

**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, 2023

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)

36-3228472

(I.R.S. Employer Identification No.)

1525 Kautz Road, Suite 600, West Chicago, IL

(Address of principal executive offices)

60185

(Zip Code)

(630) 377-0486

(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: 61,889,778 shares of common stock, \$0.0001 par value, as of October 24, 2023.

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,	
	2023	2022	2023	2022
Net sales	\$ 401,781	\$ 530,722	\$ 1,431,601	\$ 1,659,614
Cost of sales	335,708	443,089	1,184,076	1,375,599
Gross profit	66,073	87,633	247,525	284,015
Selling, general and administrative expenses	33,587	31,410	102,917	102,306
Research and development expenses	3,167	2,434	9,399	7,592
Royalty expense	2,344	3,298	7,200	9,217
Income from operations	26,975	50,491	128,009	164,900
Interest expense, net	(3,931)	(7,221)	(16,185)	(22,835)
Foreign exchange gain (loss)	876	1,198	(882)	8,749
Other income	461	9,691	2,409	24,526
Income before income taxes	24,381	54,159	113,351	175,340
Provision for income taxes	4,718	11,446	28,363	39,128
Net income	19,663	42,713	84,988	136,212
Net income (loss) attributable to noncontrolling interests	383	(456)	3,663	1,950
Net income attributable to Titan and applicable to common shareholders	<u>\$ 19,280</u>	<u>\$ 43,169</u>	<u>\$ 81,325</u>	<u>\$ 134,262</u>
Earnings per common share:				
Basic	\$ 0.31	\$ 0.69	\$ 1.29	\$ 2.13
Diluted	\$ 0.31	\$ 0.68	\$ 1.29	\$ 2.11
Average common shares and equivalents outstanding:				
Basic	62,598	62,803	62,810	63,107
Diluted	63,095	63,229	63,271	63,587

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three months ended September 30,	
	2023	2022
Net income	\$ 19,663	\$ 42,713
Derivative (loss) gain	(82)	287
Currency translation adjustment, net	(26,694)	(29,517)
Pension liability adjustments, net of tax of \$(21) and \$(107), respectively	80	241
Comprehensive (loss) income	(7,033)	13,724
Net comprehensive loss attributable to redeemable and noncontrolling interests	(891)	(1,101)
Comprehensive (loss) income attributable to Titan	<u>\$ (6,142)</u>	<u>\$ 14,825</u>

	Nine months ended September 30,	
	2023	2022
Net income	\$ 84,988	\$ 136,212
Derivative (loss) gain	(232)	865
Currency translation adjustment, net	(20,395)	(23,778)
Pension liability adjustments, net of tax of \$(51) and \$(451), respectively	173	1,216
Comprehensive income	64,534	114,515
Net comprehensive (loss) income attributable to redeemable and noncontrolling interests	(1,563)	7,352
Comprehensive income attributable to Titan	<u>\$ 66,097</u>	<u>\$ 107,163</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2023	December 31, 2022
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 211,902	\$ 159,577
Accounts receivable, net	238,595	266,758
Inventories	360,142	397,223
Prepaid and other current assets	70,682	86,070
Total current assets	881,321	909,628
Property, plant and equipment, net	302,481	296,605
Operating lease assets	10,635	8,932
Deferred income taxes	32,361	38,736
Other long-term assets	30,937	30,729
Total assets	<u>\$ 1,257,735</u>	<u>\$ 1,284,630</u>
Liabilities		
Current liabilities		
Short-term debt	\$ 17,556	\$ 30,857
Accounts payable	194,501	263,376
Other current liabilities	162,761	151,928
Total current liabilities	374,818	446,161
Long-term debt	409,747	414,761
Deferred income taxes	2,834	3,425
Other long-term liabilities	37,147	37,145
Total liabilities	<u>824,546</u>	<u>901,492</u>
Equity		
Titan shareholders' equity		
Common stock (\$0.0001 par value, 120,000,000 shares authorized, 66,525,269 issued at September 30, 2023 and 66,525,269 at December 31, 2022)	—	—
Additional paid-in capital	567,402	565,546
Retained earnings	172,188	90,863
Treasury stock (at cost, 4,825,031 shares at September 30, 2023 and 3,681,308 shares at December 31, 2022)	(39,389)	(23,418)
Accumulated other comprehensive loss	(266,983)	(251,755)
Total Titan shareholders' equity	433,218	381,236
Noncontrolling interests	(29)	1,902
Total equity	<u>433,189</u>	<u>383,138</u>
Total liabilities and equity	<u>\$ 1,257,735</u>	<u>\$ 1,284,630</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 earnings	Treasury stock	Accumulated other comprehensive (loss) income	Total Titan Equity	Non- controlling interest	Total Equity
Balance January 1, 2023	62,843,961	\$ 565,546	\$ 90,863	\$ (23,418)	\$ (251,755)	\$ 381,236	\$ 1,902	\$ 383,138
Net income			31,838			31,838	1,592	33,430
Currency translation adjustment, net					8,039	8,039	(1,095)	6,944
Pension liability adjustments, net of tax					(30)	(30)		(30)
Derivative loss					(111)	(111)		(111)
Stock-based compensation	322,157	(1,303)		2,003		700		700
Issuance of treasury stock under 401(k) plan	28,733	250		179		429		429
Common stock repurchase	(109,789)			(1,293)		(1,293)		(1,293)
Balance March 31, 2023	<u>63,085,062</u>	<u>\$ 564,493</u>	<u>\$ 122,701</u>	<u>\$ (22,529)</u>	<u>\$ (243,857)</u>	<u>\$ 420,808</u>	<u>\$ 2,399</u>	<u>\$ 423,207</u>
Net income			30,207			30,207	1,688	31,895
Currency translation adjustment, net					2,212	2,212	(2,857)	(645)
Pension liability adjustments, net of tax					123	123		123
Derivative loss					(39)	(39)		(39)
Stock-based compensation	54,084	1,143		372		1,515		1,515
Issuance of treasury stock under 401(k) plan	42,353	178		271		449		449
Common stock repurchase	(493,279)			(5,097)		(5,097)		(5,097)
Acquisition of additional non-controlling interest		(80)				(80)	(368)	(448)
Balance June 30, 2023	<u>62,688,220</u>	<u>\$ 565,734</u>	<u>\$ 152,908</u>	<u>\$ (26,983)</u>	<u>\$ (241,561)</u>	<u>\$ 450,098</u>	<u>\$ 862</u>	<u>\$ 450,960</u>
Net income			19,280			19,280	383	19,663
Currency translation adjustment, net					(25,420)	(25,420)	(1,274)	(26,694)
Pension liability adjustments, net of tax					80	80		80
Derivative loss					(82)	(82)		(82)
Stock-based compensation		1,485				1,485		1,485
Issuance of treasury stock under 401(k) plan	38,813	183		268		451		451
Common stock repurchase	(1,026,795)			(12,674)		(12,674)		(12,674)
Balance September 30, 2023	<u>61,700,238</u>	<u>\$ 567,402</u>	<u>\$ 172,188</u>	<u>\$ (39,389)</u>	<u>\$ (266,983)</u>	<u>\$ 433,218</u>	<u>\$ (29)</u>	<u>\$ 433,189</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, 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>

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,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 84,988	\$ 136,212
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,598	32,283
Loss on sale of the Australian wheel business	—	10,890
Deferred income tax provision (benefit)	5,868	(1,631)
Income on indirect taxes	(3,096)	(32,043)
Gain on fixed asset and investment sale	(409)	(256)
Stock-based compensation	3,700	3,113
Issuance of stock under 401(k) plan	1,329	1,186
Foreign currency gain	(2,348)	(4,176)
(Increase) decrease in assets:		
Accounts receivable	17,503	(43,499)
Inventories	32,197	(44,180)
Prepaid and other current assets	18,386	6,361
Other assets	(410)	(4,352)
Increase (decrease) in liabilities:		
Accounts payable	(62,751)	(9,516)
Other current liabilities	12,241	49,885
Other liabilities	1,310	1,963
Net cash provided by operating activities	140,106	102,240
Cash flows from investing activities:		
Capital expenditures	(41,480)	(32,755)
Proceeds from the sale of the Australian wheel business	—	9,293
Proceeds from sale of fixed assets	1,795	680
Net cash used for investing activities	(39,685)	(22,782)
Cash flows from financing activities:		
Proceeds from borrowings	6,628	88,907
Repayments of debt	(25,017)	(120,728)
Repurchase of common stock	(19,064)	(25,000)
Other financing activities	(2,540)	(720)
Net cash used for financing activities	(39,993)	(57,541)
Effect of exchange rate changes on cash	(8,103)	(3,444)
Net increase in cash and cash equivalents	52,325	18,473
Cash and cash equivalents, beginning of period	159,577	98,108
Cash and cash equivalents, end of period	<u>\$ 211,902</u>	<u>\$ 116,581</u>
Supplemental information:		
Interest paid	\$ 15,971	\$ 16,813
Income taxes paid, net of refunds received	\$ 17,581	\$ 27,723

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, 2022, filed with the SEC on February 27, 2023 (the 2022 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.

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 \$396.1 million at September 30, 2023. The fair value of the senior secured notes due 2028 at September 30, 2023, as obtained through an independent pricing source, was approximately \$373.0 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, announced targeted economic sanctions on Russia, certain Russian citizens and enterprises. The continuation of the conflict 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 currently owns 64.3% of the Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia, which represents approximately 6% and 7% of consolidated assets of Titan as of September 30, 2023 and December 31, 2022, respectively. The Russian operations represent approximately 5% of consolidated global sales for both the three months ended September 30, 2023 and 2022, while representing 6% of consolidated global sales for both the nine months ended September 30, 2023 and 2022. 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 Note 12 for additional information on the loss on sale of the Australian wheel business.

Share Repurchase Program

On December 16, 2022, the Board of Directors authorized a share repurchase program allowing for the expenditure of up to \$50.0 million (the "Share Repurchase Program") for the repurchase of the Company's common stock. This authorization took effect immediately and will remain in place for up to three years. Under the Share Repurchase Program Titan repurchased 1,026,795 shares of its common stock totaling \$12.7 million during the three months ended September 30, 2023, and 1,629,863 shares of its common stock totaling \$19.0 million during the nine months ended September 30, 2023. As of September 30, 2023, \$31.0 million remains available for future share repurchases under this program.

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

Supplier financing program

A subsidiary of Titan participates in supplier financing programs pursuant to credit agreements between certain suppliers and financial institution. The program enables those suppliers to receive payment from participating financial institutions prior to the payment date specified in the terms between Titan and the supplier. Titan does not incur annual service fees associated with its enrollment in the supplier financing program. The transactions are at the sole discretion of both the suppliers and the financial institution, and Titan is not a party to the agreement and has no economic interest in the supplier's decision to receive payment prior to the payment date. The terms between Titan and a supplier, including the amount due and scheduled payment dates, are not impacted by a supplier's participation in the program. Amounts due to suppliers who participate in the program are included in the accounts payable line item in Titan's Consolidated Balance Sheets and Titan's payments made under the program are reflected in cash flows from operating activities in Titan's Consolidated Statements of Cash Flows. For suppliers who participate in a supplier financing program, Titan will pay the financial institution directly rather than the supplier. The confirmed obligations under the supplier financing programs included in the accounts payable line item in Titan's Consolidated Balance Sheet were \$5.1 million at September 30, 2023, and \$11.8 million at December 31, 2022.

Adoption of new accounting standards

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50) Disclosure of Supplier Finance Program Obligations ("ASU No. 2022-04"). The ASU requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, and potential magnitude. The amendments in this ASU will be applied retrospectively to each period in which a balance sheet is presented, with the exception of a new requirement to disclose a rollforward of program activity, which will be applied prospectively. The amendments in the ASU are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company adopted the impact of this ASU effective March 31, 2023 and incorporated the required disclosures within Note 1 to condensed consolidated financial statements.

Accounting standards issued but not yet adopted

On May 3, 2023, the SEC amended disclosure rules to modernize the disclosure requirements relating to repurchase of an issuer's equity securities. Under the amended rules, issuers will be required to provide daily repurchase activity on a quarterly or semi-annual basis, depending upon the type of issuer. Issuers will also have to explain the purpose of such repurchases and how they determined buyback amounts. The Company will adopt the impact of this standard on October 1, 2023 and will include the related enhanced disclosures in the Company's Form 10-K for the year ended December 31, 2023 and in the Company's quarterly reports thereafter.

2. ACCOUNTS RECEIVABLE, NET

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

	September 30, 2023	December 31, 2022
Accounts receivable	\$ 244,248	\$ 272,928
Allowance for credit losses	(5,653)	(6,170)
Accounts receivable, net	<u>\$ 238,595</u>	<u>\$ 266,758</u>

Accounts receivable are reduced by an estimated allowance for credit losses which is based on known risks and historical losses.

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

3. INVENTORIES

Inventories consisted of the following (amounts in thousands):

	September 30, 2023	December 31, 2022
Raw material	\$ 113,600	\$ 128,170
Work-in-process	41,655	42,468
Finished goods	204,887	226,585
	<u>\$ 360,142</u>	<u>\$ 397,223</u>

Inventories are reduced by estimated provisions for slow-moving and obsolete inventory.

4. PROPERTY, PLANT AND EQUIPMENT, NET

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

	September 30, 2023	December 31, 2022
Land and improvements	\$ 40,749	\$ 40,330
Buildings and improvements	236,601	237,507
Machinery and equipment	605,209	588,857
Tools, dies and molds	112,817	112,990
Construction-in-process	35,112	29,291
	<u>1,030,488</u>	<u>1,008,975</u>
Less accumulated depreciation	<u>(728,007)</u>	<u>(712,370)</u>
	<u>\$ 302,481</u>	<u>\$ 296,605</u>

Depreciation on property, plant and equipment for the nine months ended September 30, 2023 and 2022 totaled \$30.4 million and \$31.3 million, respectively.

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

5. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following (amounts in thousands):

	September 30, 2023	December 31, 2022
Compensation and benefits	\$ 50,929	\$ 45,389
Warranty	20,670	19,914
Accrued insurance benefits	18,239	21,154
Customer rebates and deposits	17,450	16,279
Accrued other taxes	15,785	18,549
Operating lease current liabilities	4,882	3,850
Accrued interest	11,867	5,040
Foreign government grant ⁽¹⁾	2,193	1,888
Settlement of legal matter ⁽²⁾	—	1,260
Other	20,746	18,605
	<u>\$ 162,761</u>	<u>\$ 151,928</u>

⁽¹⁾ 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. There are no specific stipulations associated with the government grant.

⁽²⁾ The amount relates to a legal settlement between Titan Tire Corporation and Dico, Inc. executed on February 1, 2021 in the amount of \$11.5 million, of which the final remaining amount of \$1.3 million was paid on January 31, 2023. The Company paid \$9.2 million and \$1.6 million, including accrued interest, to the federal government on February 25, 2021 and February 1, 2022, respectively.

6. WARRANTY

Changes in the warranty liability during the nine months ended September 30, 2023 and 2022, respectively, consisted of the following (amounts in thousands):

	2023	2022
Warranty liability at beginning of the period	\$ 19,914	\$ 16,628
Provision for warranty liabilities	10,334	11,297
Warranty payments made	(9,578)	(8,419)
Warranty liability at end of the period	<u>\$ 20,670</u>	<u>\$ 19,506</u>

The Company provides limited warranties on workmanship on its products in all market segments. The majority of the Company's products are subject to a limited warranty that ranges between less than one year and ten years, with certain product warranties being prorated after the first year. The Company calculates a provision for warranty expense based on past warranty experience. Warranty accruals are included as a component of other current liabilities on the Condensed Consolidated Balance Sheets.

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(Unaudited)

7. DEBT

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

	September 30, 2023		
	Principal Balance	Unamortized Debt Issuance	Net Carrying Amount
7.00% senior secured notes due 2028	\$ 400,000	\$ (3,942)	\$ 396,058
Titan Europe credit facilities	24,283	—	24,283
Other debt	6,962	—	6,962
Total debt	431,245	(3,942)	427,303
Less amounts due within one year	17,556	—	17,556
Total long-term debt	<u>\$ 413,689</u>	<u>\$ (3,942)</u>	<u>\$ 409,747</u>

	December 31, 2022		
	Principal Balance	Unamortized Debt Issuance	Net Carrying Amount
7.00% senior secured notes due 2028	\$ 400,000	\$ (4,599)	\$ 395,401
Titan Europe credit facilities	37,362	—	37,362
Other debt	12,855	—	12,855
Total debt	450,217	(4,599)	445,618
Less amounts due within one year	30,857	—	30,857
Total long-term debt	<u>\$ 419,360</u>	<u>\$ (4,599)</u>	<u>\$ 414,761</u>

Aggregate principal maturities of long-term debt at September 30, 2023 for each of the years (or other periods) set forth below were as follows (amounts in thousands):

October 1 - December 31, 2023	\$ 10,693
2024	11,242
2025	3,314
2026	1,887
2027	486
Thereafter	403,623
	<u>\$ 431,245</u>

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, 2023.

Titan Europe credit facilities

The Titan Europe credit facilities include borrowings from various institutions totaling \$24.3 million in aggregate principal amount at September 30, 2023. Maturity dates on this debt range from less than one year to five years. The interest rates range from 0.5% to 6.5%.

Revolving credit facility

The Company has a \$125.0 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

TITAN INTERNATIONAL, INC.
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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 \$125.0 million as a result of outstanding letters of credit and eligible accounts receivable and inventory balances at certain of its domestic subsidiaries. Based on eligible accounts receivable and inventory balances, the Company's amount available for borrowing totaled \$102.1 million at September 30, 2023. With outstanding letters of credit totaling \$6.2 million, the net amount available for borrowing under the credit facility totaled \$95.9 million at September 30, 2023. There were no borrowings under the revolving credit facility at September 30, 2023.

Other debt

The Company has a working capital loan at Titan Pneus do Brasil Ltda at varying interest rates from approximately 5% to 6.5%, which totaled \$7.0 million at September 30, 2023. The maturity date on this loan is one year or less. The Company expects to negotiate an extension of the maturity date on this loan with the respective financial institution or repay, as needed.

8. 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.

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(Unaudited)

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

	Balance Sheet Classification	September 30, 2023	December 31, 2022
Operating lease ROU assets	Operating lease assets	\$ 10,635	\$ 8,932
Operating lease current liabilities	Other current liabilities	\$ 4,882	\$ 3,850
Operating lease long-term liabilities	Other long-term liabilities	5,156	2,409
Total operating lease liabilities		<u>\$ 10,038</u>	<u>\$ 6,259</u>
Finance lease, gross	Property, plant & equipment, net	\$ 6,904	\$ 6,994
Finance lease accumulated depreciation	Property, plant & equipment, net	(5,045)	(3,820)
Finance lease, net		<u>\$ 1,859</u>	<u>\$ 3,174</u>
Finance lease current liabilities	Other current liabilities	\$ 1,148	\$ 2,562
Finance lease long-term liabilities	Other long-term liabilities	1,409	3,444
Total finance lease liabilities		<u>\$ 2,557</u>	<u>\$ 6,006</u>

At September 30, 2023, maturities of lease liabilities were as follows (amounts in thousands):

	Operating Leases	Finance Leases
October 1 - December 31, 2023	\$ 1,469	\$ 365
2024	4,817	1,142
2025	2,526	746
2026	1,100	491
2027	352	48
Thereafter	766	1
Total lease payments	<u>\$ 11,030</u>	<u>\$ 2,793</u>
Less imputed interest	992	236
	<u>\$ 10,038</u>	<u>\$ 2,557</u>
Weighted average remaining lease term (in years)	3.06	2.45

Supplemental cash flow information related to leases for the nine months ended September 30, 2023 were as follows: operating cash flows from operating leases were \$2.4 million.

9. 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 \$0.3 million to the pension plans during the nine months ended September 30, 2023 and no amounts are expected to be contributed to the pension plans during the remainder of 2023.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Service cost	\$ 112	\$ 43	\$ 331	\$ 1,215
Interest cost	1,022	714	3,097	2,148
Expected return on assets	(1,167)	(1,518)	(3,501)	(4,554)
Amortization of unrecognized prior service cost	(16)	(15)	(49)	(47)
Amortization of net unrecognized loss (gain)	241	(5)	719	(18)
Net periodic pension cost (benefit)	<u>\$ 192</u>	<u>\$ (781)</u>	<u>\$ 597</u>	<u>\$ (1,256)</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.

10. VARIABLE INTEREST ENTITIES

The Company holds a variable interest in two joint ventures for which 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 income attributable to noncontrolling interests" in the Condensed Consolidated Statements of Operations and "Noncontrolling interests" in the Condensed Consolidated Balance Sheets.

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, 2023	December 31, 2022
Cash and cash equivalents	\$ 1,591	\$ 1,729
Inventory	3,670	2,581
Other current assets	3,141	4,179
Property, plant and equipment, net	3,710	4,657
Other non-current assets	235	465
Total assets	<u>\$ 12,347</u>	<u>\$ 13,611</u>
Current liabilities	\$ 1,968	\$ 2,077
Other long-term liabilities	882	1,062
Total liabilities	<u>\$ 2,850</u>	<u>\$ 3,139</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):

TITAN INTERNATIONAL, INC.
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(Unaudited)

	September 30, 2023	December 31, 2022
Investments	\$ 6,714	\$ 6,827
Total VIE assets	6,714	6,827
Accounts payable to the non-consolidated VIEs	5,207	3,936
Maximum exposure to loss	<u>\$ 11,921</u>	<u>\$ 10,763</u>

11. 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 \$2.3 million and \$3.3 million for the three months ended September 30, 2023 and 2022, respectively, and \$7.2 million and \$9.2 million for the nine months ended September 30, 2023 and 2022, respectively.

12. OTHER INCOME

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Income on indirect taxes ⁽¹⁾	\$ —	\$ 9,593	\$ 475	\$ 32,043
Loss on sale of Australian wheel business ⁽²⁾	—	—	—	(10,890)
Proceeds from government grant ⁽³⁾	—	—	—	1,324
Equity investment income	222	—	954	570
Gain on sale of assets	87	74	158	256
Other income	152	24	822	1,223
	<u>\$ 461</u>	<u>\$ 9,691</u>	<u>\$ 2,409</u>	<u>\$ 24,526</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 13 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 Note 1 for additional information.

⁽³⁾ In August 2014, the Company received 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. There are no specific stipulations associated with the government grant. 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 asset.

TITAN INTERNATIONAL, INC.
Notes to Condensed Consolidated Financial Statements
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13. INCOME TAXES

The Company recorded income tax expense of \$4.7 million and \$11.4 million for the three months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023 and 2022, the Company recorded income tax expense of \$28.4 million and \$39.1 million, respectively. The Company's effective income tax rate was 19.4% and 21.1% for the three months ended September 30, 2023 and 2022, respectively, and 25.0% and 22.3% for the nine months ended September 30, 2023 and 2022, respectively.

The Company's 2023 and 2022 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 foreign income tax rate differential on the mix of earnings, non-deductible royalty expenses in certain foreign jurisdictions, and certain permanent foreign inclusion items on the domestic provision.

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 certain deferred tax assets in the U.S. and certain foreign jurisdictions and continues to monitor and assess the need for valuation allowances in all its jurisdictions.

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 quarter of 2023, one of the Company's Brazilian subsidiaries received a notice that they had prevailed on an additional legal claim in regards to the non-income (indirect) tax credits that had been granted in a prior year ruling. The most recent ruling exempted, the interest benefit on the indirect tax credits granted in prior year from taxation. For the nine months ended September 30, 2023, the Company recorded indirect tax credits of \$0.5 million, within other income in the condensed consolidated statements of operations. The Company also recorded \$2.6 million within provision for income taxes in the condensed consolidated statements of operations for the nine months ended September 30, 2023.

During the second and third quarter of 2022, the Company submitted the related supporting documentation and received approval from Brazilian tax authorities for the indirect tax credits for one of its Brazilian subsidiaries. For the three and nine months ended September 30, 2022, the Company recorded indirect tax credits of \$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 by the end of the year.

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Notes to Condensed Consolidated Financial Statements
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14. 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,	
	2023	2022	2023	2022
Net income attributable to Titan and applicable to common shareholders	\$ 19,280	\$ 43,169	\$ 81,325	\$ 134,262
Determination of shares:				
Weighted average shares outstanding (basic)	62,598	62,803	62,810	63,107
Effect of restricted stock and stock options	497	426	461	480
Weighted average shares outstanding (diluted)	\$ 63,095	\$ 63,229	\$ 63,271	\$ 63,587
Earnings per common share:				
Basic	\$ 0.31	\$ 0.69	\$ 1.29	\$ 2.13
Diluted	\$ 0.31	\$ 0.68	\$ 1.29	\$ 2.11

15. 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.

16. 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.

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The table below presents information about certain operating results, separated by market segments, for the three and nine months ended September 30, 2023 and 2022 (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net sales				
Agricultural	\$ 212,967	\$ 289,259	\$ 787,973	\$ 917,443
Earthmoving/construction	155,045	199,921	528,652	611,550
Consumer	33,769	41,542	114,976	130,621
	<u>\$ 401,781</u>	<u>\$ 530,722</u>	<u>\$ 1,431,601</u>	<u>\$ 1,659,614</u>
Gross profit				
Agricultural	\$ 37,026	\$ 45,949	\$ 135,012	\$ 155,794
Earthmoving/construction	22,257	34,959	88,583	102,651
Consumer	6,790	6,725	23,930	25,570
	<u>\$ 66,073</u>	<u>\$ 87,633</u>	<u>\$ 247,525</u>	<u>\$ 284,015</u>
Income from operations				
Agricultural	\$ 21,383	\$ 31,125	\$ 86,071	\$ 106,126
Earthmoving/construction	8,501	21,836	46,561	59,952
Consumer	4,526	4,856	17,183	18,976
Corporate & Unallocated	(7,435)	(7,326)	(21,806)	(20,154)
Income from operations	<u>\$ 26,975</u>	<u>\$ 50,491</u>	<u>\$ 128,009</u>	<u>\$ 164,900</u>
Interest expense	(3,931)	(7,221)	(16,185)	(22,835)
Foreign exchange gain (loss)	876	1,198	(882)	8,749
Other income	461	9,691	2,409	24,526
Income before income taxes	<u>\$ 24,381</u>	<u>\$ 54,159</u>	<u>\$ 113,351</u>	<u>\$ 175,340</u>

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

	September 30,	December 31,
	2023	2022
Total assets		
Agricultural	\$ 553,408	\$ 548,523
Earthmoving/construction	495,605	538,064
Consumer	129,422	133,213
Corporate & Unallocated	79,300	64,830
	<u>\$ 1,257,735</u>	<u>\$ 1,284,630</u>

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

17. 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 was 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 \$0.7 million and \$3.1 million for the three and nine months ended September 30, 2023, and approximately \$1.2 million and \$3.5 million for the three and nine months ended September 30, 2022. Titan had trade receivables due from these companies of approximately \$0.1 million at September 30, 2023, and approximately \$0.2 million at December 31, 2022. Titan had purchases from these companies of approximately \$0.2 million and \$0.4 million for the three and nine months ended September 30, 2023, and approximately \$0.5 million and \$1.0 million for the three and nine months ended September 30, 2022. Sales commissions accrued to the above companies were approximately \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2023 as compared to \$0.4 million and \$1.3 million accrued for the three and nine months ended September 30, 2022.

18. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

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, 2023	\$ (233,461)	\$ 1,074	\$ (9,174)	\$ (241,561)
Currency translation adjustments, net	(25,420)	—	—	(25,420)
Defined benefit pension plans:				
Amortization of unrecognized losses and prior service cost, net of tax of \$(21)	—	—	80	80
Derivative loss	—	(82)	—	(82)
Balance at September 30, 2023	<u>\$ (258,881)</u>	<u>\$ 992</u>	<u>\$ (9,094)</u>	<u>\$ (266,983)</u>
	Currency Translation Adjustments	Gain (Loss) on Derivatives	Unrecognized Losses and Prior Service Cost	Total
Balance at January 1, 2023	\$ (243,712)	\$ 1,224	\$ (9,267)	\$ (251,755)
Currency translation adjustments, net	(15,169)	—	—	(15,169)
Defined benefit pension plans:				
Amortization of unrecognized losses and prior service cost, net of tax of \$(51)	—	—	173	173
Derivative loss	—	(232)	—	(232)
Balance at September 30, 2023	<u>\$ (258,881)</u>	<u>\$ 992</u>	<u>\$ (9,094)</u>	<u>\$ (266,983)</u>

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Notes to Condensed Consolidated Financial Statements
(Unaudited)

	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 \$10.0 million for the nine months ended September 30, 2022 related to the sale of the Australian wheel business. Refer to Note 1 and 12 for additional information.

19. 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 or disclosures in the condensed 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, 2022, filed with the SEC on February 27, 2023 (the 2022 Form 10-K).

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, announced targeted economic sanctions on Russia, certain Russian citizens and enterprises. The continuation of the conflict 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 currently owns 64.3% of the Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia, which represents approximately 6% and 7% of consolidated assets of Titan both as of September 30, 2023 and December 31, 2022, respectively. The Russian operations represent approximately 5% of consolidated global sales for both the three months ended September 30, 2023 and 2022, while representing 6% of consolidated global sales for both the nine months ended September 30, 2023 and 2022. 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.

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 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, sell 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. 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.

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 quarter of 2023, one of the Company's Brazilian subsidiaries received a notice that they had prevailed on an additional legal claim in regards to the non-income (indirect) tax credits that had been granted in a prior year ruling. The most recent ruling exempted the interest benefit on the indirect tax credits granted in prior year from taxation. For the nine months ended September 30, 2023, the Company recorded indirect tax credits of \$0.5 million within other income in the condensed consolidated statements of operations. The Company also recorded \$2.6 million within provision for income taxes in the condensed consolidated statements of operations for the nine months ended September 30, 2023.

During the second and third quarter of 2022, the Company submitted the related supporting documentation and received the approval from Brazilian tax authorities for the indirect tax credits for one of its Brazilian subsidiaries. For the three and nine months ended September 30, 2022, the Company recorded indirect tax credits of \$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

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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 by the end of the year.

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 and future stock repurchases
- 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 those in Part I, Item 1A, Risk Factors, of the 2022 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 those expressed in, or implied by, these forward-looking statements as a result of various factors, including:

- the effect of the geopolitical instability resulting from the military conflicts between Russia and Ukraine on our Russian and global operations, and between the Israel and Hamas on our global operations;
- the effect of a recession on the Company and its customers and suppliers;
- the effect of the market demand cycles on the company's sales, which may have significant fluctuations;
- changes in the Company's end-user markets into which the Company sells its products as a result of domestic and 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;
- the Company's ability to operate in accordance with its business plan and strategies
- 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;
- availability and price of supply chain logistics and freight;

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- 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 and increased attention to ESG matters;
- 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, including cybersecurity threats.

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 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 wheel, tire, and undercarriage industrial manufacturer and supplier that services customers across the globe. 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, Titan Tire and Voltyre-Prom Tire brands and has complete research and development facilities to validate tire and wheel designs.

Agricultural Segment: Titan's agricultural wheels, tires, 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 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. Agricultural tires are offered in Titan, Goodyear, and Voltyre brands with a full portfolio of sizes, load carrying capabilities, and tread patterns necessary for the markets served. 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,

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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 to 63 inches and in weight from 125 pounds to 7,000 pounds. The 63-inch diameter wheel is the largest manufactured for the global earthmoving/construction market. Titan's earthmoving/construction tires are offered in the Titan brand and range from approximately three feet to approximately 13 feet in outside diameter and in weight from 50 pounds to 12,500 pounds. Earthmoving/construction tires offered by Titan serve virtually every off-road application in the industry with some of the highest load requirements in the most severe applications. 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, side-by-sides, rock climbers, turf, and have recently expanded our offering into the lawn and garden segment with a major OE customer. This segment also includes sales that do not readily fall into the Company's other segments, such as custom rubber stock mixing sales to a variety of OEM's in tangential industries.

The Company's top customers, including global leaders in agricultural and construction equipment manufacturing, have been purchasing products from Titan or its predecessors for numerous years. Customers including AGCO Corporation, Caterpillar Inc., CNH Global N.V., Deere & Company, Hitachi, Ltd., Kubota Corporation, Liebherr, and Volvo have helped sustain Titan's market leading position in wheel, tire, assembly, and undercarriage products.

MARKET CONDITIONS AND OUTLOOK

AGRICULTURAL MARKET OUTLOOK

Agriculture-related commodity prices continued to remain at historically high levels during the first three quarters of 2023. High farmer income and replacement of an aging large equipment fleet are both market conditions which are anticipated to support continued healthy demand for our products in the mid to long term time horizon. There are concerns over a slowdown in OEM customer demand due to their elevated inventory levels, lower demand in small agricultural equipment primarily in the Americas, and softness in the Brazilian economy, which are resulting in uncertain demand in the near term. However, the underlying market conditions mentioned previously provide support for the mid to long term healthy demand for our products. 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 some slow down in OEM demand during the second and third quarters of 2023, most notably in the Americas, that stems from concerns over elevated inventory levels and some economic softness in Brazil. We expect a recovery and continued market stability over the mid to long term given the level of mining capital budgets and forecasted GDP growth. 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. The markets remained stable during the first quarter of 2023, but experienced some slow down during the second and third quarters of 2023 due to elevated inventory levels in Latin America. There are strong initiatives underway to bolster opportunities in various specialty products including mixing of rubber stock in the United States. The consumer segment pace of growth can vary from period to period and 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

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Increase/ (Decrease)	2023	2022	% Increase/ (Decrease)
<i>(Amounts in thousands, except percentages)</i>						
Net sales	\$ 401,781	\$ 530,722	(24.3)%	\$1,431,601	\$1,659,614	(13.7)%
Cost of sales	335,708	443,089	(24.2)%	1,184,076	1,375,599	(13.9)%
Gross profit	66,073	87,633	(24.6)%	247,525	284,015	(12.8)%
<i>Gross profit %</i>	<i>16.4 %</i>	<i>16.5 %</i>	<i>(0.6)%</i>	<i>17.3 %</i>	<i>17.1 %</i>	<i>1.2 %</i>
Selling, general and administrative expenses	33,587	31,410	6.9 %	102,917	102,306	0.6 %
Research and development expenses	3,167	2,434	30.1 %	9,399	7,592	23.8 %
Royalty expense	2,344	3,298	(28.9)%	7,200	9,217	(21.9)%
Income from operations	<u>\$ 26,975</u>	<u>\$ 50,491</u>	<u>(46.6)%</u>	<u>\$ 128,009</u>	<u>\$ 164,900</u>	<u>(22.4)%</u>

Net Sales

Net sales for the three months ended September 30, 2023 were \$401.8 million, compared to \$530.7 million in the comparable period of 2022. Net sales change was due to sales decreases in all segments. Net sales change was primarily due to sales volume decrease caused by elevated inventory levels at our customers in the Americas, particularly OEM customers, lower levels of end customer demand in small agricultural equipment, and economic softness in Brazil. The net sales change was also impacted by negative price/mix from lower raw material costs and unfavorable currency translation of 1.1%.

Net sales for the nine months ended September 30, 2023 were \$1,431.6 million, compared to \$1,659.6 million in the comparable period of 2022. Net sales change was due to sales decreases in all segments. Net sales change was primarily due to the reduced demand caused by aforementioned elevated inventory levels with OEM customers, and slowdown in economic activity in Brazil and small agricultural equipment. It was also impacted by negative price/mix which was primarily due to lower raw material and other input costs, most notably steel, and unfavorable currency translation of 1.6%. Additionally, the Company sold its Australian wheel business in the first quarter of 2022 which resulted in a reduction of net sales of 0.6%, or \$10.0 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

Gross Profit

Gross profit for the three months ended September 30, 2023 was \$66.1 million, or 16.4% of net sales, compared to \$87.6 million, or 16.5% of net sales, for the three months ended September 30, 2022. The change in gross profit was primarily due to the lower sales volume, which resulted in lower fixed cost leverage. The gross profit margin was similar to the prior year, notwithstanding the net sales decline, primarily as a result of continued strong actions taken by the Company to improve financial performance.

Gross profit for the nine months ended September 30, 2023 was \$247.5 million, or 17.3% of net sales, compared to \$284.0 million, or 17.1% of net sales, for the nine months ended September 30, 2022. The change in gross profit for nine months ended September 30, 2023 as compared to the prior year period was due to the impact of lower sales volume in North America and the aforementioned factors experienced in the third quarter. The increase in gross margin was due to lower production input costs as a result of actions taken to improve financial performance, which have helped offset the impact of lower fixed cost leverage.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 30, 2023 were \$33.6 million, or 8.4% of net sales, compared to \$31.4 million, or 5.9% of net sales, for the three months ended September 30, 2022. The change in SG&A for the three months ended September 30, 2023 as compared to the prior year period was due to certain personnel related inflationary cost impacts.

Selling, general and administrative expenses for the nine months ended September 30, 2023 were \$102.9 million, or 7.2% of net sales, compared to \$102.3 million, or 6.2% of net sales, for the nine months ended September 30, 2022. The change in SG&A

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for the three and nine months ended September 30, 2023 as compared to the prior year period was due to certain personnel related inflationary cost impacts.

Research and Development Expenses

Research and development (R&D) expenses for the three months ended September 30, 2023 were \$3.2 million, or 0.8% of net sales, compared to \$2.4 million, or 0.5% of net sales, for the comparable period in 2022. R&D expenses for the nine months ended September 30, 2023 were \$9.4 million, or 0.7% of net sales, compared to \$7.6 million, or 0.5% of net sales, for the comparable period in 2022. R&D spending reflects initiatives to improve product designs and an ongoing focus on innovation and quality.

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, 2023 were \$2.3 million, or 0.6% of net sales, compared to \$3.3 million, or 0.6% of net sales, for the three months ended September 30, 2022. Royalty expenses for the nine months ended September 30, 2023 were \$7.2 million, or 0.5% of net sales, compared to \$9.2 million, or 0.6% of net sales, for the nine months ended September 30, 2022. The changes in royalty expenses for the three months and nine months ended September 30, 2023 as compared to the prior year periods were due to the decreases in net sales, as described previously.

Income from Operations

Income from operations for the three months ended September 30, 2023 was \$27.0 million, compared to income from operations of \$50.5 million for the three months ended September 30, 2022. Income from operations for the nine months ended September 30, 2023 was \$128.0 million, compared to income from operations of \$164.9 million for the nine months ended September 30, 2022. The changes in income from operations for the three months and nine months ended September 30, 2023 as compared to the prior year periods were primarily due to lower net sales and the net result of the items previously discussed.

OTHER PROFIT/LOSS ITEMS

Interest Expense, net

Interest expense was \$3.9 million and \$7.2 million for the three months ended September 30, 2023 and 2022, respectively, and \$16.2 million and \$22.8 million for the nine months ended September 30, 2023 and 2022. The decreases in interest expense for the three months and nine months ended September 30, 2023 were due to the reduced borrowing under the Company's global credit facilities, as compared to the prior year periods, and increased interest income associated with financial investments in Latin America and the United States.

Foreign Exchange Gain (Loss)

Foreign exchange gain was \$0.9 million for the three months ended September 30, 2023, compared to a gain of \$1.2 million for the three months ended September 30, 2022. Foreign exchange loss was \$0.9 million for the nine months ended September 30, 2023, compared to a gain of \$8.7 million for the nine months ended September 30, 2022.

Foreign exchange gain experienced during the three months ended September 30, 2023 was primarily the result of a favorable impact of the movement of exchange rates in certain geographies in which we conduct business, offset by an unfavorable impact of the translation of intercompany loans at certain foreign subsidiaries, which are denominated in local currencies rather than the reporting currency, which is the United States dollar. Since such loans are expected to be settled at some point in the future, these loans are adjusted each reporting period to reflect the current exchange rates. The foreign exchange loss experienced during the nine months ended September 30, 2023 was the result of an unfavorable impact of the translation of intercompany loans at certain foreign subsidiaries, which are denominated in local currencies rather than the reporting currency, which is the United States dollar.

Foreign exchange gains experienced during the three months and nine months ended September 30, 2022 were primarily the result of a favorable impact of the movement of exchange rates in certain geographies in which we conduct business.

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Other Income

Other income was \$0.5 million for the three months ended September 30, 2023, as compared to other income of \$9.7 million in the comparable period of 2022. The change was primarily attributable to \$9.5 million income on indirect tax credits in Brazil in the third quarter of 2022.

Other income was \$2.4 million for the nine months ended September 30, 2023, as compared to other income of \$24.5 million in the comparable period of 2022. The change was primarily attributable to miscellaneous income in 2022 that did not occur in 2023 which included \$32.0 million indirect tax credits in Brazil, a gain of \$1.3 million from a government grant associated with an earthquake that affected one of our Italian subsidiaries, and a loss of \$10.9 million on sale of the Australian wheel business.

Provision for Income Taxes

The Company recorded income tax expense of \$4.7 million and \$11.4 million for the three months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023 and 2022, the Company recorded income tax expense of \$28.4 million and \$39.1 million, respectively. The Company's effective income tax rate was 19.4% and 21.1% for the three months ended September 30, 2023 and 2022, respectively, and 25.0% and 22.3% for the nine months ended September 30, 2023 and 2022, respectively.

The Company's 2023 and 2022 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 foreign income tax rate differential on the mix of earnings, non-deductible royalty expenses in certain foreign jurisdictions, and certain permanent foreign inclusion items on the domestic provision.

On August 16, 2022, the "Inflation Reduction Act" (H.R. 5376) was signed into law in the United States. As part of the Inflation Reduction Act, the U.S. Congress enacted the corporate alternative minimum tax (CAMT). Titan does not currently expect the Inflation Reduction Act or CAMT to have a material impact on our financial results, including on our annual estimated effective tax rate.

Net Income and Income per Share

Net income for the three months ended September 30, 2023 was \$19.7 million, compared to net income of \$42.7 million in the comparable period of 2022. For the three months ended September 30, 2023 and 2022, basic income per share were \$0.31 and \$0.69, respectively, and diluted income per share were \$0.31 and \$0.68, respectively. The Company's net income and income per share changes were due to the items previously discussed.

Net income for the nine months ended September 30, 2023 was \$85.0 million, compared to net income of \$136.2 million in the comparable period of 2022. For the nine months ended September 30, 2023 and 2022, basic income per share were \$1.29 and \$2.13, respectively, and diluted income per share were \$1.29 and \$2.11, respectively. The Company's net income and income per share changes were due to the items previously discussed.

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SEGMENT INFORMATION

Segment Summary (amounts in thousands, except percentages):

Three months ended September 30, 2023	Agricultural	Earthmoving/ Construction	Consumer	Corporate/ Unallocated Expenses	Consolidated Totals
Net sales	\$ 212,967	\$ 155,045	\$ 33,769	\$ —	\$ 401,781
Gross profit	37,026	22,257	6,790	—	66,073
Profit margin	17.4 %	14.4 %	20.1 %	—	16.4 %
Income (loss) from operations	21,383	8,501	4,526	(7,435)	26,975
Three months ended September 30, 2022					
Net sales	\$ 289,259	\$ 199,921	\$ 41,542	\$ —	\$ 530,722
Gross profit	45,949	34,959	6,725	—	87,633
Profit margin	15.9 %	17.5 %	16.2 %	—	16.5 %
Income (loss) from operations	31,125	21,836	4,856	(7,326)	50,491

Nine months ended September 30, 2023	Agricultural	Earthmoving/ Construction	Consumer	Corporate/ Unallocated Expenses	Consolidated Totals
Net sales	\$ 787,973	\$ 528,652	\$ 114,976	\$ —	\$ 1,431,601
Gross profit	135,012	88,583	23,930	—	247,525
Profit margin	17.1 %	16.8 %	20.8 %	—	17.3 %
Income (loss) from operations	86,071	46,561	17,183	(21,806)	128,009
Nine months ended September 30, 2022					
Net sales	\$ 917,443	\$ 611,550	\$ 130,621	\$ —	\$ 1,659,614
Gross profit	155,794	102,651	25,570	—	284,015
Profit margin	17.0 %	16.8 %	19.6 %	—	17.1 %
Income (loss) from operations	106,126	59,952	18,976	(20,154)	164,900

Agricultural Segment Results

Agricultural segment results for the periods presented below were as follows (amounts in thousands, except percentages):

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Increase (Decrease)	2023	2022	% Increase (Decrease)
Net sales	\$ 212,967	\$ 289,259	(26.4)%	\$ 787,973	\$ 917,443	(14.1)%
Gross profit	37,026	45,949	(19.4)%	135,012	155,794	(13.3)%
Profit margin	17.4 %	15.9 %	9.4 %	17.1 %	17.0 %	0.6 %
Income from operations	21,383	31,125	(31.3)%	86,071	106,126	(18.9)%

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Net sales in the agricultural segment were \$213.0 million for the three months ended September 30, 2023, as compared to \$289.3 million for the comparable period in 2022. The net sales change was primarily due to lower sales volume in North and South America which was caused by actions taken by customers to reduce elevated inventory levels, most notably OEM customers, overall softness in demand for small agricultural equipment, and decline in Brazilian economic activity. In addition, the change in net sales was due to negative price/product mix partly impacted by contractual price reductions to customers that are reflective of raw material and other input cost reductions, and an unfavorable impact of foreign currency translation of 3.6%.

Gross profit in the agricultural segment was \$37.0 million for the three months ended September 30, 2023, as compared to \$45.9 million in the comparable period in 2022. The change in gross profit was due to lower sales volume, which also resulted in lower fixed cost leverage. The increase in profit margin was due to actions taken to improve financial performance, including cost reductions and productivity initiatives executed across global operations in addition to lower production input costs.

Income from operations in the company's agricultural segment was \$21.4 million for the three months ended September 30, 2023, as compared to income of \$31.1 million for the three months ended September 30, 2022. The overall change in income from operations was attributable to lower gross profit.

Net sales in the agricultural segment were \$788.0 million for the nine months ended September 30, 2023, as compared to \$917.4 million for the comparable period in 2022. The net sales change was primarily due to lower sales volume in the Americas which was caused by aforementioned high inventory levels most notably with OEM customers, overall softness in demand for small agricultural equipment, and slowdown in economic activity in Brazil. The change in net sales was also impacted by negative price/product mix associated with lower steel prices, an unfavorable impact of foreign currency translation of 2.7%.

Gross profit in the agricultural segment was \$135.0 million for the nine months ended September 30, 2023, as compared to \$155.8 million in the comparable period in 2022. The change in gross profit was due to lower sales volume. The increase in profit margin was due to the measures taken to improve financial performance, along with lower raw material and other input costs, which have helped offset the impact of lower fixed cost leverage.

Income from operations in the company's agricultural segment was \$86.1 million for the nine months ended September 30, 2023, as compared to income of \$106.1 million for the nine months ended September 30, 2022. The overall change in income from operations was attributable to lower gross profit from a decline in net sales.

Earthmoving/Construction Segment Results

Earthmoving/construction segment results for the periods presented below were as follows (amounts in thousands, except percentages):

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Decrease	2023	2022	% Decrease
Net sales	\$ 155,045	\$ 199,921	(22.4)%	\$ 528,652	\$ 611,550	(13.6)%
Gross profit	22,257	34,959	(36.3)%	88,583	102,651	(13.7)%
Profit margin	14.4 %	17.5 %	(17.7)%	16.8 %	16.8 %	0.0 %
Income from operations	8,501	21,836	(61.1)%	46,561	59,952	(22.3)%

Net sales in earthmoving/construction segment were \$155.0 million for the three months ended September 30, 2023, as compared to \$199.9 million in the comparable period in 2022. The change in earthmoving/construction sales was primarily due to decreased volume in the Americas and the undercarriage business which were caused by elevated customer inventory levels and a slowdown with certain construction OEM customers. In addition, the net sales change was impacted by negative price/product mix from decreased raw material and other input costs. Net sales were favorably impacted by foreign currency translation of 2.5%.

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Gross profit in the earthmoving/construction segment was \$22.3 million for the three months ended September 30, 2023, as compared to \$35.0 million for the three months ended September 30, 2022. The changes in gross profit and margin were primarily due to the lower sales volume, which also resulted in lower fixed cost leverage primarily in the Americas.

The Company's earthmoving/construction segment income from operations was \$8.5 million for the three months ended September 30, 2023, as compared to income of \$21.8 million for the three months ended September 30, 2022. The change was due to the decrease in sales volume and lower profitability.

The Company's earthmoving/construction segment net sales were \$528.7 million for the nine months ended September 30, 2023, as compared to \$611.6 million in the comparable period in 2022. The change in earthmoving/construction sales was primarily due to decreased volume in the Americas and the undercarriage business which was caused by elevated customer inventory levels and a slowdown at construction OEM customers, mentioned earlier. In addition, the net sales change was impacted by negative price/mix from lower raw material and other input costs, unfavorable impact of foreign currency translation of 0.3%, and the effects of the disposed Australian business of 1.0%.

Gross profit in the earthmoving/construction segment was \$88.6 million for the nine months ended September 30, 2023, as compared to \$102.7 million for the nine months ended September 30, 2022. The change in gross profit were primarily due to the lower sales volume, which also resulted in lower fixed cost leverage, primarily in the Americas. The profit margin remained consistent due to lower production input costs which have helped offset the impact of lower fixed cost leverage.

The Company's earthmoving/construction segment income from operations was \$46.6 million for the nine months ended September 30, 2023, as compared to \$60.0 million for the nine months ended September 30, 2022. The change was due to the decrease in sales volume as mentioned previously.

Consumer Segment Results

Consumer segment results for the periods presented below were as follows (amounts in thousands, except percentages):

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Increase (Decrease)	2023	2022	% Increase (Decrease)
Net sales	\$ 33,769	\$ 41,542	(18.7)%	\$ 114,976	\$ 130,621	(12.0)%
Gross profit	6,790	6,725	1.0 %	23,930	25,570	(6.4)%
Profit margin	20.1 %	16.2 %	24.1 %	20.8 %	19.6 %	6.1 %
Income from operations	4,526	4,856	(6.8)%	17,183	18,976	(9.4)%

Consumer segment net sales were \$33.8 million for the three months ended September 30, 2023, as compared to \$41.5 million for the three months ended September 30, 2022. The change was due to negative price/product mix, and lower sales volumes, mainly in Latin America for light utility truck tires, which experienced a decline in demand due to elevated customer inventories and a general economic slowdown in the region. In addition, net sales were unfavorably impacted by foreign currency translation of 0.8%.

Gross profit from the consumer segment was \$6.8 million for the three months ended September 30, 2023, as compared to \$6.7 million for the three months ended September 30, 2022. The increases in gross profit and margin were primarily due to lower raw material and other input costs, mainly in the North American wheel and the undercarriage operations.

Consumer segment income from operations was \$4.5 million for the three months ended September 30, 2023, as compared to income of \$4.9 million for the three months ended September 30, 2022. The change was due to higher foreign exchange loss at certain foreign subsidiaries.

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Consumer segment net sales were \$115.0 million for the nine months ended September 30, 2023, as compared to \$130.6 million for the nine months ended September 30, 2022. The change was due to lower sales volumes, mainly in Latin America for light utility truck tires, where demand was lower from the softer economic conditions in the region and elevated customer inventory levels. In addition, net sales were unfavorably impacted by negative price/product mix from lower raw material and other input costs, foreign currency translation of 0.5%, and the effects of the disposed Australian business of 0.2%.

Gross profit from the consumer segment was \$23.9 million for the nine months ended September 30, 2023, as compared to \$25.6 million for the nine months ended September 30, 2022. The change in gross profit was primarily due to lower sales volumes, which also resulted in lower fixed cost leverage. The increase in profit margin was due to lower input costs which have helped offset the impact of lower fixed cost leverage.

Consumer segment income from operations was \$17.2 million for the nine months ended September 30, 2023, as compared to income of \$19.0 million for the nine months ended September 30, 2022. The change was due to decrease in gross profit as mentioned previously.

Corporate & Unallocated Expenses

Income from operations on a segment basis did not include unallocated costs of \$7.4 million for the three months ended September 30, 2023, and \$21.8 million for the nine months ended September 30, 2023, as compared to \$7.3 million for the three months ended September 30, 2022, and \$20.2 million for the nine months ended September 30, 2022. Unallocated expenses are primarily comprised of corporate selling, general and administrative expenses. The changes in corporate and unallocated expenses for the three and nine months ended September 30, 2023 as compared to the prior year periods were related to the increase in certain SG&A expenses primarily associated with legal costs.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

As of September 30, 2023, the Company had \$211.9 million of cash, which increased as compared to the December 31, 2022 ending balance of \$159.6 million, due to the following items:

Operating Cash Flows

Summary of cash flows from operating activities:

(Amounts in thousands)	Nine months ended September 30,		
	2023	2022	Change
Net income	\$ 84,988	\$ 136,212	\$ (51,224)
Depreciation and amortization	31,598	32,283	(685)
Loss on sale of the Australian wheel business	—	10,890	(10,890)
Deferred income tax provision	5,868	(1,631)	7,499
Income on indirect taxes	(3,096)	(32,043)	28,947
Foreign currency gain	(2,348)	(4,176)	1,828
Accounts receivable	17,503	(43,499)	61,002
Inventories	32,197	(44,180)	76,377
Prepaid and other current assets	18,386	6,361	12,025
Accounts payable	(62,751)	(9,516)	(53,235)
Other current liabilities	12,241	49,885	(37,644)
Other liabilities	1,310	1,963	(653)
Other operating activities	4,210	(309)	4,519
Cash provided by operating activities	\$ 140,106	\$ 102,240	\$ 37,866

For the first nine months of 2023, cash flows provided by operating activities was \$140.1 million, driven primarily by net income of \$85.0 million, and decreases in working capital components of \$17.6 million. Included in net income of \$85.0 million was a non-cash charge for depreciation and amortization expense of \$31.6 million and deferred income tax provision of \$5.9 million.

Operating cash flows increased by \$37.9 million when comparing the first nine months of 2023 to the comparable period in 2022. Cash flows from operating activities increased primarily due to focused working capital management on inventories, and solid collections efforts on accounts receivable by \$76.4 million and \$61.0 million, respectively.

Summary of the components of cash conversion cycle:

	September 30, 2023	December 31, 2022	September 30, 2022
Days sales outstanding	54	48	49
Days inventory outstanding	101	86	87
Days payable outstanding	(55)	(57)	(55)
Cash conversion cycle	<u>100</u>	<u>77</u>	<u>81</u>

Cash conversion cycle increased by 19 days when comparing September 30, 2023 to September 30, 2022, which was primarily due to the decreases in net sales in a short period of time, and cost of sales for the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. Inventory management is critical for the business in preparation for the future periods to supply customers efficiently, which was the driver of increased days in inventory at the end of September 30, 2023.

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Investing Cash Flows

Summary of cash flows from investing activities:

	Nine months ended September 30,		
	2023	2022	Change
Capital expenditures	\$ (41,480)	\$ (32,755)	\$ (8,725)
Proceeds from the sale of the Australian wheel business	—	9,293	(9,293)
Proceeds from sale of fixed assets	1,795	680	1,115
Cash used for investing activities	<u>\$ (39,685)</u>	<u>\$ (22,782)</u>	<u>\$ (16,903)</u>

Net cash used for investing activities was \$39.7 million in the first nine months of 2023, as compared to net cash used for investing activities of \$22.8 million in the first nine months of 2022. The Company invested a total of \$41.5 million in capital expenditures in the first nine months of 2023, compared to \$32.8 million in the comparable period of 2022. Capital expenditures represent plant equipment replacement and improvements, along with new tools, dies and molds related to new product development. The overall capital outlay for 2023 increased as the Company seeks to enhance the Company's existing facilities and manufacturing capabilities and drive plant efficiency and labor productivity gains. Cash used for investing activities for the first nine months of 2022 included \$9.3 million from proceeds for the sale of the Australian wheel business.

Financing Cash Flows

Summary of cash flows from financing activities:

	Nine months ended September 30,		
	2023	2022	Change
Proceeds from borrowings	\$ 6,628	\$ 88,907	\$ (82,279)
Payment on debt	(25,017)	(120,728)	95,711
Repurchase of common stock	(19,064)	(25,000)	5,936
Other financing activities	(2,540)	(720)	(1,820)
Cash used for financing activities	<u>\$ (39,993)</u>	<u>\$ (57,541)</u>	<u>\$ 17,548</u>

During the first nine months of 2023, \$40.0 million of cash was used for financing activities. Payment on debt of \$25.0 million and repurchase of common stock of \$19.1 million was offset partially by proceeds from borrowings of \$6.6 million. In 2022, the Company borrowed on the domestic revolving credit facility during the first quarter to facilitate the repurchasing of the Company's common stock from RDIF, and subsequently repaid the borrowing during the second quarter as cash flow improved.

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, 2023), 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, 2023.

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Guarantor Financial Information

The Company's 7.00% senior secured notes due 2028 are guaranteed by the following 100% owned subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois (together, the "Guarantors"). The note guarantees are full and unconditional, joint and several obligations of the guarantors. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

The following summarized financial information of both the Company and the Guarantors is presented on a combined basis. Intercompany balances and transactions between the Company and the Guarantors have been eliminated and the summarized financial information does not reflect investments of the Company or the Guarantors in the Non-Guarantor Subsidiaries. The information is presented in accordance with the requirements of Rule 13-01 under the SEC's Regulation S-X. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor subsidiary operated as an independent entity.

Summarized Balance Sheets:

(Amounts in thousands)

	September 30, 2023
Assets	
Current assets	\$ 105,366
Property, plant, and equipment, net	86,288
Intercompany accounts, non-guarantor subsidiaries	497,330
Other long-term assets	57,166
Liabilities	
Current liabilities	87,591
Long-term debt	396,058
Other long-term liabilities	4,844

Summarized Statement of Operations:

(Amounts in thousands)

	Nine months ended September 30, 2023
Net sales	\$ 633,676
Gross profit	91,719
Income from operations	39,206
Net income	16,071

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Liquidity Outlook

At September 30, 2023, the Company had \$211.9 million of cash and cash equivalents. At September 30, 2023, there were no borrowings under the Company's \$125 million credit facility. 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. Based on eligible accounts receivable and inventory balances, the Company's amount available for borrowing totaled \$102.1 million at September 30, 2023. With outstanding letters of credit totaling \$6.2 million, the net amount available for borrowing under the credit facility totaled \$95.9 million at September 30, 2023. The cash and cash equivalents balance of \$211.9 million included \$168.1 million held in foreign countries.

The Company is expecting full year capital expenditures to be approximately \$55 million to \$60 million. These capital expenditures are anticipated to be used primarily to continue to enhance the Company's existing facilities and manufacturing capabilities and drive productivity gains, along with the purchase of new tools, dies and molds related to new product development.

Cash payments for interest are currently forecasted to be approximately \$15.0 million for the remainder of 2023 based on September 30, 2023 debt balances. The forecasted interest payment is comprised primarily of the semi-annual payment of \$14 million to be paid in 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.

CRITICAL ACCOUNTING ESTIMATES

There were no material changes in the Company's Critical Accounting Estimates since the filing of the 2022 Form 10-K. As discussed in the 2022 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, 2022. For quantitative and qualitative disclosures about market risk, see Item 7A - Quantitative and Qualitative Disclosures About Market Risk included in the 2022 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, 2023. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2023, 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 2023 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, internal control over financial reporting may not prevent or detect misstatements. 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.

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 15 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

Except for the additional risk factor set forth below, there have been no material changes from the risk factors disclosed in Item 1A. Risk Factors to the 2022 Form 10-K.

The Israeli-Hamas military conflict may adversely affect our business and financial statements.

In October 2023, an armed conflict between the Hamas-led militant groups and Israel military forces began and has continued to escalate in Israel through the date of the filing of the Form 10-Q. The Company does not have operations in the region affected by the military conflict and has not had a significant impact on global operations. The military conflict and a continued escalation could have broader economic consequences beyond their current scope. The Company continues to monitor the potential impacts on the business, including increased cost of energy, and the ancillary impacts that the military conflict could have on other global operations.

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

Issuer Purchases of Equity Securities

The following table is a summary of stock repurchases for the three months ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total number of shares purchased as part of publicly announced plan or program	Approximate dollar value of shares that may yet be purchased under the plan or program ⁽¹⁾⁽²⁾ (in thousands)
July 1, 2023 to July 31, 2023	—	\$ —	—	\$ 43,628
August 1, 2023 to August 31, 2023	501,795	\$ 12.00	501,795	\$ 37,609
September 1, 2023 to September 30, 2023	525,000	\$ 12.62	525,000	\$ 30,985
Total	<u>1,026,795</u>		<u>1,026,795</u>	

⁽¹⁾ On December 16, 2022, the Board of Directors authorized a share repurchase program allowing for the expenditure of up to \$50.0 million for the repurchase of the Company's Common Stock. As of September 30, 2023, \$31.0 million remains available for future share repurchases under the program. All shares in the table were purchased under the publicly announced repurchase program.

⁽²⁾ The stock repurchase program is authorized through December 16, 2025, but the program may be suspended or terminated at any time at the Board of Director's discretion.

Item 5. Other Information

Rule 10b5-1 Trading Plans Adopted by Officers and Directors in the Third Quarter

During the fiscal quarter ending September 30, 2023, none of our directors or officers as defined in Rule 16a-1 under the Exchange Act adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

Item 6. Exhibits

31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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

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: November 1, 2023

By: /s/ PAUL G. REITZ

Paul G. Reitz

President and Chief Executive Officer

(Principal Executive Officer)

By: /s/ DAVID A. MARTIN

David A. Martin

SVP and Chief Financial Officer

(Principal Financial Officer)