

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



FORM 10-Q

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

For the Quarterly Period Ended: September 30, 2022
or

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

Commission file number 1-12936

TITAN INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

1525 Kautz Road, Suite 600, West Chicago, IL
(Address of principal executive offices)

36-3228472
(I.R.S. Employer Identification No.)

60185
(Zip Code)
(217) 228-6011
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, \$0.0001 par value	TWI	New York Stock Exchange

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

Indicate the number of shares of Titan International, Inc. outstanding: 62,843,961 shares of common stock, \$0.0001 par value, as of October 31, 2022.

TITAN INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TITAN INTERNATIONAL, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) (All amounts in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 530,722	\$ 450,382	\$ 1,659,614	\$ 1,292,539
Cost of sales	443,089	390,090	1,375,599	1,117,512
Gross profit	87,633	60,292	284,015	175,027
Selling, general and administrative expenses	31,410	32,217	102,306	98,811
Research and development expenses	2,434	2,370	7,592	7,451
Royalty expense	3,298	2,805	9,217	7,915
Income from operations	50,491	22,900	164,900	60,850
Interest expense	(7,221)	(7,818)	(22,835)	(23,939)
Loss on senior note repurchase	—	—	—	(16,020)
Foreign exchange gain	1,198	416	8,749	9,125
Other income	9,691	648	24,526	1,512
Income before income taxes	54,159	16,146	175,340	31,528
Provision for income taxes	11,446	5,342	39,128	9,927
Net income	42,713	10,804	136,212	21,601
Net (loss) income attributable to noncontrolling interests	(456)	(383)	1,950	(387)
Net income attributable to Titan and applicable to common shareholders	\$ 43,169	\$ 11,187	\$ 134,262	\$ 21,988
Income per common share:				
Basic	\$ 0.69	\$ 0.18	\$ 2.13	\$ 0.36
Diluted	\$ 0.68	\$ 0.18	\$ 2.11	\$ 0.35
Average common shares and equivalents outstanding:				
Basic	62,803	62,340	63,107	61,844
Diluted	63,229	62,601	63,587	62,523

See accompanying Notes to Condensed Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(All amounts in thousands)

	Three months ended September 30,	
	2022	2021
Net income	\$ 42,713	\$ 10,804
Derivative gain	287	54
Currency translation adjustment, net	(29,517)	(16,243)
Pension liability adjustments, net of tax of \$(107) and \$(42), respectively	241	797
Comprehensive income (loss)	13,724	(4,588)
Net comprehensive (loss) income attributable to redeemable and noncontrolling interests	(1,101)	51
Comprehensive income (loss) attributable to Titan	\$ 14,825	\$ (4,639)

	Nine months ended September 30,	
	2022	2021
Net income	\$ 136,212	\$ 21,601
Derivative gain	865	319
Currency translation adjustment, net	(23,778)	(28,991)
Pension liability adjustments, net of tax of \$(451) and \$(83), respectively	1,216	2,362
Comprehensive income (loss)	114,515	(4,709)
Net comprehensive income (loss) attributable to redeemable and noncontrolling interests	7,352	(323)
Comprehensive income (loss) attributable to Titan	\$ 107,163	\$ (4,386)

See accompanying Notes to Condensed Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except share data)

	September 30, 2022	December 31, 2021
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 116,581	\$ 98,108
Accounts receivable, net	282,145	255,180
Inventories	412,967	392,615
Prepaid and other current assets	88,954	67,401
Total current assets	900,647	813,304
Property, plant and equipment, net	287,618	301,109
Operating lease assets	9,528	20,945
Deferred income taxes	16,416	16,831
Other long-term assets	33,270	30,496
Total assets	<u>\$ 1,247,479</u>	<u>\$ 1,182,685</u>
Liabilities		
Current liabilities		
Short-term debt	\$ 32,300	\$ 32,500
Accounts payable	256,715	278,099
Other current liabilities	181,937	140,214
Total current liabilities	470,952	450,813
Long-term debt	414,566	452,451
Deferred income taxes	4,242	3,978
Other long-term liabilities	36,732	48,271
Total liabilities	<u>926,492</u>	<u>955,513</u>
Equity		
Titan shareholders' equity		
Common stock (\$0.0001 par value, 120,000,000 shares authorized, 66,525,269 issued at September 30, 2022 and 66,492,660 at December 31, 2021)	—	—
Additional paid-in capital	564,181	562,340
Retained earnings (deficit)	48,823	(85,439)
Treasury stock (at cost, 3,720,609 shares at September 30, 2022 and 80,876 shares at December 31, 2021)	(23,662)	(1,121)
Accumulated other comprehensive loss	(273,579)	(246,480)
Total Titan shareholders' equity	315,763	229,300
Noncontrolling interests	5,224	(2,128)
Total equity	320,987	227,172
Total liabilities and equity	<u>\$ 1,247,479</u>	<u>\$ 1,182,685</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(All amounts in thousands, except share data)

	Number of common shares	Additional paid-in capital	Retained (deficit) earnings	Treasury stock	Accumulated other comprehensive (loss) income	Total Titan Equity	Non- controlling interest	Total Equity
Balance January 1, 2022	66,411,784	\$ 562,340	\$ (85,439)	\$ (1,121)	\$ (246,480)	\$ 229,300	\$ (2,128)	\$ 227,172
Net income			23,922			23,922	656	24,578
Currency translation adjustment, net					18,457	18,457	(1,182)	17,275
Pension liability adjustments, net of tax					544	544		544
Derivative gain					303	303		303
Stock-based compensation	212,440	(851)		1,339		488		488
Issuance of common stock under 401(k) plan	32,609	360				360		360
Common stock repurchase	(4,032,259)			(25,000)		(25,000)		(25,000)
Balance March 31, 2022	<u>62,624,574</u>	<u>\$ 561,849</u>	<u>\$ (61,517)</u>	<u>\$ (24,782)</u>	<u>\$ (227,176)</u>	<u>\$ 248,374</u>	<u>\$ (2,654)</u>	<u>\$ 245,720</u>
Net income			67,171			67,171	1,750	68,921
Currency translation adjustment, net					(18,765)	(18,765)	7,229	(11,536)
Pension liability adjustments, net of tax					431	431		431
Derivative gain					275	275		275
Stock-based compensation	122,351	695		761		1,456		1,456
Issuance of treasury stock under 401(k) plan	27,852	230		173		403		403
Balance June 30, 2022	<u>62,774,777</u>	<u>\$ 562,774</u>	<u>\$ 5,654</u>	<u>\$ (23,848)</u>	<u>\$ (245,235)</u>	<u>\$ 299,345</u>	<u>\$ 6,325</u>	<u>\$ 305,670</u>
Net income (loss)			43,169			43,169	(456)	42,713
Currency translation adjustment, net					(28,872)	(28,872)	(645)	(29,517)
Pension liability adjustments, net of tax					241	241		241
Derivative gain					287	287		287
Stock-based compensation		1,169				1,169		1,169
Issuance of treasury stock under 401(k) plan	29,883	238		186		424		424
Balance September 30, 2022	<u>62,804,660</u>	<u>\$ 564,181</u>	<u>\$ 48,823</u>	<u>\$ (23,662)</u>	<u>\$ (273,579)</u>	<u>\$ 315,763</u>	<u>\$ 5,224</u>	<u>\$ 320,987</u>

	Number of common shares	Additional paid-in capital	Retained (deficit) earnings	Treasury stock	Accumulated other comprehensive (loss) income	Total Titan Equity	Non- controlling interest	Total Equity
Balance January 1, 2021	61,376,981	\$ 532,742	\$ (135,025)	\$ (1,199)	\$ (217,254)	\$ 179,264	\$ (2,999)	\$ 176,265
Net income (loss)			13,574			13,574	(351)	13,223
Currency translation adjustment, net					(26,665)	(26,665)	(513)	(27,178)
Pension liability adjustments, net of tax					873	873		873
Derivative gain					40	40		40
Stock-based compensation	146,322	487		82		569		569
Issuance of common stock under 401(k) plan	70,416	340				340		340
Balance March 31, 2021	<u>61,593,719</u>	<u>\$ 533,569</u>	<u>\$ (121,451)</u>	<u>\$ (1,117)</u>	<u>\$ (243,006)</u>	<u>\$ 167,995</u>	<u>\$ (3,863)</u>	<u>\$ 164,132</u>
Net (loss) income			(2,773)			(2,773)	347	(2,426)
Currency translation adjustment, net					14,287	14,287	143	14,430
Pension liability adjustments, net of tax					692	692		692
Derivative gain					225	225		225
Stock-based compensation	578,516	787		(4)		783		783
Issuance of common stock under 401(k) plan	35,526	341				341		341
Balance June 30, 2021	<u>62,207,761</u>	<u>\$ 534,697</u>	<u>\$ (124,224)</u>	<u>\$ (1,121)</u>	<u>\$ (227,802)</u>	<u>\$ 181,550</u>	<u>\$ (3,373)</u>	<u>\$ 178,177</u>
Net income (loss)			11,187			11,187	(383)	10,804
Currency translation adjustment, net					(16,677)	(16,677)	434	(16,243)
Pension liability adjustments, net of tax					797	797		797
Derivative gain					54	54		54
Stock-based compensation	97,439	650				650		650
Issuance of common stock under 401(k) plan	41,584	355				355		355
Balance September 30, 2021	<u>62,346,784</u>	<u>\$ 535,702</u>	<u>\$ (113,037)</u>	<u>\$ (1,121)</u>	<u>\$ (243,628)</u>	<u>\$ 177,916</u>	<u>\$ (3,322)</u>	<u>\$ 174,594</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(All amounts in thousands)

	Nine months ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 136,212	\$ 21,601
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	32,283	36,345
Loss on sale of the Australian wheel business	10,890	—
Deferred income tax provision	(1,631)	(743)
Income on indirect taxes	(32,043)	—
Gain on fixed asset and investment sale	(256)	(569)
Loss on senior note repurchase	—	16,020
Stock-based compensation	3,113	2,029
Issuance of stock under 401(k) plan	1,186	1,036
Foreign currency gain	(4,176)	(12,042)
(Increase) decrease in assets:		
Accounts receivable	(43,499)	(75,456)
Inventories	(44,180)	(89,496)
Prepaid and other current assets	6,361	(14,249)
Other assets	(4,352)	3,175
Increase (decrease) in liabilities:		
Accounts payable	(9,516)	92,384
Other current liabilities	49,885	24,207
Other liabilities	1,963	(6,532)
Net cash provided by (used for) operating activities	102,240	(2,290)
Cash flows from investing activities:		
Capital expenditures	(32,755)	(24,250)
Proceeds from the sale of the Australian wheel business	9,293	—
Proceeds from sale of fixed assets	680	1,139
Net cash used for investing activities	(22,782)	(23,111)
Cash flows from financing activities:		
Proceeds from borrowings	88,907	482,293
Repurchase of senior secured notes	—	(413,000)
Payment on debt	(120,728)	(59,949)
Repurchase of common stock	(25,000)	—
Other financing activities	(720)	(2,069)
Net cash (used for) provided by financing activities	(57,541)	7,275
Effect of exchange rate changes on cash	(3,444)	(4,665)
Net increase (decrease) in cash and cash equivalents	18,473	(22,791)
Cash and cash equivalents, beginning of period	98,108	117,431
Cash and cash equivalents, end of period	<u>\$ 116,581</u>	<u>\$ 94,640</u>
Supplemental information:		
Interest paid	\$ 16,813	\$ 15,035
Income taxes paid, net of refunds received	\$ 27,723	\$ 10,766

See accompanying Notes to Condensed Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited condensed consolidated interim financial statements include the accounts of Titan International, Inc. and its subsidiaries (Titan or the Company) and have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) for interim financial information and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the SEC). Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. The accompanying unaudited condensed consolidated interim financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the Company's financial position and the results of operations and cash flows for the periods presented, and should be read in conjunction with the consolidated financial statements and the related notes thereto included in the Company's latest Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 3, 2022 (the 2021 Form 10-K). All significant intercompany transactions have been eliminated in consolidation. These unaudited condensed consolidated interim financial statements include estimates and assumptions of management that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates.

COVID-19 pandemic

The COVID-19 pandemic impact on the Company was less during the first three quarters of 2022 than in the comparable period in 2021. The Company's operations continued with additional sanitary and other protective health measures which have increased operating costs. While the Company's operations began to return to historical levels during 2021 and continuing into the first three quarters of 2022, certain geographies (particularly China) continue to remain impacted due to new and emerging variants of COVID-19 resulting in employee absenteeism. Further, global supply chains are experiencing constraints following the COVID-19 pandemic, including availability and pricing of raw materials, transportation and labor. We expect that the post COVID-19 pandemic will continue to have some impact on the Company's operations, though the nature and extent of the impact will depend on the duration and severity of emerging variants of COVID-19.

Fair value of financial instruments

The Company records all financial instruments, including cash and cash equivalents, accounts receivable, notes receivable, accounts payable, other accruals, and notes payable at cost, which approximates fair value due to their short term or stated rates. Investments in marketable equity securities are recorded at fair value. Our 7.00% senior secured notes due 2028 were carried at a cost of \$395.2 million at September 30, 2022. The fair value of the senior secured notes due 2028 at September 30, 2022, as obtained through an independent pricing source, was approximately \$362.8 million.

Russia-Ukraine Military Conflict

In February 2022, in response to the military conflict between Russia and Ukraine, the United States, other North Atlantic Treaty Organization member states, as well as non-member states, have announced targeted economic sanctions on Russia, certain Russian citizens and enterprises. The continuation of the conflict has triggered additional economic and other sanctions enacted by the United States and other countries throughout the world.

The Company currently owns 64.3% of the Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia, which represents approximately 8% and 7% of consolidated assets of Titan as of September 30, 2022 and December 31, 2021, respectively. The asset increase in the Russian entity was due to foreign currency translation. The Russian operations represent approximately 5% of consolidated global sales for both the three months ended September 30, 2022 and 2021 while representing 6% and 5% of consolidated global sales for the nine months ended September 30, 2022 and 2021, respectively. The impact of the military conflict between Russia and Ukraine has not had a significant impact on global operations. The Company continues to monitor the potential impacts on the business including the increased cost of energy in Europe and the ancillary impacts that the military conflict could have on other global operations.

Sale of Australian wheel business

On March 29, 2022, the Company entered into a definitive agreement (the Agreement) for the sale of its Australian wheel business, to OTR Tyres, a leading Australian tire, wheel and service provider. The closing date of the transaction was March 31, 2022. The Agreement contains customary representations, warranties and covenants for transactions of this type. The sale included gross proceeds and cash repatriated of approximately \$17.5 million, and the assumption by OTR Tyres of all liabilities, including employee and lease obligations. Refer to footnote 13 for additional information on the loss on sale of the Australian wheel business.

TITAN INTERNATIONAL, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Interest Paid Revision

An error was identified in the disclosure of interest paid within the supplemental information of the condensed consolidated statements of cash flow for the nine months ended September 30, 2021.

We evaluated the revision in accordance with Accounting Standards Codification (ASC) 250, Accounting Changes and Error Corrections and evaluated the materiality of the revision on prior periods' financial statements in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 108, Quantifying Financial Statement Errors. We concluded that the revision was not material to any prior period and therefore, amendments of previously filed reports are not required. In accordance with ASC 250, we have corrected the error in the prior period presented. The revision did not have an impact on net income or earnings per share data for the year ended December 31, 2021.

Adoption of new accounting standards

In November 2021, the FASB issued ASU No. 2021-10 Government Assistance (Topic 832), which requires annual disclosures of transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. These required disclosures include information on the nature of transactions and related accounting policies used to account for transactions, detail on the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions including commitments and contingencies. The ASU is effective for fiscal years beginning after December 15, 2021. The Company receives various forms of government assistance, primarily through grants associated with continued infrastructure development in certain foreign locations. The Company adopted the impact of this ASU effective January 1, 2022 and incorporated the required disclosures within the notes to condensed consolidated financial statements. The adoption did not have a material impact on our condensed consolidated financial statements.

2. ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following (amounts in thousands):

	September 30, 2022	December 31, 2021
Accounts receivable	\$ 289,600	\$ 259,730
Allowance for doubtful accounts	(7,455)	(4,550)
Accounts receivable, net	<u>\$ 282,145</u>	<u>\$ 255,180</u>

3. INVENTORIES

Inventories consisted of the following (amounts in thousands):

	September 30, 2022	December 31, 2021
Raw material	\$ 138,907	\$ 135,241
Work-in-process	46,245	44,694
Finished goods	227,815	212,680
	<u>\$ 412,967</u>	<u>\$ 392,615</u>

TITAN INTERNATIONAL, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following (amounts in thousands):

	September 30, 2022	December 31, 2021
Land and improvements	\$ 37,996	\$ 41,010
Buildings and improvements	230,389	236,367
Machinery and equipment	584,861	578,816
Tools, dies and molds	111,162	111,169
Construction-in-process	29,936	20,288
	994,344	987,650
Less accumulated depreciation	(706,726)	(686,541)
	<u>\$ 287,618</u>	<u>\$ 301,109</u>

Depreciation on property, plant and equipment for the nine months ended September 30, 2022 and 2021 totaled \$31.3 million and \$35.1 million, respectively.

5. INTANGIBLE ASSETS, NET

The components of intangible assets, net consisted of the following (amounts in thousands):

	Weighted Average Useful Lives (in years) September 30, 2022	September 30, 2022	December 31, 2021
Amortizable intangible assets:			
Patents, trademarks and other	10.77	\$ 10,084	\$ 10,084
Less accumulated amortization		(8,699)	(8,586)
		<u>\$ 1,385</u>	<u>\$ 1,498</u>

Amortization related to intangible assets for the nine months ended September 30, 2022 and 2021 totaled \$0.3 million and \$0.6 million, respectively. Intangible assets are included as a component of other long-term assets in the Condensed Consolidated Balance Sheets.

The estimated aggregate amortization expense at September 30, 2022 for each of the years (or other periods) set forth below was as follows (amounts in thousands):

October 1 - December 31, 2022	\$ 32
2023	145
2024	132
2025	123
2026	123
Thereafter	830
	<u>\$ 1,385</u>

TITAN INTERNATIONAL, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

6. WARRANTY

Changes in the warranty liability during the nine months ended September 30, 2022 and 2021, respectively, consisted of the following (amounts in thousands):

	2022	2021
Warranty liability at beginning of the period	\$ 16,628	\$ 15,040
Provision for warranty liabilities	11,297	7,397
Warranty payments made	(8,419)	(6,039)
Warranty liability at end of the period	<u>\$ 19,506</u>	<u>\$ 16,398</u>

Warranty accruals are included as a component of other current liabilities on the Condensed Consolidated Balance Sheets.

7. DEBT

Long-term debt consisted of the following (amounts in thousands):

	Principal Balance	September 30, 2022 Unamortized Debt Issuance	Net Carrying Amount
7.00% senior secured notes due 2028	\$ 400,000	\$ (4,818)	\$ 395,182
Titan Europe credit facilities	38,287	—	38,287
Other debt	13,397	—	13,397
Total debt	451,684	(4,818)	446,866
Less amounts due within one year	32,300	—	32,300
Total long-term debt	<u>\$ 419,384</u>	<u>\$ (4,818)</u>	<u>\$ 414,566</u>

	Principal Balance	December 31, 2021 Unamortized Debt Issuance	Net Carrying Amount
7.00% senior secured notes due 2028	\$ 400,000	\$ (5,476)	\$ 394,524
Titan Europe credit facilities	44,993	—	44,993
Revolving credit facility	30,000	—	30,000
Other debt	15,434	—	15,434
Total debt	490,427	(5,476)	484,951
Less amounts due within one year	32,500	—	32,500
Total long-term debt	<u>\$ 457,927</u>	<u>\$ (5,476)</u>	<u>\$ 452,451</u>

Aggregate principal maturities of long-term debt at September 30, 2022 for each of the years (or other periods) set forth below were as follows (amounts in thousands):

October 1 - December 31, 2022	\$ 13,847
2023	20,903
2024	6,733
2025	2,838
2026	2,190
Thereafter	405,173
	<u>\$ 451,684</u>

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7.00% senior secured notes due 2028

On April 22, 2021, the Company issued \$400.0 million aggregate principal amount of 7.00% senior secured notes due April 2028 (the senior secured notes due 2028), guaranteed by certain of the Company's subsidiaries. Including the impact of debt issuance costs, these notes had an effective yield of 7.27% at issuance. These notes are secured by the land and buildings of the following subsidiaries of the Company: Titan Wheel Corporation of Illinois, Titan Tire Corporation, Titan Tire Corporation of Freeport, and Titan Tire Corporation of Bryan. The Company is subject to certain covenants associated with the senior secured notes due 2028 and remained in compliance with these debt covenants at September 30, 2022.

Titan Europe credit facilities

The Titan Europe credit facilities include borrowings from various institutions totaling \$38.3 million in aggregate principal amount at September 30, 2022. Maturity dates on this debt range from less than one year to five years.

Revolving credit facility

The Company has a \$125 million revolving credit facility with BMO Harris Bank N.A., as agent, and other financial institutions party thereto. The credit facility is collateralized by accounts receivable and inventory of certain of the Company's domestic subsidiaries and is scheduled to mature in October 2026. The credit facility can be expanded by up to \$50 million through an accordion provision within the agreement. From time to time Titan's availability under this credit facility may be less than \$125 million as a result of outstanding letters of credit and eligible accounts receivable and inventory balances at certain of its domestic subsidiaries. At September 30, 2022, under the Company's \$125 million credit facility there were no borrowings and \$7.2 million in outstanding letters of credit, and the amount available for borrowing totaled \$117.8 million.

Other debt

The Company has working capital loans at Titan Pneus do Brasil Ltda and Voltyre-Prom at various interest rates, which totaled \$10.1 million and \$3.3 million at September 30, 2022, respectively. Maturity dates on these loans are one year or less. The Company expects to negotiate an extension of the maturity dates on these loans with the respective financial institutions, as needed.

8. REDEEMABLE NONCONTROLLING INTEREST

The Company and the Russian Direct Investment Fund (RDIF) own all of the equity interests in Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia. On February 11, 2019, the Company entered into a definitive agreement (the Agreement) with an affiliate of the RDIF relating to the put option included in the Voltyre-Prom Shareholders' Agreement that was exercised by RDIF. Under the terms of the Agreement, in full satisfaction of the settlement put option that was exercised by RDIF, Titan paid \$25 million in cash to RDIF at the closing of the transaction, and agreed, subject to the completion of regulatory approval, to issue 4,032,259 shares of restricted Titan common stock to RDIF in a private placement.

In November 2021, Titan received regulatory approval for the issuance of restricted Titan common stock to RDIF. On December 17, 2021, the Company issued 4,032,259 shares of restricted Titan common stock to the RDIF equity holders subject to the Company's right to repurchase the shares for \$25 million until February 12, 2022.

On February 1, 2022, the Company entered into a Stock Purchase Agreement with the RDIF equity holders to buy back the restricted Titan common stock for the previously agreed amount of \$25 million. The transaction was completed on February 1, 2022. Following the transaction, the Company and RDIF's ownership remained at 64.3% and 35.7%, respectively, of Voltyre-Prom.

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9. LEASES

The Company leases certain buildings and equipment under both operating and finance leases. Certain lease agreements provide for renewal options, fair value purchase options, and payment of property taxes, maintenance, and insurance by the Company. Under FASB Accounting Standards Codification Topic 842 "Leases," the Company made an accounting policy election, by class of underlying asset, not to separate non-lease components such as those previously stated from lease components and instead will treat the lease agreement as a single lease component for all asset classes. Operating right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent Titan's obligations to make lease payments arising from the lease. The majority of Titan's leases are operating leases. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of Titan's leases do not provide an implicit interest rate, the Company used its incremental borrowing rate (7.27%), based on the information available at the lease commencement date, in determining the present value of lease payments. Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of sales and selling, general and administrative expenses on the Condensed Consolidated Statements of Operations. Amortization expense associated with finance leases is included in cost of sales and selling, general and administrative expenses, and interest expense associated with finance leases is included in interest expense in the Condensed Consolidated Statements of Operations.

Supplemental balance sheet information related to leases was as follows (amounts in thousands):

	Balance Sheet Classification	September 30, 2022	December 31, 2021
Operating lease ROU assets	Operating lease assets	\$ 9,528	\$ 20,945
Operating lease current liabilities	Other current liabilities	\$ 4,462	\$ 6,180
Operating lease long-term liabilities	Other long-term liabilities	2,825	11,352
Total operating lease liabilities		<u>\$ 7,287</u>	<u>\$ 17,532</u>
Finance lease, gross	Property, plant & equipment, net	\$ 6,920	\$ 5,305
Finance lease accumulated depreciation	Property, plant & equipment, net	(3,446)	(2,801)
Finance lease, net		<u>\$ 3,474</u>	<u>\$ 2,504</u>
Finance lease current liabilities	Other current liabilities	\$ 2,507	\$ 2,384
Finance lease long-term liabilities	Other long-term liabilities	3,413	3,878
Total finance lease liabilities		<u>\$ 5,920</u>	<u>\$ 6,262</u>

At September 30, 2022, maturities of lease liabilities were as follows (amounts in thousands):

	Operating Leases	Finance Leases
October 1 - December 31, 2022	\$ 1,750	\$ 1,030
2023	4,054	2,527
2024	1,597	1,472
2025	475	896
2026	263	553
Thereafter	496	5
Total lease payments	<u>\$ 8,635</u>	<u>\$ 6,483</u>
Less imputed interest	1,348	563
	<u>\$ 7,287</u>	<u>\$ 5,920</u>
Weighted average remaining lease term (in years)	2.48	2.71

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Supplemental cash flow information related to leases for the nine months ended September 30, 2022 were as follows: operating cash flows from operating leases were \$2.0 million.

10. EMPLOYEE BENEFIT PLANS

The Company has three frozen defined benefit pension plans covering certain employees or former employees of three U.S. subsidiaries. The Company also has pension plans covering certain employees of several foreign subsidiaries. The Company also sponsors a number of defined contribution plans in the U.S. and at foreign subsidiaries. The Company contributed approximately \$0.4 million to the pension plans during the nine months ended September 30, 2022 and no amounts are expected to be contributed to the pension plans during the remainder of 2022.

The components of net periodic pension (benefit) cost consisted of the following for the periods set forth below (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Service cost	\$ 43	\$ 168	\$ 1,215	\$ 506
Interest cost	714	702	2,148	2,115
Expected return on assets	(1,518)	(1,505)	(4,554)	(4,519)
Amortization of unrecognized prior service cost	(15)	(14)	(47)	(46)
Amortization of net unrecognized (gain) loss	(5)	697	(18)	2,090
Net periodic pension (benefit) cost	<u>\$ (781)</u>	<u>\$ 48</u>	<u>\$ (1,256)</u>	<u>\$ 146</u>

Service cost is recorded as cost of sales in the Condensed Consolidated Statements of Operations while all other components are recorded in other income. The change in the net periodic pension (benefit) cost from 2021 to 2022 is due to the disposal of the Australian wheel business.

11. VARIABLE INTEREST ENTITIES

The Company holds a variable interest in two joint ventures for which the Titan is the primary beneficiary. One of these joint ventures operate distribution facilities that primarily distribute mining products. Titan is the 50% owner of the distribution facility located in Canada. Titan is also a 50% owner of a manufacturer of undercarriage components and complete track systems for earthmoving machines in India. The Company's variable interests in these joint ventures relate to sales of Titan products to these entities, consigned inventory, and working capital loans. As the primary beneficiary of these variable interest entities (VIEs), the VIEs' assets, liabilities, and results of operations are included in the Company's condensed consolidated financial statements. The other equity holders' interests are reflected in "Net loss (income) attributable to noncontrolling interests" in the Condensed Consolidated Statements of Operations and "Noncontrolling interests" in the Condensed Consolidated Balance Sheets.

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The following table summarizes the carrying amount of the VIEs' assets and liabilities included in the Company's Condensed Consolidated Balance Sheets (amounts in thousands):

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 1,473	\$ 714
Inventory	2,569	2,459
Other current assets	4,714	5,135
Property, plant and equipment, net	4,602	3,414
Other non-current assets	481	626
Total assets	<u>\$ 13,839</u>	<u>\$ 12,348</u>
Current liabilities	\$ 2,272	\$ 1,687
Other long-term liabilities	1,187	669
Total liabilities	<u>\$ 3,459</u>	<u>\$ 2,356</u>

All assets in the above table can only be used to settle obligations of the consolidated VIE to which the respective assets relate. Liabilities are nonrecourse obligations. Amounts presented in the table above are adjusted for intercompany eliminations.

The Company holds variable interests in certain VIEs that are not consolidated because Titan is not the primary beneficiary. The Company's involvement with these entities is in the form of direct equity interests and prepayments related to purchases of materials. The maximum exposure to loss represents the loss of assets recognized by Titan relating to non-consolidated entities and amounts due to the non-consolidated assets. The assets and liabilities recognized in Titan's Condensed Consolidated Balance Sheets related to Titan's interest in these non-consolidated VIEs and the Company's maximum exposure to loss relating to non-consolidated VIEs as of the dates set forth below were as follows (amounts in thousands):

	September 30, 2022	December 31, 2021
Investments	\$ 6,316	\$ 6,402
Total VIE assets	6,316	6,402
Accounts payable	2,762	4,296
Maximum exposure to loss	<u>\$ 9,078</u>	<u>\$ 10,698</u>

12. ROYALTY EXPENSE

The Company has trademark license agreements with The Goodyear Tire & Rubber Company to manufacture and sell certain farm tires under the Goodyear brand. These agreements cover sales in North America, Latin America, Europe, the Middle East, Africa, Russia, and other Commonwealth of Independent States countries. Each of these agreements is scheduled to expire in 2025. Royalty expenses were \$3.3 million and \$2.8 million for the three months ended September 30, 2022 and 2021, respectively, and \$9.2 million and \$7.9 million for the nine months ended September 30, 2022 and 2021, respectively.

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13. OTHER INCOME

Other income consisted of the following (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Income on indirect taxes ⁽¹⁾	\$ 9,593	\$ —	\$ 32,043	\$ —
Loss on sale of Australian wheel business ⁽²⁾	—	—	(10,890)	—
Proceeds from government grant ⁽³⁾	—	—	1,324	—
Gain on legal settlement ⁽⁴⁾	—	—	—	1,750
Equity investment income	—	273	570	397
Gain on sale of assets	74	132	256	297
Other income (expense)	24	243	1,223	(932)
	<u>\$ 9,691</u>	<u>\$ 648</u>	<u>\$ 24,526</u>	<u>\$ 1,512</u>

⁽¹⁾ In May 2022 and September 2022, the Brazilian tax authorities approved indirect tax credits to be applied against future tax obligations. Refer to Footnote 14 for additional information.

⁽²⁾ The loss on sale of the Australian wheel business is comprised primarily of the release of the cumulative translation adjustment of approximately \$10.0 million and closing costs associated with the completion of the transaction of approximately \$0.9 million. Refer to Footnote 1 for additional information.

⁽³⁾ In August 2014, the Company received an approximately \$17.0 million capital grant from the Italian government for asset damages related to the earthquake that occurred in May 2012 at one of our Italian subsidiaries. The grant was recorded as deferred income in non-current liabilities which is being amortized over the life of the reconstructed building. The Company received proceeds of an additional \$1.9 million from the grant during the nine months ended September 30, 2022, of which \$1.3 million was recorded as other income to match to the historical depreciation recorded on the underlying assets.

⁽⁴⁾ The gain on legal settlement relates to proceeds received from a steel supplier for the nine months ended September 30, 2021.

14. INCOME TAXES

The Company recorded income tax expense of \$11.4 million and \$5.3 million for the three months ended September 30, 2022 and 2021, respectively. For the nine months ended September 30, 2022 and 2021, the Company recorded income tax expense of \$39.1 million and \$9.9 million, respectively. The Company's effective income tax rate was 21.1% and 33.1% for the three months ended September 30, 2022 and 2021, respectively, and 22.3% and 31.5% for the nine months ended September 30, 2022 and 2021. For the nine months ended September 30, 2022 and 2021, the income tax expense each period differed due to an overall pre-tax income increase which resulted in the significant fluctuation in the effective tax rate. The year-to-date increase in income tax expense for the nine months ended September 30, 2022 is due to improved profitability in foreign jurisdictions.

The Company's 2022 and 2021 income tax expense and rates differed from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of U.S. and certain foreign jurisdictions that have a full valuation allowance on deferred tax assets. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for the nine months ended September 30, 2022 and 2021.

The Company continues to monitor the realization of its deferred tax assets and assesses the need for a valuation allowance. The Company analyzes available positive and negative evidence to determine if a valuation allowance is needed based on the weight of the evidence. This objectively verifiable evidence primarily includes the past three years' profit and loss positions. This process requires management to make estimates, assumptions, and judgments that are uncertain in nature. The Company has established valuation allowances with respect to deferred tax assets in the U.S. and certain foreign jurisdictions and continues to monitor and assess potential valuation allowances in all its jurisdictions.

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Given the Company's recent history of earnings, management believes that there is a reasonable possibility that, within the next twelve months, sufficient positive evidence may become available to allow management to anticipate the reversal of valuation allowance recorded against the US deferred tax assets. The reversal would result in an income tax benefit for the quarterly and annual fiscal period in which the Company releases the valuation allowance. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that the Company actually achieves.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 that includes, among other provisions, changes to the U.S. corporate income tax system, including a fifteen percent minimum tax based on "adjusted financial statement income," which is effective for tax years beginning after December 31, 2022, and a one percent excise tax on net repurchases of stock after December 31, 2022. Titan is continuing to evaluate the Inflation Reduction Act and its requirements, as well as the application to our business, but at this time does not expect the Inflation Reduction Act to have a material impact on our financial results.

The Company recorded income tax and other taxes payable of \$30.9 million and \$9.3 million as of September 30, 2022 and December 31, 2021, which are included in the other current liabilities line of the condensed consolidated balance sheets. The change in the balance is primarily due to accruals associated with the taxable income for the Brazilian indirect tax credits received and the overall increase in profitability for the Company.

Brazilian Tax Credits

In June 2021, the Company's Brazilian subsidiaries received a notice that they had prevailed on an existing legal claim in regards to certain non-income (indirect) taxes that had been previously charged and paid. The matter specifically relates to companies' rights to exclude the state tax on goods circulation (a value-added-tax or VAT equivalent, known in Brazil as "ICMS") from the calculation of certain additional indirect taxes (specifically the program of social integration ("PIS") and contribution for financing of social security ("COFINS") levied by the Brazilian States on the sale of goods.

During the second and third quarter of 2022, the Company submitted the related supporting documentation and received the approval from the Brazilian tax authorities for two of its Brazilian subsidiaries. For the three and nine months ended September 30, 2022, the Company recorded \$9.5 million and \$32.0 million within other income in the condensed consolidated statements of operations. The Company also recorded \$1.6 million and \$9.4 million of income tax expense associated with the recognition of these indirect tax credits for the three and nine months ended September 30, 2022.

The Company expects to be able to apply the tax credits received to settle the income tax liability that was incurred as a result of the credit. The Company also expects to utilize the majority of the credit against future PIS/COFINS and income tax obligations over the next twelve months. For the nine month period ended September 30, 2022, the company has utilized approximately \$10.0 million of the tax credits, which is included within income taxes paid of \$27.7 million on the supplemental information of the condensed consolidated statement of cash flow. Excluding the utilization of \$10.0 million of tax credits, the company paid approximately \$17.7 million of income taxes for the nine month period ended September 30, 2022.

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15. EARNINGS PER SHARE

Earnings per share (EPS) were as follows (amounts in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income attributable to Titan and applicable to common shareholders	\$ 43,169	\$ 11,187	\$ 134,262	\$ 21,988
Determination of shares:				
Weighted average shares outstanding (basic)	62,803	62,340	63,107	61,844
Effect of equity awards	426	261	480	679
Weighted average shares outstanding (diluted)	63,229	62,601	63,587	62,523
Income per common share:				
Basic	\$ 0.69	\$ 0.18	\$ 2.13	\$ 0.36
Diluted	\$ 0.68	\$ 0.18	\$ 2.11	\$ 0.35

16. LITIGATION

The Company is a party to routine legal proceedings arising out of the normal course of business. Due to the difficult nature of predicting unresolved and future legal claims, the Company cannot anticipate or predict the material adverse effect on its consolidated financial condition, results of operations, or cash flows as a result of efforts to comply with, or liabilities pertaining to, legal judgments. In the opinion of management, the Company is not currently involved in any legal proceedings which, individually or in the aggregate, could have a material effect on its financial position, results of operations, or cash flows.

17. SEGMENT INFORMATION

The Company has aggregated its operating units into reportable segments based on its three customer markets: agricultural, earthmoving/construction, and consumer. Each reportable segment includes wheels, tires, wheel/tire assemblies, and undercarriage systems and components. These segments are based on the information used by the Chief Executive Officer to make certain operating decisions, allocate portions of capital expenditures, and assess segment performance. Segment external sales, expenses, and income from operations are determined based on the results of operations for the operating units of the Company's manufacturing facilities. Segment assets are generally determined on the basis of the tangible assets located at such operating units' manufacturing facilities and the intangible assets associated with the acquisitions of such operating units. However, certain operating units' property, plant and equipment balances are carried at the corporate level.

The table below presents information about certain operating results, separated by market segments, for the three and nine months ended September 30, 2022 and 2021 (amounts in thousands):

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	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net sales				
Agricultural	\$ 289,259	\$ 244,373	\$ 917,443	\$ 684,636
Earthmoving/construction	199,921	168,408	611,550	509,930
Consumer	41,542	37,601	130,621	97,973
	<u>\$ 530,722</u>	<u>\$ 450,382</u>	<u>\$ 1,659,614</u>	<u>\$ 1,292,539</u>
Gross profit				
Agricultural	\$ 45,949	\$ 33,214	\$ 155,794	\$ 98,294
Earthmoving/construction	34,959	21,263	102,651	63,333
Consumer	6,725	5,815	25,570	13,400
	<u>\$ 87,633</u>	<u>\$ 60,292</u>	<u>\$ 284,015</u>	<u>\$ 175,027</u>
Income from operations				
Agricultural	\$ 31,125	\$ 18,156	\$ 106,126	\$ 54,228
Earthmoving/construction	21,836	7,913	59,952	20,950
Consumer	4,856	3,519	18,976	7,067
Corporate & Unallocated	(7,326)	(6,688)	(20,154)	(21,395)
Income from operations	<u>50,491</u>	<u>22,900</u>	<u>164,900</u>	<u>60,850</u>
Interest expense	(7,221)	(7,818)	(22,835)	(23,939)
Loss on senior note repurchase	—	—	—	(16,020)
Foreign exchange gain	1,198	416	8,749	9,125
Other income	9,691	648	24,526	1,512
Income before income taxes	<u>\$ 54,159</u>	<u>\$ 16,146</u>	<u>\$ 175,340</u>	<u>\$ 31,528</u>

Assets by segment were as follows as of the dates set forth below (amounts in thousands):

	September 30, 2022	December 31, 2021
Total assets		
Agricultural	\$ 553,326	\$ 517,528
Earthmoving/construction	514,296	502,373
Consumer	137,967	133,906
Corporate & Unallocated	41,890	28,878
	<u>\$ 1,247,479</u>	<u>\$ 1,182,685</u>

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18. RELATED PARTY TRANSACTIONS

The Company sells products and pays commissions to companies controlled by persons related to the Chairman of the Board of Directors of the Company, Mr. Maurice Taylor. The related party is Mr. Fred Taylor, who was Mr. Maurice Taylor's brother. Mr. Fred Taylor passed away on December 13, 2021. The companies with which Mr. Fred Taylor is associated that do business with Titan include the following: Blacksmith OTR, LLC; F.B.T. Enterprises, Inc.; Green Carbon, Inc.; Silverstone, Inc.; and OTR Wheel Engineering, Inc. Sales of Titan products to these companies were approximately \$1.2 million and \$3.5 million for the three and nine months ended September 30, 2022, and approximately \$0.7 million and \$2.0 million for the three and nine months ended September 30, 2021. Titan had purchases from these companies of approximately \$0.5 million and \$1.0 million for the three and nine months ended September 30, 2022, and approximately \$0.1 million and \$1.0 million for the three and nine months ended September 30, 2021. Titan had trade receivables due from these companies of approximately \$0.4 million at September 30, 2022, and approximately \$0.2 million at December 31, 2021. Sales commissions accrued to the above companies were approximately \$0.4 million and \$1.3 million for the three and nine months ended September 30, 2022 as compared to \$0.5 million and \$1.5 million paid for the three and nine months ended September 30, 2021.

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consisted of the following (amounts in thousands):

	Currency Translation Adjustments	Gain (Loss) on Derivatives	Unrecognized Losses and Prior Service Cost	Total
Balance at July 1, 2022	\$ (236,367)	\$ 539	\$ (9,407)	\$ (245,235)
Currency translation adjustments, net	(28,872)	—	—	(28,872)
Defined benefit pension plans:				
Amortization of unrecognized losses and prior service cost, net of tax of \$(107)	—	—	241	241
Derivative gain	—	287	—	287
Balance at September 30, 2022	<u>\$ (265,239)</u>	<u>\$ 826</u>	<u>\$ (9,166)</u>	<u>\$ (273,579)</u>

	Currency Translation Adjustments	Gain (Loss) on Derivatives	Unrecognized Losses and Prior Service Cost	Total
Balance at January 1, 2022	\$ (236,059)	\$ (39)	\$ (10,382)	\$ (246,480)
Currency translation adjustments, net ⁽¹⁾	(29,180)	—	—	(29,180)
Defined benefit pension plans:				
Amortization of unrecognized losses and prior service cost, net of tax of \$(451)	—	—	1,216	1,216
Derivative gain	—	865	—	865
Balance at September 30, 2022	<u>\$ (265,239)</u>	<u>\$ 826</u>	<u>\$ (9,166)</u>	<u>\$ (273,579)</u>

⁽¹⁾ The currency translation adjustments, net includes currency translation on amounts reclassified into other expense within the Condensed Consolidated Statements of Operations of approximately \$10 million for the nine months ended September 30, 2022 related to the sale of the Australian wheel business. Refer to Note 13 for additional information.

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	Currency Translation Adjustments	Gain (Loss) on Derivatives	Unrecognized Losses and Prior Service Cost	Total
Balance at July 1, 2021	\$ (206,529)	\$ (148)	\$ (21,125)	\$ (227,802)
Currency translation adjustments, net	(16,677)	—	—	(16,677)
Defined benefit pension plans:				
Amortization of unrecognized losses and prior service cost, net of tax of \$(42)	—	—	797	797
Derivative gain	—	54	—	54
Balance at September 30, 2021	<u>\$ (223,206)</u>	<u>\$ (94)</u>	<u>\$ (20,328)</u>	<u>\$ (243,628)</u>

	Currency Translation Adjustments	Gain (Loss) on Derivatives	Unrecognized Losses and Prior Service Cost	Total
Balance at January 1, 2021	\$ (194,151)	\$ (413)	\$ (22,690)	\$ (217,254)
Currency translation adjustments, net ⁽¹⁾	(29,055)	—	—	(29,055)
Defined benefit pension plans:				
Amortization of unrecognized losses and prior service cost, net of tax of \$(83)	—	—	2,362	2,362
Derivative gain	—	319	—	319
Balance at September 30, 2021	<u>\$ (223,206)</u>	<u>\$ (94)</u>	<u>\$ (20,328)</u>	<u>\$ (243,628)</u>

⁽¹⁾ The increase in currency translation adjustments for the nine months ended September 30, 2021 was due to foreign currency rate fluctuations, the ongoing initiative to rationalize the Company's legal entity structure, and the ongoing management of the intercompany capital structure during the year.

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20. SUBSIDIARY GUARANTOR FINANCIAL INFORMATION

Our senior secured notes due 2028 are guaranteed by the following wholly-owned subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois. The note guarantees are the full and unconditional, joint and several obligations of the guarantors. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances upon the occurrence of certain customary conditions. The following condensed consolidating financial statements are presented using the equity method of accounting. Certain sales and marketing expenses recorded by non-guarantor subsidiaries have not been allocated to the guarantor subsidiaries.

	Condensed Consolidating Statements of Operations For the Three Months Ended September 30, 2022				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 39,472	\$ 530,722	\$ (39,472)	\$ 530,722
Cost of sales	—	5,177	477,384	(39,472)	443,089
Gross profit	—	34,295	53,338	—	87,633
Selling, general and administrative expenses	2,100	12,277	17,033	—	31,410
Research and development expenses	275	817	1,342	—	2,434
Royalty expense	—	1,596	1,702	—	3,298
(Loss) income from operations	(2,375)	19,605	33,261	—	50,491
Interest (expense) income	(7,373)	(3)	155	—	(7,221)
Intercompany interest income (expense)	373	1,102	(1,475)	—	—
Foreign exchange (loss) gain	—	(155)	1,353	—	1,198
Other (expense) income	(22)	528	9,185	—	9,691
(Loss) income before income taxes	(9,397)	21,077	42,479	—	54,159
Provision for income taxes	941	50	10,455	—	11,446
Equity in earnings (loss) of subsidiaries	54,403	—	17,700	(72,103)	—
Net income (loss)	44,065	21,027	49,724	(72,103)	42,713
Net loss attributable to noncontrolling interests	—	—	(456)	—	(456)
Net income (loss) attributable to Titan	\$ 44,065	\$ 21,027	\$ 50,180	\$ (72,103)	\$ 43,169

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(Unaudited)

Condensed Consolidating Statements of Operations
For the Nine Months Ended September 30, 2022

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 205,015	\$ 1,659,614	\$ (205,015)	\$ 1,659,614
Cost of sales	—	83,090	1,497,524	(205,015)	1,375,599
Gross profit	—	121,925	162,090	—	284,015
Selling, general and administrative expenses	6,911	37,802	57,593	—	102,306
Research and development expenses	784	2,486	4,322	—	7,592
Royalty expense	230	4,461	4,526	—	9,217
(Loss) income from operations	(7,925)	77,176	95,649	—	164,900
Interest expense	(22,499)	(11)	(325)	—	(22,835)
Intercompany interest income (expense)	1,107	2,815	(3,922)	—	—
Foreign exchange gain	—	135	8,614	—	8,749
Other (loss) income	(10)	1,568	22,968	—	24,526
(Loss) income before income taxes	(29,327)	81,683	122,984	—	175,340
Provision for income taxes	3,301	346	35,481	—	39,128
Equity in earnings (loss) of subsidiaries	171,420	—	56,343	(227,763)	—
Net income (loss)	138,792	81,337	143,846	(227,763)	136,212
Net income attributable to noncontrolling interests	—	—	1,950	—	1,950
Net income (loss) attributable to Titan	\$ 138,792	\$ 81,337	\$ 141,896	\$ (227,763)	\$ 134,262

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the Three Months Ended September 30, 2022

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 44,065	\$ 21,027	\$ 49,724	\$ (72,103)	\$ 42,713
Derivative gain	—	—	287	—	287
Currency translation adjustment, net	—	—	(29,517)	—	(29,517)
Pension liability adjustments, net of tax	—	—	241	—	241
Comprehensive income (loss)	44,065	21,027	20,735	(72,103)	13,724
Net comprehensive loss attributable to noncontrolling interests	—	—	(1,101)	—	(1,101)
Comprehensive income (loss) attributable to Titan	\$ 44,065	\$ 21,027	\$ 21,836	\$ (72,103)	\$ 14,825

TITAN INTERNATIONAL, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2022

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 138,792	\$ 81,337	\$ 143,846	\$ (227,763)	\$ 136,212
Derivative gain	—	—	865	—	865
Currency translation adjustment, net	—	—	(23,778)	—	(23,778)
Pension liability adjustments, net of tax	—	—	1,216	—	1,216
Comprehensive income (loss)	138,792	81,337	122,149	(227,763)	114,515
Net comprehensive income attributable to noncontrolling interests	—	—	7,352	—	7,352
Comprehensive income (loss) attributable to Titan	<u>\$ 138,792</u>	<u>\$ 81,337</u>	<u>\$ 114,797</u>	<u>\$ (227,763)</u>	<u>\$ 107,163</u>

Condensed Consolidating Balance Sheets
September 30, 2022

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 22,130	\$ 2	\$ 94,449	\$ —	\$ 116,581
Accounts receivable, net	—	26	282,119	—	282,145
Inventories	—	80,745	332,222	—	412,967
Prepaid and other current assets	712	16,536	71,706	—	88,954
Total current assets	22,842	97,309	780,496	—	900,647
Property, plant and equipment, net	543	78,787	208,288	—	287,618
Investment in subsidiaries	852,976	—	176,461	(1,029,437)	—
Other assets	1,035	13,443	44,736	—	59,214
Total assets	<u>\$ 877,396</u>	<u>\$ 189,539</u>	<u>\$ 1,209,981</u>	<u>\$ (1,029,437)</u>	<u>\$ 1,247,479</u>
Liabilities and Equity					
Short-term debt	\$ —	\$ —	\$ 32,300	\$ —	\$ 32,300
Accounts payable	1,294	53,399	202,022	—	256,715
Other current liabilities	47,296	29,517	105,124	—	181,937
Total current liabilities	48,590	82,916	339,446	—	470,952
Long-term debt	395,182	—	19,384	—	414,566
Other long-term liabilities	170	4,023	36,781	—	40,974
Intercompany accounts	76,722	(536,568)	459,846	—	—
Titan shareholders' equity	356,732	639,168	349,300	(1,029,437)	315,763
Noncontrolling interests	—	—	5,224	—	5,224
Total liabilities and equity	<u>\$ 877,396</u>	<u>\$ 189,539</u>	<u>\$ 1,209,981</u>	<u>\$ (1,029,437)</u>	<u>\$ 1,247,479</u>

TITAN INTERNATIONAL, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Statements of Cash Flows
For the Nine Months Ended September 30, 2022

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities	\$ 69,433	\$ 9,634	\$ 23,173	\$ 102,240
Cash flows from investing activities:				
Capital expenditures	—	(9,620)	(23,135)	(32,755)
Proceeds from the sale of the Australian wheel business	—	—	9,293	9,293
Proceeds from sale of fixed assets	—	3	677	680
Net cash used for investing activities	—	(9,617)	(13,165)	(22,782)
Cash flows from financing activities:				
Proceeds from borrowings	65,657	—	23,250	88,907
Payment on debt	(95,000)	—	(25,728)	(120,728)
Repurchase of common stock	(25,000)	—	—	(25,000)
Other financing activities	—	(32)	(688)	(720)
Net cash used for financing activities	(54,343)	(32)	(3,166)	(57,541)
Effect of exchange rate change on cash	—	—	(3,444)	(3,444)
Net increase (decrease) in cash and cash equivalents	15,090	(15)	3,398	18,473
Cash and cash equivalents, beginning of period	7,040	17	91,051	98,108
Cash and cash equivalents, end of period	\$ 22,130	\$ 2	\$ 94,449	\$ 116,581

21. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the filing of this Form 10-Q and determined that there have been no subsequent events that have occurred that would require adjustments to our disclosures in the consolidated financial statements.

TITAN INTERNATIONAL, INC.
Management's Discussion and Analysis of
Financial Condition and Results of Operations

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

Management's discussion and analysis of financial condition and results of operations (MD&A) is designed to provide a reader of the financial statements included in this quarterly report with a narrative from the perspective of the management of Titan International, Inc. (Titan or the Company) on Titan's financial condition, results of operations, liquidity, and other factors that may affect the Company's future results. The MD&A in this quarterly report should be read in conjunction with the condensed consolidated financial statements and other financial information included elsewhere in this quarterly report and the MD&A and audited consolidated financial statements and related notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 3, 2022 (the 2021 Form 10-K).

COVID-19 Pandemic

The COVID-19 pandemic impact on the Company was less during the first three quarters of 2022 than in the comparable period in 2021. The Company's operations continued with additional sanitary and other protective health measures which have increased operating costs. While the Company's operations began to return to historical levels during 2021 and continuing into the first three quarters of 2022, certain geographies (particularly China) continue to remain impacted due to new and emerging variants of COVID-19 resulting in employee absenteeism. Further, global supply chains are experiencing constraints following the COVID-19 pandemic, including availability and pricing of raw materials, transportation and labor.

Due to the above circumstances as described generally in this Form 10-Q, the Company's results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected in the future. Management cannot predict the full impact of the COVID-19 pandemic on the economic conditions generally, on the Company's customers and, ultimately, on the Company. We expect that the post COVID-19 pandemic will continue to have some impact on the Company's operations, though the nature and extent of the impact will depend on the duration and severity of emerging variants of COVID-19.

Russia-Ukraine Military Conflict

In February 2022, in response to the military conflict between Russia and Ukraine, the United States, other North Atlantic Treaty Organization member states, as well as non-member states, have announced targeted economic sanctions on Russia, certain Russian citizens and enterprises. The continuation of the conflict has triggered additional economic and other sanctions enacted by the United States and other countries throughout the world. The scope of potential additional sanctions is unknown.

The Company maintains operations in Russia and any such economic sanctions may result in an adverse effect on its Russian operations. The Company currently owns 64.3% of Voltyre-Prom, a producer of agricultural and industrial tires in Volgograd, Russia, which represents approximately 8% and 7% of consolidated assets of Titan as of September 30, 2022 and December 31, 2021, respectively. The asset increase in the Russian entity was due to currency translation. The Russian operations represent approximately 5% of consolidated global sales for both the three months ended September 30, 2022 and 2021 while representing 6% and 5% of consolidated global sales for the nine months ended September 30, 2022 and 2021, respectively. The impact of the military conflict between Russia and Ukraine has not had a significant impact on global operations.

As the military conflict in Ukraine exacerbates the global food crisis, Titan remains committed to the role it plays in the continuity of food supply and keeping essential goods moving, including its tire operation in Volgograd, Russia. Tires produced in the Voltyre-Prom facility are primarily sold into Commonwealth of Independent States (CIS) countries, located in Europe and Asia. This facility is operating at lower levels in full compliance with all international sanctions on Russia. Titan has stopped any additional investments into this joint project and emphasizes that neither this operation, nor any other Titan operations, sells any products to the Russian military or other government agencies.

The potential impact of bans, sanction programs, and boycotts on our business is uncertain at the current time due to the fluid nature of the military conflict as it is unfolding. The potential impacts include supply chain and logistics disruptions, financial impacts including disruptions to the execution of banking transactions with certain Russian financial institutions, volatility in foreign exchange rates and interest rates, inflationary pressures on raw materials and energy, loss of operational control and/or assets, heightened cybersecurity threats and other restrictions. The Company continues to monitor the potential impacts on the business including the increased cost of energy in Europe and the ancillary impacts that the military conflict could have on other global operations.

TITAN INTERNATIONAL, INC.
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Brazilian Tax Credits

In June 2021, the Company's Brazilian subsidiaries received a notice that they had prevailed on an existing legal claim in regards to certain non-income (indirect) taxes that had been previously charged and paid. The matter specifically relates to companies' rights to exclude the state tax on goods circulation (a value-added-tax or VAT equivalent, known in Brazil as "ICMS") from the calculation of certain additional indirect taxes (specifically the program of social integration ("PIS") and contribution for financing of social security ("COFINS") levied by the Brazilian States on the sale of goods.

During the second and third quarter of 2022, the Company submitted the related supporting documentation and received the approval from the Brazilian tax authorities for two of its Brazilian subsidiaries. For the three and nine months ended September 30, 2022, the Company recorded \$9.5 million and \$32.0 million within other income in the condensed consolidated statements of operations. The Company also recorded \$1.6 million and \$9.4 million of income tax expense associated with the recognition of these indirect tax credits for the three and nine months ended September 30, 2022.

The Company expects to be able to apply the tax credits received to settle the income tax liability that was incurred as a result of the credit. The Company also expects to utilize the majority of the credit against future PIS/COFINS and income tax obligations over the next twelve months. For the nine month period ended September 30, 2022, the company has utilized approximately \$10.0 million of the tax credits, which is included within income taxes paid of \$27.7 million on the supplemental information of the condensed consolidated statement of cash flow. Excluding the utilization of \$10.0 million of tax credits, the company paid approximately \$17.7 million of income taxes for the nine month period ended September 30, 2022.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements, which are covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Readers can identify these statements by the fact that they do not relate strictly to historical or current facts. The Company tried to identify forward-looking statements in this quarterly report by using words such as "anticipates," "estimates," "expects," "intends," "plans," and "believes," and similar expressions or future or conditional verbs such as "will," "should," "would," "may," and "could." These forward-looking statements include, among other items, information concerning:

- The Company's financial performance;
- Anticipated trends in the Company's business;
- Expectations with respect to the end-user markets into which the Company sells its products (including agricultural equipment, earthmoving/construction equipment, and consumer products);
- Future expenditures for capital projects;
- The Company's ability to continue to control costs and maintain quality;
- The Company's ability to meet conditions of loan agreements, indentures and other financing documents;
- The Company's business strategies, including its intention to introduce new products;
- Expectations concerning the performance and success of the Company's existing and new products; and
- The Company's intention to consider and pursue acquisition and divestiture opportunities.

Readers of this Form 10-Q should understand that these forward-looking statements are based on the Company's current expectations and assumptions about future events and are subject to a number of risks, uncertainties, and changes in circumstances that are difficult to predict, including, but not limited to, the factors discussed in Part I, Item 1A, Risk Factors, of the 2021 Form 10-K and Part II, Item 1A, Risk Factors, of this quarterly report on Form 10-Q, certain of which are beyond the Company's control.

Actual results could differ materially from these forward-looking statements as a result of certain factors, including:

- The effect of the COVID-19 pandemic on our operations and financial performance;
- The effect of the military conflict between Russia and Ukraine on our Russian and global operations;
- The effect of a recession on the Company and its customers and suppliers;

TITAN INTERNATIONAL, INC.
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- Changes in the Company's end-user markets into which the Company sells its products as a result of world economic or regulatory influences or otherwise;
- Changes in the marketplace, including new products and pricing changes by the Company's competitors;
- The Company's ability to maintain satisfactory labor relations;
- Unfavorable outcomes of legal proceedings;
- The Company's ability to comply with current or future regulations applicable to the Company's business and the industry in which it competes or any actions taken or orders issued by regulatory authorities;
- Availability and price of raw materials;
- Levels of operating efficiencies;
- The effects of the Company's indebtedness and its compliance with the terms thereof;
- Changes in the interest rate environment and their effects on the Company's outstanding indebtedness;
- Unfavorable product liability and warranty claims;
- Actions of domestic and foreign governments, including the imposition of additional tariffs and approval of tax credits or other incentives;
- Geopolitical and economic uncertainties relating to the countries in which the Company operates or does business;
- Risks associated with acquisitions, including difficulty in integrating operations and personnel, disruption of ongoing business, and increased expenses;
- Results of investments;
- The effects of potential processes to explore various strategic transactions, including potential dispositions;
- Fluctuations in currency translations;
- Climate change and related laws and regulations;
- Risks associated with environmental laws and regulations;
- Risks relating to our manufacturing facilities, including that any of our material facilities may become inoperable; and
- Risks related to financial reporting, internal controls, tax accounting, and information systems.

Any changes in such factors could lead to significantly different results. Any assumptions that are inaccurate or do not prove to be correct could have a material adverse effect on the Company's ability to achieve the results as indicated in the forward-looking statements. Forward-looking statements included in this report speak only as of the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In light of these risks and uncertainties, there can be no assurance that the forward-looking information and assumptions contained in this report will in fact transpire. The reader should not place undue reliance on the forward-looking statements included in this report or that may be made elsewhere from time to time by the Company, or on its behalf. All forward-looking statements attributable to Titan are expressly qualified by these cautionary statements.

OVERVIEW

Titan International, Inc., together with its subsidiaries, is a global manufacturer of off-highway wheels, tires, assemblies and undercarriage products. As a leading manufacturer in the off-highway industry, Titan produces a broad range of products to meet the specifications of original equipment manufacturers (OEMs) and aftermarket customers in the agricultural, earthmoving/construction, and consumer markets. Titan manufactures and sells certain tires under the Goodyear Farm Tire and Titan Tire brands and has complete research and development test facilities to validate tire and wheel designs.

Agricultural Segment: Titan's agricultural wheels, tires, and undercarriage systems and components are manufactured for use on various agricultural equipment, including tractors, combines, skidders, plows, planters, and irrigation equipment, and are sold directly to OEMs and to the aftermarket through independent distributors, equipment dealers, and Titan's distribution centers. The wheels range in diameter from nine inches to 54 inches, with the 54-inch diameter being the largest agricultural wheel manufactured in North America. Basic configurations are combined with distinct variations (such as different centers

TITAN INTERNATIONAL, INC.
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and a wide range of material thickness) allowing the Company to offer a broad line of products to meet customer specifications. Titan's agricultural tires range from approximately one foot to approximately seven feet in outside diameter and from five inches to 55 inches in width. The Company offers the added value of delivering a complete wheel and tire assembly to OEM and aftermarket customers.

Earthmoving/Construction Segment: The Company manufactures wheels, tires, and undercarriage systems and components for various types of OTR earthmoving, mining, military, construction, and forestry equipment, including skid steers, aerial lifts, cranes, graders and levelers, scrapers, self-propelled shovel loaders, articulated dump trucks, load transporters, haul trucks, backhoe loaders, crawler tractors, lattice cranes, shovels, and hydraulic excavators. The Company provides OEM and aftermarket customers with a broad range of earthmoving/construction wheels ranging in diameter from 15 inches to 63 inches and in weight from 125 pounds to 7,000 pounds. The 63-inch diameter wheel is the largest manufactured in North America for the earthmoving/construction market. Titan's earthmoving/construction tires range from approximately three feet to approximately 13 feet in outside diameter and in weight from 50 pounds to 12,500 pounds. The Company also offers the added value of wheel and tire assembly for certain applications in the earthmoving/construction segment.

Consumer Segment: Titan manufactures bias truck tires in Latin America and light truck tires in Russia. Titan also offers select products for ATVs, turf, and golf cart applications. This segment also includes sales that do not readily fall into the Company's other segments.

The Company's top customers include global leaders in agricultural and construction equipment manufacturing and include AGCO Corporation, Caterpillar Inc., CNH Global N.V., Deere & Company, Hitachi, Ltd., Kubota Corporation, Liebherr, and Volvo, in addition to many other off-highway equipment manufacturers. The Company distributes products to OEMs, independent and OEM-affiliated dealers, and through a network of distribution facilities.

MARKET CONDITIONS AND OUTLOOK

AGRICULTURAL MARKET OUTLOOK

Agriculture-related commodity prices continued to remain at historically high levels during the first three quarters of 2022. Improved farmer income, replacement of an aging large equipment fleet and replenishment of lower equipment inventory levels are all factors which are anticipated to support continued strong demand for our products. Many of our customers are forecasting growth into 2023, providing further optimism of sustained stability in the market, despite current global recession concerns. Many more variables, including weather, volatility in the price of commodities, grain prices, export markets, foreign currency exchange rates, government policies, subsidies, and the demand for used equipment can greatly affect the Company's performance in the agricultural market in a given period.

EARTHMOVING/CONSTRUCTION MARKET OUTLOOK

The earthmoving/construction segment is affected by many variables, including commodity prices, road construction, infrastructure, government appropriations, housing starts, and other macroeconomic drivers. The construction market is primarily driven by GDP by country and the need for infrastructure developments. The earthmoving/construction markets experienced signs of growth during the first three quarters of 2022 and the momentum is expected to continue given the low equipment inventory levels throughout the global construction industry and increased mining capital budgets. Mineral commodity prices are at relatively high levels that also currently support growth, while global recession concerns could impact demand in various parts of the world.

CONSUMER MARKET OUTLOOK

The consumer market consists of several distinct product lines within different regions. These products include light truck tires, turf equipment, specialty products, including custom mixing of rubber stock, and train brakes. Overall, the markets stabilized during 2021 and remained stable through the first three quarters of 2022. However, the pace of growth can vary period to period. There are strong initiatives underway to bolster opportunities in various specialty products including mixing of rubber stock in the United States. The consumer segment is affected by many variables including inflationary impacts, consumer spending, interest rates, government policies, and other macroeconomic drivers.

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RESULTS OF OPERATIONS

(amounts in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Increase/(Decrease)	2022	2021	% Increase
Net sales	\$ 530,722	\$ 450,382	18 %	\$ 1,659,614	\$ 1,292,539	28 %
Gross profit	87,633	60,292	45 %	284,015	175,027	62 %
Gross profit %	17 %	13 %		17 %	14 %	
Selling, general and administrative expenses	31,410	32,217	(3) %	102,306	98,811	4 %
Research and development expenses	2,434	2,370	3 %	7,592	7,451	2 %
Royalty expense	3,298	2,805	18 %	9,217	7,915	16 %
Income from operations	50,491	22,900	120 %	164,900	60,850	171 %

Net Sales

Net sales for the three months ended September 30, 2022 were \$530.7 million, compared to \$450.4 million in the comparable period of 2021, an increase of 18%. The net sales increase was across all segments and driven by price/product mix and volume, with price having a greater impact in the most recent quarter. The increase in net sales was unfavorably impacted by foreign currency translation of 4.7% or \$21.0 million, primarily due to the weakening euro and Turkish lira.

Net sales for the nine months ended September 30, 2022 were \$1,659.6 million, compared to \$1,292.5 million in the comparable period of 2021, an increase of 28%. The net sales increase was across all segments and driven by price/product mix and volume. The increase in net sales was unfavorably impacted by foreign currency translation of 3.9% or \$50.5 million, primarily due to the weakening euro and Turkish lira.

Overall net sales price/product mix and volume improved for both the three and nine months ended September 30, 2022 as compared to the prior year periods due to market growth in all segments. The price increase was due to rising raw material costs and other inflationary impacts in the markets, including freight and energy costs. The volume increase was driven by increased customer demand which is reflective of higher commodity prices, improved farmer income, and replacement of an aging large equipment fleet in the global agricultural markets. Construction and mining markets are also improved in 2022, reflective of recovery after depressed markets during the pandemic and stronger mining commodity prices. Global supply chains are experiencing constraints and volatility, including availability and pricing of raw materials, transportation and labor. Titan is also experiencing similar supply chain challenges and has been able to manage the situation effectively through each of the periods.

Gross Profit

Gross profit for the three months ended September 30, 2022 was \$87.6 million, or 17% of net sales, an increase of \$27.3 million compared to \$60.3 million, or 13% of net sales, for the three months ended September 30, 2021.

Gross profit for the nine months ended September 30, 2022 was \$284.0 million, or 17% of net sales, an increase of \$109.0 million compared to \$175.0 million, or 14% of net sales, for the nine months ended September 30, 2021.

The solid growth in gross profit and margin for both the three and nine months ended September 30, 2022 as compared to the prior year periods was across all segments and was driven by the impact of increases in net sales, as described previously, and improved operating leverage in our production facilities. In addition, cost reduction and productivity initiatives continue to be executed across global production facilities.

TITAN INTERNATIONAL, INC.
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Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the three months ended September 30, 2022 were \$31.4 million, or 6% of net sales, compared to \$32.2 million, or 7% of net sales, for the three months ended September 30, 2021.

The decrease in SG&A for the three months ended September 30, 2022 as compared to the prior year periods was driven primarily by a decrease in legal fees, and variable expenses associated with Australian wheel business that was sold in the first quarter of 2022.

Selling, general and administrative expenses for the nine months ended September 30, 2022 were \$102.3 million, or 6% of net sales, compared to \$98.8 million, or 8% of net sales, for the nine months ended September 30, 2021.

The increase in SG&A for the nine months ended September 30, 2022 as compared to the prior year periods was driven primarily by an increase in variable costs associated with improved operating performance and growth in sales.

Research and Development Expenses

Research and development (R&D) expenses for the three months ended September 30, 2022 were \$2.4 million, or less than 1% of net sales, compared to \$2.4 million, or 1% of net sales, for the comparable period in 2021. R&D expenses for the nine months ended September 30, 2022 were \$7.6 million, or less than 1% of net sales, compared to \$7.5 million, or 1% of net sales, for the comparable period in 2021. R&D spending reflects initiatives to improve product designs and an ongoing focus on quality and innovation.

Royalty Expense

The Company has trademark license agreements with The Goodyear Tire & Rubber Company to manufacture and sell certain farm tires under the Goodyear brand. These agreements cover sales in North America, Latin America, Europe, the Middle East, Africa, Russia, and other Commonwealth of Independent States countries.

Royalty expenses for the three months ended September 30, 2022 were \$3.3 million, or 1% of net sales, compared to \$2.8 million, or 1% of net sales, for the three months ended September 30, 2021. Royalty expenses for the nine months ended September 30, 2022 were \$9.2 million, or 1% of net sales, compared to \$7.9 million, or 1% of net sales, for the nine months ended September 30, 2021. The increase in royalty expenses are due to the increase in sales, as described previously, resulting in an increase in the amount of royalty expense incurred.

Income from Operations

Income from operations for the third quarter of 2022 was \$50.5 million, compared to income from operations of \$22.9 million for the third quarter of 2021. Income from operations for the nine months ended September 30, 2022 was \$164.9 million, compared to income from operations of \$60.9 million for the nine months ended September 30, 2021. The increase in income from operations for both the three and nine months ended September 30, 2022 as compared to the prior year periods was primarily driven by higher sales and improvements in gross profit margins.

OTHER PROFIT/LOSS ITEMS

Interest Expense

Interest expense was \$7.2 million and \$7.8 million for the three months ended September 30, 2022 and 2021, respectively, and \$22.8 million and \$23.9 million for the nine months ended September 30, 2022 and 2021. The decrease in interest expense for the three months ended September 30, 2022 was due to the reduced borrowing under the Company's credit facility in the third quarter of 2022. The decrease in interest expense for the nine months ended September 30, 2022 was due to the reduced borrowing under the Company's global credit facilities and the refinancing of the senior secured notes during the second quarter of 2021 resulting in an additional interest expense in 2021 which did not occur in 2022.

Loss on Senior Note Repurchase

Loss on senior note repurchase was \$16.0 million for the nine months ended September 30, 2021. The loss was in connection to the Company completing a call and redemption of all of its outstanding \$400.0 million principal amount of Titan's 6.50% senior secured notes due 2023 during the second quarter of 2021.

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Foreign Exchange Gain

Foreign exchange gain was \$1.2 million for the three months ended September 30, 2022, compared to a gain of \$0.4 million for the three months ended September 30, 2021. Foreign exchange gain was \$8.7 million for the nine months ended September 30, 2022, compared to a gain of \$9.1 million for the nine months ended September 30, 2021.

The foreign exchange gain experienced during the three and nine months ended September 30, 2022 is primarily the result of a favorable impact of the movement of exchange rates in certain geographies in which we conduct business. The foreign exchange gain experienced during the three and nine months ended September 30, 2021 is primarily the result of the closeout of certain legal entities as part of the ongoing initiative to rationalize Titan's legal entity structure and ongoing management of the intercompany capital structure as well as a favorable impact of the movement of exchange rates.

Other Income

Other income was \$9.7 million for the three months ended September 30, 2022, as compared to other income of \$0.6 million in the comparable period of 2021. The increase in other income for the three months ended September 30, 2022, as compared to the same period in 2021, was primarily attributable to \$9.5 million income on indirect tax credits related to Brazilian operations as mentioned previously.

Other income was \$24.5 million for the nine months ended September 30, 2022, as compared to other income of \$1.5 million in the comparable period of 2021. The increase in other income for the nine months ended September 30, 2022, as compared to the same period in 2021, was primarily attributable to \$32.0 million income on indirect tax credits, and a gain of \$1.3 million from a government grant associated with an earthquake that affected one of our Italian subsidiaries in May 2012. The increase in other income was partially offset by \$10.9 million loss on sale of the Australian wheel business which was comprised primarily of the release of the cumulative translation adjustment of approximately \$10.0 million and closing costs associated with the completion of the transaction of approximately \$0.9 million.

Provision for Income Taxes

The Company recorded income tax expense of \$11.4 million and \$5.3 million for the three months ended September 30, 2022 and 2021, respectively. For the nine months ended September 30, 2022 and 2021, the Company recorded income tax expense of \$39.1 million and \$9.9 million, respectively. The Company's effective income tax rate was 21.1% and 33.1% for the three months ended September 30, 2022 and 2021, respectively, and 22.3% and 31.5% for the nine months ended September 30, 2022 and 2021, respectively. For the three months ended September 30, 2022 and 2021, the income tax expense each period differed due to an overall pre-tax income increase which resulted in the significant fluctuation in the effective tax rate. The year-to-date increase in income tax expense for the nine months ended September 30, 2022 is due to improved profitability in foreign jurisdictions.

The Company's 2022 and 2021 income tax expense and rates differed from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of U.S. and certain foreign jurisdictions that have a full valuation allowance on deferred tax assets. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for nine months ended September 30, 2022 and 2021.

Given the Company's recent history of earnings, management believes that there is a reasonable possibility that, within the next twelve months, sufficient positive evidence may become available to allow management to anticipate the reversal of valuation allowance recorded against the US deferred tax assets. The reversal would result in an income tax benefit for the quarterly and annual fiscal period in which the Company releases the valuation allowance. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that the Company actually achieves.

On August 16, 2022, the Inflation Reduction Act (H.R. 5376) was signed into law in the United States. Titan is continuing to evaluate the Inflation Reduction Act and its requirements, as well as the application to our business, but at this time does not expect the Inflation Reduction Act to have a material impact on our financial results, including on the Company's annual estimated effective tax rate.

TITAN INTERNATIONAL, INC.
Management's Discussion and Analysis of
Financial Condition and Results of Operations

Net Income and Income per Share

Net income for the third quarter of 2022 was \$42.7 million, compared to net income of \$10.8 million in the comparable quarter of 2021, an improvement of \$31.9 million. For the quarter ended September 30, 2022 and 2021, basic income per share were \$0.69 and \$0.18, respectively, and diluted income per share were \$0.68 and \$0.18, respectively. The Company's net income and income per share increases were due to the items previously discussed.

Net income for the nine months ended September 30, 2022 was \$136.2 million, compared to net income of \$21.6 million in the comparable period of 2021, an improvement of \$114.6 million. For the nine months ended September 30, 2022 and 2021, basic income per share were \$2.13 and \$0.36, respectively, and diluted income per share were \$2.11 and \$0.35, respectively. The Company's net income and income per share increases were due to the items previously discussed.

SEGMENT INFORMATION

Segment Summary (amounts in thousands):

Three months ended September 30, 2022	Agricultural	Earthmoving/ Construction	Consumer	Corporate/ Unallocated Expenses	Consolidated Totals
Net sales	\$ 289,259	\$ 199,921	\$ 41,542	\$ —	\$ 530,722
Gross profit	45,949	34,959	6,725	—	87,633
Profit margin	16 %	17 %	16 %	—	17 %
Income (loss) from operations	31,125	21,836	4,856	(7,326)	50,491
Three months ended September 30, 2021					
Net sales	\$ 244,373	\$ 168,408	\$ 37,601	\$ —	\$ 450,382
Gross profit	33,214	21,263	5,815	—	60,292
Profit margin	14 %	13 %	15 %	—	13 %
Income (loss) from operations	18,156	7,913	3,519	(6,688)	22,900

Nine months ended September 30, 2022	Agricultural	Earthmoving/ Construction	Consumer	Corporate/ Unallocated Expenses	Consolidated Totals
Net sales	\$ 917,443	\$ 611,550	\$ 130,621	\$ —	\$ 1,659,614
Gross profit	155,794	102,651	25,570	—	284,015
Profit margin	17 %	17 %	20 %	—	17 %
Income (loss) from operations	106,126	59,952	18,976	(20,154)	164,900
Nine months ended September 30, 2021					
Net sales	\$ 684,636	\$ 509,930	\$ 97,973	\$ —	\$ 1,292,539
Gross profit	98,294	63,333	13,400	—	175,027
Profit margin	14 %	12 %	14 %	—	14 %
Income (loss) from operations	54,228	20,950	7,067	(21,395)	60,850

TITAN INTERNATIONAL, INC.
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Agricultural Segment Results

Agricultural segment results for the periods presented below were as follows:

(Amounts in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Increase	2022	2021	% Increase
Net sales	\$ 289,259	\$ 244,373	18 %	\$ 917,443	\$ 684,636	34 %
Gross profit	45,949	33,214	38 %	155,794	98,294	58 %
Profit margin	16 %	14 %	17 %	17 %	14 %	18 %
Income from operations	31,125	18,156	71 %	106,126	54,228	96 %

Net sales in the agricultural segment were \$289.3 million for the three months ended September 30, 2022, as compared to \$244.4 million for the comparable period in 2021, an increase of 18%. Net sales was driven by price/product mix and volume, with price having a greater impact. Pricing is primarily reflective of increases in raw material and other inflationary cost increases in the markets, including freight and energy costs. The volume increase was due to increased demand in the global agricultural market, reflective of high farm commodity prices and increased farmer income, the need for replacement of an aging large equipment fleet and the need to replenish equipment inventory levels within the equipment dealer channels. The overall increase in net sales was partially offset by unfavorable currency translation, primarily in Europe, of 3.0%.

Gross profit in the agricultural segment was \$45.9 million for the three months ended September 30, 2022, as compared to \$33.2 million in the comparable quarter of 2021. The increase in gross profit and margin is primarily attributable to the impact of increases in net sales as described previously and cost reduction and productivity initiatives executed across global production facilities. The Company balanced the increases of related raw materials and other inflationary cost impacts with corresponding price increases to protect profitability.

Income from operations in Titan's agricultural segment was \$31.1 million for the three months ended September 30, 2022, as compared to income of \$18.2 million for the three months ended September 30, 2021. The overall increase in income from operations is attributable to higher gross profit, described previously.

Net sales in the agricultural segment were \$917.4 million for the nine months ended September 30, 2022, as compared to \$684.6 million for the comparable period in 2021, an increase of 34%. Net sales was driven by price/product mix and volume. Pricing is primarily reflective of increases in raw material and other inflationary cost increases in the markets, including freight and energy costs. The overall increase in net sales was partially offset by unfavorable currency translation, primarily in Europe, of 3.4%.

Gross profit in the agricultural segment was \$155.8 million for the nine months ended September 30, 2022, as compared to \$98.3 million in the comparable period in 2021. The increase in gross profit and margin is primarily attributable to the impact of increases in net sales as described previously and cost reduction and productivity initiatives executed across global production facilities.

Income from operations in Titan's agricultural segment was \$106.1 million for the nine months ended September 30, 2022, as compared to income of \$54.2 million for the nine months ended September 30, 2021. The overall increase in income from operations is attributable to higher gross profit.

TITAN INTERNATIONAL, INC.
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Earthmoving/Construction Segment Results

Earthmoving/construction segment results for the periods presented below were as follows:

(Amounts in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Increase	2022	2021	% Increase
Net sales	\$ 199,921	\$ 168,408	19 %	\$ 611,550	\$ 509,930	20 %
Gross profit	34,959	21,263	64 %	102,651	63,333	62 %
Profit margin	17 %	13 %	38 %	17 %	12 %	35 %
Income from operations	21,836	7,913	176 %	59,952	20,950	186 %

The Company's earthmoving/construction segment net sales were \$199.9 million for the three months ended September 30, 2022, as compared to \$168.4 million in the comparable quarter of 2021, an increase of 19%. The increase in earthmoving/construction net sales was driven by increased price/product mix and volume, with price having a greater impact. Pricing increases were implemented because of inflationary input costs, primarily energy and freight costs, along with fluctuations in the price of steel. Net sales were unfavorably impacted by foreign currency translation in Europe, which decreased net sales by 8.0%.

Gross profit in the earthmoving/construction segment was \$35.0 million for the three months ended September 30, 2022, as compared to \$21.3 million for the three months ended September 30, 2021. The increase in gross profit and margin was primarily driven by better price realization and continued improved production efficiencies stemming from the strong management actions taken to improve profitability for the long-term. The Company balanced the increases related to raw materials and other inflationary cost impacts with corresponding price increases to maintain profitability.

The Company's earthmoving/construction segment income from operations was \$21.8 million for the three months ended September 30, 2022, as compared to income of \$7.9 million for the three months ended September 30, 2021. This improvement was due to increases in sales price, volume, and continued execution of cost containment measures taken to manage profitability.

The Company's earthmoving/construction segment net sales were \$611.6 million for the nine months ended September 30, 2022, as compared to \$509.9 million in the comparable period in 2021, an increase of 20%. The increase in earthmoving/construction net sales was driven by increased price/product mix and volume. Pricing increases were implemented because of inflationary input costs. Net sales was unfavorably impacted by foreign currency translation in Europe, which decreased net sales by 5.3%.

Gross profit in the earthmoving/construction segment was \$102.7 million for the nine months ended September 30, 2022, as compared to \$63.3 million for the nine months ended September 30, 2021. The increase in gross profit and margin was primarily driven by the impact of net sales as described previously and the continued improved production efficiencies stemming from the strong management actions taken to improve profitability for the long-term. The Company balanced the increases related to raw materials and other inflationary cost impacts with corresponding price increases to protect profitability.

The Company's earthmoving/construction segment income from operations was \$60.0 million for the nine months ended September 30, 2022, as compared to income of \$21.0 million for the nine months ended September 30, 2021. This improvement was due to increases in sales price, volume, and continued execution of cost containment measures taken to manage profitability.

TITAN INTERNATIONAL, INC.
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Consumer Segment Results

Consumer segment results for the periods presented below were as follows:

(Amounts in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Increase	2022	2021	% Increase
Net sales	\$ 41,542	\$ 37,601	10 %	\$ 130,621	\$ 97,973	33 %
Gross profit	6,725	5,815	16 %	25,570	13,400	91 %
Profit margin	16 %	15 %	5 %	20 %	14 %	43 %
Income from operations	4,856	3,519	38 %	18,976	7,067	169 %

Consumer segment net sales were \$41.5 million for the three months ended September 30, 2022, as compared to \$37.6 million for the three months ended September 30, 2021, an increase of approximately 10%. The increase was driven by favorable price/product mix and volume impact to net sales. The increase in demand is primarily related to specialty products in the United States, primarily custom mixing of rubber stock to third parties, which was partially offset by softness in the utility truck business in Latin America. Net sales were unfavorably impacted by foreign currency translation, primarily in Europe, which decreased net sales by 0.6%.

Gross profit from the consumer segment was \$6.7 million for the three months ended September 30, 2022, as compared to \$5.8 million for the three months ended September 30, 2021 due primarily to sales growth, increased price/product mix and the positive impact of sales volume increases on improved operating leverage.

Consumer segment income from operations was \$4.9 million for the three months ended September 30, 2022, as compared to an income of \$3.5 million for the three months ended September 30, 2021 due to increase in gross profit as mentioned previously.

Consumer segment net sales were \$130.6 million for the nine months ended September 30, 2022, as compared to \$98.0 million for the nine months ended September 30, 2021, an increase of approximately 33%. The increase was driven by favorable price/product mix and volume impact to net sales. The increase in demand primarily related to specialty products in the United States, primarily custom mixing of rubber stock to third parties. Net sales were unfavorably impacted by foreign currency translation, primarily in Europe, which decreased net sales by 0.3%.

Gross profit from the consumer segment was \$25.6 million for the nine months ended September 30, 2022, as compared to \$13.4 million for the nine months ended September 30, 2021 due primarily to sales growth, increased price/product mix and the positive impact of sales volume increase on operating leverage. Margins related to the growth initiatives in specialty products in the United States are stronger than the average margins for other products in the segment.

Consumer segment income from operations was \$19.0 million for the nine months ended September 30, 2022, as compared to an income of \$7.1 million for the nine months ended September 30, 2021 due to increase in gross profit as mentioned previously.

Corporate & Unallocated Expenses

Income from operations on a segment basis did not include unallocated costs of \$7.3 million for the three months ended September 30, 2022, and \$20.2 million for the nine months ended September 30, 2022, as compared to \$6.7 million for the three months ended September 30, 2021, and \$21.4 million for the nine months ended September 30, 2021. Unallocated expenses are primarily comprised of corporate selling, general and administrative expenses. The year over year change is related to reductions in certain SG&A expenses primarily associated with investments to improve our supply chain and logistics processes in 2021 which did not occur in 2022.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

As of September 30, 2022, the Company had \$116.6 million of cash, which increased as compared to the December 31, 2021 ending balance of \$98.1 million, due to the following items:

Operating Cash Flows

Summary of cash flows from operating activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2022	2021	Change
Net income	\$ 136,212	\$ 21,601	\$ 114,611
Depreciation and amortization	32,283	36,345	(4,062)
Loss on sale of the Australian wheel business	10,890	—	10,890
Deferred income tax (benefit) provision	(1,631)	(743)	(888)
Income on indirect taxes	(32,043)	—	(32,043)
Foreign currency gain	(4,176)	(12,042)	7,866
Accounts receivable	(43,499)	(75,456)	31,957
Inventories	(44,180)	(89,496)	45,316
Prepaid and other current assets	6,361	(14,249)	20,610
Other assets	(4,352)	3,175	(7,527)
Accounts payable	(9,516)	92,384	(101,900)
Other current liabilities	49,885	24,207	25,678
Other liabilities	1,963	(6,532)	8,495
Other operating activities	4,043	18,516	(14,473)
Cash provided by (used for) operating activities	<u>\$ 102,240</u>	<u>\$ (2,290)</u>	<u>\$ 104,530</u>

In the first nine months of 2022, cash flows provided by operating activities was \$102.2 million, driven primarily by the improved net income. Increases in other current liabilities of \$49.9 million which includes \$21.1 million income tax payable increase in foreign jurisdictions was offset by increases in accounts receivable of \$43.5 million and increases in inventory of \$44.2 million. Growth in these liquid working capital balances relates to the significant increase in sales activity during the period. Included in net income of \$136.2 million was a non-cash charge for depreciation and amortization expense of \$32.3 million, income on indirect taxes of \$32.0 million, and loss on sale of the Australian wheel business of \$10.9 million.

Operating cash flows increased by \$104.5 million when comparing the first nine months of 2022 to the comparable period in 2021, which is due to the impact of higher profitability in 2022 and the managed investments in working capital to support the business growth.

Summary of the components of cash conversion cycle:

	September 30, 2022	December 31, 2021	September 30, 2021
Days sales outstanding	49	48	53
Days inventory outstanding	87	86	89
Days payable outstanding	(55)	(61)	(61)
Cash conversion cycle	<u>81</u>	<u>73</u>	<u>81</u>

Cash conversion cycle remained fairly consistent when comparing the quarter ended September 30, 2022 to September 30, 2021. The Company continues to focus on strategic improvement in working capital management, specifically continued focus on customer cash collections and inventory management.

TITAN INTERNATIONAL, INC.
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Investing Cash Flows

Summary of cash flows from investing activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2022	2021	Change
Capital expenditures	\$ (32,755)	\$ (24,250)	\$ (8,505)
Proceeds from the sale of the Australian wheel business	9,293	—	9,293
Proceeds from sale of fixed assets	680	1,139	(459)
Cash used for investing activities	<u>\$ (22,782)</u>	<u>\$ (23,111)</u>	<u>\$ 329</u>

Net cash used for investing activities was \$22.8 million in the first nine months of 2022, as compared to net cash used for investing activities of \$23.1 million in the first nine months of 2021. The Company invested a total of \$32.8 million in capital expenditures in the first nine months of 2022, compared to \$24.3 million in the comparable period of 2021. Capital expenditures during the first nine months of 2022 and 2021 are mainly equipment replacement and improvements, along with new tools, dies and molds related to new product development, as the Company seeks to enhance the Company's manufacturing capabilities and drive productivity gains. Cash provided by investing activities for the first nine months of 2022 includes \$9.3 million from proceeds for the sale of the Australian wheel business.

Financing Cash Flows

Summary of cash flows from financing activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2022	2021	Change
Proceeds from borrowings	\$ 88,907	\$ 482,293	\$ (393,386)
Repurchase of senior secured notes	—	(413,000)	413,000
Payment on debt	(120,728)	(59,949)	(60,779)
Repurchase of common stock	(25,000)	—	(25,000)
Other financing activities	(720)	(2,069)	1,349
Cash (used for) provided by financing activities	<u>\$ (57,541)</u>	<u>\$ 7,275</u>	<u>\$ (64,816)</u>

During the first nine months of 2022, \$57.5 million of cash was used for financing activities. Payment on debt of \$120.7 million and repurchase of common stock of \$25.0 million was offset partially by proceeds from borrowings of \$88.9 million. The Company borrowed on the domestic revolving credit facility during the first quarter of 2022 primarily to facilitate the repurchasing of the Company's common stock from RDIF, and subsequently repaid during the second quarter of 2022 as cash flow improved. The Company reduced its domestic credit facility outstanding balance to zero at September 30, 2022 with cash provided from operations as compared to domestic credit facility outstanding balance of \$30.0 million at September 30, 2021.

TITAN INTERNATIONAL, INC.
Management's Discussion and Analysis of
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Debt Restrictions

The Company's \$125 million revolving credit facility (credit facility) and indenture relating to the 7.00% senior secured notes due 2028 contain various restrictions, including:

- When remaining availability under the credit facility is less than 10% of the total commitment under the credit facility (\$12.5 million as of September 30, 2022), the Company is required to maintain a minimum fixed charge coverage ratio of not less than 1.0 to 1.0 (calculated quarterly on a trailing four quarter basis);
- Limits on dividends and repurchases of the Company's stock;
- Restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge, or otherwise fundamentally change the ownership of the Company;
- Limitations on investments, dispositions of assets, and guarantees of indebtedness; and
- Other customary affirmative and negative covenants.

These restrictions could limit the Company's ability to respond to market conditions, provide for unanticipated capital investments, raise additional debt or equity capital, pay dividends, or take advantage of business opportunities, including future acquisitions. The Company is in compliance with these debt covenants at September 30, 2022.

Liquidity Outlook

At September 30, 2022, the Company had \$116.6 million of cash and cash equivalents. At September 30, 2022, under the Company's \$125 million credit facility, there were no borrowings, \$7.2 million in outstanding letters of credit, and the amount available totaled \$117.8 million. Titan's availability under this credit facility may be less than \$125 million as a result of outstanding letters of credit and eligible accounts receivable and inventory balances at certain domestic subsidiaries. The cash and cash equivalents balance of \$116.6 million included \$88.1 million held in foreign countries.

The Company is expecting full year capital expenditures to be around \$45 million to \$50 million. Cash payments for interest are currently forecasted to be approximately \$15 million for the remainder of 2022 based on September 30, 2022 debt balances. The forecasted interest payments are comprised primarily of the semi-annual payments totaling \$28 million (paid in April and October) for the 7.00% senior secured notes.

Cash and cash equivalents along with anticipated internal cash flows from operations and utilization of availability on global credit facilities, are expected to provide sufficient liquidity for working capital needs, debt maturities, and capital expenditures. Potential divestitures and unencumbered assets are also a means to provide for future liquidity needs.

During June 2022, Moody's Investors Service upgraded its credit rating for the Company, including its senior secured notes. The rating upgrade reflected Moody's expectation that favorable demand growth in Titan's end markets, primarily agricultural equipment, will support continued strength in the Company's credit metrics into 2023.

CRITICAL ACCOUNTING ESTIMATES

There were no material changes in the Company's Critical Accounting Estimates since the filing of the 2021 Form 10-K. As discussed in the 2021 Form 10-K, the preparation of the condensed consolidated financial statements in conformity with US GAAP requires management to make estimates, assumptions, and judgments that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates and assumptions. Refer to Note 1. Basis of Presentation and Significant Accounting Policies in Part I, Item 1, Notes to Condensed Consolidated Financial Statements of this Form 10-Q for a discussion of the Company's updated accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Titan is exposed to market risks, including changes in foreign currency exchange rates and interest rates, and commodity price fluctuations. Our exposure to market risk has not changed materially since December 31, 2021. For quantitative and qualitative disclosures about market risk, see Item 7A - Quantitative and Qualitative Disclosures About Market Risk included in the 2021 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Titan management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the Exchange Act)) as of September 30, 2022. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2022, Titan's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by Titan in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported accurately and within the time frames specified in the SEC's rules and forms and accumulated and communicated to Titan management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the third quarter of fiscal year 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Because of its inherent limitations, the Company's disclosure controls and procedures or internal control over financial reporting may not prevent or detect all misstatements or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in a cost-effective control system, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur due to simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

TITAN INTERNATIONAL, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject, from time to time, to certain legal proceedings and claims arising out of the normal course of its business, which cover a wide range of matters, including environmental issues, product liability, contracts, and labor and employment matters. See Note 16 Litigation in Part I, Item 1, Notes to Condensed Consolidated Financial Statements of this Form 10-Q for further discussion, which is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Item 1A. Risk Factors to the 2021 Form 10-K.

TITAN INTERNATIONAL, INC.

Item 6. Exhibits

31.1	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from this Current Report on Form 10-Q formatted as inline XBRL

TITAN INTERNATIONAL, INC.

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.

TITAN INTERNATIONAL, INC.
(Registrant)

Date:	<u>November 7, 2022</u>	By:	<u>/s/ PAUL G. REITZ</u> Paul G. Reitz President and Chief Executive Officer (Principal Executive Officer)
		By:	<u>/s/ DAVID A. MARTIN</u> David A. Martin SVP and Chief Financial Officer (Principal Financial Officer)

CERTIFICATION

I, Paul G. Reitz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Titan International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2022

By: /s/ PAUL G. REITZ

Paul G. Reitz
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, David A. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Titan International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2022

By: /s/ DAVID A. MARTIN

David A. Martin
SVP and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

In connection with the Quarterly Report of Titan International, Inc. on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned hereby certifies that, to the best of their knowledge, this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

TITAN INTERNATIONAL, INC.
(Registrant)

Date: November 7, 2022

By: /s/ PAUL G. REITZ

Paul G. Reitz
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2022

By: /s/ DAVID A. MARTIN

David A. Martin
SVP and Chief Financial Officer
(Principal Financial Officer)