DILLARD'S, INC.
Form 10-K
March 30, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark one)

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

For the fiscal year ended February 3, 2018
or

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

For the transition period from to .
Commission file number 1-6140
DILLARD'S, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	71-0388071
State or other jurisdiction of incorporation or organization	(IRS Employer Identification No.)
1600 CANTRELL ROAD, LITTLE ROCK, ARKANSAS	72201
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (501) 376-5200
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ý Yes o No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes ý No
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 for 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. ý Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes o No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.o
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 the 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 ý	Accelerated Filer o	Smaller Reporting Company o
Non-Accelerated Filer o (Do not check if a smaller reporting company)		Emerging Growth Company o

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. o

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of July 29, 2017: $1,601,756,904.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of March 3, 2018:

CLASS A COMMON STOCK, $0.01 par value	23,909,448
CLASS B COMMON STOCK, $0.01 par value	4,010,401

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held May 19, 2018 (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS.

Dillard's, Inc. ("Dillard's", the "Company", "we", "us", "our" or "Registrant") ranks among the nation's largest fashion apparel, cosmetics and home furnishing retailers. The Company, originally founded in 1938 by William T. Dillard, was incorporated in Delaware in 1964. As of February 3, 2018, we operated 292 Dillard's stores, including 24 clearance centers, and an Internet store offering a wide selection of merchandise including fashion apparel for women, men and children, accessories, cosmetics, home furnishings and other consumer goods. The Company also operates a general contracting construction company, CDI Contractors, LLC ("CDI"), a portion of whose business includes constructing and remodeling stores for the Company.

The following table summarizes the percentage of net sales by segment and major product line:

	Percentage of Net Sales		
	Fiscal 2017	Fiscal 2016	Fiscal 2015
Retail operations segment:			
Cosmetics	14 %	14 %	14 %
Ladies' apparel	23	22	22
Ladies' accessories and lingerie	16	16	16
Juniors' and children's apparel	8	8	8
Men's apparel and accessories	17	17	17
Shoes	16	16	16
Home and furniture	4	4	4
	98	97	97
Construction segment	2	3	3
Total	100 %	100 %	100 %

Additional information regarding our business, results of operations and financial condition, including information pertaining to our reporting segments, can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 hereof and in Note 2 in the "Notes to Consolidated Financial Statements" in Item 8 hereof.

We operate retail department stores in 29 states, primarily in the southwest, southeast and midwest regions of the United States. Most of our stores are located in suburban shopping malls and open-air centers. Customers may also purchase our merchandise online at our website, www.dillards.com, which features online gift registries and a variety of other services.

Our retail merchandise business is conducted under highly competitive conditions. Although we are a large regional department store, we have numerous competitors at the national and local level that compete with our individual stores, including specialty, off-price, discount and Internet retailers. Competition is characterized by many factors including location, reputation, merchandise assortment, advertising, price, quality, operating efficiency, service and credit availability. We believe that our stores are in a strong competitive position with regard to each of these factors. Other retailers may compete for customers on some or all of these factors, or on other factors, and may be perceived by some potential customers as being better aligned with their particular preferences.

Our merchandise selections include, but are not limited to, our lines of exclusive brand merchandise such as Antonio Melani, Gianni Bini, GB, Roundtree & Yorke and Daniel Cremieux. Our exclusive brands/private label merchandise program provides benefits for Dillard's and our customers. Our customers receive fashionable, higher quality product often at a savings compared to national brands. Our private label merchandise program allows us to ensure the Company's high standards are achieved, while minimizing costs and differentiating our merchandise offerings from other retailers.

We have made a significant investment in our trademark and license portfolio, in terms of design function, advertising, quality control and quick response to market trends in a quality manufacturing environment. Dillard's trademark registrations are maintained for as long as Dillard's holds the exclusive right to use the trademarks on the listed products.

Our merchandising, sales promotion and store operating support functions are conducted primarily at our corporate headquarters. Our back office sales support functions, such as accounting, product development, store planning and information technology, are also centralized.

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We have developed a knowledge of each of our trade areas and customer bases for our stores. This knowledge is enhanced through regular store visits by senior management and merchandising personnel and through the use of online merchandise information and is supported by our regional merchandising offices. We will continue to use existing technology and research to edit merchandise assortments by store to meet the specific preference, taste and size requirements of each local operating area.

Certain departments in our stores are licensed to independent companies in order to provide high quality service and merchandise where specialization, focus and expertise are critical. The licensed departments vary by store to complement our own merchandising departments. The principal licensed department is an upscale women's apparel vendor in certain stores. The terms of the license agreements typically range between three and five years with one year renewals and require the licensee to pay for fixtures and to provide their own employees. We regularly evaluate the performance of the licensed departments and require compliance with established customer service guidelines.

Synchrony Financial ("Synchrony"; formerly GE Consumer Finance) owned and managed Dillard's private label credit cards, including credit cards co-branded with American Express (collectively "private label cards"), under a long-term marketing and servicing alliance ("Synchrony Alliance") that expired in November 2014. Following this scheduled expiration, Wells Fargo Bank, N.A. ("Wells Fargo") purchased the Dillard's private label card portfolio from Synchrony and began managing Dillard's private label cards under a new 10-year agreement ("Wells Fargo Alliance"). Under the Wells Fargo Alliance, Wells Fargo establishes and owns private label card accounts for our customers, retains the benefits and risks associated with the ownership of the accounts, provides key customer service functions, including new account openings, transaction authorization, billing adjustments and customer inquiries, receives the finance charge income and incurs the bad debts associated with those accounts. Pursuant to the Wells Fargo Alliance, we receive on-going cash compensation from Wells Fargo based upon the portfolio's earnings. The compensation earned on the portfolio is determined monthly and has no recourse provisions. We participate in the marketing of the private label cards and accept payments on the private label cards in our stores as a convenience to customers who prefer to pay in person rather than by paying online or mailing their payments to Wells Fargo. The Wells Fargo Alliance expires in fiscal 2024.

We seek to expand the number and use of the private label cards by, among other things, providing incentives to sales associates to open new credit accounts, which generally can be opened while a customer is visiting one of our stores. Customers who open accounts are rewarded with discounts on future purchases. Private label card customers are sometimes offered private shopping nights, direct mail catalogs, special discounts and advance notice of sale events. Wells Fargo administers the loyalty program that rewards customers for private label card usage.

Our earnings depend to a significant extent on the results of operations for the last quarter of our fiscal year. Due to holiday buying patterns, sales for that period average approximately one-third of annual sales.

As of February 3, 2018, we employed approximately 40,000 full-time and part-time associates, of which approximately 43% were part-time. The number of associates varies during the year, with increases occurring during peak seasonal selling periods.

We purchase merchandise from many sources and do not believe that we are dependent on any one supplier. We have no long-term purchase commitments or arrangements with any of our suppliers, but we consider our relationships to be strong and mutually beneficial.

Our fiscal year ends on the Saturday nearest January 31 of each year. Fiscal year 2017 ended on February 3, 2018 and contained 53 weeks, and fiscal years 2016 and 2015 ended on January 28, 2017 and January 30, 2016, respectively, and each contained 52 weeks.

The information contained on our website is not incorporated by reference into this Annual Report on Form 10-K (this "Annual Report") and should not be considered to be a part of this Annual Report. Our Annual Report, quarterly reports on Form 10-Q, current reports on Form 8-K, statements of changes in beneficial ownership of securities on Form 4 and Form 5 and amendments to those reports filed or furnished pursuant to Section 13(a), 15(d) or 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as applicable, are available free of charge (as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC) on the Dillard's, Inc. website: www.dillards.com.

We have adopted a Code of Conduct and Corporate Governance Guidelines, as required by the listing standards of the New York Stock Exchange and the rules of the SEC. We have posted on our website our Code of Conduct, Corporate Governance Guidelines, Social Accountability Policy, our most recent Social Accountability Report and committee charters for the Audit Committee of the Board of Directors and the Stock Option and Executive Compensation Committee of the Board of Directors.

Our corporate offices are located at 1600 Cantrell Road, Little Rock, Arkansas 72201, telephone: 501-376-5200.

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ITEM 1A. RISK FACTORS.

The risks described in this Item 1A, Risk Factors, of this Annual Report could materially and adversely affect our business, financial condition and results of operations.

The Company cautions that forward-looking statements, as such term is defined in the Private Securities Litigation Reform Act of 1995, contained in this Annual Report on Form 10-K are based on estimates, projections, beliefs and assumptions of management at the time of such statements and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. Forward-looking statements of the Company involve risks and uncertainties and are subject to change based on various important factors. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements made by the Company and its management as a result of a number of risks, uncertainties and assumptions.

The retail merchandise business is highly competitive, and that competition could lower our revenues, margins and market share.

We conduct our retail merchandise business under highly competitive conditions. Competition is characterized by many factors including location, reputation, fashion, merchandise assortment, advertising, operating efficiency, price, quality, customer service and credit availability. We have numerous competitors nationally, locally and on the Internet, including conventional department stores, specialty retailers, off-price and discount stores, boutiques, mass merchants, and Internet and mail-order retailers. Although we are a large regional department store, some of our competitors are larger than us with greater financial resources and, as a result, may be able to devote greater resources to sourcing, promoting and selling their products. Additionally, we compete in certain markets with a substantial number of retailers that specialize in one or more types of merchandise that we sell. In recent years, competition has intensified as a result of reduced discretionary consumer spending, increased promotional activity, deep price discounting, and few barriers to entry. Also, online retail shopping continues to rapidly evolve, and we continue to expect competition in the e-commerce market to intensify in the future as the Internet facilitates competitive entry and comparison shopping. We anticipate that intense competition will continue from both existing competitors and new entrants. If we are unable to maintain our competitive position, we could experience downward pressure on prices, lower demand for products, reduced margins, the inability to take advantage of new business opportunities and the loss of market share.

Changes in economic, financial and political conditions, and the resulting impact on consumer confidence and consumer spending, could have an adverse effect on our business and results of operations.

The retail merchandise business is highly sensitive to changes in overall economic and political conditions that impact consumer confidence and spending. Various economic conditions affect the level of disposable income consumers have available to spend on the merchandise we offer, including unemployment rates, interest rates, taxation, energy costs, the availability of consumer credit, the price of gasoline, consumer confidence in future economic conditions and general business conditions. Due to the Company's concentration of stores in energy producing regions, volatile conditions in these regions could adversely affect the Company's sales. Consumer purchases of discretionary items and other retail products generally decline during recessionary periods, and also may decline at other times when changes in consumer spending patterns affect us unfavorably. In addition, any significant decreases in shopping mall traffic could also have an adverse effect on our results of operations.

Our business is dependent upon our ability to accurately predict rapidly changing fashion trends, customer preferences, and other fashion-related factors.

Our sales and operating results depend in part on our ability to effectively predict and quickly respond to changes in fashion trends and customer preferences. We continuously assess emerging styles and trends and focus on developing a merchandise assortment to meet customer preferences at competitive prices. Even with these efforts, we cannot be certain that we will be able to successfully meet constantly changing fashion trends and customer preferences. If we are unable to successfully predict or respond to changing styles or preferences, we may be faced with lower sales, increased inventories, additional markdowns or promotional sales to dispose of excess or slow-moving inventory, and lower gross margins, all of which would have an adverse effect on our business, financial condition, and results of operations.

Our failure to protect our reputation could have an adverse effect on our business.
We offer our customers quality products at competitive prices and a high level of customer service, resulting in a well-recognized brand and customer loyalty. Among other things, failure to respond rapidly to changing trends could diminish brand and customer loyalty and impact our reputation with customers.
Any significant damage to our brand or reputation could negatively impact sales, diminish customer trust and generate negative sentiment, any of which would harm our business and results of operation.
Fluctuations in the price of merchandise, raw materials, fuel and labor or their reduced availability could increase our cost of goods and negatively impact our financial results.
Fluctuations in the price and availability of fuel, labor and raw materials, combined with the inability to mitigate or to pass cost increases on to our customers or to change our merchandise mix as a result of such cost increases, could have an adverse impact on our profitability. Attempts to pass such costs along to our customers, however, might cause a decline in our sales volume. Additionally, any decrease in the availability of raw materials could impair our ability to meet our purchasing requirements in a timely manner. Both the increased cost and lower availability of merchandise, raw materials, fuel and labor may also have an adverse impact on our cash and working capital needs.
Third party suppliers on whom we rely to obtain materials and provide production facilities may experience financial difficulties due to current and future economic conditions.
Our suppliers may experience financial difficulties due to a downturn in the industry or in other macroeconomic environments. Our suppliers' cash and working capital needs can be adversely impacted by the increased cost and lower availability of merchandise, raw materials, fuel and labor. Current and future economic conditions may prevent our suppliers from obtaining financing on favorable terms, which could impact their ability to supply us with merchandise on a timely basis.
We source many of our products from foreign countries, which exposes us to certain risks that include political and economic conditions.

Political discourse has recently focused on ways to discourage corporations in the United States from outsourcing manufacturing and production activities to foreign jurisdictions. Proposals to address this concern include the possibility of imposing tariffs, border adjustments or other penalties on goods manufactured outside the United States to attempt to discourage these practices. It has also been suggested that the United States may materially modify or withdraw from some of its existing trade agreements. Any of these actions, if ultimately enacted, could negatively impact our ability to source products from foreign jurisdictions and could lead to an increase in the cost of goods and adversely affect our profitability.

Moreover, our third-party suppliers in foreign jurisdictions are subject to political and economic uncertainty. We are subject to risks and uncertainties associated with changing economic and political conditions in foreign countries where our suppliers are located, including increased import duties, tariffs, trade restrictions and quotas, work stoppages, economic uncertainties, adverse foreign government regulations, wars, fears of war, terrorist attacks and organizing activities, adverse fluctuations of foreign currencies and political unrest. We cannot predict when, or the extent to which, the countries in which our products are manufactured will experience any of the foregoing events. Any event causing a disruption or delay of imports from foreign locations would likely increase the cost or reduce the supply of merchandise available to us and would adversely affect our operating results. In addition, trade restrictions, including increased tariffs or quotas, embargoes, safeguards, and customs restrictions against apparel items, as well as United States or foreign labor strikes, work stoppages, or boycotts, could increase the cost or reduce the supply of merchandise available to us or may require us to modify our current business practices, any of which could adversely affect our profitability.

Failure by third party suppliers to comply with our supplier compliance programs or applicable laws could have a material adverse effect on our business.
All of our suppliers must comply with our supplier compliance programs and applicable laws, including consumer and product safety laws, but we do not control our vendors or their labor and business practices. The violation of labor or

other laws by one of our vendors could have an adverse effect on our business. Additionally, although we diversify our sourcing and production, the failure of any supplier to produce and deliver our goods on time, to meet our quality standards and adhere to our product safety requirements or to meet the requirements of our supplier compliance program or applicable laws, could impact our ability to flow merchandise to our stores or directly to consumers in the right quantities at the right time, which could adversely affect our profitability and could result in damage to our reputation and translate into sales losses.

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A decrease in cash flows from our operations and constraints to accessing other financing sources could limit our ability to fund our operations, capital projects, interest and debt repayments, stock repurchases and dividends.

Our business depends upon our operations to generate strong cash flow and to some extent upon the availability of financing sources to supply capital to fund our general operating activities, capital projects, interest and debt repayments, stock repurchases and dividends. Our inability to continue to generate sufficient cash flows to support these activities or the lack of available financing in adequate amounts and on appropriate terms when needed could adversely affect our financial performance including our earnings per share.

Reductions in the income and cash flow from our long-term marketing and servicing alliance related to our private label credit cards could impact operating results and cash flows.

Wells Fargo owns and manages our private label credit cards under the Wells Fargo Alliance. The Wells Fargo Alliance provides for certain payments to be made by Wells Fargo to the Company, including the Company's share of revenues under this alliance. The income and cash flow that the Company receives from the Wells Fargo Alliance is dependent upon a number of factors including the level of sales on Wells Fargo accounts, the level of balances carried on the Wells Fargo accounts by Wells Fargo customers, payment rates on Wells Fargo accounts, finance charge rates and other fees on Wells Fargo accounts, the level of credit losses for the Wells Fargo accounts, Wells Fargo's ability to extend credit to our customers as well as the cost of customer rewards programs, all of which can vary based on changes in federal and state banking and consumer protection laws and from a variety of economic, legal, social and other factors that we cannot control. If the income or cash flow that the Company receives from the Wells Fargo Alliance decreases, our operating results and cash flows could be adversely affected.

Credit card operations are subject to numerous federal and state laws that impose disclosure and other requirements upon the origination, servicing, and enforcement of credit accounts, and limitations on the amount of finance charges and fees that may be charged by a credit card provider. Wells Fargo may be subject to regulations that may adversely impact its operation of our private label credit card. To the extent that such limitations or regulations materially limit the availability of credit or increase the cost of credit to our cardholders or negatively impact provisions which affect our revenue streams associated with our private label credit card, our results of operations could be adversely affected. In addition, changes in credit card use, payment patterns, or default rates could be affected by a variety of economic, legal, social, or other factors over which we have no control and cannot predict with certainty. Such changes could also negatively impact our ability to facilitate consumer credit or increase the cost of credit to our cardholders.

Our business is seasonal, and fluctuations in our revenues during the last quarter of our fiscal year can have a disproportionate effect on our results of operations.

Our business, like many other retailers, is subject to seasonal influences, with a significant portion of sales and income typically realized during the last quarter of our fiscal year due to the holiday season. Our fiscal fourth-quarter results may fluctuate significantly, based on many factors, including holiday spending patterns and weather conditions, and any such fluctuation could have a disproportionate effect on our results of operations for the entire fiscal year. Because of the seasonality of our business, our operating results vary considerably from quarter to quarter, and results from any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

A shutdown of, or disruption in, any of the Company's distribution or fulfillment centers would have an adverse effect on the Company's business and operations.

Our business depends on the orderly operation of the process of receiving and distributing merchandise, which relies on adherence to shipping schedules and effective management of distribution or fulfillment centers. Although we believe that our receiving and distribution process is efficient and that we have appropriate contingency plans, unforeseen disruptions in operations due to fire, severe weather conditions, natural disasters, or other catastrophic events, labor disagreements, or other shipping problems may result in the loss of inventory and/or delays in the delivery of merchandise to our stores and customers.

Current store locations may become less desirable, and desirable new locations may not be available for a reasonable price, if at all, either of which could adversely affect our results of operations.

In order to generate customer traffic and for convenience of our customers, we attempt to locate our stores in desirable locations within shopping malls and open air centers. Our stores benefit from the abilities that our Company, other anchor tenants and other area attractions have to generate consumer traffic. Adverse changes in the development of new shopping malls in the United States, the availability or cost of appropriate locations within existing or new shopping malls, competition with other retailers for prominent locations, the success of individual shopping malls and the success or failure of other anchor tenants, or the continued popularity of shopping malls may continue to impact our ability to maintain or grow our sales in our existing stores, as well as our ability to open new stores, which could have an adverse effect on our financial condition or results of operations.

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Ownership and leasing of significant amounts of real estate exposes us to possible liabilities and losses.

We own the land and building, or lease the land and/or the building, for all of our stores. Accordingly, we are subject to all of the risks associated with owning and leasing real estate. In particular, the value of our real estate assets could decrease, and their operating costs could increase, because of changes in the investment climate for real estate, demographic trends and supply or demand for the use of the store, which may result from competition from similar stores in the area. Additionally, we are subject to potential liability for environmental conditions on the property that we own or lease. If an existing owned store is not profitable, and we decide to close it, we may be required to record an impairment charge and/or exit costs associated with the disposal of the store. We generally cannot cancel our leases. If an existing or future store is not profitable, and we decide to close it, we may be committed to perform certain obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of the leases expires, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores in desirable locations. We may not be able to close an unprofitable owned store due to an existing operating covenant which may cause us to operate the location at a loss and prevent us from finding a more desirable location. We have approximately 75 stores along the Gulf and Atlantic coasts that are covered by third-party insurance but are self-insured for property and merchandise losses related to "named storms." As a result, the repair and replacement costs will be borne by us for damage to any of these stores from "named storms," which could have an adverse effect on our financial condition or results of operations.

A privacy breach could adversely affect our business, reputation and financial condition.

We receive certain personal information about our employees and our customers, including information permitting cashless payments, both in our stores and through our online operations at www.dillards.com. In addition, our online operations depend upon the secure transmission of confidential information over public networks.

We have a longstanding Information Security Program committed to regular risk assessment practices surrounding the protection of confidential data. This program includes network segmentation and access controls around the computer resources that house confidential data. We continue to evaluate the security environment surrounding the handling and control of our critical data, especially the private data we receive from our customers, and we institute additional measures to help protect us from a privacy breach.

Despite our security measures, it is possible that unauthorized persons (through cyberattacks, which are evolving and becoming increasingly sophisticated, physical breach or other means) might defeat our security measures, those of Wells Fargo or of our other third party service providers or vendors, and obtain personal information of customers, employees or others. We have purchased Network Security and Cyber Liability insurance to provide some financial protection should a privacy breach occur; however, such a compromise, whether in our information security system or our third party service providers or vendors, resulting in personal information being obtained by unauthorized persons could adversely affect our reputation with our customers, employees and others, as well as our operations, results of operations, financial condition and liquidity, and could result in litigation against us or the imposition of penalties. In addition, a security breach could require that we expend significant additional resources related to our information security systems and could result in a disruption of our operations, particularly our online sales operations.

Litigation with customers, employees and others could harm our reputation and impact operating results.

In the ordinary course of business, we may be involved in lawsuits and regulatory actions. We are impacted by trends in litigation, including, but not limited to, class-action allegations brought under various consumer protection, employment, and privacy and information security laws. Additionally, we may be subject to employment-related claims alleging discrimination, harassment, wrongful termination and wage issues, including those relating to overtime compensation. We are susceptible to claims filed by customers alleging responsibility for injury suffered during a visit to a store or from product defects, and we are also subject to lawsuits filed by patent holders alleging patent infringement. These types of claims, as well as other types of lawsuits to which we are subject from time to time, can distract management's attention from core business operations and impact operating results, particularly if a lawsuit results in an unfavorable outcome.

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Our profitability may be adversely impacted by weather conditions.

Our merchandise assortments reflect assumptions regarding expected weather patterns and our profitability depends on our ability to timely deliver seasonally appropriate inventory. Unexpected or unseasonable weather conditions could render a portion of our inventory incompatible with consumer needs. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of the Company's inventory incompatible with those unseasonable conditions. Additionally, extreme weather or natural disasters, particularly in the areas in which our stores are located, could also severely hinder our ability to timely deliver seasonally appropriate merchandise. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for the Company's customers to travel to its stores and thereby reduce the Company's sales and profitability. A reduction in the demand for or supply of our seasonal merchandise or reduced sales due to reduced customer traffic in our stores could have an adverse effect on our inventory levels, gross margins and results of operations.

Natural disasters, war, acts of violence, acts of terrorism, other armed conflicts, and public health issues may adversely impact our business.

The occurrence of, or threat of, a natural disaster, war, acts of violence, acts of terrorism, other armed conflicts, and public health issues could disrupt our operations, disrupt international trade and supply chain efficiencies, suppliers or customers, or result in political or economic instability. If commercial transportation is curtailed or substantially delayed our business may be adversely impacted, as we may have difficulty shipping merchandise to our distribution centers, fulfillment centers, stores, or directly to customers. As a result of the occurrence of, or threat of, a natural disaster, acts of violence or acts of terrorism in the United States, we may be required to suspend operations in some or all of our stores, which could have a material adverse impact on our business, financial condition, and results of operations.

Increases in the cost of employee benefits could impact the Company's financial results and cash flows.

The Company's expenses relating to employee health benefits are significant. Unfavorable changes in the cost of such benefits could impact the Company's financial results and cash flows. Healthcare costs have risen significantly in recent years, and recent legislative and private sector initiatives regarding healthcare reform could result in significant changes to the U.S. healthcare system. Pursuant to the Affordable Care Act, employees may be ineligible for certain healthcare subsidies if such employee is eligible and offered qualifying and affordable healthcare coverage under an employer's plan. Due to the breadth and complexity of the healthcare reform legislation, the lack of implementing regulations and interpretive guidance, and the uncertainty surrounding further reform proposals, the Company is not able to fully determine the impact that healthcare reform will have in the future on company sponsored medical plans.

The Company depends on its ability to attract and retain quality employees, and failure to do so could adversely affect our ability to execute our business strategy and our operating results.

The Company's business is dependent upon attracting and retaining quality employees. The Company has a large number of employees, many of whom are in entry level or part-time positions with historically high rates of turnover. The Company's ability to meet its labor needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, changing demographics, prevailing wage rates, and current or future minimum wage and health care reform legislation. In addition, as a complex enterprise operating in a highly competitive and challenging business environment, the Company is highly dependent upon management personnel to develop and effectively execute successful business strategies and tactics. Any circumstances that adversely impact the Company's ability to attract, train, develop and retain quality employees throughout the organization could adversely affect the Company's business and results of operations.

Variations in the amount of vendor allowances received could adversely impact our operating results.

We receive vendor allowances for advertising, payroll and margin maintenance that are a strategic part of our operations. A reduction in the amount of cooperative advertising allowances would likely cause us to consider other methods of advertising as well as the volume and frequency of our product advertising, which could increase/decrease our expenditures and/or revenue. Decreased payroll reimbursements would either cause payroll costs to rise, negatively impacting operating income, or cause us to reduce the number of employees, which may cause a decline in sales. A decline in the amount of margin maintenance allowances would either increase cost of sales, which would negatively impact gross margin and operating income, or cause us to reduce merchandise purchases, which may cause a decline in sales.

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Our operations are dependent on information technology systems, and disruptions in those systems could have an adverse impact on our results of operations.

Our operations are dependent upon the integrity, security and consistent operation of various systems and data centers, including the point-of-sale systems in the stores, our Internet website, data centers that process transactions, communication systems and various software applications used throughout our Company to track inventory flow, process transactions and generate performance and financial reports. The Company's computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyberattack or other security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by the Company's employees. If the Company's computer systems are damaged or cease to function properly, the Company may have to make a significant investment to repair or replace them, and the Company may suffer loss of critical data and interruptions or delays in its operations in the interim. Any material interruption in the Company's computer systems could adversely affect its business or results of operations.

Additionally, to keep pace with changing technology, we must continuously provide for the design and implementation of new information technology systems and enhancements of our existing systems. We could encounter difficulties in developing new systems or maintaining and upgrading existing systems. Such difficulties could lead to significant expenses or to losses due to disruption in business operations.

The percentage-of-completion method of accounting that we use to recognize contract revenues for our construction segment may result in material adjustments, which could result in a credit or a charge against our earnings.

Our construction segment recognizes contract revenues using the percentage-of-completion method. Under this method, estimated contract revenues are recognized by applying the percentage of completion of the project for the period to the total estimated revenues for the contract. Estimated contract losses are recognized in full when determined. Total contract revenues and cost estimates are reviewed and revised at a minimum on a quarterly basis as the work progresses and as change orders are approved. Adjustments based upon the percentage of completion are reflected in contract revenues in the period when these estimates are revised. To the extent that these adjustments result in an increase, a reduction or an elimination of previously reported contract profit, we are required to recognize a credit or a charge against current earnings, which could be material.

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ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

All of our stores are owned by us or leased from third parties. At February 3, 2018, we operated 292 stores in 29 states totaling approximately 49.2 million square feet of which we owned approximately 44.2 million square feet. Our third-party store leases typically provide for rental payments based on a percentage of net sales with a guaranteed minimum annual rent. In general, the Company pays the cost of insurance, maintenance and real estate taxes related to the leases.

The following table summarizes by state of operation the number of retail stores we operate and the corresponding owned and leased footprint at February 3, 2018:

Location	Number of stores	Owned Stores	Leased Stores	Owned Building on Leased Land	Partially Owned and Partially Leased
Alabama	9	9	—	—	—
Arkansas	8	7	—	—	1
Arizona	17	16	—	1	—
California	3	3	—	—	—
Colorado	7	7	—	—	—
Florida	42	39	1	2	—
Georgia	12	8	3	1	—
Iowa	5	5	—	—	—
Idaho	2	2	—	—	—
Illinois	3	3	—	—	—
Indiana	3	3	—	—	—
Kansas	5	3	—	2	—
Kentucky	6	5	1	—	—
Louisiana	15	14	1	—	—
Missouri	9	6	1	2	—
Mississippi	6	4	1	1	—
Montana	2	2	—	—	—
North Carolina	14	14	—	—	—
Nebraska	3	2	1	—	—
New Mexico	6	3	3	—	—
Nevada	5	5	—	—	—
Ohio	14	11	3	—	—
Oklahoma	10	6	4	—	—
South Carolina	7	7	—	—	—
Tennessee	10	8	1	—	1
Texas	57	44	7	1	5
Utah	5	5	—	—	—
Virginia	6	5	—	1	—
Wyoming	1	1	—	—	—
Total	292	247	27	11	7

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At February 3, 2018, we operated the following additional facilities:

Facility	Location	Square Feet	Owned / Leased
Distribution Centers:	Mabelvale, Arkansas	400,000	Owned
	Gilbert, Arizona	295,000	Owned
	Valdosta, Georgia	370,000	Owned
	Olathe, Kansas	500,000	Owned
	Salisbury, North Carolina	355,000	Owned
	Ft. Worth, Texas	700,000	Owned
Internet Fulfillment Center	Maumelle, Arkansas	850,000	Owned
Dillard's Executive Offices	Little Rock, Arkansas	333,000	Owned
CDI Contractors, LLC Executive Office	Little Rock, Arkansas	25,000	Owned
CDI Storage Facilities	Maumelle, Arkansas	66,000	Owned
Total		3,894,000	

Additional property information is contained in Notes 1, 12 and 13 in the "Notes to Consolidated Financial Statements," in Item 8 hereof.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, the Company is involved in litigation relating to claims arising out of the Company's operations in the normal course of business. This may include litigation with customers, employment related lawsuits, class action lawsuits, purported class action lawsuits and actions brought by governmental authorities. As of March 30, 2018, neither the Company nor any of its subsidiaries is a party to, nor is any of their property the subject of, any material legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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EXECUTIVE OFFICERS OF THE COMPANY

The following table lists the names and ages of all executive officers of the Company, the nature of any family relationship between them and the Company's CEO and all positions and offices with the Company presently held by each person named. Each is elected to serve a one-year term. There are no other persons chosen to become executive officers.

Name	Age	Position & Office	Held Present Office Since	Family Relationship to CEO
William Dillard, II	73	Director; Chief Executive Officer	1998	Not applicable
Alex Dillard	68	Director; President	1998	Brother of William Dillard, II
Mike Dillard	66	Director; Executive Vice President	1984	Brother of William Dillard, II
Drue Matheny	71	Director; Executive Vice President	1998	Sister of William Dillard, II
Chris B. Johnson (1)	46	Senior Vice President; Co-Principal Financial Officer	2015	None
Phillip R. Watts (2)	55	Senior Vice President; Co-Principal Financial Officer and Principal Accounting Officer	2015	None
William Dillard, III (3)	47	Senior Vice President	2015	Son of William Dillard, II
Denise Mahaffy (4)	60	Senior Vice President	2015	Sister of William Dillard, II
Dean L. Worley (5)	52	Vice President; General Counsel	2012	None
Mike McNiff	65	Vice President	1995	None
Brant Musgrave (6)	45	Vice President	2014	None
Mike Litchford (7)	52	Vice President	2016	None
Tom Bolin (8)	55	Vice President	2016	None
Annemarie Jazic (9)	34	Vice President	2017	Niece of William Dillard, II
Alexandra Lucie (10)	34	Vice President	2017	Niece of William Dillard, II
Tony Bolte (11)	59	Vice President	2017	None
James D. Stockman (12)	61	Vice President	2017	None

(1) Mr. Johnson served as Vice President of Accounting from 2006 to 2012 and served as Vice President of Real Estate from 2012 to 2015. In 2015, he was promoted to Senior Vice President and Co-Principal Financial Officer. Since 2008, Mr. Johnson has also served as Chief Financial Officer of CDI, the Company's wholly-owned general contracting construction subsidiary.

(2) Mr. Watts served as Vice President of Tax from 2002 to 2015. In 2015, he was promoted to Senior Vice President, Co-Principal Financial Officer and Principal Accounting Officer.

(3) Mr. Dillard served as Vice President of Corporate Merchandising and Product Development from 2001 to 2015. In 2015, he was promoted to Senior Vice President.

(4) Mrs. Mahaffy served as Corporate Vice President of Advertising from 2000 to 2015. In 2015, she was promoted to Senior Vice President.

(5) Mr. Worley served as Assistant General Counsel from 1996 to 2012. In 2012, he was promoted to Vice President and General Counsel.

(6) Mr. Musgrave served as a Regional Vice President of Stores from 2007 to 2014. In 2014, he was promoted to Corporate Vice President of Stores.

(7) Mr. Litchford served as a Regional Vice President of Stores from 2005 to 2016. In 2016, he was promoted to Corporate Vice President of Stores.

(8) Mr. Bolin served as a Regional Vice President of Stores from 2000 to 2016. In 2016, he was promoted to Corporate Vice President of Stores.

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(9) Mrs. Jazic served as Director of Contemporary Sportswear from 2006 to 2013 and Director of Online Experience from 2013 to 2017. In 2017, she was promoted to Vice President of Online Experience.

(10) Mrs. Lucie served as a Divisional Merchandise Manager of Ladies', Juniors' and Children's Exclusive Brands from 2010 to 2014 and served as a General Merchandise Manager of Ladies', Juniors' and Children's Exclusive Brands from 2014 to 2017. In 2017, she was promoted to Corporate Vice President of Ladies', Juniors' and Children's Exclusive Brands.

(11) Mr. Bolte served as Vice President of Logistics from 2007 through 2017. In 2017, he was promoted to Vice President of Information Technology and Logistics.

(12) Mr. Stockman served as General Merchandise Manager of Exclusive Brands from 2004 through 2017. In 2017, he was promoted to Vice President of Corporate Ladies' Apparel.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market and Dividend Information for Common Stock

The Company's Class A Common Stock trades on the New York Stock Exchange under the Ticker Symbol "DDS". No public market currently exists for the Company's Class B Common Stock.

The high and low sales prices of the Company's Class A Common Stock, and dividends declared on each class of common stock, for each quarter of fiscal 2017 and 2016 are presented in the table below:

	2017		2016		Dividends per Share	
Fiscal Quarter	High	Low	High	Low	2017	2016
First	$60.96	$46.56	$88.58	$65.24	$0.07	$0.07
Second	79.11	45.51	72.08	54.37	0.07	0.07
Third	83.44	50.40	77.70	56.05	0.10	0.07
Fourth	71.93	49.91	75.54	54.42	0.10	0.07

While the Company expects to continue paying quarterly cash dividends during fiscal 2018, all prospective dividends are subject to and conditional upon the review and approval of and declaration by the Board of Directors.

Stockholders

As of March 3, 2018, there were 2,610 holders of record of the Company's Class A Common Stock and 8 holders of record of the Company's Class B Common Stock.

Repurchase of Common Stock

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 29, 2017 through November 25, 2017	178,801	$ 53.11	178,801	$ 59,964,234
November 26, 2017 through December 30, 2017	114,802	57.55	114,802	53,357,467
December 31, 2017 through February 3, 2018	290,395	63.85	290,395	34,815,596
Total	583,998	$ 59.32	583,998	$ 34,815,596

In February 2016, the Company’s Board of Directors authorized the repurchase of up to $500 million of the Company’s Class A Common Stock under an open-ended stock plan ("February 2016 Stock Plan"). This authorization permitted the Company to repurchase its Class A Common Stock in the open market, pursuant to preset trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 or through privately negotiated transactions. The authorization had no expiration date. There was $34.8 million in remaining availability pursuant to the February 2016 Stock Plan as of February 3, 2018.

Reference is made to the discussion in Note 9 in the "Notes to Consolidated Financial Statements" in Item 8 of this Annual Report, which information is incorporated by reference herein.

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Securities Authorized for Issuance under Equity Compensation Plans
The information concerning the Company's equity compensation plans is incorporated herein by reference to Item 12 of this Annual Report under the heading "Equity Compensation Plan Information".

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Company Performance

The graph below compares the cumulative total returns on the Company's Class A Common Stock, the Standard & Poor's 500 Index and the Standard & Poor's 500 Department Stores Index for each of the last five fiscal years. The cumulative total return assumes $100 invested in the Company's Class A Common Stock and each of the indices at market close on February 1, 2013 (the last trading day prior to the start of fiscal 2013) and assumes reinvestment of dividends.

The table below shows the dollar value of the respective $100 investments, with the assumptions noted above, in each of the Company's Class A Common Stock, the Standard & Poor's 500 Index and the Standard & Poor's 500 Department Stores Index as of the last day of each of the Company's last five fiscal years.

	2013	2014	2015	2016	2017
Dillard's, Inc.	$102.48	$133.64	$83.07	$64.75	$75.90
S&P 500	120.30	137.41	136.49	164.98	202.64
S&P 500 Department Stores	116.05	144.80	104.42	84.23	103.55

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ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data set forth below should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations", our consolidated audited financial statements and notes thereto and the other information contained elsewhere in this report.

(Dollars in thousands, except per share data)	2017*	2016	2015	2014	2013
Net sales	$6,261,493				
Earthquake insurance receivable	17,024				
Property, plant & equipment	217,309				
Investment in Wheels India Limited	36,804				
Other assets	8,414				
Short term debt	(96,822)				
Accounts payable	(142,752)				
Other current liabilities	(56,391)				
Long term debt	(158,183)				
Deferred income taxes - noncurrent liability	(12,636)				
Other noncurrent liabilities	(31,874)				
Net assets acquired	$170,820				

The purchase price allocation has changed from that reported in the Form 10-K for the year ended December 31, 2012, and the 10-Q for the quarter ended March 31, 2013. Titan Europe's wheel manufacturing facility in Finale Emilia, Italy experienced damage from an earthquake in May 2012, prior to Titan's acquisition of Titan Europe. The plant was closed for production during initial remedial work. This resulted in a limited transfer of production to other facilities within Titan Europe as well as sourcing product from facilities in the US owned by Titan and competitors. In the second quarter of 2013, Titan received a final insurance settlement payment of $38.7 million. As a result of this information, Titan has recorded an earthquake insurance receivable of $17.0 million, decreased the current deferred income taxes by $5.3 million, and recorded a bargain purchase gain of $11.7 million for the year ended December 31, 2012.

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

Pro forma financial information
The following unaudited pro forma financial information gives effect to the acquisition of Titan Europe Plc as if the acquisition had taken place on January 1, 2012. The pro forma financial information for Titan Europe Plc was derived from the historical accounting records of Titan Europe. The Titan Europe results were adjusted to reflect additional depreciation.

Pro forma financial information is as follows (in thousands, except per share data):

	Nine Months ended September 30, 2012
Net sales	$1,876,691
Net income	101,801
Net income attributable to Titan	102,307
Basic earnings per share	$2.11
Diluted earnings per share	1.77

The pro forma information is presented for illustrative purposes only and may not be indicative of the results that would have been obtained had the acquisition actually occurred on January 1, 2012, nor is it necessarily indicative of Titan's future consolidated results of operations or financial position.

3. ACCOUNTS RECEIVABLE

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

	September 30, 2013	December 31, 2012
Accounts receivable	$299,063	$302,928
Allowance for doubtful accounts	(8,816)	(5,130)
Accounts receivable, net	$290,247	$297,798

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

4. INVENTORIES

Inventories consisted of the following (amounts in thousands):

	September 30, 2013	December 31, 2012
Raw material	$134,229	$153,308
Work-in-process	59,214	69,030
Finished goods	189,566	154,785
	383,009	377,123
Adjustment to LIFO basis	(7,116)	(10,738)
	$375,893	$366,385

At September 30, 2013, approximately 12% of the Company's inventories were valued under the last-in, first-out (LIFO) method. At December 31, 2012, approximately 16% of the Company's inventories were valued under the LIFO method. The remaining inventories were valued under the first-in, first-out (FIFO) method or average cost method. All inventories are valued at lower of cost or market. The LIFO reserve decreased primarily as a result of the composition of inventory. An overall increase in raw material relative to total inventory resulted in a greater decrease in the FIFO cost versus the LIFO cost.

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

5. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2013	December 31, 2012
Land and improvements	$66,511	$66,012
Buildings and improvements	193,393	192,135
Machinery and equipment	581,591	555,261
Tools, dies and molds	106,094	117,341
Construction-in-process	47,776	49,136
	995,365	979,885
Less accumulated depreciation	(433,659)	(411,541)
	$561,706	$568,344

Depreciation on fixed assets for the nine months ended September 30, 2013 and 2012, totaled $53.0 million and $34.1 million, respectively.

Included in the total building and improvements are capital leases of $4.6 million and $4.5 million at September 30, 2013, and December 31, 2012, respectively. Included in the total of machinery and equipment are capital leases of $39.7 million and $36.0 million at September 30, 2013, and December 31, 2012, respectively.

6. GOODWILL AND INTANGIBLE ASSETS

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

	2013			2012		
	Agricultural Segment	Earthmoving/ Construction Segment	Total	Agricultural Segment	Earthmoving/ Construction Segment	Total
Goodwill balance, January 1	$11,522	$13,419	$24,941	$19,841	$—	$19,841
Acquisitions	—	—	—	—	13,982	13,982
Acquisition adjustment	—	—	—	(7,289)	—	(7,289)
Foreign currency translation	(1,040)	(1,367)	(2,407)	(957)	(193)	(1,150)
Goodwill balance, September 30	$10,482	$12,052	$22,534	$11,595	$13,789	$25,384

The Company's agricultural segment goodwill balance is related to the acquisition of Goodyear's Latin American farm tire business which included the Sao Paulo, Brazil manufacturing facility. The Company's earthmoving/construction goodwill balance is related to the acquisition of Planet Group in August 2012. The Company reviews goodwill for impairment during the fourth quarter of each annual reporting period, and whenever events and circumstances indicate that the carrying values may not be recoverable. The Company's consumer segment does not have any recorded goodwill.

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

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

	Weighted-Average Useful Lives (in Years)	September 30, 2013	December 31, 2012
Amortizable intangible assets:			
Customer relationships	13.8	17,457	19,357
Patents, trademarks and other	2.0	3,466	3,658
Total at cost		20,923	23,015
Less accumulated amortization		(3,470)	(1,807)
		17,453	21,208

Amortization related to intangible assets for the nine months ended September 30, 2013 and 2012, totaled $1.7 million and $0.5 million, respectively. Intangible assets are included as a component of other assets in the consolidated condensed balance sheet.

The estimated aggregate amortization expense at September 30, 2013, is as follows (amounts in thousands):

October 1 - December 31, 2013	$534
2014	2,143
2015	1,764
2016	1,180
2017	1,118
Thereafter	10,714
	$17,453

7. WARRANTY

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

	2013	2012
Warranty liability, January 1	$27,482	$17,659
Provision for warranty liabilities	35,134	23,036
Warranty payments made	(28,049)	(18,282)
Warranty liability, September 30	$34,567	$22,413

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

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

8. REVOLVING CREDIT FACILITY AND LONG-TERM DEBT

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

	September 30, 2013	December 31, 2012
7.875% senior secured notes due 2017 - Issued 2013	$325,000	$—
Unamortized premium based on 7.875% senior secured notes issued 2013	18,128	—
7.875% senior secured notes due 2017 - Issued 2010	200,000	200,000
European credit facilities	78,301	202,097
5.625% convertible senior subordinated notes due 2017	60,161	112,881
Other debt	58,082	69,151
Capital leases	2,600	3,110
	742,272	587,239
Less amounts due within one year	104,884	145,801
	$637,388	$441,438

Aggregate maturities of long-term debt at September 30, 2013, were as follows (amounts in thousands):

September 1 - December 31, 2013	$101,397
2014	19,753
2015	10,041
2016	18,963
2017	589,621
Thereafter	2,497
	$742,272

7.875% senior secured notes due 2017
The Company's 7.875% senior secured notes (senior secured notes) are due October 2017. These notes are secured by the land and buildings of the following subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport and Titan Wheel Corporation of Illinois. The Company's senior secured notes outstanding balance was $525.0 million at September 30, 2013 including $200.0 million issued in 2010 and $325.0 million issued in 2013. The 2013 amount was issued at a premium. Otherwise, all the notes have the same terms. The senior secured notes issued in 2013 have an imputed interest rate of 6.277% and an unamortized premium balance of $18.1 million at September 30, 2013. See Note 23 for additional information.

Titan Europe credit facilities
The Titan Europe credit facilities contain borrowings from various institutions totaling $78.3 million at September 30, 2013. Maturity dates on this debt range from less than one year to eleven years and interest rates range from 2% to 6.9%. The European facilities are secured by the assets of select European subsidiaries.

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

5.625% convertible senior subordinated notes due 2017
The Company’s 5.625% convertible senior subordinated notes (convertible notes) are due January 2017. The initial base conversion rate for the convertible notes is 93.0016 shares of Titan common stock per $1,000 principal amount of convertible notes, equivalent to an initial base conversion price of approximately $10.75 per share of Titan common stock. If the price of Titan common stock at the time of determination exceeds the base conversion price, the base conversion rate will be increased by an additional number of shares (up to 9.3002 shares of Titan common stock per $1,000 principal amount of convertible notes) as determined pursuant to a formula described in the indenture. The base conversion rate will be subject to adjustment in certain events. The Company’s convertible notes balance was $60.2 million at September 30, 2013.

In the first quarter of 2013, the Company closed an Exchange Agreement with a note holder of the convertible notes. The two parties privately negotiated an agreement to exchange approximately $52.7 million in aggregate principal amount of the convertible notes for approximately 4.9 million shares of the Company's common stock plus a cash payment totaling $14.2 million. In connection with this exchange, the Company recognized a charge of $7.3 million in accordance with accounting standards related to debt conversions.

Revolving credit facility
The Company’s $150 million revolving credit facility (credit facility) with agent Bank of America, N.A. has a December 2017 termination date and is collateralized by the accounts receivable and inventory of certain Titan domestic subsidiaries. During the first nine months of 2013 and at September 30, 2013, there were no borrowings under the credit facility.

Other debt
Brazil Revolving Line of Credit
The Company's wholly-owned Brazilian subsidiary, Titan Pneus Do Brasil Ltda (Titan Brazil), has a revolving line of credit (Brazil line of credit) established with Bank of America Merrill Lynch Banco Multiplo S.A. in May 2011. Titan Brazil could borrow up to 16.0 million Brazilian Reais, which equates to approximately $7.1 million dollars as of September 30, 2013, for working capital purposes. Under the terms of the Brazil line of credit, borrowings, if any, bear interest at a rate of 1 month LIBOR plus 247 basis points. During the first nine months of 2013 and at September 30, 2013 there were no borrowings outstanding on this line of credit.

Brazil Other Debt
Titan Brazil has working capital loans for the Sao Paulo, Brazil manufacturing facility totaling $9.2 million at September 30, 2013.

Australia Other Debt
Titan National Australia Holdings has capital leases totaling $1.1 million at September 30, 2013.

Titan Europe Other Debt
Titan Europe has overdraft facilities totaling $47.7 million at September 30, 2013.

Titan Europe Capital Leases
Titan Europe has capital lease obligations totaling $2.6 million at September 30, 2013.

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

9. DERIVATIVE FINANCIAL INSTRUMENTS

Prior to the April 2013 payoff of the Brazil Term Loan with Bank of America, N.A. (BoA Term Loan), the Company used financial derivatives to mitigate its exposure to volatility in the interest rate and foreign currency exchange rate in Brazil. The Company used these derivative instruments to hedge exposure in the ordinary course of business and did not invest in derivative instruments for speculative purposes. In order to reduce interest rate and foreign currency risk on the BoA Term Loan, the Company entered into an interest rate swap agreement and cross currency swap transactions with Bank of America Merrill Lynch Banco Multiplo S.A. that was designed to convert the outstanding $5.0 million US Dollar based LIBOR loan to a Brazilian Reais based CDI loan. The Company did not designate these agreements as a hedging instrument. Changes in the fair value of the cross currency swap were recorded in other income/expense and changes in the fair value of the interest rate swap agreement were recorded as interest expense (or gain as an offset to interest expense). For the nine months ended September 30, 2013, the Company recorded $0.6 million of other expense and $0.1 million of interest expense related to these derivatives.

The Company also used derivative financial instruments to manage its exposure to market risks from changes in interest rates in Europe. These derivative financial instruments are recognized at fair value. The Company has not designated these financial instruments as hedging instruments. Any gain or loss on the re-measurement of the fair value is taken to interest expense. For the three months ended September 30, 2013, the Company recorded interest expense of $0.1 million related to these derivatives. For the nine months ended September 30, 2013, the Company recorded an offset to interest expense of $1.0 million related to these derivatives.

10. LEASE COMMITMENTS

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

At September 30, 2013, future minimum rental commitments under noncancellable operating leases with initial terms of at least one year were as follows (amounts in thousands):

October 1 - December 31, 2013	$1,302
2014	7,429
2015	4,801
2016	3,814
2017	2,368
Thereafter	3,943
Total future minimum lease payments	$23,657

At September 30, 2013, the Company had assets held as capital leases with a net book value of $9.1 million included in property, plant and equipment. Total future capital lease obligations relating to these leases are as follows (amounts in thousands):

October 1 - December 31, 2013	$679
2014	1,374
2015	892
2016	480

2017	200
Thereafter	103
Total future capital lease obligation payments	3,728
Less amount representing interest	(174)
Present value of future capital lease obligation payments	$3,554

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

11. EMPLOYEE BENEFIT PLANS

The Company has three frozen defined benefit pension plans covering certain employees or former employees of three U.S. subsidiaries. The Company also has pension plans covering certain employees of several foreign subsidiaries. The Company also sponsors four 401(k) retirement savings plans in the U.S. and a number of defined contribution plans at foreign subsidiaries. The Company contributed approximately $3.8 million to the pension plans during the nine months ended September 30, 2013 and expects to contribute approximately $1.7 million to the pension plans during the remainder of 2013.

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Service cost	$275	$—	$665	$—
Interest cost	1,352	1,133	4,031	3,399
Expected return on assets	(1,381)	(1,252)	(4,143)	(3,756)
Amortization of unrecognized prior service cost	34	34	103	102
Amortization of net unrecognized loss	1,314	1,293	3,942	3,879
Net periodic pension cost	$1,594	$1,208	$4,598	$3,624

12. ROYALTY EXPENSE

The Company has a trademark license agreement with Goodyear to manufacture and sell certain tires in North America and Latin America under the Goodyear name. The North American and Latin American farm tire royalties were prepaid for seven years as part of the 2011 Goodyear Latin American farm tire acquisition. In May 2012, the Company and Goodyear entered into an agreement under which Titan will sell certain non-farm tire products directly to third party customers and pay a royalty to Goodyear. Royalty expenses recorded were $3.9 million and $3.7 million for the quarters ended September 30, 2013 and 2012, respectively. Royalty expenses were $11.0 million and $8.7 million for the nine months ended September 30, 2013 and 2012, respectively.

13. SUPPLY AGREEMENT TERMINATION INCOME

Supply agreement termination income consisted of the following (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Supply agreement termination income	$—	$—	$—	$26,134

The Company's April 2011 acquisition of Goodyear's farm tire business included a three year supply agreement with Goodyear for certain non-farm tire products. A liability was recorded as the supply agreement was for sales at below market prices. In May 2012, the Company and Goodyear terminated this supply agreement and entered into an agreement under which Titan will sell these products directly to third party customers and pay a royalty to Goodyear. The remaining balance of the supply agreement liability was recorded as income as the Company is no longer obligated to sell the products at below market prices.

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14. GAIN ON EARTHQUAKE INSURANCE RECOVERY

Gain on earthquake insurance recovery consisted of the following (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Gain on earthquake insurance recovery	$—	$—	$22,451	$—

Titan Europe's wheel manufacturing facility in Finale Emilia, Italy experienced damage from an earthquake in May 2012, prior to Titan's acquisition of Titan Europe. The plant was closed for production during initial remedial work. This resulted in a limited transfer of production to other facilities within Titan Europe as well as sourcing product from facilities in the US owned by Titan and competitors. In the second quarter of 2013, Titan received a final insurance settlement payment of $38.7 million, which offset the earthquake insurance receivable and resulted in a gain of $22.5 million.

15. OTHER INCOME

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Currency exchange gain (loss)	$5,678	$250	$(976)	$(206)
Wheels India Limited equity gain	826	—	1,101	—
Discount amortization on prepaid royalty	780	910	2,483	2,882
Interest income	594	372	2,525	757
Investment gain (loss) related to contractual obligation investments	497	492	590	1,287
Other income	180	224	1,418	889
Building rental income	167	191	571	554
	$8,722	$2,439	$7,712	$6,163

The Company's investment in Wheels India Limited increased from 35.9% to 41.7% during the second quarter of 2013.

16. INCOME TAXES

The Company recorded income tax expense of $5.7 million and $38.9 million for the three and nine months ended September 30, 2013, respectively, as compared to $13.6 million and $64.7 million for the three and nine months ended September 30, 2012. The Company's effective income tax rate was 44% and 40% for the nine months ended September 30, 2013 and 2012, respectively.

The Company's 2013 income tax expense and rate differs from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of a change in Italian law making the insurance proceeds from the earthquake non-taxable. In addition, as a result of the reassessment of the realizability of the deferred tax assets due to the Italian law change, a valuation allowance was established on the Italy net deferred tax assets. Other items contributing to the rate difference are state income tax expense, unrecognized tax benefits, foreign earnings, domestic production activities deduction, and tax deductible expenses related to the convertible bond repurchase.

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Accounting standards for income taxes provide that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination. The Company's unrecognized tax benefits were $20.0 million and $14.3 million as of September 30, 2013 and December 31, 2012, respectively. As of September 30, 2013, $16.0 million would affect income tax expense if recognized. The majority of the increase in unrecognized tax benefits relates to potential state tax exposures. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. The amount of accrued interest and penalties included in the unrecognized tax benefits at September 30, 2013 and December 31, 2012 was $3.3 million and $2.4 million, respectively.

17. EARNINGS PER SHARE

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

	Three months ended September 30, 2013			September 30, 2012		
	Titan Net income	Weighted-average shares	Per share amount	Titan Net income	Weighted-average shares	Per share amount
Basic earnings per share	$8,093	53,440	$0.15	$19,579	42,180	$0.46
Effect of stock options/trusts	—	207		—	237	
Effect of convertible notes	610	5,744		1,143	10,909	
Diluted earnings per share	$8,703	59,391	$0.15	$20,722	53,326	$0.39

	Nine months ended September 30, 2013			September 30, 2012		
	Titan Net income	Weighted-average shares	Per share amount	Titan Net income	Weighted-average shares	Per share amount
Basic earnings per share	$50,785	52,900	$0.96	$99,054	42,148	$2.35
Effect of stock options/trusts	—	265		—	258	
Effect of convertible notes	1,991	6,279		3,429	10,909	
Diluted earnings per share	$52,776	59,444	$0.89	$102,483	53,315	$1.92

There were no stock options/trusts or convertible notes that were antidilutive for the periods presented.

18. LITIGATION

The Company is a party to routine legal proceedings arising out of the normal course of business. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss, the Company believes at this time that none of these actions, individually or in the aggregate, will have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company. However, due to the difficult nature of predicting unresolved and future legal claims, the Company cannot anticipate or predict the material adverse effect on its consolidated financial condition, results of operations or cash flows as a result of efforts to comply with or its liabilities pertaining to legal judgments.

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19. SEGMENT INFORMATION

The table below presents information about certain revenues and income from operations used by the chief executive officer of the Company for the three and nine months ended September 30, 2013 and 2012 (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenues from external customers				
Agricultural	$273,301	$246,578	$907,797	$831,376
Earthmoving/construction	168,964	103,135	586,806	318,244
Consumer	55,245	55,006	174,585	177,420
	$497,510	$404,719	$1,669,188	$1,327,040
Gross profit				
Agricultural	$48,346	$48,091	$158,566	$173,684
Earthmoving/construction	11,283	18,689	75,598	60,598
Consumer	3,363	1,016	13,841	10,488
Unallocated corporate	(486)	(635)	(2,093)	(2,160)
	$62,506	$67,161	$245,912	$242,610
Income from operations				
Agricultural	$37,762	$41,740	$125,063	$156,965
Earthmoving/construction	(1,833)	13,468	27,365	51,385
Consumer	55	(234)	4,224	30,284
Unallocated corporate	(18,929)	(18,808)	(54,808)	(62,828)
Income from operations	17,055	36,166	101,844	175,806
Interest expense	(12,414)	(6,187)	(35,924)	(18,699)
Convertible debt conversion charge	—	—	(7,273)	—
Gain on earthquake insurance recovery	—	—	22,451	—
Other income, net	8,722	2,439	7,712	6,163
Income before income taxes	$13,363	$32,418	$88,810	$163,270

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

	September 30, 2013	December 31, 2012
Total assets		
Agricultural	$698,905	$630,222
Earthmoving/construction	788,578	851,995
Consumer	143,559	142,341
Unallocated corporate	316,719	85,677
	$1,947,761	$1,710,235

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20. FAIR VALUE MEASUREMENTS

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

Level 1 – Quoted prices in active markets for identical instruments.
Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable.
Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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

	September 30, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Contractual obligation investments	$7,998	$7,998	$—	$—	$7,408	$7,408	$—	$—
Interest rate swap	—	—	—	—	1,048	—	1,048	—
Preferred stock	250	—	—	250	250	—	—	250
Derivative financial instruments liability	(135)	—	(135)	—	(7,376)	—	(7,376)	—
Total	$8,113	$7,998	$(135)	$250	$1,330	$7,408	$(6,328)	$250

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

	Preferred stock
Balance at December 31, 2012	$250
Total realized and unrealized gains and losses	—
Balance as of September 30, 2013	$250

21. RELATED PARTY TRANSACTIONS

The Company sells products and pays commissions to companies controlled by persons related to the chief executive officer of the Company. The related party is Mr. Fred Taylor and is Mr. Maurice Taylor’s brother. The companies which Mr. Fred Taylor is associated with that do business with Titan include the following: Blackstone OTR, LLC; FBT Enterprises; and OTR Wheel Engineering. Sales of Titan products to these companies were approximately $0.9 million and $2.2 million for the three and nine months ended September 30, 2013, respectively, as compared to $0.6 million and $1.7 million for the three and nine months ended September 30, 2012. Titan had trade receivables due from these companies of approximately $0.4 million at September 30, 2013, and approximately $0.2 million at December 31, 2012. On other sales referred to Titan from the above manufacturing representative companies, commissions were approximately $0.6 million and $1.9 million for the three and nine months ended September 30, 2013, respectively as compared to $0.6 million and $2.1 million for the three and nine months ended September 30, 2012.

The Company has a 41.7% equity stake in Wheels India Limited, a company incorporated in India and listed on the National Stock Exchange in India. The Company had trade payables due to Wheels India of approximately $0.4 million at December 31, 2012.

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In the second quarter of 2013, the Company sold Titan Wheels Australia, a 100% owned subsidiary, to Titan National Australia Holdings, a 56% owned subsidiary operating as the Planet Corporation Group. The Company maintained financial control over Titan Wheels Australia and no gain or loss was recognized for the transaction.

22. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Currency Translation Adjustments	Unrealized Gain (Loss) on Investments	Unrecognized Losses and Prior Service Cost	Total
Balance at July 1, 2013	$(43,449)	$—	$(33,658)	$(77,107)
Other comprehensive income (loss) before reclassifications	498	—	—	498
Reclassification adjustments:				
Amortization of unrecognized losses and prior service cost, net of tax of $(557)	—	—	969	969
Balance at September 30, 2013	$(42,951)	$—	$(32,689)	$(75,640)

	Currency Translation Adjustments	Unrealized Gain (Loss) on Investments	Unrecognized Losses and Prior Service Cost	Total
Balance at January 1, 2013	$(20,793)	$3	$(35,679)	$(56,469)
Other comprehensive income (loss) before reclassifications	(22,158)	(3)	—	(22,161)
Reclassification adjustments:				
Amortization of unrecognized losses and prior service cost, net of tax of $(1,670)	—	—	2,990	2,990
Balance at September 30, 2013	$(42,951)	$—	$(32,689)	$(75,640)

23. SUBSEQUENT EVENTS

Voltyre-Prom Purchase
On October 4, 2013, Titan in partnership with One Equity Partners and the Russian Direct Investment Fund closed the acquisition of an 85% interest in Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia, for approximately $94.0 million. Titan will act as operating partner with responsibility for Voltyre-Prom's daily operations on behalf of the consortium of which Titan holds a 30% interest.

6.875% Senior Secured Notes due 2020
On October 7, 2013, the Company closed on an offering of $400.0 million 6.875% senior secured notes due 2020. Titan used the net proceeds from the offering towards financing the repurchase of the Company's 7.875% senior

secured notes due 2017 including tender and consent payments, accrued interest and expenses associated therewith.

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7.875% Senior Secured Notes due 2017 Tender Offer Settlement
On October 7, 2013, the Company elected to exercise its early settlement election in connection with a tender offer to purchase all of its 7.875% senior secured notes due 2017, and purchased $387.3 million, or approximately 73.8% of such notes. In connection with this transaction, Titan will record expenses of approximately $18 million in the fourth quarter of 2013. These expenses relate primarily to a tender and consent premium of $64.50 per $1,000 principal amount of the notes and unamortized deferred financing fees offset by unamortized premium on the notes. The tender offer expired October 21, 2013, with no additional notes tendered.

7.875% Senior Secured Notes due 2017 Redemption Call
On October 7, 2013, the Company announced a call for redemption for all 7.875% senior secured notes due 2017 that were not validly tendered by the expiration of the tender offer on October 21, 2013. The remaining notes will be redeemed on November 6, 2013. In connection with this transaction, Titan will record expenses of approximately $4 million in the fourth quarter of 2013. These expenses relate primarily to a redemption premium of $59.06 per $1,000 principal amount of the notes and unamortized deferred financing fees offset by unamortized premium on the notes.

24. SUBSIDIARY GUARANTOR FINANCIAL INFORMATION

The Company's 7.875% senior secured notes and 5.625% convertible senior subordinated notes are guaranteed by the following 100% owned subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois. The note guarantees are full and unconditional, joint and several obligations of the guarantors. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. The following condensed consolidating financial statements are presented using the equity method of accounting. Certain sales & marketing expenses recorded by non-guarantor subsidiaries have not been allocated to the guarantor subsidiaries.

(Amounts in thousands)	Consolidating Condensed Statements of Operations For the Three Months Ended September 30, 2013				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$256,252	$241,258	$—	$497,510
Cost of sales	241	216,445	218,318	—	435,004
Gross profit (loss)	(241)	39,807	22,940	—	62,506
Selling, general and administrative expenses	3,561	16,513	18,657	—	38,731
Research and development expenses	(17)	1,423	1,372	—	2,778
Royalty expense	—	1,850	2,092	—	3,942
Income (loss) from operations	(3,785)	20,021	819	—	17,055
Interest expense	(10,945)	—	(1,469)	—	(12,414)
Intercompany interest income (expense)	2,469	—	(2,469)	—	—
Other income	1,182	(117)	7,657	—	8,722
Income (loss) before income taxes	(11,079)	19,904	4,538	—	13,363
Provision for income taxes	(4,717)	7,435	2,993	—	5,711
Equity in earnings of subsidiaries	14,014	—	4,827	(18,841)	—

Net income (loss)	7,652	12,469	6,372	(18,841)	7,652
Net loss noncontrolling interests	—	—	(441)	—	(441)
Net income (loss) attributable to Titan	$7,652	$12,469	$6,813	$(18,841)	$8,093

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(Amounts in thousands)	Consolidating Condensed Statements of Operations For the Three Months Ended September 30, 2012				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$311,422	$93,297	$—	$404,719
Cost of sales	253	246,275	91,030	—	337,558
Gross profit (loss)	(253)	65,147	2,267	—	67,161
Selling, general and administrative expenses	(9,013)	40,635	(6,125)	—	25,497
Research and development expenses	155	1,604	—	—	1,759
Royalty expense	—	1,778	1,961	—	3,739
Income (loss) from operations	8,605	21,130	6,431	—	36,166
Interest expense	(6,012)	—	(175)	—	(6,187)
Other income	1,163	364	912	—	2,439
Income (loss) before income taxes	3,756	21,494	7,168	—	32,418
Provision for income taxes	6,329	7,398	(138)	—	13,589
Equity in earnings of subsidiaries	21,402	—	5,420	(26,822)	—
Net income (loss)	18,829	14,096	12,726	(26,822)	18,829
Net loss noncontrolling interests	—	—	(750)	—	(750)
Net income (loss) attributable to Titan	$18,829	$14,096	$13,476	$(26,822)	$19,579

(Amounts in thousands)	Consolidating Condensed Statements of Operations For the Nine Months Ended September 30, 2013				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$903,628	$765,560	$—	$1,669,188
Cost of sales	908	734,460	687,908	—	1,423,276
Gross profit (loss)	(908)	169,168	77,652	—	245,912
Selling, general and administrative expenses	8,008	54,637	62,182	—	124,827
Research and development expenses	(35)	4,136	4,180	—	8,281
Royalty expense	—	5,478	5,482	—	10,960
Income (loss) from operations	(8,881)	104,917	5,808	—	101,844
Interest expense	(29,509)	—	(6,415)	—	(35,924)
Convertible debt conversion charge	(7,273)	—	—	—	(7,273)
Gain on earthquake insurance recovery	—	—	22,451	—	22,451
Intercompany interest income (expense)	5,158	—	(5,158)	—	—
Other income (expense)	2,741	(91)	5,062	—	7,712
Income (loss) before income taxes	(37,764)	104,826	21,748	—	88,810
Provision (benefit) for income taxes	(6,561)	38,025	7,449	—	38,913
Equity in earnings of subsidiaries	81,100	—	38,351	(119,451)	—
Net income (loss)	49,897	66,801	52,650	(119,451)	49,897
Net loss noncontrolling interests	—	—	(888)	—	(888)

Net income (loss) attributable to Titan	$49,897	$66,801	$53,538	$(119,451)	$50,785

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(Amounts in thousands)	Consolidating Condensed Statements of Operations For the Nine Months Ended September 30, 2012				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$1,055,586	$271,454	$—	$1,327,040
Cost of sales	812	828,935	254,683	—	1,084,430
Gross profit (loss)	(812)	226,651	16,771	—	242,610
Selling, general and administrative expenses	4,970	71,372	3,400	—	79,742
Research and development expenses	327	3,983	146	—	4,456
Royalty expense	—	5,250	3,490	—	8,740
Supply agreement termination income	—	—	(26,134)	—	(26,134)
Income (loss) from operations	(6,109)	146,046	35,869	—	175,806
Interest expense	(18,119)	—	(580)	—	(18,699)
Other income	3,620	1,174	1,369	—	6,163
Income (loss) before income taxes	(20,608)	147,220	36,658	—	163,270
Provision (benefit) for income taxes	1,261	51,311	12,150	—	64,722
Equity in earnings of subsidiaries	120,417	—	24,242	(144,659)	—
Net income (loss)	98,548	95,909	48,750	(144,659)	98,548
Net loss noncontrolling interests	—	—	(506)	—	(506)
Net income (loss) attributable to Titan	$98,548	$95,909	$49,256	$(144,659)	$99,054

(Amounts in thousands)	Consolidating Condensed Statements of Comprehensive Income For the Three Months Ended September 30, 2013				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$7,652	$12,469	$6,372	$(18,841)	$7,652
Currency translation adjustment, net	854	—	854	(854)	854
Pension liability adjustments, net of tax	969	781	188	(969)	969
Comprehensive income (loss)	9,475	13,250	7,414	(20,664)	9,475
Net comprehensive loss attributable to noncontrolling interests	—	—	(85)	—	(85)
Comprehensive income (loss) attributable to Titan	$9,475	$13,250	$7,499	$(20,664)	$9,560

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(Amounts in thousands)	Consolidating Condensed Statements of Comprehensive Income For the Three Months Ended September 30, 2012				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$18,829	$14,096	$12,726	$(26,822)	$18,829
Unrealized gain (loss) on investments, net of tax	(353)	—	(353)	353	(353)
Currency translation adjustment, net	(1,247)	—	(1,247)	1,247	(1,247)
Pension liability adjustments, net of tax	836	790	46	(836)	836
Comprehensive income (loss)	18,065	14,886	11,172	(26,058)	18,065
Net comprehensive loss attributable to noncontrolling interests	—	—	(1,104)	—	(1,104)
Comprehensive income (loss) attributable to Titan	$18,065	$14,886	$12,276	$(26,058)	$19,169

(Amounts in thousands)	Consolidating Condensed Statements of Comprehensive Income For the Nine Months Ended September 30, 2013				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$49,897	$66,801	$52,650	$(119,451)	$49,897
Unrealized gain (loss) on investments, net of tax	(3)	—	(3)	3	(3)
Currency translation adjustment, net	(24,513)	—	(24,513)	24,513	(24,513)
Pension liability adjustments, net of tax	2,990	2,343	647	(2,990)	2,990
Comprehensive income (loss)	28,371	69,144	28,781	(97,925)	28,371
Net comprehensive loss attributable to noncontrolling interests	—	—	(3,243)	—	(3,243)
Comprehensive income (loss) attributable to Titan	$28,371	$69,144	$32,024	$(97,925)	$31,614

(Amounts in thousands)	Consolidating Condensed Statements of Comprehensive Income For the Nine Months Ended September 30, 2012				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$98,548	$95,909	$48,750	$(144,659)	$98,548
Unrealized gain (loss) on investments, net of tax	(16)	—	(16)	16	(16)
Currency translation adjustment, net	(5,816)	—	(5,816)	5,816	(5,816)
Pension liability adjustments, net of tax	2,508	2,370	138	(2,508)	2,508

Comprehensive income (loss)	95,224	98,279	43,056	(141,335)	95,224
Net comprehensive loss attributable to noncontrolling interests	—	—	(859)	—	(859)
Comprehensive income (loss) attributable to Titan	$95,224	$98,279	$ 43,915	$(141,335)	$96,083

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(Amounts in thousands)	Consolidating Condensed Balance Sheets September 30, 2013				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$350,611	$4	$ 96,841	$—	$447,456
Accounts receivable	—	125,048	165,199	—	290,247
Inventories	—	129,672	246,221	—	375,893
Prepaid and other current assets	63,335	13,634	53,456	—	130,425
Total current assets	413,946	268,358	561,717	—	1,244,021
Property, plant and equipment, net	16,393	205,666	339,647	—	561,706
Investment in subsidiaries	631,910	—	127,384	(759,294)	—
Other assets	35,590	403	106,041	—	142,034
Total assets	$1,097,839	$474,427	$ 1,134,789	$(759,294)	$1,947,761
Liabilities and Stockholders’ Equity					
Short-term debt	$4,121	$—	$ 100,763	$—	$104,884
Accounts payable	1,219	20,899	173,005	—	195,123
Other current liabilities	30,222	59,921	63,333	—	153,476
Total current liabilities	35,562	80,820	337,101	—	453,483
Long-term debt	599,168	—	38,220	—	637,388
Other long-term liabilities	38,396	31,532	75,920	—	145,848
Intercompany accounts	(263,659)	(126,589)	390,248	—	—
Titan stockholders' equity	688,372	488,664	270,630	(759,294)	688,372
Noncontrolling interests	—	—	22,670	—	22,670
Total liabilities and stockholders’ equity	$1,097,839	$474,427	$ 1,134,789	$(759,294)	$1,947,761

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(Amounts in thousands)	Consolidating Condensed Balance Sheets December 31, 2012				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$103,154	$4	$ 85,956	$—	$189,114
Accounts receivable	(72)	128,917	168,953	—	297,798
Inventories	—	142,070	224,315	—	366,385
Prepaid and other current assets	49,438	17,021	76,367	—	142,826
Total current assets	152,520	288,012	555,591	—	996,123
Property, plant and equipment, net	11,497	208,734	348,113	—	568,344
Investment in subsidiaries	565,811	—	86,189	(652,000)	—
Other assets	35,564	499	109,705	—	145,768
Total assets	$765,392	$497,245	$ 1,099,598	$(652,000)	$1,710,235
Liabilities and Stockholders' Equity					
Short-term debt	$—	$—	$ 145,801	$—	$145,801
Accounts payable	1,000	21,222	157,843	—	180,065
Other current liabilities	13,911	55,290	72,013	—	141,214
Total current liabilities	14,911	76,512	375,657	—	467,080
Long-term debt	312,881	—	128,557	—	441,438
Other long-term liabilities	44,512	35,482	89,361	—	169,355
Intercompany accounts	(213,529)	(34,272)	247,801	—	—
Titan stockholders' equity	606,617	419,523	232,477	(652,000)	606,617
Noncontrolling interests	—	—	25,745	—	25,745
Total liabilities and stockholders' equity	$765,392	$497,245	$ 1,099,598	$(652,000)	$1,710,235

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

(Amounts in thousands)	Consolidating Condensed Statements of Cash Flows For the Nine Months Ended September 30, 2013			
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by (used for) operating activities	$(72,306)	$21,528	$182,967	$132,189
Cash flows from investing activities:				
Capital expenditures	(5,979)	(21,763)	(27,214)	(54,956)
Acquisitions, net of cash acquired	—	—	(1,670)	(1,670)
Additional equity investment in Wheels India	—	—	(8,017)	(8,017)
Insurance proceeds	—	—	2,879	2,879
Other, net	—	235	1,107	1,342
Net cash used for investing activities	(5,979)	(21,528)	(32,915)	(60,422)
Cash flows from financing activities:				
Proceeds from borrowings	345,313	—	—	345,313
Payment on debt	—	—	(162,040)	(162,040)
Term loan borrowing	—	—	25,880	25,880
Convertible note conversion	(14,090)	—	—	(14,090)
Proceeds from exercise of stock options	863	—	—	863
Excess tax benefit from stock options exercised	(46)	—	—	(46)
Payment of financing fees	(5,520)	—	—	(5,520)
Dividends paid	(778)	—	—	(778)
Net cash provided by (used for) financing activities	325,742	—	(136,160)	189,582
Effect of exchange rate change on cash	—	—	(3,007)	(3,007)
Net increase in cash and cash equivalents	247,457	—	10,885	258,342
Cash and cash equivalents, beginning of period	103,154	4	85,956	189,114
Cash and cash equivalents, end of period	$350,611	$4	$96,841	$447,456

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

(Amounts in thousands)	Consolidating Condensed Statements of Cash Flows For the Nine Months Ended September 30, 2012			
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities	$20,502	$21,736	$42,850	$85,088
Cash flows from investing activities:				
Capital expenditures	(3,571)	(22,076)	(10,672)	(36,319)
Acquisitions, net of cash acquired	(32,760)	—	—	(32,760)
Other, net	—	355	281	636
Net cash used for investing activities	(36,331)	(21,721)	(10,391)	(68,443)
Cash flows from financing activities:				
Payment on debt	—	—	(14,434)	(14,434)
Term loan borrowing	—	—	4,378	4,378
Proceeds from exercise of stock options	925	—	—	925
Excess tax benefit from stock options exercised	185	—	—	185
Dividends paid	(634)	—	—	(634)
Net cash provided by (used for) financing activities	476	—	(10,056)	(9,580)
Effect of exchange rate change on cash	—	—	(1,345)	(1,345)
Net increase (decrease) in cash and cash equivalents	(15,353)	15	21,058	5,720
Cash and cash equivalents, beginning of period	125,266	4	3,900	129,170
Cash and cash equivalents, end of period	$109,913	$19	$24,958	$134,890

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

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations (MD&A) is designed to provide a reader of these financial statements with a narrative from the perspective of the management of Titan International, Inc. (Titan or the Company) on Titan's financial condition, results of operations, liquidity and other factors which may affect the Company's future results. The MD&A in this quarterly report should be read in conjunction with the MD&A in Titan's 2012 annual report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2013.

FORWARD-LOOKING STATEMENTS

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

- Anticipated trends in the Company’s business
- Future expenditures for capital projects
- The Company’s ability to continue to control costs and maintain quality
- Ability to meet conditions of loan agreements
- The Company’s business strategies, including its intention to introduce new products
- Expectations concerning the performance and success of the Company’s existing and new products
- The Company’s intention to consider and pursue acquisition and divestiture opportunities

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

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

- The effect of a recession on the Company and its customers and suppliers
- Changes in the Company’s end-user markets as a result of world economic or regulatory influences
- Changes in the marketplace, including new products and pricing changes by the Company’s competitors
- Ability to maintain satisfactory labor relations
- Unfavorable outcomes of legal proceedings
- Availability and price of raw materials
- Levels of operating efficiencies
- Unfavorable product liability and warranty claims
- Actions of domestic and foreign governments
- Results of investments
- Fluctuations in currency translations
- Climate change and related laws and regulations
- Risks associated with environmental laws and regulations

Any changes in such factors could lead to significantly different results. The Company cannot provide any assurance that the assumptions referred to in the forward-looking statements or otherwise are accurate or will prove to transpire. Any assumptions that are inaccurate or do not prove to be correct could have a material adverse effect on the Company’s ability to achieve the results as indicated in forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this document will in fact transpire.

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

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

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

Consumer Market: Titan manufactures bias truck tires in Latin America, provides wheels and tires and assembles brakes, actuators and components for the domestic boat, recreational and utility trailer markets. Titan also offers select products for ATVs, turf, and golf cart applications. Likewise, Titan produces a variety of tires for the consumer market.

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

The table provides highlights for the quarter ended September 30, 2013, compared to 2012 (amounts in thousands):

	2013	2012	% Increase (Decrease)
Net sales	$497,510	$404,719	23 %
Gross profit	62,506	67,161	(7)%
Income from operations	17,055	36,166	(53)%
Net income	7,652	18,829	(59)%

Quarter: The Company recorded sales of $497.5 million for the third quarter of 2013, which were approximately 23% higher than the third quarter 2012 sales of $404.7 million. The higher sales levels were primarily the result of recent acquisitions including the October 2012 acquisition of Titan Europe, offset by a price/mix reduction which resulted largely from decreased raw material prices that were generally passed on to customers, weakened demand in the earthmoving/construction market, and unfavorable currency translation.

The Company's gross profit was $62.5 million, or 12.6% of net sales, for the third quarter of 2013, compared to $67.2 million, or 16.6%, of net sales, in 2012. Income from operations was $17.1 million for the third quarter of 2013, compared to $36.2 million in 2012. Net income was $7.7 million for the third quarter of 2013, compared to net income of $18.8 million in 2012. Basic income per share was $.15 in the third quarter of 2013, compared to $.46 in 2012. Increased SG&A expense from recently acquired entities contributed to a decline in income from operations. This increased SG&A expense as well as higher interest expense from additional debt contributed to a decline in net income.

TITAN INTERNATIONAL, INC.
Management's Discussion and Analysis of
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The table provides highlights for the nine months ended September 30, 2013, compared to 2012 (amounts in thousands):

	2013	2012	% Increase (Decrease)
Net sales	$1,669,188	$1,327,040	26 %
Gross profit	245,912	242,610	1 %
Income from operations	101,844	175,806	(42)%
Net income	49,897	98,548	(49)%

Year-to-date: The Company recorded sales of $1,669.2 million for the nine months ended September 30, 2013, which were approximately 26% higher than the nine months ended September 30, 2012 sales of $1,327.0 million. The higher sales levels were primarily the result of recent acquisitions including the August 2012 acquisition of the Planet Group of companies based in Perth, Australia, and the October 2012 acquisition of Titan Europe, as well as increased demand in the Company's agricultural segment, offset by a price/mix reduction which resulted largely from decreased raw material prices that were generally passed on to customers, and unfavorable currency translation.

The Company's gross profit was $245.9 million, or 14.7% of net sales, for the nine months ended September 30, 2013, compared to $242.6 million, or 18.3% of net sales, in 2012. Income from operations was $101.8 million for the nine months ended September 30, 2013, compared to $175.8 million in 2012. Net income was $49.9 million for the nine months ended September 30, 2013, compared to net income of $98.5 million in 2012. Basic income per share was $0.96 for the nine months ended September 30, 2013, compared to $2.35 in 2012. Increased SG&A expense from recently acquired entities contributed to a decline in income from operations. This increased SG&A expense as well as higher interest expense from additional debt contributed to a decline in net income. Net income and earnings per share for the nine months ended September 30, 2013 were positively affected by the gain on earthquake insurance recovery of $22.5 million. Income from operations, net income and earnings per share for the nine months ended September 30, 2012 were positively affected by the supply agreement termination income of $26.1 million.

CRITICAL ACCOUNTING ESTIMATES

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

Asset and Business Acquisitions

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

Inventories

Inventories are valued at lower of cost or market. At September 30, 2013, approximately 12% of the Company's inventories were valued under the last-in, first-out (LIFO) method. The majority of steel material inventory and related work-in-process and finished goods are accounted for under the LIFO method. The remaining inventories were valued under the first-in, first-out (FIFO) method or average cost method. Market value is estimated based on current selling prices. Estimated provisions are established for slow-moving and obsolete inventory.

Income Taxes

Deferred income tax provisions are determined using the liability method whereby deferred tax assets and liabilities are recognized based upon temporary differences between the financial statement and income tax basis of assets and liabilities.

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The Company assesses the realizability of its deferred tax asset positions and recognizes and measures uncertain tax positions in accordance with accounting standards for income taxes.

Retirement Benefit Obligations
Pension benefit obligations are based on various assumptions used by third-party actuaries in calculating these amounts. These assumptions include discount rates, expected return on plan assets, mortality rates and other factors. Revisions in assumptions and actual results that differ from the assumptions affect future expenses, cash funding requirements and obligations. The Company has three frozen defined benefit pension plans in the United States and pension plans in several foreign countries. During the first nine months of 2013, the Company contributed cash funds of $3.8 million to its pension plans. Titan expects to contribute approximately $1.7 million to these pension plans during the remainder of 2013. For more information concerning these costs and obligations, see the discussion of the "Pensions" and Note 25 to the Company's financial statements on Form 10-K for the fiscal year ended December 31, 2012.

Product Warranties
The Company provides limited warranties on workmanship on its products in all market segments. The majority of the Company's products have a limited warranty that ranges from zero to ten years, with certain products being prorated after the first year. The Company calculates a provision for warranty expense based on past warranty experience. Actual warranty expense may differ from historical experience. The Company's warranty accrual was $34.6 million at September 30, 2013, and $27.5 million at December 31, 2012. The Company's warranty accrual increased primarily as a result of increased provisions related to earthmoving tires.

SUBSEQUENT EVENTS

Voltyre-Prom Purchase
On October 4, 2013, Titan in partnership with One Equity Partners and the Russian Direct Investment Fund closed the acquisition of an 85% interest in Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia, for approximately $94.0 million. Titan will act as operating partner with responsibility for Voltyre-Prom's daily operations on behalf of the consortium of which Titan holds a 30% interest.

6.875% Senior Secured Notes due 2020
On October 7, 2013, the Company closed on an offering of $400.0 million 6.875% senior secured notes due 2020. Titan used the net proceeds from the offering towards financing the repurchase of the Company's 7.875% senior secured notes due 2017 including tender and consent payments, accrued interest and expenses associated therewith.

7.875% Senior Secured Notes due 2017 Tender Offer Settlement
On October 7, 2013, the Company elected to exercise its early settlement election in connection with a tender offer to purchase all of its 7.875% senior secured notes due 2017, and purchased $387.3 million, or approximately 73.8% of such notes. In connection with this transaction, Titan will record expenses of approximately $18 million in the fourth quarter of 2013. These expenses relate primarily to a tender and consent premium of $64.50 per $1,000 principal amount of the notes and unamortized deferred financing fees offset by unamortized premium on the notes. The tender offer expired October 21, 2013, with no additional notes tendered.

7.875% Senior Secured Notes due 2017 Redemption Call

On October 7, 2013, the Company announced a call for redemption for all 7.875% senior secured notes due 2017 that were not validly tendered by the expiration of the tender offer on October 21, 2013. The remaining notes will be redeemed on November 6, 2013. In connection with this transaction, Titan will record expenses of approximately $4 million in the fourth quarter of 2013. These expenses relate primarily to a redemption premium of $59.06 per $1,000 principal amount of the notes and unamortized deferred financing fees offset by unamortized premium on the notes.

TITAN INTERNATIONAL, INC.
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RESULTS OF OPERATIONS

Highlights for the three and nine months ended September 30, 2013, compared to 2012 (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net sales	$497,510	$404,719	$1,669,188	$1,327,040
Cost of sales	435,004	337,558	1,423,276	1,084,430
Gross profit	62,506	67,161	245,912	242,610
Gross profit percentage	12.6 %	16.6 %	14.7 %	18.3 %

Net Sales
Quarter: Net sales for the quarter ended September 30, 2013, were $497.5 million compared to $404.7 million in 2012, an increase of 23%. Sales increased approximately 35% from the inclusion of recently acquired entities including $128.9 million at Titan Europe. The increase in net sales was partially offset by a price/mix reduction which resulted largely from decreased raw material prices that were generally passed on to customers and decreased sales approximately 5%, weakened demand in the earthmoving/construction market which contributed to a 4% decrease in sales volume, and unfavorable currency translation which decreased sales by approximately 3%.

Year-to-date: Net sales for the nine months ended September 30, 2013, were $1,669.2 million compared to $1,327.0 million in 2012, an increase of 26%. Sales increased approximately 35% from the inclusion of recently acquired entities including $432.0 million at Titan Europe. Overall sales volume was flat compared to the prior year. The increase in net sales was partially offset by a price/mix reduction which resulted largely from decreased raw material prices that were generally passed on to customers and decreased sales approximately 7%, and unfavorable currency translation which decreased sales by approximately 2%.

Cost of Sales and Gross Profit
Quarter: Cost of sales was $435.0 million for the quarter ended September 30, 2013, compared to $337.6 million in 2012. The higher cost of sales resulted primarily from the increase in sales levels. The cost of sales increased by approximately 29%, as compared to an approximate 23% increase in net sales.

Gross profit for the third quarter of 2013 was $62.5 million, or 12.6% of net sales, compared to $67.2 million, or 16.6% of net sales for the third quarter of 2012. Gross profit, as a percentage of net sales, decreased as a result of lower raw material costs that were passed on to customers before being fully realized by the Company. Increased warranty provisions relating to earthmoving tires also contributed to the decreased gross profit. Titan Europe provided gross profit of $16.2 million, or 12.6% of net sales. Titan Europe margins were negatively affected by decreased earthmoving/construction demand.

Year-to-date: Cost of sales was $1,423.3 million for the nine months ended September 30, 2013, compared to $1,084.4 million in 2012. The higher cost of sales resulted primarily from the increase in sales levels. The cost of sales increased by approximately 31%, as compared to an approximate 26% increase in net sales.

Gross profit for the nine months ended September 30, 2013, was $245.9 million, or 14.7% of net sales, compared to $242.6 million, or 18.3% of net sales in 2012. Gross profit, as a percentage of net sales, decreased as a result of the Titan Europe acquisition and lower raw material costs that were passed on to customers before being fully realized by the Company. Increased warranty provisions relating to earthmoving tires also contributed to the decreased gross profit. Titan Europe provided gross profit of $50.5 million, or 11.7% of net sales. Titan Europe margins were negatively affected by decreased earthmoving/construction demand.

TITAN INTERNATIONAL, INC.
Management's Discussion and Analysis of
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Selling, General and Administrative Expenses

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Selling, general and administrative	$38,731	$25,497	$124,827	$79,742
Percentage of net sales	7.8 %	6.3 %	7.5 %	6.0 %

Quarter: Selling, general and administrative (SG&A) expenses for the third quarter of 2013 were $38.7 million, or 7.8% of net sales, compared to $25.5 million, or 6.3% of net sales, for 2012. The higher SG&A expenses were primarily the result of approximately $10 million of SG&A expenses at recently acquired facilities. The increase in SG&A as a percentage of sales was primarily the result of higher SG&A percentages at recently acquired facilities.

Year-to-date: Selling, general and administrative (SG&A) expenses for the nine months ended September 30, 2013 were $124.8 million, or 7.5% of net sales, compared to $79.7 million, or 6.0% of net sales, for 2012. The higher SG&A expenses were primarily the result of approximately $45 million of SG&A expenses at recently acquired facilities. The increase in SG&A as a percentage of sales was primarily the result of higher SG&A percentages at recently acquired facilities.

Research and Development Expenses

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Research and development	$2,778	$1,759	$8,281	$4,456
Percentage of net sales	0.6 %	0.4 %	0.5 %	0.3 %

Quarter: Research and development (R&D) expenses for the third quarter of 2013 were $2.8 million, or 0.6% of net sales, compared to $1.8 million, or 0.4% of net sales, for 2012. Approximately $1 million of R&D expenses of recently acquired facilities contributed to the increase.

Year-to-date: Expenses for R&D were $8.3 million, or 0.5% of net sales for the nine months ended September 30, 2013, compared to $4.5 million, or 0.3% of net sales, for 2012. Approximately $4 million of R&D expenses of recently acquired facilities contributed to the increase.

Royalty Expense

Royalty expense was as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Royalty expense	$3,942	$3,739	$10,960	$8,740

The Company has a trademark license agreement with The Goodyear Tire & Rubber Company to manufacture and sell certain tires in North America and Latin America under the Goodyear name. The North American and Latin American farm tire royalties were prepaid through March 2018 as a part of the 2011 Goodyear Latin American farm tire acquisition. In May 2012, the Company and Goodyear entered into an agreement under which Titan will sell certain non-farm tire products directly to third party customers and pay a royalty to Goodyear.

Quarter: Royalty expenses were $3.9 million and $3.7 million for the quarters ended September 30, 2013 and 2012, respectively.

TITAN INTERNATIONAL, INC.
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Year-to-date: Year-to-date royalty expenses recorded were $11.0 million and $8.7 million for the nine months ended September 30, 2013 and 2012, respectively. As sales subject to the license agreement increased in the first nine months of 2013, the Company's royalty expense increased accordingly.

Supply agreement termination income

Supply agreement termination income was as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Supply agreement termination income	$—	$—	$—	$26,134

The Company's April 2011 acquisition of Goodyear's farm tire business included a three year supply agreement with Goodyear for certain non-farm tire products. A liability was recorded as the supply agreement was for sales at below market prices. In May 2012, the Company and Goodyear terminated this supply agreement and entered into an agreement under which Titan will sell these products directly to third party customers and pay a royalty to Goodyear. The remaining balance of the supply agreement liability was recorded as income as the Company is no longer obligated to sell the products at below market prices.

Income from Operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Income from operations	$17,055	$36,166	$101,844	$175,806
Percentage of net sales	3.4 %	8.9 %	6.1 %	13.2 %

Quarter: Income from operations for the third quarter of 2013, was $17.1 million, or 3.4% of net sales, compared to $36.2 million, or 8.9% of net sales, in 2012. This decrease was the net result of the items previously discussed.

Year-to-date: Income from operations for the nine months ended September 30, 2013, was $101.8 million, or 6.1% of net sales, compared to $175.8 million, or 13.2% of net sales, in 2012. This decrease was the net result of the items previously discussed.

Interest Expense

Interest expense was as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Interest expense	$12,414	$6,187	$35,924	$18,699

Quarter: Interest expense was $12.4 million and $6.2 million for the quarters ended September 30, 2013, and 2012, respectively. Interest expense for the third quarter of 2013 increased primarily as a result of approximately $5 million of interest recorded for the additional 7.875% senior secured notes issued in the first quarter of 2013. Interest expense at the recently acquired Titan Europe Plc of approximately $1 million also contributed to the increase.

Year-to-date: Year-to-date interest expense was $35.9 million and $18.7 million for the nine months ended September 30, 2013, and 2012, respectively. Interest expense for the first nine months of 2013 increased primarily as a result of approximately $12 million of interest recorded for the additional 7.875% senior secured notes issued in the first quarter of 2013. Interest expense at the recently acquired Titan Europe Plc of approximately $6 million also contributed to the increase.

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TITAN INTERNATIONAL, INC.
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Convertible Debt Conversion Charge
Convertible debt conversion charge was as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Convertible debt conversion charge	$—	$—	7,273	$—

In the first quarter of 2013, the Company closed an Exchange Agreement with a note holder of the convertible notes. The two parties privately negotiated an agreement to exchange approximately $52.7 million in aggregate principal amount of the convertible notes for approximately 4.9 million shares of the Company's common stock plus a cash payment totaling $14.2 million. In connection with this exchange, the Company recognized a charge of $7.3 million in accordance with accounting standards for debt conversion.

Gain on Earthquake Insurance Recovery
Gain on earthquake insurance recovery (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Gain on earthquake insurance recovery	$—	$—	22,451	$—

Titan Europe's wheel manufacturing facility in Finale Emilia, Italy experienced damage from an earthquake in May of 2012 prior to Titan's acquisition of Titan Europe. The plant was closed for production during initial remedial work. This resulted in a limited transfer of production to other facilities within Titan Europe as well as sourcing product from facilities in the US owned by Titan and competitors. In the second quarter of 2013, Titan received a final insurance settlement payment of $38.7 million, which offset the earthquake insurance receivable and resulted in a gain of $22.5 million.

Other Income
Other income was as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Other income	$8,722	$2,439	$7,712	$6,163

Quarter: Other income was $8.7 million for the quarter ended September 30, 2013, as compared to other income of $2.4 million in 2012. The Company recorded currency exchange gain of $5.7 million, $0.8 million in discount amortization on prepaid royalty and interest income of $0.6 million for the quarter ended September 30, 2013. The Company recorded $0.9 million in discount amortization on prepaid royalty and a $0.5 million gain on contractual obligation investments for the quarter ended September 30, 2012.

Year-to-date: Other income was $7.7 million and $6.2 million for the nine months ended September 30, 2013 and 2012, respectively. For the first nine months of 2013, the Company recorded interest income of $2.5 million and $2.5 million in discount amortization on prepaid royalty, offset by currency exchange loss of $1.0 million. The Company recorded $2.9 million in discount amortization on prepaid royalty and a $1.3 million gain on contractual obligation investments for the nine months ended September 30, 2012.

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Income Taxes
Income taxes were as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Income tax expense	$5,711	$13,589	$38,913	$64,722

Quarter: The Company recorded income tax expense of $5.7 million for the quarter ended September 30, 2013, as compared to $13.6 million in 2012. The Company's effective income tax rate was 43% and 42% for the three months ended September 30, 2013 and 2012, respectively.

Year-to-date: Income tax expense for the nine months ended September 30, 2013 and 2012, was $38.9 million and $64.7 million, respectively. The Company's effective income tax rate was 44% and 40% for the nine months ended September 30, 2013 and 2012, respectively.

The Company's 2013 income tax expense and rate differs from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of a change in Italian law making the insurance proceeds from the earthquake non-taxable. In addition, as a result of the reassessment of the realizability of the deferred tax assets due to the Italian law change, a valuation allowance was established on the Italy net deferred tax assets. Other items contributing to the rate difference are state income tax expense, unrecognized tax benefits, foreign earnings, domestic production activities deduction, and tax deductible expenses related to the convertible bond repurchase.

The Company's 2012 income tax expense and rate differs from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of the supply agreement termination income and related income tax effects and the liability for unrecognized tax benefits recorded during the three months ended June 30, 2012.

Net Income
Net income was as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income	$7,652	$18,829	$49,897	$98,548

Quarter: Net income for the third quarter of September 30, 2013, was $7.7 million, compared to $18.8 million in 2012. For the quarters ended September 30, 2013 and 2012, basic earnings per share were $.15 and $.46, respectively, and diluted earnings per share were $.15 and $.39, respectively. The Company's net income and earnings per share were lower due to the items previously discussed.

Year-to-date: Net income for the nine months ended September 30, 2013 and 2012, was $49.9 million and $98.5 million, respectively. For the nine months ended September 30, 2013 and 2012, basic earnings per share were $0.96 and $2.35, respectively, and diluted earnings per share were $0.89 and $1.92, respectively. The Company's net income and earnings per share were lower due to the items previously discussed.

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Agricultural Segment Results

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net sales	$273,301	$246,578	$907,797	$831,376
Gross profit	48,346	48,091	158,566	173,684
Income from operations	37,762	41,740	125,063	156,965

Quarter: Net sales in the agricultural market were $273.3 million for the quarter ended September 30, 2013, as compared to $246.6 million in 2012, an increase of 11% . Sales increased approximately 16% from the inclusion of recently acquired entities. Sales volume was approximately 8% higher as the result of increased demand in the Company's agricultural segment. The increase in net sales was partially offset by a price/mix reduction which resulted largely from decreased raw material costs passed through to customers that decreased sales approximately 11%, and unfavorable currency translation which decreased sales by approximately 2%.

Gross profit in the agricultural market was $48.3 million for the quarter ended September 30, 2013, as compared to $48.1 million in 2012. Income from operations in the agricultural market was $37.8 million for the quarter ended September 30, 2013, as compared to $41.7 million in 2012. The Company's gross profit, as a percentage of net sales, and income from operations decreased as a result of the Titan Europe acquisition and lower raw material costs that were passed on to customers before being fully realized by the Company. Titan Europe provided gross profit of $4.4 million, or 12.3% of net sales. Titan Europe margins were negatively affected by decreased agriculture demand.

Year-to-date: Net sales in the agricultural market were $907.8 million for the nine months ended September 30, 2013, as compared to $831.4 million in 2012, an increase of 9% . Sales increased approximately 16% from the inclusion of recently acquired entities. Sales volume was approximately 6% higher as the result of increased demand in the Company's agricultural segment. The increase in net sales was partially offset by a price/mix reduction which resulted largely from decreased raw material costs passed through to customers that decreased sales approximately 11%, and unfavorable currency translation which decreased sales by approximately 2%.

Gross profit in the agricultural market was $158.6 million for the nine months ended September 30, 2013, as compared to $173.7 million in 2012. Income from operations in the agricultural market was $125.1 million for the nine months ended September 30, 2013, as compared to $157.0 million in 2012. The Company's gross profit, as a percentage of net sales, and income from operations decreased as a result of the Titan Europe acquisition and lower raw material costs that were passed on to customers before being fully realized by the Company. Titan Europe provided gross profit of $14.8 million, or 11.5% of net sales. Titan Europe margins were negatively affected by decreased agriculture demand.

Earthmoving/Construction Segment Results

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net sales	$168,964	$103,135	$586,806	$318,244
Gross profit	11,283	18,689	75,598	60,598

Income (loss) from operations	(1,833)	13,468	27,365	51,385

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Quarter: The Company's earthmoving/construction market net sales were $169.0 million for the quarter ended September 30, 2013, as compared to $103.1 million in 2012, an increase of 64%. Sales increased approximately 96% from the inclusion of recently acquired entities, primarily Titan Europe which recorded earthmoving/construction sales of $91.2 million. The increase in net sales was partially offset by a price/mix reduction which resulted largely from decreased demand for larger products used in the mining industry that decreased sales approximately 25%, decreased volume of 6%, and unfavorable currency translation which decreased sales by approximately 2%.

Gross profit in the earthmoving/construction market was $11.3 million for the quarter ended September 30, 2013, as compared to $18.7 million in 2012. The Company's earthmoving/construction market loss from operations was $1.8 million for the quarter ended September 30, 2013, as compared to income from operations of $13.5 million in 2012. Gross profit and income from operations were negatively affected by decreased demand in the earthmoving/construction market and increased warranty provisions relating to earthmoving tires.

Year-to-date: The Company's earthmoving/construction market net sales were $586.8 million for the nine months ended September 30, 2013, as compared to $318.2 million in 2012, an increase of 84%. Sales increased approximately 103% from the inclusion of recently acquired entities, primarily Titan Europe which recorded earthmoving/construction sales of $295.6 million. Sales increased approximately 3% as the result of price/mix improvements. The increase in net sales was partially offset by decreased volume of 22%.

Gross profit in the earthmoving/construction market was $75.6 million for the nine months ended September 30, 2013, as compared to $60.6 million in 2012. The Company's earthmoving/construction market income from operations was $27.4 million for the nine months ended September 30, 2013, as compared to $51.4 million in 2012. The Company's gross profit and income from operations increased from recently acquired facilities. Gross profit and income from operations were negatively affected by decreased demand in the earthmoving/construction market and increased warranty provisions relating to earthmoving tires.

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net sales	$55,245	$55,006	$174,585	$177,420
Gross profit	3,363	1,016	13,841	10,488
Income (loss) from operations	55	(234)	4,224	30,284

Quarter: Consumer market net sales were $55.2 million for quarter ended September 30, 2013, as compared to $55.0 million in 2012.

Gross profit from the consumer market was $3.4 million for the quarter ended September 30, 2013, as compared to $1.0 million in 2012. Consumer market income from operations was $0.1 million for the quarter ended September 30, 2013, as compared to loss from operations of $(0.2) million in 2012.

Year-to-date: Consumer market net sales were $174.6 million for the nine months ended September 30, 2013, as compared to $177.4 million in 2012, a decrease of 2%.

Gross profit from the consumer market was $13.8 million for the nine months ended September 30, 2013, as compared to $10.5 million in 2012. Consumer market income from operations was $4.2 million for the nine months ended September 30, 2013, as compared to income from operations of $30.3 million in 2012. The Company's decrease in income from operations was primarily the result of the supply agreement termination income of $26.1 million recorded in the second quarter of 2012.

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Segment Summary (Amounts in thousands)

Quarter	Agricultural	Earthmoving/ Construction	Consumer	Corporate Expenses	Consolidated Totals
Three months ended September 30, 2013					
Net sales	$273,301	$168,964	$55,245	$—	$497,510
Gross profit (loss)	48,346	11,283	3,363	(486)	62,506
Income (loss) from operations	37,762	(1,833)	55	(18,929)	17,055
Three months ended September 30, 2012					
Net sales	$246,578	103,135	$55,006	$—	$404,719
Gross profit (loss)	48,091	18,689	1,016	(635)	67,161
Income (loss) from operations	41,740	13,468	(234)	(18,808)	36,166

Year-to-Date	Agricultural	Earthmoving/ Construction	Consumer	Corporate Expenses	Consolidated Totals
Nine months ended September 30, 2013					
Net sales	$907,797	$586,806	$174,585	$—	$1,669,188
Gross profit (loss)	158,566	75,598	13,841	(2,093)	245,912
Income (loss) from operations	125,063	27,365	4,224	(54,808)	101,844
Nine months ended September 30, 2012					
Net sales	$831,376	318,244	$177,420	$—	$1,327,040
Gross profit (loss)	173,684	60,598	10,488	(2,160)	242,610
Income (loss) from operations	156,965	51,385	30,284	(62,828)	175,806

Corporate Expenses

Quarter: Income from operations on a segment basis does not include corporate expenses totaling $18.9 million for the quarter ended September 30, 2013, as compared to $18.8 million for 2012.

Corporate expenses for the quarter ended September 30, 2013 were composed of selling and marketing expenses of approximately $8 million and administrative expenses of approximately $11 million.

Corporate expenses for the quarter ended September 30, 2012 were composed of selling and marketing expenses of approximately $7 million and administrative expenses of approximately $12 million.

Year-to-date: Income from operations on a segment basis does not include corporate expenses totaling $54.8 million for the nine months ended September 30, 2013, as compared to $62.8 million for 2012.

Corporate expenses for the nine months ended September 30, 2013 were composed of selling and marketing expenses of approximately $24 million and administrative expenses of approximately $31 million.

Corporate expenses for the nine months ended September 30, 2012 were composed of selling and marketing expenses of approximately $24 million and administrative expenses of approximately $39 million.

Corporate administrative expenses were approximately $8 million lower for the nine months ended September 30, 2013 primarily due to a decrease in incentive compensation of approximately $9 million.

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MARKET RISK SENSITIVE INSTRUMENTS

The Company's risks related to foreign currencies, commodity prices and interest rates are consistent with those for 2012. For more information, see the “Market Risk Sensitive Instruments” discussion in the Company's Form 10-K for the fiscal year ended December 31, 2012.

PENSIONS

The Company has three frozen defined benefit pension plans covering certain employees or former employees of three U.S. subsidiaries. The Company also has pension plans covering certain employees of several foreign subsidiaries. These plans are described in Note 25 of the Company's Notes to Consolidated Financial Statements in the 2012 Annual Report on Form 10-K.

The Company's recorded liability for pensions is based on a number of assumptions, including discount rates, rates of return on investments, mortality rates and other factors. Certain of these assumptions are determined by the Company with the assistance of outside actuaries. Assumptions are based on past experience and anticipated future trends. These assumptions are reviewed on a regular basis and revised when appropriate. Revisions in assumptions and actual results that differ from the assumptions affect future expenses, cash funding requirements and the carrying value of the related obligations. Titan expects to contribute approximately $1.7 million to these pension plans during the remainder of 2013.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

As of September 30, 2013, the Company had $447.5 million of cash within various bank accounts.

(amounts in thousands)	September 30, 2013	December 31, 2012	Change
Cash	$447,456	$189,114	$258,342

The cash balance increased by $258.3 million from December 31, 2012, due to the following items.

Operating Cash Flows

Summary of cash flows from operating activities:

(Amounts in thousands)	Nine months ended September 30, 2013	2012	Change
Net income	$49,897	$98,548	$(48,651)
Depreciation and amortization	56,333	35,865	20,468
Convertible debt conversion charge	7,273	—	7,273
Gain on earthquake insurance recovery	(22,451)	—	(22,451)
Insurance proceeds	35,808	—	35,808
Deferred income tax provision	(6,860)	6,906	(13,766)
Supply agreement termination income	—	(26,134)	26,134
Accounts receivable	(1,022)	(24,099)	23,077
Inventories	(18,599)	(36,921)	18,322
Accounts payable	23,302	25,893	(2,591)

Other current liabilities	23,218	4,786	18,432
Other liabilities	1,968	10,937	(8,969)
Other operating activities	(16,678)	(10,693)	(5,985)
Cash provided by operating activities	$132,189	$85,088	$47,101

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In the first nine months of 2013, operating activities provided cash of $132.2 million, which included net income of $49.9 million and an increase in accounts payable of $23.3 million and other current liabilities of $23.2 million. Net income included $56.3 million of noncash charges for depreciation and amortization. Insurance proceeds less gain on earthquake insurance recovery provided cash of $13.4 million. Positive cash inflows were offset by an increase in inventory of $18.6 million.

In the first nine months of 2012, operating activities provided cash of $85.1 million, which included net income of $98.5 million and an increase in accounts payable and other liabilities of $25.9 million and $10.9 million, respectively. Net income included $35.9 million of noncash charges for depreciation and amortization. Positive cash inflows were offset by increases in accounts receivable and inventory of $24.1 million and $36.9 million, respectively, and noncash supply agreement income of $26.1 million.

Operating cash flows increased $47.1 million when comparing the nine months ended September 30, 2013, to the nine months ended September 30, 2012. Net income in the first nine months of 2013 was $48.7 million lower than the net income in the first nine months of 2012. Partially contributing to this was increased depreciation and amortization of $20.5 million and a convertible debt conversion charge of $7.3 million. When comparing the first nine months of 2013 to the first nine months of 2012, cash flows from inventories and other current liabilities increased $18.3 million and $18.4 million, respectively, which was partially offset by decreased cash flows from other liabilities of $9.0 million.

The Company's inventory balance was higher at September 30, 2013, as compared to December 31, 2012. The Company's accounts receivable balance was lower at September 30, 2013, as compared to December 31, 2012. Days sales in inventory decreased to 73 days at September 30, 2013, compared to 86 days at December 31, 2012. Days sales outstanding decreased to 53 days at September 30, 2013, from 54 days at December 31, 2012.

Investing Cash Flows
Summary of cash flows from investing activities:

(Amounts in thousands)	Nine months ended September 30,		
	2013	2012	Change
Acquisitions, net of cash acquired	$(1,670)	$(32,760)	$31,090
Additional equity investment in Wheels India	(8,017)	—	(8,017)
Capital expenditures	(54,956)	(36,319)	(18,637)
Other investing activities	4,221	636	3,585
Cash used for investing activities	$(60,422)	$(68,443)	$8,021

Net cash used for investing activities was $60.4 million in the first nine months of 2013, as compared to $68.4 million in the first nine months of 2012. The Company invested a total of $55.0 million in capital expenditures in the first nine months of 2013, compared to $36.3 million in 2012. The 2013 and 2012 expenditures represent various equipment purchases and improvements to enhance production capabilities of Titan's existing business and maintaining existing equipment. The Company invested a total of $1.7 million in acquisitions in the first nine months of 2013, as compared to $32.8 million in the first nine months of 2012. The Company also used $8.0 million for additional equity investment in Wheels India in the first nine months of 2013.

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Financing Cash Flows
Summary of cash flows from financing activities:

(Amounts in thousands)	Nine months ended September 30,		
	2013	2012	Change
Proceeds from borrowings	$345,313	$—	$345,313
Term loan borrowing	25,880	4,378	21,502
Proceeds from exercise of stock options	863	925	(62)
Convertible note conversion	(14,090)	—	(14,090)
Payment of financing fees	(5,520)	—	(5,520)
Payment on debt	(162,040)	(14,434)	(147,606)
Excess tax benefit from stock options exercised	(46)	185	(231)
Dividends paid	(778)	(634)	(144)
Cash provided by (used for) financing activities	$189,582	$(9,580)	$199,162

In the first nine months of 2013, $189.6 million of cash was provided by financing activities. This cash was primarily provided by proceeds from the issuance of $345.3 million of additional 7.875% senior secured notes due 2017. This was partially offset by payment on debt of $162.0 million, primarily at the Company's European facilities.

In the first nine months of 2012, $9.6 million of cash was used for financing activities. This cash was primarily used for the payment on term loan borrowings of $14.4 million that was originally borrowed to provide working capital for Titan's Latin American operations. This was partially offset by $4.4 million of additional term loan borrowings for Titan's Latin American operations.

Financing cash flows increased by $199.2 million when comparing the first nine months of 2013 to 2012. This increase was primarily the result of the additional issuance of 7.875% senior secured notes due 2017.

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

Debt Restrictions
The Company’s revolving credit facility (credit facility) contains various restrictions, including:
- Limits on dividends and repurchases of the Company’s stock.
- Restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company.
- Limitations on investments, dispositions of assets and guarantees of indebtedness.
- Other customary affirmative and negative covenants.

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

Liquidity Outlook
At September 30, 2013, the Company had $447.5 million of cash and cash equivalents and no outstanding borrowings on the Company's $150 million credit facility. The cash and cash equivalents balance of $447.5 million includes $96.7

million held in foreign countries. The Company's current plans do not demonstrate a need to repatriate the foreign amounts to fund U.S. operations, with the exception of intercompany loans to foreign subsidiaries totaling $149.3 million at September 30, 2013. However, if foreign funds were needed for U.S. operations, the Company would be required to accrue and pay taxes to repatriate the funds.

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In October 2013, Titan paid approximately $19 million in connection with the tender offer for the Company's 7.875% senior secured notes due 2017. This amount represents payments for principal, tender and consent payments, and accrued interest which were not covered by the net proceeds of the offering of 6.875% senior secured notes due 2020. In November 2013, the Company expects to pay approximately $147 million for the redemption of the remaining 7.875% senior secured notes due 2017. This amount represents principal, redemption premium and interest.

Capital expenditures for the remainder of 2013 are forecasted to be approximately $15 million to $20 million. Cash payments for interest are currently forecasted to be approximately $23 million for the remainder of 2013 based on September 30, 2013 debt balances. The forecasted interest payments are comprised primarily of a semi-annual payment of $20.7 million for the 7.875% senior secured notes paid on October 1.

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

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

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

MARKET CONDITIONS AND OUTLOOK
In the first nine months of 2013, Titan experienced higher sales when compared to the sales levels in the first nine months of 2012. The higher sales were primarily the result of increased demand in the Company's agricultural segment, as well as recent acquisitions including the August 2012 acquisition of the Planet Group of companies based in Perth, Australia, and the October 2012 acquisition of Titan Europe. For the remainder of 2013, the Company expects demand to remain weak in the earthmoving/construction market.

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

AGRICULTURAL MARKET OUTLOOK
Agricultural market sales were higher in the first nine months of 2013 when compared to the first nine months of 2012. The Titan Europe acquisition and continued strong demand contributed to the higher sales levels. The increase in the global population may help grow future demand. The gradual increase in the use of biofuels may help sustain future production. Many variables, including weather, grain prices, export markets and future government policies and payments can greatly influence the overall health of the agricultural economy.

EARTHMOVING/CONSTRUCTION MARKET OUTLOOK
Earthmoving and mining sales were significantly higher in the first nine months of 2013 when compared to the first nine months of 2012. Recent acquisitions contributed to the higher sales levels. Although metals, oil and gas prices may fluctuate in the short-term, in the long-term, these prices are expected to remain at levels that are attractive for continued investment, which should help support future earthmoving and mining sales. The earthmoving/construction segment is affected by many variables, including commodity prices, road construction, infrastructure, government

appropriations, housing starts and the on-going banking and credit issues. For the remainder of 2013, the Company expects earthmoving/construction market demand to remain weak.

CONSUMER MARKET OUTLOOK

Consumer market sales were slightly lower in the first nine months of 2013, when compared to the first nine months of 2012. The decrease in net sales was primarily the result of unfavorable currency translation on consumer product sales in Latin America, partially offset by the inclusion of recently acquired entities. Consumer market sales may fluctuate from period to period.

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TITAN INTERNATIONAL, INC.

PART I. FINANCIAL INFORMATION

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See the Company's 2012 Annual Report filed on Form 10-K (Item 7A). There has been no material change in this information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures
The Company’s principal executive officer and principal financial officer have concluded the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) are effective as of the end of the period covered by this Form 10-Q based on an evaluation of the effectiveness of disclosure controls and procedures.

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

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

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to routine legal proceedings arising out of the normal course of business. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss, the Company believes at this time that none of these actions, individually or in the aggregate, will have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company. However, due to the difficult nature of predicting unresolved and future legal claims, the Company cannot anticipate or predict the material adverse effect on its consolidated financial condition, results of operations or cash flows as a result of efforts to comply with or its liabilities pertaining to legal judgments.

Item 1A. Risk Factors

See the Company's 2012 Annual Report filed on Form 10-K (Item 1A). There has been no material change in this information.

Item 6. Exhibits

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

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

32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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: October 29, 2013

By: /s/ MAURICE M. TAYLOR JR.
Maurice M. Taylor Jr.
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ PAUL G. REITZ
Paul G. Reitz
Chief Financial Officer
(Principal Financial Officer)

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