property, plant and equipment, net	$149,804	$147,544

Depreciation expense was $7.1 million and $6.3 million for the thirteen weeks ended June 30, 2013 and June 24, 2012, respectively. Depreciation expense was $14.0 million and $12.9 million for the twenty-six weeks ended June 30, 2013 and June 24, 2012, respectively.

Note 13 – Retirement Plans

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

For the twenty-six weeks ended June 30, 2013, payments to retirees or their beneficiaries totaled approximately $622,000. We presently anticipate benefit payments in 2013 to total approximately $1.3 million. The following table summarizes the components of net periodic pension cost for the first two quarters of 2013 and 2012.

(Dollars in thousands)	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Service cost	$67	$61	$134	$122
Interest cost	284	306	568	610
Net amortization	134	65	269	131
Net periodic pension cost	$485	$432	$971	$863

Note 14 – Commitments and Contingencies

In March 2013, our board of directors approved a new stock repurchase program authorizing the repurchase of up to $30.0 million of our common stock. This new repurchase program replaced the previously existing share repurchase program. Under the repurchase program, we may repurchase common stock from time to time on the open market or in private transactions. Currently, we expect to fund the repurchases through available cash, although credit options are being evaluated in the context of total capital needs. The timing and extent of the repurchases will depend upon market conditions and other corporate considerations at the company's sole discretion.

In June 2013 we entered into a contract for the construction of the facility for our new wheel plant in Mexico. The contract is primarily denominated in pesos with a U.S. dollar value of approximately $21 million, based on foreign exchange rates at June 30, 2013, and is expected to be paid out over the next 12 months.

During the quarter ended June 30, 2013 we reached a settlement of an issue with the customs authorities relating to our operations in Mexico, and to a period of time in 2010 when we did not timely file required customs forms. The settlement did not have a significant impact on our results of operations for the period.

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

12

Table of Contents

such matters are adequately provided for, covered by insurance, are without merit and/or involve such amounts that would not materially adversely affect our consolidated results of operations, cash flows or financial position. For additional information concerning contingencies, risks and uncertainties, see Note 15 – Risk Management.

Note 15 – Risk Management

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

The functional currency of certain foreign operations in Mexico is the Mexican peso. The settlement of accounts receivable and accounts payable for our operations in Mexico requires the transfer of funds denominated in the Mexican peso, the value of which decreased by 2 percent in relation to the U.S. dollar in the first two quarters of 2013. Foreign currency transaction gains totaled $0.3 million in the second quarter of 2013, while transaction losses totaled $0.1 million in the second quarter of 2012. Foreign currency transaction gains totaled $0.4 million and $0.1 million in the first two quarters of 2013 and 2012, respectively. All transaction gains and losses are included in other income (expense) in the condensed consolidated income statements.

As it relates to foreign currency translation gains and losses, however, since 1990, the Mexican peso has experienced periods of relative stability followed by periods of major declines in value. The impact of these changes in value relative to our Mexico operations resulted in a cumulative unrealized translation loss at June 30, 2013 of $59.3 million. Translation gains and losses are included in other comprehensive income in the condensed consolidated statements of comprehensive income.

When market conditions warrant, we may also enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. At June 30, 2013 we have several purchase commitments in place for the delivery of natural gas during 2013 for a total cost of $1.3 million. These natural gas contracts are considered to be derivatives under U.S. GAAP, and when entering into these contracts, we expected to take full delivery of the contracted quantities of natural gas over the normal course of business. Accordingly, at inception, these contracts qualified for the normal purchase, normal sale ("NPNS") exemption provided for under U.S. GAAP. As such, we do not account for these purchase commitments as derivatives unless there is a change in facts or circumstances in regard to the company's intent or ability to use the contracted quantities of natural gas over the normal course of business. Based on the quarterly analysis of our estimated future production levels, we believe that our remaining natural gas purchase commitments that were in effect as of June 30, 2013 will continue to qualify for the NPNS exemption since we can assert that it is probable we will take full delivery of the contracted quantities.

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

Forward-Looking Statements

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

forward-looking statement and may be identified by the use of words and phrases such as “expects,” “anticipates,” “believes,” “will,” “will likely result,” “will continue,” “plans to” and similar expressions.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the company, which could cause actual results to differ materially from such statements and from the company's historical results and experience. The principal factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to, changes in the automotive industry, including the financial condition of our OEM customers and changes in consumer preferences for end products, fluctuations in production schedules for vehicles for which we are a supplier, increased global competitive pressures and pricing pressures, our dependence on major customers and third party suppliers and manufacturers, cost, capacity and time of completion for our new manufacturing facility and the related impact on our operating performance and financial condition, our future liquidity and credit options, our future capital spending for existing operations, our ongoing ability to achieve cost savings and other operational improvements, our ability to introduce new products to meet our customers' demand in a timely manner, the impact on our relationship with customers and our market position due to limitations

13

in our manufacturing capacity, increased repair and maintenance costs and costs to replace machinery and equipment on an accelerated basis due to continued operation of our plants at near full capacity levels, our exposure to foreign currency fluctuations, increasing fuel and energy costs, regulatory changes and other factors or conditions described in Item 1A - Risk Factors in Part I of our 2012 Annual Report on Form 10-K and from time to time in our future reports filed with the Securities and Exchange Commission.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited Condensed Consolidated Financial Statements and notes thereto and with the audited Consolidated Financial Statements, notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2012 Annual Report on Form 10-K.

Executive Overview

Overall North American production of passenger cars and light-duty trucks in the second quarter of 2013 was reported by industry publications as being up by approximately 6 percent versus the comparable period a year ago, with production of passenger cars increasing 6 percent and production of light-duty trucks--the light-duty truck category includes pick-up trucks, SUV's, vans and "crossover vehicles"--increasing 7 percent. While the North American market for automobiles and light-duty trucks has experienced rather pronounced cyclicality over the past several years, the market has been in steady recovery since significant declines in 2009. The production level for the North American automotive industry for the second quarter of 2013 was 4.2 million vehicles. Contributing factors to the continued market recovery include general economic improvement, continued low consumer interest rates and the relatively high average age of vehicles which may be an indicator of pent-up demand. In 2012, it was reported that the average age of an automobile in the U.S. reached 11 years, a new record according to Polk Automotive Research.

Net sales in the second quarter of 2013 decreased $16.1 million, or 7 percent, to $199.0 million from $215.1 million in the comparable period a year ago. Wheel sales in the second quarter of 2013 decreased $17.1 million, or 8 percent, to $195.8 million from $212.9 million in the comparable period a year ago, as wheel unit shipments decreased 0.4 million to 2.9 million.

Gross profit in the second quarter of 2013 was $16.2 million, or 8 percent of net sales, compared to $15.7 million, or 7 percent of net sales, in the comparable period a year ago. Net income for the second quarter of 2013 was $6.3 million, or $0.23 per diluted share, compared to net income in the second quarter of 2012 of $6.4 million, or $0.23 per diluted share.

Our improved gross margin performance primarily reflects a stronger mix of products sold. Although overall cost efficiency was impacted negatively by the unit sales volume decline, cost performance in the smaller of our two U.S. manufacturing facilities was improved and reflected the benefit of capital investment in prior years. In reaction to the overall sales volume decline, we are reallocating production volume to our lower-cost capacity in Mexico to the extent possible based on wheel program qualifications and process capabilities. We also continue to focus on ongoing programs to reduce costs and improve operating efficiencies overall. However, there is often a significant lag between the implementation of these initiatives and realization of actual cost savings and improved efficiencies. Other cost increases, such as for energy and raw materials, which are not adjusted for in our product pricing agreements, also may occur in the future and have a negative impact on our future operating results, financial condition and cash flows.

In order to meet anticipated growth in demand for aluminum wheels in the North American market, we recently announced plans to invest between $125 million and $135 million to build a new manufacturing facility in Mexico, which we currently project will open in late 2015. In June 2013, we entered into a $21 million contract for the construction and commenced site preparation of this new facility.

Table of Contents

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

Selected data	Thirteen Weeks Ended June 30, 2013	Thirteen Weeks Ended June 24, 2012	Twenty-six Weeks Ended June 30, 2013	Twenty-six Weeks Ended June 24, 2012
Net sales	$198,993	$215,053	$405,434	$417,510
Gross profit	$16,237	$15,716	$29,756	$32,824
Percentage of net sales	8.2 %	7.3 %	7.3 %	7.9 %
Income from operations	$9,147	$8,226	$15,456	$18,449
Percentage of net sales	4.6 %	3.8 %	3.8 %	4.4 %
Net income	$6,324	$6,414	$11,258	$13,147
Percentage of net sales	3.2 %	3.0 %	2.8 %	3.1 %
Diluted income per share	$0.23	$0.23	$0.41	$0.48

Net Sales

Net sales in the second quarter of 2013 decreased $16.1 million, or 7 percent, to $199.0 million from $215.1 million in the comparable period a year ago. Wheel sales in the second quarter of 2013 decreased $17.1 million to $195.8 million from $212.9 million in 2012. Wheel shipments in the second quarter of 2013 decreased 11 percent, with the lower volume resulting in $23.8 million lower sales compared to the second quarter of 2012. However, the negative impact of lower volumes on net sales was partially offset by a 3 percent increase in the average selling price of our wheels. The higher average unit selling price reflected the benefit from an improved mix of wheel sizes and finishes sold, which was partially offset by a decline in the value of the aluminum component of sales, which we generally pass through to our customers. The decline in aluminum value resulted in $3.4 million lower revenues in the second quarter of 2013 when compared to 2012. Unit shipments decreased to GM, Nissan, Subaru, BMW, Chrysler and Mitsubishi, while shipments increased to Toyota and remained relatively stable with our other customers. Wheel development revenues totaled $3.2 million in the second quarter of 2013 and $2.2 million in the comparable 2012 period.

Net sales in the first two quarters of 2013 decreased $12.1 million, or 3 percent, to $405.4 million from $417.5 million in the comparable period a year ago, primarily due to a decrease in the number of wheels shipped. Wheel sales decreased $12.9 million, or 3 percent, to $400.1 million from $413.0 million in the first two quarters a year ago. Unit volume shipped in the first two quarters of 2013 decreased 6 percent, with the lower volume resulting in $23.4 million lower sales compared to the first two quarters of 2012. However, the negative impact of lower unit volume on net sales was partially offset by a 2 percent increase in the average selling price resulting from an improved mix of wheel sizes and finishes sold, partially offset by a decline in the value of the aluminum component of sales, which we generally pass through to our customers. The decline in aluminum value resulted in $6.6 million lower revenues in the first two quarters of 2013 when compared to 2012. Wheel program development revenues totaled approximately $5.3 million in the first two quarters of 2013 and $4.6 million in the comparable period of 2012.

U.S. Operations
Net sales of our U.S. wheel plants in the second quarter of 2013 decreased $8.8 million, or 10 percent, to $77.3 million from $86.1 million in the comparable period a year ago, reflecting a decrease in unit shipments, partially offset by an increase in average selling prices of our wheels. Wheel sales in the second quarter of 2013 decreased $9.9 million, or 12 percent, to $74.4 million from $84.3 million in the second quarter last year, with a $10.8 million revenue decline attributable to a 13 percent decrease in unit shipments. The average unit selling price increased 1 percent due to a favorable mix of wheel sizes and finishes sold which was partially offset by a decrease in the

pass-through price of aluminum. The decline in aluminum value reduced revenues by approximately $1.3 million in 2013 when compared to 2012.

During the first two quarters of 2013, net sales of our U.S. wheel plants decreased $13.7 million, or 8 percent, to $154.1 million from $167.8 million in the comparable period a year ago, reflecting a decrease in unit shipments partially offset by an increase in average selling prices of our wheels. Wheel sales in the first two quarters of 2013 decreased $14.5 million, or 9 percent, to $149.3 million from $163.8 million in the first two quarters last year, with a $15.7 million revenue decline attributable to a 10 percent decrease in unit shipments. The average unit selling price increased 1 percent due to a favorable mix of wheel sizes and finishes sold which was partially offset by a decrease in the pass-through price of aluminum. The decline in aluminum value reduced revenues by approximately $2.2 million in 2013 when compared to 2012.

Table of Contents

Mexico Operations

Net sales of our Mexico operations in the second quarter of 2013 decreased $7.3 million, or 6 percent, to $121.7 million from $129.0 million in the comparable period a year ago, reflecting a decrease in unit shipments partially offset by an increase in average selling prices of our wheels. Unit shipments decreased 10 percent in second quarter of 2013, with the lower volume accounting for a $13.0 million revenue decline. The average selling price of our wheels increased 4 percent in the second quarter of 2013, as the benefit from an improved mix of wheel sizes and finishes sold was partially offset by a decrease in the pass-through price of aluminum. The decline in aluminum value reduced revenues by approximately $2.2 million in 2013 when compared to the second quarter of 2012.

During the first two quarters of 2013, net sales of our Mexico wheel plants increased $1.5 million, or 1 percent, to $251.3 million from $249.8 million in the comparable period a year ago, reflecting an increase in average selling prices of our wheels somewhat offset by a decrease in unit shipments. The average selling price of our wheels increased 3 percent in the first two quarters of 2013, as the benefit from a favorable mix of wheel sizes and finishes sold was partially offset by a decrease in the pass-through price of aluminum. The decline in aluminum value reduced revenues by approximately $4.4 million in 2013 when compared to the first two quarters of 2012. Unit shipments decreased 3 percent in first two quarters of 2013 with the lower volume decreasing revenues approximately $7.5 million.

Customer Comparisons

As reported by industry publications, North American production of passenger cars and light trucks in the second quarter of 2013 was up approximately 6 percent compared to the same quarter in the previous year, while our wheel shipments decreased 11 percent for the comparable period. The increase in North American vehicle production included an increase of 7 percent in the light-duty truck category and an increase of 6 percent for passenger cars. During the comparable period, our shipments of light truck wheels were unchanged and passenger car wheel shipments decreased by 33 percent. When focusing more specifically on second quarter production of the vehicles using wheels we manufacture, vehicle production increased 3 percent compared to our 11 percent decrease in shipments when compared to the same period of last year.

OEM unit shipment composition by customer was as follows:

	Thirteen Weeks Ended	
	June 30, 2013	June 24, 2012
Ford	42%	37%
General Motors	23%	26%
Chrysler	12%	11%
International customers	23%	26%
Total	100%	100%

At the customer level, shipments in the second quarter of 2013 to Ford were unchanged compared to the second quarter last year, as light-duty truck wheel shipments increased 7 percent and shipments of passenger car wheels decreased 18 percent. At the program level, the major unit shipment increases were for the Explorer, Lincoln MKZ and Edge, offset by unit shipment decreases for the Fusion and Escape.

Shipments to GM in the second quarter of 2013 decreased 22 percent compared to the second quarter of 2012, as passenger car wheel shipments decreased 77 percent and light-duty truck wheel shipments decreased 4 percent. The major unit shipment decreases to GM were for the Chevrolet Malibu and Impala and the Cadillac SRX, partially offset by unit shipment increases for the Buick Enclave and the Cadillac ATS.

Shipments to Chrysler in the second quarter of 2013 decreased 5 percent compared to the second quarter last year, as shipments of light-duty truck wheels decreased 6 percent while passenger car wheels increased 14 percent. The major unit shipment decreases to Chrysler were for the Jeep Grand Cherokee and Compass, and the Dodge Caravan, which were partially offset by unit shipment increases for the Dodge Ram Truck and the Chrysler Town & Country.

Shipments to international customers in the second quarter of 2013 decreased 19 percent compared to the second quarter of 2012, as shipments of passenger car wheels decreased 27 percent and shipments of light-duty truck wheels decreased 7 percent. At the program level, major unit shipment decreases to international customers were for Nissan's Sentra, Maxima and Xterra, and Subaru's Outback, partially offset by unit shipment increases for the Toyota Avalon and Nissan Note.

Table of Contents

Cost of Sales

Aluminum, natural gas and other direct material costs are a significant component of our costs to manufacture wheels. These components of our costs of sales are substantially the same for all of our plants since many common suppliers service both our U.S. and Mexico operations. Consolidated cost of sales includes costs for both our U.S. and international operations and certain costs that are not allocated to a specific operation. These unallocated expenses include corporate services that are primarily incurred in the U.S. but are not charged directly to our world-wide operations, such as engineering services for wheel program development and manufacturing support, environmental and other governmental compliance services.

Consolidated cost of goods sold decreased $16.5 million to $182.8 million in the second quarter of 2013, or 92 percent of net sales, compared to $199.3 million, or 93 percent of net sales, in the second quarter of 2012. Cost of sales in 2013 primarily reflects a decrease due to lower shipments and a decrease in aluminum prices, which we generally pass through to our customers. Direct material costs decreased approximately $11.1 million to $97.2 million from $108.3 million in the second quarter of 2012. The change in direct material costs includes a reduction of approximately $3.2 million due to aluminum price decreases, which we generally pass through to our customers. Compared to the second quarter of 2012, repair and maintenance costs decreased $0.8 million to $6.6 million, supply and small tool costs decreased $0.7 million to $6.8 million and sales and use tax expenses decreased $0.8 million, primarily due to refunds of taxes paid, in the second quarter of 2013. Plant labor and benefit costs increased $1.0 million to $32.7 million in the second quarter of 2013 compared to the second quarter last year. Other factors contributing to the higher cost of sales in the second quarter of 2013 included increases in plant utilities cost of $1.1 million and depreciation expense of $0.7 million. Cost of sales associated with corporate services such as engineering support for wheel program development and manufacturing support decreased a net $0.2 million overall, including higher wheel development costs of $0.8 million, in the second quarter of 2013 when compared to the 2012 period.

For the first half of 2013 our consolidated cost of goods sold decreased $9.0 million to $375.7 million, or 93 percent of net sales, compared to $384.7 million, or 92 percent of net sales, in the first half of 2012. Cost of sales in 2013 primarily reflects a decrease due to lower shipments and a decrease in aluminum prices, which we generally pass through to our customers, somewhat offset by higher labor and certain other costs when compared to the first half of 2012. Direct material costs decreased approximately $11.0 million to $198.0 million from $209.0 million in the first half of 2012. The decrease in direct material costs includes a reduction of approximately $4.7 million due to aluminum price decreases. In the comparable period in 2012, plant labor and benefit costs increased $3.1 million to $67.3 million in the first half of 2013, supply costs increased $0.8 million to $14.6 million in the 2013 period while repair and maintenance costs decreased $0.7 million to $14.3 million in the first half of 2013. Other cost increases in the first half of 2013 included higher depreciation expenses of $1.0 million and plant utilities costs of $0.8 million, when compared to the 2012 period. Cost of sales associated with corporate services such as engineering support for wheel program development and manufacturing support increased a net $0.7 million overall, including higher wheel development costs of $1.1 million, in the first half of 2013 when compared to last year.

Included below are the major items that impacted cost of sales for our U.S. and Mexico operations during the second quarter and first half of 2013.

U.S. Operations

Cost of sales for our U.S. operations decreased by $8.4 million, or 10 percent, in the second quarter of 2013 as compared to the second quarter of 2012. Compared to the prior year, cost of sales for our U.S. wheel plants in the 2013 period primarily reflects decreases in costs due to a 13 percent decrease in unit shipments, an approximate $1.3 million decrease in aluminum prices, which we generally pass through to our customers, as well as decreases in labor and other costs. When compared to the prior year, the second quarter 2013 decline in plant labor and benefit costs was approximately $0.5 million, or 2 percent, primarily as a result of decreases in contract labor and overtime, partially offset by increased medical insurance and workers' compensation costs. During the second quarter of 2013, labor cost

per wheel increased 11 percent and wheels produced per labor hour decreased 7 percent when compared to the second quarter of 2012, due to the volume decline. Cost of sales in the 2013 period also included decreases in supply and small tool costs of $1.5 million, plant repair and maintenance costs of $0.9 million and sales and use tax expenses of $0.8 million, primarily due to refunds received during the period, while depreciation expense increased $0.4 million, when comparing the second quarter of 2013 with the same period in 2012.

For the first half of 2013, cost of sales for our U.S. operations decreased by $10.3 million, or 6 percent, when compared to the same period in 2012. Compared to the prior year, cost of sales for our U.S. wheel plants in the 2013 period primarily reflects decreases in costs due to a 10 percent decrease in unit shipments and an approximate $2.6 million decrease in aluminum prices, which we generally pass through to our customers. During the first half of 2013, plant labor and benefit costs including overtime premiums increased approximately $0.9 million, or 2 percent, primarily as a result of higher average headcount during the period. The higher cost coupled with lower unit volume resulted in the current year labor cost per wheel increasing 11 percent and wheels produced per labor hour decreasing 9 percent, as compared to the first half of 2012. Current year depreciation expenses increased

Table of Contents

$0.7 million when compared to the first half last year. Cost of sales in the first half of 2013 also included decreases in sales and use tax expenses of $1.2 million primarily due to refunds received during the period, as well as decreases in supply and small tool costs of $0.3 million and plant repair and maintenance costs of $0.8 million, when compared to the first half of 2012.

Mexico Operations
Cost of sales for our Mexico operations in the second quarter of 2013 decreased by $8.0 million, or 7 percent, when compared to the second quarter of 2012. The 2013 decrease primarily reflects a 10 percent decrease in unit shipments and an approximate $2.0 million decrease in aluminum prices, which we generally pass through to our customers. During the second quarter of 2013, plant labor and benefit costs increased approximately $1.5 million, or 12 percent principally due to higher headcount, when compared to the second quarter last year. Cost of sales in the 2013 period also included increased plant utility costs of $1.1 million due to unfavorable changes in natural gas and electric rates and foreign exchange rates, and increased supply and small tool costs of $0.9 million, when compared to the second quarter last year.

For the first half of 2013, cost of sales for our Mexico operations decreased by $0.6 million when compared to the first half of 2012. The slight decrease in 2013 primarily reflects a 3 percent decrease in unit shipments and an approximate $2.2 million decrease in aluminum prices, which we generally pass through to our customers, offset by higher labor and other costs. During the first half of 2013, plant labor and benefit costs increased approximately $2.2 million, or 9 percent, when compared to the first half last year. Cost of sales in the first half of 2013 also included increases in the supplies and small tool costs of $1.1 million, utility costs of $0.5 million and inventory reserves of $0.5 million, compared to the first half of 2012.

When comparing the second quarter and first half of 2013 with the comparable 2012 periods, the number of wheels produced per labor hour decreased 7 percent and 8 percent, respectively, due to labor cost increases coupled with the volume decline.

Gross Profit

Consolidated gross profit increased $0.5 million for the second quarter of 2013 to $16.2 million, or 8 percent of net sales, compared to $15.7 million, or 7 percent of net sales, for the comparable period a year ago. For the first half of 2013 consolidated gross profit decreased $3.0 million to $29.8 million, or 7 percent of net sales, compared to $32.8 million, or 8 percent of net sales, for the comparable period a year ago. As indicated above, unit shipments decreased in the second quarter and first half of 2013 compared to the comparable periods last year. The slight improvements in gross profit and margin percentage in the second quarter of 2013 primarily reflect the benefit of higher average selling prices from an improved mix of wheel sizes and finishes sold and marginal improvements in costs overall. The gross profit and margin percentage declines in the first half of 2013 primarily reflect operating inefficiencies and cost incurred in the first quarter of 2013 due to equipment reliability issues and an increasingly difficult mix of products being produced, as described in the discussion of cost of sales above.

The cost of aluminum is a significant component in the overall cost of a wheel and a portion of our selling prices to OEM customers is attributable to the cost of aluminum. The price for aluminum we purchase is adjusted monthly based primarily on changes in certain published market indices. Our selling prices are adjusted periodically based upon aluminum market price changes, but the timing of such adjustments is based on specific customer agreements and can vary from monthly to quarterly to semi-annually. Even if aluminum selling price adjustments were to perfectly match changes in aluminum purchase prices, an increasing aluminum price will result in a declining gross margin percentage - i.e., same gross profit dollars divided by increased sales dollars equals lower gross profit percentage. The opposite is true in periods during which the price of aluminum decreases. In addition, the timing of

aluminum price adjustments flowing through sales rarely will match exactly the timing of such changes in cost. As estimated by the company, the unfavorable impact on gross profit in the second quarter of 2013 related to such differences in timing of aluminum adjustments was approximately $0.2 million, while the unfavorable impact on the results for the first half of 2013 was $1.8 million, when compared to the comparable periods in 2012.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the second quarter of 2013 decreased $0.4 million to $7.1 million, or 4 percent of net sales, from $7.5 million, or 3 percent of net sales, for the comparable period in 2012. The 2013 period cost decrease is primarily attributable to $0.7 million lower legal and consulting costs partially offset by a $0.4 million expense increase to reflect the settlement of a Mexico customs audit for which we had previously established a $0.3 million reserve. For the first half of 2013, selling, general and administrative expenses were $14.3 million, or 4 percent of net sales, compared to $14.4 million, or 3 percent of net sales for the comparable period last year. The principal items affecting the year-to-date period are the same as just noted for the second quarter comparison.

Income from Operations

Table of Contents

As described in the discussion of cost of sales above, aluminum, natural gas and other direct material costs are substantially the same for all our plants since many common suppliers service both our U.S. and Mexico operations. In addition, our operations in the U.S. and Mexico sell to the same customers, utilize the same marketing and engineering resources, have interchangeable manufacturing processes and provide the same basic end product. However, profitability between our U.S. and Mexico operations can vary as a result of differing labor and benefit costs, the specific mix of wheels manufactured and sold by each plant, as well as differing plant utilization levels resulting from our internal allocation of wheel programs to our plants.

Consolidated income from operations includes our U.S. and international operations and certain costs that are not allocated to a specific operation. These unallocated expenses include corporate services that are primarily incurred in the U.S. but are not charged directly to our operations, such as selling, general and administrative expenses, engineering services for wheel program development and manufacturing support, environmental and other governmental compliance services.

Consolidated income from operations increased $0.9 million in the second quarter of 2013 to $9.1 million, or 5 percent of net sales, from $8.2 million, or 4 percent of net sales, in the comparable period in 2012. Income from our Mexican operations increased $0.6 million, while income from our U.S. operations decreased $1.6 million, when comparing the second quarter of 2013 to the comparable period in 2012. Unallocated corporate costs incurred during the second quarter of 2013 were $1.9 million lower than the comparable period in 2012 primarily due to decreases in legal and consulting costs of $0.7 million, workers' compensation costs of $0.3 million and lower unreimbursed development costs of $0.3 million.

Consolidated income from operations for the first half of 2013 decreased $2.9 million to $15.5 million, or 4 percent of net sales, from $18.4 million, or 4 percent of net sales, in the comparable period in 2012. Income from our Mexican operations increased $0.3 million, while income from our U.S. operations decreased $4.3 million, when comparing the first half of 2013 to the comparable period in 2012. Unallocated corporate costs incurred during the first half of 2013 were $1.1 million lower than the comparable period in 2012 primarily due to $0.9 million lower legal and consulting costs.

Included below are the major items that impacted income from operations for our U.S. and Mexico operations during 2013.

U.S. Operations
Operating income from our U.S. operations in the second quarter of 2013 decreased by $1.6 million compared to the second quarter last year. The income decline from our U.S operations in the second quarter of 2013 primarily reflects a 13 percent decrease in unit shipments which caused gross profit to decrease by $1.5 million. As a percentage of net sales our gross margin declined 2 percentage points when comparing the second quarter of 2013 with the same period of 2012.

For the first half of 2013, operating income from our U.S. operations decreased by $4.3 million compared to the first half last year. The income decline from our U.S operations in the first half of 2013 reflects a 10 percent decrease in unit shipments and higher operating costs which caused gross profit to decrease by $4.3 million. As a percentage of net sales our gross margin declined 3 percentage points when comparing the first half of 2013 with the first half of 2012. The decline in operating income in the first half of 2013 reflects increases in labor, supply and small tool costs as more fully explained in the cost of sales discussion above. The higher operating costs largely reflect first quarter 2013 operating inefficiencies and cost due to equipment reliability issues, as well as an increasingly difficult mix of products being produced.

Mexico Operations

Income from operations for our Mexico operations increased by $0.6 million in the second quarter of 2013 compared to the second quarter of 2012. Income from our Mexico operations includes an increase in gross profit of $0.8 million, and as a percentage of net sales our gross margin increased 2 percentage points when comparing the second quarter of 2013 with the second quarter of 2012. The increase in income from operations primarily reflects an improved mix of wheel sizes and finishes sold with higher average selling prices, which offset the margin impact of a 10 percent decrease in unit shipments and higher manufacturing costs.

Income from operations for our Mexico operations increased by $0.3 million in the first half of 2013 compared to the first half of 2012. Income from our Mexico operations includes an increase in gross profit of $1.0 million, and as a percentage of net sales our gross margins were flat when comparing the first half of 2013 with the first half of 2012. The increase in income from operations primarily reflects an improved mix of wheel sizes and finishes sold with higher average selling prices, which offset the margin impact of a 3 percent decrease in unit shipments and higher manufacturing costs.

U.S. versus Mexico Production

During the second quarter of 2013, wheels produced by our Mexico and U.S. operations accounted for 64 percent and 36 percent, respectively, of our total production. For the first half of 2013, wheels produced by our Mexico and U.S. operations accounted

Table of Contents

for 62 percent and 38 percent, respectively, of our total production. We currently anticipate that the percentage of production in Mexico will remain between 60 percent and 65 percent of our total production for the remainder of 2013.

Income Taxes

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

The effect on deferred taxes of a change in tax rates is recognized in income in the period that the tax rate change is enacted. In assessing the likelihood of realization of deferred tax assets, we consider whether it is more likely than not that some portion of the deferred tax assets will not be realized. A valuation allowance is provided for deferred income taxes when, in our judgment, based upon currently available information and other factors, it is more likely than not that all or a portion of such deferred income tax assets will not be realized. The determination of the need for a valuation allowance is based on an on-going evaluation of current information including, among other things, historical operating results, estimates of future earnings in different taxing jurisdictions and the expected timing of the reversals of temporary differences. We believe that the determination to record a valuation allowance to reduce a deferred income tax asset is a significant accounting estimate because it is based, among other things, on an estimate of future taxable income in the United States and certain other jurisdictions, which is susceptible to change and may or may not occur, and because the impact of adjusting a valuation allowance may be material. The valuation allowances carried against our deferred tax assets totaled $3.4 million as of June 30, 2013 and December 30, 2012.

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

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

For the thirteen weeks ended June 30, 2013 the provision for income taxes was $3.5 million, which was an effective income tax rate of 36 percent. The effective tax rate was unfavorably affected by non-deductible expenses incurred during the quarter and interest on unrecognized tax benefits, partially offset by income tax credits and foreign income taxes that are taxed at rates lower than the U. S. statutory rates. The provision for income taxes for the twenty-six

weeks ended June 30, 2013 was $5.5 million, which was an effective income tax rate of 33 percent. The effective tax rate was favorably impacted by the settlement of a tax audit at our Mexican subsidiary discussed below, foreign income taxes (taxed at rates lower than the U. S. statutory rates) and tax credits recognized as a result of the 2013 enactment of the American Taxpayer Relief Act of 2012, partially offset by state income taxes (net of federal tax benefit) and non-deductible expenses incurred during the period.

The income tax provision for the thirteen weeks ended June 24, 2012 was $2.0 million, which was an effective income tax rate of 24 percent. The effective tax rate was favorably affected by a $6.3 million benefit from the reversal of a portion of our liability for unrecognized tax benefits related to our Mexico subsidiary, which was partially offset by a $4.2 million reduction in related deferred tax assets resulting from the expiration of the statute of limitations for our 2006 tax year. Additional favorable effects on the effective tax rate resulted from an increase in additional unrecognized tax benefits, as well as reductions in certain state deferred taxes and unrecognized tax benefit increases. The income tax provision for the twenty-six weeks ended June 24, 2012 was $6.2 million, which was an effective income tax rate of 32 percent. The effective tax rate was favorably affected by the items having a favorable impact as described for the thirteen week period June 24, 2012 above, as well as foreign income taxed at rates lower than the U. S. statutory rates, offset partially by unfavorable rate impacts of state taxes which are net of federal tax benefit.

Table of Contents

Within the next twelve month period ending June 29, 2014, we do not expect any of the yet unrecognized tax benefits to be recognized due to the expiration of related statutes of limitations or completion of any income tax examinations. Mexico's Tax Administration Service (Servicio de Administracion Tributaria, or "SAT"), finalized its examination of the 2007 tax year of Superior Industries de Mexico S.A. de C.V., our wholly-owned Mexican subsidiary, during February 2013. In February 2013 we reached a settlement with SAT for the 2007 tax year and made a cash payment of $0.3 million. During the first two quarters of 2013, the liability for uncertain tax positions increased by $0.4 million to $11.7 million from $11.3 million at December 30, 2012. The increase primarily resulted from $1.0 million of liabilities established against tax credits recognized during the first half of 2013 and $0.4 million of interest and penalties which were recognized in income tax expense, partially offset by a $0.9 million reduction resulting from the settlement of the 2007 tax year described above and $0.1 million of foreign currency translation adjustments.

We conduct business internationally and, as a result, one or more of our subsidiaries files income tax returns in U.S. federal, U.S. state and certain foreign jurisdictions. Accordingly, in the normal course of business, we are subject to examination by taxing authorities throughout the world, including taxing authorities in Mexico, the Netherlands, India and the United States. We are no longer under examination by taxing authorities regarding any U.S. federal income tax returns for years before 2009 while the years open for examination under various state and local jurisdictions vary.

Net Income

Net income in the second quarter of 2013 was $6.3 million, or $0.23 per diluted share, compared to net income of $6.4 million, or $0.23 per diluted share, in the second quarter of 2012. Net income in the first half of 2013 was $11.3 million, or $0.41 per diluted share, compared to net income of $13.1 million, or $0.48 per diluted share, in the first half of 2012.

Financial Condition, Liquidity and Capital Resources

Our sources of liquidity primarily include cash, cash equivalents and short-term investments and net cash provided by operating activities and, from time to time, other external sources of funds. Working capital (current assets minus current liabilities) and our current ratio (current assets divided by current liabilities) were $347.6 million and 6.7:1, respectively, at June 30, 2013, versus $338.3 million and 6.1:1 at December 30, 2012. We have no long-term debt. As of June 30, 2013, our cash, cash equivalents and short-term investments totaled $206.5 million compared to $207.3 million at December 30, 2012 and $212.3 million at June 24, 2012.

Working capital increased in the first half of 2013 and primarily reflects an increase in accounts receivable and a decrease in accrued expenses, offset by decreases in inventory and other current assets. For the foreseeable future, we expect all working capital requirements, funds required for investing activities and cash dividend payments to be funded from internally generated funds or existing cash, cash equivalents and short-term investments. The level of change in cash and cash provided by operating activities experienced in the first half of 2013 may not necessarily be indicative of future results.

We recently announced plans to invest between $125 million and $135 million to build a new manufacturing facility in Mexico. Although our existing liquidity is currently adequate to fund the project, we are evaluating various financing options available to the company. In June 2013 we entered into a contract for the construction of this new facility in Mexico. The contract is primarily denominated in pesos with a U.S. dollar value of approximately $21 million, based on foreign exchange rates at June 30, 2013, and is expected to be paid out over the next 12 months.

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

(Dollars in thousands)	Twenty-six Weeks Ended

	June 30, 2013	June 24, 2012	Change
Net cash provided by operating activities	$15,366	$34,564	$(19,198)
Net cash used in investing activities	(16,841)	(6,361)	(10,480)
Net cash provided by (used in) financing activities	1,457	(8,286)	9,743
Effect of exchange rate changes on cash	(810)	(218)	(592)
Net (decrease) increase in cash and cash equivalents	$(828)	$19,699	$(20,527)

Operating Activities

21

Table of Contents

Net cash provided by operating activities was $15.4 million for the twenty-six week period ended June 30, 2013, compared to $34.6 million for the comparable period a year ago. Compared to the first half of 2012, the $19.2 million decline in cash from operating activities resulted from unfavorable fluctuations in accounts payable, other assets and liabilities and income tax liabilities, totaling $24.6 million, partially offset by favorable fluctuations in inventories and receivables totaling $5.2 million.

Investing Activities

Our principal investing activities during the twenty-six week period ended June 30, 2013 were the funding of $17.1 million of capital expenditures and the purchase of $2.8 million of certificates of deposit, offset by the receipt of $2.8 million cash proceeds from maturing certificates of deposit and $0.3 million cash proceeds from a life insurance policy. Investing activities during the comparable period a year ago included the funding of $8.7 million of capital expenditures and the purchase of $2.8 million of certificates of deposit, offset by the receipt of $3.1 million cash proceeds from maturing certificates of deposit and the receipt of $1.7 million cash proceeds from a life insurance policy.

Financing Activities

Financing activities during the twenty-six week period ended June 30, 2013 consisted of the receipt of cash proceeds from the exercise of stock options totaling $1.1 million and excess tax benefits from the option exercises of $0.3 million. Financing activities during the twenty-six week period ended June 24, 2012 consisted of the payment of cash dividends on our common stock totaling $8.7 million, partially offset by the receipt of cash proceeds from the exercise of stock options totaling $0.4 million. In December 2012 the company's Board of Directors approved an accelerated payment of the 2013 regular cash dividends into 2012. Accordingly, a payment of $17.5 million, representing the 2013 regular cash dividend of $0.64, was made in December 2012.

Critical Accounting Estimates

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

Risk Management

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

The functional currency of certain foreign operations in Mexico is the Mexican peso. The settlement of accounts receivable and accounts payable for these operations requires the transfer of funds denominated in the Mexican peso, the value of which decreased by 2 percent in relation to the U.S. dollar in the first two quarters of 2013. Foreign currency transaction gains totaled $0.3 million in the second quarter of 2013, and transaction losses totaled $0.1 million in the second quarter of 2012. For the first half of 2013, foreign currency transaction gains totaled $0.4

million compared to $0.1 million for the comparable period in 2012. All transaction gains and losses are included in other income (expense) in the condensed consolidated income statements.

As it relates to foreign currency translation gains and losses, however, since 1990, the Mexican peso has experienced periods of relative stability followed by periods of major declines in value. The impact of these changes in value relative to our Mexico operations resulted in a cumulative unrealized translation loss at June 30, 2013 of $58.2 million. Translation gains and losses are included in other comprehensive income in the condensed consolidated statements of comprehensive income.

When market conditions warrant, we may also enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as aluminum, natural gas and other raw materials. We currently have several purchase commitments in place for the delivery of natural gas through 2013. These natural gas contracts are considered to be derivatives under U.S. GAAP, and when entering into these contracts, we expected to take full delivery of the contracted quantities of natural gas over the normal course of business. Accordingly, at inception, these contracts qualified for the normal purchase, normal sale ("NPNS") exemption provided for under U.S. GAAP. As such, we do not account for these purchase commitments as derivatives unless there is a change in facts or circumstances in regard to our intent or ability to use the contracted quantities of natural gas

Table of Contents

over the normal course of business. Based on the quarterly analysis of our estimated future production levels, we believe that our remaining natural gas purchase commitments that were in effect as of June 30, 2013 will continue to qualify for the NPNS exemption since we can assert that it is probable we will take full delivery of the contracted quantities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency. A significant portion of our business operations are conducted in Mexico. As a result, we have a certain degree of market risk with respect to our cash flows due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currency, including inter-company transactions. Historically, we have not actively engaged in substantial exchange rate hedging activities and, at June 30, 2013, we had not entered into any foreign exchange contracts.

During the first two quarters of 2013, the Mexican peso exchange rate to U.S. dollar averaged 12.6 pesos per U.S. dollar. Based on the balance sheet at June 30, 2013, a 10 percent change in the relationship between the peso and the U.S. dollar may result in a translation impact of between $10.6 million and $13.0 million, which would be recognized in other comprehensive income.

Our business requires us to settle transactions between currencies in both directions, i.e., peso to U.S. dollar and vice versa. To the greatest extent possible, we attempt to match the timing of transaction settlements between currencies to create a “natural hedge.” For the first two quarters of 2013, we had a $0.4 million net foreign exchange transaction gain related to the peso. Based on the current business model and levels of production and sales activity, the net imbalance between currencies depends on specific circumstances and there can be no assurances that the net transaction balance will not change significantly in the future.

Natural Gas Purchase Commitments. When market conditions warrant, we enter into purchase commitments to secure the supply of certain commodities used in the manufacture of our products, such as natural gas. However, we do not enter into derivatives or other financial instrument transactions for speculative purposes. At June 30, 2013, we had several purchase commitments in place for the delivery of natural gas in 2013 for a total cost of $1.3 million. These fixed price natural gas contracts may expose us to higher costs that cannot be recouped in selling prices in the event that the market price of natural gas declines below the contract price. As of June 30, 2013, we have fixed price natural gas purchase agreements for deliveries in 2013 that represent approximately 13 percent of our estimated natural gas consumption for the year.

Also see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in Part II of our 2012 Annual Report on Form 10-K and Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – “Risk Management” in this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2013. 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.

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

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2013, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

Table of Contents

There has been no change in our internal control over financial reporting during the most recent fiscal quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We are party to various legal and environmental proceedings incidental to our business. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against us. Based on facts now known, we believe all such matters are adequately provided for, covered by insurance, are without merit and/or involve such amounts that would not materially adversely affect our consolidated results of operations, cash flows or financial position.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A – Risk Factors in Part I of our 2012 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. There have been no material changes from the risk factors described in our 2012 Annual Report on Form 10-K.

Item 6. Exhibits

3.1	Restated Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to Registrant’s Current Report on Form 8-K filed May 23, 2013).
3.2	Amended and Restated By-Laws of the Registrant (Incorporated by reference to Exhibit 3.1 to Registrant’s Current Report on Form 8-K filed May 25, 2010).
31.1	Certification of Steven J. Borick, Chairman, Chief Executive Officer and President, Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Kerry A. Shiba, Executive Vice President and Chief Financial Officer, Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Steven J. Borick, Chairman, Chief Executive Officer and President, and Kerry Shiba, Executive Vice President and Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	Interactive data file (furnished electronically herewith pursuant to Rule 406T of Regulation S-T).

Table of Contents

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: 8/2/2013

/s/ Steven J. Borick
Steven J. Borick
Chairman, Chief Executive Officer
and President

Date: 8/2/2013

/s/ Kerry A. Shiba
Kerry A. Shiba
Executive Vice President and Chief
Financial Officer