

TITAN INTERNATIONAL INC  
Form 10-Q  
October 30, 2006

---

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

**FORM 10-Q**

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

**For Quarterly Period Ended: September 30, 2006**

**OR**

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

Commission File Number: 1-12936

**TITAN INTERNATIONAL, INC.**

(Exact name of Registrant as specified in its Charter)

**Illinois**  
(State of Incorporation)

**36-3228472**

(I.R.S. Employer Identification No.)

**2701 Spruce Street, Quincy, IL 62301**

(Address of principal executive offices, including Zip Code)

**(217) 228-6011**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

Class	Shares Outstanding at October 26, 2006
Common stock, no par value per share	19,786,792

---

**TITAN INTERNATIONAL, INC.****TABLE OF CONTENTS**

	Page
Part I. Financial Information	
Item 1. Financial Statements (Unaudited)	
Consolidated Condensed Statements of Operations for the Three and Nine Months Ended September 30, 2006 and 2005	1
Consolidated Condensed Balance Sheets as of September 30, 2006, and December 31, 2005	2
Consolidated Condensed Statement of Changes in Stockholders' Equity for the Nine Months Ended September 30, 2006	3
Consolidated Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2006 and 2005	4
Notes to Consolidated Condensed Financial Statements	5-16
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17-28
Item 3. Quantitative and Qualitative Disclosures About Market Risk	29
Item 4. Controls and Procedures	29
Part II. Other Information	
Item 1. Legal Proceedings	30
Item 6. Exhibits	30
Signatures	30

**PART I. FINANCIAL INFORMATION**

## Item 1. Financial Statements

**TITAN INTERNATIONAL, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)**

(Amounts in thousands, except earnings per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Net sales	\$ 156,120	\$ 102,712	\$ 513,891	\$ 373,550
Cost of sales	139,040	91,739	443,255	315,994
Gross profit	17,080	10,973	70,636	57,556
Selling, general & administrative expenses	10,358	7,418	30,312	24,256
Royalty expense	1,113	0	3,952	0
Idled assets marketed for sale depreciation	902	1,312	2,722	3,992
Income from operations	4,707	2,243	33,650	29,308
Interest expense	(4,565)	(1,781)	(11,997)	(6,723)
Noncash convertible debt conversion charge	0	0	0	(7,225)
Other income (expense)	671	(91)	2,820	1,223
Income before income taxes	813	371	24,473	16,583
Provision (benefit) for income taxes	325	(811)	9,789	0
Net income	\$ 488	\$ 1,182	\$ 14,684	\$ 16,583
Earnings per common share:				
Basic	\$ .02	\$ .06	\$ .75	\$ .94
Diluted	.02	.06	.65	.83
Average common shares outstanding:				
Basic	19,731	19,422	19,670	17,570
Diluted	20,060	19,617	26,027	25,298

See accompanying Notes to Consolidated Condensed Financial Statements.

**TITAN INTERNATIONAL, INC.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)**

(Amounts in thousands, except share data)

	September 30, 2006	December 31, 2005
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 281	\$ 592
Accounts receivable (net allowance of \$6,517 and \$5,654, respectively)	97,426	47,112
Inventories	172,485	122,692
Deferred income taxes	11,775	20,141
Prepaid and other current assets	19,646	15,630
Total current assets	301,613	206,167
Property, plant and equipment, net	171,108	140,382
Idled assets marketed for sale	15,215	18,267
Investment in Titan Europe Plc	49,196	48,467
Goodwill	11,702	11,702
Other assets	17,897	15,771
Total assets	\$ 566,731	\$ 440,756
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Short-term debt (including current portion of long-term debt)	\$ 2,255	\$ 11,995
Accounts payable	49,580	24,435
Other current liabilities	37,392	11,753
Total current liabilities	89,227	48,183
Long-term debt	258,590	190,464
Deferred income taxes	13,837	13,581
Other long-term liabilities	18,382	20,715
Total liabilities	380,036	272,943
Stockholders' equity		
Common stock (no par, 60,000,000 shares authorized, 30,577,356 issued)	30	30
Additional paid-in capital	257,027	255,299
Retained earnings	46,442	32,053
Treasury stock (at cost, 10,819,024 and 11,074,150 shares, respectively)	(97,526)	(99,817)
Accumulated other comprehensive loss	(19,278)	(19,752)
Total stockholders' equity	186,695	167,813
Total liabilities and stockholders' equity	\$ 440,756	\$ 440,756

See accompanying Notes to Consolidated Condensed Financial Statements.

**TITAN INTERNATIONAL, INC.**  
**CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

(All amounts in thousands, except share data)

	Number of common shares	Common Stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total
<b>Balance January 1, 2006</b>	19,503,206	\$ 30	\$ 255,299	\$ 32,053	\$ (99,817)	\$ (19,752)	167,813
Comprehensive income:							
Net income				14,684			14,684
Unrealized gain on investment, net of tax						474	474
Comprehensive income				14,684		474	15,158
Dividends paid on common stock				(295)			(295)
Exercise of stock options	246,420		1,645		2,213		3,858
Issuance of treasury stock under 401(k) plan	8,706		83		78		161
<b>Balance September 30, 2006</b>	19,758,332	\$ 30	\$ 257,027	\$ 46,442	\$ (97,526)	\$ (19,278)	186,695

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	<b>Nine months ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 14,684	\$ 16,583
Adjustments to reconcile net income to net cash (used for) provided by operating activities (net of the		