

TITAN INTERNATIONAL INC  
Form 10-Q/A  
November 06, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q/A  
(Amendment No. 1)

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

For Quarterly Period Ended: March 31, 2015

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 36-3228472  
(State of Incorporation) (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, or a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                                | Shares Outstanding at<br>April 20, 2015 |
|--------------------------------------|---|
| Common stock, no par value per share | 53,779,842                              |

#### EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A amends the Titan International, Inc. (Titan or the Company) quarterly report on Form 10-Q for the period ended March 31, 2015, which was originally filed with the Securities and Exchange Commission (SEC) on April 30, 2015. This Form 10-Q/A is being filed to restate the financial statements to correct the classification of redeemable noncontrolling interest in the Company's investment in Voltre-Prom to mezzanine equity. The Company's Russian shareholders' agreement contains a settlement put option which may require Titan to purchase the shares of the minority shareholders at a value set by the agreement. As the redeemable noncontrolling interest balance exceeds the carrying value of the investment, this restatement also contains a reclassification of additional paid-in capital to mezzanine equity and a correction in the earnings per share calculation. The corrections to earnings per share did not affect revenues, operating expenses, net income or cash flows. A more detailed description of the restatements made to the financial statements is provided in Note 23 to the consolidated condensed financial statements included in this report. In addition to the restatement of the period ended March 31, 2015, this Form 10-Q/A includes a restatement of the period ended March 31, 2014, and the balance at December 31, 2014.

For the convenience of the reader, this Form 10-Q/A sets forth the Company's original Form 10-Q as filed with the SEC on April 30, 2015, in its entirety, as amended by, and to reflect, the restatement. No attempt has been made in the Form 10-Q/A to update other disclosures presented in the original Form 10-Q, except as required to reflect the effects of the restatement. Accordingly, this Form 10-Q/A should be read in conjunction with Titan's filings made with the SEC subsequent to the filing of the original Form 10-Q, including any amendments to those filings. The following items have been amended as a result of this restatement:

Part I, Item 1, Financial Statements

Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations

Part II, Item 1A, Risk Factors

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TITAN INTERNATIONAL, INC.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

TITAN INTERNATIONAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

(All amounts in thousands, except per share data)

|  | Three months ended |               |
|--|--------------------|---------------|
|  | March 31,          |               |
|  | 2015               | 2014          |
|  | (As restated)      | (As restated) |
| Net sales  | \$402,059          | \$538,940     |
| Cost of sales                                      | 359,265            | 484,390       |
| Gross profit                                       | 42,794             | 54,550        |
| Selling, general and administrative expenses       | 35,674             | 46,835        |
| Research and development expenses                  | 3,086              | 3,710         |
| Royalty expense                                    | 3,225              | 3,741         |
| Income from operations                             | 809                | 264           |
| Interest expense                                   | (8,756)            | (9,259)       |
| Other income                                       | 8,283              | 516           |
| Income (loss) before income taxes                  | 336                | (8,479)       |
| Provision (benefit) for income taxes               | 1,396              | (3,351)       |
| Net loss   | (1,060)            | (5,128)       |
| Net loss attributable to noncontrolling interests  | (1,292)            | (7,291)       |
| Net income attributable to Titan                   | \$232              | \$2,163       |
| Earnings per common share:                         |                    |               |
| Basic  | \$(.05)            | \$.02         |
| Diluted  | \$(.05)            | \$.02         |
| Average common shares and equivalents outstanding: |                    |               |
| Basic  | 53,663             | 53,470        |
| Diluted  | 53,663             | 53,774        |
| Dividends declared per common share:               | \$.005             | \$.005        |

See accompanying Notes to Consolidated Financial Statements.



TITAN INTERNATIONAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(All amounts in thousands)

|  | Three months ended |            |   |
|--|--------------------|------------|---|
|  | March 31,          |            |   |
|  | 2015               | 2014       |   |
| Net loss   | \$(1,060           | ) \$(5,128 | ) |
| Currency translation adjustment, net   | (45,386            | ) 388      |   |
| Pension liability adjustments, net of tax of \$(100) and \$(383), respectively | 9                  | 717        |   |
| Comprehensive loss   | (46,437            | ) (4,023   | ) |
| Net comprehensive loss attributable to redeemable and noncontrolling interests | (3,013             | ) (12,183  | ) |
| Comprehensive income (loss) attributable to Titan                              | \$(43,424          | ) \$8,160  |   |

See accompanying Notes to Consolidated Financial Statements.

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

|   | March 31,<br>2015<br>(As restated) | December 31,<br>2014<br>(As restated) |
|---|------------------------------------|---------------------------------------|
| Assets  |                                    |                                       |
| Current assets  |                                    |                                       |
| Cash and cash equivalents   | \$ 190,551                         | \$ 201,451                            |
| Accounts receivable, net  | 239,468                            | 199,378                               |
| Inventories   | 307,318                            | 331,432                               |
| Deferred income taxes   | 22,175                             | 23,435                                |
| Prepaid and other current assets  | 74,092                             | 80,234                                |
| Total current assets  | 833,604                            | 835,930                               |
| Property, plant and equipment, net                                      | 482,593                            | 527,414                               |
| Deferred income taxes   | 14,497                             | 15,623                                |
| Other assets  | 111,781                            | 116,757                               |
| Total assets  | \$ 1,442,475                       | \$ 1,495,724                          |
| Liabilities   |                                    |                                       |
| Current liabilities   |                                    |                                       |
| Short-term debt   | \$ 29,753                          | \$ 26,233                             |
| Accounts payable  | 152,923                            | 146,305                               |
| Other current liabilities   | 134,409                            | 129,018                               |
| Total current liabilities   | 317,085                            | 301,556                               |
| Long-term debt  | 493,768                            | 496,503                               |
| Deferred income taxes   | 5,148                              | 18,582                                |
| Other long-term liabilities   | 83,089                             | 89,025                                |
| Total liabilities   | 899,090                            | 905,666                               |
| Redeemable noncontrolling interest                                      | 72,630                             | 71,192                                |
| Equity  |                                    |                                       |
| Titan stockholders' equity  |                                    |                                       |
| Common stock (no par, 120,000,000 shares authorized, 55,253,092 issued) | —                                  | —                                     |
| Additional paid-in capital  | 510,110                            | 513,090                               |
| Retained earnings   | 125,970                            | 126,007                               |
| Treasury stock (at cost, 1,490,076 and 1,504,064 shares, respectively)  | (13,772                            | ) (13,897                             |
| Treasury stock reserved for deferred compensation                       | (1,075                             | ) (1,075                              |
| Accumulated other comprehensive loss                                    | (156,260                           | ) (112,630                            |
| Total Titan stockholders' equity  | 464,973                            | 511,495                               |
| Noncontrolling interests  | 5,782                              | 7,371                                 |
| Total equity  | 470,755                            | 518,866                               |
| Total liabilities and equity  | \$ 1,442,475                       | \$ 1,495,724                          |

See accompanying Notes to Consolidated Financial Statements.





TITAN INTERNATIONAL, INC.  
CONSOLIDATED CONDENSED 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 | Treasury<br>stock | Treasury<br>stock<br>reserved<br>for<br>deferred<br>compensation | Accumulated<br>other<br>comprehensive<br>income<br>(loss) | Total<br>Titan<br>Equity | Noncontrolling<br>interest | Equity    |
|--|-------------------------------|----------------------------------|----------------------|-------------------|--|---|--------------------------|----------------------------|-----------|
| Balance<br>January 1,<br>2015 (As<br>restated)           | 53,749,028                    | \$513,090                        | \$126,007            | \$(13,897)        | \$(1,075)  | \$(112,630)   | \$511,495                | \$7,371                    | \$518,866 |
| Net income<br>(loss) *                                   |                               |                                  | 232                  |                   |  |   | 232                      | (1,441)                    | (1,209)   |
| Currency<br>translation<br>adjustment, net<br>of tax *   |                               |                                  |                      |                   |  | (43,665)  | (43,665)                 | (80)                       | (43,745)  |
| Pension<br>liability<br>adjustments,<br>net of tax       |                               |                                  |                      |                   |  | 9   | 9                        |                            | 9         |
| Dividends on<br>common stock                             |                               |                                  | (269)                |                   |  |   | (269)                    |                            | (269)     |
| Dissolution of<br>subsidiary                             |                               |                                  |                      |                   |  | 26  | 26                       | (68)                       | (42)      |
| Redemption<br>value<br>adjustment                        |                               | (2,930)                          |                      |                   |  |   | (2,930)                  | —                          | (2,930)   |
| Stock-based<br>compensation                              |                               | 312                              |                      |                   |  |   | 312                      |                            | 312       |
| Tax benefit<br>related to<br>stock-based<br>compensation |                               | (388)                            |                      |                   |  |   | (388)                    |                            | (388)     |
| Issuance of<br>treasury stock<br>under 401(k)<br>plan    | 13,988                        | 26                               |                      | 125               |  |   | 151                      |                            | 151       |
| Balance March<br>31, 2015 (As<br>restated)               | 53,763,016                    | \$510,110                        | \$125,970            | \$(13,772)        | \$(1,075)  | \$(156,260)   | \$464,973                | \$5,782                    | \$470,755 |

\* Net income excludes \$149 of net income attributable to redeemable noncontrolling interest. Currency translation adjustment excludes \$(1,641) of currency translation related to redeemable noncontrolling interest.

See accompanying Notes to Consolidated Financial Statements.

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

|  | Three months ended |           |   |
|--|--------------------|-----------|---|
|  | March 31,          |           |   |
|  | 2015               | 2014      | ) |
| Cash flows from operating activities:  |                    |           |   |
| Net loss   | \$(1,060)          | \$(5,128) | ) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                    |           |   |
| Depreciation and amortization  | 18,480             | 23,275    | ) |
| Deferred income tax provision  | (3,901)            | (4,912)   | ) |
| Stock-based compensation   | 312                | 877       | ) |
| Excess tax benefit from stock-based compensation   | 388                | 2         | ) |
| Issuance of treasury stock under 401(k) plan   | 151                | 160       | ) |
| (Increase) decrease in assets:   |                    |           |   |
| Accounts receivable  | (56,153)           | (61,482)  | ) |
| Inventories  | 5,958              | (7,009)   | ) |
| Prepaid and other current assets   | 4,374              | 28,601    | ) |
| Other assets   | 2,516              | (4,856)   | ) |
| Increase (decrease) in liabilities:  |                    |           |   |
| Accounts payable   | 24,066             | 34,038    | ) |
| Other current liabilities  | 5,736              | 16,141    | ) |
| Other liabilities  | (7,834)            | (1,716)   | ) |
| Net cash provided by (used for) operating activities                                     | (6,967)            | 17,991    | ) |
| Cash flows from investing activities:  |                    |           |   |
| Capital expenditures   | (11,419)           | (16,754)  | ) |
| Acquisition of additional interest   | —                  | (12,676)  | ) |
| Decrease in restricted cash deposits   | —                  | 14,188    | ) |
| Other  | 2,334              | 3,278     | ) |
| Net cash used for investing activities   | (9,085)            | (11,964)  | ) |
| Cash flows from financing activities:  |                    |           |   |
| Proceeds from borrowings   | 11,102             | 6,945     | ) |
| Payment on debt  | (1,456)            | (4,248)   | ) |
| Proceeds from exercise of stock options  | —                  | 20        | ) |
| Excess tax benefit from stock-based compensation   | (388)              | (2)       | ) |
| Payment of financing fees  | —                  | (33)      | ) |
| Dividends paid   | (269)              | (268)     | ) |
| Net cash provided by financing activities  | 8,989              | 2,414     | ) |
| Effect of exchange rate changes on cash  | (3,837)            | 2,293     | ) |
| Net increase (decrease) in cash and cash equivalents                                     | (10,900)           | 10,734    | ) |
| Cash and cash equivalents, beginning of period   | 201,451            | 189,360   | ) |
| Cash and cash equivalents, end of period   | \$190,551          | \$200,094 | ) |
| Supplemental information:  |                    |           |   |
| Interest paid  | \$4,589            | \$2,553   | ) |
| Income taxes paid, net of refunds received   | \$(3,763)          | \$4,508   | ) |

See accompanying Notes to Consolidated Financial Statements.

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TITAN INTERNATIONAL, INC.

Notes to Consolidated Condensed Financial Statements  
(Unaudited)

1. ACCOUNTING POLICIES

In the opinion of Titan International, Inc. (Titan or the Company), the accompanying unaudited consolidated condensed financial statements contain all adjustments, which are normal and recurring in nature and necessary for a fair statement of the Company's financial position as of March 31, 2015, and the results of operations and cash flows for the three months ended March 31, 2015 and 2014.

Accounting policies have continued without significant change and are described in the Description of Business and Significant Accounting Policies contained in the Company's 2014 Annual Report on Form 10-K. These interim financial statements have been prepared pursuant to the Securities and Exchange Commission's rules for Form 10-Q's and, therefore, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2014 Annual Report on Form 10-K.

Sales

Sales and revenues are presented net of sales taxes and other related taxes.

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 6.875% senior secured notes due 2020 (senior secured notes due 2020) and 5.625% convertible senior subordinated notes due 2017 (convertible notes) are carried at cost of \$400.0 million and \$60.2 million at March 31, 2015, respectively. The fair value of the senior secured notes due 2020 at March 31, 2015, as obtained through an independent pricing source, was approximately \$340.0 million.

Cash dividends

The Company declared cash dividends of \$.005 per share of common stock for each of the three months ended March 31, 2015, and 2014. The first quarter 2015 cash dividend of \$.005 per share of common stock was paid April 15, 2015, to stockholders of record on March 31, 2015.

Use of estimates

The policies utilized by the Company in the preparation of the financial statements conform to accounting principles generally accepted in the United States of America and require management to make estimates, assumptions and judgments that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates and assumptions.

Reclassification

Certain amounts from prior years have been reclassified to conform to the current year's presentation.

Recently Issued Accounting Standards

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This update amends existing guidance to require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently assessing the impact that adopting this new accounting guidance will have on the Company's consolidated financial statements.

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

## 2. ACCOUNTS RECEIVABLE

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

|                                 | March 31,<br>2015 | December 31,<br>2014 |
|---------------------------------|-------------------|----------------------|
| Accounts receivable             | \$243,467         | \$205,084            |
| Allowance for doubtful accounts | (3,999            | ) (5,706             |
| Accounts receivable, net        | \$239,468         | \$199,378            |

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

## 3. INVENTORIES

Inventories consisted of the following (amounts in thousands):

|                          | March 31,<br>2015 | December 31,<br>2014 |
|--------------------------|-------------------|----------------------|
| Raw material             | \$98,833          | \$119,989            |
| Work-in-process          | 41,218            | 41,073               |
| Finished goods           | 177,563           | 179,998              |
|                          | 317,614           | 341,060              |
| Adjustment to LIFO basis | (10,296           | ) (9,628             |
|                          | \$307,318         | \$331,432            |

At March 31, 2015, approximately 10% of the Company's inventories were valued under the last-in, first-out (LIFO) method. At December 31, 2014, approximately 11% of the Company's inventories were valued under the LIFO method. The remaining inventories were valued under the first-in, first-out (FIFO) method or average cost method. All inventories are valued at lower of cost or market.

## 4. PROPERTY, PLANT AND EQUIPMENT

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

|                               | March 31,<br>2015 | December 31,<br>2014 |
|-------------------------------|-------------------|----------------------|
| Land and improvements         | \$52,382          | \$60,012             |
| Buildings and improvements    | 214,929           | 223,989              |
| Machinery and equipment       | 575,342           | 585,318              |
| Tools, dies and molds         | 98,022            | 103,353              |
| Construction-in-process       | 33,299            | 38,653               |
|                               | 973,974           | 1,011,325            |
| Less accumulated depreciation | (491,381          | ) (483,911           |
|                               | \$482,593         | \$527,414            |



Depreciation on fixed assets for the three months ended March 31, 2015 and 2014, totaled \$17.2 million and \$21.8 million, respectively.

Included in the total building and improvements are capital leases of \$3.7 million and \$4.1 million at March 31, 2015, and December 31, 2014, respectively. Included in the total of machinery and equipment are capital leases of \$33.7 million and \$37.7 million at March 31, 2015, and December 31, 2014, respectively.

## 5. GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill consisted of the following (amounts in thousands):

|                              | 2015                 |                                  |                  |       | 2014                 |                                  |                  |          |
|------------------------------|----------------------|----------------------------------|------------------|-------|----------------------|----------------------------------|------------------|----------|
|                              | Agricultural Segment | Earthmoving/Construction Segment | Consumer Segment | Total | Agricultural Segment | Earthmoving/Construction Segment | Consumer Segment | Total    |
| Goodwill, January 1          | \$—                  | \$—                              | \$—              | \$—   | \$24,540             | \$ 14,898                        | \$ 2,637         | \$42,075 |
| Foreign currency translation | —                    | —                                | —                | —     | (983 )               | 314                              | (137 )           | (806 )   |
| Goodwill, March 31           | \$—                  | \$—                              | \$—              | \$—   | \$23,557             | \$ 15,212                        | \$ 2,500         | \$41,269 |

The Company reviews goodwill for impairment during the fourth quarter of each annual reporting period, and whenever events and circumstances indicate that the carrying values may not be recoverable. In the fourth quarter of 2014, the recoverability of all goodwill was evaluated by estimating future discounted cash flows. The Company recorded a noncash charge for the impairment of goodwill in the amount of \$36.6 million on both a pre-tax and after-tax basis. The charge included \$11.4 million of earthmoving/construction goodwill related to the acquisition of Titan Australia; \$9.6 million of agricultural goodwill related to the acquisition of the Latin America farm tire business; and \$15.6 million of goodwill related to the acquisition of Voltyre-Prom. The Voltyre-Prom goodwill included \$11.0 million in the agricultural segment, \$2.6 million in the earthmoving/construction segment, and \$2.0 million in the consumer segment.

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

|                                | Weighted-Average Useful Lives (in Years) | March 31, 2015 | December 31, 2014 |
|--------------------------------|--|----------------|-------------------|
| Amortizable intangible assets: |  |                |                   |
| Customer relationships         | 12.3                                     | 14,118         | 14,958            |
| Patents, trademarks and other  | 8.6                                      | 15,580         | 15,907            |
| Total at cost                  |  | 29,698         | 30,865            |
| Less accumulated amortization  |  | (7,776 )       | (7,176 )          |
|                                |  | 21,922         | 23,689            |

Amortization related to intangible assets for the three months ended March 31, 2015 and 2014, totaled \$0.9 million and \$1.1 million, respectively. Intangible assets are included as a component of other assets in the consolidated condensed balance sheet.

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

The estimated aggregate amortization expense at March 31, 2015, is as follows (amounts in thousands):

|                             |          |
|-----------------------------|----------|
| April 1 - December 31, 2015 | \$2,242  |
| 2016                        | 2,411    |
| 2017                        | 2,284    |
| 2018                        | 2,272    |
| 2019                        | 2,272    |
| Thereafter                  | 10,441   |
|                             | \$21,922 |

## 6. WARRANTY

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

|                                    |          |          |
|------------------------------------|----------|----------|
|                                    | 2015     | 2014     |
| Warranty liability, January 1      | \$28,144 | \$33,134 |
| Provision for warranty liabilities | 2,526    | 5,320    |
| Warranty payments made             | (3,914)  | (5,604)  |
| Warranty liability, March 31       | \$26,756 | \$32,850 |

The Company provides limited warranties on workmanship of its products in all market segments. The majority of the Company's products have a limited warranty that ranges from zero to ten years, with certain products 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 Consolidated Condensed Balance Sheets.

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

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

|   |                   |                      |
|---|-------------------|----------------------|
|   | March 31,<br>2015 | December 31,<br>2014 |
| 6.875% senior secured notes due 2020                  | \$400,000         | \$400,000            |
| 5.625% convertible senior subordinated notes due 2017 | 60,161            | 60,161               |
| Titan Europe credit facilities                        | 46,697            | 42,291               |
| Other debt  | 14,015            | 17,013               |
| Capital leases  | 2,648             | 3,271                |
|   | 523,521           | 522,736              |
| Less amounts due within one year                      | 29,753            | 26,233               |
|   | \$493,768         | \$496,503            |

Aggregate maturities of long-term debt at March 31, 2015, were as follows (amounts in thousands):

|                             |          |
|-----------------------------|----------|
| April 1 - December 31, 2015 | \$29,702 |
| 2016                        | 27,361   |
| 2017                        | 62,115   |
| 2018                        | 1,070    |

|            |           |
|------------|-----------|
| 2019       | 1,037     |
| Thereafter | 402,236   |
|            | \$523,521 |

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TITAN INTERNATIONAL, INC.

Notes to Consolidated Condensed Financial Statements  
(Unaudited)

6.875% senior secured notes due 2020

The Company's 6.875% senior secured notes (senior secured notes due 2020) are due October 2020. These notes are 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 Company's senior secured notes due 2020 outstanding balance was \$400.0 million at March 31, 2015.

5.625% convertible senior subordinated notes due 2017

The Company's 5.625% convertible senior subordinated notes (convertible notes) are due January 2017. The initial base conversion rate for the convertible notes is 93.0016 shares of Titan common stock per \$1,000 principal amount of convertible notes, equivalent to an initial base conversion price of approximately \$10.75 per share of Titan common stock. If the price of Titan common stock at the time of determination exceeds the base conversion price, the base conversion rate will be increased by an additional number of shares (up to 9.3002 shares of Titan common stock per \$1,000 principal amount of convertible notes) as determined pursuant to a formula described in the indenture. The base conversion rate will be subject to adjustment in certain events. The Company's convertible notes balance was \$60.2 million at March 31, 2015.

Titan Europe credit facilities

The Titan Europe credit facilities contain borrowings from various institutions totaling \$46.7 million at March 31, 2015. 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 its subsidiaries in Italy, Spain, Germany and Brazil.

Revolving credit facility

The Company's \$150 million revolving credit facility (credit facility) with agent Bank of America, N.A. has a December 2017 termination date and is collateralized by the accounts receivable and inventory of certain Titan domestic subsidiaries. Titan's availability under this domestic facility may be less than \$150 million as a result of eligible accounts receivable and inventory balances at certain of its domestic subsidiaries. At March 31, 2015, the amount available was \$106.0 million as a result of the Company's decrease in sales which impacted both accounts receivable and inventory balances. During the first three months of 2015 and at March 31, 2015, there were no borrowings under the credit facility.

Other Debt

Other debt is comprised of working capital loans for the Sao Paulo, Brazil manufacturing facility totaling \$14.0 million at March 31, 2015.

## 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, 2015, the Company recorded currency exchange gain of \$4.5 million related to these derivatives.



TITAN INTERNATIONAL, INC.  
Notes to Consolidated Condensed Financial Statements  
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## 9. 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, 2015, 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, 2015         | \$5,079  |
| 2016                                | 5,863    |
| 2017                                | 2,846    |
| 2018                                | 2,108    |
| 2019                                | 1,513    |
| Thereafter                          | 926      |
| Total future minimum lease payments | \$18,335 |

At March 31, 2015, the Company had assets held as capital leases with a net book value of \$9.5 million included in property, plant and equipment. Total future capital lease obligations relating to these leases are as follows (amounts in thousands):

|   |         |
|---|---------|
| April 1 - December 31, 2015                               | \$1,094 |
| 2016  | 878     |
| 2017  | 436     |
| 2018  | 135     |
| 2019  | 101     |
| Thereafter  | 4       |
| Total future capital lease obligation payments            | 2,648   |
| Less amount representing interest                         | (49)    |
| Present value of future capital lease obligation payments | \$2,599 |

## 10. EMPLOYEE BENEFIT PLANS

The Company has three frozen defined benefit pension plans covering certain employees or former employees of three U.S. subsidiaries. The Company also has pension plans covering certain employees of several foreign subsidiaries. The Company also sponsors four 401(k) retirement savings plans in the U.S. and a number of defined contribution plans at foreign subsidiaries. The Company contributed approximately \$1.1 million to the pension plans during the three months ended March 31, 2015 and expects to contribute approximately \$3.6 million to the pension plans during the remainder of 2015.

The components of net periodic pension cost consisted of the following (amounts in thousands):

|               |                    |       |
|---------------|--------------------|-------|
|               | Three months ended |       |
|               | March 31,          |       |
|               | 2015               | 2014  |
| Service cost  | \$172              | \$197 |
| Interest cost | 1,224              | 1,408 |

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|   |        |          |   |
|---|--------|----------|---|
| Expected return on assets                       | (1,519 | ) (1,517 | ) |
| Amortization of unrecognized prior service cost | 34     | 34       |   |
| Amortization of net unrecognized loss           | 729    | 758      |   |
| Net periodic pension cost                       | \$640  | \$880    |   |

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TITAN INTERNATIONAL, INC.  
Notes to Consolidated Condensed Financial Statements  
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## 11. 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, a leading producer of agricultural and industrial tires in Volgograd, Russia. 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 attributable to noncontrolling interests" in the consolidated condensed statements of operations and "Noncontrolling interests and redeemable noncontrolling interests" in the consolidated condensed balance sheets.

The following table summarizes the carrying amount of the entities' assets and liabilities included in the Company's consolidated condensed balance sheets at March 31, 2015 and December 31, 2014 (amounts in thousands):

|                                    | March 31,<br>2015 | December 31,<br>2014 |
|------------------------------------|-------------------|----------------------|
| Cash and cash equivalents          | \$1,100           | \$8,861              |
| Inventory                          | 9,064             | 9,645                |
| Other current assets               | 25,376            | 18,115               |
| Property, plant and equipment, net | 33,660            | 36,353               |
| Other noncurrent assets            | 7,513             | 8,016                |
| Total assets                       | 76,713            | 80,990               |
| Current liabilities                | 13,365            | 11,659               |
| Noncurrent liabilities             | 2,518             | 7,448                |
| Total liabilities                  | 15,883            | 19,107               |

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.

## 12. ROYALTY EXPENSE

The Company has a trademark license agreement with Goodyear to manufacture and sell certain tires in North America and Latin America under the Goodyear name. The North American and Latin American farm tire royalties were prepaid for seven years as part of the 2011 Goodyear Latin American farm tire acquisition. In May 2012, the Company and Goodyear entered into an agreement under which Titan will sell certain non-farm tire products directly to third party customers and pay a royalty to Goodyear. Royalty expenses recorded were \$3.2 million and \$3.7 million for the three months ended March 31, 2015 and 2014, respectively.





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

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

|   | Three months ended |           |
|---|--------------------|-----------|
|   | March 31,          |           |
|   | 2015               | 2014      |
| Currency exchange gain (loss)             | \$5,966            | \$(1,697) |
| Other income                              | 865                | 463       |
| Discount amortization on prepaid royalty  | 611                | 774       |
| Interest income                           | 608                | 352       |
| Building rental income                    | 240                | 206       |
| Wheels India Limited equity income (loss) | (7)                | ) 418     |
|   | \$8,283            | \$516     |

### 14. INCOME TAXES

The Company recorded income tax expense / (benefit) of \$1.4 million and \$(3.4) million for the quarters ended March 31, 2015 and March 31, 2014. The Company's effective income tax rate was 415% and 40% for the three months ended March 31, 2015 and 2014, respectively.

The Company's 2015 income tax expense and rate differs 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 certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses and foreign income taxed in the U.S. offset by net discrete benefits related to a U.S. check the box election and tax law enactments. In addition, the Company's high effective tax rate is driven by a modest or almost break even consolidated pre-tax accounting income for the period.

The Company's 2014 income tax benefit and rate differs 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 state income tax expense, unrecognized tax benefits, foreign earnings, and domestic production activities deduction.

### 15. EARNINGS PER SHARE

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

|   | Three months ended |               |
|---|--------------------|---------------|
|   | March 31,          |               |
|   | 2015               | 2014          |
|   | (As restated)      | (As restated) |
| Net income attributable to Titan                    | \$232              | \$2,163       |
| Redemption value adjustment                         | (2,930)            | ) (1,018)     |
| Net income (loss) applicable to common shareholders | \$(2,698)          | ) \$1,145     |
| Determination of Shares:                            |                    |               |
| Weighted average shares outstanding (basic)         | 53,663             | 53,470        |
| Effect of stock options/trusts                      | —                  | 304           |
| Weighted average shares outstanding (diluted)       | 53,663             | 53,774        |

Earnings per share:

|         |       |   |      |
|---------|-------|---|------|
| Basic   | (0.05 | ) | 0.02 |
| Diluted | (0.05 | ) | 0.02 |

The effect of convertible notes has been excluded for both of the three months ended March 31, 2015 and 2014, as the effect would have been antidilutive. The weighted average share amount excluded for convertible notes totaled 5.6 million shares and 5.8 million shares for the three months ended March 31, 2015 and 2014, respectively.

TITAN INTERNATIONAL, INC.  
Notes to Consolidated Condensed Financial Statements  
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## 16. 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 its liabilities pertaining to, legal judgments.

## 17. SEGMENT INFORMATION

The table below presents information about certain operating results of segments as reviewed by the chief executive officer of the Company for the three months ended March 31, 2015 and 2014 (amounts in thousands):

|                                   | Three months ended |           |
|-----------------------------------|--------------------|-----------|
|                                   | March 31,<br>2015  | 2014      |
| Revenues from external customers  |                    |           |
| Agricultural                      | \$213,001          | \$317,166 |
| Earthmoving/construction          | 142,484            | 152,940   |
| Consumer                          | 46,574             | 68,834    |
|                                   | \$402,059          | \$538,940 |
| Gross profit                      |                    |           |
| Agricultural                      | \$28,274           | \$47,265  |
| Earthmoving/construction          | 10,645             | 3,798     |
| Consumer                          | 4,148              | 4,082     |
| Unallocated corporate             | (273)              | (595)     |
|                                   | \$42,794           | \$54,550  |
| Income (loss) from operations     |                    |           |
| Agricultural                      | \$18,904           | \$30,541  |
| Earthmoving/construction          | (1,862)            | (11,094)  |
| Consumer                          | (244)              | (1,560)   |
| Unallocated corporate             | (15,989)           | (17,623)  |
| Income from operations            | 809                | 264       |
| Interest expense                  | (8,756)            | (9,259)   |
| Other income, net                 | 8,283              | 516       |
| Income (loss) before income taxes | \$336              | \$(8,479) |

Assets by segment were as follows (amounts in thousands):

|                          | March 31,<br>2015 | December 31,<br>2014 |
|--------------------------|-------------------|----------------------|
| Total assets             |                   |                      |
| Agricultural             | \$524,287         | \$508,741            |
| Earthmoving/construction | 564,017           | 591,553              |

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|                       |             |             |
|-----------------------|-------------|-------------|
| Consumer              | 147,619     | 175,475     |
| Unallocated corporate | 206,552     | 219,955     |
|                       | \$1,442,475 | \$1,495,724 |

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TITAN INTERNATIONAL, INC.  
Notes to Consolidated Condensed Financial Statements  
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## 18. 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 (amounts in thousands):

|  | March 31, 2015 |          |         |         | December 31, 2014 |         |         |         |
|--|----------------|----------|---------|---------|-------------------|---------|---------|---------|
|  | Total          | Level 1  | Level 2 | Level 3 | Total             | Level 1 | Level 2 | Level 3 |
| Contractual obligation investments         | \$10,087       | \$10,087 | \$—     | \$—     | \$9,840           | \$9,840 | \$—     | \$—     |
| Derivative financial instruments asset     | 5,583          | —        | 5,583   | —       | 1,068             | —       | 1,068   | —       |
| Preferred stock                            | 250            | —        | —       | 250     | 250               | —       | —       | 250     |
| Derivative financial instruments liability | (30 )          | —        | (30 )   | —       | (43 )             | —       | (43 )   | —       |
| Total                                      | \$15,890       | \$10,087 | \$5,553 | \$250   | \$11,115          | \$9,840 | \$1,025 | \$250   |

The following table presents the changes during the periods presented in Titan's Level 3 investments that are measured at fair value on a recurring basis (amounts in thousands):

|  |                          |
|--|--------------------------|
| Balance at December 31, 2014                   | Preferred stock<br>\$250 |
| Total realized and unrealized gains and losses | —                        |
| Balance as of March 31, 2015                   | \$250                    |

## 19. RELATED PARTY TRANSACTIONS

The Company sells products and pays commissions to companies controlled by persons related to the chief executive officer of the Company. The related party is Mr. Fred Taylor, Mr. Maurice Taylor's brother. The companies which Mr. Fred Taylor is associated with that do business with Titan include the following: Blackstone OTR, LLC; FBT Enterprises; Green Carbon, INC; and OTR Wheel Engineering. Sales of Titan products to these companies were approximately \$0.7 million and \$0.6 million for the first quarter of 2015 and 2014, respectively. Titan had trade receivables due from these companies of approximately \$0.4 million at March 31, 2015, and approximately \$0.2 million at December 31, 2014. On other sales referred to Titan from the above manufacturing representative companies, commissions were approximately \$0.6 million and \$0.7 million during the first quarter of 2015 and 2014, respectively. Titan had purchases from these companies of approximately \$0.7 million for the three months ended March 31 2014.

In July 2013, the Company entered into a Shareholders' Agreement between One Equity Partners (OEP) and the Russian Direct Investment Fund (RDIF) to acquire Voltyre-Prom, a leading producer of agricultural and industrial tires located in Volgograd, Russia. Mr. Richard M. Cashin, a director of the Company, is President of OEP which owns 26.1% of the joint venture. The Shareholder's agreement contains a settlement put option which may require the Company to purchase shares from OEP and RDIF at a value set by the agreement. See note 22 for additional information.

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The Company has a 34.2% equity stake in Wheels India Limited, a company incorporated in India and listed on the National Stock Exchange in India. The Company had trade payables due to Wheels India of approximately \$0.0 million and \$0.1 million at March 31, 2015, and December 31, 2014, respectively.

## 20. 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        |
|--|--|---|--------------|
| Balance at January 1, 2015   | \$(86,571 )                            | \$(26,059 )   | \$(112,630 ) |
| Currency translation adjustments   | (43,639 )                              | —   | (43,639 )    |
| Defined benefit pension plan entries:  |  |   |              |
| Amortization of unrecognized losses and prior<br>service cost, net of tax of \$(100) | —                                      | 9   | 9            |
| Balance at March 31, 2015  | \$(130,210 )                           | \$(26,050 )   | \$(156,260 ) |

## 21. SUBSIDIARY GUARANTOR FINANCIAL INFORMATION

The Company's 6.875% senior secured notes due 2020 and 5.625% convertible senior subordinated notes are guaranteed by the following 100% owned subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois. The note guarantees are full and unconditional, joint and several obligations of the guarantors. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. The following condensed consolidating financial statements are presented using the equity method of accounting. Certain sales & marketing expenses recorded by non-guarantor subsidiaries have not been allocated to the guarantor subsidiaries.



TITAN INTERNATIONAL, INC.  
Notes to Consolidated Condensed Financial Statements  
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| (Amounts in thousands)                       | Consolidating Condensed Statements of Operations<br>For the Three Months Ended March 31, 2015 |                           |                               |              |              |
|--|---|---------------------------|-------------------------------|--------------|--------------|
|  | Titan<br>Intl., Inc.<br>(Parent)  | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Net sales                                    | \$—   | \$193,973                 | \$208,086                     | \$—          | \$402,059    |
| Cost of sales                                | 231   | 167,951                   | 191,083                       | —            | 359,265      |
| Gross profit (loss)                          | (231)   | ) 26,022                  | 17,003                        | —            | 42,794       |
| Selling, general and administrative expenses | 2,634   | 15,379                    | 17,661                        | —            | 35,674       |
| Research and development expenses            | —   | 1,000                     | 2,086                         | —            | 3,086        |
| Royalty expense                              | —   | 1,924                     | 1,301                         | —            | 3,225        |
| Income (loss) from operations                | (2,865)   | ) 7,719                   | (4,045)                       | ) —          | 809          |
| Interest expense                             | (8,115)   | ) —                       | (641)                         | ) —          | (8,756)      |
| Intercompany interest income (expense)       | 142   | —                         | (142)                         | ) —          | —            |
| Other income (expense)                       | 5,397   | (379)                     | ) 3,265                       | —            | 8,283        |
| Income (loss) before income taxes            | (5,441)   | ) 7,340                   | (1,563)                       | ) —          | 336          |
| Provision (benefit) for income taxes         | 2,389   | 2,693                     | (3,686)                       | ) —          | 1,396        |
| Equity in earnings of subsidiaries           | 6,770   | —                         | (163)                         | ) (6,607)    | ) —          |
| Net income (loss)                            | (1,060)   | ) 4,647                   | 1,960                         | ) (6,607)    | ) (1,060)    |
| Net loss noncontrolling interests            | —   | —                         | (1,292)                       | ) —          | (1,292)      |
| Net income (loss) attributable to Titan      | \$ (1,060)  | ) \$4,647                 | \$3,252                       | ) \$(6,607)  | ) \$232      |

| (Amounts in thousands)                       | Consolidating Condensed Statements of Operations<br>For the Three Months Ended March 31, 2014 |                           |                               |              |              |
|--|---|---------------------------|-------------------------------|--------------|--------------|
|  | Titan<br>Intl., Inc.<br>(Parent)  | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Net sales                                    | \$—   | \$263,958                 | \$274,982                     | \$—          | \$538,940    |
| Cost of sales                                | 210   | 228,239                   | 255,941                       | —            | 484,390      |
| Gross profit (loss)                          | (210)   | ) 35,719                  | 19,041                        | —            | 54,550       |
| Selling, general and administrative expenses | 1,644   | 18,990                    | 26,201                        | —            | 46,835       |
| Research and development expenses            | —   | 2,153                     | 1,557                         | —            | 3,710        |
| Royalty expense                              | —   | 1,848                     | 1,893                         | —            | 3,741        |
| Income (loss) from operations                | (1,854)   | ) 12,728                  | (10,610)                      | ) —          | 264          |
| Interest expense                             | (8,262)   | ) —                       | (997)                         | ) —          | (9,259)      |
| Intercompany interest income (expense)       | 1,684   | —                         | (1,684)                       | ) —          | —            |
| Other income (expense)                       | 342   | (55)                      | ) 229                         | —            | 516          |
| Income (loss) before income taxes            | (8,090)   | ) 12,673                  | (13,062)                      | ) —          | (8,479)      |
| Provision (benefit) for income taxes         | (6,040)   | ) 4,810                   | (2,121)                       | ) —          | (3,351)      |
| Equity in earnings of subsidiaries           | (3,078)   | ) —                       | (877)                         | ) 3,955      | —            |
| Net income (loss)                            | (5,128)   | ) 7,863                   | (11,818)                      | ) 3,955      | (5,128)      |
| Net loss noncontrolling interests            | —   | —                         | (7,291)                       | ) —          | (7,291)      |

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Net income (loss) attributable to Titan    \$(5,128    ) \$7,863            \$(4,527    ) \$3,955            \$2,163

## TITAN INTERNATIONAL, INC.

Notes to Consolidated Condensed Financial Statements  
(Unaudited)

| (Amounts in thousands)  | Consolidating Condensed Statements of Comprehensive Income (Loss)<br>For the Three Months Ended March 31, 2015 |                           |                               |              |              |
|---|--|---------------------------|-------------------------------|--------------|--------------|
|   | Titan<br>Intl., Inc.<br>(Parent)   | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Net income (loss)   | \$ (1,060 )  | \$ 4,647                  | \$ 1,960                      | \$ (6,607 )  | \$ (1,060 )  |
| Currency translation adjustment, net  | (45,386 )  | —                         | (45,386 )                     | 45,386       | (45,386 )    |
| Pension liability adjustments, net of tax   | 9  | 427                       | (418 )                        | (9 )         | 9            |
| Comprehensive income (loss)   | (46,437 )  | 5,074                     | (43,844 )                     | 38,770       | (46,437 )    |
| Net comprehensive loss attributable to<br>redeemable and noncontrolling interests | —  | —                         | (3,013 )                      | —            | (3,013 )     |
| Comprehensive income (loss)<br>attributable to Titan                              | \$ (46,437 )   | \$ 5,074                  | \$ (40,831 )                  | \$ 38,770    | \$ (43,424 ) |

| (Amounts in thousands)  | Consolidating Condensed Statements of Comprehensive Income (Loss)<br>For the Three Months Ended March 31, 2014 |                           |                               |              |              |
|---|--|---------------------------|-------------------------------|--------------|--------------|
|   | Titan<br>Intl., Inc.<br>(Parent)   | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Net income (loss)   | \$ (5,128 )  | \$ 7,863                  | \$ (11,818 )                  | \$ 3,955     | \$ (5,128 )  |
| Currency translation adjustment, net  | 388  | —                         | 388                           | (388 )       | 388          |
| Pension liability adjustments, net of tax   | 717  | 450                       | 267                           | (717 )       | 717          |
| Comprehensive income (loss)   | (4,023 )   | 8,313                     | (11,163 )                     | 2,850        | (4,023 )     |
| Net comprehensive loss attributable to<br>redeemable and noncontrolling interests | —  | —                         | (12,183 )                     | —            | (12,183 )    |
| Comprehensive income (loss)<br>attributable to Titan                              | \$ (4,023 )  | \$ 8,313                  | \$ 1,020                      | \$ 2,850     | \$ 8,160     |

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

| (Amounts in thousands)                      | Consolidating Condensed Balance Sheets<br>March 31, 2015 |                           |  |              |                               |
|---|--|---------------------------|--|--------------|-------------------------------|
|   | Titan<br>Intl., Inc.<br>(Parent)<br>(As restated)        | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(As restated) | Eliminations | Consolidated<br>(As restated) |
| <b>Assets</b>                               |  |                           |  |              |                               |
| Cash and cash equivalents                   | \$138,935  | \$45                      | \$ 51,571                                      | \$—          | \$190,551                     |
| Accounts receivable, net                    | —  | 87,364                    | 152,104  | —            | 239,468                       |
| Inventories                                 | —  | 102,542                   | 204,776  | —            | 307,318                       |
| Prepaid and other current assets            | 22,889   | 18,082                    | 55,296   | —            | 96,267                        |
| Total current assets                        | 161,824  | 208,033                   | 463,747  | —            | 833,604                       |
| Property, plant and equipment, net          | 7,403  | 153,916                   | 321,274  | —            | 482,593                       |
| Investment in subsidiaries                  | 705,156  | —                         | 110,226  | (815,382 )   | —                             |
| Other assets                                | 50,522   | 1,227                     | 74,529   | —            | 126,278                       |
| Total assets                                | \$924,905  | \$363,176                 | \$ 969,776                                     | \$(815,382 ) | \$1,442,475                   |
| <b>Liabilities and Stockholders' Equity</b> |  |                           |  |              |                               |
| Short-term debt                             | \$—  | \$—                       | \$ 29,753                                      | \$—          | \$29,753                      |
| Accounts payable                            | 1,381  | 18,674                    | 132,868  | —            | 152,923                       |
| Other current liabilities                   | 35,622   | 45,250                    | 53,537   | —            | 134,409                       |
| Total current liabilities                   | 37,003   | 63,924                    | 216,158  | —            | 317,085                       |
| Long-term debt                              | 460,161  | —                         | 33,607   | —            | 493,768                       |
| Other long-term liabilities                 | 11,765   | 19,892                    | 56,580   | —            | 88,237                        |
| Intercompany accounts                       | (48,997 )  | (226,046 )                | 275,043  | —            | —                             |
| Redeemable noncontrolling interest          | —  | —                         | 72,630   | —            | 72,630                        |
| Titan stockholders' equity                  | 464,973  | 505,406                   | 309,976  | (815,382 )   | 464,973                       |
| Noncontrolling interests                    | —  | —                         | 5,782  | —            | 5,782                         |
| Total liabilities and stockholders' equity  | \$924,905  | \$363,176                 | \$ 969,776                                     | \$(815,382 ) | \$1,442,475                   |

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

| (Amounts in thousands)                      | Consolidating Condensed Balance Sheets<br>December 31, 2014 |                           |  |               |                               |
|---|---|---------------------------|--|---------------|-------------------------------|
|   | Titan<br>Intl., Inc.<br>(Parent)<br>(As restated)           | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(As restated) | Eliminations  | Consolidated<br>(As restated) |
| <b>Assets</b>                               |   |                           |  |               |                               |
| Cash and cash equivalents                   | \$ 129,985  | \$ 4                      | \$ 71,462                                      | \$—           | \$ 201,451                    |
| Accounts receivable, net                    | (55 )   | 63,645                    | 135,788  | —             | 199,378                       |
| Inventories                                 | —   | 103,230                   | 228,202  | —             | 331,432                       |
| Prepaid and other current assets            | 26,803  | 21,105                    | 55,761   | —             | 103,669                       |
| Total current assets                        | 156,733   | 187,984                   | 491,213  | —             | 835,930                       |
| Property, plant and equipment, net          | 7,590   | 160,318                   | 359,506  | —             | 527,414                       |
| Investment in subsidiaries                  | 745,084   | —                         | 109,768  | (854,852 )    | —                             |
| Other assets                                | 51,381  | 827                       | 80,172   | —             | 132,380                       |
| Total assets                                | \$ 960,788  | \$ 349,129                | \$ 1,040,659                                   | \$ (854,852 ) | \$ 1,495,724                  |
| <b>Liabilities and Stockholders' Equity</b> |   |                           |  |               |                               |
| Short-term debt                             | \$—   | \$—                       | \$ 26,233                                      | \$—           | \$ 26,233                     |
| Accounts payable                            | 1,795   | 10,876                    | 133,634  | —             | 146,305                       |
| Other current liabilities                   | 28,519  | 45,291                    | 55,208   | —             | 129,018                       |
| Total current liabilities                   | 30,314  | 56,167                    | 215,075  | —             | 301,556                       |
| Long-term debt                              | 460,161   | —                         | 36,342   | —             | 496,503                       |
| Other long-term liabilities                 | 15,244  | 20,867                    | 71,496   | —             | 107,607                       |
| Intercompany accounts                       | (56,426 )   | (228,307 )                | 284,733  | —             | —                             |
| Redeemable noncontrolling interest          | —   | —                         | 71,192   | —             | 71,192                        |
| Titan stockholders' equity                  | 511,495   | 500,402                   | 354,450  | (854,852 )    | 511,495                       |
| Noncontrolling interests                    | —   | —                         | 7,371  | —             | 7,371                         |
| Total liabilities and stockholders' equity  | \$ 960,788  | \$ 349,129                | \$ 1,040,659                                   | \$ (854,852 ) | \$ 1,495,724                  |

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

| (Amounts in thousands)                               | Consolidating Condensed Statements of Cash Flows<br>For the Three Months Ended March 31, 2015 |                           |                               |              |
|--|---|---------------------------|-------------------------------|--------------|
|  | Titan<br>Intl., Inc.<br>(Parent)  | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidated |
| Net cash provided by (used for) operating activities | \$9,788   | \$1,481                   | \$(18,236)                    | \$(6,967)    |
| Cash flows from investing activities:                |   |                           |                               |              |
| Capital expenditures                                 | (181)   | (1,456)                   | (9,782)                       | (11,419)     |
| Other, net   | —   | 16                        | 2,318                         | 2,334        |
| Net cash used for investing activities               | (181)   | (1,440)                   | (7,464)                       | (9,085)      |
| Cash flows from financing activities:                |   |                           |                               |              |
| Proceeds from borrowings                             | —   | —                         | 11,102                        | 11,102       |
| Payment on debt                                      | —   | —                         | (1,456)                       | (1,456)      |
| Excess tax benefit from stock-based compensation     | (388)   | —                         | —                             | (388)        |
| Dividends paid                                       | (269)   | —                         | —                             | (269)        |
| Net cash provided by (used for) financing activities | (657)   | —                         | 9,646                         | 8,989        |
| Effect of exchange rate change on cash               | —   | —                         | (3,837)                       | (3,837)      |
| Net increase (decrease) in cash and cash equivalents | 8,950   | 41                        | (19,891)                      | (10,900)     |
| Cash and cash equivalents, beginning of period       | 129,985   | 4                         | 71,462                        | 201,451      |
| Cash and cash equivalents, end of period             | \$138,935   | \$45                      | \$51,571                      | \$190,551    |

| (Amounts in thousands)                               | Consolidating Condensed Statements of Cash Flows<br>For the Three Months Ended March 31, 2014 |                           |                               |              |
|--|---|---------------------------|-------------------------------|--------------|
|  | Titan<br>Intl., Inc.<br>(Parent)  | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidated |
| Net cash provided by operating activities            | \$9,782   | \$737                     | \$7,472                       | \$17,991     |
| Cash flows from investing activities:                |   |                           |                               |              |
| Capital expenditures                                 | (120)   | (3,486)                   | (13,148)                      | (16,754)     |
| Acquisition of additional interest                   | (25)  | —                         | (12,651)                      | (12,676)     |
| Decrease in restricted cash deposits                 | —   | —                         | 14,188                        | 14,188       |
| Other, net   | —   | 2,754                     | 524                           | 3,278        |
| Net cash used for investing activities               | (145)   | (732)                     | (11,087)                      | (11,964)     |
| Cash flows from financing activities:                |   |                           |                               |              |
| Proceeds from borrowings                             | —   | —                         | 6,945                         | 6,945        |
| Payment on debt                                      | —   | —                         | (4,248)                       | (4,248)      |
| Proceeds from exercise of stock options              | 20  | —                         | —                             | 20           |
| Excess tax benefit from stock-based compensation     | (2)   | —                         | —                             | (2)          |
| Payment of financing fees                            | (33)  | —                         | —                             | (33)         |
| Dividends paid                                       | (268)   | —                         | —                             | (268)        |
| Net cash provided by (used for) financing activities | (283)   | —                         | 2,697                         | 2,414        |
| Effect of exchange rate change on cash               | —   | —                         | 2,293                         | 2,293        |
| Net increase in cash and cash equivalents            | 9,354   | 5                         | 1,375                         | 10,734       |
| Cash and cash equivalents, beginning of period       | 81,472  | 4                         | 107,884                       | 189,360      |
| Cash and cash equivalents, end of period             | \$90,826  | \$9                       | \$109,259                     | \$200,094    |



## TITAN INTERNATIONAL, INC.

Notes to Consolidated Condensed Financial Statements  
(Unaudited)

## 22. REDEEMABLE NONCONTROLLING INTEREST

The Company has a shareholders' agreement with One Equity Partners (OEP) and the Russian Direct Investment Fund (RDIF) which was used for the acquisition of Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia. The agreement contains a settlement put option which is exercisable beginning in July of 2018 and may require Titan to purchase the shares of OEP and RDIF at a value set by the agreement.

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 Consolidated Balance Sheet at the redemption value of the settlement put option. If the redemption value is greater than carrying value of the noncontrolling interest, the increase is adjusted directly to retained earnings, 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, 2015 and 2014 (amounts in thousands):

|  | 2015     | 2014      |
|--|----------|-----------|
| Balance at January 1   | \$71,192 | \$89,155  |
| Purchase of subsidiary shares                                    | —        | (11,557 ) |
| Income (loss) attributable to redeemable noncontrolling interest | 149      | (7,079 )  |
| Currency translation   | (1,641 ) | (4,470 )  |
| Redemption value adjustment                                      | 2,930    | 1,018     |
| Balance at March 31  | \$72,630 | \$67,067  |

This obligation approximates the cost if all remaining shares were purchased by the Company on March 31, 2015, and is presented in the Consolidated Condensed Balance Sheet in redeemable noncontrolling interest, which is treated as mezzanine equity.

## 23. RESTATEMENT

In November 2015, the Company identified errors in the accounting for the shareholders' agreement and related redeemable noncontrolling interest in the Company's investment in Voltyre-Prom. The Company did not correctly classify redeemable noncontrolling interest on the balance sheet as mezzanine equity, which is presented below liabilities and above equity. As the redeemable noncontrolling interest balance exceeds the carrying value of the investment, there is a reclassification of additional paid-in capital to mezzanine equity and a correction in the earnings per share calculation. Accordingly, the Company is restating its earnings per share for the three months ended March 31, 2015 and 2014, and its consolidated balance sheet as of March 31, 2015, and December 31, 2014. The corrections had no other effect on the Consolidated Statement of Operations.

The following table (unaudited) summarizes the restatement adjustments of the Company's earnings per share for the three months ended March 31, 2015 and 2014:

|  | Three months ended |                   |
|--|--------------------|-------------------|
|  | March 31,<br>2015  | March 31,<br>2014 |
| Basic income (loss) per common share - as reported | \$—                | 0.04              |
| Basic income (loss) per common share - as restated | \$(0.05            | ) \$0.02          |
| Adjustment   | \$(0.05            | ) \$(0.02 )       |



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|  |         |           |   |
|--|---------|-----------|---|
| Diluted income (loss) per common share - as reported | \$—     | 0.04      |   |
| Diluted income (loss) per common share - as restated | \$(0.05 | ) \$0.02  |   |
| Adjustment   | \$(0.05 | ) \$(0.02 | ) |

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

The following table summarizes the restatement adjustments on the Company's Consolidated Condensed Balance Sheet (unaudited) as of March 31, 2015 (amounts in thousands):

|   | Consolidated Balance Sheet<br>March 31, 2015 |            |             |
|---|--|------------|-------------|
|   | As reported                                  | Adjustment | As restated |
| <b>Assets</b>                             |  |            |             |
| <b>Current Assets</b>                     |  |            |             |
| Cash and cash equivalents                 | 190,551                                      | —          | 190,551     |
| Accounts receivable                       | 239,468                                      | —          | 239,468     |
| Inventories                               | 307,318                                      | —          | 307,318     |
| Deferred income taxes                     | 22,175                                       | —          | 22,175      |
| Prepaid and other current assets          | 74,092                                       | —          | 74,092      |
| Total current assets                      | 833,604                                      | —          | 833,604     |
| Property, plant and equipment, net        | 482,593                                      | —          | 482,593     |
| Deferred income taxes                     | 14,497                                       | —          | 14,497      |
| Other assets                              | 111,781                                      | —          | 111,781     |
| Total assets                              | \$1,442,475                                  | \$—        | \$1,442,475 |
| <b>Liabilities</b>                        |  |            |             |
| <b>Current Liabilities</b>                |  |            |             |
| Short-term debt                           | \$29,753                                     | \$—        | \$29,753    |
| Accounts payable                          | 152,923                                      | —          | 152,923     |
| Other current liabilities                 | 134,409                                      | —          | 134,409     |
| Total current liabilities                 | 317,085                                      | —          | 317,085     |
| Long-term debt                            | 493,768                                      | —          | 493,768     |
| Deferred income taxes                     | 5,148  | —          | 5,148       |
| Other long-term liabilities               | 83,089                                       | —          | 83,089      |
| Total liabilities                         | 899,090                                      | —          | 899,090     |
| Redeemable noncontrolling interest        | —  | 72,630     | 72,630      |
| <b>Equity</b>                             |  |            |             |
| <b>Titan stockholders' equity</b>         |  |            |             |
| Common stock                              | —  | —          | —           |
| Additional paid-in capital                | 562,317                                      | (52,207)   | ) 510,110   |
| Retained earnings                         | 125,970                                      | —          | 125,970     |
| Treasury stock                            | (13,772)                                     | ) —        | (13,772)    |
| Treasury stock reserved for deferred comp | (1,075)                                      | ) —        | (1,075)     |
| Accumulated other comprehensive loss      | (156,260)                                    | ) —        | (156,260)   |
| Total Titan stockholders' equity          | 517,180                                      | (52,207)   | ) 464,973   |
| Noncontrolling interests                  | 26,205                                       | (20,423)   | ) 5,782     |
| Total equity                              | 543,385                                      | (72,630)   | ) 470,755   |
| Total liabilities and equity              | \$1,442,475                                  | \$—        | \$1,442,475 |

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

The following table summarizes the restatement adjustments on the Company's Consolidated Balance Sheet as of December 31, 2014 (amounts in thousands):

|   | Consolidated Balance Sheet |            |             |
|---|----------------------------|------------|-------------|
|   | December 31, 2014          |            |             |
|   | As reported                | Adjustment | As restated |
| <b>Assets</b>                             |                            |            |             |
| <b>Current Assets</b>                     |                            |            |             |
| Cash and cash equivalents                 | \$201,451                  | \$—        | \$201,451   |
| Accounts receivable                       | 199,378                    | —          | 199,378     |
| Inventories                               | 331,432                    | —          | 331,432     |
| Deferred income taxes                     | 23,435                     | —          | 23,435      |
| Prepaid and other current assets          | 80,234                     | —          | 80,234      |
| Total current assets                      | 835,930                    | —          | 835,930     |
| Property, plant and equipment, net        | 527,414                    | —          | 527,414     |
| Deferred income taxes                     | 15,623                     | —          | 15,623      |
| Other assets                              | 116,757                    | —          | 116,757     |
| Total assets                              | \$1,495,724                | \$—        | \$1,495,724 |
| <b>Liabilities</b>                        |                            |            |             |
| <b>Current Liabilities</b>                |                            |            |             |
| Short-term debt                           | \$26,233                   | \$—        | \$26,233    |
| Accounts payable                          | 146,305                    | —          | 146,305     |
| Other current liabilities                 | 129,018                    | —          | 129,018     |
| Total current liabilities                 | 301,556                    | —          | 301,556     |
| Long-term debt                            | 496,503                    | —          | 496,503     |
| Deferred income taxes                     | 18,582                     | —          | 18,582      |
| Other long-term liabilities               | 89,025                     | —          | 89,025      |
| Total liabilities                         | 905,666                    | —          | 905,666     |
| Redeemable noncontrolling interest        | —                          | 71,192     | 71,192      |
| <b>Equity</b>                             |                            |            |             |
| <b>Titan stockholders' equity</b>         |                            |            |             |
| Common stock                              | —                          | —          | —           |
| Additional paid-in capital                | 562,367                    | (49,277)   | ) 513,090   |
| Retained earnings                         | 126,007                    | —          | 126,007     |
| Treasury stock                            | (13,897)                   | ) —        | (13,897)    |
| Treasury stock reserved for deferred comp | (1,075)                    | ) —        | (1,075)     |
| Accumulated other comprehensive loss      | (112,630)                  | ) —        | (112,630)   |
| Total Titan stockholders' equity          | 560,772                    | (49,277)   | ) 511,495   |
| Noncontrolling interests                  | 29,286                     | (21,915)   | ) 7,371     |
| Total equity                              | 590,058                    | (71,192)   | ) 518,866   |
| Total liabilities and equity              | \$1,495,724                | \$—        | \$1,495,724 |



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 these financial statements 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 MD&A in Titan's 2014 annual report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2015.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements, including statements regarding, among other items:

- Anticipated trends in the Company's business
- Future expenditures for capital projects
- The Company's ability to continue to control costs and maintain quality
- 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
- 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 expectations and are subject to a number of risks and uncertainties (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 as a result of world economic or regulatory influences
- 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
- Availability and price of raw materials
- Levels of operating efficiencies
- Unfavorable product liability and warranty claims
- Actions of domestic and foreign governments
- Geopolitical and economic uncertainties relating to Russia could have a negative impact on the Company's sales and results of operations at the Voltyre-Prom business
- Results of investments
- Fluctuations in currency translations
- Climate change and related laws and regulations
- Risks associated with environmental laws and regulations

Any changes in such factors could lead to significantly different results. The Company cannot provide any assurance that the assumptions referred to in the forward-looking statements or otherwise are accurate or will prove to transpire. 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. 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 contained in this document will in fact transpire.

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## TITAN INTERNATIONAL, INC.

Management's Discussion and Analysis of  
Financial Condition and Results of Operations

## OVERVIEW

Titan International, Inc. and its subsidiaries are leading manufacturers of wheels, tires, wheel and tire assemblies, and undercarriage systems and components for off-highway vehicles used in the agricultural, earthmoving/construction and consumer segments. Titan manufactures both wheels and tires for the majority of these market applications, allowing the Company to provide the value-added service of delivering complete wheel and tire assemblies. The Company offers a broad range of products that are manufactured in relatively short production runs to meet the specifications of original equipment manufacturers (OEMs) and/or the requirements of aftermarket customers.

**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, provides wheels and tires and assembles brakes, actuators and components for the domestic boat, recreational and utility trailer markets. 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, and Kubota Corporation, 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.

The table provides highlights for the quarter ended March 31, 2015, compared to 2014 (amounts in thousands):

|                        | 2015      | 2014      | % Increase<br>(Decrease) |     |
|------------------------|-----------|-----------|--------------------------|-----|
| Net sales              | \$402,059 | \$538,940 | (25                      | )%  |
| Gross profit           | 42,794    | 54,550    | (22                      | )%  |
| Income from operations | 809       | 264       | 206                      | %   |
| Net loss               | (1,060    | ) (5,128  | )                        | n/a |

The Company recorded sales of \$402.1 million for the first quarter of 2015, which were 25% lower than the first quarter 2014 sales of \$538.9 million. Overall sales experienced reductions in volume of 10% and price/mix of 6% as the agricultural market remains in a cyclical downturn. Reduced farm incomes result in lower demand for new equipment, primarily high horsepower agricultural equipment. These decreases were partially offset by increased demand for products used in the construction industry. In addition, competitive pressures and lower raw material prices, particularly in tire manufacturing, negatively impacted sales. Unfavorable currency translation decreased sales by 9%.





## TITAN INTERNATIONAL, INC.

### Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company's gross profit was \$42.8 million, or 10.6% of net sales, for the first quarter of 2015, compared to \$54.6 million, or 10.1% of net sales, in 2014. Income from operations was \$0.8 million for the first quarter of 2015, compared to \$0.3 million in 2014. Net loss was \$1.1 million for the first quarter of 2015, compared to \$5.1 million in 2014. Basic earnings per share (as restated) was \$(.05) in the first quarter of 2015, compared to \$.02 in 2014. Decreased demand for high horsepower agricultural equipment, driven by a cyclical downturn, negatively impacted gross profit. Generally, there are higher margins associated with this product category. The lower market demand also drove competitive pressures that further deteriorated both sales and gross margin in the agricultural segment. Lost fixed cost leverage and reduced productivity in the manufacturing facilities are also consequences of lower sales and production volumes. In the earthmoving/construction segment, sales were lower in the first quarter of 2015, compared to 2014. However, gross margin and income from operations were substantially improved. This was driven by increased productivity and reduced costs.

### CRITICAL ACCOUNTING ESTIMATES

Preparation of the financial statements and related disclosures in compliance with accounting principles generally accepted in the United States of America requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates. The Company's application of these policies involves assumptions that require difficult subjective judgments regarding many factors, which, in and of themselves, could materially impact the financial statements and disclosures. A future change in the estimates, assumptions or judgments applied in determining the following matters, among others, could have a material impact on future financial statements and disclosures.

#### Asset and Business Acquisitions

The allocation of purchase price for asset and business acquisitions requires management estimates and judgment as to expectations for future cash flows of the acquired assets and business and the allocation of those cash flows to identifiable intangible assets in determining the estimated fair value for purchase price allocations. If the actual results differ from the estimates and judgments used in determining the purchase price allocations, impairment losses could occur. To aid in establishing the value of any intangible assets at the time of acquisition, the Company typically engages a professional appraisal firm.

#### Inventories

Inventories are valued at lower of cost or market. At March 31, 2015, approximately 10% of the Company's inventories were valued under the last-in, first-out (LIFO) method. The majority of steel material inventory in North America is accounted for under the LIFO method. The remaining inventories were valued under the first-in, first-out (FIFO) method or average cost method. Market value is estimated based on current selling prices. Estimated provisions are established for slow-moving and obsolete inventory.

#### Impairment of Goodwill

The Company reviews goodwill for impairment during the fourth quarter of each annual reporting period, and whenever events and circumstances indicate that the carrying values may not be recoverable. In the fourth quarter of 2014, the recoverability of all goodwill was evaluated by estimating future discounted cash flows. The Company recorded a noncash charge for the impairment of goodwill in the amount of \$36.6 million on both a pre-tax and after-tax basis. The charge included \$11.4 million of earthmoving/construction goodwill related to the acquisition of Titan Australia; \$9.6 million of agricultural goodwill related to the acquisition of the Latin America farm tire business; and \$15.6 million of goodwill related to the acquisition of Voltyre-Prom. The Voltyre-Prom goodwill

included \$11.0 million in the agricultural segment, \$2.6 million in the earthmoving/construction segment, and \$2.0 million in the consumer segment.

#### Income Taxes

Deferred income tax provisions are determined using the liability method whereby deferred tax assets and liabilities are recognized based upon temporary differences between the financial statement and income tax basis of assets and liabilities. The Company assesses the realizability of its deferred tax asset positions and recognizes and measures uncertain tax positions in accordance with accounting standards for income taxes.

## TITAN INTERNATIONAL, INC.

Management's Discussion and Analysis of  
Financial Condition and Results of Operations

## Retirement Benefit Obligations

Pension benefit obligations are based on various assumptions used by third-party actuaries in calculating these amounts. These assumptions include discount rates, expected return on plan assets, mortality rates and other factors. Revisions in assumptions and actual results that differ from the assumptions affect future expenses, cash funding requirements and obligations. The Company has three frozen defined benefit pension plans in the United States and pension plans in several foreign countries. During the first three months of 2015, the Company contributed cash funds of \$1.1 million to its pension plans. Titan expects to contribute approximately \$3.6 million to these pension plans during the remainder of 2015. For more information concerning these costs and obligations, see the discussion of the "Pensions" and Note 29 to the Company's financial statements on Form 10-K for the fiscal year ended December 31, 2014.

## Product Warranties

The Company provides limited warranties on workmanship of its products in all market segments. The majority of the Company's products have a limited warranty that ranges from zero to ten years, with certain products being prorated after the first year. The Company calculates a provision for warranty expense based on past warranty experience. Actual warranty expense may differ from historical experience. The Company's warranty accrual was \$26.8 million at March 31, 2015, and \$28.1 million at December 31, 2014.

## RESULTS OF OPERATIONS

Highlights for the three months ended March 31, 2015, compared to 2014 (amounts in thousands):

|                         | Three months ended |           |   |
|-------------------------|--------------------|-----------|---|
|                         | March 31,          |           |   |
|                         | 2015               | 2014      |   |
| Net sales               | \$402,059          | \$538,940 |   |
| Cost of sales           | 359,265            | 484,390   |   |
| Gross profit            | 42,794             | 54,550    |   |
| Gross profit percentage | 10.6               | % 10.1    | % |

## Net Sales

Net sales for the quarter ended March 31, 2015, were \$402.1 million compared to \$538.9 million in 2014, a decrease of 25%. Overall sales experienced reductions in volume of 10% and price/mix of 6% as the agricultural market remains in a cyclical downturn. Reduced farm incomes result in lower demand for new equipment, primarily high horsepower agricultural equipment. These decreases were partially offset by increased demand for products used in the construction industry. In addition, competitive pressures and lower raw material prices, particularly in tire manufacturing, negatively impacted sales. Unfavorable currency translation decreased sales by 9%.

## Cost of Sales, and Gross Profit

Cost of sales was \$359.3 million for the quarter ended March 31, 2015, compared to \$484.4 million in 2014. Gross profit for the first quarter of 2015 was \$42.8 million, or 10.6% of net sales, compared to \$54.6 million, or 10.1% of net sales for the first quarter of 2014. Decreased demand for high horsepower agricultural equipment, driven by a cyclical downturn, negatively impacted gross profit. Generally, there are higher margins associated with this product category. The lower market demand also drove competitive pressures that further deteriorated both sales and gross

margin in the agricultural segment. Lost fixed cost leverage and reduced productivity in the manufacturing facilities are also consequences of lower sales and production volumes. In the earthmoving/construction segment, sales were lower in the first quarter of 2015, compared to 2014. However, gross margin and income from operations were substantially improved. This was driven by increased productivity and reduced costs.

## TITAN INTERNATIONAL, INC.

Management's Discussion and Analysis of  
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## Selling, General and Administrative Expenses

Selling, general and administrative expenses were as follows (amounts in thousands):

|                                     | Three months ended<br>March 31, |          |   |
|-------------------------------------|---------------------------------|----------|---|
|                                     | 2015                            | 2014     |   |
| Selling, general and administrative | \$35,674                        | \$46,835 |   |
| Percentage of net sales             | 8.9                             | % 8.7    | % |

Selling, general and administrative (SG&A) expenses for the first quarter of 2015 were \$35.7 million, or 8.9% of net sales, compared to \$46.8 million, or 8.7% of net sales, for 2014. SG&A as a percentage of sales was consistent for the first quarter of 2015, when compared to 2014. Selling expense decreased approximately \$4 million, or 26%, from the first quarter of 2014. This percentage decrease is comparable to the overall sales decrease of 25%. Currency translation, reduced labor costs, and lower information technology expenses also contributed to the lower SG&A expenses.

## Research and Development Expenses

Research and development expenses were as follows (amounts in thousands):

|                          | Three months ended<br>March 31, |         |   |
|--------------------------|---------------------------------|---------|---|
|                          | 2015                            | 2014    |   |
| Research and development | \$3,086                         | \$3,710 |   |
| Percentage of net sales  | 0.8                             | % 0.7   | % |

Research and development (R&D) expenses for the first quarter of 2015 were \$3.1 million, or 0.8% of net sales, compared to \$3.7 million, or 0.7% of net sales, for 2014.

## Royalty Expense

Royalty expense was as follows (amounts in thousands):

|                 | Three months ended<br>March 31, |         |
|-----------------|---------------------------------|---------|
|                 | 2015                            | 2014    |
| Royalty expense | \$3,225                         | \$3,741 |

The Company has a trademark license agreement with The Goodyear Tire & Rubber Company to manufacture and sell certain tires in North America and Latin America under the Goodyear name. 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. In May 2012, the Company and Goodyear entered into an agreement under which Titan will sell certain non-farm tire products directly to third party customers and pay a royalty to Goodyear.

Royalty expenses were \$3.2 million and \$3.7 million for the quarters ended March 31, 2015 and 2014, respectively.

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Income from Operations

Income from operations was as follows (amounts in thousands):

|                         | Three months ended<br>March 31, |       |   |
|-------------------------|---------------------------------|-------|---|
|                         | 2015                            | 2014  |   |
| Income from operations  | \$809                           | \$264 |   |
| Percentage of net sales | 0.2                             | % —   | % |

Income from operations for the first quarter of 2015, was \$0.8 million, or 0.2% of net sales, compared to \$0.3 million, or 0.0% of net sales, in 2014. This increase was the net result of the items previously discussed.

Interest Expense

Interest expense was as follows (amounts in thousands):

|                  | Three months ended<br>March 31, |         |
|------------------|---------------------------------|---------|
|                  | 2015                            | 2014    |
| Interest expense | \$8,756                         | \$9,259 |

Interest expense was \$8.8 million and \$9.3 million for the quarters ended March 31, 2015, and 2014, respectively. Interest expense for the first quarter of 2015 decreased primarily as a result of decreased interest expense at Titan Europe.

Other Income

Other income was as follows (amounts in thousands):

|              | Three months ended<br>March 31, |       |
|--------------|---------------------------------|-------|
|              | 2015                            | 2014  |
| Other income | \$8,283                         | \$516 |

Other income was \$8.3 million for the quarter ended March 31, 2015, as compared to \$0.5 million in 2014. For the quarter ended March 31, 2015, the Company recorded currency exchange gain of \$6.0 million, discount amortization on prepaid royalty of \$0.6 million, and interest income of \$0.6 million. For the quarter ended March 31, 2014, the Company recorded discount amortization on prepaid royalty of \$0.8 million, Wheels India Limited equity income of \$0.4 million, and interest income of \$0.4 million, offset by currency exchange loss of \$1.7 million.

Foreign currency gain (losses) in the first quarter of 2015 and 2014, primarily reflect the translation of intercompany loans at certain foreign subsidiaries denominated in currencies other than their functional currencies. Since such loans are expected to be settled in cash at some point in the future, these loans are adjusted each reporting period to reflect the current exchange rates. The \$6.0 million currency exchange gain at March 31, 2015, included a \$4.5 million gain relating to derivative financial instruments on such intercompany loans.

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Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes was as follows (amounts in thousands):

|                                      | Three months ended |           |
|--------------------------------------|--------------------|-----------|
|                                      | March 31,          |           |
|                                      | 2015               | 2014      |
| Provision (benefit) for income taxes | \$1,396            | \$(3,351) |

The Company recorded income tax expense / (benefit) of \$1.4 million and \$(3.4) million for the quarters ended March 31, 2015, and March 31, 2014. The Company's effective income tax rate was 415% and 40% for the three months ended March 31, 2015 and 2014, respectively.

The Company's 2015 income tax expense and rate differs 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 certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses and foreign income taxed in the U.S. offset by net discrete benefits related to a U.S. check the box election and tax law enactments. In addition, the Company's high effective tax rate is driven by a modest or almost break even consolidated pre-tax accounting income for the period.

The Company's 2014 income tax benefit and rate differs 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 state income tax expense, unrecognized tax benefits, foreign earnings, and domestic production activities deduction.

Net Loss

Net loss was as follows (amounts in thousands):

|          | Three months ended |           |
|----------|--------------------|-----------|
|          | March 31,          |           |
|          | 2015               | 2014      |
| Net loss | \$(1,060)          | \$(5,128) |

Net loss for the first quarter of March 31, 2015, was \$1.1 million, compared to \$5.1 million in 2014. For the quarters ended March 31, 2015 and 2014, basic earnings per share (as restated) were \$(.05) and \$.02, respectively, and diluted earnings per share (as restated) were \$(.05) and \$.02, respectively. The Company's net loss and earnings per share were lower due to the items previously discussed.

Agricultural Segment Results

Agricultural segment results were as follows (amounts in thousands):

|                        | Three months ended |           |
|------------------------|--------------------|-----------|
|                        | March 31,          |           |
|                        | 2015               | 2014      |
| Net sales              | \$213,001          | \$317,166 |
| Gross profit           | 28,274             | 47,265    |
| Income from operations | 18,904             | 30,541    |

Net sales in the agricultural market were \$213.0 million for the quarter ended March 31, 2015, as compared to \$317.2 million in 2014, a decrease of 33%. Overall sales experienced reductions in volume of 19% and price/mix of 8% as the agricultural market remains in a cyclical downturn. Reduced farm incomes result in lower demand for new equipment, primarily high horsepower agricultural equipment. Unfavorable currency translation decreased sales by 6%.



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Gross profit in the agricultural market was \$28.3 million for the quarter ended March 31, 2015, as compared to \$47.3 million in 2014. Income from operations in the agricultural market was \$18.9 million for the quarter ended March 31, 2015, as compared to \$30.5 million in 2014. Decreased demand for high horsepower agricultural equipment, driven by a cyclical downturn, negatively impacted gross profit. Generally, there are higher margins associated with this product category. The lower market demand also drove competitive pressures that further deteriorated both sales and gross margin. Lost fixed cost leverage and reduced productivity in the manufacturing facilities are also consequences of lower sales and production volumes.

## Earthmoving/Construction Segment Results

Earthmoving/construction segment results were as follows (amounts in thousands):

|                      | Three months ended<br>March 31, |           |
|----------------------|---------------------------------|-----------|
|                      | 2015                            | 2014      |
| Net sales            | \$142,484                       | \$152,940 |
| Gross profit         | 10,645                          | 3,798     |
| Loss from operations | (1,862                          | ) (11,094 |

The Company's earthmoving/construction market net sales were \$142.5 million for the quarter ended March 31, 2015, as compared to \$152.9 million in 2014, a decrease of 7%. Unfavorable currency translation decreased sales by 12%. Segment sales experienced price/mix reductions of 5% as a consequence of reduced demand for Titan products used in the mining industry, including giant OTR tires. The mining industry remains in a cyclical downturn. Decrease in mining sales were partially offset by increased demand for products used in the construction industry, which contributed to a net increase in volume of 10%.

Gross profit in the earthmoving/construction market was \$10.6 million for the quarter ended March 31, 2015, as compared to \$3.8 million in 2014. The Company's earthmoving/construction market loss from operations was \$(1.9) million for the quarter ended March 31, 2015, as compared to \$(11.1) million in 2014. Gross profit and income from operations increased primarily as a result of increased profitability for Titan products used in the mining industry. Although sales were lower in the first quarter of 2015, compared to 2014, gross margin and income from operations were substantially improved. This was driven by increased productivity and reduced costs.

## Consumer Segment Results

Consumer segment results were as follows (amounts in thousands):

|                      | Three months ended<br>March 31, |          |
|----------------------|---------------------------------|----------|
|                      | 2015                            | 2014     |
| Net sales            | \$46,574                        | \$68,834 |
| Gross profit         | 4,148                           | 4,082    |
| Loss from operations | (244                            | ) (1,560 |

Consumer market net sales were \$46.6 million for the quarter ended March 31, 2015, as compared to \$68.8 million in 2014. Sales in the consumer market decreased primarily as the result of unfavorable currency translation at overseas facilities. Lower sales also resulted from the loss of lower margin intermediate products produced under supply agreements with various customers.

Gross profit from the consumer market was \$4.1 million for the quarter ended March 31, 2015, as compared to \$4.1 million in 2014. Consumer market loss from operations was \$(0.2) million for the quarter ended March 31, 2015, as compared to \$(1.6) million in 2014. Although sales were lower in the first quarter of 2015, compared to 2014, the Company was successful in reducing costs related to the production of consumer segment products, resulting in higher gross profit and income from operations.

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## Segment Summary (Amounts in thousands)

| Three months ended March 31,<br>2015 | Agricultural | Earthmoving/<br>Construction | Consumer | Corporate<br>Expenses | Consolidated<br>Totals |
|--------------------------------------|--------------|------------------------------|----------|-----------------------|------------------------|
| Net sales                            | \$213,001    | \$142,484                    | \$46,574 | \$—                   | \$402,059              |
| Gross profit (loss)                  | 28,274       | 10,645                       | 4,148    | (273                  | ) 42,794               |
| Income (loss) from operations        | 18,904       | (1,862                       | ) (244   | ) (15,989             | ) 809                  |
| Three months ended March 31,<br>2014 |              |                              |          |                       |                        |
| Net sales                            | \$317,166    | 152,940                      | \$68,834 | \$—                   | \$538,940              |
| Gross profit (loss)                  | 47,265       | 3,798                        | 4,082    | (595                  | ) 54,550               |
| Income (loss) from operations        | 30,541       | (11,094                      | ) (1,560 | ) (17,623             | ) 264                  |

## Corporate Expenses

Income from operations on a segment basis does not include corporate expenses totaling \$16.0 million for the quarter ended March 31, 2015, as compared to \$17.6 million for 2014. Corporate expenses were composed of selling and marketing expenses of approximately \$7 million and \$9 million for the quarter ended March 31, 2015, and 2014, respectively; and administrative expenses of approximately \$9 million for both of the quarters ended March 31, 2015, and 2014, respectively. Corporate selling & marketing expenses were approximately \$2 million lower in the first quarter of 2015 primarily due to decreased selling incentive compensation and lower information technology expenses.

## MARKET RISK SENSITIVE INSTRUMENTS

The Company's risks related to foreign currencies, commodity prices and interest rates are consistent with those for 2014. For more information, see the "Market Risk Sensitive Instruments" discussion in the Company's Form 10-K for the fiscal year ended December 31, 2014.

## 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 in Note 29 of the Company's Notes to Consolidated Financial Statements in the 2014 Annual Report on Form 10-K.

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 \$3.6 million to these pension plans during the remainder of 2015.

## LIQUIDITY AND CAPITAL RESOURCES

## Cash Flows

As of March 31, 2015, the Company had \$190.6 million of cash.

(amounts in thousands)

|      | March 31,<br>2015 | December 31,<br>2014 | Change      |
|------|-------------------|----------------------|-------------|
| Cash | \$ 190,551        | \$ 201,451           | \$(10,900 ) |

The cash balance decreased by \$10.9 million from December 31, 2014, due to the following items.

## Operating Cash Flows

Summary of cash flows from operating activities:

(Amounts in thousands)

|  | Three months ended March 31, |            |             |
|--|------------------------------|------------|-------------|
|  | 2015                         | 2014       | Change      |
| Net loss   | \$(1,060 )                   | \$(5,128 ) | \$4,068     |
| Depreciation and amortization                    | 18,480                       | 23,275     | (4,795 )    |
| Deferred income tax provision                    | (3,901 )                     | (4,912 )   | 1,011       |
| Accounts receivable                              | (56,153 )                    | (61,482 )  | 5,329       |
| Inventories                                      | 5,958                        | (7,009 )   | 12,967      |
| Prepaid and other current assets                 | 4,374                        | 28,601     | (24,227 )   |
| Accounts payable                                 | 24,066                       | 34,038     | (9,972 )    |
| Other current liabilities                        | 5,736                        | 16,141     | (10,405 )   |
| Other liabilities                                | (7,834 )                     | (1,716 )   | (6,118 )    |
| Other operating activities                       | 3,367                        | (3,817 )   | 7,184       |
| Cash provided by (used for) operating activities | \$(6,967 )                   | \$ 17,991  | \$(24,958 ) |

In the first quarter of 2015, operating activities used \$7.0 million of cash, including an increase in accounts receivable of \$56.2 million, partially offset by an increase in accounts payable of \$24.1 million. Included in net loss of \$1.1 million were noncash charges for depreciation and amortization of \$18.5 million.

In the first quarter of 2014, operating activities provided cash of \$18.0 million, including an increase in accounts payable of \$34.0 million and other current liabilities of \$16.1 million, and a decrease in prepaid and other current assets of \$28.6 million, which included a \$36.0 million tax refund received in the first quarter of 2014. Positive cash inflows were offset by an increase in accounts receivable of \$61.5 million. Included in net loss of \$5.1 million was \$23.3 million of noncash charges for depreciation and amortization.

Operating cash flows decreased \$25.0 million when comparing the first quarter of 2015, to the first quarter of 2014. The net loss in the first quarter of 2015 was a \$4.1 million decrease from the loss in the first quarter of 2014. When comparing the first quarter of 2015 to the first quarter of 2014, cash flows from prepaid and other current assets and accounts payable decreased \$24.2 million and \$10.0 million, respectively, which was partially offset by increased cash flows from inventories of \$13.0 million.

The Company's inventory balance was lower at March 31, 2015, as compared to December 31, 2014. Days sales in inventory were 68 days at March 31, 2015 and December 31, 2014, respectively. The Company's accounts receivable balance was higher at March 31, 2015, as compared to December 31, 2014. Days sales outstanding increased to 54 days at March 31, 2015, from 47 days at December 31, 2014.

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Investing Cash Flows

Summary of cash flows from investing activities:

| (Amounts in thousands)               | Three months ended March 31, |             |           |
|--------------------------------------|------------------------------|-------------|-----------|
|                                      | 2015                         | 2014        | Change    |
| Capital expenditures                 | \$(11,419                    | ) \$(16,754 | ) \$5,335 |
| Acquisitions                         | —                            | (12,676     | ) 12,676  |
| Decrease in restricted cash deposits | —                            | 14,188      | (14,188 ) |
| Other investing activities           | 2,334                        | 3,278       | (944 )    |
| Cash used for investing activities   | \$(9,085                     | ) \$(11,964 | ) \$2,879 |

Net cash used for investing activities was \$9.1 million in the first quarter of 2015, as compared to \$12.0 million in the first quarter of 2014. The Company invested a total of \$11.4 million in capital expenditures in the first quarter of 2015, compared to \$16.8 million in 2014. The 2015 and 2014 expenditures represent various equipment purchases and improvements to enhance production capabilities of Titan's existing business and maintaining existing equipment. In the first quarter of 2014, cash used for acquisitions of \$12.7 million represents additional ownership percentage of Voltyre-Prom, which also decreased restricted cash deposits by \$14.2 million.

Financing Cash Flows

Summary of cash flows from financing activities:

| (Amounts in thousands)                           | Three months ended March 31, |          |          |
|--|------------------------------|----------|----------|
|  | 2015                         | 2014     | Change   |
| Proceeds from borrowings                         | \$11,102                     | \$6,945  | \$4,157  |
| Proceeds from exercise of stock options          | —                            | 20       | (20 )    |
| Payment of financing fees                        | —                            | (33      | ) 33     |
| Payment on debt                                  | (1,456                       | ) (4,248 | ) 2,792  |
| Excess tax benefit from stock-based compensation | (388                         | ) (2     | ) (386 ) |
| Dividends paid                                   | (269                         | ) (268   | ) (1 )   |
| Cash provided by (used for) financing activities | \$8,989                      | \$2,414  | \$6,575  |

In the first quarter of 2015, \$9.0 million of cash was provided by financing activities. This cash was primarily provided by proceeds from borrowing of \$11.1 million, partially offset by payment of debt of \$1.5 million.

In the first quarter of 2014, \$2.4 million of cash was provided by financing activities. This cash was primarily provided by proceeds from borrowings of \$6.9 million, offset by payment on debt of \$4.2 million.

Financing cash flows increased by \$6.6 million when comparing the first quarter of 2015 to 2014. This increase was primarily the result of the additional proceeds from borrowings.

Other Issues

The Company's business is subject to seasonal variations in sales that affect inventory levels and accounts receivable balances. Historically, Titan tends to have higher production levels in the first and second quarters.

## TITAN INTERNATIONAL, INC.

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Debt Restrictions

The Company's revolving credit facility (credit facility) contains various restrictions, including:

- 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.
- Other customary affirmative and negative covenants.

These restrictions could limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments, to raise additional debt or equity capital, to pay dividends or to take advantage of business opportunities, including future acquisitions.

#### Liquidity Outlook

At March 31, 2015, the Company had \$190.6 million of cash and cash equivalents and no outstanding borrowings on the Company's \$150 million credit facility. Titan's availability under this domestic facility may be less than \$150 million as a result of eligible accounts receivable and inventory balances at certain of its domestic subsidiaries. At March 31, 2015, the amount available was \$106.0 million as a result of the Company's decrease in sales which impacted both accounts receivable and inventory balances. The cash and cash equivalents balance of \$190.6 million includes \$51.4 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. However, if foreign funds were needed for U.S. operations, the Company would be required to accrue and pay taxes to repatriate the funds.

Capital expenditures for the remainder of 2015 are forecasted to be approximately \$50 million. Cash payments for interest are currently forecasted to be approximately \$30 million for the remainder of 2015 based on March 31, 2015 debt balances. The forecasted interest payments are comprised primarily of semi-annual payments of \$13.8 million (paid on April 1) and \$13.8 million (due October 1) for the 6.875% senior secured notes.

In the future, Titan may seek to grow by making acquisitions which will depend on the ability to identify suitable acquisition candidates, to negotiate acceptable terms for their acquisition and to finance those acquisitions.

Subject to the terms of indebtedness, the Company may finance future acquisitions with cash on hand, cash from operations, additional indebtedness and/or by issuing additional equity securities.

Cash on hand, anticipated internal cash flows from operations and utilization of remaining available borrowings are expected to provide sufficient liquidity for working capital needs, capital expenditures and potential acquisitions.

#### RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This update amends existing guidance to require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently assessing the impact that adopting this new accounting guidance will have on the Company's consolidated financial statements.

#### MARKET CONDITIONS AND OUTLOOK

In the first quarter of 2015, Titan experienced lower sales when compared to the sales levels in the first quarter of 2014. The lower sales levels were primarily the result of decreased demand for high horsepower equipment used in the agricultural market, which remains in a cyclical downturn, and unfavorable currency translation. These decreases were partially offset by increased demand for products used in the construction industry. In addition, competitive pressures and lower raw material prices, particularly in tire manufacturing, negatively impacted sales.

Energy, raw material and petroleum-based product costs have been volatile and may negatively impact the Company's margins. Many of Titan's overhead expenses are fixed; therefore, lower seasonal trends may cause negative fluctuations in quarterly profit margins and affect the financial condition of the Company.

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**AGRICULTURAL MARKET OUTLOOK**

Agricultural market sales were lower in the first quarter of 2015 when compared to the first quarter of 2014 due to decreased demand for high horsepower equipment used in the agricultural market. Farm net income is expected to be reduced in 2015 due to lower commodity prices and rising input cost for seed, chemicals and fuel. Lower income levels are putting pressure on the demand for large farm equipment. In addition, large equipment sales have deteriorated significantly after a robust cycle in recent years past. The mix shift to lower horsepower tractors has eroded both sales and gross margin. Many variables, including weather, commodity prices, export markets and future government policies and payments can greatly influence the overall health of the agricultural economy.

**EARTHMOVING/CONSTRUCTION MARKET OUTLOOK**

Earthmoving/construction market sales were lower in the first quarter of 2015 when compared to the first quarter of 2014 primarily due to unfavorable currency translation. Reduced demand for larger products used in the mining industry is expected to continue for the remainder of 2015 as weakness continues in the mining industry. Demand for small earthmoving/construction equipment used in the housing and commercial construction sectors has improved. Although metals, oil and gas prices may fluctuate in the short-term, in the long-term, these prices are expected to remain at levels that are attractive for continued investment, which should help support future earthmoving and mining sales. 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**

Consumer market sales were lower in the first quarter of 2015, when compared to the first quarter of 2014. Sales in the consumer market decreased primarily as the result of unfavorable currency translation at overseas facilities. The consumer market is expected to remain highly competitive for the remainder of 2015.



TITAN INTERNATIONAL, INC.

## PART I. FINANCIAL INFORMATION

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

See the Company's 2014 Annual Report filed on Form 10-K (Item 7A). There has been no material change in this information.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Titan's management, including the principal executive officer and principal financial officer, evaluated the effectiveness of disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Form 10-Q. Based on this evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2015, because of a material weakness in internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) previously disclosed in the Company's 2014 Form 10-K.

#### Previously Disclosed Material Weakness

Management previously reported a material weakness in the Company's internal control over financial reporting in the Form 10-K for the year ended December 31, 2014. This material weakness related to accounting complexities, insufficient resources, and the challenge of financial controller continuity at select international locations. A material weakness is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management is actively taking steps to remediate the previously identified material weakness. Additional resources have been added at international locations. The structure of the corporate accounting group has been reviewed and a new structure identified which will address deficiencies with the structure, strengthen controls and include further segregation of duties. Management is in the process of implementing this structure and has been successful in recruiting the proper resources for several key roles.

#### Changes in Internal Controls

Other than the remediation steps described above, there were no material 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 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of the effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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 its liabilities pertaining to, legal judgments.

Item 1A. Risk Factors

See the Company's 2014 Annual Report filed on Form 10-K/A (Item 1A) filed on November 6, 2015. There has been no material change in this information.

Item 6. Exhibits

10.1 Trademark License Agreement dated April 1, 2011 by and among The Goodyear Tire & Rubber Company, (a) Goodyear Canada Inc., and Titan International, Inc. \*

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

\*Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

(a) Incorporated by reference to the same numbered exhibit contained in the Company's Form 10-Q for the quarterly period ended March 31, 2015 (No 1-12936) filed on April 30, 2015.

SIGNATURES

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

TITAN INTERNATIONAL, INC.  
(Registrant)

Date: November 5, 2015

By: /s/ JOHN HRUDICKA  
John Hrudicka

Chief Financial Officer  
(Principal Financial Officer)