

**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, 2021
or

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

Commission file number 1-12936

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

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Indicate the number of shares of Titan International, Inc. outstanding: 62,379,525 shares of common stock, \$0.0001 par value, as of October 29, 2021.

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,	
	2021	2020	2021	2020
Net sales	\$ 450,382	\$ 304,772	\$ 1,292,539	\$ 932,405
Cost of sales	390,090	273,455	1,117,512	840,391
Asset impairment	—	—	—	3,586
Gross profit	60,292	31,317	175,027	88,428
Selling, general and administrative expenses	32,217	33,451	98,811	93,849
Research and development expenses	2,370	2,240	7,451	6,782
Royalty expense	2,805	2,434	7,915	7,309
Income (loss) from operations	22,900	(6,808)	60,850	(19,512)
Interest expense	(7,818)	(7,251)	(23,939)	(23,076)
Loss on senior note repurchase	—	—	(16,020)	—
Foreign exchange gain (loss)	416	(1,336)	9,125	(9,742)
Other income	648	2,283	1,512	9,111
Income (loss) before income taxes	16,146	(13,112)	31,528	(43,219)
Provision for income taxes	5,342	342	9,927	2,377
Net income (loss)	10,804	(13,454)	21,601	(45,596)
Net loss attributable to noncontrolling interests	(383)	(811)	(387)	(2,422)
Net income (loss) attributable to Titan and applicable to common shareholders	\$ 11,187	\$ (12,643)	\$ 21,988	\$ (43,174)
Income (loss) per common share:				
Basic	\$ 0.18	\$ (0.21)	\$ 0.36	\$ (0.71)
Diluted	\$ 0.18	\$ (0.21)	\$ 0.35	\$ (0.71)
Average common shares and equivalents outstanding:				
Basic	62,340	60,926	61,844	60,630
Diluted	62,601	60,926	62,523	60,630
Dividends declared per common share:				
	\$ —	\$ —	\$ —	\$ 0.005

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,	
	2021	2020
Net income (loss)	\$ 10,804	\$ (13,454)
Derivative gain (loss)	54	(17)
Currency translation adjustment, net	(16,243)	4,275
Pension liability adjustments, net of tax of \$(42) and \$45, respectively	797	575
Comprehensive loss	(4,588)	(8,621)
Net comprehensive income (loss) attributable to redeemable and noncontrolling interests	51	(1,912)
Comprehensive loss attributable to Titan	<u>\$ (4,639)</u>	<u>\$ (6,709)</u>

	Nine months ended September 30,	
	2021	2020
Net income (loss)	\$ 21,601	\$ (45,596)
Derivative gain (loss)	319	(215)
Currency translation adjustment, net	(28,991)	(28,498)
Pension liability adjustments, net of tax of \$(83) and \$65, respectively	2,362	1,923
Comprehensive loss	(4,709)	(72,386)
Net comprehensive loss attributable to redeemable and noncontrolling interests	(323)	(4,814)
Comprehensive loss attributable to Titan	<u>\$ (4,386)</u>	<u>\$ (67,572)</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, 2021 (unaudited)	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 94,640	\$ 117,431
Accounts receivable, net	261,447	193,014
Inventories	373,012	293,679
Prepaid and other current assets	67,144	54,475
Total current assets	796,243	658,599
Property, plant and equipment, net	302,590	319,854
Operating lease assets	20,709	24,356
Deferred income taxes	2,502	2,591
Other assets	22,215	26,484
Total assets	<u>\$ 1,144,259</u>	<u>\$ 1,031,884</u>
Liabilities		
Current liabilities		
Short-term debt	\$ 30,867	\$ 31,119
Accounts payable	253,819	167,210
Other current liabilities	152,226	131,382
Total current liabilities	436,912	329,711
Long-term debt	450,999	433,584
Deferred income taxes	3,142	3,895
Other long-term liabilities	53,612	63,429
Total liabilities	<u>944,665</u>	<u>830,619</u>
Redeemable noncontrolling interest	<u>25,000</u>	<u>25,000</u>
Equity		
Titan shareholders' equity		
Common stock (\$0.0001 par value, 120,000,000 shares authorized, 62,427,660 issued at September 30, 2021 and 61,466,593 at December 31, 2020)	—	—
Additional paid-in capital	535,702	532,742
Retained deficit	(113,037)	(135,025)
Treasury stock (at cost, 80,876 shares at September 30, 2021 and 89,612 shares at December 31, 2020)	(1,121)	(1,199)
Accumulated other comprehensive loss	(243,628)	(217,254)
Total Titan shareholders' equity	177,916	179,264
Noncontrolling interests	(3,322)	(2,999)
Total equity	174,594	176,265
Total liabilities and equity	<u>\$ 1,144,259</u>	<u>\$ 1,031,884</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Number of common shares	Additional paid-in capital	Retained (deficit) earnings	Treasury stock	Accumulated other comprehensive (loss) income	Total Titan Equity	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 common stock under 401(k) plan	76,280	282				282		282
Balance March 31, 2020	<u>60,361,992</u>	<u>\$ 532,820</u>	<u>\$ (100,122)</u>	<u>\$ (4,212)</u>	<u>\$ (249,347)</u>	<u>\$ 179,139</u>	<u>\$ (217)</u>	<u>\$ 178,922</u>
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)
Noncontrolling interest contributions						—	608	608
Stock-based compensation	2,500	559		22		581		581
Issuance of treasury stock under 401(k) plan	237,802	(1,802)		2,135		333		333
Balance June 30, 2020	<u>60,602,294</u>	<u>\$ 531,577</u>	<u>\$ (105,167)</u>	<u>\$ (2,055)</u>	<u>\$ (248,982)</u>	<u>\$ 175,373</u>	<u>\$ 1,284</u>	<u>\$ 176,657</u>
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	<u>61,263,978</u>	<u>\$ 531,895</u>	<u>\$ (117,810)</u>	<u>\$ (1,199)</u>	<u>\$ (243,048)</u>	<u>\$ 169,838</u>	<u>\$ (628)</u>	<u>\$ 169,210</u>

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

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 21,601	\$ (45,596)
Adjustments to reconcile net income (loss) to net cash (used for) provided by operating activities:		
Depreciation and amortization	36,345	40,376
Asset impairment	—	3,586
Deferred income tax provision	(743)	(3,616)
(Gain) loss on fixed asset and investment sale	(569)	703
Gain on property insurance settlement	—	(4,936)
Loss on senior note repurchase	16,020	—
Stock-based compensation	2,029	1,931
Issuance of stock under 401(k) plan	1,036	925
Foreign currency translation (gain) loss	(12,042)	9,812
(Increase) decrease in assets:		
Accounts receivable	(75,456)	(22,909)
Inventories	(89,496)	36,664
Prepaid and other current assets	(14,249)	(1,133)
Other assets	3,175	1,198
Increase (decrease) in liabilities:		
Accounts payable	92,384	2,351
Other current liabilities	24,207	28,753
Other liabilities	(6,532)	(678)
Net cash (used for) provided by operating activities	(2,290)	47,431
Cash flows from investing activities:		
Capital expenditures	(24,250)	(13,350)
Sale of Wheels India Limited shares	—	32,852
Proceeds from property insurance settlement	—	4,936
Proceeds from sale of fixed assets	1,139	(558)
Other	—	1,484
Net cash (used for) provided by investing activities	(23,111)	25,364
Cash flows from financing activities:		
Proceeds from borrowings	482,293	85,991
Repurchase of senior secured notes	(413,000)	—
Payment on debt	(59,949)	(116,601)
Dividends paid	—	(603)
Other financing activities	(2,069)	(2,723)
Net cash provided by (used for) financing activities	7,275	(33,936)
Effect of exchange rate changes on cash	(4,665)	(6,886)
Net (decrease) increase in cash and cash equivalents	(22,791)	31,973
Cash and cash equivalents, beginning of period	117,431	66,799
Cash and cash equivalents, end of period	<u>\$ 94,640</u>	<u>\$ 98,772</u>
Supplemental information:		
Interest paid	\$ 24,985	\$ 16,070
Income taxes paid, net of refunds received	\$ 10,766	\$ 6,861

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, 2021, and the results of operations and cash flows for the three and nine months ended September 30, 2021 and 2020, 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, 2020, filed with the SEC on March 4, 2021 (the 2020 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. The Company's operations continued with additional sanitary and other protective health measures which have increased operating costs. While the business conditions improved during the third quarter of 2021, certain geographies (particularly Australia, Europe and Latin America) continue to remain significantly impacted by the COVID-19 pandemic including new strains of the virus. Further, global supply chains are experiencing significant constraints as a result of the ongoing COVID-19 pandemic, including availability and pricing of raw materials, transportation and labor. The current constraints on the global supply chains are adding further complexity in the accelerated pace of recovery and improvement to growth expectations in the near term. We expect that the Company's operations will continue to be impacted by the pandemic, though the nature and extent of the impact will depend on the duration and severity of the COVID-19 pandemic, the length of time it takes for more 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.

Fair value of financial instruments

The Company records all financial instruments, including cash and cash equivalents, accounts receivable, notes receivable, accounts payable, other accruals, and notes payable at cost, which approximates fair value due to their short term or stated rates. Investments in marketable equity securities are recorded at fair value. Our 7.00% senior secured notes due 2028 (the senior secured notes due 2028) were carried at a cost of \$394.3 million at September 30, 2021. The fair value of the senior secured notes due 2028 at September 30, 2021, as obtained through an independent pricing source, was approximately \$421.5 million.

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.

Adoption of new accounting standards

In December 2019, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2019-12, Simplifying the Accounting for Income Taxes, as part of its simplification initiative to reduce the cost and complexity in accounting for income taxes. ASU 2019-12 removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. The Company adopted this guidance on January 1, 2021 and it did not have a material impact on our condensed consolidated financial statements.

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

2. ACCOUNTS RECEIVABLE, NET

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

	September 30, 2021	December 31, 2020
Accounts receivable	\$ 265,015	\$ 196,796
Allowance for doubtful accounts	(3,568)	(3,782)
Accounts receivable, net	<u>\$ 261,447</u>	<u>\$ 193,014</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.

3. INVENTORIES

Inventories consisted of the following (amounts in thousands):

	September 30, 2021	December 31, 2020
Raw material	\$ 116,572	\$ 78,733
Work-in-process	46,297	36,485
Finished goods	210,143	178,461
	<u>\$ 373,012</u>	<u>\$ 293,679</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, 2021	December 31, 2020
Land and improvements	\$ 41,680	\$ 43,943
Buildings and improvements	240,276	245,619
Machinery and equipment	582,457	583,847
Tools, dies and molds	112,015	111,189
Construction-in-process	16,444	11,282
	992,872	995,880
Less accumulated depreciation	<u>(690,282)</u>	<u>(676,026)</u>
	<u>\$ 302,590</u>	<u>\$ 319,854</u>

Depreciation on property, plant and equipment for the nine months ended September 30, 2021 and 2020 totaled \$35.1 million and \$37.7 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.

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

5. INTANGIBLE ASSETS, NET

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

	Weighted Average Useful Lives (in years) September 30, 2021	September 30, 2021	December 31, 2020
Amortizable intangible assets:			
Patents, trademarks and other	11.68	\$ 10,062	\$ 10,181
Less accumulated amortization		(8,527)	(8,206)
		<u>\$ 1,535</u>	<u>\$ 1,975</u>

Amortization related to intangible assets for the nine months ended September 30, 2021 and 2020 totaled \$0.6 million and \$1.6 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, 2021 for each of the years (or other periods) set forth below was as follows (amounts in thousands):

October 1 - December 31, 2021	\$ 37
2022	145
2023	145
2024	134
2025	123
Thereafter	951
	<u>\$ 1,535</u>

6. WARRANTY

Changes in the warranty liability during the nine months ended September 30, 2021 and 2020, respectively, consisted of the following (amounts in thousands):

	2021	2020
Warranty liability, January 1	\$ 15,040	\$ 14,334
Provision for warranty liabilities	7,397	4,060
Warranty payments made	(6,039)	(4,346)
Warranty liability, September 30	<u>\$ 16,398</u>	<u>\$ 14,048</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.

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

7. DEBT

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

		September 30, 2021	
	Principal Balance	Unamortized Debt Issuance	Net Carrying Amount
7.00% senior secured notes due 2028	\$ 400,000	\$ (5,695)	\$ 394,305
Titan Europe credit facilities	40,690	—	40,690
Revolving credit facility	30,000	—	30,000
Other debt	16,871	—	16,871
Total debt	487,561	(5,695)	481,866
Less amounts due within one year	30,867	—	30,867
Total long-term debt	\$ 456,694	\$ (5,695)	\$ 450,999

		December 31, 2020	
	Principal Balance	Unamortized Debt Issuance	Net Carrying Amount
6.50% senior secured notes due 2023	\$ 400,000	\$ (3,124)	\$ 396,876
Titan Europe credit facilities	49,583	—	49,583
Other debt	18,244	—	18,244
Total debt	467,827	(3,124)	464,703
Less amounts due within one year	31,119	—	31,119
Total long-term debt	\$ 436,708	\$ (3,124)	\$ 433,584

Aggregate principal maturities of long-term debt at September 30, 2021 for each of the years (or other periods) set forth below were as follows (amounts in thousands):

October 1 - December 31, 2021	\$ 15,841
2022	24,616
2023	37,328
2024	3,995
2025	1,395
Thereafter	404,386
	<u>\$ 487,561</u>

7.00% senior secured notes due 2028

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

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6.50% senior secured noted due 2023

In connection with the issuance of the senior secured notes due 2028, the Company satisfied and discharged the indenture related to the 6.50% senior secured notes due 2023 (senior secured notes due 2023) by completing a call and redemption of all of its outstanding \$400.0 million principal amount of the senior secured notes due 2023. In connection with this call and redemption, the Company recorded \$16.0 million of expenses included within the loss on senior note repurchase line item within the Condensed Consolidated Financial Statements.

Titan Europe credit facilities

The Titan Europe credit facilities include borrowings from various institutions totaling \$40.7 million in aggregate principal amount at September 30, 2021. 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.

Revolving credit facility

The Company has a \$100 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 16, 2023. See Note 22 for additional information related to the amendment to this credit facility. From time to time Titan's availability under this credit facility may be less than \$100 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, 2021, under the Company's \$100 million credit facility there were \$30.0 million in borrowings and \$10.7 million in outstanding letters of credit, and the amount available for borrowing totaled \$59.3 million.

Other debt

The Company has working capital loans at Titan Pneus do Brasil Ltda and Voltyre-Prom at various interest rates, which totaled \$11.3 million and \$3.9 million at September 30, 2021, respectively. Maturity dates on this debt range from less than one year to two 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, 2021 and the shares remain in an escrow account. 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. If the escrowed shares are not released to RDIF by December 31, 2021, then Titan and RDIF may seek alternative settlement terms, which could include the payment by Titan to RDIF of \$25 million in cash (which is the approximate value of the escrowed shares when issued in February 2019) and return the escrowed shares to Titan.

On January 8, 2019, the Company received notification of the exercise of the put option from OEP and made full satisfaction of the settlement of the put option exercised by OEP on July 31, 2019. As of September 30, 2021 and December 31, 2020, the

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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.

This obligation represents the value of the restricted common stock due to RDIF on September 30, 2021, 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 (7.27%), based on the information available at the lease commencement date, in determining the present value of lease payments. Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of sales and selling, general and administrative expenses on the Condensed Consolidated Statements of Operations. Amortization expense associated with finance leases is included in cost of sales and selling, general and administrative expenses, and interest expense associated with finance leases is included in interest expense in the Condensed Consolidated Statements of Operations.

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

	Balance Sheet Classification	September 30, 2021	December 31, 2020
Operating lease ROU assets	Operating lease assets	\$ 20,709	\$ 24,356
Operating lease current liabilities	Other current liabilities	\$ 6,595	\$ 7,533
Operating lease long-term liabilities	Other long-term liabilities	13,245	17,137
Total operating lease liabilities		<u>\$ 19,840</u>	<u>\$ 24,670</u>
Finance lease, gross	Property, plant & equipment, net	\$ 7,163	\$ 6,785
Finance lease accumulated depreciation	Property, plant & equipment, net	(3,566)	(3,279)
Finance lease, net		<u>\$ 3,597</u>	<u>\$ 3,506</u>
Finance lease current liabilities	Other current liabilities	\$ 2,029	\$ 608
Finance lease long-term liabilities	Other long-term liabilities	2,966	2,072
Total finance lease liabilities		<u>\$ 4,995</u>	<u>\$ 2,680</u>

At September 30, 2021, maturities of lease liabilities were as follows (amounts in thousands):

	Operating Leases	Finance Leases
October 1 - December 31, 2021	\$ 2,224	\$ 564
2022	7,857	2,262
2023	5,694	1,708
2024	3,246	561
2025	2,018	222
Thereafter	3,855	96
Total lease payments	<u>\$ 24,894</u>	<u>\$ 5,413</u>
Less imputed interest	5,054	418
	<u>\$ 19,840</u>	<u>\$ 4,995</u>
Weighted average remaining lease term (in years)	4.16	2.68

Supplemental cash flow information related to leases for the nine months ended September 30, 2021 were as follows: operating cash flows from operating leases were \$2.4 million and operating cash flows from finance leases were \$0.2 million.

10. EMPLOYEE BENEFIT PLANS

The Company has three frozen defined benefit pension plans covering certain employees or former employees of three U.S. subsidiaries. The Company also has pension plans covering certain employees of several foreign subsidiaries. The Company also sponsors a number of defined contribution plans in the U.S. and at foreign subsidiaries. The Company contributed approximately \$0.8 million to the pension plans during the nine months ended September 30, 2021, and expects to contribute approximately \$0.4 million to the pension plans during the remainder of 2021.

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

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	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Service cost	\$ 168	\$ 200	\$ 506	\$ 728
Interest cost	702	857	2,115	2,595
Expected return on assets	(1,505)	(1,360)	(4,519)	(4,078)
Amortization of unrecognized prior service cost	(14)	—	(46)	—
Amortization of net unrecognized loss	697	696	2,090	2,088
Net periodic pension cost	<u>\$ 48</u>	<u>\$ 393</u>	<u>\$ 146</u>	<u>\$ 1,333</u>

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

11. VARIABLE INTEREST ENTITIES

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

The Company also held a variable interest in three other entities for which Titan was the primary beneficiary. Two 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. Titan was also a 40% owner in a Australian distribution facility, which primarily distributed mining products. Effective during the second quarter of 2021, the Company is no longer an owner of the facility located in Australia.

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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, 2021	December 31, 2020
Cash and cash equivalents	\$ 826	\$ 1,585
Inventory	3,511	1,751
Other current assets	3,772	4,276
Property, plant and equipment, net	3,438	2,656
Other non-current assets	664	1,671
Total assets	<u>\$ 12,211</u>	<u>\$ 11,939</u>
Current liabilities	\$ 1,654	\$ 1,152
Other long-term liabilities	682	2,591
Total liabilities	<u>\$ 2,336</u>	<u>\$ 3,743</u>

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

The Company holds variable interests in certain VIEs that are not consolidated because Titan is not the primary beneficiary. The Company's involvement with these entities is in the form of direct equity interests and prepayments related to purchases of materials. The maximum exposure to loss 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, 2021	December 31, 2020
Investments	\$ 6,002	\$ 5,623
Total VIE assets	6,002	5,623
Accounts payable	3,233	3,377
Maximum exposure to loss	<u>\$ 9,235</u>	<u>\$ 9,000</u>

12. ASSET IMPAIRMENT

The Company recorded no asset impairment charge for the three and the nine months ended September 30, 2021 and the three months ended September 30, 2020. For the nine months ended September 30, 2020, the Company recorded \$3.6 million asset impairment related to an inventory impairment charge of \$1.0 million as part of the closure of the Saltville, Virginia wheel operations, and an impairment charge of \$2.6 million for certain machinery and equipment located at TTRC as a result of market declines that indicated the remaining book value of the equipment is more than the fair market value. The inventory impairment charge and the TTRC asset impairment charge is recorded in "cost of sales" line item in the Condensed Consolidated Statements of Operations.

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 \$2.8 million and \$2.4 million for the three months ended September 30, 2021 and 2020, respectively, and \$7.9 million and \$7.3 million for the nine months ended September 30, 2021 and 2020, respectively.

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14. OTHER INCOME

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Equity investment income	\$ 273	\$ 227	\$ 397	\$ 596
Gain (loss) sale of assets	132	(58)	297	834
Government subsidies	—	892	—	1,402
Gain on property insurance settlement (1)	—	—	—	4,936
Loss on sale of Wheels India shares	—	—	—	(703)
Gain on legal settlement (2)	—	—	1,750	—
Other income (expense) (3)	243	1,222	(932)	2,046
	<u>\$ 648</u>	<u>\$ 2,283</u>	<u>\$ 1,512</u>	<u>\$ 9,111</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.

(2) The gain on legal settlement relates to proceeds received from a steel supplier during the three months ended June 30, 2021.

(3) Other income (expense) includes rental income for our Brownsville, Texas facility of \$0.5 million and \$1.2 million for the three and nine months ended September 30, 2020, respectively.

15. INCOME TAXES

The Company recorded income tax expense of \$5.3 million and \$0.3 million for the three months ended September 30, 2021 and 2020, respectively. For the nine months ended September 30, 2021 and 2020, the Company recorded income tax expense of \$9.9 million and \$2.4 million, respectively. The Company's effective income tax rate was 33.1% and (2.6)% for the three months ended September 30, 2021 and 2020, respectively, and 31.5% and (5.5)% for the nine months ended September 30, 2021 and 2020. For the three months ended September 30, 2021 and 2020, the income tax expense for each period differed due to an overall pre-tax income increase which resulted in the significant fluctuation in the effective tax rate. The year-to-date increase in income tax expense for the nine months ended September 30, 2021 is due to improved profitability in foreign jurisdictions. For the nine months ended September 30, 2021 and 2020, the Company reversed unrecognized tax benefit accruals of \$0.7 million and \$3.7 million, related to the expiration of statute of limitations on previously recorded tax contingencies.

The Company's 2021 and 2020 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, 2021 and 2020.

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.

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 novel strain of the coronavirus (COVID-19). The CARES Act did not have a material

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impact to the Company's financial position or results of operations, except for the deferral of Social Security payroll taxes, which benefited the Company's operating cash flows during calendar year 2020.

On December 27, 2020 the Consolidated Appropriations Act of 2021 (the Appropriations Act) was signed into law. The Appropriations Act, among other things, includes provisions related to the deductibility of the Paycheck Protection Program (PPP) expenses paid with PPP loan proceeds, payroll tax credits, modifications to the meals and entertainment deduction, increased limitations on charitable deductions for corporate taxpayers, and enhancements of expiring tax "extender" provisions. The impact of the Appropriations Act is not material to the Company's financial position or result of operations.

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,	
	2021	2020	2021	2020
Net income (loss) attributable to Titan and applicable to common shareholders	\$ 11,187	\$ (12,643)	\$ 21,988	\$ (43,174)
Determination of shares:				
Weighted average shares outstanding (basic)	62,340	60,926	61,844	60,630
Effect of equity awards	261	—	679	—
Weighted average shares outstanding (diluted)	62,601	60,926	62,523	60,630
Income (loss) per common share:				
Basic	\$ 0.18	\$ (0.21)	\$ 0.36	\$ (0.71)
Diluted	\$ 0.18	\$ (0.21)	\$ 0.35	\$ (0.71)

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 0.5 million and 0.3 million, respectively.

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.

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

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and Dico jointly and severally liable for all additional response costs previously incurred but not yet reported or to be incurred in the future, including enforcement costs and attorney's fees. The District Court also held Dico liable for \$5.45 million in punitive damages under 42 U.S.C. § 9607(c)(3) for violating a unilateral administrative order. The punitive damages award does not apply to Titan Tire. The Company accrued a contingent liability of \$6.5 million, representing \$5.45 million in costs incurred by the United States and \$1.05 million of additional response costs, for this order in the quarter ended September 30, 2017.

Titan Tire and Dico appealed the case to the United States 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.

Following settlement negotiations with the U.S. federal government and the City of Des Moines, an agreement was reached in September 2020 which has been reduced to a Consent Decree that was executed by all parties on February 1, 2021. The Consent Decree prescribes 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 2.22% per annum) due and payable within one year of the settlement becoming final and \$1.0 million (plus interest at a rate of 2.22% per annum) due and payable within two years of the settlement becoming final. The Company paid \$11.5 million, including accrued interest, to the federal government on February 25, 2021. The remaining amounts of \$1.6 million and \$1.2, including accrued interest, are accounted for within the Company's other accrued liabilities and other long-term liabilities line items, respectively, within the Company's Condensed Consolidated Balance Sheets as of September 30, 2021. On May 27, 2021, the Company transferred ownership of the Dico land to the City of Des Moines, in accordance with the agreement.

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

The table below presents information about certain operating results, separated by market segments, for each of the three and nine months ended September 30, 2021 and 2020 (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net sales				
Agricultural	\$ 244,373	\$ 153,067	\$ 684,636	\$ 473,272
Earthmoving/construction	168,408	123,227	509,930	372,606
Consumer	37,601	28,478	97,973	86,527
	<u>\$ 450,382</u>	<u>\$ 304,772</u>	<u>\$ 1,292,539</u>	<u>\$ 932,405</u>
Gross profit				
Agricultural	\$ 33,214	\$ 16,191	\$ 98,294	\$ 45,830
Earthmoving/construction	21,263	12,409	63,333	34,777
Consumer	5,815	2,717	13,400	7,821
	<u>\$ 60,292</u>	<u>\$ 31,317</u>	<u>\$ 175,027</u>	<u>\$ 88,428</u>
Income (loss) from operations				
Agricultural	\$ 18,156	\$ 3,091	\$ 54,228	\$ 11,958
Earthmoving/construction	7,913	656	20,950	(5,161)
Consumer	3,519	(88)	7,067	912
Corporate & Unallocated	(6,688)	(10,467)	(21,395)	(27,221)
Income (loss) from operations	<u>22,900</u>	<u>(6,808)</u>	<u>60,850</u>	<u>(19,512)</u>
Interest expense	(7,818)	(7,251)	(23,939)	(23,076)
Loss on senior note repurchase	—	—	(16,020)	—
Foreign exchange gain (loss)	416	(1,336)	9,125	(9,742)
Other income	648	2,283	1,512	9,111
Income (loss) before income taxes	<u>\$ 16,146</u>	<u>\$ (13,112)</u>	<u>\$ 31,528</u>	<u>\$ (43,219)</u>

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

	September 30, 2021	December 31, 2020
Total assets		
Agricultural	\$ 494,117	\$ 420,993
Earthmoving/construction	489,076	473,873
Consumer	142,093	114,993
Corporate & Unallocated	18,973	22,025
	<u>\$ 1,144,259</u>	<u>\$ 1,031,884</u>

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 \$0.7 million and \$2.0 million for the three and nine months ended September 30, 2021, and approximately \$0.1 million and \$0.6 million for the three and nine months ended September 30, 2020. Titan had purchases from these companies of approximately \$0.1 million and \$1.0 million for the three and nine months ended September 30, 2021, and had no purchases from these companies for the three and nine months ended September 30, 2020. Titan had trade receivables due from these companies of approximately \$0.3 million at September 30, 2021, and approximately \$0.1 million at December 31, 2020. Sales commissions paid to the above companies were approximately \$0.5 million and \$1.5 million for the three and nine months ended September 30, 2021 as compared to \$0.3 million and \$1.0 million for the three and nine months ended September 30, 2020.

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, 2021	\$ (206,529)	\$ (148)	\$ (21,125)	\$ (227,802)
Currency translation adjustments, net	(16,677)	—	—	(16,677)
Defined benefit pension plans:				
Amortization of unrecognized losses and prior service cost, net of tax of \$(42)	—	—	797	797
Derivative gain	—	54	—	54
Balance at September 30, 2021	<u>\$ (223,206)</u>	<u>\$ (94)</u>	<u>\$ (20,328)</u>	<u>\$ (243,628)</u>

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

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

	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, net	5,376	—	—	5,376
Defined benefit pension plans:				
Amortization of unrecognized losses and prior service cost, net of tax of \$45	—	—	575	575
Derivative 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, net (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 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 year.

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

21. SUBSIDIARY GUARANTOR FINANCIAL INFORMATION

Our senior secured notes due 2028 are guaranteed by the following wholly-owned subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois. The note guarantees are the full and unconditional, joint and several obligations of the guarantors. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances upon the occurrence of certain customary conditions. See the indenture governing the senior secured notes due 2028 filed as Exhibit 4.1 to the Form 8-K filed by the Company on April 22, 2021 for additional information. The following condensed consolidating financial statements are presented using the equity method of accounting. Certain sales and marketing expenses recorded by non-guarantor subsidiaries have not been allocated to the guarantor subsidiaries.

Condensed Consolidating Statements of Operations For the Three Months Ended September 30, 2021					
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 72,169	\$ 450,441	\$ (72,228)	\$ 450,382
Cost of sales	267	48,318	413,733	(72,228)	390,090
Gross (loss) profit	(267)	23,851	36,708	—	60,292
Selling, general and administrative expenses	2,020	11,288	18,909	—	32,217
Research and development expenses	301	732	1,337	—	2,370
Royalty expense	198	1,155	1,452	—	2,805
(Loss) income from operations	(2,786)	10,676	15,010	—	22,900
Interest expense	(7,637)	(7)	(174)	—	(7,818)
Intercompany interest income (expense)	400	620	(1,020)	—	—
Foreign exchange (loss) gain	—	(248)	664	—	416
Other (expense) income	(5)	117	536	—	648
(Loss) income before income taxes	(10,028)	11,158	15,016	—	16,146
Provision for income taxes	507	93	4,742	—	5,342
Equity in earnings (loss) of subsidiaries	21,340	—	2,920	(24,260)	—
Net income (loss)	10,805	11,065	13,194	(24,260)	10,804
Net loss attributable to noncontrolling interests	—	—	(383)	—	(383)
Net income (loss) attributable to Titan	\$ 10,805	\$ 11,065	\$ 13,577	\$ (24,260)	\$ 11,187

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

Condensed Consolidating Statements of Operations
For the Nine Months Ended September 30, 2021

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 297,249	\$ 1,292,735	\$ (297,445)	\$ 1,292,539
Cost of sales	768	222,893	1,191,296	(297,445)	1,117,512
Gross (loss) profit	(768)	74,356	101,439	—	175,027
Selling, general and administrative expenses	7,619	35,147	56,045	—	98,811
Research and development expenses	757	2,240	4,454	—	7,451
Royalty expense	1,033	3,282	3,600	—	7,915
(Loss) income from operations	(10,177)	33,687	37,340	—	60,850
Interest expense	(22,771)	(18)	(1,150)	—	(23,939)
Loss on senior note repurchase	(16,020)	—	—	—	(16,020)
Intercompany interest income (expense)	1,263	1,667	(2,930)	—	—
Foreign exchange (loss) gain	(6)	(113)	9,244	—	9,125
Other (expense) income	(1,231)	2,145	598	—	1,512
(Loss) income before income taxes	(48,942)	37,368	43,102	—	31,528
(Benefit) provision for income taxes	(1,449)	250	11,126	—	9,927
Equity in earnings (loss) of subsidiaries	69,095	—	6,519	(75,614)	—
Net income (loss)	21,602	37,118	38,495	(75,614)	21,601
Net loss attributable to noncontrolling interests	—	—	(387)	—	(387)
Net income (loss) attributable to Titan	\$ 21,602	\$ 37,118	\$ 38,882	\$ (75,614)	\$ 21,988

Condensed Consolidating Statements of Comprehensive (Loss) Income
For the Three Months Ended September 30, 2021

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 10,805	\$ 11,065	\$ 13,194	\$ (24,260)	\$ 10,804
Derivative gain (loss)	54	—	54	(54)	54
Currency translation adjustment	(16,243)	—	(16,243)	16,243	(16,243)
Pension liability adjustments, net of tax	797	667	130	(797)	797
Comprehensive (loss) income	(4,587)	11,732	(2,865)	(8,868)	(4,588)
Net comprehensive income attributable to redeemable and noncontrolling interests	—	—	51	—	51
Comprehensive (loss) income attributable to Titan	\$ (4,587)	\$ 11,732	\$ (2,916)	\$ (8,868)	\$ (4,639)

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

(Amounts in thousands)

Condensed Consolidating Statements of Comprehensive (Loss) Income
For the Nine Months Ended September 30, 2021

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 21,602	\$ 37,118	\$ 38,495	\$ (75,614)	\$ 21,601
Derivative gain (loss)	319	—	319	(319)	319
Currency translation adjustment	(28,991)	—	(28,991)	28,991	(28,991)
Pension liability adjustments, net of tax	2,362	2,001	361	(2,362)	2,362
Comprehensive (loss) income	(4,708)	39,119	10,184	(49,304)	(4,709)
Net comprehensive loss attributable to redeemable and noncontrolling interests	—	—	(323)	—	(323)
Comprehensive (loss) income attributable to Titan	<u>\$ (4,708)</u>	<u>\$ 39,119</u>	<u>\$ 10,507</u>	<u>\$ (49,304)</u>	<u>\$ (4,386)</u>

(Amounts in thousands)

Condensed Consolidating Balance Sheets
September 30, 2021

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 11,594	\$ (9)	\$ 83,055	\$ —	\$ 94,640
Accounts receivable, net	185	5	261,257	—	261,447
Inventories	—	54,536	318,476	—	373,012
Prepaid and other current assets	1,384	17,974	47,786	—	67,144
Total current assets	13,163	72,506	710,574	—	796,243
Property, plant and equipment, net	1,679	79,548	221,363	—	302,590
Investment in subsidiaries	639,992	—	56,149	(696,141)	—
Other assets	1,185	4,111	40,130	—	45,426
Total assets	<u>\$ 656,019</u>	<u>\$ 156,165</u>	<u>\$ 1,028,216</u>	<u>\$ (696,141)</u>	<u>\$ 1,144,259</u>
Liabilities and Equity					
Short-term debt	\$ —	\$ —	\$ 30,867	\$ —	\$ 30,867
Accounts payable	3,318	48,948	201,553	—	253,819
Other current liabilities	30,284	28,870	93,072	—	152,226
Total current liabilities	33,602	77,818	325,492	—	436,912
Long-term debt	424,305	—	26,694	—	450,999
Other long-term liabilities	250	11,447	45,057	—	56,754
Intercompany accounts	(21,023)	(466,198)	487,221	—	—
Redeemable noncontrolling interest	—	—	25,000	—	25,000
Titan shareholders' equity	218,885	533,098	122,074	(696,141)	177,916
Noncontrolling interests	—	—	(3,322)	—	(3,322)
Total liabilities and equity	<u>\$ 656,019</u>	<u>\$ 156,165</u>	<u>\$ 1,028,216</u>	<u>\$ (696,141)</u>	<u>\$ 1,144,259</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, 2021

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash (used for) provided by operating activities	\$ (10,790)	\$ 6,347	\$ 2,153	\$ (2,290)
Cash flows from investing activities:				
Capital expenditures	(17)	(6,363)	(17,870)	(24,250)
Proceeds from sale of fixed assets	—	26	1,113	1,139
Net cash used for investing activities	(17)	(6,337)	(16,757)	(23,111)
Cash flows from financing activities:				
Proceeds from borrowings	465,473	—	16,820	482,293
Repurchase of senior secured notes	(413,000)	—	—	(413,000)
Payment on debt	(35,357)	—	(24,592)	(59,949)
Other financing activities	(5,713)	(23)	3,667	(2,069)
Net cash provided by (used for) financing activities	11,403	(23)	(4,105)	7,275
Effect of exchange rate change on cash	—	—	(4,665)	(4,665)
Net increase (decrease) in cash and cash equivalents	596	(13)	(23,374)	(22,791)
Cash and cash equivalents, beginning of period	10,998	4	106,429	117,431
Cash and cash equivalents, end of period	<u>\$ 11,594</u>	<u>\$ (9)</u>	<u>\$ 83,055</u>	<u>\$ 94,640</u>

22. SUBSEQUENT EVENTS

On October 28, 2021, the Company amended and extended the credit and security agreement with respect to the \$100 million revolving credit facility (credit facility) with agent BMO Harris Bank N.A. and other financial institutions party thereto. The credit facility was increased to \$125 million with the amount available under the credit facility determined based upon eligible accounts receivable and inventory balances at certain of its domestic subsidiaries. The amended credit facility has a five-year term with the new maturity occurring on October 28, 2026. The amended credit facility can be expanded by up to \$50 million through an accordion provision within the agreement. The amended agreement has terms substantially similar to those contained in the agreement prior to the amendment earlier this year on February 25, 2021 and also includes other enhancements to further improve the availability within the borrowing base.

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, 2020, filed with the SEC on March 4, 2021 (the 2020 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 the outbreak of COVID-19 as a global 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 year ended December 31, 2020, and economic and health conditions in the United States and across 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 resumed with additional sanitary and other protective health measures, which increased operating costs throughout the year. We expect these additional measures to continue into the foreseeable future as we seek to ensure the safety and welfare of Titan's employees. While the Company's operations began to return to historical levels beginning in the second half of 2020 and continuing into the third quarter of 2021, certain geographies (particularly Australia, Europe and Latin America) continue to remain significantly impacted by the COVID-19 pandemic.

Due to the above circumstances as described generally in this Form 10-Q, the Company's results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results to be expected in the future. Management cannot predict the full impact of the COVID-19 pandemic on the economic conditions generally, on the Company's customers and, ultimately, on the Company. 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;
- 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

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circumstances that are difficult to predict, including, but not limited to, the factors discussed in Part I, Item 1A, Risk Factors, of the 2020 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;
- Risks related to financial reporting, internal controls, tax accounting, and information systems; and
- Risks related to payment of cash to RDIF if OFAC does not approve the issuance of Titan common shares to RDIF.

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

TITAN INTERNATIONAL, INC.
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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 wheels, tires, and undercarriage systems and components are manufactured for use on various agricultural equipment, including tractors, combines, skidders, plows, planters, and irrigation equipment, and are sold directly to OEMs and to the aftermarket through independent distributors, equipment dealers, and Titan's distribution centers. The wheels range in diameter from nine inches to 54 inches, with the 54-inch diameter being the largest agricultural wheel manufactured in North America. Basic configurations are combined with distinct variations (such as different centers and a wide range of material thickness) allowing the Company to offer a broad line of products to meet customer specifications. Titan's agricultural tires range from approximately one foot to approximately seven feet in outside diameter and from five inches to 55 inches in width. The Company offers the added value of delivering a complete wheel and tire assembly to OEM and aftermarket customers.

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

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

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

MARKET CONDITIONS AND OUTLOOK

AGRICULTURAL MARKET OUTLOOK

Agriculture-related commodity prices began to improve in 2020 and continued to improve during the first three quarters of 2021 and remain at historically high levels. Improved farmer income, replacement of an aging large equipment fleet and replenishment of lower equipment inventory levels are all factors which are anticipated to support improved demand for our products. Many of our customers are forecasting growth, providing further optimism of sustained stability in the market over the next few 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 segment is affected by many variables, including commodity prices, road construction, infrastructure, government appropriations, housing starts, and other macroeconomic drivers. The earthmoving/construction markets experienced declines in 2020 due in large part to global economic uncertainty and the impacts of the COVID-19 pandemic. The construction market is primarily driven by GDP by country and the need for infrastructure developments. Demand for larger construction equipment used for highways and infrastructure began to tighten in 2019 and continued throughout much of 2020. Demand for mining industry equipment also began to soften within certain regions in the second half of 2019 and continued throughout 2020. The market is experiencing strong signs of continued growth as economies emerge from the pandemic. There are historically low equipment inventory levels throughout the global construction industry, and

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mining capital budgets are continuing to rise during 2021. Improvements in mineral commodity prices also currently support recovery and growth.

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 markets have stabilized through 2021 due to pent up demand from historically lower sales volume achieved during 2020. This pace of recovery is anticipated to be slower than what is currently being experienced in the Agriculture and Earthmoving/Construction segments. The consumer segment is affected by many variables including consumer spending, interest rates, government policies, and other macroeconomic drivers.

RESULTS OF OPERATIONS

<i>(amounts in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Increase/(Decrease)	2021	2020	% Increase/(Decrease)
Net sales	\$ 450,382	\$ 304,772	47.8 %	\$ 1,292,539	\$ 932,405	38.6 %
Gross profit	60,292	31,317	92.5 %	175,027	88,428	97.9 %
Gross profit %	13.4 %	10.3 %		13.5 %	9.5 %	
Selling, general and administrative expenses	32,217	33,451	(3.7) %	98,811	93,849	5.3 %
Research and development expenses	2,370	2,240	5.8 %	7,451	6,782	9.9 %
Royalty expense	2,805	2,434	15.2 %	7,915	7,309	8.3 %
Income (loss) from operations	22,900	(6,808)	436.4 %	60,850	(19,512)	411.9 %

Net Sales

Net sales for the three months ended September 30, 2021 were \$450.4 million, compared to \$304.8 million in the comparable period of 2020, an increase of 47.8% driven by sales increases across all segments. Overall net sales volume and product price/mix was up 25.3% and 21.3%, respectively, from the comparable prior year quarter. The increase in net sales was also favorably impacted by foreign currency translation of 1.2% or \$3.7 million.

Net sales for the nine months ended September 30, 2021 were \$1,292.5 million, compared to \$932.4 million in the comparable period of 2020, an increase of 38.6% driven by sales increases in the agricultural and earthmoving/construction segments. Overall net sales volume and product price/mix was up 23.9% and 14.0%, respectively, from the comparable period of 2020. The increase in net sales was also favorably impacted by foreign currency translation of 0.7% or \$6.2 million.

Overall net sales volume and product price/mix improved for both the three and nine months ended September 30, 2021 as compared to the prior year periods due to market growth in the agricultural and earthmoving/construction segments. Pricing increases have been implemented because of rising raw material costs and other inflationary impacts in the markets, including freight. The contributing factors to the increase in demand were increased commodity prices, lower equipment inventory levels and pent up demand following the economic impacts of the COVID-19 pandemic during 2020. Lower sales volumes during the first three quarters of 2020 were primarily caused by continued weakness in the commodity markets and the effect of the COVID-19 pandemic which caused significant uncertainty for customers in most geographies, most notably OEM customers.

Global supply chains are experiencing significant constraints, including availability and pricing of raw materials, transportation and labor. The current constraints on global supply chains are adding further complexity to the accelerated pace of recovery and improvement to growth expectations in the near term. Titan is also experiencing similar supply chain challenges, and has been able to manage the situation effectively this year.

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Gross Profit

Gross profit for the three months ended September 30, 2021 was \$60.3 million, or 13.4% of net sales, an increase of \$29.0 million compared to \$31.3 million, or 10.3% of net sales, for the three months ended September 30, 2020. The increase in gross profit and margin was driven by the impact of increases in sales volume, as described previously, favorably impacting overhead absorption. In addition, cost reduction initiatives have been executed across global production facilities before and throughout the COVID-19 pandemic.

Gross profit for the nine months ended September 30, 2021 was \$175.0 million, or 13.5% of net sales, an increase of \$86.6 million compared to \$88.4 million, or 9.5% of net sales, for the nine months ended September 30, 2020. The increase in gross profit and margin was driven by the impact of increases in sales volume and cost reduction initiatives executed across the business.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the three months ended September 30, 2021 were \$32.2 million, or 7.2% of net sales, compared to \$33.5 million, or 11.0% of net sales, for the three months ended September 30, 2020. The decrease in SG&A was driven primarily by the \$5.0 million contingent legal accrual related recorded for the three and nine months ended September 30, 2020 for the settlement of the Dico case (see Note 17 to the Condensed Consolidated Financial Statements of this Form 10-Q) offset by an increase in variable costs associated with improved operating performance and growth in sales.

SG&A expenses for the nine months ended September 30, 2021 were \$98.8 million, or 7.6% of net sales, compared to \$93.8 million, or 10.1% of net sales, for the nine months ended September 30, 2020. The increase in SG&A was driven primarily by investments to improve our supply chain and logistics processes and an increase in variable costs associated with improved operating performance and growth in sales.

Research and Development Expenses

Research and development (R&D) expenses for the three months ended September 30, 2021 were \$2.4 million, or 0.5% of net sales, compared to \$2.2 million, or 0.7% of net sales, for the comparable period in 2020. R&D expenses for the nine months ended September 30, 2021 were \$7.5 million, or 0.6% of net sales, compared to \$6.8 million, or 0.7% of net sales, for the comparable period in 2020. R&D spending reflects initiatives to improve product designs and an ongoing focus on quality following reductions during the onset of the COVID-19 pandemic for the comparable periods in 2020.

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, 2021 were \$2.8 million, or 0.6% of net sales, compared to \$2.4 million, or 0.8% of net sales, for the three months ended September 30, 2020. Royalty expenses for the nine months ended September 30, 2021 were \$7.9 million, or 0.6% of net sales, compared to \$7.3 million, or 0.8% of net sales, for the nine months ended September 30, 2020. The increase in royalty expenses are due to the increase in sales, as described previously, resulting in an incremental increase in the amount of royalty expense incurred.

Income (Loss) from Operations

Income from operations for the third quarter of 2021 was \$22.9 million, compared to loss from operations of \$6.8 million for the third quarter of 2020. Income from operations for the nine months ended September 30, 2021 was \$60.9 million, compared to loss from operations of \$19.5 million for the nine months ended September 30, 2020. The increase in income was primarily due to the higher sales and improvements in gross profit margins.

OTHER PROFIT/LOSS ITEMS

Interest Expense

Interest expense was \$7.8 million and \$7.3 million for the three months ended September 30, 2021 and 2020, respectively, and \$23.9 million and \$23.1 million for the nine months ended September 30, 2021 and 2020. Interest expense increased due to the refinancing of the senior secured notes during the second quarter of 2021 resulting in an increase in the interest rate from 6.50% to 7.00%.

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Loss on Senior Note Repurchase

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

Foreign Exchange Gain (Loss)

Foreign exchange gain was \$0.4 million for the three months ended September 30, 2021, compared to loss of \$1.3 million for the three months ended September 30, 2020. Foreign exchange gain was \$9.1 million for the nine months ended September 30, 2021, compared to a loss of \$9.7 million for the nine months ended September 30, 2020.

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

The foreign exchange loss experienced for the nine months ended September 30, 2020 were the result of the translation of intercompany loans at certain foreign subsidiaries, which are denominated in local currencies rather than the reporting currency, which is the United States dollar. Since such loans are expected to be settled at some point in the future, these loans are adjusted each reporting period to reflect the current exchange rates. During the first quarter of 2020, we had settled a number of intercompany loans as part of a loan restructuring initiative with a resulting foreign exchange loss, which is reflected in the total foreign exchange loss recognized for the first quarter of 2020.

Other Income

Other income was \$0.6 million for the three months ended September 30, 2021, as compared to other income of \$2.3 million in the comparable quarter of 2020. The decrease in other income for the three months ended September 30, 2021, as compared to the same period in 2020, was primarily attributable to \$0.9 million of government subsidies and \$0.5 million of building rental income for our Brownsville, Texas facility which was sold in November 2020.

Other income was \$1.5 million for the nine months ended September 30, 2021, as compared to other income of \$9.1 million in the comparable period of 2020. The decrease in other income for the nine months ended September 30, 2021, as compared to the same period in 2020, was primarily attributable to proceeds of \$4.9 million related to a property insurance settlement at TTRC, \$1.4 million of government subsidies and \$1.2 million of building rental income for our Brownsville, Texas facility for the nine months ended September 30, 2020. The sale of Brownsville, Texas facility occurred in November 2020, and no further rental income was realized in 2021.

Provision for Income Taxes

The Company recorded income tax expense of \$5.3 million and \$0.3 million for the three months ended September 30, 2021 and 2020, respectively. For the nine months ended September 30, 2021 and 2020, the Company recorded income tax expense of \$9.9 million and \$2.4 million, respectively. The Company's effective income tax rate was 33.1% and (2.6)% for the three months ended September 30, 2021 and 2020, respectively, and 31.5% and (5.5)% for the nine months ended September 30, 2021 and 2020. For the three months ended September 30, 2021 and 2020, the income tax expense each period differed due to an overall pre-tax income increase which resulted in the significant fluctuation in the effective tax rate. The year-to-date increase in income tax expense for the nine months ended September 30, 2021 is due to improved profitability in foreign jurisdictions. For the nine months ended September 30, 2021 and 2020, the Company reversed tax reserves of \$0.7 million and \$3.7 million, related to the expiration of statute of limitations on previously recorded tax contingencies.

The Company's 2021 and 2020 income tax expense and rates differed materially 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, 2021 and 2020.

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Net Income (Loss) and Income (Loss) per Share

Net income for the third quarter of 2021 was \$10.8 million, compared to net loss of \$13.5 million in the comparable quarter of 2020, an improvement of \$24.8 million. For the quarters ended September 30, 2021 and 2020, basic and diluted income (loss) per share were \$0.18 and \$(0.21), respectively. The Company's net income (loss) and income (loss) per share were due to the items previously discussed.

Net income for the nine months ended September 30, 2021 and 2020 was \$21.6 million, compared to net loss of \$45.6 million in the comparable period of 2020, an improvement of \$67.7 million. For the nine months ended September 30, 2021 and 2020, basic and diluted income (loss) per share were 0.36 and (0.71), respectively. The Company's net income (loss) and income (loss) per share were due to the items previously discussed.

SEGMENT INFORMATION

Segment Summary (amounts in thousands):

Three months ended September 30, 2021	Agricultural	Earthmoving/ Construction	Consumer	Corporate/ Unallocated Expenses	Consolidated Totals
Net sales	\$ 244,373	\$ 168,408	\$ 37,601	\$ —	\$ 450,382
Gross profit	33,214	21,263	5,815	—	60,292
Profit margin	13.6 %	12.6 %	15.5 %	—	13.4 %
Income (loss) from operations	18,156	7,913	3,519	(6,688)	22,900
Three months ended September 30, 2020					
Net sales	\$ 153,067	\$ 123,227	\$ 28,478	\$ —	\$ 304,772
Gross profit	16,191	12,409	2,717	—	31,317
Profit margin	10.6 %	10.1 %	9.5 %	—	10.3 %
Income (loss) from operations	3,091	656	(88)	(10,467)	(6,808)

Nine months ended September 30, 2021	Agricultural	Earthmoving/ Construction	Consumer	Corporate/ Unallocated Expenses	Consolidated Totals
Net sales	\$ 684,636	\$ 509,930	\$ 97,973	\$ —	\$ 1,292,539
Gross profit	98,294	63,333	13,400	—	175,027
Profit margin	14.4 %	12.4 %	13.7 %	—	14 %
Income (loss) from operations	54,228	20,950	7,067	(21,395)	60,850
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
Profit margin	9.7 %	9.3 %	9.0 %	—	9.5 %
Income (loss) from operations	11,958	(5,161)	912	(27,221)	(19,512)

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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,			
	2021	2020	% Increase/(Decrease)		2021	2020	% Increase/(Decrease)	
Net sales	\$ 244,373	\$ 153,067	59.7	%	\$ 684,636	\$ 473,272	44.7	%
Gross profit	33,214	16,191	105.1	%	98,294	45,830	114.5	%
Profit margin	13.6 %	10.6 %	28.3	%	14.4 %	9.7 %	48.5	%
Income from operations	18,156	3,091	487.4	%	54,228	11,958	353.5	%

Net sales in the agricultural segment were \$244.4 million for the three months ended September 30, 2021, as compared to \$153.1 million for the comparable period in 2020, an increase of 59.7%. Net sales volume and product price/mix was up 36.4% and 23.0%, respectively, from the comparable prior year quarter due to demand in the market, reflective of improved farmer income, replacement of an aging large equipment fleet and replenishment of lower equipment inventory levels within the equipment dealer channels. Pricing is primarily reflective of increases in raw material and other inflationary cost increases in the markets, including freight.

Gross profit in the agricultural segment was \$33.2 million for the three months ended September 30, 2021, as compared to \$16.2 million in the comparable quarter of 2020, which was an improvement of 105%. The increase in gross profit and margin is primarily attributable to the impact of increases in sales volume as described previously and cost reduction initiatives executed across global production facilities before and throughout the COVID-19 pandemic.

Income from operations in Titan's agricultural segment was \$18.2 million for the three months ended September 30, 2021, as compared to income of \$3.1 million for the three months ended September 30, 2020. 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 \$684.6 million for the nine months ended September 30, 2021, as compared to \$473.3 million for the comparable period of 2020, an increase of 44.7%. Net sales volume and product price/mix was up 28.4% and 17.9%, respectively, from the comparable period of 2020 due to increased demand in the market, reflective of the same impacts described for the third quarter of 2021 and 2020. Pricing is primarily reflective of rising raw material costs and other inflationary cost increases in the markets, including freight. The overall increase in net sales was partially offset by unfavorable currency translation, primarily in Latin America and Russia of 1.7%.

Gross profit in the agricultural segment was \$98.3 million for the nine months ended September 30, 2021, as compared to \$45.8 million in the comparable quarter of 2020, which was an improvement of 114%. The increase in gross profit and margin is primarily attributable to the favorable impact of increases in sales volume as described previously and cost reduction initiatives executed across global production facilities before and throughout the COVID-19 pandemic.

Income from operations in Titan's agricultural segment was \$54.2 million for the nine months ended September 30, 2021, as compared to income of only \$12.0 million for the nine months ended September 30, 2020. The overall increase in income from operations is attributable to higher gross profit from significant demand improvements, and the overall cost reduction initiatives.

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Earthmoving/Construction Segment Results

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

(Amounts in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Increase/(Decrease)	2021	2020	% Increase/(Decrease)
Net sales	\$ 168,408	\$ 123,227	36.7 %	\$ 509,930	\$ 372,606	36.9 %
Gross profit	21,263	12,409	71.4 %	63,333	34,777	82.1 %
Profit margin	12.6 %	10.1 %	24.8 %	12.4 %	9.3 %	33.3 %
Income (loss) from operations	7,913	656	(1,106.3) %	20,950	(5,161)	505.9 %

The Company's earthmoving/construction segment net sales were \$168.4 million for the three months ended September 30, 2021, as compared to \$123.2 million in the comparable quarter of 2020, an increase of 36.7%. The increase in earthmoving/construction sales was driven by increased volume and product price/mix of 15.8% and 18.8%, respectively, which was primarily due to improvements in global economic conditions and recovery in construction markets, including the return to normalized supply and demand levels in light of the COVID-19 pandemic. For the three months ended September 30, 2020, lower sales volumes were primarily caused by the effect of the COVID-19 pandemic, which did not have a similar impact during the third quarter of 2021. Net sales were also favorably impacted by foreign currency translation in Europe, which increased net sales by 2.1%.

Gross profit in the earthmoving/construction segment was \$21.3 million for the three months ended September 30, 2021, as compared to \$12.4 million for the three months ended September 30, 2020. The increase in gross profit and margin was primarily driven by the increased sales volume and continued improved production efficiencies stemming from the strong management actions taken to improve profitability for the long-term.

The Company's earthmoving/construction segment income from operations was \$7.9 million for the three months ended September 30, 2021, as compared to income of \$0.7 million for the three months ended September 30, 2020. This improvement was due to increases in sales volume and cost containment measures taken to manage profitability during the last year primarily in response to the market declines and the impact of the COVID-19 pandemic.

The Company's earthmoving/construction segment net sales were \$509.9 million for the nine months ended September 30, 2021, as compared to \$372.6 million in the comparable period of 2020, an increase of 36.9%. The increase in earthmoving/construction sales was driven by increased volume and product price/mix of 23.8% and 8.9%, respectively, which was primarily due to continued market recovery, as previously discussed. For the nine months ended September 30, 2020, the direct impact of COVID-19 accounted for approximately \$48 million of the sales decrease as compared to the same period in 2019 due to plant shutdowns and market disruptions in Europe and Asia, which did not repeat during the first nine months of 2021. Net sales were also favorably impacted by foreign currency translation in Europe, which increased net sales by 4.1%.

Gross profit in the earthmoving/construction segment was \$63.3 million for the nine months ended September 30, 2021, as compared to \$34.8 million for the nine months ended September 30, 2020. The increase in gross profit and margin was primarily driven by the increased sales volume and continued improved production efficiencies stemming from the strong management actions taken to improve profitability for the long-term.

The Company's earthmoving/construction segment income from operations was \$21.0 million for the nine months ended September 30, 2021, as compared to a loss of \$5.2 million for the nine months ended September 30, 2020. This improvement was due to increases in sales volume and 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.

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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,			
	2021	2020	% Increase/(Decrease)		2021	2020	% Increase/(Decrease)	
Net sales	\$ 37,601	\$ 28,478	32.0 %		\$ 97,973	\$ 86,527	13.2 %	
Gross profit	5,815	2,717	114.0 %		13,400	7,821	71.3 %	
Profit margin	15.5 %	9.5 %	63.2 %		13.7 %	9.0 %	52.2 %	
Income (loss) from operations	3,519	(88)	(4,098.9) %		7,067	912	674.9 %	

Consumer segment net sales were \$37.6 million for the three months ended September 30, 2021, as compared to \$28.5 million for the three months ended September 30, 2020, an increase of approximately 32.0%. The increase was driven by favorable product price/mix, and volume impact to net sales of 22.5% and 6.8%, respectively. Net sales were also favorably impacted by foreign currency translation in Latin America, which increased net sales by 2.7%.

Gross profit from the consumer segment was \$5.8 million for the three months ended September 30, 2021, as compared to \$2.7 million for the three months ended September 30, 2020 due primarily to increased product price/mix.

Consumer segment income from operations was \$3.5 million for the three months ended September 30, 2021, as compared to a loss of \$0.1 million for the three months ended September 30, 2020 due to increase in gross profit as mentioned previously.

Consumer segment net sales were \$98.0 million for the nine months ended September 30, 2021, as compared to \$86.5 million for the nine months ended September 30, 2020, an increase of approximately 13.2%. The increase was driven by favorable product price/mix and volume impact to net sales of 13.1% and 0.7%, respectively. The increase was partially offset by unfavorable foreign currency impacts to net sales of 1.6%, which was primarily due to devaluation of Latin American currencies against the US Dollar.

Gross profit from the consumer segment was \$13.4 million for the nine months ended September 30, 2021, as compared to \$7.8 million for the nine months ended September 30, 2020 due primarily to increased product price/mix.

Consumer segment income from operations was \$7.1 million for the nine months ended September 30, 2021, as compared to income of \$0.9 million for the nine months ended September 30, 2020 due to increase in gross profit as mentioned previously.

Corporate & Unallocated Expenses

Income from operations on a segment basis did not include unallocated loss of \$6.7 million for the three months ended September 30, 2021, and \$10.5 million for the three months ended September 30, 2020, as compared to \$21.4 million for the nine months ended September 30, 2021 and \$27.2 million for the nine months ended September 30, 2020. The year over year change is related to the increase in certain corporate SG&A expenses as described previously, which were not allocated.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

As of September 30, 2021, the Company had \$94.6 million of cash, a decrease of \$22.8 million from December 31, 2020, due to the following items:

Operating Cash Flows

Summary of cash flows from operating activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2021	2020	Change
Net income (loss)	\$ 21,601	\$ (45,596)	\$ 67,197
Depreciation and amortization	36,345	40,376	(4,031)
Deferred income tax provision	(743)	(3,616)	2,873
Foreign currency translation (gain) loss	(12,042)	9,812	(21,854)
Accounts receivable	(75,456)	(22,909)	(52,547)
Inventories	(89,496)	36,664	(126,160)
Prepaid and other current assets	(14,249)	(1,133)	(13,116)
Accounts payable	92,384	2,351	90,033
Other current liabilities	24,207	28,753	(4,546)
Other liabilities	(6,532)	(678)	(5,854)
Other operating activities	21,691	3,407	18,284
Cash (used for) provided by operating activities	<u>\$ (2,290)</u>	<u>\$ 47,431</u>	<u>\$ (49,721)</u>

In the first nine months of 2021, cash flows used for operating activities was \$2.3 million, driven by increases in inventory of \$89.5 million and increases in accounts receivable of \$75.5 million, offset partially by increases in accounts payable of \$92.4 million. The cash used for working capital was due to significantly higher sales volume in the first nine months of 2021 as compared to the first nine months of 2020 as mentioned previously. In the first quarter of 2021, the Company paid \$9.2 million in a previously settled litigation matter (see Note 17 to the Condensed Consolidated Financial Statements of this Form 10-Q). Included in the net income of \$21.6 million were depreciation and amortization expense of \$36.3 million and foreign currency translation gain of \$12.0 million. Cash flows used for operating activities includes \$16.0 million loss on senior note repurchase which was included within other operating activities.

Operating cash flows decreased by \$49.7 million when comparing the first nine months of 2021 to the comparable period in 2020. Net income in the first nine months of 2021 increased by \$67.2 million from the loss incurred during the first nine months of 2020. When comparing the first nine months of 2021 to the comparable period in 2020, cash flows from operating activities decreased due to managed investments in working capital to support the business growth and the \$9.2 million legal settlement paid in February 2021 as discussed previously.

Summary of the components of cash conversion cycle:

	September 30, 2021	December 31, 2020	September 30, 2020
Days sales outstanding	53	54	61
Days inventory outstanding	89	99	111
Days payable outstanding	(61)	(56)	(51)
Cash conversion cycle	<u>81</u>	<u>97</u>	<u>121</u>

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Investing Cash Flows

Summary of cash flows from investing activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2021	2020	Change
Capital expenditures	\$ (24,250)	\$ (13,350)	\$ (10,900)
Sale of Wheels India Limited shares	—	32,852	(32,852)
Proceeds from sale of fixed assets	1,139	200	939
Proceeds from property insurance settlement	—	4,936	(4,936)
Other investing activities	—	726	(726)
Cash (used for) provided by investing activities	<u>\$ (23,111)</u>	<u>\$ 25,364</u>	<u>\$ (48,475)</u>

Net cash used for investing activities was \$23.1 million in the first nine months of 2021, as compared to net cash provided by investing activities of \$25.4 million in the first nine months of 2020. The Company invested a total of \$24.3 million in capital expenditures in the first nine months of 2021, compared to \$13.4 million in the comparable period of 2020. Capital expenditures during the first nine months of 2021 and 2020 represent equipment replacement and improvements, along with new tools, dies and molds related to new product development. The overall capital outlay for 2021 increased as the Company seeks to enhance the Company's existing facilities and manufacturing capabilities and drive productivity gains following suppression of capital outlay in 2020 as a result of the COVID-19 pandemic and reduction of business activity.

Cash provided by investing activities for the first nine months of 2020 includes \$4.9 million from the proceeds of a property insurance settlement and \$32.9 million from proceeds for the sales of Wheels India Limited shares.

Financing Cash Flows

Summary of cash flows from financing activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2021	2020	Change
Proceeds from borrowings	\$ 482,293	\$ 85,991	\$ 396,302
Repurchase of senior secured notes	(413,000)	—	(413,000)
Payment on debt	(59,949)	(116,601)	56,652
Dividends paid	—	(603)	603
Other financing activities	(2,069)	(2,723)	654
Cash provided by (used for) financing activities	<u>\$ 7,275</u>	<u>\$ (33,936)</u>	<u>\$ 41,211</u>

During the first nine months of 2021, \$7.3 million of cash was provided by financing activities. Proceeds from borrowings provided \$482.3 million, which was offset by repurchase of senior secured notes and payments on debt of \$413.0 million and \$59.9 million, respectively. Borrowing on the domestic revolving credit facility occurred during the first nine months of 2021 to support costs of refinancing the Company's senior secured notes, along with the settlement of the legal matter, mentioned earlier, resulting in an outstanding balance of \$30.0 million at September 30, 2021 as compared to \$0.0 million at December 31, 2020. Other financing activities for the nine months ended September 30, 2021 includes cash outflows of approximately \$6.0 million associated with the deferred financing costs in connection with refinancing of the senior secured notes and was partially offset by approximately \$4.0 million associated with cash flow impacts on finance lease liabilities.

During the first nine months of 2020, \$33.9 million of cash was used by financing activities. Proceeds from borrowings provided \$86.0 million, which was offset by payments on debt of \$116.6 million.

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Debt Restrictions

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

- When remaining availability under the credit facility is less than 10% of the total commitment under the credit facility (\$10.0 million as of September 30, 2021), 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, 2021, the Company had \$94.6 million of cash and cash equivalents. At September 30, 2021, under the Company's \$100 million credit facility, there were \$30.0 million in borrowings, \$10.7 million in outstanding letters of credit, and the amount available totaled \$59.3 million. Titan's availability under this credit facility may be less than \$100 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 \$94.6 million included \$79.9 million held in foreign countries, with the percentage of foreign cash being similar to recent historical levels.

We are expecting full year capital expenditures to be around \$35 million. Cash payments for interest are currently forecasted to be approximately \$15 million for the remainder of 2021 based on September 30, 2021 debt balances and after giving effect to the issuance of the senior secured notes due 2028. The forecasted interest payments are comprised primarily of the semi-annual payments totaling \$28 million (paid in April and October) for the senior secured notes due 2028, which became effective on April 22, 2021.

Cash and cash equivalents, totaling \$94.6 million at September 30, 2021, along with anticipated internal cash flows from operations and utilization of availability on global credit facilities, are expected to provide sufficient liquidity for working capital needs, debt maturities, and capital expenditures. Potential divestitures and unencumbered assets are also a means to provide for future liquidity needs. Titan has continued to take actions to obtain 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 2021, to gain flexibility should the markets continue to strengthen in the future. On October 28, 2021, the Company amended and extended the credit and security agreement with respect to the \$100 million revolving credit facility (credit facility) with agent BMO Harris Bank N.A. and other financial institutions party thereto. The credit facility was increased to \$125 million with the amount available under the credit facility determined based upon eligible accounts receivable and inventory balances at certain of its domestic subsidiaries. The amended credit facility has a five-year term with the new maturity occurring on October 28, 2026. As previously mentioned, the Company refinanced its \$400 million senior secured notes during the second quarter of 2021 resulting in extension of the due date from 2023 to 2028. We are managing the business cycle and the current impact of the COVID-19 pandemic; 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 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 2020 Form 10-K. As discussed in the 2020 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.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Titan is exposed to market risks, including changes in foreign currency exchange rates and interest rates, and commodity price fluctuations. Our exposure to market risk has not changed materially since December 31, 2020. For quantitative and qualitative disclosures about market risk, see Item 7A - Quantitative and Qualitative Disclosures About Market Risk included in the 2020 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Titan management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the Exchange Act)) as of September 30, 2021. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2021, 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 2021 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.

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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 as set forth below, there have been no material changes from the risk factors disclosed in Item 1A. Risk Factors to the 2020 Form 10-K.

The Company is subject to risks related to payment of cash to RDIF if OFAC does not approve the issuance of Titan common shares to RDIF.

The Company continues to be in contact with the Office of Foreign Asset Control (OFAC) regarding the release of 4,032,259 shares of Titan common stock (the escrowed shares) that were issued to an escrow account on behalf of RDIF in 2019 as part of the settlement of RDIF's put option under the Voltyre-Prom shareholders agreement. OFAC has yet to approve the release of the escrowed shares to RDIF. If the escrowed shares are not released to RDIF by December 31, 2021, then Titan and RDIF may seek alternative settlement terms, which could include the payment by Titan to RDIF of \$25 million in cash (which is the approximate value of the escrowed shares when issued in February 2019) and the return of the escrowed shares to Titan.

The Company could be negatively impacted if Titan fails to maintain satisfactory labor relations.

Titan is party to collective bargaining agreements covering a portion of the Company's workforce. Titan is exposed to risks associated with disruptions to the Company's operations if the Company is unable to reach a mutually agreeable domestic collective bargaining agreement. The current domestic collective bargaining agreement will expire on November 16, 2021. If Titan is unable to maintain satisfactory labor relations with its employees covered by collective bargaining agreements, these employees could engage in strikes, or the Company may otherwise experience work slowdowns or be subject to other labor actions. Any such actions, and any other labor disputes with the Company's employees domestically or internationally, could materially disrupt its operations. Future collective bargaining agreements may impose significant additional costs on Titan, which could adversely affect its financial condition and results of operations.

TITAN INTERNATIONAL, INC.

Item 6. Exhibits

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

TITAN INTERNATIONAL, INC.

SIGNATURES

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

TITAN INTERNATIONAL, INC.
(Registrant)

Date:	<u>November 3, 2021</u>	By:	<u>/s/ PAUL G. REITZ</u> Paul G. Reitz President and Chief Executive Officer (Principal Executive Officer)
		By:	<u>/s/ DAVID A. MARTIN</u> David A. Martin SVP and Chief Financial Officer (Principal Financial Officer)

CERTIFICATION

I, Paul G. Reitz, certify that:

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

Date: November 3, 2021

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 3, 2021

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, 2021, 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 3, 2021 _____

By: /s/ PAUL G. REITZ _____

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

Date: November 3, 2021 _____

By: /s/ DAVID A. MARTIN _____

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