

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



FORM 10-Q

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

For the Quarterly Period Ended: September 30, 2020
or

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

Commission file number 1-12936

TITAN INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

2701 Spruce Street, Quincy, IL
(Address of principal executive offices)

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

62301
(Zip Code)
(217) 228-6011
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

Indicate the number of shares of Titan International, Inc. outstanding: 61,376,981 shares of common stock, \$0.0001 par value, as of October 31, 2020.

TITAN INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 304,772	\$ 345,905	\$ 932,405	\$ 1,146,876
Cost of sales	273,455	318,805	840,391	1,036,204
Asset impairment	—	—	3,586	—
Gross profit	31,317	27,100	88,428	110,672
Selling, general and administrative expenses	33,451	34,954	93,849	106,605
Research and development expenses	2,240	2,309	6,782	7,470
Royalty expense	2,434	2,453	7,309	7,507
Loss from operations	(6,808)	(12,616)	(19,512)	(10,910)
Interest expense	(7,251)	(8,164)	(23,076)	(23,751)
Foreign exchange (loss) gain	(1,336)	(2,266)	(9,742)	2,218
Other income	2,283	5,066	9,111	7,490
Loss before income taxes	(13,112)	(17,980)	(43,219)	(24,953)
Provision for income taxes	342	2,064	2,377	761
Net loss	(13,454)	(20,044)	(45,596)	(25,714)
Net loss attributable to noncontrolling interests	(811)	(900)	(2,422)	(2,124)
Net loss attributable to Titan	(12,643)	(19,144)	(43,174)	(23,590)
Redemption value adjustment	—	(491)	—	(1,928)
Net loss applicable to common shareholders	\$ (12,643)	\$ (19,635)	\$ (43,174)	\$ (25,518)
Loss per common share:				
Basic	\$ (0.21)	\$ (0.33)	\$ (0.71)	\$ (0.43)
Diluted	\$ (0.21)	\$ (0.33)	\$ (0.71)	\$ (0.43)
Average common shares and equivalents outstanding:				
Basic	60,926	60,161	60,630	60,037
Diluted	60,926	60,161	60,630	60,037
Dividends declared per common share:	\$ —	\$ 0.005	\$ 0.005	\$ 0.015

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three months ended	
	September 30,	
	2020	2019
Net loss	\$ (13,454)	\$ (20,044)
Derivative loss	(17)	—
Currency translation adjustment	4,275	(20,324)
Pension liability adjustments, net of tax of \$45 and \$79, respectively	575	590
Comprehensive loss	(8,621)	(39,778)
Net comprehensive loss attributable to redeemable and noncontrolling interests	(1,912)	(1,213)
Comprehensive loss attributable to Titan	<u>\$ (6,709)</u>	<u>\$ (38,565)</u>

	Nine months ended	
	September 30,	
	2020	2019
Net loss	\$ (45,596)	\$ (25,714)
Derivative loss	(215)	—
Currency translation adjustment	(28,498)	(19,280)
Pension liability adjustments, net of tax of \$65 and \$311, respectively	1,923	1,594
Comprehensive loss	(72,386)	(43,400)
Net comprehensive loss attributable to redeemable and noncontrolling interests	(4,814)	(897)
Comprehensive loss attributable to Titan	<u>\$ (67,572)</u>	<u>\$ (42,503)</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2020 (unaudited)	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 98,772	\$ 66,799
Accounts receivable, net	192,764	185,238
Inventories	284,231	333,356
Assets held for sale	6,640	7,203
Prepaid and other current assets	56,008	58,869
Total current assets	638,415	651,465
Property, plant and equipment, net	324,959	367,595
Operating lease assets	21,936	23,914
Deferred income taxes	1,040	2,331
Other assets	29,997	69,002
Total assets	\$ 1,016,347	\$ 1,114,307
Liabilities		
Current liabilities		
Short-term debt	\$ 32,641	\$ 61,253
Accounts payable	150,879	158,647
Other current liabilities	131,734	107,253
Total current liabilities	315,254	327,153
Long-term debt	431,789	438,469
Deferred income taxes	1,774	6,672
Other long-term liabilities	73,320	78,025
Total liabilities	822,137	850,319
Redeemable noncontrolling interest	25,000	25,000
Equity		
Titan shareholders' equity		
Common stock (\$0.0001 par value, 120,000,000 shares authorized, 61,353,590 issued at September 30, 2020 and 60,710,983 at December 31, 2019)	—	—
Additional paid-in capital	531,895	532,070
Retained deficit	(117,810)	(74,334)
Treasury stock (at cost, 89,612 and 427,771 shares, respectively)	(1,199)	(4,234)
Accumulated other comprehensive loss	(243,048)	(218,651)
Total Titan shareholders' equity	169,838	234,851
Noncontrolling interests	(628)	4,137
Total equity	169,210	238,988
Total liabilities and equity	\$ 1,016,347	\$ 1,114,307

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Number of common shares	Additional paid-in capital	Retained (deficit) earnings	Treasury stock	Accumulated other comprehensive (loss) income	Total Titan Equity	Noncontrolling interest	Total Equity
Balance January 1, 2019	59,916,973	\$ 519,498	\$ (29,048)	\$ (7,831)	\$ (203,571)	\$ 279,048	\$ (8,951)	\$ 270,097
Net income (loss) *			1,977			1,977	(636)	1,341
Currency translation adjustment, net *					(5,281)	(5,281)	474	(4,807)
Pension liability adjustments, net of tax					466	466		466
Dividends declared			(301)			(301)		(301)
Accounting standards adoption			4,346		(4,933)	(587)		(587)
Redeemable noncontrolling interest activity		9,437				9,437	15,445	24,882
Redemption value adjustment		(776)				(776)		(776)
Stock-based compensation		269				269		269
VIE distributions						—	(1,054)	(1,054)
Issuance of treasury stock under 401(k) plan	29,414	(123)		264		141		141
Balance March 31, 2019	<u>59,946,387</u>	<u>\$ 528,305</u>	<u>\$ (23,026)</u>	<u>\$ (7,567)</u>	<u>\$ (213,319)</u>	<u>\$ 284,393</u>	<u>\$ 5,278</u>	<u>\$ 289,671</u>
Net (loss) income *			(6,424)			(6,424)	12	(6,412)
Currency translation adjustment, net *					4,785	4,785	317	5,102
Pension liability adjustments, net of tax					538	538		538
Dividends declared			(301)			(301)		(301)
Redemption value adjustment		(661)				(661)		(661)
Stock-based compensation		286				286		286
VIE distributions						—	(450)	(450)
Issuance of treasury stock under 401(k) plan	53,983	(167)		485		318		318
Balance June 30, 2019	<u>60,000,370</u>	<u>\$ 527,763</u>	<u>\$ (29,751)</u>	<u>\$ (7,082)</u>	<u>\$ (207,996)</u>	<u>\$ 282,934</u>	<u>\$ 5,157</u>	<u>\$ 288,091</u>
Net loss *			(19,144)			(19,144)	(680)	(19,824)
Currency translation adjustment, net *					(20,011)	(20,011)	(247)	(20,258)
Pension liability adjustments, net of tax					590	590		590
Dividends declared			(302)			(302)		(302)
Acquisition of additional interest		6,203			(6,203)	—	—	—
Redemption value adjustment		(491)				(491)		(491)
Stock-based compensation	100,118	347				347		347
VIE distributions						—	(285)	(285)
Issuance of treasury stock under 401(k) plan	65,987	(284)		592		308		308
Balance September 30, 2019	<u>60,166,475</u>	<u>\$ 533,538</u>	<u>\$ (49,197)</u>	<u>\$ (6,490)</u>	<u>\$ (233,620)</u>	<u>\$ 244,231</u>	<u>\$ 3,945</u>	<u>\$ 248,176</u>

* Net income (loss) excludes \$(334), \$(265) and \$(220) of net loss attributable to redeemable noncontrolling interest for the three months ended March 31, 2019, June 30, 2019 and September 30, 2019, respectively. Currency translation adjustment excludes \$428, \$321 and \$(66) of currency translation related to redeemable noncontrolling interest for the three months ended March 31, 2019, June 30, 2019 and September 30, 2019, respectively.

	Number of common shares	Additional paid-in capital	Retained (deficit) earnings	Treasury stock	Accumulated other comprehensive (loss) income	Total Titan Equity	Noncontrolling interest	Total Equity
Balance January 1, 2020	60,283,212	\$ 532,070	\$ (74,334)	\$ (4,234)	\$ (218,651)	\$ 234,851	\$ 4,137	\$ 238,988
Net loss			(25,486)			(25,486)	(2,013)	(27,499)
Currency translation adjustment, net					(32,004)	(32,004)	(1,782)	(33,786)
Pension liability adjustments, net of tax					1,308	1,308		1,308
Dividends declared			(302)			(302)		(302)
Stock-based compensation	2,500	468		22		490		490
VIE deconsolidation							(559)	(559)
Issuance of stock under 401(k) plan	76,280	282				282		282
Balance March 31, 2020	60,361,992	\$ 532,820	\$ (100,122)	\$ (4,212)	\$ (249,347)	\$ 179,139	\$ (217)	\$ 178,922
Net (loss) income			(5,045)			(5,045)	402	(4,643)
Currency translation adjustment, net					523	523	491	1,014
Pension liability adjustments, net of tax					40	40		40
Unrealized loss on investment					(198)	(198)		(198)
Stock-based compensation	2,500	559		22		581		581
Noncontrolling interest contributions							608	608
Issuance of treasury stock under 401(k) plan	237,802	(1,802)		2,135		333		333
Balance June 30, 2020	60,602,294	\$ 531,577	\$ (105,167)	\$ (2,055)	\$ (248,982)	\$ 175,373	\$ 1,284	\$ 176,657
Net loss			(12,643)			(12,643)	(811)	(13,454)
Currency translation adjustment, net					5,376	5,376	(1,101)	4,275
Pension liability adjustments, net of tax					575	575		575
Unrealized loss on investment					(17)	(17)		(17)
Stock-based compensation	435,558	8		856		864		864
Issuance of common stock under 401(k) plan	226,126	310				310		310
Balance September 30, 2020	61,263,978	\$ 531,895	\$ (117,810)	\$ (1,199)	\$ (243,048)	\$ 169,838	\$ (628)	\$ 169,210

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (45,596)	(25,714)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	40,376	41,347
Asset impairment	3,586	—
Deferred income tax provision	(3,616)	(738)
Loss (gain) on sale of Wheels India Limited shares	703	(4,695)
Gain on property insurance settlement	(4,936)	—
Stock-based compensation	1,931	959
Issuance of stock under 401(k) plan	925	767
Foreign currency translation loss (gain)	9,812	(2,327)
(Increase) decrease in assets:		
Accounts receivable	(22,909)	16,124
Inventories	36,664	36,920
Prepaid and other current assets	(1,133)	(3,073)
Other assets	1,198	(1,110)
Increase (decrease) in liabilities:		
Accounts payable	2,351	(24,998)
Other current liabilities	28,753	3,634
Other liabilities	(678)	(5,884)
Net cash provided by operating activities	47,431	31,212
Cash flows from investing activities:		
Capital expenditures	(13,350)	(26,254)
Payments related to redeemable noncontrolling interest	—	(71,722)
Sale of Wheels India Limited shares	32,852	—
Proceeds from property insurance settlement	4,936	—
Other	926	1,354
Net cash provided by (used for) investing activities	25,364	(96,622)
Cash flows from financing activities:		
Proceeds from borrowings	85,991	124,153
Payment on debt	(116,601)	(59,296)
Dividends paid	(603)	(901)
Other financing activities	(2,723)	—
Net cash (used for) provided by financing activities	(33,936)	63,956
Effect of exchange rate changes on cash	(6,886)	(1,628)
Net increase (decrease) in cash and cash equivalents	31,973	(3,082)
Cash and cash equivalents, beginning of period	66,799	81,685
Cash and cash equivalents, end of period	<u>\$ 98,772</u>	<u>\$ 78,603</u>
Supplemental information:		
Interest paid	\$ 16,070	\$ 18,060
Income taxes paid, net of refunds received	\$ 6,861	\$ 6,120

See accompanying Notes to Condensed Consolidated Financial Statements.

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited condensed consolidated interim financial statements include the accounts of Titan International, Inc. and its subsidiaries (Titan or the Company) and have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) for interim financial information and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the SEC). Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. These unaudited condensed consolidated interim financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the Company's financial position as of September 30, 2020, and the results of operations and cash flows for the three months ended September 30, 2020 and 2019, and should be read in conjunction with the consolidated financial statements and the related notes thereto included in the Company's latest Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 4, 2020 (the 2019 Form 10-K). All significant intercompany transactions have been eliminated in consolidation. These unaudited condensed consolidated interim financial statements include estimates and assumptions of management that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates.

COVID-19 pandemic

The COVID-19 pandemic continued to have an impact on the Company in the third quarter. Titan's workforce and operations have been significantly impacted as a result of government mandates in certain countries to work from home to minimize the spread of the virus. The Company's operations were significantly curtailed during March through May 2020 in some of the countries where the Company has operations and where COVID-19 has been widespread (such as the Company's European and Latin America locations). The Company's operations have since resumed with additional sanitary and other protective health measures which have increased operating costs. The Company's operations may not return to historical levels in the near term, depending on the duration and severity of the COVID-19 pandemic, the length of time it takes for normal economic and operating conditions to resume, additional governmental actions that may be taken and/or extensions of time for restrictions that have been imposed to date and numerous other uncertainties.

The COVID-19 pandemic affected the Company's operations in the third quarter, and may continue to do so indefinitely thereafter. The COVID-19 pandemic has had far reaching impacts on the Company's business, operations, and financial results and conditions, directly and indirectly, including without limitation impacts on the health of the Company's management and employees, customer behaviors, and on the overall economy. The scope and nature of these impacts, most of which are beyond the Company's control, continue to evolve and the outcomes are uncertain.

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 6.50% senior secured notes due 2023 (senior secured notes) were carried at a cost of \$396.6 million at September 30, 2020. The fair value of the senior secured notes at September 30, 2020, as obtained through an independent pricing source, was approximately \$300.3 million.

Cash dividends

The Company declared cash dividends of \$0.005 per share of common stock for the first quarter of 2020 and for the first three quarters of 2019. The first quarter 2020 cash dividend of \$0.005 per share of common stock was paid on April 15, 2020, to shareholders of record on March 31, 2020. On June 11, 2020, the Board of Directors unanimously approved the suspension of the Company's quarterly common stock dividend until further notice.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net loss, shareholders' equity or cash flows as previously reported.

New accounting standards

Recently adopted accounting standards

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

In June 2016, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which amends the current accounting guidance and requires the measurement of all expected losses based on historical experience, current conditions and reasonable and supportable forecasts. For trade receivables, loans, and other financial instruments, we are required to use a forward-looking expected loss model that reflects losses that are probable rather than the incurred loss model for recognizing credit losses. The standard became effective for interim and annual periods beginning after December 15, 2019. In addition, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, which provides clarity on certain aspects of the amendments in ASU 2016-13. The Company adopted this guidance prospectively on January 1, 2020 and it did not have a material effect on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The amendments in this update are effective for fiscal years beginning after December 15, 2019. We adopted this ASU on January 1, 2020 and it did not have a material effect on the Company's condensed consolidated financial statements.

Accounting standards issued but not yet adopted

In August 2018, the FASB issued ASU No. 2018-14, "Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans." The amendments in this update modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments in this update are effective for fiscal years ending after December 15, 2020. The adoption of this guidance is not expected to have a material effect on the Company's condensed consolidated financial statements.

In March 2020, the SEC issued a final rule that amends the disclosure requirements related to certain registered securities under SEC Regulation S-X Rule 3-10 with respect to the disclosure requirements related to issuers and guarantors of guaranteed debt securities. The final rule allows registrants to provide alternative financial disclosures in either the registrant's MD&A or financial statements, rather than the previous requirement under Rule 3-10, which required condensed consolidating financial information within the financial statements. It also simplifies the requirements in Rule 3-10 that currently must be met for a parent company to qualify for exceptions allowing it to provide alternative disclosures rather than full audited financial statements. The final rule also reduces the periods for which summarized financial information is required to be presented to the most recent (1) annual period and (2) year-to-date interim period. The final rule applies to annual reports on Form 10-K for fiscal years ending after January 4, 2021 and quarterly reports on Form 10-Q for quarterly periods ending after January 4, 2021 and registrants may voluntarily comply with the final rule before the effective date. The Company does not expect the future adoption, which is limited to disclosures only, to have a material effect on the Company's consolidated financial statements.

2. ACCOUNTS RECEIVABLE

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

	September 30, 2020	December 31, 2019
Accounts receivable	\$ 196,707	\$ 188,952
Allowance for doubtful accounts	(3,943)	(3,714)
Accounts receivable, net	<u>\$ 192,764</u>	<u>\$ 185,238</u>

Accounts receivable are reduced by an allowance for doubtful accounts for estimated uncollectible accounts receivable, which is based upon historical experience and specific customer collection issues. Accounts are written off against the allowance account when they are determined to no longer be collectible.

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

3. INVENTORIES

Inventories consisted of the following (amounts in thousands):

	September 30, 2020	December 31, 2019
Raw material	\$ 77,182	\$ 83,569
Work-in-process	35,436	48,369
Finished goods	171,613	201,418
	<u>\$ 284,231</u>	<u>\$ 333,356</u>

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

4. PROPERTY, PLANT AND EQUIPMENT, NET

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

	September 30, 2020	December 31, 2019
Land and improvements	\$ 41,920	\$ 44,386
Buildings and improvements	252,654	249,168
Machinery and equipment	588,497	605,205
Tools, dies and molds	104,142	113,603
Construction-in-process	12,241	16,237
	<u>999,454</u>	<u>1,028,599</u>
Less accumulated depreciation	<u>(674,495)</u>	<u>(661,004)</u>
	<u>\$ 324,959</u>	<u>\$ 367,595</u>

Depreciation on property, plant and equipment for the nine months ended September 30, 2020 and 2019, totaled \$37.7 million and \$38.9 million, respectively.

The Company recorded a \$2.6 million asset impairment charge during the nine months ended September 30, 2020 related to certain machinery and equipment located at Titan Tire Reclamation Corporation (TTRC) in Canada as a result of market declines, which indicated the remaining book value of the equipment is more than the fair market value.

In the second quarter of 2020, the Company took steps towards the finalization of the closure of its wheel operations in Saltville, Virginia, with plans for completion by the end of the fourth quarter of 2020. As a part of this process, the Company expects to incur disposal costs related to the closure but an estimated amount or range of amounts has not yet been determined. There are approximately \$0.5 million of net property, plant and equipment at this location.

In the third quarter of 2020, the Company received several potential offers for the sale of its Brownsville, Texas facility. The Company expects to enter into a sale agreement with a potential buyer during the fourth quarter of 2020. The Company reclassified the building and related assets of its Brownsville, Texas facility totaling \$6.6 million to Assets held for sale on its Condensed Consolidated Balance Sheets as of September 30, 2020.

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

5. INTANGIBLE ASSETS, NET

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

	Weighted Average Useful Lives (in years) September 30, 2020	September 30, 2020	December 31, 2019
Amortizable intangible assets:			
Customer relationships	6.92	\$ 12,211	\$ 12,629
Patents, trademarks and other	9.45	9,884	11,598
Total at cost		22,095	24,227
Less accumulated amortization		(14,484)	(14,461)
		<u>\$ 7,611</u>	<u>\$ 9,766</u>

Amortization related to intangible assets for the nine months ended September 30, 2020 and 2019, totaled \$1.6 million and \$1.5 million, respectively. Intangible assets are included as a component of other assets in the Condensed Consolidated Balance Sheets.

The estimated aggregate amortization expense at September 30, 2020, for each of the years (or other periods) set forth below was as follows (amounts in thousands):

October 1 - December 31, 2020	\$ 485
2021	1,305
2022	958
2023	958
2024	957
Thereafter	2,948
	<u>\$ 7,611</u>

6. WARRANTY

Changes in the warranty liability during the nine months ended September 30, 2020 and 2019, respectively, consisted of the following (amounts in thousands):

	2020	2019
Warranty liability, January 1	\$ 14,334	\$ 16,327
Provision for warranty liabilities	4,060	3,599
Warranty payments made	(4,346)	(4,969)
Warranty liability, September 30	<u>\$ 14,048</u>	<u>\$ 14,957</u>

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

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7. DEBT

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

	September 30, 2020		
	Principal Balance	Unamortized Debt Issuance	Net Carrying Amount
6.50% senior secured notes due 2023	\$ 400,000	\$ (3,358)	\$ 396,642
Titan Europe credit facilities	47,457	—	47,457
Revolving credit facility	—	—	—
Other debt	20,331	—	20,331
Total debt	467,788	(3,358)	464,430
Less amounts due within one year	32,641	—	32,641
Total long-term debt	\$ 435,147	\$ (3,358)	\$ 431,789

	December 31, 2019		
	Principal Balance	Unamortized Debt Issuance	Net Carrying Amount
6.50% senior secured notes due 2023	\$ 400,000	\$ (4,040)	\$ 395,960
Titan Europe credit facilities	43,591	—	43,591
Revolving credit facility	36,000	—	36,000
Other debt	24,171	—	24,171
Total debt	503,762	(4,040)	499,722
Less amounts due within one year	61,253	—	61,253
Total long-term debt	\$ 442,509	\$ (4,040)	\$ 438,469

Aggregate principal maturities of long-term debt at September 30, 2020, for each of the years (or other periods) set forth below were as follows (amounts in thousands):

October 1 - December 31, 2020	\$ 16,853
2021	23,207
2022	9,954
2023	410,945
2024	6,158
Thereafter	671
	\$ 467,788

6.50% senior secured notes due 2023

The senior secured notes are due in November 2023. Including the impact of debt issuance costs, these notes had an effective yield of 6.79% at issuance. 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.

Titan Europe credit facilities

The Titan Europe credit facilities include borrowings from various institutions totaling \$47.5 million in aggregate principal amount at September 30, 2020. Maturity dates on this debt range from less than one year to nine years. The Titan Europe facilities are secured by the assets of Titan's subsidiaries in Italy, Spain, Germany, and Brazil.

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Revolving credit facility

The Company has a \$125 million revolving credit facility with BMO Harris Bank N.A., as agent, and other financial institutions party thereto. The credit facility is collateralized by accounts receivable and inventory of certain of the Company's domestic subsidiaries and is scheduled to mature in February 2022. From time to time Titan's availability under this credit facility may be less than \$125 million as a result of outstanding letters of credit and eligible accounts receivable and inventory balances at certain of its domestic subsidiaries. At September 30, 2020, there were no outstanding borrowings under the credit facility and \$19.7 million in outstanding letters of credit, and the amount available for borrowing totaled \$61.4 million.

Other debt

The Company has working capital loans at Titan Pneus do Brasil Ltda and Voltyre-Prom at various interest rates, which totaled \$11.8 million and \$6.9 million at September 30, 2020, respectively. Maturity dates on this debt range from less than one year to three years.

8. REDEEMABLE NONCONTROLLING INTEREST

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

On November 14, 2018, the Company received notification of exercise of the put option from RDIF. On February 11, 2019, the Company entered into a definitive agreement (the "Agreement") with an affiliate of RDIF relating to the put option that was exercised by RDIF. The transactions contemplated by the Agreement closed on February 22, 2019. Under the terms of the Agreement, in full satisfaction of the settlement put option that was exercised by RDIF, Titan paid \$25 million in cash to RDIF at the closing of the transaction, and agreed, subject to the completion of regulatory approval, to issue 4,032,259 shares of restricted Titan common stock to RDIF in a private placement. Due to pending regulatory approval, the issuance of the shares of restricted Titan common stock pursuant to the Agreement was not completed as of September 30, 2020. Immediately following the closing, RDIF continued to own the same interest in Voltyre-Prom, subject to the terms of the Agreement and the Shareholders' Agreement. Titan has retained the right to buy back the Titan shares from RDIF for \$25 million until February 12, 2022 and, if the stock buyback is consummated within the first year, at the time of such buyback, RDIF would be required to convey to Titan, based on current ownership, a 10.71% interest in Voltyre-Prom, resulting in RDIF reducing its interest in Voltyre-Prom from 35.7% to 25%.

On January 8, 2019, the Company received notification of exercise of the put option from OEP. During the second quarter of 2019, the Company made a payment to OEP in the amount of \$16.0 million representing the majority of the interest on the amount due to OEP with respect to the put option. On July 30, 2019, Titan Luxembourg S.à r.l. (the "Titan Purchaser"), a subsidiary of the Company, entered into a sale purchase agreement (the "OEP Agreement") with subsidiaries of OEP, relating to the settlement put option under the Shareholders' Agreement that was exercised by OEP. Pursuant to the terms of the OEP Agreement, on July 31, 2019, the Titan Purchaser paid to OEP \$30.7 million in cash, which, together with the Titan Purchaser's prior payment to OEP of \$16.0 million during the second quarter of 2019, were made in full satisfaction of the settlement put option exercised by OEP under the Shareholders' Agreement. Immediately following the closing, OEP ceased to have any ownership interests in, and the Titan Purchaser and RDIF owned 64.3% and 35.7%, respectively, of, Voltyre-Prom.

As of September 30, 2020, the value of the redeemable noncontrolling interest held by RDIF was recorded at \$25 million, the value of the shares of restricted stock to be issued pursuant to the terms of the agreement.

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Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following is a reconciliation of redeemable noncontrolling interest as of September 30, 2020 and 2019 (amounts in thousands):

	2020	2019
Balance at January 1	\$ 25,000	\$ 119,813
Reclassification as a result of Agreement regarding put option	—	(49,883)
Payment of interest on redeemable noncontrolling interest	—	(46,722)
Loss attributable to redeemable noncontrolling interest	—	(819)
Currency translation	—	683
Redemption value adjustment	—	1,928
Balance at September 30,	<u>\$ 25,000</u>	<u>\$ 25,000</u>

This obligation represents the value of the restricted common stock due to RDIF on September 30, 2020, and is presented in the Condensed Consolidated Balance Sheets in redeemable noncontrolling interest, which is treated as mezzanine equity.

9. LEASES

The Company leases certain buildings and equipment under both operating and finance leases. Certain lease agreements provide for renewal options, fair value purchase options, and payment of property taxes, maintenance, and insurance by the Company. Under FASB Accounting Standards Codification Topic 842 "Leases," the Company made an accounting policy election, by class of underlying asset, not to separate non-lease components such as those previously stated from lease components and instead will treat the lease agreement as a single lease component for all asset classes. Operating right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent Titan's obligations to make lease payments arising from the lease. The majority of Titan's leases are operating leases. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of Titan's leases do not provide an implicit interest rate, the Company used its incremental borrowing rate (6.79%), based on the information available at the lease commencement date, in determining the present value of lease payments. Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of sales and selling, general and administrative expenses on the Condensed Consolidated Statement of Operations. Amortization expense associated with finance leases is included in cost of sales and selling, general and administrative expenses, and interest expense associated with finance leases is included in interest expense in the Condensed Consolidated Statement of Operations. Short-term operating leases, which have an initial term of twelve months or less, are not recorded on the Condensed Consolidated Balance Sheets.

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

Balance Sheet Classification		September 30,	December 31, 2019
		2020	
Operating lease ROU assets	Operating lease assets	\$ 21,936	\$ 23,914
Operating lease current liabilities	Other current liabilities	\$ 6,798	\$ 6,729
Operating lease long-term liabilities	Other long-term liabilities	15,126	17,360
Total operating lease liabilities		\$ 21,924	\$ 24,089
Finance lease, gross	Property, plant & equipment, net	\$ 6,374	\$ 6,684
Finance lease accumulated depreciation	Property, plant & equipment, net	(2,837)	(2,194)
Finance lease, net		\$ 3,537	\$ 4,490
Finance lease current liabilities	Other current liabilities	\$ 871	\$ 1,110
Finance lease long-term liabilities	Other long-term liabilities	3,118	3,770
Total finance lease liabilities		\$ 3,989	\$ 4,880

At September 30, 2020, maturity of lease liabilities were as follows (amounts in thousands):

	Operating	Finance Leases
	Leases	
October 1 - December 31, 2020	\$ 1,936	\$ 424
2021	6,540	1,667
2022	5,101	1,580
2023	3,477	1,135
2024	2,083	426
Thereafter	3,698	197
Total lease payments	\$ 22,835	\$ 5,429
Less imputed interest	911	1,440
	\$ 21,924	\$ 3,989
Weighted average remaining lease term (in years)	4.28	3.11

Supplemental cash flow information related to leases for the nine months ended September 30, 2020 were as follows: operating cash flows from operating leases were \$5.8 million and operating cash flows from finance leases were \$0.3 million.

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10. EMPLOYEE BENEFIT PLANS

The Company has three frozen defined benefit pension plans covering certain employees or former employees of three U.S. subsidiaries. The Company also has pension plans covering certain employees of several foreign subsidiaries. The Company also sponsors a number of defined contribution plans in the U.S. and at foreign subsidiaries. The Company contributed approximately \$1.4 million to the pension plans during the nine months ended September 30, 2020, and expects to contribute approximately \$0.7 million to the pension plans during the remainder of 2020.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Service cost	\$ 200	\$ 228	\$ 728	\$ 658
Interest cost	857	1,075	2,595	3,304
Expected return on assets	(1,360)	(1,186)	(4,078)	(3,563)
Amortization of unrecognized prior service cost	—	56	—	169
Amortization of net unrecognized loss	696	766	2,088	2,296
Net periodic pension cost	<u>\$ 393</u>	<u>\$ 939</u>	<u>\$ 1,333</u>	<u>\$ 2,864</u>

Service cost is recorded as cost of sales in the Condensed Consolidated Statement of Operations while all other components are recorded in other income.

11. VARIABLE INTEREST ENTITIES

The Company holds a variable interest in two joint ventures for which the Company is the primary beneficiary. These joint ventures operate distribution facilities that primarily distribute mining products. Titan is the 50% owner of one of these distribution facilities, which is located in Canada, and the 40% owner of the other such facility, which is located in Australia. The Company's variable interests in these two joint ventures relate to sales of Titan products to these entities, consigned inventory, and working capital loans. Titan also is party to a joint venture that is the consortium that owns Voltyre-Prom, of which Titan originally was a 43% owner. On July 31, 2019, however, Titan purchased additional shares resulting in a 64.3% ownership in the consortium and the joint venture became a majority owned entity and is no longer a variable interest entity (a VIE). See Note 8 for additional information.

The Company also held a variable interest in two other entities for which Titan was the primary beneficiary. Each of these entities provided specific manufacturing related services at the Company's Tennessee facility. Titan's variable interest in these entities relates to financial support to the entities through providing many of the assets used by these entities in their business. The Company owns no equity in these entities. In March 2020, the Company delivered a notice of termination of the supply agreement with these entities and the Company no longer holds a variable interest in them.

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

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

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 1,640	\$ 2,190
Inventory	1,054	1,070
Other current assets	1,320	1,027
Property, plant and equipment, net	1,231	1,327
Total assets	\$ 5,245	\$ 5,614
Current liabilities	\$ 54	\$ 1,110
Other long-term liabilities	960	579
Total liabilities	\$ 1,014	\$ 1,689

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

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

	September 30, 2020	December 31, 2019
Investments	\$ 5,177	\$ 4,973
Other current assets	—	—
Total VIE assets	5,177	4,973
Accounts payable	1,120	2,006
Maximum exposure to loss	\$ 6,297	\$ 6,979

12. RESTRUCTURING ACTIVITIES

As part of the North American and Corporate Restructuring plan, which was approved in the second quarter of 2020, certain positions have been eliminated to continue ongoing operational improvement initiatives designed to prioritize resource allocation, reduce costs and drive profitability for the Company on a global basis.

The Company incurred \$0.0 million and \$0.4 million during the three and nine months ended September 30, 2020, respectively, for severance costs related to the rationalization of certain Corporate positions. The Company paid the severance amounts during the third quarter of 2020. There were no amounts recorded for the workforce reduction for the three and nine months ended September 30, 2019.

As part of the closure of the Saltville, Virginia wheel operations, then expected to be completed during the third quarter of 2020 and currently expected to be completed during the fourth quarter of 2020, the Company recorded an inventory impairment charge of \$1.0 million for the nine months ended September 30, 2020.

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13. ROYALTY EXPENSE

The Company has trademark license agreements with The Goodyear Tire & Rubber Company to manufacture and sell certain farm tires under the Goodyear brand. These agreements cover sales in North America, Latin America, Europe, the Middle East, Africa, Russia, and other Commonwealth of Independent States countries. Each of these agreements is scheduled to expire in 2025. Royalty expenses were \$2.4 million and \$2.5 million for the three months ended September 30, 2020 and 2019, respectively, and \$7.3 million and \$7.5 million for the nine months ended September 30, 2020 and 2019, respectively.

14. OTHER INCOME

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Gain on property insurance settlement (1)	\$ —	\$ —	\$ 4,936	\$ —
Gain (loss) on sale of Wheels India Limited shares	—	4,695	(703)	4,695
Equity investment income	227	445	596	2,294
(Loss) gain on sale of assets	(58)	(59)	834	708
Building rental income	512	362	1,226	1,096
Government subsidies for COVID-19 relief	892	—	1,402	—
Other income (expense)	710	(377)	820	(1,303)
	<u>\$ 2,283</u>	<u>\$ 5,066</u>	<u>\$ 9,111</u>	<u>\$ 7,490</u>

(1) The gain on property insurance settlement relates to the receipt of insurance proceeds during the three months ended March 31, 2020 for a 2017 fire that occurred at a facility of TTRC, a subsidiary of the Company, located in Fort McMurray in Alberta, Canada.

15. INCOME TAXES

The Company recorded income tax expense of \$0.3 million and income tax benefit of \$2.1 million for the three months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019, the Company recorded income tax expense of \$2.4 million and income tax benefit of \$0.8 million, respectively. The Company's effective income tax rate was (3)% and (11)% for the three months ended September 30, 2020 and 2019, respectively, and (5)% and (3)% for the nine months ended September 30, 2020 and 2019, respectively.

The Company's 2020 and 2019 income tax expense and rates differed from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of U.S. and certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses and partially offset by a reduction of the liability for unrecognized tax positions. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for the nine months ended September 30, 2020 and 2019.

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

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The 2017 Tax Cuts and Jobs Act was enacted on December 22, 2017 and created a new requirement that certain income (i.e., global intangible low taxed income, hereinafter referred to as GILTI) earned by foreign subsidiaries must be included currently in the gross income of the U.S. shareholder. For 2020 and 2019, the Company has estimated an amount of GILTI income that is to be included in the calculation of 2020 and 2019 income tax expense. This GILTI income inclusion; however, is fully offset by a change in the valuation allowance.

On March 27, 2020, the U.S. government passed the CARES Act (the "CARES Act"), which provides tax relief to assist companies dealing with the effects of the COVID-19 pandemic. The Company does not expect the impact of the CARES Act to be material to the Company's financial position or results of operations, except for the deferral of Social Security payroll taxes, which will benefit the Company's operating cash flows through the end of calendar year 2020.

16. EARNINGS PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net loss attributable to Titan	\$ (12,643)	\$ (19,144)	\$ (43,174)	\$ (23,590)
Redemption value adjustment	—	(491)	—	(1,928)
Net loss applicable to common shareholders	<u>\$ (12,643)</u>	<u>\$ (19,635)</u>	<u>\$ (43,174)</u>	<u>\$ (25,518)</u>
Determination of shares:				
Weighted average shares outstanding (basic)	60,926	60,161	60,630	60,037
Effect of equity awards	—	—	—	—
Weighted average shares outstanding (diluted)	<u>60,926</u>	<u>60,161</u>	<u>60,630</u>	<u>60,037</u>
Earnings per share:				
Basic and diluted	(0.21)	(0.33)	(0.71)	(0.43)

The effect of equity awards has been excluded for the three and nine months ended September 30, 2020, as the effect would have been antidilutive. The weighted average share amount excluded for equity awards for the three and nine months ended September 30, 2020, was 539 thousand and 261 thousand, respectively.

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17. LITIGATION

The Company is a party to routine legal proceedings arising out of the normal course of business. Due to the difficult nature of predicting unresolved and future legal claims, the Company cannot anticipate or predict the material adverse effect on its consolidated financial condition, results of operations, or cash flows as a result of efforts to comply with, or liabilities pertaining to, legal judgments.

At September 30, 2020, two of Titan's subsidiaries were involved in litigation concerning environmental laws and regulations.

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

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

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

During the third quarter of 2020, the Company accrued an incremental contingent legal accrual of \$5.0 million related to the anticipated settlement of the Dico case. As of September 30, 2020, the \$11.5 million contingent liability remains outstanding.

Titan Tire and Dico appealed the case to the U.S. Court of Appeals for the Eighth Circuit. On April 11, 2019, the U.S. Court of Appeals for the Eighth Circuit affirmed the District Court's September 5, 2017, order. Thereafter, Dico and Titan Tire filed a petition for rehearing with the U.S. Court of Appeals for the Eighth Circuit, which was denied in August 2019. As a result of the current judgment in favor of the United States, and pursuant to Iowa Code § 624.23, a judgment lien exists over Titan Tire's real property in the State of Iowa. Titan Tire maintains a supersedeas bond in the amount of \$6.0 million relating to the judgment. The United States indicated that it does not currently intend to take steps to execute on this judgment lien in light of ongoing settlement discussions between the parties. However, there can be no assurance that the parties will settle this matter on terms acceptable to the parties.

Following settlement negotiations with the U.S. federal government and the City of Des Moines, a tentative agreement for a global settlement was reached in September 2020 which has been reduced to a Consent Decree, executed by all parties. The Consent Decree contemplates total cash payments by Titan Tire to the federal government in the amount of \$11.5 million, with \$9.0 million due and payable within 30 days of the settlement becoming final, \$1.5 million (plus interest at a rate of 1.75% per annum) due and payable within one year of the settlement becoming final and \$1.0 million (plus interest at a rate of 1.75% per annum) due and payable within two years of the settlement becoming final. The Consent Decree has been submitted to the District Court, and on November 2, 2020 the District Court issued an order directing the parties to file a joint submission to the court presenting information regarding, among other things, the negotiation process for the global settlement, risks associated with the U.S. federal government seeking to enforce a judgment against Titan International under a veil-piercing theory and expected costs associated with environmental remediation at the property. No hearing date has been set by the District Court and the settlement remains pending and contingent upon District Court approval. Accordingly, there can be no assurance that the parties will settle this matter on the terms set forth in the Consent Decree or otherwise on terms acceptable to the parties.

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18. SEGMENT INFORMATION

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

Titan is organized primarily on the basis of products being included in three market segments, with each reportable segment including wheels, tires, wheel/tire assemblies, and undercarriage systems and components.

The table below presents information about certain operating results, separated by market segments, for each of the three and nine months ended September 30, 2020 and 2019 (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net sales				
Agricultural	\$ 153,067	\$ 156,625	\$ 473,272	\$ 512,639
Earthmoving/construction	123,227	155,659	372,606	517,186
Consumer	28,478	33,621	86,527	117,051
	<u>\$ 304,772</u>	<u>\$ 345,905</u>	<u>\$ 932,405</u>	<u>\$ 1,146,876</u>
Gross profit				
Agricultural	\$ 16,191	\$ 10,426	\$ 45,830	\$ 46,798
Earthmoving/construction	12,409	12,935	34,777	50,806
Consumer	2,717	3,739	7,821	13,068
	<u>\$ 31,317</u>	<u>\$ 27,100</u>	<u>\$ 88,428</u>	<u>\$ 110,672</u>
(Loss) income from operations				
Agricultural	\$ 3,091	\$ (1,230)	\$ 5,389	\$ 17,062
Earthmoving/construction	656	(2,938)	(8,240)	8,293
Consumer	(88)	(229)	1,042	3,120
Corporate & Unallocated	(10,467)	(8,219)	(17,703)	(39,385)
Loss from operations	<u>(6,808)</u>	<u>(12,616)</u>	<u>(19,512)</u>	<u>(10,910)</u>
Interest expense	(7,251)	(8,164)	(23,076)	(23,751)
Foreign exchange (loss) gain	(1,336)	(2,266)	(9,742)	2,218
Other income, net	2,283	5,066	9,111	7,490
Loss before income taxes	<u>\$ (13,112)</u>	<u>\$ (17,980)</u>	<u>\$ (43,219)</u>	<u>\$ (24,953)</u>

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

	September 30, 2020	December 31, 2019
Total assets		
Agricultural	\$ 437,994	\$ 423,955
Earthmoving/construction	458,890	496,988
Consumer	94,092	123,320
Corporate & Unallocated	25,371	70,044
	<u>\$ 1,016,347</u>	<u>\$ 1,114,307</u>

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

19. RELATED PARTY TRANSACTIONS

The Company sells products and pays commissions to companies controlled by persons related to the Chairman of the Board of Directors of the Company, Mr. Maurice Taylor. The related party is Mr. Fred Taylor, who is Mr. Maurice Taylor's brother. The companies with which Mr. Fred Taylor is associated that do business with Titan include the following: Blacksmith OTR, LLC; F.B.T. Enterprises, Inc.; Green Carbon, Inc.; Silverstone, Inc.; and OTR Wheel Engineering, Inc. Sales of Titan products to these companies were approximately \$0.1 million and \$0.6 million for the three and nine months ended September 30, 2020, respectively, and approximately \$0.3 million and \$0.9 million for the three and nine months ended September 30, 2019, respectively. Titan had trade receivables due from these companies of approximately \$0.2 million at September 30, 2020, and approximately \$0.2 million at December 31, 2019. Sales commissions paid to the above companies were approximately \$0.3 million and \$1.0 million for the three and nine months ended September 30, 2020 as compared to \$0.4 million and \$1.1 million for the three and nine months ended September 30, 2019.

20. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Currency Translation Adjustments	Gain (Loss) on Derivatives	Unrecognized Losses and Prior Service Cost	Total
Balance at July 1, 2020	\$ (223,988)	\$ (198)	\$ (24,796)	\$ (248,982)
Currency translation adjustments	5,376	—	—	5,376
Defined benefit pension plans: Amortization of unrecognized losses and prior service cost, net of tax of \$45	—	—	575	575
Derivative gain (loss)	—	(17)	—	(17)
Balance at September 30, 2020	<u>\$ (218,612)</u>	<u>\$ (215)</u>	<u>\$ (24,221)</u>	<u>\$ (243,048)</u>

	Currency Translation Adjustments	Gain (Loss) on Derivatives	Unrecognized Losses and Prior Service Cost	Total
Balance at January 1, 2020	\$ (192,507)	\$ —	\$ (26,144)	\$ (218,651)
Currency translation adjustments (1)	(26,105)	—	—	(26,105)
Defined benefit pension plans: Amortization of unrecognized losses and prior service cost, net of tax of \$65	—	—	1,923	1,923
Derivative gain (loss)	—	(215)	—	(215)
Balance at September 30, 2020	<u>\$ (218,612)</u>	<u>\$ (215)</u>	<u>\$ (24,221)</u>	<u>\$ (243,048)</u>

(1) The increase in currency translation adjustments for the nine months ended September 30, 2020 was due to foreign currency rate fluctuations and also due to the settlement of certain intercompany loans during the quarter.

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

21. SUBSIDIARY GUARANTOR FINANCIAL INFORMATION

The senior secured notes are guaranteed by the following wholly-owned subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois. The note guarantees are full and unconditional, joint and several obligations of the guarantors. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. See the indenture governing the senior secured notes incorporated by reference to the 2019 Form 10-K for additional information. The following condensed consolidating financial statements are presented using the equity method of accounting. Certain sales and marketing expenses recorded by non-guarantor subsidiaries have not been allocated to the guarantor subsidiaries.

(Amounts in thousands)

	Condensed Consolidating Statements of Operations For the Three Months Ended September 30, 2020				
	Titan Infl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 119,850	\$ 305,097	\$ (120,175)	\$ 304,772
Cost of sales	202	108,642	284,786	(120,175)	273,455
Asset impairment	—	—	—	—	—
Gross (loss) profit	(202)	11,208	20,311	—	31,317
Selling, general and administrative expenses	5,180	2,593	25,678	—	33,451
Research and development expenses	209	769	1,262	—	2,240
Royalty expense	654	855	925	—	2,434
(Loss) income from operations	(6,245)	6,991	(7,554)	—	(6,808)
Interest (expense) income	(6,986)	96	(361)	—	(7,251)
Intercompany interest income (expense)	527	530	(1,057)	—	—
Foreign exchange loss	—	(99)	(1,237)	—	(1,336)
Other income	322	119	1,842	—	2,283
(Loss) income before income taxes	(12,382)	7,637	(8,367)	—	(13,112)
Provision for income taxes	(1,851)	79	2,114	—	342
Equity in earnings of subsidiaries	(2,923)	—	3,315	(392)	—
Net (loss) income	(13,454)	7,558	(7,166)	(392)	(13,454)
Net loss attributable to noncontrolling interests	—	—	(811)	—	(811)
Net (loss) income attributable to Titan	\$ (13,454)	\$ 7,558	\$ (6,355)	\$ (392)	\$ (12,643)

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

(Amounts in thousands)

	Condensed Consolidating Statements of Operations For the Three Months Ended September 30, 2019				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 141,133	\$ 345,992	\$ (141,220)	\$ 345,905
Cost of sales	107	134,169	325,749	(141,220)	318,805
Gross (loss) profit	(107)	6,964	20,243	—	27,100
Selling, general and administrative expenses	1,513	12,094	21,347	—	34,954
Research and development expenses	276	678	1,355	—	2,309
Royalty expense	679	860	914	—	2,453
Loss from operations	(2,575)	(6,668)	(3,373)	—	(12,616)
Interest (expense) income	(7,281)	5	(888)	—	(8,164)
Intercompany interest income (expense)	884	841	(1,725)	—	—
Foreign exchange loss	(47)	(152)	(2,067)	—	(2,266)
Other income (expense)	358	(528)	5,236	—	5,066
Loss before income taxes	(8,661)	(6,502)	(2,817)	—	(17,980)
Provision for income taxes	635	126	1,303	—	2,064
Equity in earnings of subsidiaries	(10,748)	—	(1,851)	12,599	—
Net (loss) income	(20,044)	(6,628)	(5,971)	12,599	(20,044)
Net loss attributable to noncontrolling interests	—	—	(900)	—	(900)
Net (loss) income attributable to Titan	<u>\$ (20,044)</u>	<u>\$ (6,628)</u>	<u>\$ (5,071)</u>	<u>\$ 12,599</u>	<u>\$ (19,144)</u>

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

(Amounts in thousands)

Condensed Consolidating Statements of Operations For the Nine Months Ended September 30, 2020					
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 406,810	\$ 933,657	\$ (408,062)	\$ 932,405
Cost of sales	525	367,998	879,930	(408,062)	840,391
Asset impairment	1,007	—	2,579	—	3,586
Gross (loss) profit	(1,532)	38,812	51,148	—	88,428
Selling, general and administrative expenses	16,519	6,738	70,592	—	93,849
Research and development expenses	664	2,239	3,879	—	6,782
Royalty expense	2,147	2,694	2,468	—	7,309
(Loss) income from operations	(20,862)	27,141	(25,791)	—	(19,512)
Interest (expense) income	(21,241)	81	(1,916)	—	(23,076)
Intercompany interest income (expense)	1,586	1,709	(3,295)	—	—
Foreign exchange loss	—	(981)	(8,761)	—	(9,742)
Other income (expense)	1,330	(142)	7,923	—	9,111
(Loss) income before income taxes	(39,187)	27,808	(31,840)	—	(43,219)
Provision for income taxes	(3,764)	256	5,885	—	2,377
Equity in earnings of subsidiaries	(10,173)	—	17,384	(7,211)	—
Net (loss) income	(45,596)	27,552	(20,341)	(7,211)	(45,596)
Net loss attributable to noncontrolling interests	—	—	(2,422)	—	(2,422)
Net (loss) income attributable to Titan	\$ (45,596)	\$ 27,552	\$ (17,919)	\$ (7,211)	\$ (43,174)

(Amounts in thousands)

Condensed Consolidating Statements of Operations For the Nine Months Ended September 30, 2019					
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 475,652	\$ 1,147,568	\$ (476,344)	\$ 1,146,876
Cost of sales	248	438,535	1,073,765	(476,344)	1,036,204
Gross (loss) profit	(248)	37,117	73,803	—	110,672
Selling, general and administrative expenses	4,694	35,299	66,612	—	106,605
Research and development expenses	768	2,263	4,439	—	7,470
Royalty expense	1,743	3,005	2,759	—	7,507
(Loss) income from operations	(7,453)	(3,450)	(7)	—	(10,910)
Interest (expense) income	(21,311)	5	(2,445)	—	(23,751)
Intercompany interest income (expense)	2,158	2,731	(4,889)	—	—
Foreign exchange loss (gain)	(69)	(156)	2,443	—	2,218
Other income (expense)	1,162	(1,606)	7,934	—	7,490
(Loss) income before income taxes	(25,513)	(2,476)	3,036	—	(24,953)
Provision for income taxes	(6,390)	410	6,741	—	761
Equity in earnings of subsidiaries	(6,591)	—	(1,320)	7,911	—
Net (loss) income	(25,714)	(2,886)	(5,025)	7,911	(25,714)
Net loss attributable to noncontrolling interests	—	—	(2,124)	—	(2,124)
Net (loss) income attributable to Titan	\$ (25,714)	\$ (2,886)	\$ (2,901)	\$ 7,911	\$ (23,590)

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

(Amounts in thousands)

**Condensed Consolidating Statements of Comprehensive Loss
For the Three Months Ended September 30, 2020**

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	\$ (13,454)	\$ 7,558	\$ (7,166)	\$ (392)	\$ (13,454)
Derivative (loss) gain	(17)	—	(17)	17	(17)
Currency translation adjustment	4,275	—	4,275	(4,275)	4,275
Pension liability adjustments, net of tax	575	667	(92)	(575)	575
Comprehensive (loss) income	(8,621)	8,225	(3,000)	(5,225)	(8,621)
Net comprehensive loss attributable to redeemable and noncontrolling interests	—	—	(1,912)	—	(1,912)
Comprehensive (loss) income attributable to Titan	<u>\$ (8,621)</u>	<u>\$ 8,225</u>	<u>\$ (1,088)</u>	<u>\$ (5,225)</u>	<u>\$ (6,709)</u>

(Amounts in thousands)

**Condensed Consolidating Statements of Comprehensive Loss
For the Three Months Ended September 30, 2019**

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	\$ (20,044)	\$ (6,628)	\$ (5,971)	\$ 12,599	\$ (20,044)
Currency translation adjustment	(20,324)	—	(20,324)	20,324	(20,324)
Pension liability adjustments, net of tax	590	753	(163)	(590)	590
Comprehensive (loss) income	(39,778)	(5,875)	(26,458)	32,333	(39,778)
Net comprehensive loss attributable to redeemable and noncontrolling interests	—	—	(1,213)	—	(1,213)
Comprehensive (loss) income attributable to Titan	<u>\$ (39,778)</u>	<u>\$ (5,875)</u>	<u>\$ (25,245)</u>	<u>\$ 32,333</u>	<u>\$ (38,565)</u>

(Amounts in thousands)

**Condensed Consolidating Statements of Comprehensive Loss
For the Nine Months Ended September 30, 2020**

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	\$ (45,596)	\$ 27,552	\$ (20,341)	\$ (7,211)	\$ (45,596)
Derivative (loss) gain	(215)	—	(215)	215	(215)
Currency translation adjustment	(28,498)	—	(28,498)	28,498	(28,498)
Pension liability adjustments, net of tax	1,923	2,001	(78)	(1,923)	1,923
Comprehensive (loss) income	(72,386)	29,553	(49,132)	19,579	(72,386)
Net comprehensive loss attributable to redeemable and noncontrolling interests	—	—	(4,814)	—	(4,814)
Comprehensive (loss) income attributable to Titan	<u>\$ (72,386)</u>	<u>\$ 29,553</u>	<u>\$ (44,318)</u>	<u>\$ 19,579</u>	<u>\$ (67,572)</u>

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

(Amounts in thousands)

Condensed Consolidating Statements of Comprehensive Loss					
For the Nine Months Ended September 30, 2019					
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	\$ (25,714)	\$ (2,886)	\$ (5,025)	\$ 7,911	\$ (25,714)
Currency translation adjustment	(19,280)	—	(19,280)	19,280	(19,280)
Pension liability adjustments, net of tax	1,594	2,256	(662)	(1,594)	1,594
Comprehensive (loss) income	(43,400)	(630)	(24,967)	25,597	(43,400)
Net comprehensive loss attributable to redeemable and noncontrolling interests	—	—	(897)	—	(897)
Comprehensive (loss) income attributable to Titan	\$ (43,400)	\$ (630)	\$ (24,070)	\$ 25,597	\$ (42,503)

(Amounts in thousands)

Condensed Consolidating Balance Sheets					
September 30, 2020					
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 5,002	\$ 3	\$ 93,767	\$ —	\$ 98,772
Accounts receivable, net	—	—	192,764	—	192,764
Inventories	—	31,763	252,468	—	284,231
Assets held for sale	6,640	—	—	—	6,640
Prepaid and other current assets	4,756	16,655	34,597	—	56,008
Total current assets	16,398	48,421	573,596	—	638,415
Property, plant and equipment, net	3,784	84,724	236,451	—	324,959
Investment in subsidiaries	585,724	—	70,501	(656,225)	—
Other assets	2,259	5,056	45,658	—	52,973
Total assets	\$ 608,165	\$ 138,201	\$ 926,206	\$ (656,225)	\$ 1,016,347
Liabilities and Equity					
Short-term debt	\$ —	\$ —	\$ 32,641	\$ —	\$ 32,641
Accounts payable	2,343	23,542	124,994	—	150,879
Other current liabilities	28,465	22,854	80,415	—	131,734
Total current liabilities	30,808	46,396	238,050	—	315,254
Long-term debt	396,642	—	35,147	—	431,789
Other long-term liabilities	2,231	18,037	54,826	—	75,094
Intercompany accounts	(32,322)	(446,212)	478,534	—	—
Redeemable noncontrolling interest	—	—	25,000	—	25,000
Titan shareholders' equity	210,806	519,980	95,277	(656,225)	169,838
Noncontrolling interests	—	—	(628)	—	(628)
Total liabilities and equity	\$ 608,165	\$ 138,201	\$ 926,206	\$ (656,225)	\$ 1,016,347

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

Condensed Consolidating Balance Sheets
December 31, 2019

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 2,843	\$ 4	\$ 63,952	\$ —	\$ 66,799
Accounts receivable, net	—	2	185,236	—	185,238
Inventories	—	41,088	292,268	—	333,356
Assets held for sale	7,203	—	—	—	7,203
Prepaid and other current assets	3,217	17,352	38,300	—	58,869
Total current assets	13,263	58,446	579,756	—	651,465
Property, plant and equipment, net	3,443	91,734	272,418	—	367,595
Investment in subsidiaries	763,336	—	61,019	(824,355)	—
Other assets	3,405	4,211	87,631	—	95,247
Total assets	<u>\$ 783,447</u>	<u>\$ 154,391</u>	<u>\$ 1,000,824</u>	<u>\$ (824,355)</u>	<u>\$ 1,114,307</u>
Liabilities and Equity					
Short-term debt	\$ 514	\$ 69	\$ 60,670	\$ —	\$ 61,253
Accounts payable	4,951	18,455	135,241	—	158,647
Other current liabilities	20,912	17,941	68,400	—	107,253
Total current liabilities	26,377	36,465	264,311	—	327,153
Long-term debt	431,960	—	6,509	—	438,469
Other long-term liabilities	6,493	15,443	62,761	—	84,697
Intercompany accounts	42,798	(397,847)	355,049	—	—
Redeemable noncontrolling interest	—	—	25,000	—	25,000
Titan shareholders' equity	275,819	500,330	283,057	(824,355)	234,851
Noncontrolling interests	—	—	4,137	—	4,137
Total liabilities and equity	<u>\$ 783,447</u>	<u>\$ 154,391</u>	<u>\$ 1,000,824</u>	<u>\$ (824,355)</u>	<u>\$ 1,114,307</u>

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

(Amounts in thousands)

Condensed Consolidating Statements of Cash Flows
For the Nine Months Ended September 30, 2020

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities	\$ 19,179	\$ 3,631	\$ 24,621	\$ 47,431
Cash flows from investing activities:				
Capital expenditures	(92)	(3,884)	(9,374)	(13,350)
Sale of Wheels India Limited shares	—	—	32,852	32,852
Insurance proceeds	—	—	4,936	4,936
Other, net	191	(8)	743	926
Net cash provided by (used for) investing activities	99	(3,892)	29,157	25,364
Cash flows from financing activities:				
Proceeds from borrowings	31,334	333	54,324	85,991
Payment on debt	(45,348)	(61)	(71,192)	(116,601)
Dividends paid	(603)	—	—	(603)
Other financing activities	(2,502)	(12)	(209)	(2,723)
Net cash (used for) provided by financing activities	(17,119)	260	(17,077)	(33,936)
Effect of exchange rate change on cash	—	—	(6,886)	(6,886)
Net increase (decrease) in cash and cash equivalents	2,159	(1)	29,815	31,973
Cash and cash equivalents, beginning of period	2,843	4	63,952	66,799
Cash and cash equivalents, end of period	<u>\$ 5,002</u>	<u>\$ 3</u>	<u>\$ 93,767</u>	<u>\$ 98,772</u>

(Amounts in thousands)

Condensed Consolidating Statements of Cash Flows
For the Nine Months Ended September 30, 2019

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities	\$ 2,683	\$ 5,742	\$ 22,787	\$ 31,212
Cash flows from investing activities:				
Capital expenditures	(21)	(6,207)	(20,026)	(26,254)
Payment related to redeemable noncontrolling interest agreement	(71,722)	—	—	(71,722)
Other, net	—	181	1,173	1,354
Net cash used for investing activities	(71,743)	(6,026)	(18,853)	(96,622)
Cash flows from financing activities:				
Proceeds from borrowings	73,000	287	50,866	124,153
Payment on debt	(14,000)	—	(45,296)	(59,296)
Dividends paid	(901)	—	—	(901)
Net cash provided by financing activities	58,099	287	5,570	63,956
Effect of exchange rate change on cash	—	—	(1,628)	(1,628)
Net (decrease) increase in cash and cash equivalents	(10,961)	3	7,876	(3,082)
Cash and cash equivalents, beginning of period	23,630	4	58,051	81,685
Cash and cash equivalents, end of period	<u>\$ 12,669</u>	<u>\$ 7</u>	<u>\$ 65,927</u>	<u>\$ 78,603</u>

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

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

Management's discussion and analysis of financial condition and results of operations (MD&A) is designed to provide a reader of the financial statements included in this quarterly report with a narrative from the perspective of the management of Titan International, Inc. (Titan or the Company) on Titan's financial condition, results of operations, liquidity, and other factors that may affect the Company's future results. The MD&A in this quarterly report should be read in conjunction with the condensed consolidated financial statements and other financial information included elsewhere in this quarterly report and the MD&A and audited consolidated financial statements and related notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 4, 2020 (the 2019 Form 10-K).

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. During March 2020, the World Health Organization declared that COVID-19 is a pandemic. The emergence of COVID-19 and its global spread presents significant risks to the Company, some of which the Company is unable to fully evaluate or even foresee. The COVID-19 pandemic adversely affected the Company's financial results and business operations for the nine months ended September 30, 2020 and economic and health conditions in the United States and across most of the globe have continued to change since then. In some of the countries where the Company has operations and where COVID-19 has been widespread (such as the Company's European and Latin America locations), the Company's operations were significantly curtailed during March through May 2020. The Company's operations have since resumed with additional sanitary and other protective health measures, which have increased operating costs. The Company's operations may not return to historical levels in the near term, depending on the duration and severity of the COVID-19 pandemic, the length of time it takes for normal economic and operating conditions to resume, additional governmental actions that may be taken and/or extensions of time for restrictions that have been imposed to date and numerous other uncertainties.

The COVID-19 pandemic affected the Company's operations in the third quarter, and may continue to do so indefinitely thereafter. All of these factors may have far-reaching impacts on the Company's business, operations, and financial results and conditions, directly and indirectly, including without limitation impacts on the health of the Company's management and employees, customer behaviors, and on the overall economy. The scope and nature of these impacts, most of which are beyond the Company's control, continue to evolve and the outcomes are uncertain.

Due to the above circumstances and as described generally in this Form 10-Q, the Company's results of operations for the three and nine month periods ended September 30, 2020 are not necessarily indicative of the results to be expected for the full fiscal year. Management cannot predict the full impact of the COVID-19 pandemic on the economic conditions generally, on the Company's customers and, ultimately, on the Company. The nature, extent and duration of the effects of the COVID-19 pandemic on the Company are highly uncertain and will depend on future developments, and such effects could exist for an extended period of time even after the pandemic might end.

FORWARD-LOOKING STATEMENTS

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

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

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

- The Company's business strategies, including its intention to introduce new products;
- Expectations concerning the performance and success of the Company's existing and new products; and
- The Company's intention to consider and pursue acquisition and divestiture opportunities.

Readers of this Form 10-Q should understand that these forward-looking statements are based on the Company's current expectations and assumptions about future events and are subject to a number of risks, uncertainties, and changes in circumstances that are difficult to predict, including, but not limited to, the factors discussed in Part I, Item 1A, Risk Factors, of the 2019 Form 10-K and Part II, Item 1A, Risk Factors, of this quarterly report on Form 10-Q, certain of which are beyond the Company's control.

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

- The effect of the COVID-19 pandemic on our operations and financial performance;
- The effect of a recession on the Company and its customers and suppliers;
- Changes in the Company's end-user markets into which the Company sells its products as a result of world economic or regulatory influences or otherwise;
- Changes in the marketplace, including new products and pricing changes by the Company's competitors;
- The Company's ability to maintain satisfactory labor relations;
- Unfavorable outcomes of legal proceedings;
- The Company's ability to comply with current or future regulations applicable to the Company's business and the industry in which it competes or any actions taken or orders issued by regulatory authorities;
- Availability and price of raw materials;
- Levels of operating efficiencies;
- The effects of the Company's indebtedness and its compliance with the terms thereof;
- Changes in the interest rate environment and their effects on the Company's outstanding indebtedness;
- Unfavorable product liability and warranty claims;
- Actions of domestic and foreign governments, including the imposition of additional tariffs;
- Geopolitical and economic uncertainties relating to the countries in which the Company operates or does business;
- Risks associated with acquisitions, including difficulty in integrating operations and personnel, disruption of ongoing business, and increased expenses;
- Results of investments;
- The effects of potential processes to explore various strategic transactions, including potential dispositions;
- Fluctuations in currency translations;
- Climate change and related laws and regulations;
- Risks associated with environmental laws and regulations;
- Risks relating to our manufacturing facilities, including that any of our material facilities may become inoperable; and
- Risks related to financial reporting, internal controls, tax accounting, and information systems.

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

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forward-looking statements included in this report or that may be made elsewhere from time to time by the Company, or on its behalf. All forward-looking statements attributable to Titan are expressly qualified by these cautionary statements.

OVERVIEW

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

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 distribution centers. The wheels and rims range in diameter from nine inches to 54 inches, with the 54-inch diameter being the largest agricultural wheel manufactured in North America. Titan's agricultural tires range from approximately one foot to approximately seven feet in outside diameter and from five inches to 55 inches in width. The Company offers the added value of delivering a complete wheel and tire assembly to OEM and aftermarket customers.

Earthmoving/Construction Segment: The Company manufactures 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. The Company provides a broad range of earthmoving/construction wheels and tires with the wheels ranging in diameter from 15 to 63 inches and in weight from 125 to 7,000 pounds, while the tires range from approximately three to 13 feet in outside diameter and weigh between 50 to 12,500 pounds. The Company offers the added value of wheel and tire assembly for certain applications in the earthmoving/construction segment.

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

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

MARKET CONDITIONS AND OUTLOOK

COVID-19 IMPACT ON OUTLOOK

As a result of the global COVID-19 pandemic, the Company curtailed and suspended operations in certain geographies in which we conduct business. As COVID-19 progressed globally, the impact was felt initially in China with the government mandated lock-down and curtailment of operations from late January through February 2020. The impact continued in Europe through travel restrictions, social distancing, mandatory stay-at-home orders and sanitization of our facilities. Due to these restrictions as well as the impact COVID-19 had on our critical customers, we had loss of production in the last week of the first quarter, which continued through the second quarter of 2020. Since May 2020, operations have resumed in our international locations with increased sanitization of our facilities and enhanced health safety measures including social distancing, temperature screenings and COVID-19 testing. Within North America, except for brief shutdowns to prepare our facilities as recommended by the Centers for Disease Control and Prevention, World Health Organization and the government, we have remained operational, following social distancing and sanitization protocols. The outlook for the remainder of 2020 remains uncertain and will be predicated upon the ability to contain COVID-19 globally and for the markets and customers in which we serve return to normal operating levels in the geographies in which conduct business.

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AGRICULTURAL MARKET OUTLOOK

Agriculture-related commodity prices have improved in recent months, but remain lower, relative to historic averages, as a result of ongoing tariffs and trade concerns, coupled with recent COVID-19 impacts. For the balance of 2020, market conditions across the globe remain uncertain due to the ongoing effects of the COVID-19 pandemic, volatility created by supply dislocation in certain markets, and uneven demand in select market geographies and sectors. Major OEMs pulled back production through much of the year, affecting demand for our products in the near-term. Demand has increased somewhat over the last several months. Many of our customers are still not forecasting significantly into the future, awaiting more certainty as to sustained stability in the market. Demand in the aftermarket has stabilized through the third quarter of 2020 and the outlook for the remainder of the year will depend on the continued stabilization of market conditions including normalized supply and demand levels in light of the COVID-19 pandemic. Small agriculture equipment sales are rebounding somewhat faster than the large agriculture equipment sales, notwithstanding the average age of equipment has increased over the last several years. Many more variables, including weather, volatility in the price of commodities, grain prices, export markets, foreign currency exchange rates, government policies, subsidies, and the demand for used equipment can greatly affect the Company's performance in the agricultural market in a given period.

EARTHMOVING/CONSTRUCTION MARKET OUTLOOK

The earthmoving/construction market is continuing to experience declines in 2020 due in large part to global economic uncertainty and has been hampered further by the impact of COVID-19. Demand for larger construction equipment used for highways and infrastructure began to tighten in 2019. Mining industry equipment demand also began to soften within certain regions in the second half of 2019. Construction is mainly driven by GDP by country and the need for infrastructure developments. The market outlook for the remainder of the year has improved slightly in recent months, but remains relatively uncertain and will depend on the pace of improvement to global economic conditions including the return to normalized supply and demand levels in light of the COVID-19 pandemic. Mining is primarily driven by both the demand for and pricing of commodities. Demand for Titan's products in the mining industry for the remainder of 2020 is expected to be generally down somewhat compared to 2019 for the full year, as customers have been cautious in spending on capital and replacement parts due to the COVID-19 pandemic and concerns regarding near-term global economic stability. The earthmoving/construction segment is affected by many variables, including commodity prices, road construction, infrastructure, government appropriations, housing starts, and other macroeconomic drivers, in addition to the impact of COVID-19.

CONSUMER MARKET OUTLOOK

The consumer market consists of several distinct product lines within different regions. These products include light truck tires, turf equipment, specialty products, and train brakes. Overall, the Company expects the markets to remain highly uncertain through the remainder of 2020, and sales will likely continue to be suppressed relative to the prior year, similar to the first nine months of 2020. The consumer segment is affected by many variables including consumer spending, interest rates, government policies, and other macroeconomic drivers.

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RESULTS OF OPERATIONS

Titan International, Inc. <i>(amounts in thousands)</i>	Three months ended			Nine months ended		
	September 30,			September 30,		
	2020	2019	% Increase/(Decrease)	2020	2019	% Increase/(Decrease)
Net sales	\$ 304,772	\$ 345,905	(11.9) %	\$ 932,405	\$ 1,146,876	(18.7) %
Gross profit	31,317	27,100	15.6 %	88,428	110,672	(20.1) %
<i>Gross profit %</i>	<i>10.3 %</i>	<i>7.8 %</i>		<i>9.5 %</i>	<i>9.6 %</i>	
Selling, general and administrative expenses	33,451	34,954	(4.3) %	93,849	106,605	(12.0) %
Research and development expenses	2,240	2,309	(3.0) %	6,782	7,470	(9.2) %
Royalty expense	2,434	2,453	(0.8) %	7,309	7,507	(2.6) %
Loss from operations	(6,808)	(12,616)	(46.0) %	(19,512)	(10,910)	78.8 %

Net Sales

Net sales for the three months ended September 30, 2020 were \$304.8 million, compared to \$345.9 million in the comparable period of 2019, a decrease of 11.9% driven by sales decreases in all segments. Overall net sales volume was down 9.7% from the comparable prior year quarter, due primarily to challenges in the earthmoving/construction market as a result of a slowdown of the global construction market, particularly in Europe. Approximately \$8 million in reduced sales, in comparison to the same period of 2019, was attributable to disrupted markets in Europe and Asia resulting from the COVID-19 pandemic. Contributing factors in the sales decrease in the Agriculture market included global trade issues and the impact of COVID-19 which resulted in lower volume from OEM customers as well as the negative effect of foreign currency translation. Overall, unfavorable currency translation negatively impacted net sales by 5.8% or \$20.2 million. Favorable price mix partially offset these declines and contributed to a 3.6% increase in net sales.

Net sales for the nine months ended September 30, 2020 were \$932.4 million, compared to \$1,146.9 million in the comparable period of 2019, a decrease of 18.7% driven by sales decreases in all segments. Overall net sales volume was down 15.6% from the comparable period in the prior year, due primarily to the aforementioned economic factors. The overall net sales volume was also impacted by approximately \$53 million in reduced sales in comparison to the same period of 2019 due to COVID-19 related plant closures and market disruption in Europe, Asia and Latin America. Unfavorable currency translation negatively impacted net sales by 4.6%. Favorable price/mix partially offset these declines and contributed to a 1.5% increase in net sales.

Gross Profit

Gross profit for the three months ended September 30, 2020 was \$31.3 million, or 10.3% of net sales, an increase of \$4.2 million compared to \$27.1 million, or 7.8% of net sales, for the three months ended September 30, 2019. The increase in gross profit was driven by initiatives to reduce labor and overhead costs across global production facilities as well as lower raw material prices relative to the prior year. Lower sales volume and a \$2.5 million unfavorable gross profit impact from the COVID-19 pandemic mentioned above partially offset the year over year gross profit margin increase.

Gross profit for the nine months ended September 30, 2020 was \$88.4 million or 9.5% of net sales, down \$22.2 million compared to \$110.7 million, or 9.6% of net sales, for the nine months ended September 30, 2019. The decrease in gross profit was driven by the impact of lower sales volume across most geographic regions. The unfavorable gross margin impact from the COVID-19 pandemic mentioned above was approximately \$13 million.

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Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the three months ended September 30, 2020 were \$33.5 million, or 11.0% of net sales, compared to \$35.0 million, or 10.1% of net sales, for the three months ended September 30, 2019. The decrease in SG&A was driven primarily by lower payroll, marketing and travel related expenses, resulting from company-wide initiatives to lower costs, as well as \$2.3 million in costs related to the Company's proposed ITM undercarriage public listing in 2019. These reductions were partially offset by a \$5.0 million contingent legal accrual related to the anticipated settlement of the Dico case (refer to Note 17. Litigation in Part I, Item 1, Notes to Condensed Consolidated Financial Statements of this Form 10-Q for further discussion).

SG&A expenses for the nine months ended September 30, 2020 were \$93.8 million, or 10.1% of net sales, compared to \$106.6 million, or 9.3% of net sales, for the nine months ended September 30, 2019. The decrease in SG&A was primarily due to lower professional fees related to investments in information technology related to ongoing stabilization of an enterprise resource planning (ERP) software implementation within North America during 2019, lower payroll, marketing and travel related expenses, again, resulting from company-wide initiatives to lower costs, as well as, \$2.3 million in costs related to the Company's proposed ITM undercarriage public listing in 2019. These reductions were partially offset by a \$5.0 million contingent legal accrual related to the settlement of the Dico case, as mentioned above.

Research and Development Expenses

Research and development (R&D) expenses for the three months ended September 30, 2020 were \$2.2 million, or 0.7% of net sales, compared to \$2.3 million, or 0.7% of net sales, for the comparable period in 2019. R&D expenses for the nine months ended September 30, 2020 were \$6.8 million, or 0.7% of net sales, compared to \$7.5 million, or 0.7% of net sales, for the comparable period in 2019. R&D spending reflects initiatives to improve product designs and an ongoing focus on quality. The decrease in R&D expenses for both the quarter and the nine months ended September 30, 2020 as compared to the same periods in 2019 were due to lower payroll related costs and other professional fees, as a result of management initiatives to decrease costs to manage through the downturn in sales.

Royalty Expense

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

Royalty expenses for the three months ended September 30, 2020 were \$2.4 million, or 0.8% of net sales, compared to \$2.5 million, or 0.7% of net sales, for the three months ended September 30, 2019. Royalty expenses for the nine months ended September 30, 2020 were \$7.3 million, or 0.8% of net sales, compared to \$7.5 million, or 0.7% of net sales, for the nine months ended September 30, 2019.

Loss from Operations

Loss from operations for the third quarter of 2020 was \$6.8 million, compared to loss from operations of \$12.6 million for the third quarter of 2019. Loss from operations for the nine months ended September 30, 2020 was \$19.5 million, compared to loss from operations of \$10.9 million for the nine months ended September 30, 2019. Changes in loss from operations for the quarter and nine months ended September 30, 2020 as compared to the same periods in 2019 were primarily driven by lower net sales offset by improvements in gross profit margins and reduced SG&A expenses during the period.

OTHER PROFIT/LOSS ITEMS

Interest Expense

Interest expense was \$7.3 million and \$8.2 million for the three months ended September 30, 2020 and 2019, respectively, and \$23.1 million and \$23.8 million for the nine months ended September 30, 2020 and 2019. Interest expense decreased due to reduction in the levels of long-term debt in the respective periods.

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Foreign Exchange Gain (Loss)

Foreign exchange loss was \$1.3 million for the three months ended September 30, 2020, compared to a loss of \$2.3 million for the three months ended September 30, 2019. Foreign exchange loss was \$9.7 million for the nine months ended September 30, 2020, compared to a gain of \$2.2 million for the nine months ended September 30, 2019. Foreign currency exchange gain or loss is the result of the significant movements in foreign currency exchange rates in many of the geographies in which we conduct business and translation of intercompany loans at certain foreign subsidiaries, which are denominated in local currencies rather than the reporting currency, which is the United States dollar. Since such loans are expected to be settled at some point in the future, these loans are adjusted each reporting period to reflect the current exchange rates.

Other Income

Other income was \$2.3 million for the three months ended September 30, 2020, as compared to other income of \$5.1 million in the comparable quarter of 2019. The decrease in other income for the three months ended September 30, 2020, as compared to the same period in 2019 was primarily attributable to a \$4.7 million gain on the sale of shares of our investment in Wheels India Limited in September 2019.

Other income was \$9.1 million for the nine months ended September 30, 2020, as compared to \$7.5 million in the comparable period of 2019. The increase in other income for the nine months ended September 30, 2020 as compared to the same period in 2019 was primarily attributable to proceeds of \$4.9 million related to a property insurance settlement at Titan Tire Reclamation Corporation (TTRC) and a \$1.3 million gain on the sale of shares of our investment in Wheels India Limited during February 2020 partially offset by a \$2.0 million loss on the sale of remaining shares of our investment in Wheels India Limited in June 2020 and a \$4.7 million gain on the sale of shares of our investment in Wheels India Limited in September 2019.

Provision (Benefit) for Income Taxes

The Company recorded income tax expense of \$0.3 million and \$2.1 million for the three months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019, the Company recorded income tax expense of \$2.4 million and \$0.8 million, respectively. The Company's effective income tax rate was (3)% and (11)% for the three months ended September 30, 2020 and 2019, respectively, and (5)% and (3)% for the nine months ended September 30, 2020 and 2019, respectively.

The Company's 2020 and 2019 income tax expense and rates differed from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of U.S. and certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses and partially offset by a reduction of the liability for unrecognized tax positions. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for the nine months ended September 30, 2020 and 2019.

Net Loss and Loss per Share

Net loss for the third quarter of 2020 was \$13.5 million, compared to net loss of \$20.0 million in the comparable quarter of 2019. For the quarters ended September 30, 2020 and 2019, basic and diluted loss per share were \$(0.21) and \$(0.33), respectively. The Company's net loss and loss per share were due to the items previously discussed.

Net loss for the nine months ended September 30, 2020 was \$45.6 million, compared to net loss of \$25.7 million in the comparable period of 2019. For the nine months ended September 30, 2020 and 2019, basic and diluted loss per share was \$(0.71) and \$(0.43), respectively. The Company's net loss and loss per share were due to the items previously discussed.

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SEGMENT INFORMATION

Segment Summary (amounts in thousands):

Three months ended September 30, 2020	Agricultural	Earthmoving/ Construction	Consumer	Corporate/ Unallocated Expenses	Consolidated Totals
Net sales	\$ 153,067	\$ 123,227	\$ 28,478	\$ —	\$ 304,772
Gross profit	16,191	12,409	2,717	—	31,317
Income (loss) from operations	3,091	656	(88)	(10,467)	(6,808)
Three months ended September 30, 2019					
Net sales	\$ 156,625	\$ 155,659	\$ 33,621	\$ —	\$ 345,905
Gross profit	10,426	12,935	3,739	—	27,100
Loss from operations	(1,230)	(2,938)	(229)	(8,219)	(12,616)
Nine months ended September 30, 2020					
Net sales	\$ 473,272	\$ 372,606	\$ 86,527	\$ —	\$ 932,405
Gross profit	45,830	34,777	7,821	—	88,428
Income (loss) from operations	5,389	(8,240)	1,042	(17,703)	(19,512)
Nine months ended September 30, 2019					
Net sales	\$ 512,639	\$ 517,186	\$ 117,051	\$ —	\$ 1,146,876
Gross profit	46,798	50,806	13,068	—	110,672
Income (loss) from operations	17,062	8,293	3,120	(39,385)	(10,910)

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Agricultural Segment Results

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

(Amounts in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Increase/(Decrease)	2020	2019	% Increase/(Decrease)
Net sales	\$ 153,067	\$ 156,625	(2.3) %	\$ 473,272	\$ 512,639	(7.7) %
Gross profit	16,191	10,426	55.3 %	45,830	46,798	(2.1) %
Income (loss) from operations	3,091	(1,230)	(351.3) %	5,389	17,062	(68.4) %

Net sales in the agricultural segment were \$153.1 million for the three months ended September 30, 2020, as compared to \$156.6 million for the comparable period in 2019, a decrease of 2.3%. Unfavorable currency translation, primarily in Latin America, Europe and Russia contributed 8.7% of this decrease which was partially offset by a 2.3% increase in sales volume primarily in Latin America and Europe. Favorable price/mix increased net sales by 4.1%. Lower sales volumes in North America were primarily caused by the effect of the COVID-19 pandemic, which continues to cause uncertainty for our customers, most notably OEM customers.

Gross profit in the agricultural segment was \$16.2 million for the three months ended September 30, 2020, as compared to \$10.4 million in the comparable quarter of 2019. The increase in gross profit is primarily attributable to production efficiencies from company-wide cost reduction initiatives and lower raw material costs.

Income from operations in Titan's agricultural segment was \$3.1 million for the three months ended September 30, 2020, as compared to a loss of \$1.2 million for the three months ended September 30, 2019. The overall increase in income from operations is attributable to higher gross profit and overall cost reduction initiatives.

Net sales in the agricultural segment were \$473.3 million for the nine months ended September 30, 2020, as compared to \$512.6 million for the comparable period in 2019, a decrease of 7.7%. Lower sales volume in North America and Europe contributed 2.7% of this decrease while unfavorable currency translation across most non-US geographies further decreased net sales by 6.1%. Favorable price/mix increased net sales by 1.1%. Lower sales volumes were primarily caused by continued weakness in the commodity markets and the effect of the COVID-19 pandemic, which continues to cause significant uncertainty for our customers, primarily OEM customers.

Gross profit in the agricultural segment was \$45.8 million for the nine months ended September 30, 2020, as compared to \$46.8 million in the comparable quarter of 2019. The decrease in gross profit is primarily attributable to the impact of lower sales volume and unfavorable foreign currency translation.

Income from operations in Titan's agricultural segment was \$5.4 million for the nine months ended September 30, 2020, as compared to \$17.1 million for the nine months ended September 30, 2019.

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Earthmoving/Construction Segment Results

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

(Amounts in thousands)

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2020	2019	% Increase/(Decrease)	2020	2019	% Increase/(Decrease)
Net sales	\$ 123,227	\$ 155,659	(20.8) %	\$ 372,606	\$ 517,186	(28.0) %
Gross profit	12,409	12,935	(4.1) %	34,777	50,806	(31.5) %
Income (loss) from operations	656	(2,938)	(122.3) %	(8,240)	8,293	(199.4) %

The Company's earthmoving/construction segment net sales were \$123.2 million for the three months ended September 30, 2020, as compared to \$155.7 million in the comparable quarter of 2019, a decrease of 20.8%. The decrease in earthmoving/construction sales was driven by decreased volume, which negatively impacted net sales by 19.4%. This decrease was primarily due to a tightening within the construction market in all of our geographies over the last year. The direct impact of COVID-19 accounted for approximately \$8 million of the sales decrease due to plant shutdowns and market disruptions in Europe and Asia. Unfavorable currency translation in Europe, Latin America and Russia decreased net sales by 1.6% but was partially offset by improvements in pricing and product mix, which increased net sales by 0.1%.

Gross profit in the earthmoving/construction segment was \$12.4 million for the three months ended September 30, 2020, as compared to \$12.9 million for the three months ended September 30, 2019. The decrease in gross profit was primarily driven by the lower sales volume, which created certain production inefficiencies, the impact of COVID-19 and unfavorable foreign currency translation. However, gross profit margins for the segment improved to 10.1% in the three months ended September 30, 2020, compared to 8.3% in the corresponding prior period, as a result of actions taken to combat the current global economic situation, coupled with lower raw material costs. The Company's earthmoving/construction segment income from operations was \$0.7 million for the three months ended September 30, 2020, as compared to a loss of \$2.9 million for the three months ended September 30, 2019. Again, this improvement was due to cost containment measures taken to manage profitability during the last year in response to the market declines and the impact of the COVID-19 pandemic.

The Company's earthmoving/construction segment net sales were \$372.6 million for the nine months ended September 30, 2020, as compared to \$517.2 million for the nine months ended September 30, 2019, a decrease of 28.0%. The decrease in earthmoving/construction sales was driven by decreased volume, which negatively impacted net sales by 27.1%. This decrease was primarily due to a tightening within the construction market in all geographies, especially in our undercarriage business. The direct impact of COVID-19 accounted for approximately \$48 million of the sales decrease due to plant shutdowns and market disruptions in Europe and Asia. Unfavorable currency translation across most non-US geographies decreased net sales by 2.4% but was partially offset by favorable pricing and product mix, which increased net sales by 1.5%.

Gross profit in the earthmoving/construction segment was \$34.8 million for the nine months ended September 30, 2020, as compared to \$50.8 million for the nine months ended September 30, 2019. The decrease in gross profit was primarily driven by the lower sales volume, which created certain production inefficiencies, the impact of COVID-19 and unfavorable foreign currency translation. The Company's earthmoving/construction segment loss from operations was \$8.2 million for the nine months ended September 30, 2020, as compared to income of \$8.3 million for the nine months ended September 30, 2019.

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Consumer Segment Results

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

(Amounts in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Increase/(Decrease)	2020	2019	% Increase/(Decrease)
Net sales	\$ 28,478	\$ 33,621	(15.3) %	\$ 86,527	\$ 117,051	(26.1) %
Gross profit	2,717	3,739	(27.3) %	7,821	13,068	(40.2) %
(Loss) income from operations	(88)	(229)	(61.6) %	1,042	3,120	(66.6) %

Consumer segment net sales were \$28.5 million for the three months ended September 30, 2020, as compared to \$33.6 million for the three months ended September 30, 2019, a decrease of approximately 15.3%. This decrease was driven by lower sales volume, especially in North America and Australia, which negatively impacted net sales by 20.8% as well as unfavorable currency translation, primarily in Latin America and Russia, which decreased net sales by 12.2%. Favorable pricing and product mix contributed 17.7% to net sales during the period.

Gross profit from the consumer segment was \$2.7 million for the three months ended September 30, 2020, as compared to \$3.7 million for the three months ended September 30, 2019 due primarily to lower sales in the light utility truck markets. Consumer segment loss from operations was \$0.1 million for the three months ended September 30, 2020, as compared to a loss of \$0.2 million for the three months ended September 30, 2019.

Consumer segment net sales were \$86.5 million for the nine months ended September 30, 2020, as compared to \$117.1 million for the nine months ended September 30, 2019, a decrease of approximately 26.1%. This decrease was driven by lower sales volume, especially in North America, Latin America and Australia, which negatively impacted net sales by 21.6% and unfavorable currency translation, primarily in Latin America and Russia, which decreased net sales by 7.8%. Favorable price mix increased net sales by 3.4%. The decline in Latin America continued to be driven by lower demand for light utility truck tires and the impact of COVID-19, while declines in other geographies related to a shift in focus to agriculture and earthmoving/construction products.

Gross profit from the consumer segment was \$7.8 million for the nine months ended September 30, 2020, as compared to \$13.1 million for the nine months ended September 30, 2019 due primarily to lower sales in the light utility truck markets. Consumer segment income from operations was \$1.0 million for the nine months ended September 30, 2020, as compared to income of \$3.1 million for the nine months ended September 30, 2019.

Corporate & Unallocated Expenses

Income from operations on a segment basis did not include unallocated loss of \$10.5 million for the three months ended September 30, 2020, and \$17.7 million for the nine months ended September 30, 2020, as compared to \$8.2 million for the three months ended September 30, 2019 and \$39.4 million for the nine months ended September 30, 2019. The year over year difference is related to a refinement of the allocation process, which enabled the Company to identify previously unallocated expenses that belonged within other segments along with management actions to reduce SG&A costs at the corporate level.

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

As of September 30, 2020, the Company had \$98.8 million of cash, an increase of \$32.0 million from December 31, 2019, due to the following items:

Operating Cash Flows

Summary of cash flows from operating activities:

(Amounts in thousands)

	Nine months ended September 30,		Change
	2020	2019	
Net loss	(45,596)	(25,714)	\$ (19,882)
Depreciation and amortization	40,376	41,347	(971)
Deferred income tax provision	(3,616)	(738)	(2,878)
Foreign currency translation (gain) loss	9,812	(2,327)	12,139
Accounts receivable	(22,909)	16,124	(39,033)
Inventories	36,664	36,920	(256)
Prepaid and other current assets	(1,133)	(3,073)	1,940
Accounts payable	2,351	(24,998)	27,349
Other current liabilities	28,753	3,634	25,119
Other liabilities	(678)	(5,884)	5,206
Other operating activities	3,407	(4,079)	7,486
Cash provided by operating activities	<u>\$ 47,431</u>	<u>\$ 31,212</u>	<u>\$ 16,219</u>

In the first nine months of 2020, operating activities provided \$47.4 million of cash primarily due to reduction of inventories by \$36.7 million and increase in other current liabilities by \$28.8 million. Cash flows provided by operating activities were negatively impacted by increases in accounts receivable of \$22.9 million and positively impacted by increases in accounts payable of \$2.4 million. Included in the net loss of \$45.6 million were non-cash charges for depreciation and amortization of \$40.4 million, foreign currency translation loss of \$9.8 million, \$4.9 million property insurance settlement, \$3.6 million asset impairment, and a \$0.7 million loss on the sale of shares of Wheels India Limited.

Operating cash flows increased \$16.2 million when comparing the first nine months of 2020 to the comparable period in 2019. Net loss in the first nine months of 2020 increased from a \$19.9 million loss in the first nine months of 2019. When comparing the first nine months of 2020 to the comparable period in 2019, cash flows from operating activities increased primarily due to favorable comparability of accounts payable and other current liabilities by \$27.3 million and \$25.1 million, respectively.

Summary of the components of cash conversion cycle:

	September 30, 2020	December 31, 2019	September 30, 2019
Days sales outstanding	58	56	63
Days inventory outstanding	99	111	105
Days payable outstanding	(53)	(53)	(57)
Cash conversion cycle	<u>104</u>	<u>114</u>	<u>111</u>

TITAN INTERNATIONAL, INC.
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Investing Cash Flows

Summary of cash flows from investing activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2020	2019	Change
Capital expenditures	\$ (13,350)	\$ (26,254)	\$ 12,904
Payments related to redeemable noncontrolling interest	—	(71,722)	71,722
Sale of Wheels India Limited shares	32,852	—	32,852
Other investing activities	5,862	1,354	4,508
Cash provided by (used for) investing activities	<u>\$ 25,364</u>	<u>\$ (96,622)</u>	<u>\$ 121,986</u>

Net cash provided by investing activities was \$25.4 million in the first nine months of 2020, as compared to net cash used of \$96.6 million in the first nine months of 2019. Other investing activities for the nine months ended September 30, 2020 includes \$32.9 million from the sale of shares of our investment in Wheels India Limited and \$4.9 million from the proceeds of a property insurance settlement. The Company made payments of \$71.7 million related to satisfaction of obligations relating to the settlement put option under the Shareholders' Agreement in the first nine months of 2019. The Company invested a total of \$13.4 million in capital expenditures in the first nine months of 2020, compared to \$26.3 million in the comparable period of 2019. Capital expenditures during the first nine months of 2020 and 2019 represent critical equipment replacement and improvements, along with new tools, dies and molds related to new product development. The overall capital outlay for 2020 is being suppressed as a direct response to cash preservation activities as a result of COVID-19 impacts on the business.

Financing Cash Flows

Summary of cash flows from financing activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2020	2019	Change
Proceeds from borrowings	\$ 85,991	\$ 124,153	\$ (38,162)
Payment on debt	(116,601)	(59,296)	(57,305)
Dividends paid	(603)	(901)	298
Other financing activities	(2,723)	—	(2,723)
Cash (used for) provided by financing activities	<u>\$ (33,936)</u>	<u>\$ 63,956</u>	<u>\$ (97,892)</u>

In the first nine months of 2020, \$33.9 million of cash was used for financing activities. Proceeds from borrowings provided \$86.0 million, which was offset by payments on debt of \$116.6 million. Repayment of the domestic revolving crediting facility occurred during the first nine months of 2020 reducing the outstanding balance from \$36.0 million at December 31, 2019 to \$0.0 million at September 30, 2020. In the first nine months of 2019, \$64.0 million of cash was provided by financing activities. This cash was primarily provided through debt financing, with borrowing providing \$124.2 million, offset by payments on debt of \$59.3 million.

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

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

- When remaining availability under the credit facility is less than 10% of the total commitment under the credit facility (\$12.5 million as of September 30, 2020), the Company is required to maintain a minimum fixed charge coverage ratio of not less than 1.0 to 1.0 (calculated quarterly on a trailing four quarter basis);
- Limits on dividends and repurchases of the Company's stock;
- Restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge, or otherwise fundamentally change the ownership of the Company;
- Limitations on investments, dispositions of assets, and guarantees of indebtedness; and
- Other customary affirmative and negative covenants.

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

Liquidity Outlook

At September 30, 2020, the Company had \$98.8 million of cash and cash equivalents. At September 30, 2020, under the Company's \$125 million credit facility, there were \$0 million in borrowings, \$19.7 million in outstanding letters of credit, and the amount available totaled \$61.4 million. Titan's availability under this credit facility may be less than \$125 million as a result of outstanding letters of credit and eligible accounts receivable and inventory balances at certain domestic subsidiaries. The cash and cash equivalents balance of \$98.8 million included \$93.7 million held in foreign countries.

We have taken measures to limit our capital expenditures for the remainder of 2020 and are expecting forecasted full year capital expenditures to be approximately \$20 million. Cash payments for interest are currently forecasted to be approximately \$15 million for the remainder of 2020 based on September 30, 2020 debt balances. The forecasted interest payments are comprised primarily of the semi-annual payment of approximately \$13 million (paid in May and November) for the 6.50% senior secured notes.

Cash and cash equivalents, totaling \$98.8 million at September 30, 2020, along with anticipated internal cash flows from operations and utilization of remaining available credit facilities, are expected to provide sufficient liquidity for working capital needs, debt maturities, and capital expenditures. Potential divestitures and unencumbered assets are also a means to provide for future liquidity needs.

Titan has taken actions to obtain additional financial flexibility and credit capabilities from our banking partners and other sources throughout our global operations over the course of the first nine months of 2020. Additionally, we are focused on reducing discretionary spending and improving profitability through various measures, which include working capital improvements and monetization of non-core assets. During the quarter ended September 30, 2020 and continuing for the remainder of 2020, we are managing business disruption due to the impact of COVID-19; however, we do not anticipate that this impact will cause the Company to violate any financial covenants with respect to its debt agreements. In addition, as a result of the measures that are currently being undertaken by management, the Company does not anticipate any significant liquidity constraints during the foreseeable future.

CRITICAL ACCOUNTING ESTIMATES

There were no material changes in the Company's Critical Accounting Estimates since the filing of the 2019 Form 10-K. As discussed in the 2019 Form 10-K, the preparation of the condensed consolidated financial statements in conformity with US GAAP requires management to make estimates, assumptions, and judgments that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates and assumptions. Refer to Note 1. Basis of Presentation and Significant Accounting Policies in Part I, Item 1, Notes to Condensed Consolidated Financial Statements of this Form 10-Q for a discussion of the Company's updated accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Item 7A - Quantitative and Qualitative Disclosures About Market Risk included in the 2019 Form 10-K. There have been no material changes in this information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Titan management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the Exchange Act)) as of September 30, 2020. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2020, Titan's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by Titan in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported accurately and within the time frames specified in the SEC's rules and forms and accumulated and communicated to Titan management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the third quarter of fiscal year 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

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

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

TITAN INTERNATIONAL, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Except for the additional risk factor set forth below, there have been no material changes from the risk factors disclosed in Item 1A. Risk Factors to the 2019 Form 10-K.

The COVID-19 pandemic has adversely impacted, and will likely continue to adversely affect, the Company's business, operating results and financial condition.

COVID-19 has spread to the majority of the countries in which we operate. This has significantly impacted our workforce and our operations, including as a result of government mandates in certain countries to work from home to minimize the spread of the virus. The Company's operations were significantly curtailed in March 2020 and the second quarter of 2020 and may continue to be curtailed until the widespread outbreak is contained. COVID-19 has had a significant impact on our ability to conduct business and has affected the Company's operational and financial performance. We have experienced and expect to continue to experience unpredictable disruption in the demand for our products in our end-markets.

If the pandemic continues and conditions worsen, we may experience additional adverse impacts on our operational and commercial activities, costs, customer orders, and collections of accounts receivable, which may be material, and the extent and nature of these adverse impacts on our future operational and commercial activities, costs, customer orders and our collections remains uncertain even if conditions begin to improve. Furthermore, the pandemic has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, foreign currency exchange rates and interest rates. Due to the speed with which the situation is developing, the global breadth of its spread and the range of governmental and community reactions thereto, there is uncertainty around its duration, ultimate impact and the timing of recovery. Therefore, the pandemic could lead to an extended disruption of economic activity and could materially impact our business, our consolidated results of operations, financial position, cash flows and/or market capitalization, and result in asset impairment charges, including long-lived assets.

To the extent COVID-19 or any worsening of the global business and economic environment as a result thereof adversely affects our business, operating results and financial condition, it may also have the effect of heightening many of the other risks described in Item 1A. Risk Factors in the 2019 Form 10-K.

TITAN INTERNATIONAL, INC.

Item 6. Exhibits

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

TITAN INTERNATIONAL, INC.

SIGNATURES

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

TITAN INTERNATIONAL, INC.
(Registrant)

Date: November 4, 2020

By: /s/ PAUL G. REITZ
Paul G. Reitz
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ DAVID A. MARTIN
David A. Martin
SVP and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

I, Paul G. Reitz, certify that:

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

Date: November 4, 2020

By: /s/ PAUL G. REITZ

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

CERTIFICATION

I, David A. Martin, certify that:

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

Date: November 4, 2020

By: /s/ DAVID A. MARTIN

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

CERTIFICATION

In connection with the Quarterly Report of Titan International, Inc. on Form 10-Q for the period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies that, to the best of their knowledge, this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

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

Date: November 4, 2020

By: /s/ PAUL G. REITZ
Paul G. Reitz
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2020

By: /s/ DAVID A. MARTIN
David A. Martin
SVP and Chief Financial Officer
(Principal Financial Officer)