

**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 Quarterly Period Ended: March 31, 2018  
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 of Incorporation)

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

**2701 Spruce Street, Quincy, IL 62301**  
(Address of principal executive offices, including Zip Code)

**(217) 228-6011**  
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 ☐ (Do not check if a smaller reporting company)

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: 59,822,781 shares common stock, \$0.0001 par value, as of April 25, 2018 .

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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)**

|                                                            | <b>Three months ended<br/>March 31,</b> |                    |
|------------------------------------------------------------|-----------------------------------------|--------------------|
|                                                            | <b>2018</b>                             | <b>2017</b>        |
| Net sales                                                  | \$ 425,382                              | \$ 357,501         |
| Cost of sales                                              | 365,821                                 | 317,300            |
| Gross profit                                               | 59,561                                  | 40,201             |
| Selling, general and administrative expenses               | 35,921                                  | 41,338             |
| Research and development expenses                          | 2,877                                   | 2,843              |
| Royalty expense                                            | 2,663                                   | 2,609              |
| Income (loss) from operations                              | 18,100                                  | (6,589)            |
| Interest expense                                           | (7,518)                                 | (7,721)            |
| Foreign exchange (loss) gain                               | (4,432)                                 | 4,490              |
| Other income                                               | 7,750                                   | 2,677              |
| Income (loss) before income taxes                          | 13,900                                  | (7,143)            |
| (Benefit) provision for income taxes                       | (786)                                   | 3,442              |
| Net income (loss)                                          | 14,686                                  | (10,585)           |
| Net (loss) income attributable to noncontrolling interests | (1,679)                                 | 868                |
| Net income (loss) attributable to Titan                    | 16,365                                  | (11,453)           |
| Redemption value adjustment                                | (2,343)                                 | 941                |
| Net income (loss) applicable to common shareholders        | <u>\$ 14,022</u>                        | <u>\$ (10,512)</u> |
| <b>Earnings per common share:</b>                          |                                         |                    |
| Basic                                                      | \$ 0.23                                 | \$ (0.18)          |
| Diluted                                                    | \$ 0.23                                 | \$ (0.18)          |
| <b>Average common shares and equivalents outstanding:</b>  |                                         |                    |
| Basic                                                      | 59,711                                  | 58,572             |
| Diluted                                                    | 59,876                                  | 58,572             |
| Dividends declared per common share:                       | <u>\$ 0.005</u>                         | <u>\$ 0.005</u>    |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

|                                                                                         | <b>Three months ended<br/>March 31,</b> |                   |
|-----------------------------------------------------------------------------------------|-----------------------------------------|-------------------|
|                                                                                         | <b>2018</b>                             | <b>2017</b>       |
| Net income (loss)                                                                       | \$ 14,686                               | \$ (10,585)       |
| Currency translation adjustment                                                         | 8,062                                   | 11,019            |
| Pension liability adjustments, net of tax of \$(54) and \$(14), respectively            | 883                                     | 733               |
| Comprehensive income                                                                    | 23,631                                  | 1,167             |
| Net comprehensive (loss) income attributable to redeemable and noncontrolling interests | (1,040)                                 | 2,783             |
| Comprehensive income (loss) attributable to Titan                                       | <u>\$ 24,671</u>                        | <u>\$ (1,616)</u> |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

|                                                                                                                                                                       | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|
|                                                                                                                                                                       | (unaudited)           |                          |
| <b>Assets</b>                                                                                                                                                         |                       |                          |
| Current assets                                                                                                                                                        |                       |                          |
| Cash and cash equivalents                                                                                                                                             | \$ 112,429            | \$ 143,570               |
| Accounts receivable, net                                                                                                                                              | 294,505               | 226,703                  |
| Inventories                                                                                                                                                           | 368,435               | 339,836                  |
| Prepaid and other current assets                                                                                                                                      | 75,561                | 73,084                   |
| Total current assets                                                                                                                                                  | 850,930               | 783,193                  |
| Property, plant and equipment, net                                                                                                                                    | 417,426               | 421,248                  |
| Deferred income taxes                                                                                                                                                 | 1,907                 | 3,779                    |
| Other assets                                                                                                                                                          | 82,792                | 81,892                   |
| Total assets                                                                                                                                                          | <u>\$ 1,353,055</u>   | <u>\$ 1,290,112</u>      |
| <b>Liabilities</b>                                                                                                                                                    |                       |                          |
| Current liabilities                                                                                                                                                   |                       |                          |
| Short-term debt                                                                                                                                                       | \$ 55,171             | \$ 43,651                |
| Accounts payable                                                                                                                                                      | 227,954               | 195,497                  |
| Other current liabilities                                                                                                                                             | 130,284               | 133,774                  |
| Total current liabilities                                                                                                                                             | 413,409               | 372,922                  |
| Long-term debt                                                                                                                                                        | 407,608               | 407,171                  |
| Deferred income taxes                                                                                                                                                 | 14,376                | 13,545                   |
| Other long-term liabilities                                                                                                                                           | 70,248                | 73,197                   |
| Total liabilities                                                                                                                                                     | 905,641               | 866,835                  |
| <b>Redeemable noncontrolling interest</b>                                                                                                                             | 115,369               | 113,193                  |
| <b>Equity</b>                                                                                                                                                         |                       |                          |
| Titan shareholders' equity                                                                                                                                            |                       |                          |
| Common stock (\$0.0001 par value, 120,000,000 shares authorized, 60,715,356 issued, 59,810,770 outstanding at March 2018 and 59,800,559 outstanding at December 2017) | —                     | —                        |
| Additional paid-in capital                                                                                                                                            | 529,480               | 531,708                  |
| Retained deficit                                                                                                                                                      | (27,868)              | (44,022)                 |
| Treasury stock (at cost, 904,586 and 914,797 shares, respectively)                                                                                                    | (8,515)               | (8,606)                  |
| Stock reserved for deferred compensation                                                                                                                              | (1,075)               | (1,075)                  |
| Accumulated other comprehensive loss                                                                                                                                  | (148,770)             | (157,076)                |
| Total Titan shareholders' equity                                                                                                                                      | 343,252               | 320,929                  |
| Noncontrolling interests                                                                                                                                              | (11,207)              | (10,845)                 |
| Total equity                                                                                                                                                          | 332,045               | 310,084                  |
| Total liabilities and equity                                                                                                                                          | <u>\$ 1,353,055</u>   | <u>\$ 1,290,112</u>      |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

|                                                    | Number of<br>common<br>shares | Additional<br>paid-in<br>capital | Retained<br>earnings<br>(deficit) | Treasury<br>stock | Treasury stock<br>reserved for<br>deferred<br>compensation | Accumulated<br>other<br>comprehensive<br>income (loss) | Total Titan<br>Equity | Noncontrolling<br>interest | Total<br>Equity   |
|----------------------------------------------------|-------------------------------|----------------------------------|-----------------------------------|-------------------|------------------------------------------------------------|--------------------------------------------------------|-----------------------|----------------------------|-------------------|
| <b>Balance January 1,<br/>2018</b>                 | 59,800,559                    | \$ 531,708                       | \$ (44,022)                       | \$ (8,606)        | \$ (1,075)                                                 | \$ (157,076)                                           | \$ 320,929            | \$ (10,845)                | \$ 310,084        |
| Net income (loss) *                                |                               |                                  | 16,365                            |                   |                                                            |                                                        | 16,365                | (1,164)                    | 15,201            |
| Currency translation<br>adjustment, net *          |                               |                                  |                                   |                   |                                                            | 7,423                                                  | 7,423                 | 291                        | 7,714             |
| Pension liability<br>adjustments, net of<br>tax    |                               |                                  |                                   |                   |                                                            | 883                                                    | 883                   |                            | 883               |
| Dividends declared                                 |                               |                                  | (299)                             |                   |                                                            |                                                        | (299)                 |                            | (299)             |
| Accounting<br>standards adoption                   |                               |                                  | 88                                |                   |                                                            |                                                        | 88                    | 35                         | 123               |
| Redemption value<br>adjustment                     |                               | (2,343)                          |                                   |                   |                                                            |                                                        | (2,343)               |                            | (2,343)           |
| Stock-based<br>compensation                        |                               | 73                               |                                   |                   |                                                            |                                                        | 73                    |                            | 73                |
| VIE contributions                                  |                               |                                  |                                   |                   |                                                            |                                                        | —                     | 476                        | 476               |
| Issuance of treasury<br>stock under 401(k)<br>plan | 10,211                        | 42                               |                                   | 91                |                                                            |                                                        | 133                   |                            | 133               |
| <b>Balance March 31,<br/>2018</b>                  | <u>59,810,770</u>             | <u>\$ 529,480</u>                | <u>\$ (27,868)</u>                | <u>\$ (8,515)</u> | <u>\$ (1,075)</u>                                          | <u>\$ (148,770)</u>                                    | <u>\$ 343,252</u>     | <u>\$ (11,207)</u>         | <u>\$ 332,045</u> |

\* Net income (loss) excludes \$(515) of net loss attributable to redeemable noncontrolling interest. Currency translation adjustment excludes \$348 of currency translation related to redeemable noncontrolling interest.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

|                                                                              | <b>Three months ended March 31,</b> |                   |
|------------------------------------------------------------------------------|-------------------------------------|-------------------|
|                                                                              | <b>2018</b>                         | <b>2017</b>       |
| <b>Cash flows from operating activities:</b>                                 |                                     |                   |
| Net income (loss)                                                            | \$ 14,686                           | \$ (10,585)       |
| Adjustments to reconcile net loss to net cash used for operating activities: |                                     |                   |
| Depreciation and amortization                                                | 15,330                              | 14,466            |
| Deferred income tax provision                                                | 2,510                               | 715               |
| Stock-based compensation                                                     | 73                                  | 204               |
| Issuance of treasury stock under 401(k) plan                                 | 133                                 | 131               |
| Foreign currency translation loss (gain)                                     | 3,769                               | (1,342)           |
| (Increase) decrease in assets:                                               |                                     |                   |
| Accounts receivable                                                          | (65,854)                            | (48,180)          |
| Inventories                                                                  | (26,115)                            | (14,547)          |
| Prepaid and other current assets                                             | (2,142)                             | 2,641             |
| Other assets                                                                 | 252                                 | (251)             |
| Increase (decrease) in liabilities:                                          |                                     |                   |
| Accounts payable                                                             | 29,793                              | 34,313            |
| Other current liabilities                                                    | (4,421)                             | 7,425             |
| Other liabilities                                                            | (3,697)                             | 471               |
| <b>Net cash used for operating activities</b>                                | <b>(35,683)</b>                     | <b>(14,539)</b>   |
| <b>Cash flows from investing activities:</b>                                 |                                     |                   |
| Capital expenditures                                                         | (7,807)                             | (8,389)           |
| Other                                                                        | 794                                 | 574               |
| <b>Net cash used for investing activities</b>                                | <b>(7,013)</b>                      | <b>(7,815)</b>    |
| <b>Cash flows from financing activities:</b>                                 |                                     |                   |
| Proceeds from borrowings                                                     | 16,480                              | 14,635            |
| Payment on debt                                                              | (5,720)                             | (10,216)          |
| Dividends paid                                                               | (299)                               | (271)             |
| <b>Net cash provided by financing activities</b>                             | <b>10,461</b>                       | <b>4,148</b>      |
| Effect of exchange rate changes on cash                                      | 1,094                               | 1,537             |
| Net increase in cash and cash equivalents                                    | (31,141)                            | (16,669)          |
| Cash and cash equivalents, beginning of period                               | 143,570                             | 147,827           |
| Cash and cash equivalents, end of period                                     | <u>\$ 112,429</u>                   | <u>\$ 131,158</u> |
| <b>Supplemental information:</b>                                             |                                     |                   |
| Interest paid                                                                | \$ 792                              | \$ 2,458          |
| Income taxes paid, net of refunds received                                   | \$ 2,508                            | \$ 648            |
| <b>Noncash investing and financing information:</b>                          |                                     |                   |
| Issuance of common stock for convertible debt payment                        | \$ —                                | \$ 58,460         |

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**

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. These 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 as of March 31, 2018, and the results of operations and cash flows for the three months ended March 31, 2018 and 2017, 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, 2017, filed with the SEC on February 23, 2018. 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. The 6.5% senior secured notes due 2023 (senior secured notes) were carried at cost of \$394.5 million at March 31, 2018. The fair value of the senior secured notes at March 31, 2018, as obtained through an independent pricing source, was approximately \$412.0 million.

**Cash dividends**

The Company declared cash dividends of \$0.005 per share of common stock for each of the three months ended March 31, 2018 and 2017. The first quarter 2018 cash dividend of \$0.005 per share of common stock was paid on April 16, 2018, to shareholders of record on March 29, 2018.

**New accounting standards:**

**Adoption of new accounting standards**

The Company adopted FASB Accounting Standards Codification (ASC) Topic 606, "Revenue from Contracts with Customers" (the New Revenue Standard), effective January 1, 2018, using the modified retrospective approach. ASC 606 prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step process to achieve that core principle:

- Identify the contract(s) with a customer
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price
- Recognize revenue when the performance obligations are met

The Company compared its current revenue recognition policies to the requirements of the New Revenue Standard. Titan recognizes revenue when the performance obligations specified in the Company's contracts have been satisfied. Titan's contracts typically contain a single performance obligation that is fulfilled on the date of delivery based on shipping terms stipulated in the contract. As of March 31, 2018, none of the Company's contracts contained a financing option and Titan did not have any contract assets or liabilities. The table below presents the cumulative effect of the adoption of the New Revenue Standard on select accounts of Titan's condensed consolidated balance sheet at March 31, 2018 (amounts in thousands):

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

|                             | Balance at<br>December 31,<br>2017 | New Revenue<br>Standard<br>Adjustments | Balance at<br>January 1, 2018 |
|-----------------------------|------------------------------------|----------------------------------------|-------------------------------|
| <b>Assets</b>               |                                    |                                        |                               |
| Inventories                 | \$ 339,836                         | \$ (390)                               | \$ 339,446                    |
| <b>Liabilities</b>          |                                    |                                        |                               |
| Other current liabilities   | 133,774                            | (513)                                  | 133,261                       |
| <b>Equity</b>               |                                    |                                        |                               |
| Retained (deficit) earnings | (44,022)                           | 88                                     | (43,934)                      |
| Noncontrolling interests    | (10,845)                           | 35                                     | (10,810)                      |

**Disaggregated Revenues**

The following table presents revenues disaggregated by the major markets Titan serves (amounts in thousands):

|                          | Three months ended<br>March 31, |                   |
|--------------------------|---------------------------------|-------------------|
|                          | 2018                            | 2017              |
| <b>Net sales</b>         |                                 |                   |
| Agricultural             | \$ 194,166                      | \$ 180,516        |
| Earthmoving/construction | 188,733                         | 135,619           |
| Consumer                 | 42,483                          | 41,366            |
|                          | <u>\$ 425,382</u>               | <u>\$ 357,501</u> |

The Company adopted Accounting Standards Update (ASU) No. 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" on January 1, 2018, using the retrospective transition method. This standard changed the presentation of net periodic pension and postretirement benefit cost (net benefit cost) within the Statement of Operations. Under the previous guidance, net benefit cost was reported as an employee cost within operating income. The amendment requires the bifurcation of net benefit cost, with the service cost component to be presented with other employee compensation costs in operating income while the other components will be reported separately outside of income from operations. The adoption of this accounting standard resulted in a change in certain previously reported amounts, whereby the Company reclassified \$0.5 million of non-service cost from Cost of Sales to Other Income on the Condensed Consolidated Statement of Operations for the three months ended March 31, 2017. See Note 5 - Employee Benefit Plans in Part I, Item 1 of this Form 10-Q for further discussion.

In May 2017, the FASB issued ASU No. 2017-09, "Stock Compensation (Topic 718): Scope of Modification Accounting." This update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Disclosure requirements under Topic 718 remain unchanged. The Company adopted ASU 2017-09, effective as of January 1, 2018. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements; no changes were made to the terms or conditions of share-based payments.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The Company adopted this guidance effective January 1, 2018, with no resulting changes to the Company's consolidated financial statements.

**Accounting standards issued but not yet adopted**

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This update was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The primary effect of adopting the new standard will be to record assets and obligations for the Company's operating leases. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2016-02.



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

In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2018-02.

**2. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of the dates set forth below (amounts in thousands):

|                                 | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---------------------------------|---------------------------|------------------------------|
| Accounts receivable             | \$ 297,106                | \$ 229,677                   |
| Allowance for doubtful accounts | (2,601)                   | (2,974)                      |
| Accounts receivable, net        | <u>\$ 294,505</u>         | <u>\$ 226,703</u>            |

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

**3. INVENTORIES**

Inventories consisted of the following as of the dates set forth below (amounts in thousands):

|                 | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|-----------------|---------------------------|------------------------------|
| Raw material    | \$ 91,507                 | \$ 83,541                    |
| Work-in-process | 42,326                    | 40,525                       |
| Finished goods  | 234,602                   | 215,770                      |
|                 | <u>\$ 368,435</u>         | <u>\$ 339,836</u>            |

Inventories are valued at the lower of cost or net realizable value. Net realizable value is estimated based on current selling prices. Inventory costs are calculated using the first-in, first-out (FIFO) method or average cost method. Estimated provisions are established for slow-moving and obsolete inventory.

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

**4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, net consisted of the following as of the dates set forth below (amounts in thousands):

|                               | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|-------------------------------|---------------------------|------------------------------|
| Land and improvements         | \$ 47,548                 | \$ 46,998                    |
| Buildings and improvements    | 266,586                   | 264,078                      |
| Machinery and equipment       | 605,747                   | 598,411                      |
| Tools, dies and molds         | 110,675                   | 108,649                      |
| Construction-in-process       | 10,745                    | 15,349                       |
|                               | 1,041,301                 | 1,033,485                    |
| Less accumulated depreciation | (623,875)                 | (612,237)                    |
|                               | <u>\$ 417,426</u>         | <u>\$ 421,248</u>            |

Depreciation on property, plant and equipment for the three months ended March 31, 2018 and 2017 , totaled \$14.4 million and \$13.5 million , respectively.

Capital leases included in property, plant, and equipment consisted of the following as of the dates set forth below (amounts in thousands):

|                               | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|-------------------------------|---------------------------|------------------------------|
| Buildings and improvements    | \$ 4,170                  | \$ 4,056                     |
| Less accumulated amortization | (2,385)                   | (2,294)                      |
|                               | <u>\$ 1,785</u>           | <u>\$ 1,762</u>              |
| Machinery and equipment       | \$ 33,443                 | \$ 32,379                    |
| Less accumulated amortization | (28,039)                  | (27,260)                     |
|                               | <u>\$ 5,404</u>           | <u>\$ 5,119</u>              |

**5. INTANGIBLE ASSETS**

The components of intangible assets consisted of the following as of the dates set forth below (amounts in thousands):

|                                | <b>Weighted Average<br/>Useful Lives (in<br/>years) March 31,<br/>2018</b> | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--------------------------------|----------------------------------------------------------------------------|---------------------------|------------------------------|
| Amortizable intangible assets: |                                                                            |                           |                              |
| Customer relationships         | 9.4                                                                        | \$ 14,237                 | \$ 13,922                    |
| Patents, trademarks and other  | 7.4                                                                        | 15,288                    | 15,208                       |
| Total at cost                  |                                                                            | 29,525                    | 29,130                       |
| Less accumulated amortization  |                                                                            | (15,006)                  | (13,855)                     |
|                                |                                                                            | <u>\$ 14,519</u>          | <u>\$ 15,275</u>             |

Amortization related to intangible assets for each of the three months ended March 31, 2018 and 2017 , totaled \$0.7 million . Intangible assets are included as a component of other assets in the Condensed Consolidated Balance Sheet.



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The estimated aggregate amortization expense at March 31, 2018 , for each of the years (or other periods) set forth below was as follows (amounts in thousands):

|                             |                  |
|-----------------------------|------------------|
| April 1 - December 31, 2018 | \$ 1,775         |
| 2019                        | 2,306            |
| 2020                        | 2,285            |
| 2021                        | 1,494            |
| 2022                        | 1,067            |
| Thereafter                  | 5,592            |
|                             | <u>\$ 14,519</u> |

**6. WARRANTY**

Changes in the warranty liability consisted of the following (amounts in thousands):

|                                    | 2018             | 2017             |
|------------------------------------|------------------|------------------|
| Warranty liability, January 1      | \$ 18,612        | \$ 17,926        |
| Provision for warranty liabilities | 1,898            | 1,864            |
| Warranty payments made             | (1,336)          | (1,589)          |
| Warranty liability, March 31       | <u>\$ 19,174</u> | <u>\$ 18,201</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 Sheet.

**7. REVOLVING CREDIT FACILITY AND LONG-TERM DEBT**

Long-term debt consisted of the following as of the dates set forth below (amounts in thousands):

|                                     | Principal Balance | March 31, 2018<br>Unamortized Debt<br>Issuance | Net Carrying<br>Amount |
|-------------------------------------|-------------------|------------------------------------------------|------------------------|
| 6.50% senior secured notes due 2023 | \$ 400,000        | \$ (5,509)                                     | \$ 394,491             |
| Titan Europe credit facilities      | 32,485            | —                                              | 32,485                 |
| Other debt                          | 35,032            | —                                              | 35,032                 |
| Capital leases                      | 771               | —                                              | 771                    |
| Total debt                          | 468,288           | (5,509)                                        | 462,779                |
| Less amounts due within one year    | 55,171            | —                                              | 55,171                 |
| Total long-term debt                | <u>\$ 413,117</u> | <u>\$ (5,509)</u>                              | <u>\$ 407,608</u>      |



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|                                     | <b>Principal Balance</b> | <b>December 31, 2017<br/>Unamortized Debt<br/>Issuance</b> | <b>Net Carrying<br/>Amount</b> |
|-------------------------------------|--------------------------|------------------------------------------------------------|--------------------------------|
| 6.50% senior secured notes due 2023 | \$ 400,000               | \$ (5,716)                                                 | \$ 394,284                     |
| Titan Europe credit facilities      | 33,485                   | —                                                          | 33,485                         |
| Other debt                          | 22,564                   | —                                                          | 22,564                         |
| Capital leases                      | 489                      | —                                                          | 489                            |
| Total debt                          | 456,538                  | (5,716)                                                    | 450,822                        |
| Less amounts due within one year    | 43,651                   | —                                                          | 43,651                         |
| Total long-term debt                | <u>\$ 412,887</u>        | <u>\$ (5,716)</u>                                          | <u>\$ 407,171</u>              |

Aggregate principal maturities of long-term debt at March 31, 2018 , for each of the years (or other periods) set forth below were as follows (amounts in thousands):

|                             |                   |
|-----------------------------|-------------------|
| April 1 - December 31, 2018 | \$ 24,141         |
| 2019                        | 39,371            |
| 2020                        | 3,379             |
| 2021                        | 715               |
| 2022                        | 275               |
| Thereafter                  | 400,407           |
|                             | <u>\$ 468,288</u> |

**6.50% senior secured notes due 2023**

The senior secured notes are due November 2023. Including the impact of debt issuance costs, these notes had an effective yield of 6.79% at issuance. These notes will be secured by the land and buildings of the following subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois. The outstanding principal balance for these notes was \$400.0 million at March 31, 2018 .

**Titan Europe credit facilities**

The Titan Europe credit facilities contain borrowings from various institutions totaling \$32.5 million in aggregate principal amount at March 31, 2018 . Maturity dates on this debt range from less than one year to nine years and interest rates range from 5% to 6.9% . The Titan Europe facilities are secured by the assets of Titan's subsidiaries in Italy, Spain, Germany, and Brazil.

**Revolving credit facility**

The Company has a \$75 million revolving credit facility (credit facility) with agent BMO Harris Bank N.A. and other financial institutions party thereto. The credit facility is collateralized by accounts receivable and inventory of certain of the Company's domestic subsidiaries and is scheduled to mature in February 2022. From time to time Titan's availability under this credit facility may be less than \$75 million as a result of outstanding letters of credit and eligible accounts receivable and inventory balances at certain of its domestic subsidiaries. At March 31, 2018 , an outstanding letter of credit under the credit facility totaled \$12.5 million and the amount available under the facility totaled \$62.5 million based upon eligible accounts receivable and inventory balances. During the first three months of 2018 and at March 31, 2018 , there were no borrowings under the credit facility.

**Other debt**

The Company has working capital loans at Titan Pneus do Brasil Ltda and Voltyre-Prom at various interest rates, which totaled \$5.8 million and \$29.2 million at March 31, 2018 , respectively.



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**8. DERIVATIVE FINANCIAL INSTRUMENTS**

The Company uses financial derivatives to mitigate its exposure to volatility in foreign currency exchange rates. These derivative financial instruments are recognized at fair value. The Company has not designated these financial instruments as hedging instruments. Any gain or loss on the re-measurement of the fair value is recorded as an offset to currency exchange gain/loss. For the three months ended March 31, 2018 , the Company recorded currency exchange loss related to these derivatives of \$0.3 million .

**9. REDEEMABLE NONCONTROLLING INTEREST**

The Company, in partnership with One Equity Partners (OEP) and the Russian Direct Investment Fund (RDIF), owns all of the equity interests in Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia. The Company is party to a shareholders' agreement with OEP and RDIF which was entered into in connection with acquisition of Voltyre-Prom. The agreement contains a settlement put option which is exercisable during a six-month period beginning July 9, 2018, and may require Titan to purchase the indirect equity interests from OEP and RDIF in Voltyre-Prom with cash or Titan common stock, at a value set by the agreement. The value set by the agreement is the greater of: the aggregate of the investment of the selling party and an amount representing an internal rate of return of 8%; or the last twelve months of EBITDA multiplied by 5.5 less net debt times the selling party's ownership percentage. As of March 31, 2018 , the value of the redeemable noncontrolling interest held by OEP and RDIF has been recorded at the aggregate of the investment of the selling party and an amount representing an internal rate of return of 8%.

The redemption features of the settlement put option are not solely within the Company's control and the noncontrolling interest is presented as redeemable noncontrolling interest separately from total equity in the Condensed Consolidated Balance Sheet at the redemption value of the settlement put option. If the redemption value is greater than the carrying value of the noncontrolling interest, the increase in the redemption value is adjusted directly to retained earnings of the affected entity, or additional paid-in capital if there are no available retained earnings applicable to the redeemable noncontrolling interest.

The following is a reconciliation of redeemable noncontrolling interest as of March 31, 2018 and 2017 (amounts in thousands):

|                                                           | <b>2018</b>       | <b>2017</b>       |
|-----------------------------------------------------------|-------------------|-------------------|
| Balance at January 1                                      | \$ 113,193        | \$ 104,809        |
| Income attributable to redeemable noncontrolling interest | (515)             | 620               |
| Currency translation                                      | 348               | 2,337             |
| Redemption value adjustment                               | 2,343             | (941)             |
| Balance at March 31                                       | <u>\$ 115,369</u> | <u>\$ 106,825</u> |

This obligation approximates the cost to the Company if all remaining equity interests in the consortium were purchased by the Company on March 31, 2018 , and is presented in the Condensed Consolidated Balance Sheet in redeemable noncontrolling interest, which is treated as mezzanine equity.

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**10. LEASE COMMITMENTS**

The Company leases certain buildings and equipment under operating leases. Certain lease agreements provide for renewal options, fair value purchase options, and payment of property taxes, maintenance, and insurance by the Company.

At March 31, 2018, future minimum rental commitments under noncancellable operating leases with initial terms of at least one year were as follows (amounts in thousands):

|                                     |    |               |
|-------------------------------------|----|---------------|
| April 1 - December 31, 2018         | \$ | 5,896         |
| 2019                                |    | 7,036         |
| 2020                                |    | 4,649         |
| 2021                                |    | 3,514         |
| 2022                                |    | 2,782         |
| Thereafter                          |    | 6,099         |
| Total future minimum lease payments | \$ | <u>29,976</u> |

At March 31, 2018, the Company had assets held as capital leases with a net book value of \$7.2 million included in property, plant and equipment. At March 31, 2018, total future capital lease obligations relating to these leases were as follows (amounts in thousands):

|                                                           |    |            |
|-----------------------------------------------------------|----|------------|
| April 1 - December 31, 2018                               | \$ | 192        |
| 2019                                                      |    | 351        |
| 2020                                                      |    | 67         |
| 2021                                                      |    | 47         |
| 2022                                                      |    | 50         |
| Thereafter                                                |    | 61         |
| Total future capital lease obligation payments            |    | 768        |
| Less amount representing interest                         |    | (5)        |
| Present value of future capital lease obligation payments | \$ | <u>763</u> |

**11. 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 \$0.8 million to the pension plans during the three months ended March 31, 2018, and expects to contribute approximately \$4.5 million to the pension plans during the remainder of 2018.

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

|                                                 | Three months ended<br>March 31, |               |
|-------------------------------------------------|---------------------------------|---------------|
|                                                 | 2018                            | 2017          |
| Service cost                                    | \$ 137                          | \$ 225        |
| Interest cost                                   | 1,083                           | 1,171         |
| Expected return on assets                       | (1,492)                         | (1,369)       |
| Amortization of unrecognized prior service cost | 50                              | 34            |
| Amortization of net unrecognized loss           | 676                             | 674           |
| Net periodic pension cost                       | <u>\$ 454</u>                   | <u>\$ 735</u> |

Service cost is recorded as cost of sales in the statement of operations while all other components are recorded in other income.



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**12. VARIABLE INTEREST ENTITIES**

The Company holds a variable interest in three joint ventures for which the Company is the primary beneficiary. Two of the joint ventures operate distribution facilities which primarily distribute mining products. One of these facilities is located in Canada and the other is located in Australia. The Company's variable interest in these joint ventures relates to sales of Titan product to these entities, consigned inventory, and working capital loans. The third joint venture is the consortium which owns Voltyre-Prom. (See Note 9 for additional information.) Titan is acting as operating partner with responsibility for Voltyre-Prom's daily operations. The Company has also provided working capital loans to Voltyre-Prom.

As the primary beneficiary of these variable interest entities (VIEs), the entities' assets, liabilities, and results of operations are included in the Company's consolidated financial statements. The other equity holders' interests are reflected in "Net (loss) income attributable to noncontrolling interests" in the Condensed Consolidated Statements of Operations and "Noncontrolling interests" in the Condensed Consolidated Balance Sheets.

The following table summarizes the carrying amount of the entities' assets and liabilities included in the Company's Condensed Consolidated Balance Sheets at March 31, 2018 , and December 31, 2017 (amounts in thousands):

|                                    | <b>March 31,<br/>2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Cash and cash equivalents          | \$ 7,652                  | \$ 10,621                |
| Inventory                          | 17,671                    | 13,494                   |
| Other current assets               | 50,135                    | 36,334                   |
| Property, plant and equipment, net | 33,686                    | 33,717                   |
| Other noncurrent assets            | 4,431                     | 4,250                    |
| Total assets                       | <u>\$ 113,575</u>         | <u>\$ 98,416</u>         |
| Current liabilities                | \$ 47,390                 | \$ 32,172                |
| Noncurrent liabilities             | 8,555                     | 8,291                    |
| Total liabilities                  | <u>\$ 55,945</u>          | <u>\$ 40,463</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 a variable interest in certain VIEs which 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 and 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):

|                          | <b>March 31,<br/>2018</b> | <b>December 31, 2017</b> |
|--------------------------|---------------------------|--------------------------|
| Investments              | \$ 3,834                  | \$ 3,823                 |
| Other current assets     | 1,316                     | 1,261                    |
| Total VIE assets         | 5,150                     | 5,084                    |
| Accounts payable         | 1,264                     | 1,413                    |
| Maximum exposure to loss | <u>\$ 6,414</u>           | <u>\$ 6,497</u>          |



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**13. ROYALTY EXPENSE**

The Company has trademark license agreements with The Goodyear Tire & Rubber Company to manufacture and sell certain farm tires under the Goodyear name. 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 expire in 2025. The North American and Latin American farm tire royalties were prepaid through March 2018 as a part of the 2011 Goodyear Latin American farm tire acquisition. The Company also has a trademark license agreement with Goodyear to manufacture and sell certain non-farm tire products in Latin America which expires June 2019. Royalty expenses recorded were \$2.7 million and \$2.6 million for the three months ended March 31, 2018 and 2017 , respectively.

**14. OTHER INCOME**

Other income consisted of the following for the periods set forth below (amounts in thousands):

|                                                                  | <b>Three months ended<br/>March 31,</b> |                 |
|------------------------------------------------------------------|-----------------------------------------|-----------------|
|                                                                  | <b>2018</b>                             | <b>2017</b>     |
| Equity investment income                                         | \$ 1,116                                | \$ 810          |
| Interest income                                                  | 617                                     | 973             |
| Building rental income                                           | 578                                     | 600             |
| Gain (loss) on sale of assets                                    | 181                                     | (262)           |
| Discount amortization on prepaid royalty                         | 172                                     | 328             |
| Investment gain related to investments for deferred compensation | 121                                     | 850             |
| Other income (expense)                                           | 4,965                                   | (622)           |
|                                                                  | <u>\$ 7,750</u>                         | <u>\$ 2,677</u> |

**15. INCOME TAXES**

The Company recorded income tax (benefit) expense of \$(0.8) million and \$3.4 million for the quarters ended March 31, 2018 and 2017 , respectively. The Company's effective income tax rate was (6)% and (48)% for the three months ended March 31, 2018 and 2017 , respectively.

The Company's 2018 income tax expense and rate 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 reduction of the liability for unrecognized tax positions and U.S. and certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for the three months ended March 31, 2018 .

The Company's 2017 income tax expense and rate differed from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of U.S. and certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for the period.

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





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The 2017 Tax Cuts and Jobs Act (2017 TCJA) was enacted on December 22, 2017. The 2017 TCJA includes a number of changes to the Internal Revenue Code including a one-time transition tax on the mandatory deemed repatriation of cumulative undistributed foreign earnings and a permanent reduction in the U.S. federal statutory income tax rate from 35% to 21% , effective on January 1, 2018. The 2017 TCJA also created a new requirement that certain income (i.e., GILTI - global intangible low taxed income) earned by foreign subsidiaries must be included currently in the gross income of the U.S. shareholder. Consistent with guidance issued by SEC Staff Accounting Bulletin (SAB) No. 118, which provides for a measurement period of one year from the enactment date to finalize the accounting for effects of the 2017 TCJA, the Company has provisionally recorded no additional income tax expense related to the one-time mandatory deemed repatriation provision of the 2017 TCJA. For 2018, the Company has estimated an amount of GILTI income which is included in the calculation of 2018 income tax expense. This GILTI income inclusion, however, is fully offset by a change in the valuation allowance. The remeasurement of the U.S. net deferred asset from the 2017 corporate income tax rate change was fully offset by a change in the valuation allowance in 2017.

## 16. EARNINGS PER SHARE

Earnings per share (EPS) were as follows for the periods presented below (amounts in thousands, except per share data):

|                                                     | <b>Three months ended<br/>March 31,</b> |                    |
|-----------------------------------------------------|-----------------------------------------|--------------------|
|                                                     | <b>2018</b>                             | <b>2017</b>        |
| Net income (loss) attributable to Titan             | \$ 16,365                               | \$ (11,453)        |
| Redemption value adjustment                         | (2,343)                                 | 941                |
| Net income (loss) applicable to common shareholders | <u>\$ 14,022</u>                        | <u>\$ (10,512)</u> |
| Determination of shares:                            |                                         |                    |
| Weighted average shares outstanding (basic)         | 59,711                                  | 58,572             |
| Effect of stock options/trusts                      | 166                                     | —                  |
| Weighted average shares outstanding (diluted)       | <u>59,876</u>                           | <u>58,572</u>      |
| Earnings per share:                                 |                                         |                    |
| Basic and diluted                                   | 0.23                                    | (0.18)             |

The effect of stock options, shares held by certain trusts, and convertible notes has been excluded from the calculation of EPS for the three months ended March 31, 2017 , as the effect would have been antidilutive. The weighted average share amount excluded for stock options and shares held by certain trusts was 0.2 million for the three months ended March 31, 2017 . The weighted average share amount excluded for convertible notes totaled 1.0 million shares for the three months ended March 31, 2017 .

## 17. LITIGATION

The Company is a party to routine legal proceedings arising out of the normal course of business. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss, the Company believes at this time that none of these actions, individually or in the aggregate, will have a material adverse effect on the consolidated financial condition, results of operations, or cash flows of the Company. However, 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.

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At March 31, 2018, two of Titan's subsidiaries were involved in litigation concerning environmental laws and regulations.

In June 2015, Titan Tire and Dico, Inc. (Dico) appealed a U.S. District Court order granting the U.S. motion for summary judgment that found Dico liable for violating the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) and an Environmental Protection Agency (EPA) Administrative Order and awarded response costs, civil penalties and punitive damages.

In December 2015, the United States Court of Appeals reversed the District Court's summary judgment order with respect to "arranger" liability for Titan Tire and Dico under CERCLA and the imposition of punitive damages against Dico for violating the EPA Administrative Order, but affirmed the summary judgment order imposing civil penalties in the amount of \$1.62 million against Dico for violating the EPA Administrative Order. The case was remanded to the District Court for a new trial on the remaining issues.

The trial occurred in April 2017. On September 5, 2017, the District Court issued an order: (a) concluding Titan Tire and Dico arranged for the disposal of a hazardous substance in violation of 42 U.S.C. § 9607(a); (b) holding Titan Tire and Dico jointly and severally liable for \$5.45 million in response costs previously incurred and reported by the United States relating to the alleged violation, including enforcement costs and attorney's fees; and (c) awarding a declaratory judgment holding Titan Tire and Dico jointly and severally liable for all additional response costs previously incurred but not yet reported or to be incurred in the future, including enforcement costs and attorney's fees. The District Court also held Dico liable for \$5.45 million in punitive damages under 42 U.S.C. § 9607(c)(3) for violating a unilateral administrative order. The punitive damages award does not apply to Titan Tire. The Company accrued a contingent liability of \$6.5 million, representing \$5.45 million in costs incurred by the United States and \$1.05 million of additional response costs, for this order in the quarter ended September 30, 2017.

Titan Tire and Dico are appealing the case to the United States Court of Appeals for the Eighth Circuit. The Notice of Appeal was filed on November 2, 2017, and the Appellants' brief was filed on February 26, 2018. While the Company believes it has meritorious arguments, the outcome of this appeal cannot be predicted. An appeal bond was secured to stay the execution of any collection actions underlying judgment pending the outcome of the appeal.

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**18. SEGMENT INFORMATION**

The Company has aggregated its operating units into reportable segments based on its three customer markets: agricultural, earthmoving/construction, and consumer. 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. Expenses and income from operations are allocated to appropriate segments based on the sales of operating units of 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. Titan is organized primarily on the basis of products being included in three market segments, with each reportable segment including wheels, tires, wheel/tire assemblies, and undercarriage systems and components.

The table below presents information about certain operating results, separated by market segments, for each of the three months ended March 31, 2018 and 2017 (amounts in thousands):

|                                      | <b>Three months ended<br/>March 31,</b> |                   |
|--------------------------------------|-----------------------------------------|-------------------|
|                                      | <b>2018</b>                             | <b>2017</b>       |
| <b>Net sales</b>                     |                                         |                   |
| Agricultural                         | \$ 194,166                              | \$ 180,516        |
| Earthmoving/construction             | 188,733                                 | 135,619           |
| Consumer                             | 42,483                                  | 41,366            |
|                                      | <u>\$ 425,382</u>                       | <u>\$ 357,501</u> |
| <b>Gross profit</b>                  |                                         |                   |
| Agricultural                         | \$ 29,961                               | \$ 21,879         |
| Earthmoving/construction             | 22,462                                  | 12,898            |
| Consumer                             | 7,138                                   | 5,424             |
|                                      | <u>\$ 59,561</u>                        | <u>\$ 40,201</u>  |
| <b>Income (loss) from operations</b> |                                         |                   |
| Agricultural                         | \$ 21,321                               | \$ 12,746         |
| Earthmoving/construction             | 9,953                                   | 1,062             |
| Consumer                             | 3,947                                   | 1,514             |
| Corporate & Unallocated              | (17,121)                                | (21,911)          |
| Income (loss) from operations        | 18,100                                  | (6,589)           |
| Interest expense                     | (7,518)                                 | (7,721)           |
| Foreign exchange (loss) gain         | (4,432)                                 | 4,490             |
| Other income, net                    | 7,750                                   | 2,677             |
| Income (loss) before income taxes    | <u>\$ 13,900</u>                        | <u>\$ (7,143)</u> |

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

|                          | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--------------------------|---------------------------|------------------------------|
| <b>Total assets</b>      |                           |                              |
| Agricultural             | \$ 514,093                | \$ 444,783                   |
| Earthmoving/construction | 561,926                   | 537,855                      |
| Consumer                 | 143,624                   | 157,133                      |
| Corporate & Unallocated  | 133,412                   | 150,341                      |
|                          | <u>\$ 1,353,055</u>       | <u>\$ 1,290,112</u>          |



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**19. FAIR VALUE MEASUREMENTS**

Accounting standards for fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are defined as:

Level 1 – Quoted prices in active markets for identical instruments.

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis consisted of the following as of the dates set forth below (amounts in thousands):

|                                        | March 31, 2018   |                  |               |               | December 31, 2017 |                  |               |               |
|----------------------------------------|------------------|------------------|---------------|---------------|-------------------|------------------|---------------|---------------|
|                                        | Total            | Level 1          | Level 2       | Level 3       | Total             | Level 1          | Level 2       | Level 3       |
| Contractual obligation investments     | \$ 12,514        | \$ 12,514        | \$ —          | \$ —          | \$ 12,393         | \$ 12,393        | \$ —          | \$ —          |
| Derivative financial instruments asset | 208              | —                | 208           | —             | 458               | —                | 458           | —             |
| Preferred stock                        | 124              | —                | —             | 124           | 154               | —                | —             | 154           |
| Total                                  | <u>\$ 12,846</u> | <u>\$ 12,514</u> | <u>\$ 208</u> | <u>\$ 124</u> | <u>\$ 13,005</u>  | <u>\$ 12,393</u> | <u>\$ 458</u> | <u>\$ 154</u> |

The following table presents the changes, during the three months ended March 31, 2018, in Titan's Level 3 investments that are measured at fair value on a recurring basis (amounts in thousands):

|                              | Preferred stock |
|------------------------------|-----------------|
| Balance at December 31, 2017 | \$ 154          |
| Total unrealized losses      | (30)            |
| Balance as of March 31, 2018 | <u>\$ 124</u>   |

The preferred stock was valued based on the book value of the common stock into which it can be converted.

**20. 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 is Mr. Maurice Taylor's brother. The companies with which Mr. Fred Taylor is associated that do business with Titan include the following: Blackstone 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 \$0.3 million for the three months ended March 31, 2018, as compared to \$0.5 million for the three months ended March 31, 2017. Titan had trade receivables due from these companies of approximately \$0.2 million at March 31, 2018, and approximately \$0.4 million at December 31, 2017. Titan had product purchases from these companies of approximately \$0.2 million for the three months ended March 31, 2018, as compared to purchases of approximately \$0.1 million for the three months ended March 31, 2017. Sales commissions paid to the above companies were approximately \$0.6 million for the three months ended March 31, 2018, as compared to \$0.4 million for the three months ended March 31, 2017.

The Company sells products to Valuepart and Track Solutions Pty Ltd., which is controlled by relatives of a member of management of a Titan subsidiary. Sales of Titan products to this company were approximately \$0.0 million for the three months ended March 31, 2018.

In July 2013, the Company entered into a Shareholders' Agreement between OEP and RDIF to acquire Voltyre-Prom. Mr. Richard M. Cashin Jr., a director of the Company, is the President of OEP, which owns 21.4% of the joint venture. The Shareholders' Agreement contains a settlement put option which may require the Company to purchase equity interests in the joint venture from OEP and RDIF at a value set by the agreement. See Note 9 for additional information.



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

**21. ACCUMULATED OTHER COMPREHENSIVE LOSS**

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

|                                                                                     | Currency<br>Translation<br>Adjustments | Unrecognized<br>Losses and<br>Prior Service<br>Cost | Total               |
|-------------------------------------------------------------------------------------|----------------------------------------|-----------------------------------------------------|---------------------|
| <b>Balance at January 1, 2018</b>                                                   | \$ (132,949)                           | \$ (24,127)                                         | \$ (157,076)        |
| Currency translation adjustments                                                    | 7,423                                  | —                                                   | 7,423               |
| Defined benefit pension plan entries:                                               |                                        |                                                     |                     |
| Amortization of unrecognized losses and prior service cost,<br>net of tax of \$(54) | —                                      | 883                                                 | 883                 |
| <b>Balance at March 31, 2018</b>                                                    | <u>\$ (125,526)</u>                    | <u>\$ (23,244)</u>                                  | <u>\$ (148,770)</u> |

**22. SUBSIDIARY GUARANTOR FINANCIAL INFORMATION**

The senior secured notes are guaranteed by the following wholly-owned subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois. The note guarantees are 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. See the indenture incorporated by reference to the Company's most recent Form 10-K for additional information. The following condensed consolidating financial statements are presented using the equity method of accounting. Certain sales and marketing expenses recorded by non-guarantor subsidiaries have not been allocated to the guarantor subsidiaries.

| Condensed Consolidating Statements of Operations<br>For the Three Months Ended March 31, 2018 |                                  |                           |                               |              |              |
|-----------------------------------------------------------------------------------------------|----------------------------------|---------------------------|-------------------------------|--------------|--------------|
| (Amounts in thousands)                                                                        | Titan<br>Intl., Inc.<br>(Parent) | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Net sales                                                                                     | \$ —                             | \$ 170,759                | \$ 254,623                    | \$ —         | \$ 425,382   |
| Cost of sales                                                                                 | 108                              | 141,530                   | 224,183                       | —            | 365,821      |
| Gross (loss) profit                                                                           | (108)                            | 29,229                    | 30,440                        | —            | 59,561       |
| Selling, general and administrative expenses                                                  | 1,196                            | 15,275                    | 19,450                        | —            | 35,921       |
| Research and development expenses                                                             | 240                              | 986                       | 1,651                         | —            | 2,877        |
| Royalty expense                                                                               | 253                              | 1,513                     | 897                           | —            | 2,663        |
| (Loss) income from operations                                                                 | (1,797)                          | 11,455                    | 8,442                         | —            | 18,100       |
| Interest expense                                                                              | (6,813)                          | —                         | (705)                         | —            | (7,518)      |
| Intercompany interest income (expense)                                                        | 624                              | 1,013                     | (1,637)                       | —            | —            |
| Foreign exchange loss                                                                         | —                                | (8)                       | (4,424)                       | —            | (4,432)      |
| Other income (expense)                                                                        | 5,669                            | (165)                     | 2,246                         | —            | 7,750        |
| (Loss) income before income taxes                                                             | (2,317)                          | 12,295                    | 3,922                         | —            | 13,900       |
| (Benefit) provision for income taxes                                                          | (10,066)                         | 4,260                     | 5,020                         | —            | (786)        |
| Equity in earnings of subsidiaries                                                            | 6,938                            | —                         | 4,337                         | (11,275)     | —            |
| Net income (loss)                                                                             | 14,687                           | 8,035                     | 3,239                         | (11,275)     | 14,686       |
| Net loss noncontrolling interests                                                             | —                                | —                         | (1,679)                       | —            | (1,679)      |



|                                         |           |          |          |             |           |
|-----------------------------------------|-----------|----------|----------|-------------|-----------|
| Net income (loss) attributable to Titan | \$ 14,687 | \$ 8,035 | \$ 4,918 | \$ (11,275) | \$ 16,365 |
|-----------------------------------------|-----------|----------|----------|-------------|-----------|

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

**Condensed Consolidating Statements of Operations**  
**For the Three Months Ended March 31, 2017**

(Amounts in thousands)

|                                              | <b>Titan<br/>Intl., Inc.<br/>(Parent)</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|----------------------------------------------|-------------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales                                    | \$ —                                      | \$ 143,836                        | \$ 213,665                            | \$ —                | \$ 357,501          |
| Cost of sales                                | 69                                        | 126,421                           | 190,810                               | —                   | 317,300             |
| Gross (loss) profit                          | (69)                                      | 17,415                            | 22,855                                | —                   | 40,201              |
| Selling, general and administrative expenses | 4,871                                     | 17,271                            | 19,196                                | —                   | 41,338              |
| Research and development expenses            | —                                         | 903                               | 1,940                                 | —                   | 2,843               |
| Royalty expense                              | 417                                       | 1,294                             | 898                                   | —                   | 2,609               |
| (Loss) income from operations                | (5,357)                                   | (2,053)                           | 821                                   | —                   | (6,589)             |
| Interest expense                             | (7,445)                                   | —                                 | (276)                                 | —                   | (7,721)             |
| Intercompany interest income (expense)       | 581                                       | —                                 | (581)                                 | —                   | —                   |
| Foreign exchange gain                        | —                                         | —                                 | 4,490                                 | —                   | 4,490               |
| Other income (loss)                          | 1,280                                     | (436)                             | 1,833                                 | —                   | 2,677               |
| (Loss) income before income taxes            | (10,941)                                  | (2,489)                           | 6,287                                 | —                   | (7,143)             |
| Provision for income taxes                   | 1,676                                     | 174                               | 1,592                                 | —                   | 3,442               |
| Equity in earnings of subsidiaries           | 4,976                                     | —                                 | (4,723)                               | (253)               | —                   |
| Net loss                                     | (7,641)                                   | (2,663)                           | (28)                                  | (253)               | (10,585)            |
| Net income noncontrolling interests          | —                                         | —                                 | 868                                   | —                   | 868                 |
| Net loss attributable to Titan               | <u>\$ (7,641)</u>                         | <u>\$ (2,663)</u>                 | <u>\$ (896)</u>                       | <u>\$ (253)</u>     | <u>\$ (11,453)</u>  |

**Condensed Consolidating Statements of Comprehensive Income (Loss)**  
**For the Three Months Ended March 31, 2018**

(Amounts in thousands)

|                                                                                | <b>Titan<br/>Intl., Inc.<br/>(Parent)</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|--------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net income (loss)                                                              | \$ 14,687                                 | \$ 8,035                          | \$ 3,239                              | \$ (11,275)         | \$ 14,686           |
| Currency translation adjustment                                                | 8,062                                     | —                                 | 8,062                                 | (8,062)             | 8,062               |
| Pension liability adjustments, net of tax                                      | 883                                       | 646                               | 237                                   | (883)               | 883                 |
| Comprehensive income (loss)                                                    | 23,632                                    | 8,681                             | 11,538                                | (20,220)            | 23,631              |
| Net comprehensive loss attributable to redeemable and noncontrolling interests | —                                         | —                                 | (1,040)                               | —                   | (1,040)             |
| Comprehensive income (loss) attributable to Titan                              | <u>\$ 23,632</u>                          | <u>\$ 8,681</u>                   | <u>\$ 12,578</u>                      | <u>\$ (20,220)</u>  | <u>\$ 24,671</u>    |

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

**Condensed Consolidating Statements of Comprehensive Income (Loss)**  
**For the Three Months Ended March 31, 2017**

(Amounts in thousands)

|                                                                                  | <b>Titan<br/>Intl., Inc.<br/>(Parent)</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|----------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net loss                                                                         | \$ (7,641)                                | \$ (2,663)                        | \$ (28)                               | \$ (253)            | \$ (10,585)         |
| Currency translation adjustment                                                  | 11,019                                    | —                                 | 11,019                                | (11,019)            | 11,019              |
| Pension liability adjustments, net of tax                                        | 733                                       | 625                               | 108                                   | (733)               | 733                 |
| Comprehensive income (loss)                                                      | 4,111                                     | (2,038)                           | 11,099                                | (12,005)            | 1,167               |
| Net comprehensive income attributable to redeemable and noncontrolling interests | —                                         | —                                 | 2,783                                 | —                   | 2,783               |
| Comprehensive income (loss) attributable to Titan                                | <u>\$ 4,111</u>                           | <u>\$ (2,038)</u>                 | <u>\$ 8,316</u>                       | <u>\$ (12,005)</u>  | <u>\$ (1,616)</u>   |

**Condensed Consolidating Balance Sheets**  
**March 31, 2018**

(Amounts in thousands)

|                                    | <b>Titan<br/>Intl., Inc.<br/>(Parent)</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|------------------------------------|-------------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| <b>Assets</b>                      |                                           |                                   |                                       |                     |                     |
| Cash and cash equivalents          | \$ 45,883                                 | \$ 9                              | \$ 66,537                             | \$ —                | \$ 112,429          |
| Accounts receivable, net           | —                                         | 80,597                            | 213,908                               | —                   | 294,505             |
| Inventories                        | —                                         | 104,758                           | 263,677                               | —                   | 368,435             |
| Prepaid and other current assets   | 16,900                                    | 19,779                            | 38,882                                | —                   | 75,561              |
| Total current assets               | 62,783                                    | 205,143                           | 583,004                               | —                   | 850,930             |
| Property, plant and equipment, net | 1,451                                     | 106,681                           | 309,294                               | —                   | 417,426             |
| Investment in subsidiaries         | 753,962                                   | —                                 | 78,214                                | (832,176)           | —                   |
| Other assets                       | 6,525                                     | 919                               | 77,255                                | —                   | 84,699              |
| Total assets                       | <u>\$ 824,721</u>                         | <u>\$ 312,743</u>                 | <u>\$ 1,047,767</u>                   | <u>\$ (832,176)</u> | <u>\$ 1,353,055</u> |
| <b>Liabilities and Equity</b>      |                                           |                                   |                                       |                     |                     |
| Short-term debt                    | \$ —                                      | \$ —                              | \$ 55,171                             | \$ —                | \$ 55,171           |
| Accounts payable                   | 1,668                                     | 28,160                            | 198,126                               | —                   | 227,954             |
| Other current liabilities          | 32,856                                    | 31,416                            | 66,012                                | —                   | 130,284             |
| Total current liabilities          | 34,524                                    | 59,576                            | 319,309                               | —                   | 413,409             |
| Long-term debt                     | 394,490                                   | —                                 | 13,118                                | —                   | 407,608             |
| Other long-term liabilities        | 9,424                                     | 15,525                            | 59,675                                | —                   | 84,624              |
| Intercompany accounts              | 34,483                                    | (272,561)                         | 238,078                               | —                   | —                   |
| Redeemable noncontrolling interest | —                                         | —                                 | 115,369                               | —                   | 115,369             |
| Titan shareholders' equity         | 351,800                                   | 510,203                           | 313,425                               | (832,176)           | 343,252             |
| Noncontrolling interests           | —                                         | —                                 | (11,207)                              | —                   | (11,207)            |

|                              |            |            |              |              |              |
|------------------------------|------------|------------|--------------|--------------|--------------|
| Total liabilities and equity | \$ 824,721 | \$ 312,743 | \$ 1,047,767 | \$ (832,176) | \$ 1,353,055 |
|------------------------------|------------|------------|--------------|--------------|--------------|

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

**Condensed Consolidating Balance Sheets**  
**December 31, 2017**

(Amounts in thousands)

|                                    | <b>Titan<br/>Intl., Inc.<br/>(Parent)</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|------------------------------------|-------------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| <b>Assets</b>                      |                                           |                                   |                                       |                     |                     |
| Cash and cash equivalents          | \$ 59,740                                 | \$ 13                             | \$ 83,817                             | \$ —                | \$ 143,570          |
| Accounts receivable, net           | —                                         | 54,009                            | 172,694                               | —                   | 226,703             |
| Inventories                        | —                                         | 96,036                            | 243,800                               | —                   | 339,836             |
| Prepaid and other current assets   | 17,789                                    | 20,917                            | 34,378                                | —                   | 73,084              |
| Total current assets               | 77,529                                    | 170,975                           | 534,689                               | —                   | 783,193             |
| Property, plant and equipment, net | 2,466                                     | 110,470                           | 308,312                               | —                   | 421,248             |
| Investment in subsidiaries         | 766,777                                   | —                                 | 74,003                                | (840,780)           | —                   |
| Other assets                       | 6,389                                     | 967                               | 78,315                                | —                   | 85,671              |
| Total assets                       | <u>\$ 853,161</u>                         | <u>\$ 282,412</u>                 | <u>\$ 995,319</u>                     | <u>\$ (840,780)</u> | <u>\$ 1,290,112</u> |
| <b>Liabilities and Equity</b>      |                                           |                                   |                                       |                     |                     |
| Short-term debt                    | \$ —                                      | \$ —                              | \$ 43,651                             | \$ —                | \$ 43,651           |
| Accounts payable                   | 4,258                                     | 20,787                            | 170,452                               | —                   | 195,497             |
| Other current liabilities          | 38,495                                    | 30,170                            | 65,109                                | —                   | 133,774             |
| Total current liabilities          | 42,753                                    | 50,957                            | 279,212                               | —                   | 372,922             |
| Long-term debt                     | 394,284                                   | —                                 | 12,887                                | —                   | 407,171             |
| Other long-term liabilities        | 11,544                                    | 16,458                            | 58,740                                | —                   | 86,742              |
| Intercompany accounts              | 75,103                                    | (286,525)                         | 211,422                               | —                   | —                   |
| Redeemable noncontrolling interest | —                                         | —                                 | 113,193                               | —                   | 113,193             |
| Titan shareholders' equity         | 329,477                                   | 501,522                           | 330,710                               | (840,780)           | 320,929             |
| Noncontrolling interests           | —                                         | —                                 | (10,845)                              | —                   | (10,845)            |
| Total liabilities and equity       | <u>\$ 853,161</u>                         | <u>\$ 282,412</u>                 | <u>\$ 995,319</u>                     | <u>\$ (840,780)</u> | <u>\$ 1,290,112</u> |

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

**Condensed Consolidating Statements of Cash Flows**  
**For the Three Months Ended March 31, 2018**

(Amounts in thousands)

|                                                             | <b>Titan<br/>Intl., Inc.<br/>(Parent)</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Consolidated</b>      |
|-------------------------------------------------------------|-------------------------------------------|-----------------------------------|---------------------------------------|--------------------------|
| <b>Net cash (used for) provided by operating activities</b> | <b>\$ (13,778)</b>                        | <b>\$ 1,375</b>                   | <b>\$ (23,280)</b>                    | <b>\$ (35,683)</b>       |
| <b>Cash flows from investing activities:</b>                |                                           |                                   |                                       |                          |
| Capital expenditures                                        | —                                         | (1,380)                           | (6,427)                               | (7,807)                  |
| Other, net                                                  | 220                                       | 1                                 | 573                                   | 794                      |
| <b>Net cash provided by (used for) investing activities</b> | <b>220</b>                                | <b>(1,379)</b>                    | <b>(5,854)</b>                        | <b>(7,013)</b>           |
| <b>Cash flows from financing activities:</b>                |                                           |                                   |                                       |                          |
| Proceeds from borrowings                                    | —                                         | —                                 | 16,480                                | 16,480                   |
| Payment on debt                                             | —                                         | —                                 | (5,720)                               | (5,720)                  |
| Dividends paid                                              | (299)                                     | —                                 | —                                     | (299)                    |
| <b>Net cash (used for) provided by financing activities</b> | <b>(299)</b>                              | <b>—</b>                          | <b>10,760</b>                         | <b>10,461</b>            |
| Effect of exchange rate change on cash                      | —                                         | —                                 | 1,094                                 | 1,094                    |
| Net decrease in cash and cash equivalents                   | (13,857)                                  | (4)                               | (17,280)                              | (31,141)                 |
| Cash and cash equivalents, beginning of period              | 59,740                                    | 13                                | 83,817                                | 143,570                  |
| Cash and cash equivalents, end of period                    | <u><u>\$ 45,883</u></u>                   | <u><u>\$ 9</u></u>                | <u><u>\$ 66,537</u></u>               | <u><u>\$ 112,429</u></u> |

**Condensed Consolidating Statements of Cash Flows**  
**For the Three Months Ended March 31, 2017**

(Amounts in thousands)

|                                                             | <b>Titan<br/>Intl., Inc.<br/>(Parent)</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Consolidated</b>      |
|-------------------------------------------------------------|-------------------------------------------|-----------------------------------|---------------------------------------|--------------------------|
| <b>Net cash (used for) provided by operating activities</b> | <b>\$ (10,008)</b>                        | <b>\$ 1,541</b>                   | <b>\$ (6,072)</b>                     | <b>\$ (14,539)</b>       |
| <b>Cash flows from investing activities:</b>                |                                           |                                   |                                       |                          |
| Capital expenditures                                        | (358)                                     | (1,588)                           | (6,443)                               | (8,389)                  |
| Other, net                                                  | —                                         | 47                                | 527                                   | 574                      |
| <b>Net cash used for investing activities</b>               | <b>(358)</b>                              | <b>(1,541)</b>                    | <b>(5,916)</b>                        | <b>(7,815)</b>           |
| <b>Cash flows from financing activities:</b>                |                                           |                                   |                                       |                          |
| Proceeds from borrowings                                    | —                                         | —                                 | 14,635                                | 14,635                   |
| Payment on debt                                             | (3,393)                                   | —                                 | (6,823)                               | (10,216)                 |
| Dividends paid                                              | (271)                                     | —                                 | —                                     | (271)                    |
| <b>Net cash (used for) provided by financing activities</b> | <b>(3,664)</b>                            | <b>—</b>                          | <b>7,812</b>                          | <b>4,148</b>             |
| Effect of exchange rate change on cash                      | —                                         | —                                 | 1,537                                 | 1,537                    |
| Net decrease in cash and cash equivalents                   | (14,030)                                  | —                                 | (2,639)                               | (16,669)                 |
| Cash and cash equivalents, beginning of period              | 86,190                                    | 9                                 | 61,628                                | 147,827                  |
| Cash and cash equivalents, end of period                    | <u><u>\$ 72,160</u></u>                   | <u><u>\$ 9</u></u>                | <u><u>\$ 58,989</u></u>               | <u><u>\$ 131,158</u></u> |

**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 which 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 Titan's annual report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on February 23, 2018.

**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 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:

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

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

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

- The effect of a recession on the Company and its customers and suppliers;
- Changes in the Company's end-user markets into which the Company sells its products as a result of world economic or regulatory influences or otherwise;
- Changes in the marketplace, including new products and pricing changes by the Company's competitors;
- Ability to maintain satisfactory labor relations;
- Unfavorable outcomes of legal proceedings;
- The Company's ability to comply with current or future regulations applicable to the Company's business and the industry in which it competes or any actions taken or orders issued by regulatory authorities;
- Availability and price of raw materials;
- Levels of operating efficiencies;
- The effects of the Company's indebtedness and its compliance with the terms thereof;
- Changes in the interest rate environment and their effects on the Company's outstanding indebtedness;

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

- Unfavorable product liability and warranty claims;
- Actions of domestic and foreign governments, including the imposition of additional tariffs;
- Geopolitical and economic uncertainties relating to the countries in which the Company operates or does business;
- Risks associated with acquisitions, including difficulty in integrating operations and personnel, disruption of ongoing business, and increased expenses;
- Results of investments;
- The effects of potential processes to explore various strategic transactions, including potential dispositions;
- Fluctuations in currency translations;
- Climate change and related laws and regulations;
- Risks associated with environmental laws and regulations;
- Risks relating to our manufacturing facilities, including that any of our material facilities may become inoperable; and
- Risks related to financial reporting, internal controls, tax accounting, and information systems.

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

## **OVERVIEW**

Titan International, Inc., together with its subsidiaries, is a global wheel, tire, and undercarriage industrial manufacturer and supplier that services customers across its target markets. 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. As a manufacturer of both wheels and tires, the Company is uniquely positioned to offer customers added value through complete wheel and tire assemblies.

*Agricultural Segment:* Titan's agricultural rims, wheels, tires, and undercarriage systems and components are manufactured for use on various agricultural equipment, including tractors, combines, skidders, plows, planters, and irrigation equipment, and are sold directly to OEMs and to the aftermarket through independent distributors, equipment dealers, and Titan's own distribution centers.

*Earthmoving/Construction Segment:* The Company manufactures rims, wheels, tires, and undercarriage systems and components for various types of off-the-road (OTR) earthmoving, mining, military, construction, and forestry equipment, including skid steers, aerial lifts, cranes, graders and levelers, scrapers, self-propelled shovel loaders, articulated dump trucks, load transporters, haul trucks, backhoe loaders, crawler tractors, lattice cranes, shovels, and hydraulic excavators.

*Consumer Segment:* Titan manufactures bias truck tires in Latin America and light truck tires in Russia. Titan also offers select products for ATVs, turf, and golf cart applications.

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



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The table below provides highlights for the three months ended March 31, 2018 , compared to the same period of 2017 (amounts in thousands, except earnings per share):

|                               | <b>Three months ended<br/>March 31,</b> |             | <b>% Increase<br/>(Decrease)</b> |
|-------------------------------|-----------------------------------------|-------------|----------------------------------|
|                               | <b>2018</b>                             | <b>2017</b> |                                  |
| Net sales                     | \$ 425,382                              | \$ 357,501  | 19%                              |
| Gross profit                  | 59,561                                  | 40,201      | 48%                              |
| Income (loss) from operations | 18,100                                  | (6,589)     | 375%                             |
| Net income (loss)             | 14,686                                  | (10,585)    | 239%                             |
| Basic earnings per share      | 0.23                                    | (0.18)      | 228%                             |

The Company recorded net sales of \$425.4 million for the first quarter of 2018 , which were 19% higher than first quarter 2017 net sales of \$357.5 million , primarily as a result of an increase in net sales in the earthmoving/construction segment. Overall net sales volume was up 12%. Favorable changes in price/mix increased net sales by 4% and favorable currency translations contributed another 3% increase to net sales.

The Company's gross profit was \$59.6 million , or 14.0% of net sales, for the first quarter of 2018 , compared to \$40.2 million , or 11.2% of net sales, in the comparable period of 2017 . The increase in gross profit was driven by increased sales volume and associated manufacturing efficiencies relating to capacity utilization as well as ongoing continuous improvement initiatives focused on lowering costs and increasing efficiencies. Income from operations was \$18.1 million for the first quarter of 2018 , compared to loss of \$6.6 million in the comparable quarter of 2017 . Net income was \$14.7 million for the first quarter of 2018 , compared to loss of \$10.6 million in the comparable quarter of 2017 . Basic earnings per share was \$0.23 in the first quarter of 2018 , compared to \$(0.18) in the comparable quarter of 2017 .

**CRITICAL ACCOUNTING ESTIMATES**

See "Critical Accounting Estimates" in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's 2017 Form 10-K. Also see 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, including with respect to revenue recognition.

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**RESULTS OF OPERATIONS**

Highlights for the three months ended March 31, 2018 , compared to 2017 (amounts in thousands):

|                                                |                  | <b>Three months ended<br/>March 31,</b> |                   |
|------------------------------------------------|------------------|-----------------------------------------|-------------------|
|                                                | <b>2018</b>      | <b>2017</b>                             | <b>% Increase</b> |
| Net sales                                      | \$ 425,382       | \$ 357,501                              | 19%               |
| Cost of sales                                  | 365,821          | 317,300                                 | 15%               |
| Gross profit                                   | <u>\$ 59,561</u> | <u>\$ 40,201</u>                        | 48%               |
| <i>Gross profit as percentage of net sales</i> | <i>14.0%</i>     | <i>11.2%</i>                            |                   |

**Net Sales**

Net sales for the quarter ended March 31, 2018 , were \$425.4 million , compared to \$357.5 million in the comparable quarter of 2017 , an increase of 19% , primarily as a result of an increase in net sales in the earthmoving/construction segment. Overall net sales volume was up 12% over the comparable prior year quarter with higher volume across all segments. Favorable changes in price/mix increased net sales by 4% and favorable currency translations contributed another 3% increase to net sales.

**Cost of Sales and Gross Profit**

Cost of sales was \$365.8 million for the quarter ended March 31, 2018 , compared to \$317.3 million for the comparable quarter in 2017 . Gross profit for the first quarter of 2018 was \$59.6 million , or 14.0% of net sales, compared to \$40.2 million , or 11.2% of net sales, for the first quarter of 2017 . The increase in gross profit was driven by increased sales volume and associated manufacturing efficiencies relating to capacity utilization as well as ongoing continuous improvement initiatives focused on lowering costs and increasing efficiencies.

**Selling, General and Administrative Expenses**

Selling, general and administrative (SG&A) expenses for the first quarter of 2018 were \$35.9 million , or 8.4% of net sales, compared to \$41.3 million , or 11.6% of net sales, for the first quarter of 2017 . The decrease in SG&A resulted from lower legal and non-recurring fees as compared to the first quarter of 2017, as well as management's continuing efforts to reduce SG&A expenses.

**Research and Development Expenses**

Research and development (R&D) expenses for the first quarter of 2018 were \$2.9 million , or 0.7% of net sales, compared to \$2.8 million , or 0.8% of net sales, for the first quarter of 2017 .

**Royalty Expense**

The Company has trademark license agreements with The Goodyear Tire & Rubber Company to manufacture and sell certain farm tires under the Goodyear name. 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 expire in 2025. Royalties attributable to sales of farm tires in North America and Latin America were prepaid through March 2018 as a part of the 2011 Goodyear Latin American farm tire acquisition. The Company also has a trademark license agreement with Goodyear to manufacture and sell certain non-farm tire products in Latin America.

Royalty expenses for the first quarter of 2018 were \$2.7 million , or 0.6% of net sales, compared to \$2.6 million , or 0.7% of net sales, for the first quarter of 2017 .

**Income (Loss) from Operations**

Income from operations for the first quarter of 2018 was \$18.1 million , compared to a loss of \$6.6 million for the first quarter of 2017 . This change was the net result of the items previously discussed.

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**Interest Expense**

Interest expense was \$7.5 million and \$7.7 million for the quarters ended March 31, 2018 and 2017 , respectively. The decrease in interest expense was primarily due to the reduced interest rate on the Company's refinanced senior secured notes.

**Foreign Exchange (Loss) Gain**

Foreign exchange loss was \$4.4 million for the first quarter of 2018 , compared to gain of \$4.5 million for the first quarter of 2017 .

**Other Income**

Other income was \$7.8 million for the quarter ended March 31, 2018 , as compared to \$2.7 million in the comparable quarter of 2017 . For the quarter ended March 31, 2018 , the Company recorded equity investment income of \$1.1 million , interest income of \$0.6 million , rental income of \$0.6 million , and gain on sale of assets of \$0.2 million . For the quarter ended March 31, 2017 , the Company recorded interest income of \$1.0 million , equity investment income of \$0.8 million , rental income of \$0.6 million , and a gain related to contractual obligation investments of \$0.9 million .

**Provision for Income Taxes**

The Company recorded income tax (benefit) expense of \$(0.8) million and \$3.4 million for the quarters ended March 31, 2018 and 2017 , respectively. The Company's effective income tax rate was (6)% and (48)% for the quarters ended March 31, 2018 and 2017 , respectively.

The Company's 2018 income tax expense and rate 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 reduction of the liability for unrecognized tax positions and U.S. and certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for the three months ended March 31, 2018 .

The Company's 2017 effective income tax rate is different from the U.S. Federal income tax rate mainly due to losses in the U.S. and certain foreign jurisdictions where the Company could not record a tax benefit due to a valuation allowance. The increased negative effective tax rate is also due to non-deductible expenses and income adjustments in taxable jurisdictions that had the effect of increasing the tax rate for the period.

**Net Income (Loss)**

Net income for the first quarter of 2018 was \$14.7 million , compared to net loss of \$10.6 million in the comparable quarter of 2017 . For the quarters ended March 31, 2018 and 2017 , basic and diluted earnings per share were \$0.23 and \$(0.18) , respectively. The Company's higher net income and earnings per share were due to the items previously discussed.

**Agricultural Segment Results**

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

|                        | Three months ended |                   |            |
|------------------------|--------------------|-------------------|------------|
|                        | 2018               | March 31,<br>2017 | % Increase |
| Net sales              | \$ 194,166         | \$ 180,516        | 8%         |
| Gross profit           | 29,961             | 21,879            | 37%        |
| Income from operations | 21,321             | 12,746            | 67%        |

Net sales in the agricultural market were \$194.2 million for the quarter ended March 31, 2018 , as compared to \$180.5 million in 2017 , an increase of 8% . Higher sales volumes contributed 3% of the increase in net sales, with favorable price/mix increasing net sales by 4% and favorable currency translation contributing an additional 1%.

Gross profit in the agricultural market was \$30.0 million for the quarter ended March 31, 2018 , as compared to \$21.9 million in the comparable quarter of 2017 . Increased net sales volume and the associated manufacturing efficiencies related to capacity utilization drove the overall increase in gross profit. Income from operations in the agricultural market was \$21.3 million for the quarter ended March 31, 2018 , as compared to \$12.7 million in 2017 .



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**Earthmoving/Construction Segment Results**

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

|                        |             | <b>Three months ended<br/>March 31,</b> |                   |
|------------------------|-------------|-----------------------------------------|-------------------|
|                        | <b>2018</b> | <b>2017</b>                             | <b>% Increase</b> |
| Net sales              | \$ 188,733  | \$ 135,619                              | 39%               |
| Gross profit           | 22,462      | 12,898                                  | 74%               |
| Income from operations | 9,953       | 1,062                                   | 837%              |

The Company's earthmoving/construction market net sales were \$188.7 million for the quarter ended March 31, 2018 , as compared to \$135.6 million in the comparable quarter 2017 , an increase of 39% . The increase in earthmoving/construction sales was driven by increased volume which increased net sales by 29% and favorable currency translation which increased net sales by an additional 7%. Favorable price/mix contributed an additional 3% to net sales.

Gross profit in the earthmoving/construction market was \$22.5 million for the quarter ended March 31, 2018 , as compared to \$12.9 million in the comparable quarter of 2017 . The Company's earthmoving/construction market income from operations was \$10.0 million for the quarter ended March 31, 2018 , as compared to \$1.1 million in for the comparable quarter in 2017 . The increase in gross profit was driven by increases in aftermarket and OEM net sales and the associated manufacturing efficiencies related to improved capacity utilization.

**Consumer Segment Results**

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

|                        |             | <b>Three months ended<br/>March 31,</b> |                   |
|------------------------|-------------|-----------------------------------------|-------------------|
|                        | <b>2018</b> | <b>2017</b>                             | <b>% Increase</b> |
| Net sales              | \$ 42,483   | \$ 41,366                               | 3%                |
| Gross profit           | 7,138       | 5,424                                   | 32%               |
| Income from operations | 3,947       | 1,514                                   | 161%              |

Consumer market net sales were \$42.5 million for the quarter ended March 31, 2018 , as compared to \$41.4 million in the comparable quarter of 2017 , an increase of approximately 3% . The increase in consumer net sales was primarily from favorable price/mix contributing 8%. Favorable currency translation contributed an additional 1% of net sales while a decrease in volume decreased sales by 6%.

Gross profit from the consumer market was \$7.1 million for the quarter ended March 31, 2018 , as compared to \$5.4 million for the comparable quarter of 2017 . Consumer market income from operations was \$3.9 million for the quarter ended March 31, 2018 , as compared to \$1.5 million in for the comparable quarter of 2017 .

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**Segment Summary** (amounts in thousands)

| <b>Three months ended<br/>March 31, 2018</b> | <b>Agricultural</b> | <b>Earthmoving/<br/>Construction</b> | <b>Consumer</b> | <b>Corporate/<br/>Unallocated<br/>Expenses</b> | <b>Consolidated<br/>Totals</b> |
|----------------------------------------------|---------------------|--------------------------------------|-----------------|------------------------------------------------|--------------------------------|
| Net sales                                    | \$ 194,166          | \$ 188,733                           | \$ 42,483       | \$ —                                           | \$ 425,382                     |
| Gross profit                                 | 29,961              | 22,462                               | 7,138           | —                                              | 59,561                         |
| Income (loss) from operations                | 21,321              | 9,953                                | 3,947           | (17,121)                                       | 18,100                         |
| <b>Three months ended<br/>March 31, 2017</b> |                     |                                      |                 |                                                |                                |
| Net sales                                    | \$ 180,516          | \$ 135,619                           | \$ 41,366       | \$ —                                           | \$ 357,501                     |
| Gross profit                                 | 21,879              | 12,898                               | 5,424           | —                                              | 40,201                         |
| Income (loss) from operations                | 12,746              | 1,062                                | 1,514           | (21,911)                                       | (6,589)                        |

**Corporate & Unallocated Expenses**

Income from operations on a segment basis does not include corporate expenses totaling \$17.1 million for the quarter ended March 31, 2018 , as compared to \$21.9 million for the comparable quarter of 2017 . Corporate expenses were composed of selling and marketing expenses of approximately \$9 million and \$8 million for the quarters ended March 31, 2018 and 2017 , respectively; and administrative expenses of approximately \$8 million and \$14 million for the quarters ended March 31, 2018 and 2017 , respectively. The decrease in corporate expenses as compared to the first quarter of 2017 was due to lower non-recurring items, litigation fees and management's continuing efforts to reduce expenses.

**MARKET RISK SENSITIVE INSTRUMENTS**

The Company's risks related to foreign currencies, commodity prices, and interest rates at March 31, 2018, were consistent with those for 2017. For more information, see the “Market Risk Sensitive Instruments” discussion in the Company's Form 10-K for the fiscal year ended December 31, 2017.

**PENSIONS**

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. These plans are described further in Part I, Item 1, Notes to Condensed Consolidated Financial Statements: Note 11 - Employee Benefit Plans.

The Company's recorded liability for pensions is based on a number of assumptions, including discount rates, rates of return on investments, mortality rates, and other factors. Certain of these assumptions are determined by the Company with the assistance of outside actuaries. Assumptions are based on past experience and anticipated future trends. These assumptions are reviewed on a regular basis and revised when appropriate. Revisions in assumptions and actual results that differ from the assumptions affect future expenses, cash funding requirements, and the carrying value of the related obligations. Titan expects to contribute approximately \$4.5 million to these pension plans during the remainder of 2018.

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**LIQUIDITY AND CAPITAL RESOURCES**

**Cash Flows**

As of March 31, 2018 , the Company had \$112.4 million of cash.

| (Amounts in thousands) | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>Change</b> |
|------------------------|---------------------------|------------------------------|---------------|
| Cash                   | \$ 112,429                | \$ 143,570                   | \$ (31,141)   |

The cash balance decreased by \$31.1 million from December 31, 2017 , due to the following items:

**Operating Cash Flows**

Summary of cash flows from operating activities:

| (Amounts in thousands)                   | <b>Three months ended March 31,<br/>2018</b> | <b>2017</b>        | <b>Change</b>      |
|------------------------------------------|----------------------------------------------|--------------------|--------------------|
| Net income (loss)                        | \$ 14,686                                    | \$ (10,585)        | \$ 25,271          |
| Depreciation and amortization            | 15,330                                       | 14,466             | 864                |
| Deferred income tax provision            | 2,510                                        | 715                | 1,795              |
| Foreign currency translation loss (gain) | 3,769                                        | (1,342)            | 5,111              |
| Accounts receivable                      | (65,854)                                     | (48,180)           | (17,674)           |
| Inventories                              | (26,115)                                     | (14,547)           | (11,568)           |
| Prepaid and other current assets         | (2,142)                                      | 2,641              | (4,783)            |
| Accounts payable                         | 29,793                                       | 34,313             | (4,520)            |
| Other current liabilities                | (4,421)                                      | 7,425              | (11,846)           |
| Other liabilities                        | (3,697)                                      | 471                | (4,168)            |
| Other operating activities               | 458                                          | 84                 | 374                |
| Cash used for operating activities       | <u>\$ (35,683)</u>                           | <u>\$ (14,539)</u> | <u>\$ (21,144)</u> |

In the first three months of 2018 , operating activities used \$35.7 million of cash, including decreases from accounts receivable of \$65.9 million and inventories of \$26.1 million , offset by increases from accounts payable of \$29.8 million . Included in the net income of \$14.7 million were non-cash charges for depreciation and amortization of \$15.3 million and foreign currency translation loss of \$3.8 million .

Operating cash flows decreased \$21.1 million when comparing the first three months of 2018 to the first three months of 2017 . The net income in the first three months of 2018 increased \$25.3 million from the loss in the first three months of 2017 . When comparing the first three months of 2018 to the first three months of 2017 , cash flows from operating activities decreased in inventories and accounts receivable by \$11.6 million and \$17.7 million , respectively.

Summary of the components of cash conversion cycle:

|                            | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|----------------------------|---------------------------|------------------------------|---------------------------|
| Days sales outstanding     | 63                        | 55                           | 59                        |
| Days inventory outstanding | 96                        | 98                           | 88                        |
| Days payable outstanding   | (59)                      | (56)                         | (56)                      |
| Cash conversion cycle      | <u>100</u>                | <u>97</u>                    | <u>91</u>                 |

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**Investing Cash Flows**

Summary of cash flows from investing activities:

(Amounts in thousands)

|                                    | <b>Three months ended March 31,</b> |                   |               |
|------------------------------------|-------------------------------------|-------------------|---------------|
|                                    | <b>2018</b>                         | <b>2017</b>       | <b>Change</b> |
| Capital expenditures               | \$ (7,807)                          | \$ (8,389)        | \$ 582        |
| Other investing activities         | 794                                 | 574               | 220           |
| Cash used for investing activities | <u>\$ (7,013)</u>                   | <u>\$ (7,815)</u> | <u>\$ 802</u> |

Net cash used for investing activities was \$7.0 million in the first three months of 2018 , as compared to \$7.8 million in the first three months of 2017 . The Company invested a total of \$7.8 million in capital expenditures in the first three months of 2018 , compared to \$8.4 million in 2017 . The 2018 and 2017 expenditures represent various equipment purchases and improvements to enhance production capabilities of Titan's existing business and maintain existing equipment.

**Financing Cash Flows**

Summary of cash flows from financing activities:

(Amounts in thousands)

|                                       | <b>Three months ended March 31,</b> |                 |                 |
|---------------------------------------|-------------------------------------|-----------------|-----------------|
|                                       | <b>2018</b>                         | <b>2017</b>     | <b>Change</b>   |
| Proceeds from borrowings              | \$ 16,480                           | \$ 14,635       | \$ 1,845        |
| Payment on debt                       | (5,720)                             | (10,216)        | 4,496           |
| Dividends paid                        | (299)                               | (271)           | (28)            |
| Cash provided by financing activities | <u>\$ 10,461</u>                    | <u>\$ 4,148</u> | <u>\$ 6,313</u> |

In the first three months of 2018 , \$10.5 million of cash was provided by financing activities. This cash was primarily provided through debt financing, with borrowing providing \$16.5 million offset by payments of \$5.7 million .

**Debt Restrictions**

The Company's revolving credit facility (credit facility) and indenture relating to the 6.50% senior secured notes due 2023 contain various restrictions, including:

- When remaining availability under the credit facility is less than 10% of the total commitment under the credit facility (\$7.5 million as of March 31, 2018 ), 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.



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**Liquidity Outlook**

At March 31, 2018, the Company had \$112.4 million of cash and cash equivalents. At March 31, 2018, there were no outstanding borrowings on the Company's \$75 million credit facility. Titan's availability under this credit facility may be less than \$75 million as a result of outstanding letters of credit and eligible accounts receivable and inventory balances at certain domestic subsidiaries. At March 31, 2018, an outstanding letter of credit under this credit facility totaled \$12.5 million and the amount available under the facility totaled \$62.5 million, based upon eligible accounts receivable and inventory balances. The cash and cash equivalents balance of \$112.4 million included \$61.3 million held in foreign countries. The Company's current plans do not demonstrate a need to repatriate the foreign amounts to fund U.S. operations. As a result of the Tax Cuts and Jobs Act, the Company can repatriate the cumulative undistributed foreign earnings back to the U.S. when needed with minimal additional taxes other than state income and foreign withholding tax. Titan expects to contribute approximately \$4.5 million to its defined benefit pension plans during the remainder of 2018.

Total capital expenditures for 2018 are forecasted to be approximately \$35 million to \$45 million. Cash payments for interest are currently forecasted to be approximately \$30 million for the last nine months of 2018 based on March 31, 2018, debt balances. The forecasted interest payments are comprised primarily of the semi-annual payment of approximately \$13 million (paid in April and October) for the 6.5% senior secured notes.

The Company's redeemable noncontrolling interest in Voltyre-Prom includes a settlement put option which is exercisable during a six-month period beginning July 9, 2018. The redeemable noncontrolling interest may be purchased, with cash or Titan common stock, at an amount set by the Shareholders' Agreement, which is estimated to be approximately \$117 million to \$122 million, if exercised in full. See Note 9 to the Company's condensed consolidated financial statements regarding the Company's redeemable noncontrolling interest and the settlement put option.

In the future, Titan may seek to grow by making acquisitions, which will depend in large part on its ability to identify suitable acquisition candidates, negotiate acceptable terms for their acquisition, finance those acquisitions, and successfully integrate the acquired assets or business.

Subject to the terms of the agreements governing Titan's outstanding indebtedness, the Company may finance future acquisitions with cash on hand, cash from operations, additional indebtedness, issuing additional equity securities, divestitures, and alternative financing options.

Cash and cash equivalents, totaling \$112.4 million at March 31, 2018, along with anticipated internal cash flows from operations and utilization of remaining available borrowings, 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.

**MARKET CONDITIONS AND OUTLOOK**

In the first quarter of 2018, Titan experienced higher sales when compared to the same period of 2017. The higher sales levels were primarily the result of increased demand across the agricultural and earthmoving/construction segments. Net sales levels improved in both OEM and aftermarket channels. Favorable currency translation also positively impacted net sales.

Energy, natural raw material, and petroleum-based product costs could be volatile and may negatively affect the Company's margins. Additionally, the Company's markets and raw material prices may be negatively affected by tariffs and duties. Many of Titan's overhead expenses are fixed; therefore, lower seasonal trends may cause negative fluctuations in quarterly profit margins and may negatively affect the financial condition of the Company.

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**AGRICULTURAL MARKET OUTLOOK**

Farm net income increased in 2017 after three straight years of decline caused by lower grain prices. This increase was largely due to sale of commodity inventories carried over from 2016. Farm net income is generally expected to be flat in 2018. Declining/stagnant income levels have reduced demand for large farm equipment. However, overall economic conditions and the need to replace equipment as part of a typical replacement cycle is expected to drive additional volume in both OEM and aftermarket sales. Most major OEMs are forecasting 2018 agricultural equipment sales to be up over 2017 within most regions. North American used equipment levels have decreased from peak levels. Excess used equipment inventory and values can negatively impact the new equipment market. Many variables, including weather, grain prices, export markets, and currency, as well as government tariffs, duties, policies, and subsidies can greatly influence the overall health of the agricultural economy.

**EARTHMOVING/CONSTRUCTION MARKET OUTLOOK**

In the first quarter of 2018, net sales in the earthmoving/construction market increased primarily due to higher net sales volumes. This increase in net sales was a continuation of increases seen in the latter part of 2017. Demand for larger products used in the mining industry improved, with growth in international markets outpacing growth in the U.S. Demand for Titan's products in this market is anticipated to continue to improve in 2018. Demand for small and medium-sized earthmoving/construction equipment used in the housing and commercial construction sectors is also anticipated to be up. The earthmoving/construction segment is affected by many variables, including commodity prices, road construction, infrastructure, government appropriations, housing starts, and other macroeconomic drivers.

**CONSUMER MARKET OUTLOOK**

The consumer market is expected to remain highly competitive for 2018. The consumer segment is affected by many variables including consumer spending, interest rates, government policies, and other macroeconomic drivers.

## **TITAN INTERNATIONAL, INC.**

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

See Item 7A - Quantitative and Qualitative Disclosures About Market Risk included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. There has been no material change in this information.

### **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 Exchange Act) as of March 31, 2018. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2018, 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 Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the first quarter of fiscal 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **Inherent Limitations on the Effectiveness of Controls**

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

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

# TITAN INTERNATIONAL, INC.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The Company is subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including environmental issues, product liability, contracts, and labor and employment matters. See Note 17 - Litigation in Part I, Item 1, Notes to Condensed Consolidated Financial Statements of this Form 10-Q for further discussion.

### Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Item 1A. Risk Factors to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 23, 2018.

### 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.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

**TITAN INTERNATIONAL, INC.**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**TITAN INTERNATIONAL, INC.**  
**(Registrant)**

**Date:** May 3, 2018

**By :** /s/ PAUL G. REITZ

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

**By :** /s/ AMY S. EVANS

Amy S. Evans  
Interim Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION**

I, Paul G. Reitz, certify that:

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

**Date:** May 3, 2018

**By:** /s/ PAUL G. REITZ

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

**CERTIFICATION**

I, Amy S. Evans, certify that:

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

Date: May 3, 2018

By: /s/ AMY S. EVANS

Amy S. Evans  
Interim Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION**

In connection with the Quarterly Report of Titan International, Inc. on Form 10-Q for the period ended March 31, 2018 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned hereby certifies that, to the best of their knowledge, this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

**TITAN INTERNATIONAL, INC.**  
**(Registrant)**

**Date:** May 3, 2018

**By:** /s/ PAUL G. REITZ

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

**By:** /s/ AMY S. EVANS

Amy S. Evans  
Interim Chief Financial Officer  
(Principal Financial and Accounting Officer)