

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, 2018
or

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

Commission file number 1-12936

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

Delaware
(State 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☐

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

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

Indicate the number of shares of Titan International, Inc. outstanding: 59,916,973 shares common stock, \$0.0001 par value, as of October 25, 2018 .

TITAN INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net sales	\$ 384,719	\$ 370,988	\$ 1,239,005	\$ 1,092,888
Cost of sales	341,015	330,851	1,077,428	968,530
Gross profit	43,704	40,137	161,577	124,358
Selling, general and administrative expenses	33,709	39,753	102,308	115,553
Research and development expenses	2,591	2,457	8,222	7,908
Royalty expense	2,581	2,596	7,878	7,739
Income (loss) from operations	4,823	(4,669)	43,169	(6,842)
Interest expense	(7,596)	(7,537)	(22,786)	(22,578)
Foreign exchange gain (loss)	855	815	(7,187)	48
Other income	7,437	2,569	17,664	6,996
Income (loss) before income taxes	5,519	(8,822)	30,860	(22,376)
Provision for income taxes	2,841	2,396	3,738	5,964
Net income (loss)	2,678	(11,218)	27,122	(28,340)
Net income (loss) attributable to noncontrolling interests	383	800	(1,256)	1,424
Net income (loss) attributable to Titan	2,295	(12,018)	28,378	(29,764)
Redemption value adjustment	(4,045)	(882)	(11,066)	(3,981)
Net (loss) income applicable to common shareholders	\$ (1,750)	\$ (12,900)	\$ 17,312	\$ (33,745)
Earnings per common share:				
Basic	\$ (0.03)	\$ (0.22)	\$ 0.29	\$ (0.57)
Diluted	\$ (0.03)	\$ (0.22)	\$ 0.29	\$ (0.57)
Average common shares and equivalents outstanding:				
Basic	59,897	59,600	59,787	59,247
Diluted	59,897	59,600	59,893	59,247
Dividends declared per common share:				
	\$ 0.005	\$ 0.005	\$ 0.015	\$ 0.015

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three months ended September 30,	
	2018	2017
Net income (loss)	\$ 2,678	\$ (11,218)
Currency translation adjustment	(13,577)	14,015
Pension liability adjustments, net of tax of \$4 and \$166, respectively	733	180
Comprehensive (loss) income	(10,166)	2,977
Net comprehensive (loss) income attributable to redeemable and noncontrolling interests	(811)	1,436
Comprehensive (loss) income attributable to Titan	\$ (9,355)	\$ 1,541

	Nine months ended September 30,	
	2018	2017
Net income (loss)	\$ 27,122	\$ (28,340)
Currency translation adjustment	(43,853)	33,040
Pension liability adjustments, net of tax of \$(40) and \$55, respectively	2,306	1,902
Comprehensive (loss) income	(14,425)	6,602
Net comprehensive (loss) income attributable to redeemable and noncontrolling interests	(4,036)	2,657
Comprehensive (loss) income attributable to Titan	\$ (10,389)	\$ 3,945

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2018	December 31, 2017
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 96,799	\$ 143,570
Accounts receivable, net	259,354	226,703
Inventories	381,969	339,836
Prepaid and other current assets	66,553	73,084
Total current assets	804,675	783,193
Property, plant and equipment, net	384,985	421,248
Deferred income taxes	2,320	3,779
Other assets	82,100	81,892
Total assets	\$ 1,274,080	\$ 1,290,112
Liabilities		
Current liabilities		
Short-term debt	\$ 50,257	\$ 43,651
Accounts payable	208,237	195,497
Other current liabilities	123,244	133,774
Total current liabilities	381,738	372,922
Long-term debt	411,019	407,171
Deferred income taxes	10,359	13,545
Other long-term liabilities	62,424	73,197
Total liabilities	865,540	866,835
Redeemable noncontrolling interest	119,897	113,193
Equity		
Titan shareholders' equity		
Common stock (\$0.0001 par value, 120,000,000 shares authorized, 60,715,356 issued, 59,897,619 outstanding at September 30, 2018 and 59,800,559 outstanding at December 31, 2017)	—	—
Additional paid-in capital	520,389	531,708
Retained deficit	(16,456)	(44,022)
Treasury stock (at cost, 817,737 and 914,797 shares, respectively)	(8,004)	(8,606)
Stock reserved for deferred compensation	—	(1,075)
Accumulated other comprehensive loss	(200,168)	(157,076)
Total Titan shareholders' equity	295,761	320,929
Noncontrolling interests	(7,118)	(10,845)
Total equity	288,643	310,084
Total liabilities and equity	\$ 1,274,080	\$ 1,290,112

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Number of common shares	Additional paid-in capital	Retained (deficit) earnings	Treasury stock	Stock reserved for deferred compensation	Accumulated other comprehensive (loss) income	Total Titan Equity	Noncontrolling interest	Total Equity
Balance January 1, 2018	59,800,559	\$ 531,708	\$ (44,022)	\$ (8,606)	\$ (1,075)	\$ (157,076)	\$320,929	\$ (10,845)	\$310,084
Net income (loss) *			28,378				28,378	(150)	28,228
Currency translation adjustment, net *						(41,073)	(41,073)	476	(40,597)
Pension liability adjustments, net of tax						2,306	2,306		2,306
Dividends declared			(900)				(900)		(900)
Accounting standards adoption			88				88	35	123
Restricted stock awards	61,897						—		—
Acquisition of additional interest		(1,032)				(4,325)	(5,357)	5,208	(149)
Redemption value adjustment		(11,066)					(11,066)		(11,066)
Stock-based compensation		561		286			847		847
VIE distributions							—	(1,842)	(1,842)
Deferred compensation transactions		113			1,075		1,188		1,188
Issuance of treasury stock under 401(k) plan	35,163	105		316			421		421
Balance September 30, 2018	<u>59,897,619</u>	<u>\$ 520,389</u>	<u>\$ (16,456)</u>	<u>\$ (8,004)</u>	<u>\$ —</u>	<u>\$ (200,168)</u>	<u>\$295,761</u>	<u>\$ (7,118)</u>	<u>\$288,643</u>

* Net income (loss) excludes \$(1,106) of net loss attributable to redeemable noncontrolling interest. Currency translation adjustment excludes \$(3,256) of currency translation related to redeemable noncontrolling interest.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$ 27,122	\$ (28,340)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Depreciation and amortization	43,395	44,029
Deferred income tax provision	(863)	(476)
Stock-based compensation	847	1,173
Issuance of treasury stock under 401(k) plan	421	413
Foreign currency translation loss	3,667	1,061
(Increase) decrease in assets:		
Accounts receivable	(52,818)	(46,715)
Inventories	(62,560)	(46,083)
Prepaid and other current assets	2,299	20,046
Other assets	(6,021)	2,948
Increase (decrease) in liabilities:		
Accounts payable	25,213	26,372
Other current liabilities	(5,072)	8,821
Other liabilities	(8,336)	1,539
Net cash used for operating activities	(32,706)	(15,212)
Cash flows from investing activities:		
Capital expenditures	(26,498)	(23,580)
Certificates of deposit	—	50,000
Other	1,484	1,293
Net cash (used for) provided by investing activities	(25,014)	27,713
Cash flows from financing activities:		
Proceeds from borrowings	48,108	33,540
Payment on debt	(30,139)	(41,003)
Dividends paid	(900)	(868)
Net cash provided by (used for) financing activities	17,069	(8,331)
Effect of exchange rate changes on cash	(6,120)	3,678
Net (decrease) increase in cash and cash equivalents	(46,771)	7,848
Cash and cash equivalents, beginning of period	143,570	147,827
Cash and cash equivalents, end of period	<u>\$ 96,799</u>	<u>\$ 155,675</u>
Supplemental information:		
Interest paid	\$ 16,814	\$ 18,360
Income taxes paid, net of refunds received	\$ 7,379	\$ 550
Noncash investing and financing information:		
Issuance of common stock for convertible debt payment	\$ —	\$ 58,460

See accompanying Notes to Condensed Consolidated Financial Statements.

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated interim financial statements include the accounts of Titan International, Inc. and its subsidiaries (Titan or the Company) and have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) for interim financial information and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the SEC). Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. These unaudited condensed consolidated interim financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the Company's financial position as of September 30, 2018, and the results of operations and cash flows for the three and nine months ended September 30, 2018 and 2017, and should be read in conjunction with the consolidated financial statements and the related notes thereto included in the Company's latest Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 23, 2018 (the 2017 Form 10-K). All significant intercompany transactions have been eliminated in consolidation. These unaudited condensed consolidated interim financial statements include estimates and assumptions of management that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates.

Fair value of financial instruments

The Company records all financial instruments, including cash and cash equivalents, accounts receivable, notes receivable, accounts payable, other accruals, and notes payable at cost, which approximates fair value due to their short term or stated rates. Investments in marketable equity securities are recorded at fair value. The 6.50% senior secured notes due 2023 (senior secured notes) were carried at a cost of \$394.9 million at September 30, 2018. The fair value of the senior secured notes at September 30, 2018, as obtained through an independent pricing source, was approximately \$388.3 million.

Cash dividends

The Company declared cash dividends of \$0.005 and \$0.015 per share of common stock for the three and nine months ended September 30, 2018 and 2017, respectively. The third quarter 2018 cash dividend of \$0.005 per share of common stock was paid on October 15, 2018, to shareholders of record on September 28, 2018.

New accounting standards:

Adoption of new accounting standards

The Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, "Revenue from Contracts with Customers" (the New Revenue Standard), effective January 1, 2018, using the modified retrospective approach which requires the recognition of the cumulative effect of initially applying the standard as an adjustment to opening retained earnings for the fiscal year beginning January 1, 2018. The adoption of the New Revenue Standard resulted in the recognition of an immaterial cumulative adjustment to opening retained earnings as of January 1, 2018, and had an immaterial effect on the Company's financial position and results of operation. Results for reporting periods beginning after January 1, 2018 are presented under the New Revenue Standard which prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Titan's contracts typically contain a single performance obligation that is fulfilled on the date of delivery based on shipping terms stipulated in the contract.

Disaggregated Revenues

The following table presents revenues disaggregated by the major markets Titan serves (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net sales				
Agricultural	\$ 163,367	\$ 170,895	\$ 544,404	\$ 524,335
Earthmoving/construction	180,362	156,442	568,057	443,030
Consumer	40,990	43,651	126,544	125,523
	<u>\$ 384,719</u>	<u>\$ 370,988</u>	<u>\$ 1,239,005</u>	<u>\$ 1,092,888</u>

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

The Company adopted Accounting Standards Update (ASU) No. 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" on January 1, 2018, using the retrospective transition method. This standard changed the presentation of net periodic pension and postretirement benefit cost (net benefit cost) within the Statement of Operations. Under the previous guidance, net benefit cost was reported as an employee cost within operating income. The amendment requires the bifurcation of net benefit cost, with the service cost component to be presented with other employee compensation costs in operating income, while the other components will be reported separately outside of income from operations. The adoption of this accounting standard resulted in a change in certain previously reported amounts, whereby the Company reclassified \$0.5 million and \$1.4 million of non-service cost from cost of sales to other income on the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2017, respectively. See Note 11 - Employee Benefit Plans in Part I, Item 1 of this Form 10-Q for further discussion.

The Company early-adopted ASU No. 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," effective September 30, 2018, using the retrospective approach. ASU 2018-15 requires a customer in a hosting arrangement that is a service contract to apply the guidance on internal-use software to determine which implementation costs to recognize as an asset and which costs to expense. Costs to develop or obtain internal-use software that cannot be capitalized under Subtopic 350-40, such as training costs and certain data conversion costs, also cannot be capitalized for a hosting arrangement that is a service contract. The amendments in this update require a customer in a hosting arrangement that is a service contract to determine whether an implementation activity relates to the preliminary project stage, the application development stage, or the post-implementation stage. Costs for implementation activities in the application development stage will be capitalized depending on the nature of the costs, while costs incurred during the preliminary project and post-implementation stages will be expensed. As a result of the adoption of this accounting standard, the Company capitalized an aggregate of \$6.1 million of implementation costs at September 30, 2018, from selling, general and administration in the Condensed Consolidated Statement of Operations to other assets in the Condensed Consolidated Balance Sheets. Of the \$6.1 million reclassification, \$2.1 million was related to the three months ended September 30, 2018, and \$4.0 million related to the previously reported selling, general and administration amounts in the Condensed Consolidated Statement of Operations for the six months ended June 30, 2018.

In March 2018, the FASB issued ASU No. 2018-05, "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118." This ASU updates the income tax accounting in US GAAP to reflect the SEC's interpretive guidance released on December 22, 2017, when the 2017 Tax Cuts and Jobs Act (2017 TCJA) was enacted. See Note 15 for more information regarding the impact of the 2017 TCJA.

In May 2017, the FASB issued ASU No. 2017-09, "Stock Compensation (Topic 718): Scope of Modification Accounting." This update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Disclosure requirements under Topic 718 remain unchanged. The Company adopted ASU 2017-09 effective January 1, 2018. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements; no changes were made to the terms or conditions of share-based payments.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The Company adopted this guidance effective January 1, 2018, with no resulting changes to the Company's consolidated financial statements.

Accounting standards issued but not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This update was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The primary effect of adopting the new standard will be to record assets and obligations for the Company's operating leases. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has a significant number of leases for both property and equipment. As such, the Company expects that there will be a material impact on our financial position and disclosures upon the adoption of ASU 2016-02. The Company has hired outside consultants to assist with the implementation of this standard and are reporting our progress to management and to the audit committee of our board of directors on a periodic basis. The Company is in the process of abstracting data from known leases and validating and testing the completeness and accuracy of this data. The Company will provide additional disclosure as the implementation progresses.

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

In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the 2017 TCJA. Consequently, the amendments eliminate the stranded tax effects resulting from the 2017 TCJA and will improve the usefulness of information reported to financial statement users. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2018-02.

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

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

2. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of the dates set forth below (amounts in thousands):

	September 30, 2018	December 31, 2017
Accounts receivable	\$ 263,370	\$ 229,677
Allowance for doubtful accounts	(4,016)	(2,974)
Accounts receivable, net	<u>\$ 259,354</u>	<u>\$ 226,703</u>

Accounts receivable are reduced by an estimated allowance for doubtful accounts, which is based on known risks and historical losses.

3. INVENTORIES

Inventories consisted of the following as of the dates set forth below (amounts in thousands):

	September 30, 2018	December 31, 2017
Raw material	\$ 105,206	\$ 83,541
Work-in-process	44,456	40,525
Finished goods	232,307	215,770
	<u>\$ 381,969</u>	<u>\$ 339,836</u>

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

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

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following as of the dates set forth below (amounts in thousands):

	September 30, 2018	December 31, 2017
Land and improvements	\$ 43,471	\$ 46,998
Buildings and improvements	254,788	264,078
Machinery and equipment	589,605	598,411
Tools, dies and molds	107,890	108,649
Construction-in-process	13,638	15,349
	1,009,392	1,033,485
Less accumulated depreciation	(624,407)	(612,237)
	<u>\$ 384,985</u>	<u>\$ 421,248</u>

Depreciation on property, plant and equipment for the nine months ended September 30, 2018 and 2017 , totaled \$40.7 million and \$41.0 million , respectively.

Capital leases included in property, plant, and equipment consisted of the following as of the dates set forth below (amounts in thousands):

	September 30, 2018	December 31, 2017
Buildings and improvements	\$ 3,871	\$ 4,056
Less accumulated amortization	(2,266)	(2,294)
	<u>\$ 1,605</u>	<u>\$ 1,762</u>
Machinery and equipment	\$ 33,160	\$ 32,379
Less accumulated amortization	(26,576)	(27,260)
	<u>\$ 6,584</u>	<u>\$ 5,119</u>

5. INTANGIBLE ASSETS

The components of intangible assets consisted of the following as of the dates set forth below (amounts in thousands):

	Weighted Average Useful Lives (in years) September 30, 2018	September 30, 2018	December 31, 2017
Amortizable intangible assets:			
Customer relationships	8.9	\$ 13,274	\$ 13,922
Patents, trademarks and other	7.6	14,022	15,208
Total at cost		27,296	29,130
Less accumulated amortization		(14,857)	(13,855)
		<u>\$ 12,439</u>	<u>\$ 15,275</u>

Amortization related to intangible assets for the nine months ended September 30, 2018 and 2017 , totaled \$1.8 million and \$2.2 million , respectively. Intangible assets are included as a component of other assets in the Condensed Consolidated Balance Sheet.

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

The estimated aggregate amortization expense at September 30, 2018 , for each of the years (or other periods) set forth below was as follows (amounts in thousands):

October 1 - December 31, 2018	\$ 490
2019	2,091
2020	2,074
2021	1,440
2022	1,012
Thereafter	5,332
	<u>\$ 12,439</u>

6. WARRANTY

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

	2018	2017
Warranty liability, January 1	\$ 18,612	\$ 17,926
Provision for warranty liabilities	5,522	5,377
Warranty payments made	(5,407)	(5,693)
Warranty liability, September 30	<u>\$ 18,727</u>	<u>\$ 17,610</u>

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

7. REVOLVING CREDIT FACILITY AND LONG-TERM DEBT

Long-term debt consisted of the following as of the dates set forth below (amounts in thousands):

	Principal Balance	September 30, 2018 Unamortized Debt Issuance	Net Carrying Amount
6.50% senior secured notes due 2023	\$ 400,000	\$ (5,101)	\$ 394,899
Titan Europe credit facilities	36,157	—	36,157
Other debt	27,946	—	27,946
Capital leases	2,274	—	2,274
Total debt	<u>466,377</u>	<u>(5,101)</u>	<u>461,276</u>
Less amounts due within one year	50,257	—	50,257
Total long-term debt	<u>\$ 416,120</u>	<u>\$ (5,101)</u>	<u>\$ 411,019</u>

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	Principal Balance	December 31, 2017 Unamortized Debt Issuance	Net Carrying Amount
6.50% senior secured notes due 2023	\$ 400,000	\$ (5,716)	\$ 394,284
Titan Europe credit facilities	33,485	—	33,485
Other debt	22,564	—	22,564
Capital leases	489	—	489
Total debt	456,538	(5,716)	450,822
Less amounts due within one year	43,651	—	43,651
Total long-term debt	\$ 412,887	\$ (5,716)	\$ 407,171

Aggregate principal maturities of long-term debt at September 30, 2018 , for each of the years (or other periods) set forth below were as follows (amounts in thousands):

October 1 - December 31, 2018	\$ 25,736
2019	26,929
2020	8,916
2021	3,494
2022	654
Thereafter	400,648
	\$ 466,377

6.50% senior secured notes due 2023

The senior secured notes are due November 2023. Including the impact of debt issuance costs, these notes had an effective yield of 6.79% at issuance. These notes are secured by the land and buildings of the following subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois.

Titan Europe credit facilities

The Titan Europe credit facilities contain borrowings from various institutions totaling \$36.2 million in aggregate principal amount at September 30, 2018 . Maturity dates on this debt range from less than one year to nine years and interest rates range from 5% to 6.9% . The Titan Europe facilities are secured by the assets of Titan's subsidiaries in Italy, Spain, Germany, and Brazil.

Revolving credit facility

The Company has a \$75 million revolving credit facility (credit facility) with agent BMO Harris Bank N.A. and other financial institutions party thereto. The credit facility is collateralized by accounts receivable and inventory of certain of the Company's domestic subsidiaries and is scheduled to mature in February 2022. From time to time Titan's availability under this credit facility may be less than \$75 million as a result of outstanding letters of credit and eligible accounts receivable and inventory balances at certain of its domestic subsidiaries. At September 30, 2018 , an outstanding letter of credit under the credit facility totaled \$12.3 million and the amount available under the facility totaled \$62.7 million based upon eligible accounts receivable and inventory balances. During the first nine months of 2018 and at September 30, 2018 , there were no borrowings under the credit facility.

Other debt

The Company has working capital loans at Titan Pneus do Brasil Ltda and Voltyre-Prom at various interest rates, which totaled \$7.7 million and \$22.2 million at September 30, 2018 , respectively. Maturity dates on this debt range from less than one year to three years.

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8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses financial derivatives to mitigate its exposure to volatility in foreign currency exchange rates. These derivative financial instruments are recognized at fair value. The Company has not designated these financial instruments as hedging instruments. Any gain or loss on the re-measurement of the fair value is recorded as an offset to currency exchange gain/loss. For the three and nine months ended September 30, 2018, the Company recorded currency exchange gain related to these derivatives of \$0.1 million and \$0.2 million, respectively.

9. REDEEMABLE NONCONTROLLING INTEREST

The Company, in partnership with One Equity Partners (OEP) and the Russian Direct Investment Fund (RDIF), owns all of the equity interests in Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia. The Company is party to a shareholders' agreement with OEP and RDIF which was entered into in connection with the acquisition of Voltyre-Prom. The agreement contains a settlement put option that is exercisable during a six-month period beginning July 9, 2018, and may require Titan to purchase the equity interests from OEP and RDIF in Voltyre-Prom with cash or Titan common stock, at a value set by the agreement. The value set by the agreement is the greater of: the aggregate of the investment of the selling party and an amount representing an internal rate of return of 8%, or the last twelve months of EBITDA multiplied by 5.5 less net debt times the selling party's ownership percentage. As of September 30, 2018, the value of the redeemable noncontrolling interest held by OEP and RDIF was recorded at the aggregate of the investment of the selling party and an amount representing an internal rate of return of 8%.

The redemption features of the settlement put option are not solely within the Company's control. The noncontrolling interest is presented as a redeemable noncontrolling interest separately from total equity in the Condensed Consolidated Balance Sheet at the redemption value of the settlement put option. If the redemption value is greater than the carrying value of the noncontrolling interest, the increase in the redemption value is adjusted directly to retained earnings of the affected entity, or additional paid-in capital if there are no available retained earnings applicable to the redeemable noncontrolling interest.

The following is a reconciliation of redeemable noncontrolling interest as of September 30, 2018 and 2017 (amounts in thousands):

	2018	2017
Balance at January 1	\$ 113,193	\$ 104,809
(Loss) gain attributable to redeemable noncontrolling interest	(1,106)	271
Currency translation	(3,256)	1,955
Redemption value adjustment	11,066	3,981
Balance at September 30	<u>\$ 119,897</u>	<u>\$ 111,016</u>

This obligation approximates the cost to the Company if all remaining equity interests in the consortium were purchased by the Company on September 30, 2018 and is presented in the Condensed Consolidated Balance Sheet in redeemable noncontrolling interest, which is treated as mezzanine equity.

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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, 2018, 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, 2018	\$	2,167
2019		7,148
2020		4,985
2021		3,930
2022		2,985
Thereafter		7,045
Total future minimum lease payments	\$	<u>28,260</u>

At September 30, 2018, the Company had assets held as capital leases with a net book value of \$8.2 million included in property, plant and equipment. At September 30, 2018, total future capital lease obligations relating to these leases were as follows (amounts in thousands):

October 1 - December 31, 2018	\$	192
2019		609
2020		488
2021		474
2022		476
Thereafter		339
Total future capital lease obligation payments		<u>2,578</u>
Less amount representing interest		(304)
Present value of future capital lease obligation payments	\$	<u>2,274</u>

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 a number of defined contribution plans in the U.S. and at foreign subsidiaries. The Company contributed approximately \$3.6 million to the pension plans during the nine months ended September 30, 2018, and expects to contribute approximately \$1.8 million to the pension plans during the remainder of 2018.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Service cost	\$ 169	\$ 129	\$ 447	\$ 482
Interest cost	1,056	1,197	3,237	3,531
Expected return on assets	(1,487)	(1,372)	(4,470)	(4,109)
Amortization of unrecognized prior service cost	50	34	150	102
Amortization of net unrecognized loss	682	663	2,048	1,992
Net periodic pension cost	<u>\$ 470</u>	<u>\$ 651</u>	<u>\$ 1,412</u>	<u>\$ 1,998</u>

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

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12. VARIABLE INTEREST ENTITIES

The Company holds a variable interest in three joint ventures for which the Company is the primary beneficiary. Two of the joint ventures operate distribution facilities that primarily distribute mining products. Titan is the 50% owner of one of these distribution facilities, which is located in Canada, and the 40% owner of the other such facility, which is located in Australia. The Company's variable interests in these two joint ventures relate to sales of Titan product to these entities, consigned inventory, and working capital loans. The third joint venture is the consortium that owns Voltyre-Prom. Titan owns 43% of the consortium owning Voltyre-Prom, which is subject to a shareholders' agreement containing a settlement put option that may require Titan to purchase the remaining equity interests in the consortium. See Note 9 for additional information.

The Company also holds a variable interest in five other entities for which Titan is the primary beneficiary. Each of these entities provides specific manufacturing related services at the Company's Tennessee facility. Titan's variable interest in these entities relates to financial support through providing many of the assets used by these entities in their business. The Company owns no equity in these entities.

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

The following table summarizes the carrying amount of the entities' assets and liabilities included in the Company's Condensed Consolidated Balance Sheets at September 30, 2018, and December 31, 2017 (amounts in thousands):

	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 9,761	\$ 10,621
Inventory	15,162	13,494
Other current assets	30,057	36,334
Property, plant and equipment, net	29,623	33,717
Other noncurrent assets	3,446	4,250
Total assets	<u>\$ 88,049</u>	<u>\$ 98,416</u>
Current liabilities	\$ 30,937	\$ 32,172
Noncurrent liabilities	7,317	8,291
Total liabilities	<u>\$ 38,254</u>	<u>\$ 40,463</u>

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

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

	September 30, 2018	December 31, 2017
Investments	\$ 3,884	\$ 3,823
Other current assets	1,277	1,261
Total VIE assets	5,161	5,084
Accounts payable	1,989	1,413
Maximum exposure to loss	\$ 7,150	\$ 6,497

13. ROYALTY EXPENSE

The Company has trademark license agreements with The Goodyear Tire & Rubber Company to manufacture and sell certain farm tires under the Goodyear name. These agreements cover sales in North America, Latin America, Europe, the Middle East, Africa, Russia, and other Commonwealth of Independent States countries. Each of these agreements expires in 2025. The Company also has a trademark license agreement with Goodyear to manufacture and sell certain non-farm tire products in Latin America which expires in June 2019. Royalty expenses recorded were \$2.6 million for each of the three months ended September 30, 2018 and 2017. Royalty expenses recorded were \$7.9 million and \$7.7 million for the nine months ended September 30, 2018 and 2017, respectively.

14. OTHER INCOME

Other income consisted of the following for the periods set forth below (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Equity investment income	\$ 1,016	\$ 1,391	\$ 3,199	\$ 2,741
Interest income	456	872	1,605	2,646
Building rental income	381	594	1,369	1,789
Investment gain related to investments for deferred compensation	—	480	688	1,827
Other income (expense)	5,584	(768)	10,803	(2,007)
	\$ 7,437	\$ 2,569	\$ 17,664	\$ 6,996

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15. INCOME TAXES

The Company recorded income tax expense of \$2.8 million and \$2.4 million for the quarters ended September 30, 2018 and 2017, respectively. For the nine months ended September 30, 2018 and 2017, the Company recorded income tax expense of \$3.7 million and \$6.0 million, respectively. The Company's effective income tax rate was 51% and (27)% for the quarters ended September 30, 2018 and 2017, respectively, and 12% and (27)% for the nine months ended September 30, 2018 and 2017, respectively.

The Company's 2018 income tax expense and rate differed from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of a reduction of the liability for unrecognized tax positions and U.S. and certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for the nine months ended September 30, 2018.

The Company's 2017 income tax expense and rate differed from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of U.S. and certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for the period. During the second quarter of 2017, the IRS income tax audit for tax years 2010 through 2014 was settled, which did not result in any material change to the Company's income tax expense.

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

The 2017 TCJA was enacted on December 22, 2017, and includes a number of changes to the Internal Revenue Code, including a one-time transition tax on the mandatory deemed repatriation of cumulative undistributed foreign earnings and a permanent reduction in the U.S. federal statutory income tax rate from 35% to 21% effective January 1, 2018. The 2017 TCJA also created a new requirement that certain income (i.e., global intangible low taxed income, hereinafter referred to as GILTI) earned by foreign subsidiaries must be included currently in the gross income of the U.S. shareholder. Consistent with guidance issued by SEC Staff Accounting Bulletin (SAB) No. 118, which provides for a measurement period of one year from the enactment date to finalize the accounting for effects of the 2017 TCJA, the Company has provisionally recorded no additional income tax expense related to the one-time mandatory deemed repatriation provision of the 2017 TCJA. For 2018, the Company has estimated an amount of GILTI income that is included in the calculation of 2018 income tax expense. This GILTI income inclusion, however, is fully offset by a change in the valuation allowance. The remeasurement of the U.S. net deferred asset from the 2017 corporate income tax rate change was fully offset by a change in the valuation allowance in 2017.

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16. EARNINGS PER SHARE

Earnings per share (EPS) were as follows for the periods presented below (amounts in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss) attributable to Titan	\$ 2,295	\$ (12,018)	\$ 28,378	\$ (29,764)
Redemption value adjustment	(4,045)	(882)	(11,066)	(3,981)
Net income (loss) applicable to common shareholders	<u>\$ (1,750)</u>	<u>\$ (12,900)</u>	<u>\$ 17,312</u>	<u>\$ (33,745)</u>
Determination of shares:				
Weighted average shares outstanding (basic)	59,897	59,600	59,787	59,247
Effect of stock options/trusts	—	—	106	—
Weighted average shares outstanding (diluted)	<u>59,897</u>	<u>59,600</u>	<u>59,893</u>	<u>59,247</u>
Earnings per share:				
Basic and diluted	(0.03)	(0.22)	0.29	(0.57)

The effect of stock options, shares held by certain trusts, and convertible notes has been excluded from the calculation of EPS for the three months ended September 30, 2018 , and the three and nine months ended September 30, 2017 , as the effect would have been antidilutive. The weighted average share amount excluded for stock options was 0.0 million for the three months ended September 30, 2018 . The weighted average share amount excluded for stock options and shares held by certain trusts was 0.2 million for each of the three and nine months ended September 30, 2017 . The weighted average share amount excluded for convertible notes totaled 0.3 million shares for the nine months ended September 30, 2017 .

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17. LITIGATION

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

At September 30, 2018, two of Titan's subsidiaries were involved in litigation concerning environmental laws and regulations.

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

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

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

Titan Tire and Dico are appealing the case to the United States Court of Appeals for the Eighth Circuit. The Notice of Appeal was filed on November 2, 2017, and the Appellants' brief was filed on February 26, 2018. The Appellee's brief was filed on May 30, 2018, and the Appellants' reply was filed on July 9, 2018. While the Company believes it has meritorious arguments, the outcome of this appeal cannot be predicted. An appeal bond was secured to stay the execution of any collection actions underlying judgment pending the outcome of the appeal.

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18. SEGMENT INFORMATION

The Company has aggregated its operating units into reportable segments based on its three customer markets: agricultural, earthmoving/construction, and consumer. These segments are based on the information used by the Chief Executive Officer to make certain operating decisions, allocate portions of capital expenditures, and assess segment performance. Segment external sales, expenses, and income from operations are determined based on the results of operations for the operating units of the Company's manufacturing facilities. Expenses and income from operations are allocated to appropriate segments based on the sales of operating units of manufacturing facilities. Segment assets are generally determined on the basis of the tangible assets located at such operating units' manufacturing facilities and the intangible assets associated with the acquisitions of such operating units. However, certain operating units' property, plant and equipment balances are carried at the corporate level. Titan is organized primarily on the basis of products being included in three market segments, with each reportable segment including wheels, tires, wheel/tire assemblies, and undercarriage systems and components. The table below presents information about certain operating results, separated by market segments, for each of the three and nine months ended September 30, 2018 and 2017 (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net sales				
Agricultural	\$ 163,367	\$ 170,895	\$ 544,404	\$ 524,335
Earthmoving/construction	180,362	156,442	568,057	443,030
Consumer	40,990	43,651	126,544	125,523
	<u>\$ 384,719</u>	<u>\$ 370,988</u>	<u>\$ 1,239,005</u>	<u>\$ 1,092,888</u>
Gross profit				
Agricultural	\$ 19,921	\$ 19,072	\$ 77,153	\$ 63,988
Earthmoving/construction	17,819	14,810	64,541	41,963
Consumer	5,964	6,255	19,883	18,407
	<u>\$ 43,704</u>	<u>\$ 40,137</u>	<u>\$ 161,577</u>	<u>\$ 124,358</u>
Income (loss) from operations				
Agricultural	\$ 11,539	\$ 10,197	\$ 51,862	\$ 37,166
Earthmoving/construction	6,056	3,262	27,584	6,645
Consumer	3,225	3,114	10,822	8,165
Corporate & Unallocated	(15,997)	(21,242)	(47,099)	(58,818)
Income (loss) from operations	<u>4,823</u>	<u>(4,669)</u>	<u>43,169</u>	<u>(6,842)</u>
Interest expense	(7,596)	(7,537)	(22,786)	(22,578)
Foreign exchange gain (loss)	855	815	(7,187)	48
Other income, net	<u>7,437</u>	<u>2,569</u>	<u>17,664</u>	<u>6,996</u>
Income (loss) before income taxes	<u>\$ 5,519</u>	<u>\$ (8,822)</u>	<u>\$ 30,860</u>	<u>\$ (22,376)</u>

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

	September 30,	December 31,
	2018	2017
Total assets		
Agricultural	\$ 405,414	\$ 444,783
Earthmoving/construction	490,238	537,855
Consumer	120,501	157,133
Corporate & Unallocated	257,927	150,341
	<u>\$ 1,274,080</u>	<u>\$ 1,290,112</u>

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19. 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 as of the dates set forth below (amounts in thousands):

	September 30, 2018				December 31, 2017			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Contractual obligation investments	\$ —	\$ —	\$ —	\$ —	\$ 12,393	\$ 12,393	\$ —	\$ —
Derivative financial instruments asset	683	—	683	—	458	—	458	—
Preferred stock	111	—	—	111	154	—	—	154
Total	<u>\$ 794</u>	<u>\$ —</u>	<u>\$ 683</u>	<u>\$ 111</u>	<u>\$ 13,005</u>	<u>\$ 12,393</u>	<u>\$ 458</u>	<u>\$ 154</u>

The following table presents the changes, during the nine months ended September 30, 2018, 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, 2017	\$ 154
Total unrealized losses	(43)
Balance as of September 30, 2018	<u>\$ 111</u>

The preferred stock was valued based on the book value of the common stock into which it can be converted.

20. RELATED PARTY TRANSACTIONS

The Company sells products and pays commissions to companies controlled by persons related to the Chairman of the Board of Directors of the Company, Mr. Maurice Taylor. The related party is Mr. Fred Taylor, who is Mr. Maurice Taylor's brother. The companies with which Mr. Fred Taylor is associated that do business with Titan include the following: Blacksmith OTR, LLC; F.B.T. Enterprises, Inc.; Green Carbon, Inc.; Silverstone, Inc.; and OTR Wheel Engineering, Inc. Sales of Titan products to these companies were approximately \$0.3 million and \$1.0 million for the three and nine months ended September 30, 2018, respectively, as compared to \$0.3 million and \$1.3 million for the three and nine months ended September 30, 2017, respectively. Titan had trade receivables due from these companies of approximately \$0.2 million at September 30, 2018, and approximately \$0.2 million at December 31, 2017. Titan had product purchases from these companies of approximately \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2018, respectively, as compared to purchases of approximately \$0.2 million for the each of the three and nine months ended September 30, 2017. Sales commissions paid to the above companies were approximately \$0.4 million and \$1.4 million for the three and nine months ended September 30, 2018, respectively, as compared to \$0.7 million and \$1.4 million for the three and nine months ended September 30, 2017, respectively.

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The Company sells products to Valuepart and Track Solutions Pty Ltd., which is controlled by relatives of a member of management of a Titan subsidiary. Sales of Titan products to this company were approximately \$0.0 million and \$0.2 million for the three and nine months ended September 30, 2018, respectively.

In July 2013, the Company entered into a Shareholders' Agreement with OEP and RDIF to acquire Voltyre-Prom. Mr. Richard M. Cashin Jr., a director of the Company, is the President of OEP, which owns 21.4% of the joint venture. The Shareholders' Agreement contains a settlement put option that may require the Company to purchase equity interests in the joint venture from OEP and RDIF at a value set by the agreement. See Note 9 for additional information.

21. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consisted of the following for the periods presented below (amounts in thousands):

	Currency Translation Adjustments	Unrecognized Losses and Prior Service Cost	Total
Balance at July 1, 2018	\$ (165,964)	\$ (22,554)	\$ (188,518)
Currency translation adjustments	(12,383)	—	(12,383)
Defined benefit pension plan entries:			
Amortization of unrecognized losses and prior service cost, net of tax of \$4	—	733	733
Reclassification as a result of ownership change	—	—	—
Balance at September 30, 2018	<u>\$ (178,347)</u>	<u>\$ (21,821)</u>	<u>\$ (200,168)</u>
	Currency Translation Adjustments	Unrecognized Losses and Prior Service Cost	Total
Balance at January 1, 2018	\$ (132,949)	\$ (24,127)	\$ (157,076)
Currency translation adjustments	(41,073)	—	(41,073)
Defined benefit pension plan entries:			
Amortization of unrecognized losses and prior service cost, net of tax of \$(40)	—	2,306	2,306
Reclassification as a result of ownership change	(4,325)	—	(4,325)
Balance at September 30, 2018	<u>\$ (178,347)</u>	<u>\$ (21,821)</u>	<u>\$ (200,168)</u>

22. SUBSIDIARY GUARANTOR FINANCIAL INFORMATION

The senior secured notes are guaranteed by the following wholly-owned subsidiaries of the Company: Titan Tire Corporation, Titan Tire Corporation of Bryan, Titan Tire Corporation of Freeport, and Titan Wheel Corporation of Illinois. The note guarantees are full and unconditional, joint and several obligations of the guarantors. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. See the indenture governing the senior secured notes incorporated by reference to the 2017 Form 10-K for additional information. The following condensed consolidating financial statements are presented using the equity method of accounting. Certain sales and marketing expenses recorded by non-guarantor subsidiaries have not been allocated to the guarantor subsidiaries.

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Condensed Consolidating Statements of Operations For the Three Months Ended September 30, 2018					
(Amounts in thousands)					
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 142,040	\$ 384,510	\$ (141,831)	\$ 384,719
Cost of sales	150	128,270	354,426	(141,831)	341,015
Gross (loss) profit	(150)	13,770	30,084	—	43,704
Selling, general and administrative expenses	317	14,017	19,375	—	33,709
Research and development expenses	332	936	1,323	—	2,591
Royalty expense	594	943	1,044	—	2,581
(Loss) income from operations	(1,393)	(2,126)	8,342	—	4,823
Interest expense	(6,817)	—	(779)	—	(7,596)
Intercompany interest income (expense)	634	839	(1,473)	—	—
Foreign exchange (loss) gain	—	(57)	912	—	855
Other income (expense)	5,421	(116)	2,132	—	7,437
(Loss) income before income taxes	(2,155)	(1,460)	9,134	—	5,519
Provision for income taxes	423	614	1,804	—	2,841
Equity in earnings of subsidiaries	9,277	—	(6,005)	(3,272)	—
Net income (loss)	6,699	(2,074)	1,325	(3,272)	2,678
Net income attributable to noncontrolling interests	—	—	383	—	383
Net income (loss) attributable to Titan	\$ 6,699	\$ (2,074)	\$ 942	\$ (3,272)	\$ 2,295

Condensed Consolidating Statements of Operations For the Three Months September 30, 2017					
(Amounts in thousands)					
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 138,557	\$ 232,431	\$ —	\$ 370,988
Cost of sales	99	121,838	208,914	—	330,851
Gross (loss) profit	(99)	16,719	23,517	—	40,137
Selling, general and administrative expenses	2,100	12,594	25,059	—	39,753
Research and development expenses	—	972	1,485	—	2,457
Royalty expense	217	1,435	944	—	2,596
(Loss) income from operations	(2,416)	1,718	(3,971)	—	(4,669)
Interest expense	(7,231)	—	(306)	—	(7,537)
Intercompany interest income (expense)	606	983	(1,589)	—	—
Foreign exchange (loss) gain	(2)	71	746	—	815
Other income (loss)	968	(358)	1,959	—	2,569
(Loss) income before income taxes	(8,075)	2,414	(3,161)	—	(8,822)
Provision for income taxes	889	994	513	—	2,396
Equity in earnings of subsidiaries	(2,252)	—	(2,306)	4,558	—
Net (loss) income	(11,216)	1,420	(5,980)	4,558	(11,218)
Net income attributable to noncontrolling interests	—	—	800	—	800
Net (loss) income attributable to Titan	\$ (11,216)	\$ 1,420	\$ (6,780)	\$ 4,558	\$ (12,018)

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

Condensed Consolidating Statements of Operations For the Nine Months Ended September 30, 2018					
(Amounts in thousands)					
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 479,557	\$ 901,279	\$ (141,831)	\$ 1,239,005
Cost of sales	396	410,008	808,855	(141,831)	1,077,428
Gross (loss) profit	(396)	69,549	92,424	—	161,577
Selling, general and administrative expenses	3,191	46,276	52,841	—	102,308
Research and development expenses	825	2,905	4,492	—	8,222
Royalty expense	1,475	3,396	3,007	—	7,878
(Loss) income from operations	(5,887)	16,972	32,084	—	43,169
Interest expense	(20,456)	—	(2,330)	—	(22,786)
Intercompany interest income (expense)	1,886	2,761	(4,647)	—	—
Foreign exchange loss	—	(727)	(6,460)	—	(7,187)
Other income (expense)	12,051	(428)	6,041	—	17,664
(Loss) income before income taxes	(12,406)	18,578	24,688	—	30,860
(Benefit) provision for income taxes	(12,033)	7,918	7,853	—	3,738
Equity in earnings of subsidiaries	27,498	—	(1,459)	(26,039)	—
Net income (loss)	27,125	10,660	15,376	(26,039)	27,122
Net loss attributable to noncontrolling interests	—	—	(1,256)	—	(1,256)
Net income (loss) attributable to Titan	\$ 27,125	\$ 10,660	\$ 16,632	\$ (26,039)	\$ 28,378

Condensed Consolidating Statements of Operations For the Nine Months Ended September 30, 2017					
(Amounts in thousands)					
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 429,636	\$ 663,252	\$ —	\$ 1,092,888
Cost of sales	256	378,002	590,272	—	968,530
Gross (loss) profit	(256)	51,634	72,980	—	124,358
Selling, general and administrative expenses	10,038	43,906	61,609	—	115,553
Research and development expenses	—	2,825	5,083	—	7,908
Royalty expense	883	4,140	2,716	—	7,739
(Loss) income from operations	(11,177)	763	3,572	—	(6,842)
Interest expense	(21,909)	—	(669)	—	(22,578)
Intercompany interest income (expense)	1,775	2,930	(4,705)	—	—
Foreign exchange (loss) gain	(2)	30	20	—	48
Other income (expense)	3,179	(1,076)	4,893	—	6,996
(Loss) income before income taxes	(28,134)	2,647	3,111	—	(22,376)
(Benefit) provision for income taxes	(620)	2,489	4,095	—	5,964
Equity in earnings of subsidiaries	2,120	—	(10,715)	8,595	—
Net (loss) income	(25,394)	158	(11,699)	8,595	(28,340)
Net income attributable to noncontrolling interests	—	—	1,424	—	1,424
Net (loss) income attributable to Titan	\$ (25,394)	\$ 158	\$ (13,123)	\$ 8,595	\$ (29,764)

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

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the Three Months Ended September 30, 2018

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 6,699	\$ (2,074)	\$ 1,325	\$ (3,272)	\$ 2,678
Currency translation adjustment	(13,577)	—	(13,577)	13,577	(13,577)
Pension liability adjustments, net of tax	733	646	87	(733)	733
Comprehensive (loss) income	(6,145)	(1,428)	(12,165)	9,572	(10,166)
Net comprehensive loss attributable to redeemable and noncontrolling interests	—	—	(811)	—	(811)
Comprehensive (loss) income attributable to Titan	<u>\$ (6,145)</u>	<u>\$ (1,428)</u>	<u>\$ (11,354)</u>	<u>\$ 9,572</u>	<u>\$ (9,355)</u>

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the Three Months Ended September 30, 2017

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	\$ (11,216)	\$ 1,420	\$ (5,980)	\$ 4,558	\$ (11,218)
Currency translation adjustment	14,015	—	14,015	(14,015)	14,015
Pension liability adjustments, net of tax	180	625	(445)	(180)	180
Comprehensive income (loss)	2,979	2,045	7,590	(9,637)	2,977
Net comprehensive income attributable to redeemable and noncontrolling interests	—	—	1,436	—	1,436
Comprehensive income (loss) attributable to Titan	<u>\$ 2,979</u>	<u>\$ 2,045</u>	<u>\$ 6,154</u>	<u>\$ (9,637)</u>	<u>\$ 1,541</u>

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2018

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 27,125	\$ 10,660	\$ 15,376	\$ (26,039)	\$ 27,122
Currency translation adjustment	(43,853)	—	(43,853)	43,853	(43,853)
Pension liability adjustments, net of tax	2,306	1,938	368	(2,306)	2,306
Comprehensive (loss) income	(14,422)	12,598	(28,109)	15,508	(14,425)
Net comprehensive loss attributable to redeemable and noncontrolling interests	—	—	(4,036)	—	(4,036)
Comprehensive (loss) income attributable to Titan	<u>\$ (14,422)</u>	<u>\$ 12,598</u>	<u>\$ (24,073)</u>	<u>\$ 15,508</u>	<u>\$ (10,389)</u>

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

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2017

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	\$ (25,394)	\$ 158	\$ (11,699)	\$ 8,595	\$ (28,340)
Currency translation adjustment	33,040	—	33,040	(33,040)	33,040
Pension liability adjustments, net of tax	1,902	1,875	27	(1,902)	1,902
Comprehensive income (loss)	9,548	2,033	21,368	(26,347)	6,602
Net comprehensive income attributable to redeemable and noncontrolling interests	—	—	2,657	—	2,657
Comprehensive income (loss) attributable to Titan	<u>\$ 9,548</u>	<u>\$ 2,033</u>	<u>\$ 18,711</u>	<u>\$ (26,347)</u>	<u>\$ 3,945</u>

Condensed Consolidating Balance Sheets
September 30, 2018

(Amounts in thousands)

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 36,416	\$ 5	\$ 60,378	\$ —	\$ 96,799
Accounts receivable, net	—	2	259,352	—	259,354
Inventories	—	64,829	317,140	—	381,969
Prepaid and other current assets	4,061	19,535	42,957	—	66,553
Total current assets	40,477	84,371	679,827	—	804,675
Property, plant and equipment, net	10,637	99,590	274,758	—	384,985
Investment in subsidiaries	757,418	—	73,601	(831,019)	—
Other assets	6,288	958	77,174	—	84,420
Total assets	<u>\$ 814,820</u>	<u>\$ 184,919</u>	<u>\$ 1,105,360</u>	<u>\$ (831,019)</u>	<u>\$ 1,274,080</u>
Liabilities and Equity					
Short-term debt	\$ 329	\$ —	\$ 49,928	\$ —	\$ 50,257
Accounts payable	1,763	28,496	177,978	—	208,237
Other current liabilities	26,541	23,722	72,981	—	123,244
Total current liabilities	28,633	52,218	300,887	—	381,738
Long-term debt	396,405	—	14,614	—	411,019
Other long-term liabilities	9,181	12,307	51,295	—	72,783
Intercompany accounts	75,261	(393,726)	318,465	—	—
Redeemable noncontrolling interest	—	—	119,897	—	119,897
Titan shareholders' equity	305,340	514,120	307,320	(831,019)	295,761
Noncontrolling interests	—	—	(7,118)	—	(7,118)
Total liabilities and equity	<u>\$ 814,820</u>	<u>\$ 184,919</u>	<u>\$ 1,105,360</u>	<u>\$ (831,019)</u>	<u>\$ 1,274,080</u>

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

Condensed Consolidating Balance Sheets					
December 31, 2017					
(Amounts in thousands)	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 59,740	\$ 13	\$ 83,817	\$ —	\$ 143,570
Accounts receivable, net	—	54,009	172,694	—	226,703
Inventories	—	96,036	243,800	—	339,836
Prepaid and other current assets	17,789	20,917	34,378	—	73,084
Total current assets	77,529	170,975	534,689	—	783,193
Property, plant and equipment, net	2,466	110,470	308,312	—	421,248
Investment in subsidiaries	766,777	—	74,003	(840,780)	—
Other assets	6,389	967	78,315	—	85,671
Total assets	\$ 853,161	\$ 282,412	\$ 995,319	\$ (840,780)	\$ 1,290,112
Liabilities and Equity					
Short-term debt	\$ —	\$ —	\$ 43,651	\$ —	\$ 43,651
Accounts payable	4,258	20,787	170,452	—	195,497
Other current liabilities	38,495	30,170	65,109	—	133,774
Total current liabilities	42,753	50,957	279,212	—	372,922
Long-term debt	394,284	—	12,887	—	407,171
Other long-term liabilities	11,544	16,458	58,740	—	86,742
Intercompany accounts	75,103	(286,525)	211,422	—	—
Redeemable noncontrolling interest	—	—	113,193	—	113,193
Titan shareholders' equity	329,477	501,522	330,710	(840,780)	320,929
Noncontrolling interests	—	—	(10,845)	—	(10,845)
Total liabilities and equity	\$ 853,161	\$ 282,412	\$ 995,319	\$ (840,780)	\$ 1,290,112

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

Condensed Consolidating Statements of Cash Flows For the Nine Months Ended September 30, 2018				
(Amounts in thousands)	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash (used for) provided by operating activities	\$ (22,905)	\$ 3,827	\$ (13,628)	\$ (32,706)
Cash flows from investing activities:				
Capital expenditures	(259)	(3,836)	(22,403)	(26,498)
Other, net	740	1	743	1,484
Net cash provided by (used for) investing activities	481	(3,835)	(21,660)	(25,014)
Cash flows from financing activities:				
Proceeds from borrowings	—	—	48,108	48,108
Payment on debt	—	—	(30,139)	(30,139)
Dividends paid	(900)	—	—	(900)
Net cash (used for) provided by financing activities	(900)	—	17,969	17,069
Effect of exchange rate change on cash	—	—	(6,120)	(6,120)
Net decrease in cash and cash equivalents	(23,324)	(8)	(23,439)	(46,771)
Cash and cash equivalents, beginning of period	59,740	13	83,817	143,570
Cash and cash equivalents, end of period	\$ 36,416	\$ 5	\$ 60,378	\$ 96,799

Condensed Consolidating Statements of Cash Flows For the Nine Months Ended September 30, 2017				
(Amounts in thousands)	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash (used for) provided by operating activities	\$ (53,211)	\$ 4,107	\$ 33,892	\$ (15,212)
Cash flows from investing activities:				
Capital expenditures	(815)	(4,472)	(18,293)	(23,580)
Certificates of deposit	50,000	—	—	50,000
Other, net	—	366	927	1,293
Net cash provided by (used for) investing activities	49,185	(4,106)	(17,366)	27,713
Cash flows from financing activities:				
Proceeds from borrowings	—	—	33,540	33,540
Payment on debt	(3,393)	—	(37,610)	(41,003)
Dividends paid	(868)	—	—	(868)
Net cash used for financing activities	(4,261)	—	(4,070)	(8,331)
Effect of exchange rate change on cash	—	—	3,678	3,678
Net (decrease) increase in cash and cash equivalents	(8,287)	1	16,134	7,848
Cash and cash equivalents, beginning of period	86,190	9	61,628	147,827
Cash and cash equivalents, end of period	\$ 77,903	\$ 10	\$ 77,762	\$ 155,675

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

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

Management's discussion and analysis of financial condition and results of operations (MD&A) is designed to provide a reader of the financial statements included in this quarterly report with a narrative from the perspective of the management of Titan International, Inc. (Titan or the Company) on Titan's financial condition, results of operations, liquidity, and other factors that may affect the Company's future results. The MD&A in this quarterly report should be read in conjunction with the condensed consolidated financial statements and other financial information included elsewhere in this quarterly report and the MD&A and audited consolidated financial statements and related notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 23, 2018 (the 2017 Form 10-K).

FORWARD-LOOKING STATEMENTS

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

- The Company's financial performance;
- Anticipated trends in the Company's business;
- Expectations with respect to the end-user markets into which the Company sells its products (including agricultural equipment, earthmoving/construction equipment, and consumer products);
- Future expenditures for capital projects;
- The Company's ability to continue to control costs and maintain quality;
- The Company's ability to meet conditions of loan agreements;
- The Company's business strategies, including its intention to introduce new products;
- Expectations concerning the performance and success of the Company's existing and new products; and
- The Company's intention to consider and pursue acquisition and divestiture opportunities.

Readers of this Form 10-Q should understand that these forward-looking statements are based on the Company's current expectations and assumptions about future events and are subject to a number of risks, uncertainties, and changes in circumstances that are difficult to predict, including, but not limited to, the factors discussed in Item 1A, Risk Factors, of the 2017 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 into which the Company sells its products as a result of world economic or regulatory influences or otherwise;
- Changes in the marketplace, including new products and pricing changes by the Company's competitors;
- Ability to maintain satisfactory labor relations;
- Unfavorable outcomes of legal proceedings;
- The Company's ability to comply with current or future regulations applicable to the Company's business and the industry in which it competes or any actions taken or orders issued by regulatory authorities;
- Availability and price of raw materials;
- Levels of operating efficiencies;
- The effects of the Company's indebtedness and its compliance with the terms thereof;
- Changes in the interest rate environment and their effects on the Company's outstanding indebtedness;

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

- Unfavorable product liability and warranty claims;
- Actions of domestic and foreign governments, including the imposition of additional tariffs;
- Geopolitical and economic uncertainties relating to the countries in which the Company operates or does business;
- Risks associated with acquisitions, including difficulty in integrating operations and personnel, disruption of ongoing business, and increased expenses;
- Results of investments;
- The effects of potential processes to explore various strategic transactions, including potential dispositions;
- Fluctuations in currency translations;
- Climate change and related laws and regulations;
- Risks associated with environmental laws and regulations;
- Risks relating to our manufacturing facilities, including that any of our material facilities may become inoperable; and
- Risks related to financial reporting, internal controls, tax accounting, and information systems.

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

CRITICAL ACCOUNTING ESTIMATES

There were no material changes in the Company's Critical Accounting Estimates since the filing of the 2017 Form 10-K. As discussed in the 2017 Form 10-K, the preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates, assumptions, and judgments that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates and assumptions. Also see Note 1 - Basis of Presentation and Significant Accounting Policies in Part I, Item 1, Notes to Condensed Consolidated Financial Statements of this Form 10-Q for a discussion of the Company's updated accounting policies, including with respect to revenue recognition.

OVERVIEW

Titan International, Inc., together with its subsidiaries, is a global wheel, tire, and undercarriage industrial manufacturer and supplier that services customers across its target markets. As a leading manufacturer in the off-highway industry, Titan produces a broad range of products to meet the specifications of original equipment manufacturers (OEMs) and aftermarket customers in the agricultural, earthmoving/construction, and consumer markets. As a manufacturer of both wheels and tires, the Company is uniquely positioned to offer customers added value through complete wheel and tire assemblies.

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

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

Consumer Segment: Titan manufactures bias truck tires in Latin America and light truck tires in Russia. Titan also offers select products for ATVs, turf, and golf cart applications.

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

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

The table below provides highlights for the three and nine months ended September 30, 2018, compared to the same periods in 2017 (amounts in thousands, except earnings per share):

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2018	2017	% Increase	2018	2017	% Increase
Net sales	\$ 384,719	\$ 370,988	3.7%	\$ 1,239,005	\$ 1,092,888	13.4%
Cost of sales	341,015	330,851	3.1%	1,077,428	968,530	11.2%
Gross profit	43,704	40,137	8.9%	161,577	124,358	29.9%
<i>Gross profit as percentage of sales</i>	<i>11.4%</i>	<i>10.8%</i>		<i>13.0%</i>	<i>11.4%</i>	
Income (loss) from operations	4,823	(4,669)	203.3%	43,169	(6,842)	730.9%
Net income (loss)	2,678	(11,218)	123.9%	27,122	(28,340)	195.7%
Basic earnings per share	(0.03)	(0.22)	86.4%	0.29	(0.57)	150.9%

RESULTS OF OPERATIONS

Net Sales

Net sales for the quarter ended September 30, 2018, were \$384.7 million, compared to \$371.0 million in the comparable quarter of 2017, an increase of 3.7% driven by sales increases in the earthmoving/construction segment in most geographies partially offset by decreased net sales in the agricultural and consumer segments. Overall net sales volume was up 5.9% over the comparable prior year quarter. Favorable changes in price/mix positively impacted net sales by 3.9%, while unfavorable currency translation negatively impacted net sales by 6.1%, particularly in Latin America.

Net sales for the nine months ended September 30, 2018, were \$1.24 billion, compared to \$1.09 billion in the comparable period of 2017, an increase of 13.4%. Overall net sales volume increased 10.2% over the comparable period of 2017, with higher volume across all segments, particularly in the earthmoving/construction segment. Favorable changes in price/mix contributed a 4.3% increase to net sales, while unfavorable currency translation negatively impacted net sales by 1.1%.

Cost of Sales and Gross Profit

Cost of sales was \$341.0 million for the quarter ended September 30, 2018, compared to \$330.9 million for the comparable quarter in 2017. Gross profit for the third quarter of 2018 was \$43.7 million, or 11.4% of net sales, compared to \$40.1 million, or 10.8% of net sales, for the third quarter of 2017. The increase in gross profit was driven by increased sales volume partially offset by higher material costs. The increase in gross margin was primarily the result of production efficiencies driven by increased volume offset by increased raw material costs.

Cost of sales was \$1.08 billion for the nine months ended September 30, 2018, compared to \$0.97 billion for the comparable period in 2017. Gross profit for the first nine months of 2018 was \$161.6 million, or 13.0% of net sales, compared to \$124.4 million, or 11.4% of net sales, for the first nine months of 2017. The increase in gross profit was driven by increased sales volume partially offset by higher material costs and unfavorable currency translation.

TITAN INTERNATIONAL, INC.
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Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the third quarter of 2018 were \$33.7 million , or 8.8% of net sales, compared to \$39.8 million , or 10.7% of net sales, for the third quarter of 2017 . The decrease in SG&A primarily related to an accrued contingent liability of \$6.5 million for a legal judgment in 2017.

SG&A expenses for the first nine months of 2018 were \$102.3 million , or 8.3% of net sales, compared to \$115.6 million , or 10.6% of net sales, for the first nine months of 2017. The decrease in SG&A resulted from non-recurring legal fees and an accrued contingent liability of \$6.5 million for a legal judgment in 2017.

As a result of the early adoption of a recent accounting standard related to cloud computing arrangements, the Company capitalized an aggregate of \$6.1 million of ERP implementation costs at September 30, 2018, from SG&A in the Condensed Consolidated Statement of Operations to Other Assets in the Condensed Consolidated Balance Sheets. Of the \$6.1 million reclassification, \$2.1 million was related to the three months ended September 30, 2018, and \$4.0 million related to the previously reported SG&A amounts in the Condensed Consolidated Statement of Operations for the six months ended June 30, 2018.

Research and Development Expenses

Research and development (R&D) expenses for the third quarter of 2018 were \$2.6 million , or 0.7% of net sales, compared to \$2.5 million , or 0.7% of net sales, for the third quarter of 2017 . R&D expenses for the first nine months of 2018 were \$8.2 million , or 0.7% of net sales, compared to \$7.9 million , or 0.7% of net sales, for the first nine months of 2017 . The R&D spending reflects initiatives to improve product designs and an ongoing focus on quality.

Royalty Expense

The Company has trademark license agreements with The Goodyear Tire & Rubber Company to manufacture and sell certain farm tires under the Goodyear name. These agreements cover sales in North America, Latin America, Europe, the Middle East, Africa, Russia, and other Commonwealth of Independent States countries. Each of these agreements expires in 2025. The Company also has a trademark license agreement with Goodyear to manufacture and sell certain non-farm tire products in Latin America.

Royalty expenses for the third quarter of 2018 were \$2.6 million , or 0.7% of net sales, compared to \$2.6 million , or 0.7% of net sales, for the third quarter of 2017 . Royalty expenses for the first nine months of 2018 were \$7.9 million , or 0.6% of net sales, compared to \$7.7 million , or 0.7% of net sales, for the first nine months of 2017 . The increased royalty expenses are the result of increased sales.

Income (Loss) from Operations

Income from operations for the third quarter of 2018 was \$4.8 million , compared to loss from operations of \$4.7 million for the third quarter of 2017 . Income from operations for the first nine months of 2018 was \$43.2 million , compared to loss from operations of \$6.8 million for the first nine months of 2017 .

Interest Expense

Interest expense was \$7.6 million and \$7.5 million for the quarters ended September 30, 2018 and 2017 , respectively. Interest expense was \$22.8 million and \$22.6 million for the nine months ended September 30, 2018 and 2017 , respectively. The increase in interest expense was primarily due to increased borrowings under international working capital facilities, which was partially offset by the reduced interest rate on the Company's senior secured notes, which were refinanced during November 2017.

Foreign Exchange Gain (Loss)

Foreign exchange gain was \$0.9 million for the third quarter of 2018 , compared to gain of \$0.8 million for the third quarter of 2017 . Foreign exchange loss was \$7.2 million for the first nine months of 2018 , compared to a gain of \$48 thousand for the first nine months of 2017 . The foreign currency loss in the nine months ended September 30, 2018, primarily reflects the devaluation of Latin American currencies.

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Other Income

Other income was \$7.4 million for the quarter ended September 30, 2018, as compared to \$2.6 million in the comparable quarter of 2017. For the quarter ended September 30, 2018, the Company recorded equity investment income of \$1.0 million, interest income of \$0.5 million, and rental income of \$0.4 million. For the quarter ended September 30, 2017, the Company recorded equity investment income of \$1.4 million, interest income of \$0.9 million, rental income of \$0.6 million, and a gain related to investments for deferred compensation of \$0.5 million.

Other income was \$17.7 million for the nine months ended September 30, 2018, as compared to \$7.0 million in the comparable period of 2017. For the nine months ended September 30, 2018, the Company recorded equity investment income of \$3.2 million, interest income of \$1.6 million, rental income of \$1.4 million, and a gain related to investments for deferred compensation of \$0.7 million. For the nine months ended September 30, 2017, the Company recorded equity investment income of \$2.7 million, interest income of \$2.6 million, rental income of \$1.8 million, and a gain related to investments for deferred compensation of \$1.8 million.

Provision for Income Taxes

The Company recorded income tax expense of \$2.8 million and \$2.4 million for the quarters ended September 30, 2018 and 2017, respectively. For the nine months ended September 30, 2018 and 2017, the Company recorded income tax expense of \$3.7 million and \$6.0 million, respectively. The Company's effective income tax rate was 51% and (27)% for the quarters ended September 30, 2018 and 2017, and 12% and (27)% for the nine months ended September 30, 2018 and 2017, respectively.

The Company's 2018 income tax expense and rate differed from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of a reduction of the liability for unrecognized tax positions and U.S. and certain foreign jurisdictions that incurred a full valuation allowance on deferred tax assets created by current year projected losses. In addition, there were non-deductible royalty expenses and statutorily required income adjustments made in certain foreign jurisdictions that negatively impacted the tax rate for the nine months ended September 30, 2018.

The Company's 2017 effective income tax rate was different from the U.S. Federal income tax rate mainly due to losses in the U.S. and certain foreign jurisdictions where the Company could not record a tax benefit due to a valuation allowance. The increased negative effective tax rate is also due to non-deductible expenses and income adjustments in taxable jurisdictions that had the effect of increasing the tax rate for the period. During the second quarter of 2017, the IRS income tax audit for tax years 2010 through 2014 was settled, which did not result in any material change to income tax expense.

Net Income (Loss) and Earnings per Share

Net income for the third quarter of 2018 was \$2.7 million, compared to net loss of \$(11.2) million in the comparable quarter of 2017. For the quarters ended September 30, 2018 and 2017, basic and diluted earnings per share were \$(0.03) and \$(0.22), respectively. Net income for the first nine months of 2018 was \$27.1 million, compared to net loss of \$(28.3) million in the comparable period of 2017. For the nine months ended September 30, 2018 and 2017, basic and diluted earnings per share were \$0.29 and \$(0.57), respectively. The Company's higher net income and earnings per share were due to the items previously discussed.

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Agricultural Segment Results

Agricultural segment results for the periods presented below were as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net sales	\$ 163,367	\$ 170,895	\$ 544,404	\$ 524,335
Gross profit	19,921	19,072	77,153	63,988
Income from operations	11,539	10,197	51,862	37,166

Net sales in the agricultural segment were \$163.4 million for the quarter ended September 30, 2018 , as compared to \$170.9 million for the comparable period in 2017 , a decrease of 4.4% . Lower sales volumes contributed 1.7% of this decrease while unfavorable currency translation, primarily from Latin America, further decreased net sales by 6.9%. Favorable price/mix partially offset these decreases with a 4.2% positive impact on net sales.

Gross profit in the agricultural segment was \$19.9 million for the quarter ended September 30, 2018 , as compared to \$19.1 million in the comparable quarter of 2017 . Favorable price/mix drove the overall increase in gross profit. Income from operations in the agricultural segment was \$11.5 million for the quarter ended September 30, 2018 , as compared to \$10.2 million for the comparable period in 2017 , reflecting improved production efficiencies and lower SG&A.

Net sales in the agricultural segment were \$544.4 million for the nine months ended September 30, 2018 , as compared to \$524.3 million for the comparable period in 2017 , an increase of 3.8% . Favorable price/mix increased net sales by 3.9%, while higher sales volumes contributed 2.7% of the increase in net sales. Unfavorable currency translation decreased net sales by 2.8%.

Gross profit in the agricultural segment was \$77.2 million for the nine months ended September 30, 2018 , as compared to \$64.0 million in the comparable period of 2017 . Increased net sales, primarily in North America, drove the overall increase in gross profit. Income from operations in the agricultural segment was \$51.9 million for the nine months ended September 30, 2018 , as compared to \$37.2 million for the comparable period in 2017 .

Earthmoving/Construction Segment Results

Earthmoving/construction segment results for the periods presented below were as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net sales	\$ 180,362	\$ 156,442	\$ 568,057	\$ 443,030
Gross profit	17,819	14,810	64,541	41,963
Income from operations	6,056	3,262	27,584	6,645

The Company's earthmoving/construction segment net sales were \$180.4 million for the quarter ended September 30, 2018 , as compared to \$156.4 million in the comparable quarter of 2017 , an increase of 15.3% . The increase in earthmoving/construction sales was driven by increased volume which positively impacted net sales by 15.2%, reflecting general market improvements and market penetration, particularly in Europe, and favorable price/mix, which had an additional 4.1% positive impact on net sales. Unfavorable currency translation decreased net sales by 4.0%.

Gross profit in the earthmoving/construction segment was \$17.8 million for the quarter ended September 30, 2018 , as compared to \$14.8 million in the comparable quarter of 2017 . The Company's earthmoving/construction segment income from operations was \$6.1 million for the quarter ended September 30, 2018 , as compared to \$3.3 million for the comparable quarter of 2017 . The increase in gross profit was driven by increases in net sales, along with production efficiencies related to improved capacity utilization.

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The Company's earthmoving/construction segment net sales were \$568.1 million for the nine months ended September 30, 2018 , as compared to \$443.0 million in the comparable quarter of 2017, an increase of 28.2% . The improvement in earthmoving/construction sales was driven by higher sales volume which increased net sales by 20.9%, reflecting favorable market factors and increased market penetration. Favorable price/mix increased net sales by 5.4% and favorable currency translation further increased net sales by 1.9%.

Gross profit in the earthmoving/construction segment was \$64.5 million for the nine months ended September 30, 2018 , as compared to \$42.0 million for the comparable period in 2017 . The Company's earthmoving/construction segment income from operations was \$27.6 million for the nine months ended September 30, 2018 , as compared to \$6.6 million for the comparable period in 2017 . The increase in gross profit was driven by increases in net sales coupled with production efficiencies related to improved capacity utilization.

Consumer Segment Results

Consumer segment results for the periods presented below were as follows (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net sales	\$ 40,990	\$ 43,651	\$ 126,544	\$ 125,523
Gross profit	5,964	6,255	19,883	18,407
Income from operations	3,225	3,114	10,822	8,165

Consumer segment net sales were \$41.0 million for the quarter ended September 30, 2018 , as compared to \$43.7 million in the comparable quarter of 2017 , a decrease of approximately 6.1% . This decrease was primarily driven by unfavorable currency translation contributing 10.8%, reflecting currency devaluation in Latin America. Increased volume partially offset this decrease by contributing an additional 2.6% to net sales, while favorable price/mix further increased net sales by 2.1%.

Gross profit from the consumer segment was \$6.0 million for the quarter ended September 30, 2018 , as compared to \$6.3 million for the comparable quarter of 2017 . Consumer segment income from operations was \$3.2 million for the quarter ended September 30, 2018 , as compared to \$3.1 million for the comparable quarter of 2017 .

Consumer segment net sales were \$126.5 million for the nine months ended September 30, 2018 , as compared to \$125.5 million in the comparable period of 2017 , an increase of approximately 0.8% . Favorable volume increased net sales by 3.5% and favorable price/mix contributed another 2.1% increase, while unfavorable currency translation decreased net sales by 4.8%.

Gross profit from the consumer segment was \$19.9 million for the nine months ended September 30, 2018 , as compared to \$18.4 million for the comparable period of 2017 . Consumer segment income from operations was \$10.8 million for the nine months ended September 30, 2018 , as compared to \$8.2 million for the comparable period in 2017 .

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Segment Summary (amounts in thousands)

Three months ended September 30, 2018	Agricultural	Earthmoving/ Construction	Consumer	Corporate/ Unallocated Expenses	Consolidated Totals
Net sales	\$ 163,367	\$ 180,362	\$ 40,990	\$ —	\$ 384,719
Gross profit	19,921	17,819	5,964	—	43,704
Income (loss) from operations	11,539	6,056	3,225	(15,997)	4,823
Three months ended September 30, 2017					
Net sales	\$ 170,895	\$ 156,442	\$ 43,651	\$ —	\$ 370,988
Gross profit	19,072	14,810	6,255	—	40,137
Income (loss) from operations	10,197	3,262	3,114	(21,242)	(4,669)
Nine months ended September 30, 2018					
Net sales	\$ 544,404	\$ 568,057	\$ 126,544	\$ —	\$ 1,239,005
Gross profit	77,153	64,541	19,883	—	161,577
Income (loss) from operations	51,862	27,584	10,822	(47,099)	43,169
Nine months ended September 30, 2017					
Net sales	\$ 524,335	\$ 443,030	\$ 125,523	\$ —	\$ 1,092,888
Gross profit	63,988	41,963	18,407	—	124,358
Income (loss) from operations	37,166	6,645	8,165	(58,818)	(6,842)

Corporate & Unallocated Expenses

Income from operations on a segment basis does not include corporate expenses totaling \$16.0 million for the quarter ended September 30, 2018 , as compared to \$21.2 million for the comparable quarter of 2017 . The decrease in corporate expenses was primarily driven by lower legal and non-recurring fees as compared to the prior year quarter.

Income from operations on a segment basis does not include corporate expenses totaling \$47.1 million for the nine months ended September 30, 2018 , as compared to \$58.8 million for the comparable period of 2017 . The decrease in corporate expenses was primarily the result of capitalization of the CCA implementation costs in the third quarter of 2018 and lower legal and non-recurring fees as compared to the prior year, partially offset by increased information technology costs in 2018.

MARKET RISK SENSITIVE INSTRUMENTS

The Company's risks related to foreign currencies, commodity prices, and interest rates at September 30, 2018 , were consistent with those at December 31, 2017. For more information, see the "Market Risk Sensitive Instruments" discussion in the 2017 Form 10-K.

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 further in Part I, Item 1, Notes to Condensed Consolidated Financial Statements: Note 11 - Employee Benefit Plans.

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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 \$1.8 million to these pension plans during the fourth quarter of 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

As of September 30, 2018 , the Company had \$96.8 million of cash.

(Amounts in thousands)

	September 30, 2018	December 31, 2017	Change
Cash	\$ 96,799	\$ 143,570	\$ (46,771)

The cash balance decreased by \$46.8 million from December 31, 2017 , due to the following items:

Operating Cash Flows

Summary of cash flows from operating activities:

(Amounts in thousands)

	Nine months ended September 30, 2018	2017	Change
Net income (loss)	\$ 27,122	\$ (28,340)	\$ 55,462
Depreciation and amortization	43,395	44,029	(634)
Deferred income tax provision	(863)	(476)	(387)
Foreign currency translation loss	3,667	1,061	2,606
Accounts receivable	(52,818)	(46,715)	(6,103)
Inventories	(62,560)	(46,083)	(16,477)
Prepaid and other current assets	2,299	20,046	(17,747)
Accounts payable	25,213	26,372	(1,159)
Other current liabilities	(5,072)	8,821	(13,893)
Other liabilities	(8,336)	1,539	(9,875)
Other operating activities	(4,753)	4,534	(9,287)
Cash used for operating activities	\$ (32,706)	\$ (15,212)	\$ (17,494)

In the first nine months of 2018 , operating activities used \$32.7 million of cash, including decreases from inventories of \$62.6 million and accounts receivable of \$52.8 million , offset by increases from accounts payable of \$25.2 million . Included in the net income of \$27.1 million were non-cash charges for depreciation and amortization of \$43.4 million and foreign currency translation loss of \$3.7 million .

Operating cash flows increased \$17.5 million when comparing the first nine months of 2018 to the first nine months of 2017 . The net income in the first nine months of 2018 increased \$55.5 million from the loss in the first nine months of 2017 . When comparing the first nine months of 2018 to the first nine months of 2017 , cash flows from operating activities decreased in inventories and accounts receivable by \$16.5 million and \$6.1 million , respectively.

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Summary of the components of cash conversion cycle:

	September 30, 2018	December 31, 2017	September 30, 2017
Days sales outstanding	62	55	58
Days inventory outstanding	106	98	95
Days payable outstanding	(58)	(56)	(53)
Cash conversion cycle	110	97	100

Investing Cash Flows

Summary of cash flows from investing activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2018	2017	Change
Capital expenditures	\$ (26,498)	\$ (23,580)	\$ (2,918)
Certificates of deposit	—	50,000	(50,000)
Other investing activities	1,484	1,293	191
Cash (used for) provided by investing activities	\$ (25,014)	\$ 27,713	\$ (52,727)

Net cash used for investing activities was \$25.0 million in the first nine months of 2018 , as compared to cash provided by investing activities of \$27.7 million in the first nine months of 2017 . In the first nine months of 2017, the Company had cash provided by investing activities of \$50.0 million from certificates of deposit that matured and were not reinvested. The Company invested a total of \$26.5 million in capital expenditures in the first nine months of 2018 , compared to \$23.6 million in the first nine months of 2017 . The expenditures during the first nine months of 2018 and 2017 represent various equipment purchases and improvements to enhance production capabilities of Titan's existing business and to maintain existing equipment.

Financing Cash Flows

Summary of cash flows from financing activities:

(Amounts in thousands)

	Nine months ended September 30,		
	2018	2017	Change
Proceeds from borrowings	\$ 48,108	\$ 33,540	\$ 14,568
Payment on debt	(30,139)	(41,003)	10,864
Dividends paid	(900)	(868)	(32)
Cash provided by (used for) financing activities	\$ 17,069	\$ (8,331)	\$ 25,400

In the first nine months of 2018 , \$17.1 million of cash was provided by financing activities. This cash was primarily provided through debt financing, with borrowing providing \$48.1 million , offset by payments on debt of \$30.1 million .

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Debt Restrictions

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

- When remaining availability under the credit facility is less than 10% of the total commitment under the credit facility (\$7.5 million as of September 30, 2018), the Company is required to maintain a minimum fixed charge coverage ratio of not less than 1.0 to 1.0 (calculated quarterly on a trailing four quarter basis);
- Limits on dividends and repurchases of the Company's stock;
- Restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge, or otherwise fundamentally change the ownership of the Company;
- Limitations on investments, dispositions of assets, and guarantees of indebtedness; and
- Other customary affirmative and negative covenants.

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

Liquidity Outlook

At September 30, 2018, the Company had \$96.8 million of cash and cash equivalents. At September 30, 2018, there were no outstanding borrowings on the Company's \$75 million credit facility. Titan's availability under this credit facility may be less than \$75 million as a result of outstanding letters of credit and eligible accounts receivable and inventory balances at certain domestic subsidiaries. At September 30, 2018, an outstanding letter of credit under this credit facility totaled \$12.3 million and the amount available under the facility totaled \$62.7 million, based upon eligible accounts receivable and inventory balances. The cash and cash equivalents balance of \$96.8 million included \$56.1 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. As a result of the 2017 Tax Cuts and Jobs Act, the Company can repatriate the cumulative undistributed foreign earnings back to the U.S. when needed with minimal additional taxes other than state income and foreign withholding tax. Titan expects to contribute approximately \$1.8 million to its defined benefit pension plans during the fourth quarter of 2018.

Total capital expenditures for 2018 are forecasted to be approximately \$35 million to \$40 million. Cash payments for interest are currently forecasted to be approximately \$14 million for the last three months of 2018 based on September 30, 2018, debt balances. The forecasted interest payments are comprised primarily of the semi-annual payment of approximately \$13 million (paid in May and November) for the 6.50% senior secured notes.

The Company's redeemable noncontrolling interest in Voltyre-Prom includes a settlement put option that is exercisable during a six-month period beginning July 9, 2018. The redeemable noncontrolling interest may be purchased, with cash or Titan common stock, at an amount set by the Shareholders' Agreement, which is estimated to be approximately \$117 million to \$122 million, if exercised in full. As of the filing date of this Form 10-Q, the Company had not received notification of intent to exercise the settlement put option. See Note 9 to the Company's Condensed Consolidated Financial Statements regarding the Company's redeemable noncontrolling interest and the settlement put option.

In the future, Titan may seek to grow by making acquisitions, which will depend in large part on its ability to identify suitable acquisition candidates, negotiate acceptable terms for their acquisition, finance those acquisitions, and successfully integrate the acquired assets or business.

Subject to the terms of the agreements governing Titan's outstanding indebtedness, the Company may finance future acquisitions with cash on hand, cash from operations, additional indebtedness, issuing additional equity securities, divestitures, and alternative financing options.

Cash and cash equivalents, totaling \$96.8 million at September 30, 2018, along with anticipated internal cash flows from operations and utilization of remaining available borrowings, are expected to provide sufficient liquidity for working capital needs, debt maturities, and capital expenditures. Potential divestitures and unencumbered assets are also a means to provide for future liquidity needs.

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MARKET CONDITIONS AND OUTLOOK

In the first nine months of 2018, Titan experienced higher sales when compared to the same period of 2017. The higher sales levels were primarily the result of increased demand, primarily in the earthmoving/construction and agricultural segments. Net sales levels improved in both OEM and aftermarket channels. Market conditions across all segments were generally improved in 2018 compared to 2017.

Energy, raw material, and petroleum-based product costs could be volatile and may negatively affect the Company's margins. Additionally, the Company's markets and raw material prices may be negatively affected by tariffs and duties. Many of Titan's overhead expenses are fixed; therefore, lower seasonal sales volume trends may cause negative fluctuations in quarterly profit margins and may negatively affect the financial condition of the Company.

AGRICULTURAL MARKET OUTLOOK

With the rise in global trade protectionism and an evolving business climate that includes declining crop prices, rising interest rates and ongoing tariff battles, there is concern for the overall health of the agricultural economy, particularly North America where U.S. farm net income is expected to decline in 2018. Overall declining/stagnant farm income levels have continued to keep demand for large farm equipment at reduced levels, however, the need to replace equipment as part of a typical replacement cycle is expected to drive additional volume in both OEM and aftermarket sales. Most major OEMs are forecasting 2018 agricultural equipment sales to be up over 2017 within most regions. North American used equipment levels have decreased from peak levels. Many variables, including weather, grain prices, export markets, currency, as well as government tariffs, duties, policies, and subsidies can greatly influence the overall condition of the agricultural market.

EARTHMOVING/CONSTRUCTION MARKET OUTLOOK

In the first nine months of 2018, net sales in the earthmoving/construction market increased primarily due to higher net sales volumes. This increase in net sales was a continuation of increases that began in the latter part of 2017. Demand for larger products used in the mining industry improved, with growth in international markets outpacing growth in the U.S. Demand for Titan's products in this market is anticipated to continue to improve through the remainder of 2018. Demand for small and medium-sized earthmoving/construction equipment used in the housing and commercial construction sectors is also anticipated to increase. The earthmoving/construction segment is affected by many variables, including commodity prices, road construction, infrastructure, government appropriations, housing starts, and other macroeconomic drivers across the globe.

CONSUMER MARKET OUTLOOK

The consumer market is expected to remain highly competitive for the remainder of 2018. The consumer segment is affected by many variables including consumer spending, interest rates, government policies, and other macroeconomic drivers.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Item 7A - Quantitative and Qualitative Disclosures About Market Risk included in the 2017 Form 10-K. There has been no material change in this information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Titan management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of September 30, 2018. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2018, Titan's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by Titan in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported accurately and within the time frames specified in the SEC's rules and forms and accumulated and communicated to Titan management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes in internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the third quarter of fiscal 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

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

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

TITAN INTERNATIONAL, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Item 1A. Risk Factors to the 2017 Form 10-K.

Item 6. Exhibits

10	Titan Tire Russia Shareholders' Agreement
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

TITAN INTERNATIONAL, INC.

SIGNATURES

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

TITAN INTERNATIONAL, INC.
(Registrant)

Date: November 2, 2018

By : /s/ PAUL G. REITZ

Paul G. Reitz

President and Chief Executive Officer

(Principal Executive Officer)

By : /s/ DAVID A. MARTIN

David A. Martin

SVP and Chief Financial Officer

(Principal Financial Officer)

9 July 2013

TITAN INTERNATIONAL, INC.

- and -

TITAN LUXEMBOURG S.A.R.L.

- and -

OEP 11 COÖPERATIEF U.A.

- and -

RUBBER COÖPERATIEF U.A.

- and -

TITAN TIRE RUSSIA B.V.

SHAREHOLDERS' AGREEMENT

Herbert Smith Freehills CIS LLP

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THIS AGREEMENT (the "**Agreement**") is executed and dated on 9 July 2013

BETWEEN:

- (1) **TITAN INTERNATIONAL, INC.**, a company organised under the laws of the State of Illinois and having its principal office at 2701 Spruce Street, Quincy, IL 62301, United States ("**Titan US**");
- (2) **TITAN LUXEMBOURG S.A.R.L.**, a private limited liability company incorporated under the laws of Luxembourg, with its registered office at 8-10, rue Mathias Hardt L-1717, Luxembourg ("**Titan** ");
- (3) **OEP 11 COÖPERATIEF U.A.**, a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), having its seat in Amsterdam, its address at 1017 CA Amsterdam, Herengracht 466, registered in the trade register under number 57627843 ("**OEP**");
- (4) **RUBBER COÖPERATIEF U.A.**, a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), having its seat in Amsterdam, its address at 1101 CM Amsterdam Zuidoost, the Netherlands, Herikerbergweg 238, Luna ArenA, registered in the trade register under number 58015965 ("**RDIF**"), and together with Titan and OEP, the "**Investors**"); and
- (5) **TITAN TIRE RUSSIA B.V.**, the private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its seat in Amsterdam, and its address at 1017 CA Amsterdam, Herengracht 466, registered in the trade register under number 58036008 (the "**Company**"),

(each a "**Party**" and together the "**Parties**").

WHEREAS:

(Capitalised terms used in these recitals that are not set out above are defined in Clause 1 below.)

- (A) The Investors and the Company have entered into sale and purchase agreements with JSC "Cordiant" (the "**Cordiant SPA**"), "Diolit" Ltd. (the "**Seller 1 SPA**") and Open Joint-Stock Company "Orders of Lenin and October Revolution Yaroslavl Tyre Plant" (the "**YTP SPA**") (the Cordiant SPA, the Seller 1 SPA and the YTP SPA being collectively, the "**SPAs**") on or about the date hereof pursuant to which the Company has agreed to purchase the Sale Shares, subject to the terms of the SPAs;
- (B) At the date of this Agreement, the Investors hold shares in the capital of the Company in the proportions set out in Clause 2.7;
- (C) The Investors wish to structure the acquisition of the Sale Shares and the holding of their interests in the Group Companies through the Company;
- (D) To finance the acquisition of the Sale Shares, subject to the satisfaction of the Conditions, the Investors have agreed to make a conditional voluntary share premium contribution on the shares in the capital of the Company to be paid in accordance with the terms of this Agreement; and
- (E) The Investors and the Company wish to enter into this Agreement to govern the relationship of the Investors as shareholders in the Company and to regulate their respective responsibilities towards the operation, governance and management of the Group.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement capitalised terms shall have the meaning given to them in the SPAs, unless otherwise defined below:

" **Affiliate** " means, in relation to any person, any other person holding a proprietary interest in such a person, any subsidiary or holding undertaking of that person and any subsidiary of any such holding undertaking, in each case from time to time;

" **Auditors** " means the Group's auditors from time to time;

" **Anti-Corruption Compliance Programme** " has the meaning set out in Clause 4.5;

" **Anti-Corruption Laws** " means the U.S. Foreign Corrupt Practices Act of 1977, as amended, and the U.K. Bribery Act 2010;

" **Applicable Law** " means all laws, regulations, directives, statutes, subordinate legislation, common law and civil codes of any jurisdiction, all judgments, orders, notices, instructions, decisions and awards of any court or competent authority or tribunal and all codes of practice having force of law, statutory guidance and policy notes;

" **Appointing Shareholder** " means the Shareholder who nominates a Supervisory Director in accordance with Clause 7.3;

" **Approved Senior Persons** " means: (i) in respect of Titan: Maurice Taylor; (ii) in respect of OEP: David Robakidze; and, (iii) in respect of RDIF: Kirill Dmitriev;

" **Articles** " means the articles of association of the Company as amended from time to time;

" **A Shareholders** " means Titan, and any other holder of A Shares who has agreed to adhere to the terms of this Agreement by executing and delivering a Deed of Adherence attached hereto as Part A of Schedule 1 (and " **A Shareholder** " shall be construed accordingly);

" **A Shares** " means class A ordinary shares of USD 1 each in the capital of the Company;

" **B Shareholder** " means each of RDIF and OEP, and any other holder of B Shares who has agreed to adhere to the terms of this Agreement by executing and delivering a Deed of Adherence attached hereto as Part A of Schedule 1 (and " **B Shareholder** " shall be construed accordingly);

" **B Shares** " means class B ordinary shares of USD 1 each in the capital of the Company;

" **Budget** " means a Group budget for a particular Budget Year in a format approved from time to time by the Supervisory Board (save as otherwise provided in this Agreement);

" **Budget Year** " means each twelve month period commencing on 1 January and ending on 31 December;

" **Business** " means the business from time to time carried on by the Group in accordance with the provisions of this Agreement, and comprising: the manufacturing, production, development and trading of agricultural, industrial, car and truck tires, and such other business as the Supervisory Board may unanimously determine from time to time;

" **Business Day** " means a day (not being a Saturday or Sunday) on which banks are open for general banking business in each of Amsterdam (the Netherlands), Moscow (Russian Federation) and Luxemburg (Luxemburg);

" **Business Plan** " means the business plan for the Group for the financial years ending 31 December 2014, 31 December 2015, and 31 December 2016 (or such other periods as may be agreed by the Shareholders);

" **Chairman** " means the chairman of the Supervisory Board, from time to time;

" **Change of Control** " means:

- (a) in respect of Titan, it ceasing to be Controlled by Titan US; and
- (b) in respect of RDIF, it ceasing to be Controlled by RDIF Management Company LLC;

" **Client Compliance Procedures** " means all rules, regulations, and policies in relation to "know your client" procedures, anti-money laundering procedures, and counterparty integrity (whether internal or imposed by Applicable Law) that apply to OEP and/or any of its Affiliates from time to time;

" **Code** " has the meaning set out in Clause 4.4;

" **Completion** " has the meaning set out in the SPAs;

" **Completion Date** " has the meaning set out in the SPAs;

" **Compliance Officer** " means the person designated as such from time to time and at any time pursuant to the Anti-Corruption Compliance Programme;

" **Conditions** " has the meaning set out in the SPAs;

" **Confidential Information** " has the meaning set out in Clause 29.2;

" **Connected Person** " means any person with which any relevant person is connected (as determined in accordance with the provisions of section 1122 of the Corporation Tax Act 2010);

" **Control** " the power of a person to secure, directly or indirectly, (whether by the holding of shares, possession of voting rights or by virtue of any other power conferred by the articles of association, constitution, partnership deed or other documents regulating another person or otherwise) that the affairs of such other person are conducted in accordance with his or its wishes and " **Controlled** " and " **Controlling** " shall be construed accordingly;

" **Conversion Rate** " means the official exchange rate established by the Central Bank of the Russian Federation for the exchange of the currency in question on the date applicable to any conversion of currency;

" **Core Business** " has the meaning set out in Clause 13.5.1;

" **Corrupt Act** " means in private business dealings or in dealings with the public or government sector, directly or indirectly, giving, making, offering or receiving or agreeing (either themselves or in agreement with others) to give, offer, make or receive any payment, gift or other advantage which (i) would violate any Anti-Corruption Laws or other Applicable Laws; (ii) was intended to, or does, influence or reward any person for acting in breach of an expectation of good faith, impartiality or trust, or which it would otherwise be improper for the recipient to accept, (iii) is made to or for a Government Official with the intention of influencing them and obtaining or retaining an advantage in the conduct of business, or (iv) which a reasonable person would otherwise consider to be unethical, illegal or improper;

"**Deadlock Reserved Matter**" means together the Deadlock Supervisory Board Reserved Matters and the Shareholder Reserved Matters;

" **Deadlock Supervisory Board Reserved Matters** " means the Supervisory Board Reserved Matters specified in Clauses 9.2.11 and 9.2.12;

" **Deed of Adherence** " means a deed in the form set out in Schedule 1;

" **Defaulting Shareholder** " has the meaning set out in Clause 26.2;

" **Dispute Resolution Period** " has the meaning set out in Clause 10.1.1;

" **Distributable Profits** " has the meaning set out in Clause 23.2.1;

" **Drag Shares** " has the meaning set out in Clause 18.1;

" **EBITDA** " means, in respect of any period and a person, the operating profit of such person for such period, before taking account of:

- (a) tax on such activities;
- (b) extraordinary or exceptional items;
- (c) Interest Payable and Interest Receivable;
- (d) amortisation of intangible assets and depreciation of tangible assets;
- (e) minority interests; and
- (f) any unrealised gains or losses due to exchange rate movements;

" **Encumbrance** " means any claim, option, warrant, charge (fixed or floating), mortgage, lien, pledge, equity, encumbrance, restriction upon ownership, use or alienation, adverse claim, right to acquire, right of pre-emption, right of first refusal, title retention or any other third party right, or other security interest or any other agreement or arrangement having a similar effect or any agreement to create any of the foregoing;

" **Equity Proportion** " means the respective proportions in which the Shares are held from time to time by each of the Shareholders save that, if the expression " **Equity Proportion** " is used in the context of some (but not all) of the Shareholders, it shall mean the respective proportions in which Shares are held by each of those particular Shareholders;

" **Event of Default** " has the meaning set out in Clause 26.1;

" **Excess Shares** " has the meaning set out in Clause 21.2.3;

"**Excluded Entities**" means together:

- (a) in respect of OEP, One Equity Partners V L.P. and any of its direct or indirect subsidiaries; and
- (b) in respect of RDIF, Russian Direct Investment Fund and any of its direct or indirect subsidiaries;

" **Expert** " has the meaning set out in Clause 19.5;

"**Financial Indebtedness**" means any indebtedness for or in respect of (without double-counting):

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (i) any amount raised by the issue of redeemable shares;
- (j) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into this agreement is to raise finance; and
- (k) the amount of any liability in respect of any guarantee, surety or indemnity for any of the items referred to in paragraphs (a) to (j) above,

save that no amount due under the Loan Agreements (as such term is defined in the Cordiant SPA), or otherwise related to the Loan Agreements, shall be included in Financial Indebtedness;

" **Five Year Budget** " means a Group budget for a particular Budget Year and each of the following four Budget Years in a format approved from time to time by the Supervisory Board (save as otherwise provided in this Agreement), to be updated annually;

" **General Meeting** " has the meaning set out in Clause 5.2;

" **Government Entity** " means any supra-national, national, state, municipal or local government (including any sub-division, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory authority or any entity that is at least fifty per cent. (50%) owned by any Government Entity or controlled by a Government Entity;

" **Government Official** " means:

- (a) any person (whether appointed or elected) holding a legislative, administrative or judicial position of any kind;
- (b) any officer, employee or any other person acting in an official capacity for any Government Entity; or
- (c) any political party or official thereof or any candidate for political office;

" **Group** " means the Company and the Subsidiaries from time to time, and " **Group Company** " means any one of them;

" **Group Quarterly Review** " means the group quarterly review prepared pursuant to Clause 12.4 of this Agreement;

"**Guarantor**" means Titan US;

" **IFRS** " means the International Financial Reporting Standards promulgated by the International Accounting Standards Committee and consistently applied;

" **Inflation** " means the percentage change on the preceding year in consumer prices in the Russian Federation, as most recently published by the Federal State Statistics Service of the Russian Federation;

" **Initial Period** " means the period from Completion until the date falling three (3) years from the Completion Date;

" **Interest**" means, in respect of any period and any specific Financial Indebtedness, the aggregate of all regular costs, charges and expenses incurred in effecting or maintaining such Financial Indebtedness during such period, including without limitation:

- (a) gross interest payable by any member of the Group in respect of such Financial Indebtedness during such period;
- (b) commitment fees payable by any member of the Group in respect of such Financial Indebtedness during such period;
- (c) any discount and/or acceptance fee payable by any member of the Group in consideration for such Financial Indebtedness during such period,

but excluding agency, arrangement or other up-front fees or premia payable in respect of such Financial Indebtedness during such period;

" **Interest Payable**" means, in respect of any period, the aggregate of all Interest paid or payable by any member of the Group in respect of all Financial Indebtedness of the Group, excluding any amount accruing or otherwise payable as Interest in-kind (and not as cash pay) to the extent capitalised as principal during such period;

" **Interest Receivable** " means, in respect of any period, the aggregate of all interest accrued on cash balances held by any member of the Group during such period, excluding such balances held (or interest accruing) on any cash collateral account;

" **Investment Amount** " means the Titan Investment Amount, the RDIF Investment Amount or the OEP Investment Amount, as the context requires;

" **IRR** " means the compound average annual rate of return (expressed as a percentage) that, when applied as a discount rate to a particular set of (actual or deemed) cash flows with respect to any amounts distributed or paid to the relevant Shareholder (net of Taxes assessed on the Company, the Company's transaction expenses, and any refunds or repayments of such amounts by the relevant Shareholder) in respect of its Shares, results in a net present value equal to the relevant Investment Amount, on the basis that each of those cash flows is regarded to occur on the specific date on which the cash flow in question occurs or is deemed to occur, and the date to which the discounting is made shall be the date of Completion;

" **Issue Notice** " has the meaning set out in Clause 21.2.2;

" **JSC Law** " means the Federal Law No. 208-FZ "On Joint Stock Companies" dated 26 December 1995 (as amended);

" **Key Terms** " means: (i) the number of Shares to be transferred; (ii) the agreed consideration for the proposed transfer, and the consideration per Share; and (iii) all other material terms and conditions of the proposed transfer;

" **LCIA Court** " means the London Court of International Arbitration or its successor;

" **Longstop Date** " has the meaning set out in the SPAs;

" **LTM EBITDA** " means EBITDA for the prior 12 consecutive concluded calendar months immediately preceding the date of measurement and calculated on the basis of the Group's most recent quarterly management accounts at the relevant time and, for the avoidance of doubt, including the corresponding 12 month EBITDA of any business acquired by the Group during such period and excluding the corresponding 12 month EBITDA of any business disposed of by the Group during such period;

" **Management Board** " means the board of managing directors (*raad van bestuur*) of the Company from time to time;

" **Managing Director** " has the meaning given to it in Clause 6.1;

" **Mandatory Offer** " has the meaning given to it in the YTP SPA;

" **Net Debt** " means the Financial Indebtedness of the Company (expressed as a positive number), less any cash equivalent investments, investments convertible into cash in less than three (3) months, cash in hand or cash on deposit with any bank or financial institution, in each case, of the Company to the extent such cash is unencumbered by any security (except where cash is provided as security specifically to secure any Financial Indebtedness of the Company (and no other obligation));

" **New Securities** " has the meaning set out in Clause 21.1;

" **Non-Defaulting Shareholder** " has the meaning set out in Clause 26.2;

" **Notary** " means civil law notary Paul Quist or any other civil law notary of Stibbe N.V. or such notary's substitute;

" **Objection Notice** " has the meaning set out in Clause 19.5;

" **Observer** " has the meaning set out in Clause 7.4;

" **OEP Investment Amount** " means USD 30,000,000;

" **OEP Shares** " has the meaning set out in Clause 22.11;

" **OEP Warranties** " means each of the following warranties:

- (a) the OEP Shares have been validly issued, are fully paid up and are free from any Encumbrances;
- (b) there is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or Encumbrance or equity on, over or affecting any OEP Shares and there is no commitment to give or create any Encumbrance on or over any OEP Shares and no person has claimed to be entitled to such Encumbrance;

- (c) OEP has never engaged in the carrying on of any trade or business or in any activities of any sort except in connection with its incorporation, the appointment of its officers and the filing of documents pursuant to the laws of the Netherlands and accordingly OEP:
- a. does not have, and never has had, any indebtedness, Encumbrances, debentures, guarantees or other commitments or liabilities (past, present or future, actual or contingent) outstanding (save in connection with this Agreement and the Transaction Documents);
 - b. does not have, and never has had, any employees;
 - c. is not, and has never been, a party to any contract (except for this Agreement and the Transaction Documents to which it is a party);
 - d. has never given any power of attorney (save as contemplated by any Transaction Document);
 - e. is not, and has never been, a party to any litigation or arbitration proceedings;
 - f. is not, and has never been, the lessee of any property; and
 - g. save in respect of any Shares, is not and has never been, the owner of, or interested in, any assets whatsoever including, without limitation, the share capital of any other body corporate that is engaged in carrying on any trade or business.
- (d) The record books of OEP have been properly kept, are in its possession and contain an accurate and complete record of the matters which should be dealt with in those books in accordance with the laws of the Netherlands and no notice alleging that any of them is incorrect or should be rectified has been received.
- (e) All returns, particulars, resolutions and other documents required to be filed by OEP under the Applicable Law have been duly filed and all legal requirements in connection with the formation of OEP and issues of its shares have been satisfied.

" **Opportunity** " has the meaning set out in Clause 13.5;

" **Originator** " has the meaning set out in Clause 13.5;

" **Permitted Accountancy Firms** " means Deloitte, Ernst & Young, Grant Thornton, KPMG, and PricewaterhouseCoopers;

" **Permitted Titan Loan** " means a loan facility which may be provided by Titan, Titan US or any of their respective Affiliates to any Group Company during the 12 month period following Completion on the following principal terms: (i) principal amount of up to USD 40,000,000 with USD 10,000,000 to be immediately available for drawdown, (ii) 5 year term/maturity, (iii) annual interest of 7.875% (payable in cash annually, without further accrual), and (iv) secured on market terms;

" **Private Sector Counterparty** " means any employee or agent of a private entity with which the Group does or seeks to do business;

" **Pro Rata Entitlement** " has the meaning set out in Clause 21.2.1;

" **Put Option** " has the meaning set out in Clause 19.1;

" **Put Option Notice** " has the meaning set out in Clause 19.2;

" **Put Option Price** " means has the meaning set out in Clause 19.4;

" **Quarter** " means each period of three (3) months ending 31 March, 30 June, 30 September and 31 December in each period of twelve (12) months;

" **RDIF Investment Amount** " means USD 50,000,000;

" **Regulatory Approvals** " means, in relation to any matter, any necessary approvals or confirmations required in any jurisdiction by any competent supranational, governmental, quasi-governmental, investigatory, statutory or regulatory agencies, courts or authorities in order for the matter to be implemented or completed;

" **Related Party** " means any Affiliate or Connected Person of a Shareholder which is not a Group Company;

" **Remaining Shareholders** " has the meaning set out in Clause 21.2.7;

" **Reserved Matters** " means together the Supervisory Board Reserved Matters and the Shareholder Reserved Matters;

" **Restricted Person** " means:

- (a) all persons who are prescribed under the sanctions regimes or subject to trade restrictions of the US, EU, Russia and other countries in which any Group Company operates (including the Office of Foreign Assets Control, the Patriot Act, and the Trading with the Enemy Act); and/or
- (b) all persons who have been found guilty of, or admitted liability in respect of, offences under the United States Foreign Corrupt Practices Act 1977 or the United Kingdom Bribery Act 2010, laws related to organised crime, and/or laws related to securities fraud in any relevant jurisdiction.
- (c) any individual or entity included in the US list of Specially Designated Nationals, which can be found at <http://www.treasury.gov/sdn>;
- (d) the governments of Sanctioned Countries and their agents;
- (e) persons located within or doing business from a Sanctioned Country;
- (f) armed forces and groups in Myanmar; and
- (g) any person owned or controlled by, or acting on behalf of, any of the foregoing;

" **Retained Amounts** " has the meaning set out in Clause 23.2.2;

" **ROFR Acceptance Notice** " has the meaning set out in Clause 16.2;

" **Russian Operating Company** " means OJSC "Voltyre-Prom", an open joint stock company organised under the laws of the Russian Federation, main state registration number 1023401996540, with its registered address at Russia, 404103 Volgogradskaya Oblast, Volzhsky city, Avtodoroga No. 7 street, 25, a.;

" **Sale Notice** " has the meaning set out in Clause 18.2;

" **Sale Shares** " has the meaning given in the SPAs;

" **Sanction Compliance Policy** " means the sanctions compliance policy in the form set out in Schedule 3, or in such other form agreed by the Parties;

" **Sanctioned Countries** " has the meaning given in Schedule 3;

" **Selling Party** " has the meaning set out in Clause 20.5;

" **Selling Shareholder** " has the meaning set out in Clause 16.1;

" **Senior Employee** " means any employee of any Group Company with annual remuneration (excluding the attributed value of pension, health coverage, insurances and other fringe benefits and any entitlement to a discretionary bonus) in excess of USD 100,000 (or the equivalent in another currency, determined by reference to the Conversion Rate);

" **Settlement Call Option** " has the meaning set out in Clause 20.3;

" **Settlement Call Option Notice** " has the meaning set out in Clause 20.4;

" **Settlement Option Notice** " means a Settlement Call Option Notice or a Settlement Put Option Notice as the context requires;

" **Settlement Option Price** " has the meaning set out in Clause 20.6;

" **Settlement Put Option** " has the meaning set out in Clause 20.1;

" **Settlement Put Option Notice** " has the meaning set out in Clause 20.2;

" **Shareholder Reserved Matters** " means those matters specified in Clause 9.5;

" **Shareholders** " means Titan, OEP and RDIF and any other holder of Shares who has agreed to adhere to the terms of this Agreement by executing and delivering a Deed of Adherence attached hereto as Part A of Schedule 1 (and " **Shareholder** " shall be construed accordingly);

" **Shares** " means any shares in the capital of the Company (of whatever class) from time to time;

" **SPAs** " has the meaning set out in Recital (A);

" **Squeeze-Out** " means the proposed acquisition by the Company, following the Mandatory Offer, of the shares in the Russian Operating Company which are held by shareholders in the Russian Operating Company other than the Company to be made in accordance with Article 84.8 of the JSC Law;

" **Subscription Price** " has the meaning set out in Clause 21.2.2;

" **Subsidiary** " has the meaning set out in the SPAs;

" **Supervisory Board** " means the board of supervisory directors (*raad van commissarissen*) of the Company from time to time;

" **Supervisory Board Reserved Matters** " means those matters specified in Clause 9.2;

" **Supervisory Director** " means a member of the Supervisory Board;

" **Surviving Provisions** " means Clause 1 (*Definitions and Interpretation*), Clause 2 (*Conditions and Closing*), Clause 29.1 (*Announcements*), Clauses 29.2 to 29.5 (*Confidentiality*), Clause 29.6 (*Disclosure by RDIF/OEP*), Clause 29.8 (*No Partnership*), Clause 29.9 (*Assignment*), Clause 29.10 (*Third Party Rights*), Clause 29.11 to 29.12 (*Unenforceable Provisions*), Clause 29.13 (*Waiver*), Clause 29.20 (*Costs*), Clause 30 (*Notices*), and Clause 31 (*Governing Law and Dispute Resolution*);

" **Tag Along Notice** " has the meaning set out in Clause 17.3;

" **Tag Transferor** " has the meaning set out in Clause 17.1

" **Tag Shares** " has the meaning set out in Clause 17.1;

" **Tax** " and " **Taxation** " have the meaning set out in the SPAs;

"**Third Party Purchaser**" means a bona fide third party purchaser who is not an Affiliate of the transferor Shareholder (in the case of a transfer of shares by a Shareholder);

" **Titan Competitor** " means The Goodyear Tire & Rubber Company (and any Affiliate thereof);

" **Titan Default Notice** " has the meaning set out in Clause 26.5;

" **Titan Event of Default** " has the meaning set out in Clause 26.1;

" **Titan Investment Amount** " means USD 35,000,000;

" **Titan Loan** " has the meaning set out in Clause 11.3;

" **Transaction Documents** " has the meaning set out in the SPAs;

" **Transfer** " means transfer, sell, pledge, charge, dispose of or otherwise deal with any shares or any right or interest in any shares (including the grant of any option over or in respect of any shares);

" **Transfer Date** " has the meaning set out in Clause 22.3.2;

" **Transfer Terms** " has the meaning set out in Clause 22.3;

" **Transfer Notice** " has the meaning set out in Clause 16.1; and

" **USD** " means the lawful currency of the United States of America.

1.2 In this Agreement, except where the contrary intention appears:

- 1.2.1 references to a " **subsidiary undertaking** " are to be construed in accordance with section 1162 (and Schedule 7) of the Companies Act 2006 and to a " **subsidiary** " or " **holding company** " are to be construed in accordance with section 1159 (and Schedule 6) of the Companies Act 2006;
- 1.2.2 any reference to this Agreement includes the Schedules to it, each of which forms part of this Agreement for all purposes;
- 1.2.3 words in the singular shall include the plural and vice versa;
- 1.2.4 references to one gender include other genders;
- 1.2.5 a reference to a Clause, paragraph or Schedule shall be a reference to a clause, paragraph or schedule (as the case may be) of or to this Agreement;
- 1.2.6 if a period of time is specified as from a given day, or from the day of an act or event, it shall be calculated exclusive of that day;
- 1.2.7 references to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be deemed to include what most nearly approximates the English legal term in that jurisdiction and references to any English statute or enactment shall be deemed to include any equivalent or analogous laws or rules in any other jurisdiction;
- 1.2.8 a reference to a "person" shall mean any individual, corporation, general or limited partnership, limited liability company, joint venture, unincorporated association or other private or governmental entity;
- 1.2.9 a reference to "includes" or "including" shall mean "includes without limitation" or "including without limitation";
- 1.2.10 references to documents "in the agreed form" or any similar expression shall be to documents agreed between the Parties and initialled for identification by, or on behalf of, the Parties;
- 1.2.11 the contents page and headings in this Agreement are for convenience only and shall not affect its interpretation;
- 1.2.12 references to this Agreement include this Agreement as amended or supplemented in accordance with its terms;

- 1.2.13 references to time or the time of any day are to Amsterdam time on the relevant date and events stated or deemed to occur upon, or actions required to be performed by, any given date shall be deemed to occur at, or must be performed before, 5:00 pm on the specified date unless otherwise stated; and
- 1.2.14 any amount to be converted from one currency into another currency for the purposes of this Agreement shall be converted into an equivalent amount at the Conversion Rate applicable in accordance with this Agreement.

2. CONDITIONS AND CLOSING

- 2.1 Each of the Investors (in respect of itself only) hereby agrees and undertakes to make no later than five (5) Business Days prior to the date on which Completion is scheduled to take place a voluntary share premium contribution on the Shares in the amounts set out below (the "**Share Premium Contribution**") (such amounts to be advanced in USD or another currency at the Conversion Rate on the date the contribution is made by the relevant Investor), and the Company agrees to accept the same, subject to the conditions subsequent (*ontbindende voorwaarden*) of (i) Completion not having occurred on or before the Longstop Date, or (ii) termination of the SPAs in accordance with their terms before Completion:
- 2.1.1 Titan shall make a Share Premium Contribution in the amount of USD 34,996,500;
- 2.1.2 OEP shall make a Share Premium Contribution in the amount of USD 29,997,000; and
- 2.1.3 RDIF shall make a Share Premium Contribution in the amount of USD 49,995,000.
- 2.2 The Investors and the Company agree and acknowledge that the Company may use the Share Premium Contributions received by it solely to satisfy its obligations to pay any and all amounts due under each of the SPAs in accordance with and subject to the terms and conditions of the SPAs (unless the Investors approve otherwise in writing). The Company undertakes to register the Share Premium Contributions as voluntary share premium (*vrijwillige agio*) in its books and accounts. The Investors shall procure that the Company shall not take any action under the SPAs or any other Transaction Documents to which it is a party without the prior written consent of all the Investors (acting reasonably).
- 2.3 If (i) Completion has not occurred on or before the Longstop Date, or (ii) the SPAs are terminated in accordance with their terms before Completion, then:
- 2.3.1 the Share Premium Contributions will be cancelled automatically without any notice being due and the Company shall repay to the relevant Investor an amount equal to the Share Premium Contribution made by it within three (3) Business Days after the earlier of (i) the date on which the SPAs are terminated in accordance with their terms before Completion, and (ii) the Longstop Date. The repayment by the Company shall be made in the same currency as was used when the Share Premium Contribution was made; and
- 2.3.2 this Agreement (other than the Surviving Provisions and the provisions of Clause 2.3.1) shall automatically terminate and cease to have any effect and no Party shall have any claim against any other under it, except in relation to any prior breach or under the Surviving Provisions.
- 2.4 This Agreement (other than (i) the Surviving Provisions and (ii) the provisions of Clauses 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.10 and Clauses 4.3 to 4.10 inclusive, which shall become effective upon execution and delivery of this Agreement) shall be conditional upon, and take effect immediately from, Completion.
- 2.5 As soon as reasonably practicable following the execution and delivery of this Agreement and in any case not later than 30 November 2013, Titan shall prepare and submit for approval to the Investors the following documents (the adoption of each of which shall require the unanimous approval of the Investors acting reasonably):
- 2.5.1 a draft Budget for the first Budget Year;
- 2.5.2 a draft Five Year Budget for the first five Budget Years; and
- 2.5.3 a draft Business Plan.
- The Investors and the Company agree that from Completion until the date on which the Budget, the Five Year Budget and the Business Plan are approved by the Investors in accordance with this Clause 2.5, the Business of the Group shall be carried out in accordance with the forecast and business parameters attached hereto as Schedule 8.
- 2.6 The Investors shall procure that, with effect from Completion, revised Articles shall be adopted by the Shareholders including any required amendments to give effect to the provisions of this Agreement to the fullest extent permitted by Applicable Law.
- 2.7 With effect from Completion, each Investor shall have the economic benefit of and voting rights to the following total number and percentage of Shares:

Investor	Number of Shares	Percentage of Shares	Subscription amount
Titan	3,500	30.43%	USD 35,000,000
OEP	3,000	26.09%	USD 30,000,000
RDIF	5,000	43.48%	USD 50,000,000
Total	11,500	100%	USD 115,000,000

2.8 The Investors shall procure that at Completion:

2.8.1 the following person shall be appointed as Managing Director: Dennis Kramer; and

2.8.2 the following persons shall be appointed as Supervisory Directors:

(A) as nominated by Titan: Maurice Taylor and Gerben van den Berg;

(B) as nominated by OEP: Robert Harmzen and David Robakidze; and

(C) as nominated by RDIF: Konstantin Ryzhkov and Timo Johannes van Rijn.

2.9 Each Shareholder shall procure (so far as it lawfully can) that the Company complies with its obligations under clauses 5.4 and 5.5 of the YTP SPA, and, without limiting the foregoing, each Shareholder undertakes to:

2.9.1 consult with the other Shareholders in good faith and in a timely manner in order to agree the form and content of all documents which are required to be prepared by the Company in respect of the Mandatory Offer and the Squeeze-Out;

2.9.2 consult with each other with respect to all communications of the Company with any Government Entities in relation to the Mandatory Offer and Squeeze-Out; and

2.9.3 cause the Company to keep each Shareholder informed, as soon as is reasonably practicable, of all matters which may be reasonably considered to be relevant to Mandatory Offer and/or the Squeeze-Out.

2.10 Schedule 6 shall apply in accordance with its terms.

3. BUSINESS AND OBJECTIVES OF THE GROUP

3.1 The business of the Company shall be:

3.1.1 the ownership (directly or indirectly) of shares or participatory interests in the Group;

3.1.2 the ownership (directly or indirectly) of shares or participatory interests in other Group Companies from time to time engaged in the Business;

3.1.3 the management of the Subsidiaries engaged in the Business; and

3.1.4 such other activities as may be determined by the Shareholders from time to time.

3.2 The Company shall conduct its business in its best interests, on sound commercial profit-making principles, and in accordance with Applicable Law and the Articles.

3.3 The Shareholders shall (so far as they lawfully can):

3.3.1 promote the best interests of the Group;

3.3.2 ensure that the Company performs and complies with all of its obligations under this Agreement and the Articles;

3.3.3 ensure that the activities of the Group are conducted in accordance with all Applicable Laws and high ethical standards; and

3.3.4 ensure that the activities of the Company are confined to the Business or to matters expressly provided for in this Agreement.

3.4 Each Shareholder shall procure (so far as it lawfully can) that the Company and each Subsidiary carries on its business in accordance with the Business Plan (when in force) and the Budget in force from time to time, subject to the provisions of Clause 2.5.

4. General undertakings

Compliance with law

4.1 The Company and the Shareholders shall, in a timely manner and as required from time to time, procure that the Company, and (where applicable) the Supervisory Directors appointed by such Shareholders to the Supervisory Board and the Managing Director, take all lawful actions that may be necessary or appropriate to give full effect to the provisions of the Transaction Documents and this Agreement. Where applicable, and without limiting the generality of the foregoing, each Shareholder undertakes to cause (so far as it lawfully can) the Supervisory Director(s) nominated by it for appointment to the Supervisory Board

to exercise all voting and other rights available to them in relation to the Company so as to cause such company, its Supervisory Directors, and their management personnel to fully and properly comply with the requirements set forth in this Agreement, subject to all Applicable Laws.

Regulatory matters

- 4.2 Each Party shall, in a timely manner and as required from time to time, take all commercially reasonable actions as may be necessary or appropriate to cooperate with the other Parties to ensure that each Shareholder has all of the information necessary to prepare and effect any notice to or filing with any Government Entity, or respond to any request for information from a Government Entity, as required by Applicable Law with respect to this Agreement or any other Transaction Document.

Ethics, bribery and corruption

- 4.3 The Company and the Shareholders shall procure (to the extent that they are able and so far as they lawfully can) that the Group and any persons acting on its behalf, including other Group Company directors, officers, employees and agents, will not offer, make, promise or give (or will accept or agree to accept), with respect to any of the matters which are the subject of this Agreement or in connection with this Agreement and any matters resulting from this Agreement or the Group's business generally, any financial or other advantage, whether directly or through any other person or entity, to or for the benefit of (or from):
- 4.3.1 any Government Official or Private Sector Counterparty; or
 - 4.3.2 any officer, director, employee, agent or representative of any person or entity,
- which would constitute a Corrupt Act.
- 4.4 The Company and the Shareholders shall (to the extent that they are able and so far as they lawfully can) procure that the Group and its officers, directors, employees, shall adopt and implement a code of business conduct and ethics (the " **Code** ") which complies with Applicable Laws and which is at least equivalent to best current practice operating in the UK and the US for publicly-listed companies in the same industry or area of business as the Group, as updated from time to time. The Company undertakes to provide adequate training to the Group's officers, directors, employees, in respect of the Code.
- 4.5 The Company shall, within six months of the date of this Agreement, create a programme intended to ensure compliance of the Group with the Anti-Corruption Laws and any analogous Applicable Laws (the " **Anti-Corruption Compliance Programme** "), in the form set out in Schedule 2 of this Agreement (or in such other form agreed by the Parties) and the Sanctions Compliance Policy. The Company shall take advice from such independent consultants as appropriate to assist it in the implementation of the Anti-Corruption Compliance Programme and/or the Sanctions Compliance Policy.
- 4.6 The Anti-Corruption Compliance Programme and the Sanctions Compliance Policy shall be announced by the Supervisory Board and/or the Managing Director to the employees of all Group Companies and shall be adopted by all Group Companies (provided that, where a company becomes a Group Company after Completion as a result of a transfer or issuance to an existing Group Company of some or all of its share capital or enlarged share capital (as the case may be), the Shareholders shall procure that such new Group Company adopts the Anti-Corruption Compliance Programme and the Sanctions Compliance Policy as soon as reasonably practicable following such transfer or issuance).
- 4.7 The Compliance Officer shall, at the beginning of each financial quarter, provide to the Supervisory Board a written report describing the implementation and effectiveness of the Anti-Corruption Compliance Programme (with the first such report being produced no later than six (6) months after the date of Completion). Titan shall be entitled, by notice in writing to the Company (and the other Shareholders) to appoint (and require the removal and reappointment of) the Compliance Officer.
- 4.8 The Company shall (to the extent that it is able and so far as it lawfully can) procure that each Group Company, any senior managers, directors of the Group Companies, and any employees, promoters and third parties who interact with Government Officials and Private Sector Counterparties on behalf of the Group Companies shall sign an annual certification (in the form set out in Schedule 4) of compliance with the Code, Anti-Corruption Laws and any other relevant and analogous Applicable Laws (the first such certification to be signed no later than 9 months after the date of Completion).
- 4.9 The Company shall, at the request of any Investor, be subject to an annual audit by an independent third party in connection with its compliance with Anti-Corruption Laws and the Company shall do all such things to ensure that the independent third party is enabled to conduct such audit.
- 4.10 The Company shall procure that each Group Company, any Affiliates, senior managers, directors of the Group Companies, and any employees, promoters and third parties who interact with the Group shall not take any action which would or might result in a violation by any Group Company (or any of their directors, officers and employees) of the Sanctions Compliance Policy.

- 4.11 The Company shall use its best endeavours to procure that each senior manager of the Group (which shall include, without limitation, any person referred to in Clause 8.1 and any Senior Employee) shall sign an annual certificate in the form set out in Schedule 5.
- 4.12 The Shareholders undertake not to take any action which would or would be reasonably likely to inhibit the ability of the Company to comply with its obligations set out in Clauses 4.5, 4.8, 4.9, 4.10 and 4.11.

Tax matters

- 4.13 Each Shareholder agrees to exercise its voting rights in the Company so as to cause the Company to promptly furnish to any Shareholder, in addition to the information provided pursuant to Clause 12.4, other information reasonably available to the Company and reasonably requested by such Shareholder to enable such Shareholder or its investors to comply with any applicable tax reporting requirements with respect to the acquisition, ownership, or disposition of, and income attributable to, any Shares held by such Shareholder (or any direct or indirect investor therein). Each Shareholder agrees to exercise its voting rights in the Company in such a way as to cause the Company to keep, for so long as may be reasonably requested by a Shareholder, such documentation supporting any tax-related information that was supplied to such Shareholder pursuant to this Clause 4.13 or Clause 12.4.
- 4.14 Each Shareholder agrees that it will exercise its voting rights in the Company as appropriate to cause the Company to mitigate the imposition of any withholding Taxes on payments made to it or to the Shareholders and that the Company shall reasonably cooperate with the Shareholders in considering actions that avoid or minimise withholding Taxes in connection with any sale by a Shareholder of any Shares (at the expense of such Shareholder).

5. SHAREHOLDERS and SHAREHOLDER MEETINGS

- 5.1. General meetings of the Company's shareholders shall take place in accordance with the applicable provisions of the Articles and Applicable Law.
- 5.2. The quorum for any general meeting of the Company's shareholders (the "**General Meeting**") shall be one representative present from each Shareholder (whether in person, by authorised representative or by proxy) when the relevant business is transacted.
- 5.3. If a quorum is not present within half an hour of the time appointed for the meeting or ceases to be present, a subsequent meeting shall be convened to a specified place and time, taking into account an eight (8) calendar days notice period of the subsequent meeting to be given to each of the Shareholders after the date originally set for the meeting. The quorum at such subsequent meeting shall be (i) the quorum described in Clause 5.2 where any Shareholder Reserved Matter is to be considered and voted upon at the subsequent meeting; or (ii) in any other case, any two Shareholders acting through their duly appointed representatives.
- 5.4. Subject to notices in respect of subsequent meetings as provided under Clause 5.3, notice of general meetings of the Company's shareholders shall be given in writing fifteen (15) days in advance of an annual general meeting and eight (8) days in advance of an extraordinary general meeting (unless in either case a shorter notice is approved by the Company's shareholders unanimously).
- 5.5. A meeting of the Company's shareholders may, subject to Applicable Law, consist of a conference call between such shareholders, some or all of whom are in different places, provided that each such shareholder who participates is able to hear each of the other such participating shareholders addressing the meeting, and, if he so wishes, to address all of the other such participating shareholders simultaneously, whether by conference telephone or by any other form of communications equipment or by a combination of those methods.
- 5.6. Without prejudice to Clause 5.2, resolutions of the General Meeting shall be adopted by a simple majority of the votes of the Shareholders validly cast at the meeting or as required by Applicable Law or the Articles, subject always to the Shareholder Reserved Matters.
- 5.7. Resolutions of the General Meeting may be adopted outside a formal meeting provided that all Shareholders (and other persons entitled to attend and vote at a General Meeting) have consented thereto and provided that such resolutions are in writing signed by or on behalf of all Shareholders.

6. MANAGEMENT BOARD

Managing Director

- 6.1 The Management Board shall, following Completion, consist of one (1) managing director (the "**Managing Director**") who shall be appointed by the General Meeting upon the nomination of Titan. The Managing Director appointed from Completion shall be appointed in accordance with Clause 2.8. The Managing Director shall be resident for tax purposes in the Netherlands. For the avoidance of doubt, if the Shareholders

breach their obligations under this Clause 6.1 and the General Meeting derogates from the binding nature of any nomination in accordance with article 2:243 sub 2 of the Dutch Civil Code, a new General Meeting shall be held to appoint the Managing Director on a new nomination of Titan.

- 6.2 The Managing Director shall be responsible for the day-to-day management of the Company subject to the Articles, this Agreement, Applicable Law and Clause 9 below.
- 6.3 The Managing Director shall not take any decision in relation to any of the Reserved Matters, other than in accordance with Clause 9.
- 6.4 The Shareholders agree to procure that the Managing Director will only be suspended and removed on the instructions of Titan, to the extent permitted by and in accordance with this Agreement, the Articles and Applicable Law.
- 6.5 Subject always to maintaining the tax residence of the Company in the Netherlands, the Supervisory Board may at any time give specific instructions to the Managing Director within the meaning of article 2:239(4) of the Dutch Civil Code.
- 6.6 In the event the Managing Director is unable to resolve on a matter because he has a personal conflict of interest within the meaning of article 239(6) Dutch Civil Code, the Supervisory Board shall resolve such matter.
- 6.7 If the Managing Director is unable to perform his or her duties (*belet*), a person to be appointed by the Supervisory Board, nominated by Titan, shall temporarily replace the Managing Director and as soon as reasonably possible a new Managing Director shall be appointed in accordance with this Agreement, the Articles and Applicable Law.
- 6.8 The Parties agree that the Company shall be responsible for paying the fees of the Managing Director as specified in the terms of his letter of appointment and that, save for such fees, the Managing Director shall not be entitled to receive any emoluments from the Company by virtue of his appointment.

7. THE SUPERVISORY BOARD

Supervisory Board

- 7.1 The Supervisory Board shall provide strategic guidance to the Company and shall be responsible for the supervision of the Management Board and approval of key decisions relating to the Company and its Business and shall provide the Managing Director with advice and instruction on such matters it deems appropriate.

Appointments

- 7.2 The Supervisory Board shall, following Completion, consist of six (6) Supervisory Directors (unless the Shareholders decide otherwise). The Supervisory Directors appointed from Completion shall be appointed in accordance with Clause 2.8.
- 7.3 The General Meeting shall appoint the Supervisory Directors upon nomination and each of Titan, OEP and RDIF shall, subject to Clause 9.6, be entitled to nominate two (2) Supervisory Directors to the Supervisory Board. The Shareholders agree that at least one (1) of the Supervisory Directors appointed by each Shareholder shall be resident for tax purposes in the Netherlands. The Appointing Shareholder shall inform the other Shareholders and the Supervisory Board by written notice of the nomination it intends to make. For the avoidance of doubt, if the Shareholders breach their obligations under this Clause 7.3 and the General Meeting derogates from the binding nature of any nomination in accordance with article 2:252 sub 2 of the Dutch Civil Code, a new General Meeting shall be held to appoint the Supervisory Director(s) on a new nomination of the relevant Appointing Shareholder.
- 7.4 Each of Titan, RDIF and OEP shall, subject to Clause 9.6, be entitled from time to time to appoint any one person to attend all meetings of the Supervisory Board as an observer and the person so appointed (an " **Observer** ") shall be given (at the same time as the Supervisory Directors) notice of all meetings of the Supervisory Board and all agendas, minutes and other papers relating to such meetings. An Observer shall be entitled to attend any and all such meetings and to speak and place items on the agenda for discussion, provided that an Observer shall not be entitled in any circumstances to vote at any such meeting. Titan and/or RDIF and/or OEP may at any time and from time to time remove any Observer appointed by it and appoint another person in his or her place.
- 7.5 One of the Supervisory Directors appointed by Titan shall, upon Titan's nomination, also act as Chairman. The Chairman shall not have a second or casting vote.
- 7.6 If a seat on the Supervisory Board is vacant or a Supervisory Director is unable to perform his duties, a person to be appointed by the Shareholder who appointed the respective Supervisory Director shall

- temporarily replace the respective Supervisory Director and as soon as reasonably possible a new Supervisory Director shall be appointed by the Shareholder who appointed the respective Supervisory Director, in accordance with this Agreement, the Articles and Applicable Law.
- 7.7 A Supervisory Director having a personal conflict of interest within the meaning of article 250(5) Dutch Civil Code must declare the nature and extent of that interest to the other Supervisory Directors and shall not take part in the deliberation and decision-making within the Supervisory Board concerning the relevant matter. The other Supervisory Directors shall be authorised to adopt the resolution together with a person appointed by the Shareholder who appointed the respective Supervisory Director having a personal conflict of interest. If the Supervisory Board is unable to resolve on a matter because all Supervisory Directors are unable to take part in the deliberation and decision-making on such matter, the General Meeting shall resolve such matter.

Compensation of Supervisory Directors

- 7.8 No Supervisory Director shall be entitled to receive any emoluments from the Company by virtue of his appointment other than as specified in the terms of his letter of appointment and, in each event, as determined by the General Meeting.

Appointment, removal or resignation of appointees

- 7.9 The Shareholders agree to use their respective best endeavours to ensure, insofar as they are able and in accordance with this Agreement, the Articles and Applicable Law, that any person nominated for appointment by an Appointing Shareholder to the Supervisory Board in accordance with Clause 7.3 is appointed a Supervisory Director of the Company, and that such Supervisory Director may be removed and suspended only on the instructions of that Appointing Shareholder, to the extent permitted by and in accordance with this Agreement, the Articles and Applicable Law.
- 7.10 Each Appointing Shareholder undertakes that upon ceasing to be a Shareholder or, in the circumstances contemplated by Clause 9.6, it will immediately ensure that any Supervisory Directors which were appointed by it resign. Such departing Shareholder shall indemnify the Company for any liability arising from such resignation or removal.

Supervisory Board meetings

- 7.11 The quorum for any Supervisory Board meeting shall be one (1) Supervisory Director present (whether in person or by authorized representative) from each of the Shareholders. A Supervisory Director shall be regarded as present for the purposes of a quorum if (at his/her nomination, he/she is) represented by another Supervisory Director in accordance with Clause 7.14. Each Appointing Shareholder shall use its reasonable endeavours to procure that the Supervisory Directors appointed by it attend Supervisory Board meetings punctually.
- 7.12 If a quorum is not present within half an hour of the time appointed for the meeting or ceases to be present, the meeting shall be adjourned to a specified place and time not earlier than five (5) Business Days after the original date. Notice of the adjourned meeting shall be given to each Supervisory Director. The quorum at an adjourned meeting shall be any two (2) Supervisory Directors appointed by any two (2) Shareholders (one of whom must be a Supervisory Director appointed by Titan), except in relation to Deadlock Supervisory Board Reserved Matters where the quorum shall remain one (1) Supervisory Director from each of the Shareholders (save as otherwise provided in Clause 9.1).
- 7.13 Subject to notices in respect of adjourned meetings as provided under Clause 7.12, at least five (5) Business Days written notice shall be given to each Supervisory Director of any Supervisory Board meeting, unless each Supervisory Director approves a shorter notice period in advance and in writing, and provided that Supervisory Board meetings can be convened by giving not less than forty-eight (48) hours' notice if the interests of the Company would, in the opinion of any Supervisory Director, be likely to be adversely affected to a material extent if the business to be transacted at such Supervisory Board meeting were not dealt with as a matter of urgency. Any notice shall include an agenda identifying in reasonable detail the matters to be discussed at the meeting, together with copies of any relevant papers.
- 7.14 Each Supervisory Director shall have one vote except that any Supervisory Director who is absent from a meeting may nominate any other Supervisory Director to act as his representative and to vote in his place at the meeting, in which case such Supervisory Director shall be entitled to exercise both his own vote and the vote of the other Supervisory Director(s) that he or she represents.
- 7.15 Unless otherwise agreed by the Shareholders, meetings of the Supervisory Board shall be held at least quarterly in the Netherlands. In addition, any Supervisory Director shall be entitled to require the Company to convene a meeting of the Supervisory Board by giving written notice to the Company in which case the

- Company shall ensure that such meeting is promptly called in accordance with the provisions of this Agreement and the Articles.
- 7.16 A resolution in writing signed by all Supervisory Directors shall be as valid and effective as if it had been passed at a Supervisory Board meeting duly convened and held. Written resolutions of the Supervisory Board shall not be valid unless signed by all Supervisory Directors.
- 7.17 As soon as practicable following Completion, the Company shall procure and maintain appropriate director insurance for the Management Board and the Supervisory Board, in each case with a scope and coverage consistent with market practice.

8. CORPORATE GOVERNANCE OF THE GROUP

Management of the Subsidiaries

- 8.1 Titan shall be entitled to appoint the chief executive officer (general director), chief financial officer, chief accountant, and any other senior operational and/or management personnel of the Russian Operating Company and each of the other Russian Subsidiaries. The Shareholders shall procure (so far as they lawfully can) that such persons are appointed in accordance with the instructions of Titan, and may be removed and replaced only on the instructions of Titan, in each case, in accordance with the Articles and the charter of the Russian Operating Company (or charter of the relevant Russian Subsidiary).
- 8.2 The general director of the Russian Operating Company shall be responsible for:
- 8.2.1 all matters in relation to the Russian Operating Company in accordance with Applicable Law other than those expressly reserved to the Supervisory Board and the Shareholders pursuant to Clause 9 below; and
- 8.2.2 on the basis of the Budget approved by the Supervisory Board in respect of any Budget Year, approving the final budget for the Russian Operating Company and any other Russian Subsidiaries for that Budget Year,
- provided that the Supervisory Board may (subject always to the Supervisory Board Reserved Matters) at any time instruct the general director of the Russian Operating Company in relation to matters other than those so reserved to the Supervisory Board.
- 8.3 Following Completion, the Shareholders shall (to the extent they lawfully can):
- 8.3.1 procure that before any decision or action is taken by the general director (or any other person on the Russian Operating Company's behalf) of the Russian Operating Company in respect of any of the Reserved Matters relating to the Russian Operating Company, prior approval must have been obtained from the Supervisory Board or the Shareholders (as the case may be) in accordance with the terms of this Agreement;
- 8.3.2 for so long as the Russian Operating Company is required to have a board of directors under mandatory provisions of Russian law, procure that before any decision or action is taken by the board of directors (or any person on its behalf) of the Russian Operating Company in respect of any of the Reserved Matters relating to the Russian Operating Company, prior approval must have been obtained from the Supervisory Board or the Shareholders (as the case may be) in accordance with the terms of this Agreement;
- 8.3.3 unless otherwise agreed by the Shareholders, procure that once the Russian Operating Company is no longer required to have a board of directors under mandatory provisions of Russian law, the charter of the Russian Operating Company shall be amended to remove the board of directors; and
- 8.3.4 cooperate and discuss in good faith to make such appropriate changes at any time to the charter of the Russian Operating Company as may reasonably be required or desirable in order to give full effect to the provisions of this Agreement, including limiting those matters which fall within the competence of the board of directors to those matters which are strictly prescribed by mandatory provisions of Russian law and in connection therewith converting the Russian Operating Company into a limited liability company.
- 8.4 The Shareholders agree that the provisions of Clause 8.3 shall apply to the extent relevant to any other Russian entity which forms part of the Group following Completion.
- 8.5 Following Completion, for so long as the Russian Operating Company has a board of directors, each Shareholder shall have the right to: (i) nominate up to two (2) individuals for appointment to the board of directors of the Russian Operating Company, and (ii) request the removal of a director appointed by it and request appointment of a new director in his or her place by notice in writing to the Russian Operating

Company and the other Shareholders. Appointment of the directors of the Russian Operating Company and their removal from office shall be carried out in accordance with Applicable Laws and the charter of the Russian Operating Company and the Shareholders shall procure (to the extent that they lawfully can) that the Company causes the appointment and removal of a Shareholder's nominee as required by this Clause.

9. RESERVED MATTERS

Supervisory Board Reserved Matters

- 9.1 Subject to Clause 9.6, the Shareholders shall, to the extent permitted by Applicable Laws, exercise all voting rights and other powers of control available to them in relation to the Company to procure that the Management Board shall not take any action or decision, and that no Group Company shall take any action or decision in relation to any of the matters specified in Clause 9.2 (the "**Supervisory Board Reserved Matters**") without the prior written approval of two (2) Supervisory Directors appointed by two (2) different Shareholders (one of which must be a Supervisory Director appointed by Titan) in a meeting where all Supervisory Directors (subject to the provisions of Clause 7.12) are present or represented provided that in respect of the Deadlock Supervisory Board Reserved Matters, an affirmative vote of one (1) Supervisory Director appointed by each of the Shareholders shall be required to vote in favour of the relevant matter.
- 9.2 The Supervisory Board Reserved Matters are set out below, provided that nothing in Clauses 9.2.1 to 9.2.12 shall require (i) the entry by any Group Company into, or (ii) the granting by any Group Company of security in relation to, the Permitted Titan Loan to be approved by the Supervisory Board pursuant to Clause 9.1, save in the circumstances (and to the extent) set out in Clause 9.3:
- 9.2.1 *borrowings*: save where the relevant transaction was specifically included in the then current Business Plan and/or Budget, the creation of any material borrowings or other material indebtedness or obligation in the nature of borrowings (including, without limitation, obligations pursuant to any debenture, bond, note, loan stock or other security of any Group Company and obligations pursuant to finance leases) (where "material" for the purposes of this paragraph shall mean a transaction or a series of connected transactions with a value of more than USD 1,000,000 (or equivalent amount in any other currency calculated using the Conversion Rate));
- 9.2.2 *share issues*: except where the relevant transaction was specifically included in the then current Business Plan and/or Budget, the allotment or issue of any shares, securities or participatory interest in a Group Company (by way of bonus, rights or otherwise) and/or the grant of any option, warrant, convertible debt instrument or right to acquire or call for the allotment or issue of the same whether by conversion, subscription or otherwise;
- 9.2.3 *encumbrances*: except where the relevant transaction was specifically included in the then current Business Plan and/or Budget, the creation or giving of any Encumbrance in respect of all or any part of the undertaking, property or assets of any Group Company save for liens or charges in each case arising in the ordinary course of the Business;
- 9.2.4 *acquisition* : except where the relevant transaction was specifically included in the then current Business Plan and/or Budget, the acquisition or agreement to acquire an interest in a corporate body (other than a Group Company);
- 9.2.5 *disposal or acquisition of assets*: (i) any actual or proposed sale or other disposition of any assets or rights or (ii) any actual or proposed acquisition of any assets or rights, in each case, in excess of an aggregate amount of USD1,000,000 in any year unless specifically provided in the then current Business Plan and/or Budget except, in any case, current assets used in the ordinary course of the Business;
- 9.2.6 *capital expenditure* : any Group Company incurring any capital expenditure in respect of any item or project in excess of USD 1,000,000 (or equivalent amount in any other currency calculated using the Conversion Rate), except as expressly and specifically provided for in the then current Business Plan and/or Budget or the budget for that Group Company;
- 9.2.7 *dividends and distributions* : subject always to Clause 23.1, the declaration, payment or distribution of any dividend or other distribution by any Group Company (save for any dividend or distribution made or to be made in compliance with Clause 23.2);
- 9.2.8 *material transactions* : except where the relevant transaction was specifically included in the then current Business Plan and/or Budget and for Titan Loans, any Group Company entering into or amending any material transaction or contract or assuming any material liability or commitment (including, without limitation, any encumbrance, acquisition or disposal) (where "material" for the purposes of this paragraph shall mean a transaction, contract, liability or commitment or a series of connected transactions, contracts, liability or commitments with a value of more than USD 1,000,000 (or equivalent amount in any other currency calculated using the Conversion Rate));

- 9.2.9 *auditors* : the appointment, removal and reappointment of auditors as auditors of any Group Company;
- 9.2.10 *compensation of Senior Employees* : materially changing the level of compensation for Senior Employees outside of the ordinary course of business (and, for the avoidance of doubt and without limitation, any change corresponding with, or less than, Inflation shall not be considered material);
- 9.2.11 *Titan Loans* : save in respect of the Permitted Titan Loan (subject to Clause 9.3), the provision by Titan (or by its Affiliate) of a Titan Loan to any Group Company, and the terms of any proposed Titan Loans (including interest rate, term and related security (if any));
- 9.2.12 *transactions with Related Parties* : any Group Company entering into any transaction with any Related Party except for transactions involving the sale and purchase of goods in the ordinary course of business and on arm's length commercial terms (excluding, however, any transfer of equipment to any Group Company (including through an in-kind capital contribution) by a Related Party, which shall be completed at book value and otherwise as approved by the Supervisory Board) and whose aggregate value in respect of a single or series of related transactions does not exceed USD 1,000,000 (or equivalent amount in any other currency calculated using the Conversion Rate).
- 9.3 The Permitted Titan Loan shall not require the approval of the Supervisory Board pursuant to Clause 9.1 save that:
- 9.3.1 where, following any notice by Titan to the Supervisory Board of the proposed definitive terms of the Permitted Titan Loan, either of RDIF or OEP demonstrate to the Supervisory Board that a loan in an amount equal to the amount available for immediate drawdown under the proposed Permitted Titan Loan is available from any third party lender on terms which are materially more favourable to the Group than the terms contemplated by such proposed Permitted Titan Loan, the proposed Permitted Titan Loan shall require the approval of the Supervisory Board pursuant to Clause 9.1;
- 9.3.2 where the proposed Permitted Titan Loan relates to the transfer of any equipment or other assets from Titan to the Group, the valuation of any such equipment or other assets shall require the approval of the Supervisory Board pursuant to Clause 9.1.

Shareholder Reserved Matters

- 9.4 The Shareholders and the Company (in relation to its Subsidiaries) shall, to the extent permitted by Applicable Laws, exercise all voting rights and other powers of control available to them in relation to the Company or, in the event of the Company, in relation to the Subsidiaries, procure that neither the Company, the General Meeting nor any Subsidiary shall take any action, decision, do or permit to be done, and the Shareholders shall use their powers to ensure so far as they are legally able to ensure that no action or decision is taken (whether by the Supervisory Board or any Group Company or any of their officers, employees or directors or any person on such persons behalf) in relation to, or anything the effect of which is analogous or similar in substance to, any of the matters specified in Clause 9.5 ("**Shareholder Reserved Matters** ") without the unanimous prior written approval of the General Meeting in which all Shareholders are present or represented.
- 9.5 The Shareholder Reserved Matters are as follows:
- 9.5.1 *constitutional documents* : the amendment of the memorandum and articles of association or charter (as the case may be) of any Group Company (save for amendments required by Applicable Law or to implement this Agreement);
- 9.5.2 *winding up* : any proposal for the winding-up, placing into administration or liquidation of any Group Company, other than as required by law;
- 9.5.3 *reorganisation*: any Group Company consolidating with, amalgamating with or merging with another entity or effecting a scheme of arrangement, capital reduction, corporate reorganisation, change to its share capital or analogous transaction.

Sunset provision

- 9.6 In the event that the percentage of the Company's issued share capital represented by the total number of Shares held by a Shareholder (in aggregate) falls below 10%, (i) such Shareholder shall ensure that the Supervisory Directors appointed by it shall immediately resign or be removed, (ii) the provisions in Clauses 7.3, 7.4, 7.5 and 9.1 to 9.5 (inclusive) and the right of the relevant Shareholder to appoint, remove and suspend its Supervisory Director(s) or any board committees and to appoint an Observer to the Supervisory Board shall lapse in respect of the relevant Shareholder's interest in the Company, and (iii) the provisions in Clauses 9.1 to 9.4 shall be deemed to be amended such that only the presence or representation of the Supervisory Directors appointed by the other Shareholders (in case of Clause 9.1) and the presence or representation of the other Shareholders (in case of Clause 9.4) are required to validly approve the decision laid down therein.

10. DEADLOCK

- 10.1 If the Supervisory Directors or the Shareholders (as the case may be) fail to agree on any Deadlock Reserved Matter:
- 10.1.1 the Shareholders shall act in good faith and use all reasonable endeavours to resolve the matter expeditiously and to the satisfaction of themselves and the Supervisory Directors within ten (10) Business Days after the relevant Supervisory Board meeting or Shareholders meeting (the "**Dispute Resolution Period**");
 - 10.1.2 any Shareholder may within five (5) Business Days after the Dispute Resolution Period refer the matter to the respective parties' Approved Senior Persons;
 - 10.1.3 in the absence of agreement between the Shareholders within the Dispute Resolution Period, or between the Approved Senior Persons within fifteen (15) Business Days from the expiry of the Dispute Resolution Period, the Company shall not be entitled to transact the matter in question.

11. FURTHER FINANCING

- 11.1 Without prejudice to the remaining provisions of this Clause 11, nothing in this Agreement shall require any Shareholder to provide any funding (whether debt, equity or other funding) to any Group Company, or, unless otherwise agreed by the Shareholders, require any Shareholder to provide any guarantee or other security in relation to the obligations of any Group Company.
- 11.2 The Shareholders intend that, to the extent practicable in the light of the funding requirements of the Budget and Business Plan and subject to the other provisions of this Clause 11, the Group will be self-financing through:
- 11.2.1 operating cash-flows generated by members of the Group; and
 - 11.2.2 retained profits in, and dividends received from, the Russian Operating Company,
- provided that the Shareholders acknowledge that Titan may support the Group by providing loans in accordance with the provisions of this Clause 11.
- 11.3 If Titan believes (in good faith) that the Group requires additional financing in excess of the capital expenditure contemplated in the Budget and the sources set out in Clause 11.2 are insufficient, then Titan may, subject to the provisions of Clause 9, provide (or procure that an Affiliate of Titan provides) a loan to any Group Company (a "**Titan Loan** ") in order to fund the additional financing required provided that such Titan Loan shall not exceed an annual interest rate of 7.875%, unless otherwise agreed by the Supervisory Board.
- 11.4 Except as provided in Clause 11.3, if and to the extent that the Shareholders agree to contribute any further funds to the Group, or to provide any loan, indemnity, guarantee, security or other credit or financial facility to the Group or for its benefit, or to subscribe for any additional capital in, or other securities issued by, the Company (or any other Group Company) then, unless each of the Shareholders agrees otherwise, they shall do so in their Equity Proportions, at the same time and on the same terms.

12. INFORMATION, REPORTING AND TAX MATTERS

- 12.1 Each Shareholder (and its professional advisors) may during regular business hours examine the books, records and accounts to be kept by each Group Company without unduly disrupting the ongoing operations and activities of the particular Group Company. Each Shareholder shall also be entitled to receive all information it reasonably requires to keep it properly informed about the business and affairs of the Group or any particular Group Company to protect its interests as a Shareholder or to the extent required in connection with its tax, regulatory or compliance affairs.
- 12.2 Each Shareholder and the Company shall procure (so far as they lawfully can) that each Group Company shall permit to the Shareholders and to their officers, employees, agents, advisors and contractors access to all offices, factories, plant and other sites used by the Group in conducting its Business at all reasonable times (and, where reasonably requested by an Investor, shall grant powers of attorney in favour of such persons in order to facilitate such access).
- 12.3 Without prejudice to the generality of Clause 12.1, the Shareholders shall procure that the Company shall prepare and submit to the Supervisory Board and the Shareholders the following information as soon as practicable and not later than the times set out below (in respect of the financial year ending 31 December 2013 and each subsequent financial reporting period):
- 12.3.1 audited annual consolidated accounts of the Group prepared in accordance with IFRS in respect of the twelve (12) month period ending 31 December in respect of each financial year, within one hundred and twenty (120) days from the end of the financial year to which they relate;

- 12.3.2 unaudited half-yearly consolidated accounts of the Group prepared in accordance with IFRS in respect of the six (6) month period ending 30 June in respect of each financial year, within sixty (60) days from the end of the reporting period to which they relate; and
- 12.3.3 unaudited quarterly consolidated management accounts of the Group comprising of not less than a balance sheet and income statement within forty-five (45) days from the end of the reporting period to which they relate,

such information to be approved by the Supervisory Board (or, to the extent required by Applicable Law, the Shareholders) (acting by majority) following submission by the Company.

- 12.4 The Company shall (with such assistance from the Shareholders as it may reasonably request) prepare and submit to the Supervisory Board and the Shareholders the following information as soon as practicable and in any case not later than the times set out below:
 - 12.4.1 a draft Budget and draft Five Year Budget, on the basis of preliminary budgets prepared by the Russian Subsidiaries pursuant to Clause 12.5;
 - 12.4.2 a revised business plan for the Group (including any revisions to the Business Plan), as and when such revisions may be prudent in the reasonable opinion of the Supervisory Board or the Managing Director;
 - 12.4.3 monthly management accounts; and
 - 12.4.4 a quarterly report in respect of the Group (the " **Group Quarterly Review** "), on the basis of quarterly reports prepared by the Russian Subsidiaries pursuant to Clause 12.5.
- 12.5 The Shareholders shall procure (to the extent that they lawfully can) that the Managing Director ensures that the Russian Operating Company (and any other Subsidiaries) prepare and provide to the Supervisory Board:
 - 12.5.1 a draft budget in respect of its business for the next following Budget Year, before 1st November in each year; and
 - 12.5.2 a quarterly report in respect of its business in the past calendar Quarter, within one month of the conclusion of each Quarter.
- 12.6 Subject to Clause 2.5, the adoption of any draft Budget, Five Year Budget and Business Plan (including any deviations therefrom) shall require approval of the Supervisory Board (acting by majority). In the event that any draft Budget (or any deviations from the then current Budget) or business plan (or any deviations from the Business Plan or the then current business plan (as the case may be)) shall not be approved by the Supervisory Board (acting by majority), the Company and the Group Companies shall not be entitled to carry out any activities which are unapproved, except in so far as necessary in order to comply with legally binding obligations which have previously been incurred in accordance with this Agreement or insofar as the carrying out of such activities falls within the terms of the then current Five Year Budget (or the Business Plan or the then current business plan (as the case may be)).

US tax matters

- 12.7 The Shareholders agree to treat the Company as a corporation for US tax purposes and to make an election (a " **Check The Box Election** ") to classify each direct and indirect subsidiary (whether in existence as of Completion or acquire or formed thereafter) of the Company as a fiscally transparent entity for US tax purposes. To the extent that a direct or indirect subsidiary is not eligible to make a Check the Box Election, the Shareholders will use commercially reasonable best efforts to cause the subsidiary to change its legal form so that a Check The Box Election may be made.
- 12.8 No later than 31 May of each year, the Company shall provide to OEP and Titan the information necessary to enable OEP, Titan and their respective beneficial owners to determine their US taxable income and comply with their U.S. tax compliance obligations with respect to their investment for the immediately preceding tax year. The Company shall retain a nationally recognized accounting firm that is mutually selected by OEP and Titan to prepare the information, including any U.S. tax forms and disclosures.

13. PROTECTION OF THE BUSINESS

Definitions

- 13.1 In this Clause:
 - 13.1.1 " **Competing Business** " means any business carried on within the Russian Federation and Georgia, Ukraine, Turkmenistan, Latvia, Lithuania and Estonia and the countries and/or republics which are members of the Commonwealth of Independent States (the " **Restricted Territory** ") which wholly or partly competes or proposes to compete with any business carried on at the Termination Date by any Group Company, or with any related or connected business which on the Termination Date

any Group Company proposes to carry on in the immediate or foreseeable future provided that, in respect of the undertaking given by RDIF in Clause 13.3, a business will only be deemed to be a "Competing Business" if it produces or manufactures industrial or agricultural tires;

- 13.1.2 " **Termination Date** " means the earlier to occur of (i) the date on which the Shareholder giving the covenant in Clause 13.2 or Clause 13.3 (as applicable) ceases to be a Shareholder, and (ii) the date of any termination of this Agreement in accordance with Clause 27; and
- 13.1.3 references to acting directly or indirectly include (without prejudice to the generality of that expression) acting alone or on behalf of any other person or jointly with or through or by means of any other person.

Competition

- 13.2 Titan covenants with RDIF and OEP that until the expiration of twelve (12) months from the Termination Date, neither it nor Titan US shall directly or indirectly carry on or be engaged or interested in a Competing Business save that it may hold for investment purposes up to three per cent. (3%) of any listed class of securities.
- 13.3 Each of OEP and RDIF covenants with Titan, that until the expiration of twelve (12) months from the Termination Date, neither it nor any of its Excluded Entities shall directly or indirectly carry on or be engaged or interested in a Competing Business save that it and any of its Excluded Entities may hold for investment purposes up to three per cent. (3%) of any listed class of securities.

Severability

- 13.4 The restrictions in Clause 13.2 and Clause 13.3 shall be deemed to be separate and severable in relation to each of the countries referred to in Clause 13.1.1.

New Opportunities

- 13.5 Following Completion, if Titan (or any of its Affiliates or Connected Persons) (in either case, an " **Originator** ") identifies or becomes aware of any new business opportunity relevant to the Business of the Group in the Restricted Territory (an " **Opportunity** "), it shall promptly notify such Opportunity (giving reasonable detail of the nature of such Opportunity) to the other Shareholders and the Supervisory Board and (to the extent that it is able and to the extent that it legally can) provide the Company and the Shareholders with the opportunity to participate in such Opportunity on the terms available, as follows:
- 13.5.1. in the event that the Opportunity relates to any business whose primary or substantial operations relate to the manufacturing, production, development and trading of agricultural, industrial, car and truck tires (a " **Core Business** "), the Shareholders shall procure that the Opportunity shall be pursued by the Company (or any Group Company), with the Company (or any Group Company) acquiring control over any shares, assets or business contemplated by such Opportunity; or
- 13.5.2. in the event that the Opportunity relates to any business which is not a Core Business (including, for the avoidance of doubt, any business whose primary or substantial operations relate to the manufacturing, production, development and trading of track or wheel products), the Shareholders shall procure that the Opportunity shall be pursued in such a way as to ensure that:
- (A) Titan (and its Affiliates) shall (directly or indirectly) control not less than 51% of the equity voting capital and/or economic entitlements in respect of any shares, assets or business to be acquired in respect of such Opportunity;
- (B) the Group shall (directly or indirectly) control, in aggregate, not more than 49% of the equity voting capital and/or economic entitlements in respect of any shares, assets or business to be acquired in respect of such Opportunity; and
- (C) Titan shall have such rights with respect to the management and operation of shares, assets or business to be acquired in respect of such Opportunity as shall, as far as practicable, reflect the rights of Titan with respect to the management and operation of the Russian Operating Company pursuant to the terms of this Agreement, the Articles and the charter of the Russian Operating Company (taking into account any changes made to the Articles and the charter pursuant to this Agreement).
- 13.6 The Originator shall not take any steps with respect to the realisation of such Opportunity on its own behalf, except to the extent necessary for preservation and extension of such Opportunity in the reasonable judgment of the Originator. The Shareholders shall (themselves and through their appointed Supervisory Directors) discuss each Opportunity in good faith and use reasonable endeavours to agree mutually acceptable terms for pursuing such Opportunity.
- 13.7 Subject to Clause 13.8, if the Shareholders and/or the Supervisory Board do not approve the Opportunity, then the Originator may pursue the Opportunity on its own behalf.

- 13.8 If Titan (either itself or through its appointed Supervisory Directors) does not approve the Opportunity, then the Originator shall not be entitled to pursue the Opportunity.

14. RELATIONSHIP BETWEEN THE GROUP AND THE SHAREHOLDER

- 14.1 Each Shareholder shall ensure that any contracts (other than the Transaction Documents) between any Group Company and such Shareholder or such Shareholder's Affiliate or Connected Person or another Group Company are:
- 14.1.1 disclosed to the Supervisory Board prior to execution;
 - 14.1.2 where required pursuant to Clause 9.2, approved in accordance with Clause 9; and
 - 14.1.3 made on an arm's length commercial basis and on terms that are not unfairly prejudicial to the interests of any Shareholder or the Group.
- 14.2 If any Group Company has or may have any claim against, or enters into any dispute with, a Shareholder or such Shareholder's Affiliate or any other Group Company, that Shareholder shall (where applicable) ensure that any Supervisory Director or the Managing Director appointed by that Shareholder will not do anything to prevent or hinder the Group asserting or enforcing the claim or prosecuting any dispute (including, without limitation, challenging whether any quorum of any Supervisory Board or Shareholders meeting has been convened, or otherwise exercising any right under this Agreement which would have the effect of frustrating or otherwise preventing the assertion, enforcement or prosecution of such claim or dispute) and that it shall, if necessary, enable all decisions regarding such claims to be taken by the Supervisory Directors or the Managing Director appointed by that Shareholder. This is without prejudice to any right of the defendant Shareholder itself to dispute the claim.

15. TRANSFER OF SHARES

Transfer of shares in the Company

- 15.1 Except in the circumstances set out in Clause 15.3 and Clause 26.6, no Shareholder shall make any Transfer of any Shares without the prior written consent of the other Shareholders until the conclusion of the Initial Period.
- 15.2 From the expiry of the Initial Period until the expiry of the Settlement Option Period neither OEP nor RDIF shall be permitted to make any Transfer of Shares to a Titan Competitor.
- 15.3 Any Shareholder may at any time transfer its Shares to an Affiliate, provided that:
- 15.3.1 the transferee executes a Deed of Adherence attached hereto as Part A of Schedule 1 prior to the transfer taking place; and
 - 15.3.2 the transferee is under an obligation to retransfer its Shares to the transferor if, and before, it ceases to be an Affiliate of the transferor at any time.
- 15.4 Where any Shareholder Transfers Shares in accordance with the provisions of this Agreement:
- 15.4.1 such Transfer must be in respect of all (but not some only) of such Shareholder's Shares; and
 - 15.4.2 such Transfer must comply with the provisions of Clauses 15 to 20, inclusive (as appropriate); and
 - 15.4.3 any transferee executes a Deed of Adherence attached hereto as Part A of Schedule 1 prior to the completion of the Transfer.
- 15.5 Save as otherwise provided in this Agreement, the rights and obligations of the Shareholders as set out in this Agreement shall survive any Transfer completed in accordance with the provisions of this Agreement.
- 15.6 If OEP Transfers its Shares to a Third Party Purchaser in accordance with the provisions of this Agreement, then the Settlement Call Option, the Put Option and the Settlement Put Option shall cease to have effect in respect of the Shares transferred upon completion of the transfer of such Shares in accordance with the terms hereof.
- 15.7 If RDIF Transfers its Shares to a Third Party Purchaser in accordance with the provisions of this Agreement, then the Settlement Call Option, the Put Option and the Settlement Put Option shall cease to have effect in respect of the Shares transferred upon completion of the transfer of such Shares in accordance with the terms hereof.
- 15.8 For the avoidance of doubt, any Transfer of Shares to an Affiliate in accordance with the provisions of this Agreement shall not affect the respective rights and obligations of the Shareholders under Clauses 19 and 20.
- 15.9 No Shareholder may transfer any Shares to a Restricted Person.

16. RIGHT OF FIRST REFUSAL

- 16.1 Subject always to Clause 15 (and, in particular (but without limitation), subject to Clause 15.1), if RDIF and/or OEP (together or individually) receive a binding offer in writing from a Third Party Purchaser for the purchase of all of its/their Shares and wishes to transfer all of its/their Shares to the Third Party Purchaser (the "**Selling Shareholder**"), it/they shall first give a written notice (a "**Transfer Notice**") to Titan, offering to transfer its/their Shares to Titan on the Key Terms. The Transfer Notice shall set out the identity of the Third Party Purchaser and its ultimate beneficial owners as well as all of the Key Terms of the proposed transfer, and shall attach a copy of the Third Party Purchaser's offer.
- 16.2 Following receipt of a Transfer Notice, Titan shall have the right at any time within 30 Business Days after receiving the Transfer Notice (the "**ROFR Period**") to give a notice to the Selling Shareholder(s) (the "**ROFR Acceptance Notice**") accepting the offer to purchase the Selling Shareholder(s)'s Shares on the Key Terms referred to in Clause 16.1.
- 16.3 Subject to the Transfer Terms and Clause 16.7, if Titan gives a ROFR Acceptance Notice within the ROFR Period, it shall be bound to buy, and the Selling Shareholder(s) shall be bound to sell to Titan, the Selling Shareholder(s)'s Shares on the Key Terms and in accordance with the Transfer Terms.
- 16.4 If one of OEP or RDIF (acting individually) serves a Transfer Notice and Titan does not give a ROFR Acceptance Notice within the ROFR Period, then Titan shall be deemed to have declined to exercise its rights under Clauses 16.1 to 16.3 and the Selling Shareholder shall send a Transfer Notice to OEP or RDIF, as the case may be (the "**Non-Selling Shareholder**") within five (5) Business Days of the expiry of the ROFR Period, offering to transfer its Shares to the Non-Selling Shareholder on the Key Terms.
- 16.5 Following receipt of a Transfer Notice, the Non-Selling Shareholder shall have the right at any time within five (5) Business Days after receiving the Transfer Notice (the "**Second ROFR Period**") to give a notice to the Selling Shareholder (the "**ROFR Acceptance Notice**") accepting the offer to purchase the Selling Shareholder's Shares on the Key Terms referred to in Clause 16.4.
- 16.6 Subject to the Transfer Terms and Clause 16.7, if the Non-Selling Shareholder gives a ROFR Acceptance Notice within the Second ROFR Period, it shall be bound to buy, and the Selling Shareholder shall be bound to sell to the Non-Selling Shareholder, the Selling Shareholder's Shares on the Key Terms and in accordance with the Transfer Terms.
- 16.7 The transfer of the Selling Shareholder(s)'s Shares pursuant to this Clause shall be completed and carried out on the terms set out in Clause 22 below within sixty (60) days of the relevant ROFR Acceptance Notice (or, if later, the date on which all necessary Regulatory Approvals are obtained). Each Shareholder and the Company shall use all reasonable endeavours to ensure that any necessary Regulatory Approvals are obtained as soon as practicable. Notwithstanding the foregoing, the relevant ROFR Acceptance Notice and the relevant Buyer's obligation to buy the Selling Shareholder(s)'s Shares shall cease to have effect if (i) any necessary Regulatory Approval is not obtained within one hundred and twenty (120) days of the relevant ROFR Acceptance Notice or (ii) if earlier than the end of the latter period, any relevant authority conclusively refuses to grant any such Regulatory Approval.
- 16.8 If Titan does not give a ROFR Acceptance Notice within the ROFR Period and (if relevant) the Non-Selling Shareholder does not give a ROFR Acceptance Notice within the Second ROFR Period, it/they shall be deemed to have consented to the Selling Shareholder(s) selling its/their Shares to the Third Party Purchaser on the Key Terms, and the Selling Shareholder(s) shall at any time within 90 Business Days after the expiry of the ROFR Period, or, if relevant, the Second ROFR Period, be at liberty to transfer its/their Shares to the Third Party Purchaser (but to no other person) provided that the transfer is for not less than the price, and on terms no more favourable to a purchaser than the terms, specified in the Transfer Notice and subject further to Clause 17.
- 16.9 A Transfer Notice and ROFR Acceptance Notice shall each be governed by English law.
- 16.10 For the avoidance of doubt, this Clause 16 shall not apply to a transfer of Shares pursuant to Clause 18 (*Drag Along/Sale of Russian Operating Company*).

17. TAG ALONG RIGHTS

- 17.1 If:
- 17.1.1 after the expiry of the Initial Period and before the fifth anniversary of Completion, Titan, or
 - 17.1.2 on or after the fifth anniversary of Completion, any Shareholder (in the case of RDIF and OEP, following compliance with Clause 16),

(in either case the selling Shareholder being the "**Tag Transferor**") proposes to sell all and not some only of its Shares (the "**Tag Shares**") on a bona fide arms' length sale to a Third Party Purchaser, subject to Clause 18.3, the Tag Transferor shall not complete any sale unless it ensures that the Third Party Purchaser offers to buy all and not some only of the Shares held by the other Shareholders (the "**Other Shareholders**") at the same time, and on the same terms, as it acquires Tag Shares from the Tag Transferor.

- 17.2 The offer referred to in Clause 17.1 shall:
- 17.2.1 be irrevocable and unconditional (except for any conditions which apply to the proposed transfer of the Tag Shares);
 - 17.2.2 fully describe all material terms and conditions (including terms relating to consideration, time of completion and conditions precedent) agreed between the Tag Transferor(s) and the Third Party Purchaser;
 - 17.2.3 be governed by the laws of England or the laws of such other jurisdiction as may govern any agreement between the Tag Transferor and the Third Party Purchaser; and
 - 17.2.4 be open for acceptance by the other Shareholders during a period of not less than fifteen (15) Business Days after receipt of the offer from the Third Party Purchaser.
- 17.3 The Other Shareholders shall be entitled to accept the offer from the Third Party Purchaser referred to Clause 17.1 by written notice (a "**Tag Along Notice**") to the Third Party Purchaser (copied to the Tag Transferor and the remaining other Shareholder) within the period of 10 Business Days from receipt of the offer.
- 17.4 If one or more of the other Shareholders accepts the offer made by the Third Party Purchaser, the sale of the other Shareholder(s)'s Shares pursuant to this Clause 17 shall be conditional upon completion of the sale of Tag Shares by the Tag Transferor and shall be completed at the same time as that sale.
- 17.5 The transfer of Shares pursuant to this Clause shall be completed and carried out on the terms set out in Clause 22 below within sixty (60) days of the relevant Tag Along Notice (or, if later, the date on which all necessary Regulatory Approvals are obtained). Each Shareholder and the Company shall use all reasonable endeavours to ensure that any necessary Regulatory Approvals are obtained as soon as practicable. Notwithstanding the foregoing, the relevant Tag Along Notice and the right of all and any Shareholders to transfer Shares to the Third Party Purchaser shall cease to have effect if (i) any necessary Regulatory Approval is not obtained within one hundred and twenty (120) days of relevant Tag Along Notice or (ii) if earlier than the end of the latter period, any relevant authority conclusively refuses to grant any such Regulatory Approval.
18. **DRAG ALONG/SALE OF RUSSIAN OPERATING COMPANY**
- 18.1 If neither the Put Option nor the Settlement Option have been exercised by RDIF and/or OEP prior to the expiry of the Settlement Option Period then, following the expiry of the Settlement Option Period, provided that RDIF and OEP collectively hold at least 50% of the issued share capital of the Company and subject to Clause 18.4, RDIF and OEP (acting together) shall be entitled to either:
- 18.1.1 procure a sale of, and require the Company to sell, the Russian Operating Company to a Third Party Purchaser (the "**Sale Right**"); or
 - 18.1.2 sell all (and not some only) of their Shares (the "**Drag Shares**") on a bona fide arms' length sale to a Third Party Purchaser, and require Titan to sell to such Third Party Purchaser all the Shares held by Titan at the same price per Share and on the same conditions as offered to RDIF and OEP by such Third Party Purchaser (the "**Drag Right**").
- 18.2 In order to exercise either the Sale Right or the Drag Right, RDIF and OEP (acting together) shall send to Titan a notice ("**Sale Notice**") (such notice being irrevocable), specifying:
- 18.2.1 the name(s) of the proposed Third Party Purchaser;
 - 18.2.2 the terms of the sale (where the Sale Right is being exercised) or the terms of transfer of the Shares (where the Drag Right is being exercised); and
 - 18.2.3 the price for the sale of the Russian Operating Company (where the Sale Right is being exercised) or the price per Share (where the Drag Right is being exercised).
- 18.3 Where the Drag Right is exercised, Clause 17 shall not apply and the sale of the Shares held by Titan pursuant to this Clause 18 shall be conditional upon completion of the sale of the Drag Shares by RDIF and OEP and shall be completed at the same time as that sale and shall be made on the same terms and conditions as described in the Sale Notice. Titan agrees to give to the transferee the following warranties, in each case on a several basis and on substantially the same terms as given by RDIF and OEP:
- 18.3.1 warranties as to good title to the Shares it transfers;
 - 18.3.2 warranties as to absence of any Encumbrance with respect to its Shares;

- 18.3.3 customary warranties concerning its power and authority to undertake the proposed transfer of the Shares; and
- 18.3.4 such limited business warranties regarding operational matters as are agreed by Titan, RDIF and OEP to be given by Titan, RDIF and OEP at the relevant time and for these purposes:
- (A) RDIF, OEP and Titan shall use their best efforts to agree the terms of such limited business warranties and any related disclosures against such warranties between themselves and with the relevant Third Party Purchaser; and
 - (B) Titan agrees that it shall not take any action the main purpose of which is to frustrate or delay the sale of the Shares to the Third Party Purchaser (without prejudice to Titan's right to act in its own best interest).
- 18.4 The Sale Right and the Drag Right may only be exercised where the exercise of such right will result in Titan receiving an amount at least equal to the aggregate of (i) the Titan Investment Amount; and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by Titan from the Company from the date of Completion, represent an IRR for Titan of 8 per cent. per annum in respect of the Shares held by Titan from Completion until the date of completion of the sale of the Russian Operating Company or the sale of Titan's Shares to the Third Party Purchaser (as relevant).
- 18.5 Any transfer of Shares pursuant to this Clause shall be completed and carried out on the terms set out in Clause 22 below within sixty (60) days of the relevant Sale Notice (or, if later, the date on which all necessary Regulatory Approvals are obtained). Each Shareholder and the Company shall use all reasonable endeavours to ensure that any necessary Regulatory Approvals are obtained as soon as practicable. Notwithstanding the foregoing, the relevant Sale Notice and Titan's obligation to transfer its Shares shall cease to have effect if (i) any necessary Regulatory Approval is not obtained within one hundred and twenty (120) days of relevant Sale Notice or (ii) if earlier than the end of the latter period, any relevant authority conclusively refuses to grant any such Regulatory Approval.
- 19. PUT OPTION**
- 19.1 Titan irrevocably grants to each of RDIF and OEP an option (the "**Put Option**") to require that Titan purchase from RDIF and/or OEP all (but not some only) of their respective Shares for the Put Option Price. The Put Option shall be exercisable at any time from the third anniversary of Completion until the fifth anniversary of Completion (the "**Put Option Period**").
- 19.2 The Put Option shall be exercisable by written notice from or on behalf of RDIF and/or OEP (the Shareholder exercising the Put Option being the "**Exercising Party**") to Titan (the "**Put Option Notice**") within the Put Option Period. RDIF and OEP may exercise the Put Option separately or together within the Put Option Period.
- 19.3 The transfer of the Exercising Party/ies's Shares pursuant to the Put Option shall be completed and carried out on the terms set out in Clause 22 below within sixty (60) days of the Put Option Notice (or, if later, the date on which all necessary Regulatory Approvals are obtained). Each Shareholder and the Company shall use all reasonable endeavours to ensure that any necessary Regulatory Approvals are obtained as soon as practicable. Notwithstanding the foregoing, the Put Option Notice and Titan's obligation to buy the Exercising Party/ies's Shares shall cease to have effect if (i) any necessary Regulatory Approval is not obtained within one hundred and twenty (120) days of Put Option Notice or (ii) if earlier, than the end of the latter period, any relevant authority conclusively refuses to grant any such Regulatory Approval. The Exercising Parties shall not be required to make any warranty to Titan, other than as to: (i) good title to the Shares it transfers; (ii) absence of any Encumbrance with respect to its Shares; and (iii) customary warranties concerning its power and authority to undertake the proposed transfer of the Shares.
- 19.4 For the purposes of this Clause 19, the "**Put Option Price**" shall be calculated by Titan as follows:
- $$\text{Put Option Price} = (A / B) \times ((\text{LTM EBITDA} \times 5.5) - \text{Net Debt})$$
- where "**A**" is the number of Shares held by the Exercising Party on the date of the relevant Put Option Notice, "**B**" is the total number of Shares in issue on the date of the relevant Put Option Notice, and LTM EBITDA and Net Debt shall be measured on (or on a date as near as practicable following) the date of the relevant Put Option Notice.
- 19.5 Titan shall notify the Exercising Party/ies's in writing of its calculation of the Put Option Price within ten (10) Business Days of receipt of the relevant Put Option Notice (a "**Put Option Price Notice**"). If an Exercising Party disagrees with Titan's calculation of the Put Option Price, then it may notify Titan (copied to the other Exercising Party where there are two) in writing of such disagreement within ten (10) Business Days after receiving the Put Option Price Notice (an "**Objection Notice**"). An Objection Notice shall set out reasonable details of the disagreement and the Exercising Party's or Exercising Parties' alternative calculations, as

well as the Exercising Party's or Exercising Parties' nominations under Clause 19.6 below for the role of the Expert. If the disagreement is not resolved to the satisfaction of the Shareholders within five (5) Business Days after the Objection Notice is served, the Put Option Price shall be determined by an independent expert (the "**Expert**") in accordance with Clauses 19.6 to 19.12 below.

- 19.6 The Expert shall be one of the Permitted Accountancy Firms (who shall not be the Auditor). The Shareholder serving any Objection Notice shall nominate two such accounting firms to act as the Expert, and Titan shall select one of such nominees, who shall be the Expert, by no later than five (5) Business Days following the receipt of any Objection Notice by the other Shareholder.
- 19.7 The Shareholders shall procure that the Company and the Subsidiaries provide to the Expert all reasonable assistance and information necessary to review and assess Titan's calculation of the Put Option Price and Titan shall provide the Expert with access to all of its working papers.
- 19.8 The Expert shall determine the Put Option Price. Within twenty (20) Business Days of his appointment the Expert must give written notice to the Shareholders of the Put Option Price. The Expert shall be obliged to include written reasons for his determination in the notice to the Shareholders.
- 19.9 The Expert shall be deemed to act as an expert and not as an arbitrator and, save in the case of fraud or manifest error, his determination shall be final and binding on all concerned.
- 19.10 If, by the time of the appointment of the Expert, the Shareholders have not agreed the procedure to be followed by the Expert in arriving at his decision, the Expert shall be entitled to determine the procedure. The Expert shall be entitled to appoint legal or other advisers if appropriate.
- 19.11 The Exercising Party/ies (on the one hand) and Titan (on the other) shall each bear one half of the Expert's costs, unless the Expert issues a determination which fully endorses and confirms one Shareholder's calculation of the matters which are the subject of the Objection Notice, in which case the Expert's costs shall be borne solely by the other Shareholders.
- 19.12 If any difficulty arises in determining the Put Option Price then the Expert shall resolve that difficulty in such manner as he shall in his absolute discretion think fit.

20. SETTLEMENT OPTIONS

Settlement Put Option

- 20.1 Titan irrevocably grants to each of RDIF and OEP an option (the "**Settlement Put Option**") to require that Titan purchases from RDIF and/or OEP all (but not some only) of their respective Shares for the Settlement Option Price. The Settlement Put Option shall be exercisable at any time from the fifth anniversary of Completion until the expiry of six months from that date (the "**Settlement Option Period**").
- 20.2 The Settlement Put Option shall be exercisable by written notice from or on behalf of RDIF and/or OEP to Titan (the "**Settlement Put Option Notice**") within the Settlement Option Period. RDIF and OEP may exercise the Settlement Put Option separately or together within the Settlement Option Period.

Settlement Call Option

- 20.3 RDIF and OEP each irrevocably grant to Titan an option (the "**Settlement Call Option**") to require that RDIF and/or OEP sell to Titan all (but not some only) of their respective Shares for the Settlement Option Price, which price must be specified in cash. The Settlement Call Option shall be exercisable at any time within the Settlement Option Period.
- 20.4 The Settlement Call Option shall be exercisable by written notice from or on behalf of Titan to RDIF and/or OEP (the "**Settlement Call Option Notice**") within the Settlement Option Period. Titan may exercise the Settlement Call Option in respect of the Shares held by RDIF and Shares held by OEP at the same time or on in respect of the Shares held by either on separate occasions within the Settlement Option Period (or in respect of the Shares held by one only and not the other).
- 20.5 The transfer of RDIF's and/or OEP's Shares pursuant to the Settlement Put Option or the Settlement Call Option (the Shareholder transferring its Shares being the "**Selling Party**") shall be completed and carried out on the terms set out in Clause 22 below within sixty (60) days of the relevant Settlement Option Notice (or, if later, the date on which all necessary Regulatory Approvals are obtained). Each Shareholder and the Company shall use all reasonable endeavours to ensure that any necessary Regulatory Approvals are obtained as soon as practicable. Notwithstanding the foregoing, the relevant Settlement Option Notice and Titan's obligation to buy the Selling Party/ies's Shares shall cease to have effect if (i) any necessary Regulatory Approval is not obtained within one hundred and twenty (120) days of relevant Settlement Option Notice or (ii) if earlier than the end of the latter period, any relevant authority conclusively refuses to grant any such Regulatory Approval. The Selling Shareholder shall not be required to make any warranty to Titan,

- other than as to: (i) good title to the Shares it transfers; (ii) absence of any Encumbrance with respect to its Shares; and (iii) customary warranties concerning its power and authority to undertake the proposed transfer of the Shares.
- 20.6 For the purposes of this Clause 20, the "**Settlement Option Price**" for the Shares being sold by a Selling Party shall be calculated by Titan as the greater of:
- 20.6.1 the product of: $(A / B) \times ((\text{LTM EBITDA} \times 5.5) - \text{Net Debt})$,
where "**A**" is the number of Shares held by the relevant Selling Party on the date of the relevant Settlement Option Notice, "**B**" is the total number of Shares in issue on the date of the relevant Settlement Option Notice, and LTM EBITDA and Net Debt shall be measured on (or on a date as near as practicable following) the date of the relevant Settlement Option Notice; and
- 20.6.2 an amount equal to the aggregate of (i) the Investment Amount of the relevant Selling Party; and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by the relevant Selling Party from the Company from the date of Completion, represent an IRR for that Selling Party of 8 per cent. per annum in respect of the Shares held by that Selling Party from Completion until the date of completion of the sale of that Selling Party's Shares to Titan.
- 20.7 If a Selling Party disagrees with Titan's calculation of the Settlement Option Price, then the provisions of Clauses 19.5 to 19.12 (inclusive) shall apply *mutatis mutandis*.
- 20.8 A Shareholder may serve only one Settlement Option Notice. If RDIF and/or OEP serve a Settlement Put Option Notice and Titan serves a Settlement Call Option Notice in respect of the same Shares, only the first Settlement Option Notice to be served shall be effective.
- 20.9 Subject to Clause 20.8, where a Shareholder serves a Settlement Option Notice such service shall not prejudice any other Shareholders' right to serve a Settlement Option Notice in accordance with this Clause.
21. **ISSUES OF NEW SECURITIES**
- 21.1 Without prejudice to Clause 9.2.2, the Company shall not issue or sell, agree to issue or sell, or reserve or set aside for issuance or sale any Shares or rights to any Shares or any other instruments convertible into Shares ("**New Securities**"), unless the Company shall have first complied with Clauses 21.2 and 21.3.
- 21.2 If the Company proposes to issue New Securities then, subject to the Supervisory Board Reserved Matters:
- 21.2.1 the New Securities shall be offered for subscription in cash and on the same terms to each Shareholder pro rata to its Equity Proportion (as nearly as may be) (as at the close of business on the date prior to such offer) (a Shareholder's "**Pro Rata Entitlement**"), provided (for the avoidance of doubt) that each A Shareholder shall be offered A Shares in a number calculated pro rata to its Equity Proportion of all Shares in issue, and each B Shareholder shall be offered B Shares in a number calculated pro rata to its Equity Proportion of all Shares in issue, and that the New Securities shall be offered on the basis that each Shareholder may take up all or part or none of the New Securities offered to it;
- 21.2.2 each offer shall be made by notice from the Company (the "**Issue Notice**") specifying (i) the number of New Securities to which the relevant Shareholder is entitled, (ii) the price per New Securities (the "**Subscription Price**") (which shall be established in accordance with Clause 21.3) and (iii) a time (being not less than twenty-one (21) days from the date of the Issue Notice) within which, if the offer is not accepted, it will be deemed to be declined;
- 21.2.3 each Shareholder who accepts the offer by notice to the Company shall, in addition, state either (i) that it would accept, on the same terms, New Securities (specifying a maximum number) that are not accepted by the other Shareholders ("**Excess Shares**") or (ii) that it would not accept any Excess Shares (and, if a Shareholder who accepts the offer fails to make a confirmation in the terms of (i) or (ii), it shall be deemed to have made a confirmation in the terms of (ii));
- 21.2.4 on expiry of the acceptance period referred to in Clause 21.2.2, New Securities shall be allocated to each Shareholder who has applied for its Pro Rata Entitlement (or less than its Pro Rata Entitlement);
- 21.2.5 Excess Shares shall be allocated to each Shareholder, who has indicated that it will accept Excess Shares, pro rata to the Equity Proportions of all those Shareholders (including those Shareholders holding Shares of a different class to the Shareholder to be allotted Excess Shares) who have indicated that they would accept Excess Shares (provided that no Shareholder shall be allocated more than the maximum number of Excess Shares that it has indicated it is willing to accept);
- 21.2.6 for the avoidance of doubt, (i) if any A Shareholder indicates that it is willing to accept Excess Shares, and one or more B Shareholders do not accept their full Pro Rata Entitlement of New

- Securities, then all of the Excess Shares to be allotted to such A Shareholder shall be A Shares, and (ii) if any B Shareholder indicates that it is willing to accept Excess Shares, and one or more A Shareholders do not accept their full Pro Rata Entitlement of New Securities, then all of the Excess Shares to be allotted to such B Shareholder shall be B Shares;
- 21.2.7 if (after the first allocation of Excess Shares) there remain Excess Shares which have not been allocated and one or more Shareholders (the "**Remaining Shareholders**") have indicated in their response to the Issue Notice that they will accept more Excess Shares than they have been allocated, the remaining Excess Shares shall be allocated to the Remaining Shareholders pro rata to the Equity Proportions of the Remaining Shareholders; Excess Shares shall continue to be allocated on this basis until either all Excess Shares are allocated or all requests for Excess Shares are satisfied; and
- 21.2.8 where any allocation under this Clause 21 would result in a fractional allotment of New Securities, the Supervisory Board may, in its absolute discretion, round up or down such fractional allotments so that the offers and/or allotments of New Securities by the Company are of whole numbers of shares (totalling the number of shares for which the Shareholders have given approval for issue).
- 21.3 The Subscription Price shall be determined by the Supervisory Board (acting reasonably) as at the date Supervisory Board consent is given to the issue (in accordance with Clause 9), and shall not be less than the fair market value for each New Security (provided, for the avoidance of doubt, that the Subscription Price for A Shares and B Shares which are New Securities shall be equal).
- 22. TRANSFER TERMS**
- 22.1 This Clause sets out the terms on which any Shares are to be transferred pursuant to Clauses 15 to 21 above.
- 22.2 In this Clause:
- 22.2.1 "**Buyer**" means the purchaser(s) of any Shares in accordance with the terms of this Agreement;
- 22.2.2 "**Outgoing Parties' Loans**" means any loans owing at that time from any Group Company to the Sellers or any member of their group;
- 22.2.3 "**Relevant Notice**" means the relevant ROFR Notice, Tag Along Notice, Sale Notice, Put Option Notice, Settlement Put Option Notice or Settlement Call Option Notice (as the case may be);
- 22.2.4 "**Sellers**" means the seller(s) of any Shares in accordance with the terms of this Agreement;
- 22.2.5 "**Transferring Shares**" means the Shares being sold or transferred.
- 22.3 Any transfer of the Transferring Shares shall be on the following terms (the "**Transfer Terms**"):
- 22.3.1 the Transferring Shares will be sold free from all liens, charges and encumbrances and third party rights, but together with all rights of any nature attaching to them including all rights to any dividends or other distributions declared, paid or made after the date of the Relevant Notice;
- 22.3.2 with effect from the date of completion (the "**Transfer Date**"), the Buyer shall (i) take an assignment of, or make available equivalent finance in place of, the Outgoing Parties Loans and (ii) assume any obligations of the Sellers and any other members of their group under (and shall procure the release of) any guarantees, indemnities, letters of comfort and/or counter indemnities to third parties in relation to the business of the Group (the "**Liabilities**"). This is without prejudice to the right of the Buyer to receive a contribution from the Sellers for their share of any claims attributable to any Liabilities arising in respect of the period before the Transfer Date;
- 22.3.3 the Seller and the Buyer shall procure that a notarial deed of share transfer in respect of the Transferring Shares shall be executed and that the Company shall acknowledge the transfer of the Transferring Shares and the Buyer shall pay the consideration for the Transferring Shares to the Sellers in full by electronic transfer in immediately available funds on the Transfer Date or, where applicable, in accordance with Clause 22.9;
- 22.3.4 the Company shall ensure (insofar as it is able) that the relevant transfer or transfers (subject to their being duly stamped, stamp duty (where applicable) to be paid by the Buyer) are registered in the shareholders register of the Company in the name of the Buyer;
- 22.3.5 the Sellers shall do all such other things and execute all other documents (including any deed) as the Buyer may reasonably request to give effect to the sale and purchase of the Transferring Shares;
- 22.3.6 if requested by the Buyer, the Sellers shall deliver written resignations by all the Supervisory Directors and the Managing Director (to the extent applicable) appointed by them and the resignation(s) take effect without any liability on the Company or any other Group Company for compensation for loss of office or otherwise; and

- 22.3.7 except where this Agreement terminates as a result of the transfer, the Buyer shall enter into a Deed of Adherence attached hereto as Part A of Schedule 1 agreeing to be bound by the provisions of this Agreement.
- 22.4 If the transfer is a transfer from one Shareholder to another and the Seller(s) fail(s) to comply with its/their obligations in Clause 22.3, the Seller(s) shall be deemed to have hereby irrevocably appointed a Supervisory Director appointed or to be appointed by the Buyer to be its agent and attorney to execute and deliver the necessary instrument(s) of transfer including the notarial deed of share transfer on its/their behalf and to take all other necessary action on its behalf (against receipt of the purchase price by the Company (on trust for or on behalf of the Seller(s))) to give effect to the transfer of the Transferring Shares to the Buyer in accordance with Applicable Law. The Company may receive the purchase money in trust for or on behalf of the Seller(s) and cause the registration in the shareholders register of the Company in the name of the Buyer. The receipt by the Company of the purchase money in trust for or on behalf of the Seller(s) shall be sufficient for the final discharge (*finale kwijting*) to the Buyer (who shall not be bound to see to the application of those moneys).
- 22.5 Without limiting Clause 22.4, if the Seller(s) fail(s) to transfer any Shares in accordance with Clause 22.3, the Buyer may serve a default notice. Unless such non-compliance has been remedied to the reasonable satisfaction of the Buyer within five Business Days of service of a default notice, on and from the sixth Business Day, the defaulting Seller(s) shall not be entitled to any profits of the Company, all relevant provisions of this Agreement shall be deemed amended such that only the presence or representation of the Supervisory Directors appointed by the Shareholders other than the Seller(s) (in case of Supervisory Board meetings) and/or the presence or representation of the Shareholders other than the Seller(s) (in case of Shareholders' meetings) are required to validly approve decisions laid down in such meetings, and the provisions of Clauses 26.3(A) and 26.3(B) shall apply, such that references therein to the "Defaulting Shareholder" shall be deemed to be references to any Seller in default of its obligations under Clause 22.3.
- 22.6 If there is more than one Buyer, the Buyers shall acquire the Transferring Shares, and shall otherwise perform the obligations of the "Buyer" under this Clause 22, in their respective Equity Proportions.
- 22.7 The Shareholders agree that, if at any time OEP and/or RDIF proposes to transfer any B Shares to any A Shareholder then all such B Shares shall be reclassified as or converted into A Shares as soon as possible following the completion of such transfer and the other Shareholders and the Company shall fully cooperate with such reclassification or conversion.
- 22.8 The Shareholders agree that, if at any time any A Shares are proposed to be transferred to OEP and/or RDIF, all such A Shares shall be reclassified as or converted into B Shares as soon as possible following the completion of such transfer and the other Shareholders and the Company shall fully cooperate with such reclassification or conversion.

Cash Alternative

- 22.9 Any amount due from Titan to a Seller in respect of the Put Option or the Settlement Put Option may, at Titan's sole discretion (in the case of RDIF, subject to Clause 22.10, and in the case of OEP, subject to Clause 22.11)), be settled either (i) in cash or, alternatively, (ii) by procuring that, on or before the Transfer Date, Titan US allot and issue to the relevant Seller (or its nominee) (credited as fully paid and non-assessable) common stock (rounded to the nearest whole number) in the capital of Titan US (which common stock shall rank *pari passu* with other common stock of the capital of Titan US in all respects) free and clear of any Encumbrances with a net economic value in USD to the Sellers (calculated on the basis of the three-month volume weighted average share price applying to Titan US's common stock as quoted on Bloomberg or such other recognized data service provider in the period ending on the date of the Relevant Notice) equal to the amount due to such Seller (the " **Cash Alternative** "), provided that Titan shall not be permitted to procure the allotment and issuance of common stock in the capital of Titan US to a Seller to discharge its payment obligation in respect of the Put Option or the Settlement Put Option unless such common stock is at the time of issuance traded on a recognised stock exchange and is freely transferrable. In the event that Titan elects to settle its payment obligations under the Put Option or the Settlement Put Option (as the case may be) pursuant to the Cash Alternative, it shall give a notice to the relevant Seller setting out details of the Cash Alternative (including the number of shares in the capital of Titan US to be issued to such Seller) (the " **Titan Cash Alternative Notice** ") at least 15 Business Days before the Transfer Date.
- 22.10 Following receipt of a Titan Cash Alternative Notice, RDIF shall have the right at any time within ten (10) Business Days after receiving the Titan Cash Alternative Notice to give a notice to Titan confirming its intention to dispose of, directly or indirectly, all of the common stock to be issued to RDIF (or its nominee) pursuant to the Cash Alternative (the " **Cash Alternative Shares** ") as soon as practicable after the Transfer Date, but in any event by no later than six (6) weeks immediately after the Transfer Date. If the net proceeds actually received by RDIF from such disposal (calculated taking into account any reasonable transaction

costs and expenses (including any transaction Taxes accruing directly from such disposal) incurred by or on behalf of RDIF in connection with the disposal) are less than the amount due to RDIF pursuant to the Put Option or the Settlement Put Option (the amount of any such difference being the " **Shortfall** "), then Titan shall pay to RDIF the amount equal to the Shortfall on demand in writing by wire transfer to an account specified by RDIF in such written demand within five (5) Business Days of such written demand. Titan and RDIF shall cooperate with each other in connection with the disposal of the Cash Alternative Shares to minimize any volatility in the price of the Titan US common stock and also the quantum of any Shortfall.

- 22.11 Following receipt of a Titan Cash Alternative Notice, a holder of the issued and outstanding shares in the capital of OEP (an "**OEP Seller**") shall have the right at any time within ten (10) Business Days after receiving the Titan Cash Alternative Notice to give a notice to Titan electing to sell all of the issued and outstanding shares in the capital of OEP to Titan (which election shall occur instead of OEP selling any Shares referred to in Clauses 19 and 20), whereupon:
- 22.11.1 all references to Shares held by OEP in Clause 19 (*Put Option*) and/or Clause 20 (*Settlement Options*), as the case may be, shall be deemed to be references to shares representing all of the issued and outstanding share capital of OEP (the " **OEP Shares** ") (for the avoidance of doubt, such shares in the capital of OEP to be Transferring Shares, as contemplated by Clause 22.2.5);
- 22.11.2 OEP shall procure that each OEP Seller shall adhere to the terms of this Agreement for purposes of effecting the transfer of the OEP Shares to Titan by executing and delivering a Deed of Adherence attached hereto as Part B of Schedule 1; and
- 22.11.3 without prejudice to the generality of the foregoing provisions of this Clause 22 (and notwithstanding any provision of Clause 19 (*Put Option*) and/or Clause 20 (*Settlement Options*), as the case may be), each OEP Seller shall, on the date of any election notice contemplated by this Clause 22.11, and the date of any transfer of OEP Shares, be deemed to warrant to Titan in the terms of the OEP Warranties.

23. **ALLOCATION OF PROFITS AND DISTRIBUTIONS**

- 23.1 The Shareholders and the Company agree that the Supervisory Directors of the Company shall resolve on any decision to pay any dividend or make any distribution by any other means, subject to and taking into account Applicable Law.
- 23.2 The Shareholders and the Company agree that, subject to Clause 23.1, whenever the amount of a dividend or distribution to be paid falls to be ascertained by the Company or any Group Company:
- 23.2.1 the total profits of the Company or that Group Company available for distribution (" **Distributable Profits** ") shall be as determined by the auditors of that company in accordance with Applicable Law;
- 23.2.2 the Supervisory Directors of the Company shall identify amounts (" **Retained Amounts** ") which they consider (having regard to all other sources of funding available to the Group) should be retained in order:
- (A) to repay all principal and interest amounts outstanding in respect of any outstanding Titan Loan;
- (B) to meet reasonably foreseeable commitments and contingencies;
- (C) to develop the Business in accordance with the Business Plan (when in force) and the then current Budget;
- (D) to fund any capital expenditure approved in accordance with Clause 9.2.6;
- (E) to ensure that there is no breach of any covenant or undertaking given by the Company or that Group Company to any lender at the time of the payment and, in the opinion of the relevant board, there is not likely to be such a breach within the following twelve (12) months; and
- (F) to maintain the sound financial standing of the Company or that Group Company and of the Group (taken as a whole).
- 23.3 The Shareholders may agree from time to time in relation to any financial year (unless any additional funds are required to be retained in connection with any matter resolved upon pursuant to any Reserved Matter) to procure (to the extent that they are lawfully able) that in respect of such financial year the Supervisory Board declares a final dividend of not less than a minimum percentage agreed by the Shareholders of the balance (if any) remaining after deducting the Retained Amounts from the Distributable Profits.
- 23.4 A resolution or decision to make any distribution or pay any dividend shall have no effect until the Management Board has approved such distribution or dividend to the extent required under Applicable Laws. The Management Board shall only refuse to grant such approval in the event the Management Board is aware or should reasonably be aware that the Company shall, as a result of the envisaged distribution or dividend,

no longer be able to continue to pay its due and payable debt.

24. AMENDMENTS

A variation of this Agreement (or of any of the documents referred to in it) is valid only if it is in writing and signed by or on behalf of each Party (except that (i) a variation of any provision of this Agreement which only affects the respective rights and obligations of the Shareholders or any of them as between themselves shall require the agreement of the Shareholders but not the Company, and (ii) the agreement of Titan US shall only be required in respect of a variation of Clauses 1, 19, 20, 24, 28, 29.9, 29.10, 29.11, **Error! Reference source not found.**, 29.13, 29.16, 29.17, 29.18, 29.20 or 29.21). The expression "variation" includes any variation, supplement, deletion or replacement however effected.

25. CONFLICT WITH CONSTITUTIONAL DOCUMENTS

- 25.1 If the provisions of this Agreement conflict with the Articles or those of any Group Company, the provisions of this Agreement shall prevail as between the Parties to the fullest extent permitted by Applicable Law. The Parties shall exercise all voting and other rights and powers available to them to ensure that any required amendment is made to the Articles or the constitutional document of any other Group Company (as the case may be) to give effect to the provisions of this Agreement to the fullest extent permitted by Applicable Law.
- 25.2 The Company is not bound by any provision of this Agreement to the extent that it constitutes an unlawful fetter on any statutory power of the Company. This shall not affect the validity of the relevant provision as between the Parties or the respective obligations of the Parties as between themselves under Clause 25.1.

26. DEFAULT

Events of Default

- 26.1 A Shareholder commits an event of default if:
- 26.1.1 it does not pay any amount payable by it under this Agreement (excluding, for the avoidance of doubt, any payment obligation of Titan (or any Affiliates thereof) under any Titan Loan) and such amount remains unpaid after the expiry of ten (10) Business Days following the giving by any other Shareholder to such Shareholder of a notice requiring such payment to be made;
- 26.1.2 in respect of Titan and RDIF only, a Change of Control occurs with respect to it without the prior written consent of the other Shareholders (and in this regard a Shareholder may from time to time request evidence of Control in terms and form that will satisfy that Shareholder (acting reasonably));
- 26.1.3 it (or the person that transferred Shares to it or one of its predecessors in title pursuant to Clause 15.3) commits a breach of Clauses 12, 14, 15, 16, 17 or 18 and either the breach is not capable of being remedied or the breach is not remedied within 20 Business Days of any other Shareholder sending it written notice requiring it to remedy the breach;
- 26.1.4 an order is made by a court of competent jurisdiction, or a resolution is passed, for the liquidation or administration of a Shareholder or a notice of appointment of an administrator of such Shareholder is filed with a court of competent jurisdiction (otherwise than in the course of a reorganisation or restructuring previously approved in writing by the other Shareholders) or any analogous event occurs in any jurisdiction;
- 26.1.5 any step is taken (otherwise than in the course of a reorganisation or restructuring previously approved in writing by the other Shareholders) to appoint a manager, receiver, administrative receiver, administrator or other similar officer of such Shareholder or in respect of such Shareholder or any of its assets which include either (i) the Shares held by that Shareholder or (ii) shares or other securities in that Shareholder;
- 26.1.6 it convenes a meeting of its creditors or makes or proposes any arrangement or composition with, or any assignment for the benefit of, its creditors or any analogous event occurs in any jurisdiction;
- 26.1.7 it is unable to pay its debts as they fall due for the purposes of section 123 of the Insolvency Act 1986 or analogous provision of Applicable Law; or
- 26.1.8 in respect of Titan:
(A) it breaches Clause 9 or Clause 13 in any material respect; or

- (B) it fails to acquire the Shares of RDIF and/or OEP (as relevant) as required pursuant to Clause 19 following the service of a Put Option Notice; or
- (C) it fails to acquire the Shares of RDIF and/or OEP (as relevant) as required pursuant to Clause 20 following the service of a Settlement Put Option Notice; or
- (D) any of the events specified in Clauses 26.1.4, 26.1.5, 26.1.6 or 26.1.7 occur in respect of Titan US (the provisions of such clauses to be applied *mutatis mutandis*),

(the events in Clauses 26.1.1 to 26.1.7 being an " **Event of Default** ", and the events in Clause 26.1.8 being a " **Titan Event of Default** ").

Consequences of an Event of Default

26.2 If an Event of Default is committed by a Shareholder (a " **Defaulting Shareholder** "), any other Shareholder (each a " **Non-Defaulting Shareholder** ") may (acting reasonably and in good faith) serve notice on the Defaulting Shareholder stating that it considers an Event of Default to have been committed by the Defaulting Shareholder (such notice to set out in reasonable detail the bases on which the Non-Defaulting Shareholder has made such conclusion) (a " **Default Notice** "), and:

- 26.2.1 in the event that the matter described in any Default Notice is capable of remedy, requiring the Defaulting Shareholder to remedy such matter as soon as practicable, but in any event by no later than 15 Business Days following the date on which the Default Notice is served; or
- 26.2.2 in the event that the matter described in any Default Notice is not capable of remedy, notifying the Defaulting Shareholder of its intention to exercise its rights under this Clause 26 by no earlier than 10 Business Days following the date on which the Default Notice is served.

26.3 In the event that:

- 26.3.1 in the case of any Default Notice served pursuant to Clause 26.2.1, any matter described in such Default Notice is not remedied to the Non-Defaulting Shareholders satisfaction (acting reasonably and in good faith) by the date required for such remedy in the Default Notice; or
- 26.3.2 in the case of any Default Notice served pursuant to Clause 26.2.2, following the expiry of the period referred to in the Default Notice, the Non-Defaulting Shareholder still elects to exercise its rights under this Clause 26,

then, without prejudice to the Defaulting Shareholder's obligations under this Agreement and to any other rights or remedies available to any of the other Parties with respect to the Defaulting Shareholder, the Non-Defaulting Shareholder(s) shall be entitled by further notice in writing to the Defaulting Shareholder (copied to the Company) at any time whilst such Event of Default subsists to require:

- (A) that the Defaulting Shareholder shall not exercise its right to attend and vote at general meetings of the Company or execute written resolutions;
- (B) that any Supervisory Director nominated for appointment by the Defaulting Shareholder shall be suspended; and
- (C) in the case of any Event of Default contemplated by this Clause 26, the rights of the Defaulting Shareholder, and the obligations of the Company and the other Shareholder(s) (including, without limitation, any payment obligations) under this Agreement and any Transaction Document in favour of the Defaulting Shareholder may be suspended and/or terminated at the Non-Defaulting Shareholder(s)'s discretion,

and, in the circumstances described in Clauses 26.3(A) and 26.3(B) above, the Defaulting Shareholder or the Supervisory Directors nominated for appointment by the Defaulting Shareholder (as applicable) shall not be required to count towards a quorum of the relevant meeting.

26.4 Pursuant to the right granted to them under the Articles, the Shareholders agree, and give notice of such agreement to the Company, that whenever any notice is given pursuant to Clause 26.3 above, no Supervisory Director who is the subject of such notice shall be required in order to constitute a quorum for the transaction of business at a meeting of the Supervisory Board, and the quorum requirements for meetings of the Supervisory Board as set out in the Articles shall, in those circumstances, be construed accordingly.

Consequences of a Titan Event of Default

- 26.5 If a Titan Event of Default occurs, RDIF or OEP may (acting reasonably and in good faith) serve notice on Titan stating that it considers a Titan Event of Default to have occurred (such notice to set out in reasonable detail the bases on which RDIF and/or OEP has made such conclusion) (a "**Titan Default Notice**"), and:
- 26.5.1 in the event that the matter described in any Titan Default Notice is capable of remedy, requiring Titan to remedy such matter as soon as practicable, but in any event by no later than 15 Business Days following the date of the Titan Default Notice; or
 - 26.5.2 in the event that the matter described in any Titan Default Notice is not capable of remedy, notifying Titan of its intention to exercise its rights under this Clause 26 by no earlier than 10 Business Days following the date of the Titan Default Notice.
- 26.6 In the event that:
- 26.6.1 in the case of any Titan Default Notice served pursuant to Clause 26.5.1, any matter described in such Default Notice is not remedied to the Non-Defaulting Shareholders satisfaction (acting reasonably and in good faith) by the date required for such remedy in the Default Notice; or
 - 26.6.2 in the case of any Titan Default Notice served pursuant to Clause 26.5.2, following the expiry of the period referred to in the Titan Default Notice, RDIF and/or OEP still elect to exercise its/their rights under this Clause 26,
- then, without prejudice to Titan's and Titan US's obligations under this Agreement and to any other rights or remedies available to any of the other Parties with respect to Titan and Titan US, RDIF and OEP (acting together) shall be entitled by further notice in writing to Titan (copied to the Company) (a "**Company Sale Notice**") at any time whilst such Titan Event of Default subsists to sell all (and not some only) of their Shares on a bona fide arms' length sale to a Third Party Purchaser, and require Titan to sell to such Third Party Purchaser all the Shares held by Titan (a "**Company Sale**").
- 26.7 The Company Sale Notice shall specify:
- 26.7.1 the name(s) of the proposed Third Party Purchaser;
 - 26.7.2 the terms of transfer of the Shares; and
 - 26.7.3 the anticipated price per Share payable to Titan assuming a distribution in accordance with Clause 26.10.
- 26.8 Where RDIF and OEP are exercising their rights under Clause 26.6, Clauses 16 and 17 shall not apply and the sale of the Shares held by Titan pursuant to this Clause 26 shall be conditional upon completion of the sale of RDIF and OEP's Shares and shall be completed at the same time as that sale and shall be made on the same terms and conditions as described in the Company Sale Notice. Titan agrees to give to the transferee the following warranties, in each case on a several basis and on substantially the same terms as given by RDIF and OEP:
- 26.8.1 warranties as to good title to the Shares it transfers;
 - 26.8.2 warranties as to absence of any Encumbrance with respect to its Shares;
 - 26.8.3 customary warranties concerning its power and authority to undertake the proposed transfer of the Shares; and
 - 26.8.4 such limited business warranties regarding operational matters as are agreed by Titan, RDIF and OEP to be given by Titan, RDIF and OEP at the relevant time and for these purposes:
 - (A) RDIF, OEP and Titan shall use their best efforts to agree the terms of such limited business warranties and any related disclosures against such warranties between themselves and with the relevant Third Party Purchaser; and
 - (B) Titan agrees that it shall not take any action the main purpose of which is to frustrate or delay the sale of the Shares to the Third Party Purchaser (without prejudice to Titan's right to act in its own best interest).
- 26.9 Any transfer of Shares pursuant to this Clause shall be completed and carried out on the terms set out in Clause 22 within sixty (60) days of the relevant Company Sale Notice (or, if later, the date on which all necessary Regulatory Approvals are obtained). Each Shareholder and the Company shall use all reasonable endeavours to ensure that any necessary Regulatory Approvals are obtained as soon as practicable. Notwithstanding the foregoing, the relevant Company Sale Notice and Titan's obligation to transfer its Shares shall cease to have effect if (i) any necessary Regulatory Approval is not obtained within one hundred and twenty (120) days of relevant Company Sale Notice or (ii) if earlier than the end of the latter period, any relevant authority conclusively refuses to grant any such Regulatory Approval.
- 26.10 Following a Company Sale, the Shareholders agree (and shall take such steps to procure) that the proceeds

of such a sale which are due to the Shareholders from the Third Party Purchaser shall be paid to the Shareholders in the following order of priority:

- 26.1.1 first, to pay each B Shareholder an amount equal to the aggregate of (i) its Investment Amount and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by that B Shareholder from the Company, represent an IRR for that B Shareholder of 8 per cent per annum in respect of the B Shares held by that B Shareholder for the period from Completion until the date of the Company Sale Notice;
- 26.1.2 second, to pay the A Shareholder an amount equal to the aggregate of (i) its Investment Amount and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by the A Shareholder from the Company, represent an IRR for the A Shareholder of 8 per cent per annum in respect of the A Shares held by the A Shareholder for the period from Completion until the date of the Company Sale Notice; and
- 26.1.3 third, to pay any remaining proceeds to the Shareholders pro rata to their Equity Proportions.

27. DURATION

27.1 This Agreement shall continue in full force and effect until the earlier of:

- 27.1.1 each of the Parties agreeing in writing to terminate this Agreement;
- 27.1.2 any transfer of Shares as a result of which all of the Shares are held by one Shareholder; and
- 27.1.3 a resolution being passed or a binding order being made for the winding-up of the Company,

whereupon, subject to the provisions of this Clause 27, this Agreement shall terminate and cease to have force and effect.

27.2 In addition, save as provided in this Agreement, the rights and obligations under this Agreement shall terminate as regards any Shareholder upon such Shareholder (and all members of such Shareholder's group) ceasing to hold any Shares.

27.3 Termination of this Agreement, or of the rights and obligations of any Party under this Agreement, shall not:

- 27.3.1 relieve any Party from any liability or obligation for any matter, undertaking or condition which has not been done, observed or performed by that Party before such termination;
- 27.3.2 affect the terms of any agreement replacing this Agreement entered into by the Parties (or any of them);
- 27.3.3 affect the terms of the Surviving Provisions; or
- 27.3.4 affect the Shareholders' continuing obligations under Clause 13 and the corresponding rights of the other Parties to enforce the same.

28. GUARANTEE

Titan US hereby irrevocably and unconditionally guarantees to each of OEP and RDIF performance of obligations of Titan set out in Clauses 19, 20 and 22.9 on the terms set out in Schedule 7 (*Guarantee*) at the date of this Agreement.

29. MISCELLANEOUS

Announcements

29.1 No Party shall be entitled to make any public disclosure or statement relating to the Group, this Agreement or any other agreement or document entered into pursuant to this Agreement or matters contemplated under such agreements or documents without the prior written consent of the other Parties (provided that such consent may not be unreasonably withheld or delayed) except for the cases and only to the extent required under Applicable Law or regulations or a mandatory instruction of competent courts or other authorities. To the extent a Party is obliged to make disclosure it shall prior to making the disclosure consult (unless it is not practicable to do so in all the circumstances) with the other Parties and use all reasonable endeavours to agree the content of any such disclosure.

Confidentiality

29.2 For the purposes of this Clause, " **Confidential Information** " means the existence and contents of this Agreement and any other agreement or arrangement contemplated by this Agreement and:

- 29.2.1 information of a confidential nature concerning the business, finances, assets, liabilities, dealings, transactions, Know-how, customers, suppliers, processes or affairs of the other Parties or the Group; or
- 29.2.2 any information which is expressly indicated to be confidential in relation to the Party disclosing it (or in relation to any of its group undertakings) from time to time.
- 29.3 Each Party undertakes to the other Parties that, subject to Clause 29.4, unless the prior written consent of the other Parties shall first have been obtained it shall, and shall procure that its officers, employees, advisers and agents shall, keep confidential and shall not by failure to exercise due care or otherwise by any act or omission disclose to any person whatever, or use or exploit commercially for its or their own purposes, any of the Confidential Information of the other Parties.
- 29.4 The consent referred to in Clause 29.3 shall not be required for disclosure by a Party of any Confidential Information:
- 29.4.1 in the case of each Investor, to any person referred to in Clause 29.6;
- 29.4.2 to its officers, employees, advisers and agents, in each case, to the extent required to enable such Party to carry out its obligations under this Agreement and who shall in each case be made aware by such Party of its obligations under this Agreement and shall be required by such Party to observe the same restrictions on the use of the relevant information as are contained in Clauses 29.3 and 29.5, subject to the same exceptions as are contained in this Clause 29.4;
- 29.4.3 subject to Clause 29.5, to the extent required by Applicable Law or by the regulations of any stock exchange or regulatory authority to which such Party is or may become subject or pursuant to any order of court or other competent authority or tribunal;
- 29.4.4 to the extent that the relevant Confidential Information is in the public domain otherwise than by breach of this Agreement by any Party;
- 29.4.5 which is disclosed to such Party by a third party who is not in breach or of any undertaking or duty as to confidentiality whether express or implied;
- 29.4.6 to any professional advisers to the disclosing party who are bound to the disclosing party by a duty of confidence which applies to any information disclosed;
- 29.4.7 to the other Parties to this Agreement;
- 29.4.8 pursuant to the terms of this Agreement; or
- 29.4.9 which is information that a prudent prospective purchaser of shares in the Company or the Russian Operating Company, or a prospective provider of debt finance to such prudent prospective purchaser of shares in the Company or the Russian Operating Company, might reasonably require to know and which is disclosed pursuant to negotiations for an arm's length sale of such shares to a recipient which, in the reasonable opinion of the disclosing Party, is a prospective purchaser able to complete the purchase of such shares or which is a provider of debt finance to such prospective purchaser, provided that before any information is disclosed the intended recipient of such information shall have given a confidentiality undertaking to the Parties other than the disclosing Party, pursuant to which the intended recipient shall be required to observe the same restrictions on the use of the relevant information as are contained in Clauses 29.3 and 29.5, subject to the same exceptions as are contained in this Clause 29.4.
- 29.5 If a Party becomes required, in circumstances contemplated by Clause 29.4.3, to disclose any information such Party shall (save to the extent prohibited by law) give to the other Parties such notice as is practical in the circumstances of such disclosure and shall co-operate with the other Parties, having due regard to the other Parties' views, and take such steps as the other Parties may reasonably require in order to enable it to mitigate the effects of, or avoid the requirements for, any such disclosure.
- Disclosure by RDIF/OEP**
- 29.6 Notwithstanding anything in this Agreement, each of RDIF and/or OEP may disclose Confidential Information to any adviser of its funds, any investment funds which are advised by such advisers, as well as the investors in such investment funds, which RDIF or OEP or their respective advisers, at their reasonable discretion, have determined need to know such Confidential Information as part of such Investors' or such advisers' contractual obligations to such investment funds or investors, and, in the case of RDIF, to any rating agencies, specialized depositaries, auditors or appraisers of investment funds under management of the Russian Direct Investment Fund, provided that (i) such advisers, investment funds and investors in such investment funds are required to treat such Confidential Information as confidential; and (ii) such Investor shall be liable to the other Shareholders and the Company for any breach by any recipient of Confidential Information hereunder of such obligation of confidentiality.

Investors' obligations

- 29.7 For the avoidance of doubt, save as expressly provided in this Agreement, the obligations of each of the Investors shall be several (and not joint and several).

No partnership

- 29.8 Except for United States federal income tax purposes (if relevant), nothing in this Agreement or in any document referred to in it shall constitute any of the Parties a partner of any other, nor shall the execution, completion and implementation of this Agreement confer on any Party any power to bind or impose any obligations to any third parties on any other Party or to pledge the credit of any other Party.

Assignment

- 29.9 No Party shall assign (whether absolutely or by way of security and whether in whole or in part), transfer, mortgage, charge or otherwise dispose in any manner whatsoever of the benefit of this Agreement or sub-contract or delegate in any manner whatsoever its performance under this Agreement.

Third party rights

- 29.10 Save in respect of any rights accruing in favour of any OEP Seller pursuant to Clause 22.11, no term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a Party to this Agreement.

Unenforceable provisions

- 29.11 If any provision or part of this Agreement is void or unenforceable due to any Applicable Law, it shall be deemed to be deleted and the remaining provisions of this Agreement shall continue in full force and effect. The Parties shall use reasonable endeavours to replace the invalid provision in that respect with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.
- 29.12 So far as it remains to be performed, this Agreement shall continue in full force and effect after Completion. The rights and remedies of the Parties shall not be affected by Completion.

Remedies

- 29.13 It is understood and agreed that money damages may not be a sufficient remedy for any breach of Clauses 19 and 20 of this Agreement and that the relevant Party(ies) may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for breach of such Clauses but shall be in addition to all other remedies available at law or equity to the relevant Party(ies).

Waiver

- 29.14 The rights and remedies of the Parties shall not be affected by any failure to exercise or delay in exercising any right or remedy or by the giving of any indulgence by any other Party or by anything whatsoever except a specific waiver or release in writing and any such waiver or release shall not prejudice or affect any other rights or remedies of the Parties. No single or partial exercise of any right or remedy shall prevent any further or other exercise thereof or the exercise of any other right or remedy.

Counterparts

- 29.15 This Agreement may be executed in any number of counterparts and by the Parties to it on separate counterparts, each of which when executed and delivered shall be an original, but all the counterparts together constitute one instrument.

Taxation of payments

- 29.16 Any payment made by or due from any Party under, or pursuant to the terms of, this Agreement shall be free and clear of all Taxation whatsoever, save only for any deductions or withholdings required by law.

Tax gross-up

- 29.17 If any deductions or withholdings are required by law, or any payments made by or due from any Party under this Agreement are liable for Taxation (whether in the hands of the Investors or otherwise), or would have been liable for Taxation but for the utilisation of any Tax relief in respect of such liability, such Party shall be liable to pay to the payee(s) such further sums as shall be required to ensure that the net amount received by the payee(s) will equal the full amount which would have been received under the relevant provisions of this Agreement in the absence of any such deductions, withholdings or Taxation liabilities.

No set-off, deduction or counterclaim

- 29.18 Every payment payable by any Party under this Agreement shall be made in full without any set-off or counterclaim howsoever arising and shall be free and clear of, and without deduction of or withholding for or on account of, any amount which is due and payable to the payee under this Agreement.

Further assurance

- 29.19 Each Party shall after Completion execute all such deeds and documents and do all such things as the other Parties may require for perfecting the transactions intended to be effected under, or pursuant to, this Agreement and for giving such Parties the full benefit of the provisions of this Agreement and the Transaction Documents.

29.20 **Costs**

The Parties' costs in connection with the preparation and negotiation of this Agreement, each Transaction Document and any matter contemplated by it, shall be borne by the Company (save for costs which relate to due diligence in respect of the U.S. Foreign Corrupt Practices Act which shall be borne by OEP and Titan in equal parts).

Language

- 29.21 This Agreement is in the English language and, to be valid, all certificates, notices, communications and other documents made in connection with it shall be in English. If all or any part of this Agreement or any such certificate, notice, communication or other document is for any reason translated into any language other than English the English text shall prevail. Each of the Parties understands English and is content for all communications relating to this Agreement to be served on it in English.

Waiver of sovereign immunity

- 29.22 RDIF hereby waives to the fullest extent permitted by Applicable Law all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, attachment (both before and after judgment) and execution to which it might otherwise be entitled in any action or proceeding in the courts of any country or jurisdiction, relating in any way to this Agreement and agrees that it will not raise, claim or cause to be pleaded any such immunity at or in respect of any such action or proceeding.

30. **NOTICES**

Addresses

- 30.1 Any notice, claim or demand in connection with this Agreement or with any arbitration under this Agreement shall be in writing in English (each a " **Notice** ") and shall be sufficiently given if delivered or sent:

In the case of **OEP** to: OEP 11 COÖPERATIEF U.A.

Address: Herengracht 466, 1017 CA Amsterdam, the Netherlands

Attn: Robert Harmzen

and to: OEP II Partners Co-Invest L.P.

Address: 320 Park Avenue, 18th Floor, New York, NY 10022.

Attn: David X Robakidze

Fax: (212) - 277 - 1533

With a copy to : One Equity Partners

Address: 320 Park Avenue, 18th Floor, New York, NY 10022.

Attn: David X Robakidze

Fax: (212) - 277 - 1533

Email address: david.x.robakidze@oneequity.com

or to such other address as Robert Harmzen may notify to the other Parties in writing from time to time.

In the case of **Titan US** to: Titan International, Inc.

Address: 2701 Spruce Street

Quincy, Illinois 62301

Attn: Maurice M. Taylor and Michael G. Troyanovich

Fax: 217-228-3166

or to such other address as Titan US may notify to the other Parties in writing from time to time.

In the case of **Titan** to: Titan Luxembourg S.a.r.l.

Address: 8-10, rue Mathias Hardt L-1717, Luxembourg

Attn: The Directors

Fax: 217-228-3040

With a copy to: Titan International, Inc.

Address: 2701 Spruce Street

Quincy, Illinois 62301

Attn: Maurice M. Taylor and Michael G. Troyanovich

Fax: 217-228-3166

With a copy to: Titan Luxembourg S.a.r.l.

c/o SGG S.A.

Attn: Registered Agent

Address: 412 F, Route d'Esch

L-1030 Luxembourg

Fax: 352 47 11 01

Email: contact@sgg.lu

or to such other address as Titan may notify to the other Parties in writing from time to time.

In the case of **RDIF** to: Rubber Coöperatief U.A.

Address: Luna Arena, Herikerbergweg 238, 1101 CM, Amsterdam,

Zuidoost, the Netherlands

Attn: Directors

Fax: +31 20 673 00 16

With a copy to: Russian Direct Investment Fund

Address: Capital City, South Tower, 7th floor

8 Presnenskaya nab., building 1

Moscow, Russia 123317

c/o Russian Direct Investment Fund

Attn: Konstantin Ryzhkov

Fax: +7 495 644 3413

Tel.: +7 495 644 3414

or to such other address as RDIF may notify to the other Parties in writing from time to time.

In the case of the **Company** to: Titan Tire Russia B.V.

Address: 1017 CA Amsterdam, Herengracht 466

Attn: The Supervisory Directors and the Managing Director

With a copy to: each of the Shareholders

or to such other address as the Supervisory Board and Managing Director may notify to the other Parties in writing from time to time.

Form and receipt

- 30.2 Any Notice shall be in writing and may be delivered by hand or by internationally recognised courier or sent by fax. For the avoidance of doubt, no Notice may be sent by electronic mail unless so specified in this Agreement.
- 30.3 Any Notice shall be deemed to have been received:
- 30.3.1 upon delivery at the address of the addressee given in Clause 30.1 above, if delivered by hand;
 - 30.3.2 on the next working day in the place to which it is sent if sent by fax (provided a successful transmission confirmation is received by the sender which indicates that the fax was sent in its entirety to the fax number of the recipient); or
 - 30.3.3 seven (7) days from the time of posting (or, if not a Business Day, the next Business Day thereafter) if sent by courier (unless such Notice is actually received earlier, in which case such notice shall be deemed received when actually received).
- 30.4 A Notice received or deemed to be received in accordance with Clause 30.3 on a day which is not a Business Day or after 5 p.m. on any Business Day according to local time in the place of receipt, shall be deemed to be received on the next following Business Day.

31. GOVERNING LAW AND DISPUTE RESOLUTION

- 31.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.
- 31.2 If any dispute, controversy or claim between the Parties arises out of or in connection with this Agreement including any question regarding its existence, breach, termination or invalidity (" **Dispute** ") they shall use all reasonable endeavours to resolve the Dispute amicably. If the Parties are unable to resolve the Dispute within twenty (20) Business Days of one side receiving written notification of the Dispute, such Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the LCIA Court then in force (the " **LCIA Rules** ") which rules are deemed to be incorporated by reference into this Clause 31.
- 31.3 There shall be three (3) arbitrators appointed in accordance with the LCIA Rules. The claimant Party and the respondent Party shall each nominate one (1) arbitrator. Where there is more than one (1) claimant Party all such claimants shall attempt to agree on their nomination of an arbitrator failing which that arbitrator will be appointed by the LCIA Court. Where there is more than one (1) respondent Party all such respondents shall attempt to agree on their nomination of an arbitrator failing which that arbitrator will be appointed by the LCIA Court. The third arbitrator, who shall act as the chairman of the tribunal, shall be nominated by agreement of the two Party-approved arbitrators within fifteen (15) Business Days of the confirmation of the appointment of the second arbitrator, or in default of such agreement, appointed by the LCIA Court.
- 31.4 The place of arbitration shall be London, England.
- 31.5 The language of the arbitration proceedings shall be English.
- 31.6 The award of the arbitrators shall be final and binding on the Parties.
- 31.7 Nothing in Clauses 31.1 to 31.5 limits the right of a Party to bring proceedings against another Party in any courts of competent jurisdiction in order to:
- 31.7.1 enforce an arbitration award rendered in accordance with Clauses 31.1 to 31.5; or
 - 31.7.2 make a claim for interim or injunctive relief.
- 31.8 If arbitral proceedings have already been commenced under this Agreement (a " **Pre-Existing Arbitration** "), and a Party contends that a dispute has arisen relating to issues which are substantially related to and/or involve the same Parties as issues to be determined in a Pre-Existing Arbitration, then that Party may seek to refer the dispute to the arbitral tribunal in the Pre-Existing Arbitration. The Parties agree that the arbitral tribunal in the Pre-Existing Arbitration shall have the discretion, taking into account the interests of justice and efficiency, the stage of the proceedings and all other relevant circumstances, to determine the Dispute in the Pre-Existing Arbitration upon such terms or conditions as the arbitral tribunal thinks fit.

IN WITNESS whereof this Agreement has been executed by the Parties and delivered as a Deed on the date first above written.

EXECUTED and delivered as a deed for) /s/ MAURICE M. TAYLOR
and on behalf of **TITAN**) **Maurice M. Taylor**
INTERNATIONAL, INC. by Maurice M.)
Taylor) Authorised Signatory

) /s/ MAURICE M. TAYLOR
EXECUTED and delivered as a deed for) **Maurice M. Taylor**
and on behalf of **TITAN LUXEMBOURG**
S.A.R.L. by Maurice M. Taylor) Authorised Signatory

/s/ DAVID ROBAKIDZE
David Robakidze
Authorised Signatory

EXECUTED and delivered as a deed for) /s/ ROBERT HARMZEN
and on behalf of **OEP 11 COÖPERATIEF**
U.A. by David Robakidze and Robert)
Harmzen) Authorised Signatory

/s/ MR V.N. PYLTSOV
Mr V.N. Pyltsov
Authorised Signatory

EXECUTED and delivered as a deed for) /s/ MR T.J. VAN RIJN
and on behalf of **RUBBER**
COÖPERATIEF U.A. by Mr V.N. Pyltsov)
and Mr T.J. van Rijn) Authorised Signatory

/s/ ROBERT HARMZEN
Robert Harmzen
Authorised Signatory

EXECUTED and delivered as a deed for) /s/ DAVID ROBAKIDZE
and on behalf of **TITAN TIRE RUSSIA**) **David Robakidze**
B.V. by Robert Harmzen and David)
Robakidze) Authorised Signatory

SCHEDULE 1
DEED OF ADHERENCE
PART A

THIS DEED is made on **BETWEEN:**

- [1. _____ - *include existing parties other than transferor and transferee*];
- [2. _____ a company incorporated under the laws of _____ having its [registered] office at _____ OR _____ of [address] (the **"Transferor"**)];
- [3. _____, a company incorporated under the laws of _____ having its [registered] office at _____ OR _____ of [address] (**"New Shareholder"**)]

WHEREAS:

- (A) The Transferor [is a party] [has acceded by means of an agreement dated] [date of previous Deed of Adherence] to an agreement entitled "Shareholders' Agreement" dated ____2013 and made between the Company and the parties named therein (the **"Shareholders' Agreement"**) by which the Investors and the other parties thereto agreed provisions relating to the ownership of the Company and the conduct of its Business.
- (B) The Transferor wishes to transfer to the Transferee the Shares described in the Schedule to this Deed (the **"Transferred Interest"**) and the New Shareholder has agreed to purchase the Transferred Interest [subject to and in accordance with the terms and conditions of an agreement to be dated [*date of Transfer Agreement*] and made between the Transferor and the New Shareholder (the **"Transfer Agreement"**).]

NOW THIS DEED WITNESSETH AND IT IS HEREBY AGREED:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

In this Deed (including the Recitals and Schedule hereto), unless the subject or context otherwise requires, words defined in the Shareholders' Agreement shall have the same meanings when used herein and:

"Completion" means the completion of the sale and transfer of the Transferred Interest to take place at the offices of _____ on [*date*] in accordance with the provisions of the Articles; and

"Transfer Date" has the meaning ascribed in Clause 3.1 of this Deed.

1.2 Interpretation

The provisions of Clause 1 of the Shareholders' Agreement shall apply to this Deed *mutatis mutandis* .

1.3 Headings

Headings shall be ignored in the construction of this Deed.

2. REPRESENTATIONS AND WARRANTIES

2.1 The New Shareholder represents and warrants to each of the other parties as follows:

2.1.1 Status

It is a company duly established and existing under the laws of the jurisdiction stated on page 1 of this Deed and has the power and authority to own its assets and to conduct the business which it conducts and/or proposes to conduct.

2.1.2 Powers

It has the power (a) to enter into, exercise its rights and perform and comply with its obligations under this Deed and the Shareholders' Agreement, and (b) to act as a Shareholder of the Company.

2.1.3 Authorisation and consents

All actions, conditions and things required to be taken, fulfilled and done (including the obtaining of necessary consents) in order (a) to enable it lawfully to enter into, exercise its rights and perform and comply with its obligations under this Deed and the Shareholders' Agreement, and (b) to make this Deed and the Shareholders' Agreement admissible in evidence in the courts of the jurisdiction in which it is incorporated have been taken, fulfilled and done.

2.1.4 **Non-violation of laws etc .**

Its entry into, exercise of its respective rights and/or performance of or compliance with its respective obligations under this Deed and the Shareholders' Agreement and the purchase of Shares do not and will not violate or exceed any restriction imposed by (a) any law to which it is subject or (b) its memorandum or articles of association or, as the case may be, certificate of incorporation or bye-laws/statutes.

2.1.5 **Obligations binding**

Its obligations under this Deed and the Shareholders' Agreement are valid, binding and enforceable.

2.1.6 **Non-violation of other agreements**

Its entry into, exercise of its rights and/or performance of or compliance with its respective obligations under this Deed and the Shareholders' Agreement and the purchase of Shares do not and will not violate any agreement to which it is a party which is binding on its assets.

3. **UNDERTAKINGS OF THE NEW SHAREHOLDER**

3.1 **Assumption of obligations**

In consideration of the agreement of the Transferor to transfer the Transferred Interest to the New Shareholder, the New Shareholder undertakes, to each other party to this Deed subject to Clause 3.2, that it will, with effect from the date of transfer by the Transferor to the New Shareholder of the Transferred Interest (the "**Transfer Date**") and without prejudice to any liability of the Transferor in respect of any breach by it of obligations under the Shareholders' Agreement prior to the Transfer Date, assume, perform and comply with each of the obligations of the Transferor under the Shareholders' Agreement as if it had been a party to the Shareholders' Agreement at the date of execution thereof.

3.2 **Release**

In consideration of the undertakings given by the New Shareholder under this Clause, the parties hereby acknowledge and agree that the obligations of the Transferor under the Shareholders' Agreement (except those under Clauses 1 (*Definitions and Interpretation*), 29.2 to 29.5 (*Confidentiality*), 13 (*Protection of the Business*) and 31 (*Governing Law and Disputes Resolution*)) shall, in the case only of a transfer of all the Transferor's Shares, cease with effect from the Transfer Date, without prejudice to any liability of the Transferor in respect of any breach by it of obligations under the Shareholders' Agreement prior to the Transfer Date.

4. **RIGHTS OF THE TRANSFEREE**

The parties hereto (other than the New Shareholder) agree that there shall be accorded to the New Shareholder with effect from the Transfer Date all the rights of the Transferor with respect to the Transferred Interest (in each case without prejudice to the rights of the Transferor under the Shareholders' Agreement in respect of any breach by any other party thereto of its obligations thereunder at any time prior to the Transfer Date) as if the New Shareholder had been a party to the Shareholders' Agreement at the date of execution thereof and, with effect from the Transfer Date, the Transferor shall cease to be entitled to those rights.

5. **NOTICES**

The address fax number designated by the New Shareholder for the purposes of Clause 30 (*Notices*) of the Shareholders' Agreement are:

Address:

Fax:

For the attention of:

6. **ASSIGNMENT AND TRANSFER**

The parties hereto hereby acknowledge and agree that no party shall have any right to assign, transfer or in any way dispose of the benefit (or any part thereof) or the burden (or any part thereof) of this Deed without the prior written consent of other parties.

7. **THIRD PARTY RIGHTS**

No term of this Deed is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Deed.

8. **MISCELLANEOUS**

- 8.1 This Deed and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.
- 8.2 If any dispute, controversy or claim between the parties arises out of or in connection with this Deed including any question regarding its existence, breach, termination or invalidity (" **Dispute** ") they shall use all reasonable endeavours to resolve the Dispute amicably. If the parties are unable to resolve the Dispute within twenty (20) Business Days of one side receiving written notification of the Dispute, such Dispute shall be referred to and finally resolved by arbitration under the LCIA Rules which rules are deemed to be incorporated by reference into this Clause 8.2 ŷ .
- 8.3 There shall be three arbitrators appointed in accordance with the LCIA Rules. The claimant party and the respondent party shall each nominate one arbitrator. Where there is more than one claimant party all such claimants shall attempt to agree on their nomination of an arbitrator failing which that arbitrator will be appointed by the LCIA Court. Where there is more than one respondent party all such respondents shall attempt to agree on their nomination of an arbitrator failing which that arbitrator will be appointed by the LCIA Court. The third arbitrator, who shall act as the chairman of the tribunal, shall be nominated by agreement of the two party-approved arbitrators within fifteen (15) Business Days of the confirmation of the appointment of the second arbitrator, or in default of such agreement, appointed by the LCIA Court.

IN WITNESS whereof this Deed has been entered into the day and year first before written.

PART B

THIS DEED is made on **BETWEEN:**

- [1. _____ - *include existing parties*];
- [2. _____ a company incorporated under the laws of _____ having its [registered] office at _____ OR _____ of [address] (the "**OEP Seller**")];

WHEREAS:

- (A) Titan (the "**Transferree**") is a party to an agreement entitled "Shareholders' Agreement" dated ____2013 and made between the Company and the parties named therein (the "**Shareholders' Agreement**") by which the Investors and the other parties thereto agreed provisions relating to the ownership of the Company and the conduct of its Business.
- (B) The OEP Seller is [the sole] holder of all the issued and outstanding share capital of OEP.
- (C) The OEP Seller wishes to transfer to the Transferee the Shares described in the Schedule to this Deed (the "**Transferred Interest**") pursuant to the provisions of Clause 22.9 of the Shareholders' Agreement and the Transferee has agreed to purchase the Transferred Interest [subject to and in accordance with the terms and conditions of an agreement to be dated [*date of Transfer Agreement*] and made between the OEP Seller and the Transferee (the "**Transfer Agreement**").

NOW THIS DEED WITNESSETH AND IT IS HEREBY AGREED:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

In this Deed (including the Recitals and Schedule hereto), unless the subject or context otherwise requires, words defined in the Shareholders' Agreement shall have the same meanings when used herein and:

"Completion" means the completion of the sale and transfer of the Transferred Interest to take place at the offices of _____ on [*date*] in accordance with the provisions of the provisions of the Shareholders' Agreement and the articles of association of OEP; and

1.2 Interpretation

The provisions of Clause 1 of the Shareholders' Agreement shall apply to this Deed *mutatis mutandis*.

1.3 Headings

Headings shall be ignored in the construction of this Deed.

2. REPRESENTATIONS AND WARRANTIES

2.1 The OEP Seller represents and warrants to each of the other parties as follows:

2.1.1 Status

It is a company duly established and existing under the laws of the jurisdiction stated on page 1 of this Deed and has the power and authority to own its assets and to conduct the business which it conducts and/or proposes to conduct.

2.1.2 Powers

It has the power (a) to enter into, exercise its rights and perform and comply with its obligations under this Deed and the provisions of Clauses 19, 20, 22 and 29 of the Shareholders' Agreement (the "**Obligations**").

2.1.3 Authorisation and consents

All actions, conditions and things required to be taken, fulfilled and done (including the obtaining of necessary consents) in order (a) to enable it lawfully to enter into, exercise its rights and perform and comply with its obligations under this Deed and the Obligations, and (b) to make this Deed and the Shareholders' Agreement admissible in evidence in the courts of the jurisdiction in which it is incorporated have been taken, fulfilled and done.

2.1.4 Non-violation of laws etc .

Its entry into, exercise of its respective rights and/or performance of or compliance with its respective obligations under this Deed and the Obligations and the sale of the Transferred Interest do not and will not violate or exceed any restriction imposed by (a) any law to which it is subject or (b) its memorandum or articles of association or, as the case may be, certificate of incorporation or bye-laws/statutes.

2.1.5 **Obligations binding**

Its obligations under this Deed and the Obligations are valid, binding and enforceable.

2.1.6 **Non-violation of other agreements**

Its entry into, exercise of its rights and/or performance of or compliance with its respective obligations under this Deed and the Obligations and the sale of the Transferred Interest do not and will not violate any agreement to which it is a party which is binding on its assets.

3. **RIGHTS OF THE OEP SELLER**

The parties hereto (other than the OEP Seller) agree that there shall be accorded to the OEP Seller with effect from the date of this Deed all the rights of OEP arising under or in connection with the provisions of Clauses 19, 20, 22 and 29 of the Shareholders' Agreement with respect to the transfer of the Transferred Interest from the OEP Seller to the Transferee (in each case without prejudice to the rights of OEP under the Shareholders' Agreement in respect of any breach by any other party thereto of its obligations thereunder at any time prior to the date hereof) as if the OEP Seller had been a party to the Shareholders' Agreement at the date of execution thereof.

4. **NOTICES**

The address fax number designated by the OEP Seller for the purposes of Clause 30 (*Notices*) of the Shareholders' Agreement are:

Address:

Fax:

For the attention of:

5. **ASSIGNMENT AND TRANSFER**

The parties hereto hereby acknowledge and agree that no party shall have any right to assign, transfer or in any way dispose of the benefit (or any part thereof) or the burden (or any part thereof) of this Deed without the prior written consent of other parties.

6. **THIRD PARTY RIGHTS**

No term of this Deed is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Deed.

7. **MISCELLANEOUS**

7.1 This Deed and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

7.2 If any dispute, controversy or claim between the parties arises out of or in connection with this Deed including any question regarding its existence, breach, termination or invalidity (" **Dispute** ") they shall use all reasonable endeavours to resolve the Dispute amicably. If the parties are unable to resolve the Dispute within twenty (20) Business Days of one side receiving written notification of the Dispute, such Dispute shall be referred to and finally resolved by arbitration under the LCIA Rules which rules are deemed to be incorporated by reference into this Clause 8.2 ý .

7.3 There shall be three arbitrators appointed in accordance with the LCIA Rules. The claimant party and the respondent party shall each nominate one arbitrator. Where there is more than one claimant party all such claimants shall attempt to agree on their nomination of an arbitrator failing which that arbitrator will be appointed by the LCIA Court. Where there is more than one respondent party all such respondents shall attempt to agree on their nomination of an arbitrator failing which that arbitrator will be appointed by the LCIA Court. The third arbitrator, who shall act as the chairman of the tribunal, shall be nominated by agreement of the two party-approved arbitrators within fifteen (15) Business Days of the confirmation of the appointment of the second arbitrator, or in default of such agreement, appointed by the LCIA Court.

IN WITNESS whereof this Deed has been entered into the day and year first before written.

SCHEDULE 2

ANTI-CORRUPTION COMPLIANCE PROGRAMME

1. Scope

This Policy applies to all of the Group Companies and their affiliates and offices world-wide, as well as to their employees, certain agents, consultants or other third parties whom Group Company engages to act on its behalf. It reiterates each Group Company's zero tolerance policy for bribery, sets out such company's standards in complying with applicable anti-corruption laws, and identifies legal and compliance officers from whom certain approvals must be obtained and with whom questions about this Policy may be raised.

2. Designated Compliance Personnel

For each Group Company line of business certain personnel have received specialized training on the anti-corruption laws of the countries and businesses for which they have legal and/or compliance responsibilities. These personnel have been given the responsibility for advising employees on anti-corruption issues, pre-clearing expenses involving government officials and approving the engagement of certain agents and consultants. All of these procedures are described in the following sections of this Policy. The individuals with these anti-corruption compliance responsibilities are referred to in this Policy as Compliance Personnel, and are identified in Attachment A. The Chief Compliance Officer is [name] and he/she may be reached at [contacts].

3. Bribery Prohibited

- 3.1 Each Group Company has zero tolerance for bribery. No employee may directly or indirectly offer, promise, grant or authorize the giving of money or anything else of value to a government official to influence official action or obtain an improper advantage. The same applies to a representative of a non-government-owned commercial entity in a business transaction. Any offer, promise, grant or gift must comply with applicable laws and with this Policy, and must not create the appearance of impropriety. This means that no such offer, promise, grant or gift may be made if it could reasonably be understood as an effort to influence improperly a government official or representative of a non-government-owned commercial entity to grant any Group Company a business advantage. Where the recipient is a government official (as defined in Section 4), such conduct is universally prohibited by law as criminal bribery. Even where the recipient is not a government official, but is acting in a purely private commercial capacity, the laws of several countries, including the United Kingdom, Germany, and The People's Republic of China, among others, and U.S. states make such conduct a crime. The potential criminal penalties, both for the company and for individuals, are severe. Putting aside the possibility of criminal actions against the company or its employees, all employees guilty of a violation will be subject to disciplinary consequences, up to and including dismissal.

- 3.2 It is important to remember that the definition of a "bribe" is broader than the payment or offer of money; it can include the offer or gift of anything of value, such as, under certain circumstances:

- 3.2.1 Gifts
- 3.2.2 Hospitality, such as meals or entertainment
- 3.2.3 Travel, or reimbursement of travel-related expenses
- 3.2.4 Favoursing relatives or business partners in employment with a Group Company
- 3.2.5 Charitable or political contributions
- 3.2.6 Personal advice or assistance
- 3.2.7 Attendance at a conference hosted or paid for by a Group Company
- 3.2.8 Attendance at training sessions provided by a Group Company

It makes no difference whether anything is actually given or received or whether the person to whom it is offered actually does anything in return; merely offering, or authorizing someone else to offer a bribe is prohibited. It also does not matter whether the person to whom the benefit is offered, promised or given is the same person as the public or corporate official or other person who is intended to perform their function improperly or otherwise misuse their position. For example, it would be improper to offer employment to a government official's relative, or make a contribution to a charity recommended by the official, with the understanding that the official would as a result offer a business advantage to a Group Company.

- 3.3 In addition, the Policy prohibits indirect payments to government officials if the circumstances indicate that any benefit from the payment or gift may possibly be passed on to a government official either to influence official action or to gain an improper advantage. The same is true if any benefit from the payment or gift may possibly be passed on to a representative of a non-government-owned commercial entity in consideration for an improper advantage in a business transaction. This would include payments to

consultants, agents, intermediaries, business partners, or other third parties, including family members of the government official or otherwise apparently unrelated individuals or corporate entities of any type.

- 3.4 As a general rule, expenses will not be paid for the benefit of friends or family members of government officials. Limited exceptions, under appropriate circumstances and following close scrutiny, could include, for example, payment of expenses for a government official's spouse or partner to attend a cocktail party or dinner hosted by a Group Company, where it would be awkward or impossible for the official to attend alone. Additionally, it is a general rule that side trips to vacation sites or other non-business-related locales will not be approved. Side trips are different from "entertainment," and to determine whether a proposed event is "entertainment" or a "side trip" requires a Group Company approver to consider the relationship between the various components of an expense in sum.
- 3.5 The hiring of relatives of, and persons referred by, government officials, is a recurring risk area under anti-corruption laws. This Policy does not prohibit the hiring of qualified personnel, but special care must be taken in the case of individuals who are relatives of, or persons referred by, government officials. A process for vetting such candidates is set forth at Attachment D.

4. **Bribery of a Government Official**

Every country where a Group Company does business has laws prohibiting the bribery of its government officials. In this context, a bribe can include offering or providing to a government official some benefit for the purpose of influencing the official to grant an advantage, usually an advantage within the scope of the official's government duties. If the intent is to obtain something from the official in exchange for providing the official with the benefit, it will not matter that the advantage conveyed by the official is something the official may otherwise have done in any event. These offenses are extremely serious and involve high risk not only to the particular Group Company, but also carry serious criminal penalties for individuals. Consequently, in addition to prohibiting such conduct, a Group Company is to maintain special procedures relating to government officials.

- 4.1 U.S. Public Officials. Each relevant Group Company has established procedures and guidelines to deal specifically with U.S. public officials because, in addition to anti-corruption laws, various lobbying and other domestic laws in the United States contain flat prohibitions and specific dollar limits on gifts and entertainment expenses.

4.2 All Other Government

- 4.2.1 Who is a Government Official? A government official is anyone who is employed by a government agency, or government controlled corporation (including a sovereign wealth fund), or public international organization (such as the European Union, the Asian Development Bank or the European Central Bank). A government official in this context is also anyone who is serving in an official or representative capacity for any government, whether actually employed by that government or not. Care must be taken in countries, such as The People's Republic of China and Vietnam, with government-managed economies, given that corporate officials in such countries may be government officials even when performing what in other countries may be considered private roles. Officials of political parties and candidates for political office and legislative, administrative or judicial officials, regardless of whether they are elected or appointed, as well as political parties themselves, are also considered government officials for the purposes of this Policy. If in doubt, the relevant Group Company's employees should consult with the company's Compliance Personnel.
- 4.2.2 What must be Pre-cleared? The law requires that a Group Company maintains strong internal controls around the payment of expenses related to government officials, as defined above.

Group Company employees must pre-clear incurring any offer, payment or provision of anything of value to a government official exceeding USD100 (or totalling more than USD500 in a single year) or the equivalent in any other currency, or such other lower limit as has been set by the company's Chief Compliance Officer, including:

- (A) Hospitality, travel and related expenses (such as airlines, hotels, meals, entertainment and other expenses) for a government official, including but not limited to travelling to visit Group Company facilities and meet Group Company staff, or to participate in a trip or meeting to market a transaction involving the agency or government which employs the official, or to attend a conference, seminar or symposium organized or sponsored by a Group Company, or attend a Group Company training session or other meeting
- (B) Contributions to a charity or other philanthropic organization recommended by, or that would benefit, a government official

- (C) Any offer of Group Company employment to any person upon the recommendation of a government official (see Attachment D - Questionnaire Regarding Potential Referred Hire)
- (D) Gifts provided to a government official

Pre-clearance does not need to be obtained for reasonable expenses incurred for meals and entertainment of government officials if impracticable due to the event's timing or some other unforeseen circumstance. For example, a spur-of-the-moment opportunity to dine with a government official might make pre-clearance impossible. Under such circumstances, employees should consider carefully that non-pre-cleared events of this type expose the company to greater risk than pre-cleared events, and that the decision will be closely reviewed. As outlined below in section 4.2.3, the expense must be submitted for approval, and the reason why pre-clearance was not obtained must be clearly documented.

Transparency represents the company's best defence to a legal challenge regarding any particular expenditure related to a government official. All expenses requiring pre-clearance under the Policy should be supported by a clear and valid business purpose related to promoting, demonstrating, or explaining Group Company products or services, or executing or performing a contract. Likewise, expenses must be reasonable given their underlying business purpose.

In general, transparently documented reasonable and bona fide expenses related to the promotion, demonstration or explanation of a Group Company product or service is unlikely to pose corruption risk. On the other hand, the more lavish the expense, the easier it would be for authorities to infer corrupt intent on the part of a Group Company or the individual employee making the payment.

Of course, whether or not pre-clearance is required, no payment, gift or expense reimbursement is permitted which fails to conform to the standards set forth in this Policy, i.e., that is lavish or otherwise inappropriate, such that it is intended to, or is reasonably likely to be perceived as intended to, cause the recipient to act improperly.

- 4.2.3 Pre-clearance Process. Any employee who intends to make any payment, gift or reimburse an expense incurred by a government official for which pre-clearance is required, or who has incurred an expense without obtaining pre-clearance as permitted in section 4.2.2 or 4.2.5, must complete an approval request and send it for approval to the office of the Chief Compliance Officer.
- 4.2.4 Facilitation Payments. This Policy prohibits facilitation payments of any kind. A facilitation payment is a payment or gift given to a government official to cause the official to perform a routine duty or function, or to expedite such performance. Irrespective of how common such payments may be according to local custom in any relevant jurisdiction, such payments are prohibited by this Policy. Payments offered to facilitate passage through customs, or to obtain quicker service from a government official, are considered facilitation payments.
- 4.2.5 Extortionate Payments. Extortion occurs when the person demanding the payment instills in the payer the fear that, absent payment, the payer will suffer physical, economic or other harm. Extortion includes demands for payment accompanied by an unlawful threat to an employee's personal safety or freedom of movement. It also may include the threat to refuse to perform, or delay purposefully the performance of, routine duties that would cause a Group Company to suffer economic hardship or loss. All demands for extortionate payments must be reported to the Chief Compliance officer or his or her designees.

Absent unusual circumstances, such as where the personal safety or freedom of movement of an employee or family member is at risk if such a payment is not made, a Group Company will not make extortionate payments.

If possible, one of the company's Compliance Personnel should be contacted, and pre-clearance should be obtained from one of such personnel, prior to making any extortionate payment. Emergency situations may dictate that such payments cannot be pre-cleared, e.g., if an improper payment is demanded to secure the release of an employee's personal baggage at an airport. As outlined in section 4.2.3, the expense must thereafter be submitted for approval, and the reason why pre-clearance was not obtained must be clearly documented.

- 4.2.6 Cash Disbursements. As a general rule, no payments of any kind, including per diem or petty cash disbursements, should be made directly to a government official. Apart from reasonable expenses of the kind described herein, a Group Company must not compensate a government official for travel or otherwise. If travel reimbursements are required, payments should be made to the

government official's agency, not directly to the official. Receipts must be collected and documented at the Group Company.

5. **Commercial Bribery**

This Policy prohibits commercial bribery, in addition to bribery of government officials. A commercial bribe occurs when a person confers, or offers or agrees to confer, any benefit upon the recipient with the intent to influence improperly the recipient's conduct in relation to their employer's business affairs. The influence would be improper where intended to cause the recipient to breach an expectation that the recipient will act in good faith, or with impartiality, or consistently with their fiduciary duties, or where the receipt of the benefit is itself otherwise improper under some requirement (legal or otherwise) applicable to that person. This means that no such offer, promise, grant or gift may be made if it could reasonably be understood as an effort to influence improperly a representative of a non-government-owned commercial entity to grant a Group Company a business advantage. Likewise, it would be improper for any employee of a Group Company to solicit or accept such a benefit.

As noted above, in certain U.S. states, and in certain jurisdictions, such as the U.K. and The People's Republic of China, commercial bribery is a crime. As with bribery of government officials, in commercial bribery it does not matter if any payment or benefit is actually made or received, or if anything is actually done by the recipient; it is improper simply to offer or to solicit such a payment or benefit. It also does not matter whether the person to whom the benefit is offered, promised or given is the same person as the person who is to perform improperly the relevant function.

- 5.1 Receiving a Bribe. This Policy prohibits all Group Companies' employees from using their positions to solicit, demand, accept, obtain or be promised advantages. Such conduct would violate this Policy, and could also violate criminal law. For that reason, no Group Companies' employees may request or receive from outside the particular Group Company anything of value from another company or individual in the course of their employment and which may affect, or have the appearance of affecting, the performance of that employment. Reciprocity in paying for meals, taxis, and other minor expenses shared with a private counter-party is not intended to be prohibited, but if there are any doubts about the content of this rule please consult one of the company's Compliance Personnel.
- 5.2 Paying a Bribe. As noted above, this Policy prohibits all Group Companies' employees from paying bribes, not just to government officials, but also to representatives of private customers, suppliers, and other counter-parties. More is at issue than simply ensuring that corporate resources are not wasted or spent excessively. Employees are prohibited from offering or providing a benefit that is lavish or otherwise inappropriate to someone, such that it is intended to, or is reasonably likely to be perceived as intended to, cause the recipient to act improperly, as this Policy describes above.

6. **Agents, Finders, Business Development Consultants, and other Third Parties**

No individual or entity may be hired to commit bribery on behalf of a Group Company. Special care must be taken when a Group Company engages the services of an agent, consultant or other third party (" **consultant** "), when the consultant is expected to assist in developing business with potential customers (whether government- or non-government-owned) or where the consultant will be involved in seeking, obtaining, or lobbying for any government approvals or action. Such consultants include finders, sales and marketing firms, as well as agents engaged to obtain licenses or other government approvals to enable a Group Company to operate its facilities or conduct its business. The Policy's scope encompasses any consultant that acts for a Group Company, even if in relation to a single transaction that is the subject of the agreement. Group Companies' personnel are required to take steps to ensure that such consultants fully comply with applicable anti-corruption laws and such Group Company policies. Lawyers, public relations consultants, accountants, and other third parties whose purpose is to assist the company to obtain or retain business are covered by this policy.

Any payment to a consultant of a fee of USD10,000 or more (including a series of payments aggregating USD10,000 or more which relate to a single transaction) must be approved by the Chief Compliance Officer.

- 6.1 Pre-hire Due Diligence Required. Before engaging such a consultant, the employee proposing the engagement must confer with the Chief Compliance Officer or his or her designee to determine how the employee should conduct appropriate due diligence. This may include, as considered appropriate by the Chief Compliance Officer or his or her designee, the engagement of internal or external investigators or other providers of due diligence information or intelligence services. The employee must complete and deliver to the Chief Compliance Officer or his or her designee an Engagement Form attached as Attachment

B to this Policy that includes certain information about the proposed consultant, reflects the due diligence performed by the employee and describes, among other things, the particular reason for the engagement, the proposed consultant's present or prior relationship with officers or officials of relevant potential customers, who (if anyone) recommended the engagement of the consultant, justification for the proposed fee and explanation of the arrangements for payment. The proposed agent or consultant must meet (in-person or by phone) the Chief Compliance Officer or his or her designee, and the engagement must be approved by that individual. Consulting engagements which were already in existence when this Policy became effective should be promptly reviewed consistently with the foregoing process and be brought into compliance within 6 months.

6.2 Certain Consultants Prohibited. No consultant should be proposed for consideration if:

- 6.2.1 the consultant has a reputation for corruption;
- 6.2.2 there is reason to believe that the consultant is likely to make improper payments or gifts while working for a Group Company;
- 6.2.3 the consultant requests that his or her identity be kept secret;
- 6.2.4 the consultant requests (without a reasonable commercial justification) that he or she be paid offshore, or up front, or in cash; or
- 6.2.5 there are other suspicious circumstances or "red flags" that are not satisfactorily resolved.

The Engagement Form referenced in Section 6.1 above requires Group Company's employee proposing the consultant to certify that they have undertaken adequate and appropriate due diligence with regard to the consultant and, to the best of their knowledge, they are not aware of the existence of any information, including but not limited to the reasons detailed in this Policy, that would prohibit the consultant from being engaged by a Group Company.

6.3 Training; Contracts. Consultants who are engaged must be apprised in writing of this Policy and, where appropriate, participate in further training.

The Chief Compliance Officer or his or her designee must confirm and document that the consultant was apprised of the Policy. The Group Company line of business responsible for the hire must provide and document any required additional training. After a consultant is hired, the Group Company line of business responsible for the hire must perform and document ongoing due diligence and training, as appropriate.

The consultant will also be required to enter into a written agreement with the Group Company that includes anti-corruption provisions in the form attached as Attachment C to this Policy; any variations to these provisions (to take into account local laws or other considerations) must be approved by the appropriate Designated Legal/Compliance Officer.

7. **Merger and Acquisition Activity**

Merger and acquisition activity is extraordinary activity that is undertaken only after approval by the company's board of directors, and is usually undertaken with the assistance of outside legal counsel. No merger and acquisition activity may be undertaken without appropriate anti-corruption due diligence. Furthermore, to the extent feasible, and within the scope of their responsibilities in a merger and acquisition activity, company personnel shall work with the merger and acquisition team to plan, implement, and analyze anti-corruption due diligence information, and to take steps to assure that the company obtains in the negotiations for acquisition of a business or a part of a business representations, warranties, indemnities, and exit rights that protect the company in the event anti-corruption liabilities are discovered at the target company or other business. A copy of the due diligence checklist and merger and acquisition deal terms that are to be used absent the approval of the company's General Counsel and Chief Compliance Officer in any merger and acquisition transaction are appended to this Policy as Attachment E.

8. **Business Partners, Joint Ventures, Subcontractors, and Distributors**

As with consultants, a Group Company may be held responsible for the conduct of those whom we hire to conduct business on our behalf or with whom we join to conduct business. Therefore, appropriate due diligence must be performed to determine that these entities understand our anti-corruption policies and have policies and procedures that are consistent with our own. Due diligence also should be performed to determine whether these entities are owned by or affiliated with any Government Entity.

Group Companies' employees are required to take steps to ensure that any business partners, joint venture partners, subcontractors, distributors or any other individuals or companies hired to conduct business on behalf of a particular Group Company and over which such Group Company has direct control develop and implement anti-corruption policies consistent with the general principles of this Policy. All such individuals

or companies over which such Group Company does not have direct control should be required contractually (and where not legally possible be appropriately encouraged) to adhere to the general principles set out in this Policy.

The terms of any business partnership, joint venture or subcontracting agreement should include terms similar to those set forth for consultants in Attachment C, subject to variation only as approved by the Chief Compliance Officer or his or her designee. In the case of significant and strategic joint ventures, as determined by the General Counsel and the Chief Compliance Officer, the deal terms identified in Attachment F, to the extent feasible, must also be sought in the contract(s) establishing the joint venture.

9. **Political and Charitable Contributions**

Use of Group Company's resources to make or solicit contributions to political parties or candidates, or to charitable organizations, if done in accordance with applicable laws and regulations, is appropriate, but care must be taken to ensure that such activities do not create, or appear to create, an improper personal benefit covered by this Policy. Such contributions may be made on the company's behalf only following consultation with, and approval by, the Chief Compliance Officer.

10. **Training**

Each line of business or corporate group is responsible for providing appropriate training on this Policy to relevant employees and consultants (and, subject to employment law, temporary workers) at least every two years, tracking training completions, and routine reporting to management. All employees should be reminded of the importance of adherence to the policy annually via awareness bulletins or comparable communications.

11. **Reporting and Escalation of Issues**

If at any time a any Group Company employee becomes aware of any activity prohibited by this Policy, or is offered a bribe by any third party, or is approached by any third party who solicits a bribe or in any way threatens the employee if a bribe is not paid, the employee should immediately contact the Chief Compliance Officer or other Compliance Personnel. Should the Chief Compliance Officer or other Compliance Personnel fail to take action to respond to such a report within 30 days, the employee shall report the matter to the audit committee of the company's board of directors, and may do so earlier if the facts require immediate action to protect the company. Employees should be permitted to make such reports anonymously, if they so desire.

Attachment A

Chief Compliance Officer and Compliance Personnel

[insert Group Company contact details]

Attachment B

Engagement of Business Development Consultant

To be completed and provided to the Chief Compliance Officer or his or her designee by the Group Company employee proposing to hire the consultant.

1. Name of Consultant
2. Name and address of Consultant's Firm
3. Parent Company (if any)
4. Owners/Principals

Name % Ownership

- (a)
- (b)
- (c)
- (d)

5. Board of Directors

Name

- (a)
- (b)
- (c)
- (d)

6. Principal Officers

Name Title

- (a)
- (b)
- (c)
- (d)

7. Country/countries where work will be performed
8. Nature of the work to be performed, including whether or what, if any, government agencies or officials may be involved?
9. The rationale for employing this consultant including their expertise in this area and importance to the Group Company of acquiring that expertise?
10. What is the proposed duration of the consulting arrangement/relationship and is it subject to any Non-disclosure or Confidentiality terms?
11. References Checked, whether references are provided by Consultant or otherwise
 - (a)
 - (b)
 - (c)

12. Current or Former Government Officials Employed by the Consultant's Firm (List all)

Name Government Agency

- (a)
- (b)
- (c)

13. The proposed consultant's present or prior relationship(s) with officers or officials of the potential customer or other relevant government bodies.
14. Was this consultant or firm recommended by anyone? If so, who and in what capacity? If the referrer was a government official, provide their name, functional title, department/agency and location.
15. How will fees and expenses of the consultant be calculated, invoiced and paid? Has the method of calculation been formalised? Are the fees considered reasonable in the context of the services being provided by the consultant?
16. Group Company employees who interviewed the Consultant

(a)

(b)

(c)

17. Will the consultant agreement contain the contract provisions set out in Attachment D? If no, any and all amendments to that wording need to be reviewed and approved by the Designated Legal Compliance Officer and the General Counsel for the LOB in the relevant region and their approvals need to be appended to this Form.
18. In addition to the above information and all relevant attachments to this Form the undersigned hereby confirms that they have undertaken adequate and appropriate due diligence with regard to the consultant and to the best of their knowledge they are not aware of any of the existence of any information, including but not limited to the following reasons, that would prohibit the consultant from being engaged by the Group Company:
- A The consultant has a reputation for corruption;
 - B There is reason to believe that the consultant is likely to make improper payments or gifts while working for the Group Company];
 - C The consultant requests that his or her identity be kept secret;
 - D The consultant requests (without a reasonable commercial justification) that he or she be paid offshore, or up front, or in cash; or
 - E There are other suspicious circumstances or "red flags" that are not satisfactorily resolved.
19. The company business unit head proposing the engagement together with their title, location and contact information.

Signed:

Employee Name:

Employee Location and Contacts:

Date:

If the consultant will be paid fees of USD10,000 or more (including a series of payments aggregating USD10,000 or more which relate to a single transaction) or the equivalent in any other currency, then the engagement and the fee structure must be approved by the Chief Compliance Officer. Proof of that approval must be attached to this form.

Attachment C

Contract Provisions for Business Consultant Engagements

1. The Parties to this Agreement are committed to compliance with the laws of the Consultant's home country and the Group Company's country of incorporation and headquarters as well as the laws of other countries that are, or may be, of potential relevance, including all laws applicable to one or both of the Parties relating to bribery, money laundering and/or corrupt payments, such as the U.S. Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. §§78dd-1, 78dd-2 and 78dd-3 and the UK Bribery Act 2010] ("Anti-Corruption Laws"). Accordingly, Consultant hereby represents and warrants that:
 - A Consultant is now in compliance with the laws of the Consultant's home country and the Group Company's country of incorporation and headquarters, as well as any other laws applicable to Consultant's performance under this Agreement as well as the Anti-Corruption Laws of any other countries or jurisdictions that are applicable to the transactions contemplated herein and will remain in compliance with all such laws for the duration of the Agreement. The provisions of this Agreement and the transactions contemplated thereby, including the compensation of Consultant, are legal and binding under the laws of the relevant jurisdictions, including, without limitation, all applicable Anti-Corruption Laws and applicable laws and regulations relating to taxation and exchange control.
 - B Consultant has not taken and will not take any actions in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any government official (including any officer or employee of any government or government-controlled entity or of a public international organization, or any person acting in an official or representative capacity for or on behalf of any of the foregoing, or any political party or official thereof, or candidate for political office, or legislative, administrative or judicial officials whether or not elected or appointed, all of the foregoing being referred to as "Government Officials") or to any other person while knowing that all or some portion of the money or value will be offered, given or promised to a Government Official for the purposes of obtaining or retaining business, an advantage in the conduct of business or securing any improper advantage.
 - C Consultant has not taken and will not take any actions in furtherance of an offer, payment, promise to pay or authorization of the payment or giving of, or a request or acceptance of, money or anything else of value, to or by any other person (whether or not a Government Official) while knowing that all or some portion of the money or value offered, given or promised to such other person is for the purpose of securing the improper performance of that person's function or misuse of that person's position.
 - D No part of the payments received by Consultant, directly or indirectly, from Group Company will be used for any purpose which would cause a violation of the laws of the Consultant's home country and the Group Company's country of incorporation and headquarters or any other applicable jurisdiction including any applicable Anti-Corruption Laws.
 - E Neither Consultant nor any owner, partner, officer, director or employee of Consultant or of any affiliate company of Consultant is or will become a Government Official during the term of this Agreement without prior written notice to the Group Company.
 - F Consultant will abide by the general principles and spirit of the Group Company's Anti-Bribery Policy; acknowledges receipt of such Policy and will undertake to complete initial and bi-annual training thereafter to be conducted by the Group Company.
2. In connection with the foregoing representations and warranties, the Parties further agree as follows:
 - A In the event of a breach of any of the foregoing representations and warranties, any claims for payment by the Consultant with regard to any transaction for which a breach of the representations has occurred, including claims for sales or services previously rendered, shall be void and all payments previously paid shall be refunded to the Group Company by the Consultant. The Consultant shall further indemnify and hold the Group Company harmless against any and all claims, losses or damages arising from or related to such breach or cancellation of the Agreement.
 - B All payments due to the Consultant under this Agreement will be made by check or bank transfer, and no payments will be made in cash or bearer instruments. No payments which are owed to the Consultant hereunder will be made to a third party instead.
 - C Group Company may terminate this Agreement immediately upon written notice in the event that it concludes, in its sole opinion, that Consultant has breached any representation or warranty under this Agreement or that a breach is substantially likely to occur unless the Agreement is so terminated.

- D Consultant will keep accurate books and records in connection with its services to be performed under this Agreement and will make such books and records available to the auditors for Group Company if requested. Consultant will fully cooperate in any audit that may be conducted.

Attachment D

Questionnaire Regarding Potential Referred Hire

The hiring manager must complete this Questionnaire and forward to the Chief Compliance Officer or his or her designee under the Anti-Corruption Policy if a candidate is being referred to Group Company for a job vacancy including intern or trainee positions (as opposed to responding to any public advertisement or recruitment program placed by Group Company) by:

any person who is employed by any government, government agency, or government controlled corporation (including a sovereign wealth fund), or public international organization; or

any person who is serving in an official capacity for any government whether actually employed by that government or not; or

any person who is an official of political parties and candidates for political office.

The Chief Compliance Officer or his or her designee will review and advise if approval has been granted. No offer may be made to a potential candidate before such review and approval.

The above-mentioned government agency, organization, political parties in connection with the person making the referral is collectively described as 'related organization' in this questionnaire.

General Information

1. Please attach a copy of the resume of the candidate to this Questionnaire.
2. State the name of the person making the referral and the organization that he/she works for and its relationship with Group Company (whether it is a past, current, or potential client or business partner).
3. Describe how this candidate came to the attention of Group Company.
4. What is the relationship between the candidate and the person making the referral?
5. What is the position applied for? Please state (i) the proposed corporate title, (ii) the job scope and (iii) the name and title of the person to whom the hire will report to.
6. Describe the application/interview process which the candidate went through, including names of all Group Company interviewers. How many other candidates were considered for this position?
7. Does the candidate have the necessary qualifications for the position? If yes, please substantiate. How does the candidate rate against other candidates for the position?
8. What are the proposed remuneration terms? Are they commensurate with the qualifications of the potential hire and in accordance with market rates? If yes, please substantiate.

Information on the related organization

9. Is Group Company currently working on, or pitching for any application, deal or transaction that involves the related organization to whom the candidate is related as stated in Question 4? If yes, please provide details.
10. Is Group Company seeking future opportunity to work or develop a relationship with such a related organization? If yes, please provide details.
11. What is the expected benefit to Group Company in employing the candidate?

Internal approvals and considerations

12. Provide the name(s) and contact information the manager(s) who are proposing to hire the candidate.
13. If relevant approvals are not provided by the Chief Compliance Officer himself or herself, provide the name(s) and contact information of any designee of the Chief Compliance Officer who consulted on this matter.
14. Will the candidate, after he/she has been hired, be in possession of any confidential information relating to Group Company or other clients which could be used to the advantage of the related organization (e.g. information related to transactions with the related organization or any direct competitor of the related organization)?
15. Is there any additional information concerning the candidate or the related organization that may be relevant to the approval of the hire?

Prepared by: _____

Date: _____

Attachment E

Due Diligence Checklist

[Terms of this Attachment to be prepared by the Compliance Officer]

Attachment F

Model Contractual Provisions

[Terms of this Attachment to be prepared by the Compliance Officer]

SCHEDULE 3

SANCTIONS COMPLIANCE POLICY

1. Sanctions Compliance Policy

This Policy addresses compliance with US economic sanctions administered by the US Office of Foreign Assets Control (“**OFAC**”) and applicable economic sanctions administered by other regulatory authorities in the US and other countries.

This Policy applies to the Company, all entities owned or controlled by the Company (together, the “**Group**”), and the employees of any Group entity.

It is the policy of the Company that no Group Company will sell any goods or services directly, or indirectly through sales agents, distributors or other third parties, to Cuba, Iran, North Korea, Sudan or Syria (“**Sanctioned Countries**”), or otherwise to engage in transactions involving Sanctioned Countries or Sanctioned Persons that would be prohibited under US economic sanctions or other applicable economic sanctions.

It is the policy of the Company that all Group companies will end any remaining customer relationships with Sanctioned Countries and Sanctioned Persons (as defined below) as soon as legally and practicably possible. If any Group Company has any remaining relationships with Sanctioned Countries or Sanctioned Persons (as defined below) they should promptly contact the [Legal/ Compliance] Department of the Company to discuss arrangements to terminate such relationship and any related contractual obligations.

All Employees of Group Companies must follow both the spirit and the letter of these policies and of all sanctions laws applicable (or deemed to be applicable) to them or to the Group Company.

2. Key Terms

3.1 OFAC, within the US Department of the Treasury, administers economic sanctions targeting certain countries, individuals, entities and organizations in order to further the national security and foreign affairs objectives of the US government. Economic sanctions are also administered by national authorities in the EU and in other countries - these sanctions partially overlap with US sanctions and in other respects differ in their nature and scope.

3.2 Sanctioned Countries and Persons

- The United States currently has broad sanctions embargoes in place against Cuba, Iran, North Korea, Sudan and Syria, and the EU and many other countries have also imposed sanctions of varying scope relating to these countries. Certain restrictions and reporting requirements are in place for investment by US persons and US companies in Myanmar. General information on US economic sanctions can be found at: <http://www.treasury.gov/ofac>. In addition, under US export control rules (which are separate from the sanctions rules), it is generally prohibited to sell or transfer to Cuba, Iran, North Korea, Sudan and Syria certain US-origin items or non-US items containing US-origin content.
- The United States and other countries also have sanctions targeting specific persons involved with certain political organizations, such as the Taliban, or those otherwise involved with terrorism, narcotics trafficking or the proliferation of weapons of mass destruction. In general terms, economic sanctions prohibit most financial transactions or dealings with the following individuals, entities, governments and countries: (i) several thousand individuals and entities included in the US list of Specially Designated Nationals (“**SDN List**”), which can be found at <http://www.treasury.gov/sdn>; (ii) persons on a list of designated persons under economic sanctions administered by the EU, UK or other countries, as applicable; (iii) the governments of Sanctioned Countries and their agents; (iv) any person owned or controlled by, or acting on behalf of, any of the foregoing; (v) persons located within or doing business from a Sanctioned Country; and (v) armed forces and groups in Myanmar. The foregoing are referred to in this Policy as “**Sanctioned Persons**”.
- A citizen or other national of Iran, North Korea, Sudan or Syria that is not included in the SDN List is not considered a Sanctioned Person under this Policy. There is no restriction under this Policy on hiring or otherwise dealing with such an individual, so long as he or she is not actually located within the territory of Iran, North Korea, Sudan or Syria and is not acting on behalf of any person in a Sanctioned Country or any person on the SDN List.
- Under US law, all US persons must comply with US economic sanctions. “**US person**” is defined to include: (i) any US citizen or permanent resident alien (sometimes referred to as a “green card” holder), wherever located; (ii) any entity organized under US law; and (iii) any person located within or operating from the United States.
- Many US sanctions are directly applicable to non-US entities owned or controlled by a US person, including many sanctions on Iran and Cuba. Some US sanctions can be applied even to non-US entities with no

ties or contact to the United States at all. Non-US companies are also subject to the applicable economic sanctions issued by other countries.

3. **Compliance Procedures**

1.1 Screening of Customers and Transactions

Each Group Company will carry out appropriate screening procedures to ensure that it does not deal with any customers or third party service providers that are Sanctioned Persons or are located in Sanctioned Countries. Specific procedures for screening customers and third party service providers will be implemented locally. Generally, however, each new customer, transaction or sale should be checked against the SDN List.

If a customer raises any suspicion of being a Sanctioned Person, being affiliated with a Sanctioned Person, or shipping the goods on to a Sanctioned Country, the customer should be asked to furnish statements verifying intended use and ultimate destination of goods. In particular, these procedures should be followed if any such suspicion is raised in relation to a customer located in a country that is known to have a high volume of resales to Sanctioned Countries, such as the United Arab Emirates, Turkmenistan, Jordan, Turkey, Malaysia, Thailand, Singapore, Hong Kong, Cyprus and Malta. Employees at any level are authorized to delay any order that raises concerns for compliance with this Policy.

1.2 Dealings with Agents, Distributors and other Third Parties

When engaging sales representatives, advisors, agents, distributors and other third parties who will act for a Group Company to distribute or market products on the Group Company's behalf (" **Sales Representatives** "), each Group Company should ensure that such arrangements do not result in transactions by that Group Company that would violate this Policy.

After the entry into force of this Policy, all existing Sales Representatives should be notified not to make sales on behalf of any Group Company on to Sanctioned Countries or Sanctioned Persons; any agreements providing for such sales should be terminated as described in Section 1 above.

- Written contracts should be entered into with all Sales Representatives, including appropriate provisions prohibiting sales on behalf of any Group Company to Sanctioned Countries or Sanctioned Persons. Such provisions should be prepared with the input of the [Legal/ Compliance] Department of the Company.
- Sales Representatives should, on a regular basis, submit reports on their activities on behalf of Group Companies. These reports should be reviewed by the appropriate Company employees to ensure that, among other things, transactions are not being entered into by the Sales Representatives that would violate this Policy.
- In such cases, after consulting with the [Legal/ Compliance] Department, this Policy may be distributed to the Sales Representative, and the Sales Representative may be asked to commit to abide by this Policy.

1.3 Exports and Transfers of Goods, Software and Technology

Before carrying out any export or transfer of goods, services or technology across national borders, sales, compliance and legal personnel should work together to ensure that the relevant Group Company has a good understanding and good records regarding each of the following issues.

- What is the item? Identify the origin, nature and technical characteristics of the goods, software or technology as necessary to determine whether it is subject to US export controls.
- Where is it going? Identify its country of ultimate destination, and any other countries through which it will transit. Consider whether the ultimate user could be in a Sanctioned Country, particularly if the sale is to one of the countries identified in Section 1.1 above.
- Who will receive it? Identify the ultimate end-user of the goods, services or technology and all other parties directly involved with its export, and confirm these persons are not Sanctioned Persons.

It is prohibited under this Policy to export goods to a customer, agent or distributor with the knowledge that those specific goods are destined for Sanctioned Countries or Sanctioned Persons. As a result it is important to conduct appropriate due diligence on customers, agents and distributors to understand where they intend to send Company products.

1.4 Additional Procedures for US Persons

If any Group Company has any remaining relationships with Cuba, Iran, North Korea, Sudan or Syria or Sanctioned Persons, no board members, directors, officers or other employees who are US citizens or US permanent residents, or are based in or temporarily visiting the United States, should be involved in any related business. In addition, no

such person should be involved in helping terminate any remaining business with any such country or with Sanctioned Persons.

If any US person board member, director, officer or other employee receives e-mail or other correspondence related to Cuba, Iran, North Korea, Sudan or Syria or Sanctioned Person, he or she should send a standard reply stating that because he or she is a US person, he or she cannot review the correspondence or reply to it except to indicate that he or she is unable to be involved with the subject matter of the communication. The US Person should report the correspondence promptly to [Legal/ Compliance] Department of the Company.

Receipt by a US person of reports on prior or current periods that include information related to the termination of any remaining business with Sanctioned Countries or Sanctioned Persons is not prohibited, so long as the reports are not intended as the basis for the US Person's involvement in related discussion, decision-making, approval, or planning. If in doubt, please contact [Legal/ Compliance] Department for guidance on the preparation or receipt of such reports.

1.5 Transactions Involving Cuba, Cuban Persons and Companies

US law provides that the US economic sanctions targeting Cuba are binding on all persons subject to US jurisdiction, which includes US persons, any non-US entity owned or controlled by US persons, and any individuals that are residents of the US. US sanctions generally prohibit persons subject to US jurisdiction from dealing with Cuba, the Cuban government, any person in Cuba, and with Cuban companies and Cuban persons located anywhere in the world. On the other hand, the laws of the EU, Canada and Mexico may seek to restrict compliance with US sanctions against Cuba.

If any Group Company has existing business, or there is any proposed business, with Cuba, Cuban companies or persons, or if any other issues arise in relation to US sanctions against Cuba, you must bring these matters to the attention of the [Legal/ Compliance] Department of the Company as soon as possible.

[Note: the legal or compliance personnel in the Company who will handle matters relating to Cuba should consult with sanctions counsel or with OEP Legal or Compliance officer to ensure they fully understand the potential application of US law prohibiting transactions with Cuba and Cuban persons, and EU and other laws that may seek to block compliance with US sanctions on Cuba].

1.6 Corporate Transactions

Guidance must be sought when engaging in mergers and acquisitions and other corporate transactions. A set of procedures is available upon request from the [Legal/ Compliance] Department of the Company for conducting appropriate due diligence and negotiating appropriate contractual provisions related to economic sanctions in corporate transactions.

1.7 Records

Records of transactions to which sanctions are applicable must be retained for a period of five years. Insufficient recordkeeping may be a separate violation of sanctions laws, and can lead to penalties even if the transaction itself is authorized. Contact the [Legal/ Compliance] Department of the Company with any questions relating to recordkeeping.

1.8 Communication of Concerns

Every employee must communicate any concerns identified that arise under this Policy. Employees may speak with their supervisor, a higher level of management, or the [Legal/ Compliance] Department of the Company. Employees may also raise concerns or questions through the telephone number [NUMBER] and the email address [EMAIL]. This may be done anonymously, in which case your identity and the concerns raised will remain confidential, and will be disclosed to as few people as possible.

Alternatively, for any questions regarding this Policy, please contact [NAME], [TITLE], on [PHONE], or [EMAIL].

The Company will not tolerate any form of retaliation against a person that raises a concern in good faith through any of these channels.

1.9 Disciplinary Action

Disciplinary action up to and including termination of employment may be taken (subject to applicable labor and employment laws) against any individual who (a) violates this Policy, (b) deliberately fails to report a violation as required, (c) deliberately withholds material and relevant information concerning a violation or fails to cooperate with an investigation into an actual or potential violation, or (d) is the supervisor or manager or a violator, to the extent there was a lack of reasonable leadership, supervision or diligence.

In addition, regulators may impose criminal or civil penalties on the Company or the individuals involved in any violation of economic sanctions.

4. **Responsibilities**

This Policy and any major modifications or revisions to this Policy shall be approved by the Board of Directors of the Company.

The [Legal/ Compliance] Department of the Company is responsible for the implementation of this Policy.

All employees must follow both the spirit and the letter of the sanctions policies and laws described in this Policy. The adherence by each individual to the principles set forth herein is a significant indicator of that individual's judgment and competence. Insensitivity to, or disregard for, these principles will be grounds for appropriate disciplinary action, including potentially dismissal.

Any questions about the application of this Policy in any particular situation should be referred to the [Legal/ Compliance] Department of the Company.

5. **Other Applicable Documents**

[IDENTIFY ANY OTHER RELEVANT POLICY OR GUIDANCE DOCUMENTS].

6. **Validity**

This Policy shall enter into force on [DATE], 2013 and shall be valid for an unlimited period of time.

SCHEDULE 4

ANTI-CORRUPTION COMPLIANCE CERTIFICATION

The undersigned, having first been duly informed and having made reasonable and good faith inquiry of my corporate organization, hereby certify as follows:

1. I understand that:

- A. [Group Company/the Group] does not pay, or offer to pay, bribes to public officials or private persons in order to obtain or retain business or to gain an improper business advantage;
- B. [Group Company/the Group] does not pay bribes indirectly through agents or other third parties;
- C. [Group Company/the Group] avoids the appearance of paying bribes by refraining from hosting lavish meals and entertainment, gift giving, charitable donations, or the making of facilitating payments;
- D. [Group Company/the Group] maintains detailed and accurate books and records, and implements internal controls reasonably designed to prevent, detect, and impose discipline for breaches of anti-bribery laws and company anti-bribery compliance policies;
- E. [Group Company/the Group] does not pay, offer to pay or authorize bribes, but if any improper payment should somehow be made, [Group Company/the Group] does not conceal such payments by “off-the-books” arrangements or by falsifying corporate books and records or reports.

2. [Group Company/the Group] has implemented an Anti-Corruption Compliance Policy and to the best of my knowledge no activities or payments have taken place at the company or on the company's behalf that would violate that policy.

3. [Group Company/the Group] has implemented operational guidance, and has provided or is in the process of providing training to all relevant personnel on the following topics:

- A. Gifts;
- B. Hospitality, entertainment and expenses;
- C. Customer travel (e.g., promotional activities);
- D. Political contributions;
- E. Charitable donations and sponsorships;
- F. Prohibitions on facilitation payments;
- G. The use of agents, finders, distributors, business development consultants and other third parties whose conduct may be attributed in whole or in part to [Group Company/the Group];
- H. The conduct of anti-bribery due diligence and implementation of appropriate anti-bribery controls in merger, acquisition, and joint venture activity governing documents.
- I. Segregation of duties and other financial controls to assure appropriate limits on authority as to expenditures or other dispositions of company assets or the accrual of liabilities.

4. A true copy of the written documents specifying the operational controls, including employee handbooks, compliance policies, and the like, are attached to this certification. [**Only one member of senior management - e.g., CFO, Chief Compliance Officer, or other relevant manager - need provide this set of materials as part of the certification**]
5. A true list of employees receiving training in these operational controls in the past year is attached to this certification. [**Only one member of senior management - e.g., CFO or Head of H.R. - need provide this set of materials as part of the certification**]
6. [Group Company/the Group] has adequately-resourced Legal, Compliance, and Internal Audit functions, staffed with personnel of sufficient stature, training, and experience, and with sufficient staff to handle the compliance challenges of the organization. A list of such personnel is attached to this certification. The annual internal audit plan of [Group Company/the Group] is reasonably designed to test compliance with anti-bribery controls, and a list of internal audits conducted within the past twelve months is attached to this certification, as is a list of internal audits that are planned for the next twelve months at [Group Company/the Group]. It is sufficient if the senior management team member directly responsible for Legal, Compliance, and Internal Audit functions provides the particular certifications applicable to their respective organizations. [**This paragraph to be signed by the head of internal audit or its equivalent**]
7. There have been no incidents in which there have been violations of the Company's anti-bribery compliance policy, or any applicable anti-bribery law, or, if there have been such incidents, they are described as follows: [**Include detailed description of all aspects of the incidents, including how the incident was investigated and any remedial steps taken to discipline employees, terminate third parties, and/or strengthen internal controls**]
8. There have been no incidents in which there have been allegations of violations of the Company's anti-bribery compliance policy, or any applicable anti-bribery law, or if there have been such incidents, they are described as follows: [**Include detailed description of all aspects of the incidents, including why, if it is the case, the allegation was not substantiated**]

SCHEDULE 5

CERTIFICATE OF [INSERT NAME OF THE RELEVANT GROUP COMPANY]

REGARDING SANCTIONED PERSONS AND COUNTRIES

This Certificate is being delivered to One Equity Partners (**OEP**) by [*insert name of the relevant Group Company*] (the **Company**). The undersigned understands, acknowledges and agrees that the facts set forth in this Certificate are being relied upon by OEP and JPMorgan Chase & Co. (**JPMC**), in connection with their compliance with applicable laws, including Economic Sanctions Laws and US securities laws.

The undersigned, as a duly authorized officer of the Company, hereby represents, warrants and certifies, after reasonable investigation and review, that, since January 1, 2012, the Company has not knowingly:

- (a) entered into any agreement, transaction or dealing with or for the benefit of any Sanctioned Person (or involving any property thereof) or involving the Government of Iran (or any entity owned or controlled by the Government of Iran or acting on its behalf);
- (b) owned, controlled, or insured a vessel used to transport crude oil, gasoline, diesel or jet fuel from Iran; or
- (c) exported to any person goods, technology or services that would contribute to Iran's ability to acquire chemical, biological or nuclear weapons or advanced conventional weapons.

For the purposes of this certification:

Economic Sanctions Law means any economic or financial sanctions administered by the United Nations, the European Union or any member state thereof, any agency of the US government, or any other national economic sanctions authority.

Sanctioned Person means any person (i) designated on the OFAC list of Specially Designated Nationals and Blocked Persons (available at <http://www.treasury.gov/sdn>), (ii) that is, or is part of, the government of Iran, (iii) owned or controlled by, or acting on behalf of, any of the foregoing, (iv) targeted under financial sanctions administered by any United Nations body, or (v) located within or operating from Iran.

IN WITNESS WHEREOF, this certificate was signed by a duly authorized officer of the Company.

[*insert name of the relevant group company*]

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 6

WARRANTIES

1. WARRANTIES

Each Shareholder and Titan US warrants to the other Parties on the date of this Agreement as follows:

1.1.1 Status

It is a company duly incorporated or established and validly exists under the laws of its jurisdiction and has the corporate capacity, power and authority to own its assets and to conduct the business which it conducts and/or proposes to conduct.

1.1.2 Powers

It has the power (a) to enter into, exercise its rights and perform and comply with its obligations under this Agreement and (b) to act as a Shareholder of the Company.

1.1.3 Authorisation and consents

All actions, conditions and things required to be taken, fulfilled and done (including the obtaining of necessary consents) in order (a) to enable it lawfully to enter into, exercise its rights and perform and comply with its obligations under this Agreement, and (b) to make this Agreement admissible in evidence in the courts of the jurisdiction in which it is incorporated, have been taken, fulfilled and done.

1.1.4 Non-violation of laws etc .

Its entry into, exercise of its respective rights and/or performance of or compliance with its respective obligations under this Agreement and as a Shareholder do not and will not violate or exceed any restriction imposed by (a) any Applicable Law to which it is subject or (b) its memorandum or articles of association or, as the case may be, certificate of incorporation or bye-laws/statutes.

1.1.5 Obligations binding

Its obligations under this Agreement are valid, binding and enforceable.

1.1.6 Non-violation of other agreements

Its entry into, exercise of its rights and/or performance of or compliance with its respective obligations under this Agreement and as a Shareholder do not and will not violate any agreement to which it is a party.

SCHEDULE 7

GUARANTEE

- 1.1 The Guarantor irrevocably and unconditionally guarantees to each of RDIF and OEP (each, a " **Beneficiary** ") the due and punctual performance of each obligation of Titan under Clauses 19, 20 and 22.9 of the Agreement. The Guarantor shall pay to the Beneficiary from time to time on demand a sum of money (including the Put Option Price or the Settlement Option Price, as the case may be) which Titan is at any time liable to pay to the Beneficiary under or pursuant to Clauses 19, 20 and 22.9 of the Agreement and which has not been paid at the time the demand is made. The Guarantor's obligations set out in this Schedule 7 are primary obligations and not those of a mere surety.
- 1.2 The Guarantor irrevocably and unconditionally agrees to indemnify (and keep indemnified) the Beneficiary on demand against any loss, liability or cost incurred by the Beneficiary as a result of any obligation of Titan referred to in paragraph 1 of this Schedule 7 being or becoming void, voidable or unenforceable as against Titan for any reason whatsoever. The amount of the loss, liability or cost shall be equal to the amount which the Beneficiary would otherwise have been entitled to recover from Titan.
- 1.3 The Guarantor's obligations under paragraphs 1 and 2 of this Schedule 7 are continuing obligations and are not satisfied, discharged or affected by an intermediate payment or settlement of account by, or a change in the constitution or control of, or merger or consolidation with any other person of, or the insolvency of, or bankruptcy, winding up or analogous proceedings relating to, Titan.
- 1.4 The Guarantor's liabilities under paragraphs 1 and 2 of this Schedule 7 are not affected by an arrangement which the Beneficiary may make with Titan or with another person, which (but for this paragraph 4) might operate to diminish or discharge the liability of or otherwise provide a defence to a surety.
- 1.5 Without affecting the generality of paragraph 4, the Beneficiary may at any time as it thinks fit and without reference to the Guarantor and without prejudice to the Guarantor's obligations set out in this Schedule 7:
 - 1.5.1 grant a time for payment or grant another indulgence or agree to an amendment, variation, waiver or release in respect of an obligation of Titan under Clauses 19, 20 and 22.9 of the Agreement;
 - 1.5.2 give up, deal with, vary, exchange or abstain from perfecting or enforcing other securities or guarantees held by the Beneficiary;
 - 1.5.3 discharge a party to other securities or guarantees held by the Beneficiary and realise all or any of those securities or guarantees; and
 - 1.5.4 compound with, accept compositions from and make other arrangements with Titan or a person or persons liable on other securities or guarantees held or to be held by the Beneficiary.
- 1.6 The Guarantor's liabilities under paragraphs 1 and 2 of this Schedule 7 are not affected by the avoidance of an assurance, security or payment or a release, settlement or discharge which is given or made on the faith of an assurance, security or payment under an enactment relating to bankruptcy or insolvency.
- 1.7 The Guarantor waives any right it may have of first requiring the Beneficiary (or any trustee or agent on their behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor on the terms set out in this Schedule 7. This waiver applies irrespective of any Applicable Law or any provision of the Agreement to the contrary.

SCHEDULE 8

GROUP FORECAST AND KEY BUSINESS PARAMETERS



STRICTLY PRIVATE AND CONFIDENTIAL

CURRENT PERFORMANCE

KEY DRIVERS OF THE ECONOMIC MODEL

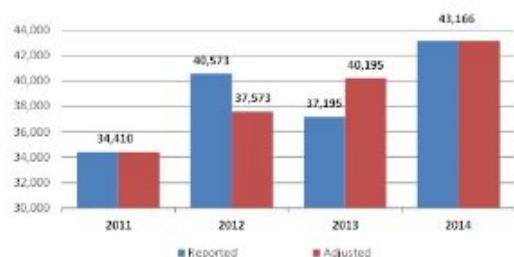
We focus on 4 key drivers: Volumes, Raw Materials Prices, Contribution Margin and Costs/ Capex

- **Volumes**
 - Agriculture - modelled bottom-up in 3 tire segments (Foreign, Modern Russian, Legacy Russian) and 2 channels (OEM and Aftermarket)
 - As a general assumption, legacy soviet tires are declining, while Foreign and Modern Russian are growing
 - OEM is a high growth segment for modern tires
 - Industrial – modelled on a 1-line growth rate assumption. Assumed to grow in the base case
 - Non-Core (Truck, Light Truck and Passenger) are assumed to continue declining, but stabilizing after 2 more years of declines
- **Raw Materials Prices**
 - While we assume that in general, raw materials prices change gets reflected in the final product price, the growth rate of RM prices matters since a stable markup is earned on a higher raw materials, which means that earnings are positively related to raw materials prices
 - Given the 2012 RM price dynamic, we assumed a 2% RM prices growth in 2013 and 5% thereafter
- **Contribution Margin**
 - Contribution margin (CM) the spread between the price and the cost of raw materials per tire
 - CM has expanded significantly over the last 3 years as raw materials prices were growing. Our base case assumption is that CM declines in the next 2 years on alike-for-like basis, however there is some positive mix effect
 - Product (tire) prices are calculated as a function of the raw materials price and the CM assumption
- **Costs / Capex**
 - All fixed costs are assumed to grow at or around inflation, without efficiency improvements built in
 - Titan assumption of \$5m of maint. and \$10m of growth capex in 2013-14, then \$5m growth capex p.a.

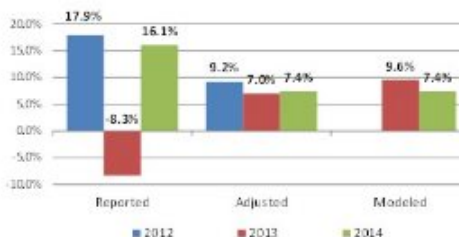
NOTE – 2012/2013 VOLUMES

Analysis of monthly sales volumes strongly suggests that Cordiant “stuffed the channel” in December 2012, which reflected in strong drop-off in sales in January 2013

Monthly Agri Tyres Sales, tons



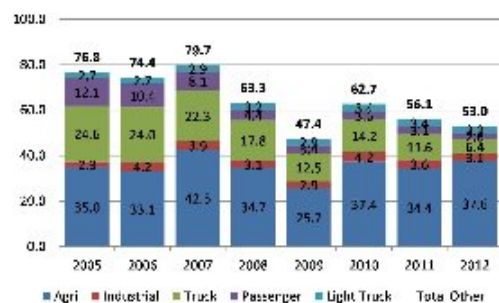
- December 2012 volumes are almost 3x 2011 December volumes
- We have adjusted the December volumes down by 3000 tons, and redistributed this volume to 1Q13, which resulted in a much smoother and more plausible monthly evolution
- Note that this pattern was only evident in Agri tires
- Adjusted 2012 Agri volumes are therefore 37.6kt (-7.3% from reported).
- To model 2012 volumes, we've used actual Jan-Apr 2013 data and applied a modelled rate of 9.6% p.a. growth to the remaining months
- On a "reported" basis, 2013 volumes would be down 8.3% vs. 2012 and 2014 would be up 16.1% vs. 2013



VOLUMES - HISTORY

Over the last 7 years, total volumes sold by Voltyre-Prom have declined at 8.1% annual CAGR, driven by declines in all tires except for Agricultural tires

Total Voltyre-Prom sales volumes, '000 tons



Sales volumes C.	'05-'12	'07-'12	'10-'12
Agri	1.0%	-2.4%	0.2%
Industrial	4.2%	-4.5%	-13.4%
Truck	-17.4%	-22.0%	-32.7%
Passenger	-19.7%	-20.3%	-14.7%
Light Truck	2.5%	2.4%	-1.9%
Total	-5.2%	-7.9%	-8.1%

- Sales volumes contracted significantly as a result of 2007 crisis, with a rebound in 2010. Following the rebound, volumes continued to slip in 2010-2012
- Truck and Passenger tires have been consistently declining. Truck has decreased by 74% over 7 years, Passenger y 78%. This is most likely driven by the outdated product line and the parent company focusing on other plants to produce these tires
- Agricultural tires in 2012 were at their second-highest sales levels after 2007 and close to 2010, on an adjusted basis
- Light truck, while a small category, has a certain level of sustainable market demand for the product, which has meant that LT volumes were relatively stable

AGRI TIRES – HISTORIC SPLIT BY EQUIPMENT TYPE

Analysis shows that legacy tires are declining, but at a very slow pace, while tires for modern Russian equipment are the fastest growth segment

Tire agri tires sales by equipment type, adjusted (tons*)

Sales, tons	2010	2011	2012	CAGR	2012 split
Only A	1,685	1,855	1,765	2.3%	5%
A+B	7,316	7,812	8,822	9.8%	27%
A+B+C	9,699	7,641	8,596	-5.9%	26%
Only C	14,247	13,070	14,050	-0.7%	42%
All Agri	32,947	30,379	33,233	0.4%	100%

* Weight without rims (hence the total lower than the other pages)

- We've asked the company to split agri tire volumes by types of equipment it can be used for:
 - A – premium foreign equipment
 - B – modern Russian equipment
 - C – legacy Soviet equipment
- Most tires can fit various categories irrespective of their "intended" use
- Data shows that
 - tires that fit Soviet equipment (A+B+C or Only C) have been declining. This segment represents in total almost 70% of tires sold
 - Fastest growing segment is tires for modern Russian equipment, that can also fit some foreign equipment. This segment represents 27% in 2012
 - Tires only for foreign equipment represent 5% of sales and grow insignificantly so far

VOLUMES PROJECTIONS - AGRICULTURAL

Agri tire growth forecast is based on the assumption that legacy soviet tires are declining in units, however the lost volumes are being compensated by heavier modern tires

Total Agricultural Volumes (reported basis)



Total Volumes:

- Total volume growth of 7.0% as a result of the below factors

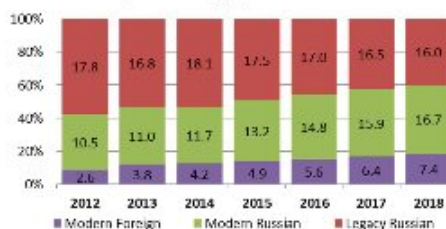
Aftermarket:

- In our base case, the legacy Russian tire volume is declining at 1.5% per year over 2012-2017. The assumption is based on the overall understanding that this is a declining market.
- Modern Russian tires are assumed to grow at 8.3% p.a. each year
- Modern foreign tires grow at 10.8% CAGR. This volume growth is caused by Voltyre-Prom offering more products that fit foreign equipment

OEM:

- Assumption of 11% p.a. growth for both modern Russian and Foreign tires. No OEM shipments of legacy Russian tires

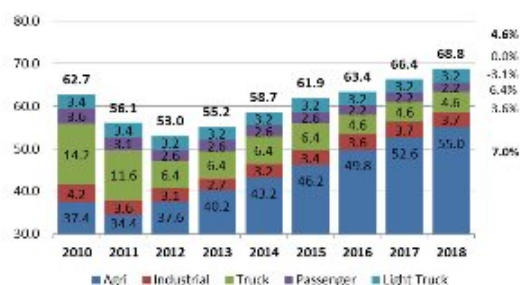
Aftermarket



VOLUMES PROJECTIONS - TOTAL

Total volumes grow at 3.9% CAGR, driven primarily by 6.2% CAGR in Agricultural tires and 3.6% CAGR in Industrial tires. The other tire classes are either flat (LT) or declining (T, Pass)

Total Tire Volume Forecast (adjusted basis)



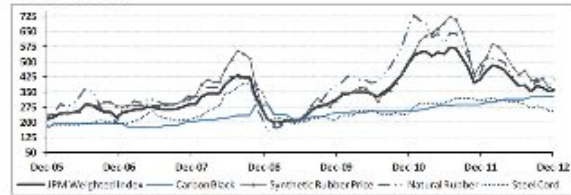
- Agricultural tires are assumed to grow at 7% (see previous slide)
- Industrial tires are assumed to grow at 3.6% in 2012-2017, a combination of a 12.6% forecast drop in 2013, following similar performance in 2010-2012, followed by rebound in 2014 and a consistent 5% volume growth thereafter
- The rest of the tire are assumed to decline for the next 2 years and then flatlining

Volume Growth	2010	2011	2012	2013	2014	2015	2016	2017	2018	'10-'12	'12-'17	'13-'18
Agri	45.6%	-8.0%	9.2%	7.0%	7.4%	7.0%	7.7%	5.7%	4.5%	0.2%	7.0%	6.5%
Industrial	42.2%	-14.2%	-12.7%	-12.6%	18.0%	5.0%	5.0%	5.0%	0.0%	-13.4%	3.6%	6.4%
Truck	13.7%	-17.9%	-44.7%	0.0%	0.0%	0.0%	-28.0%	0.0%	0.0%	-32.7%	-6.4%	-6.4%
Passenger	8.8%	13.9%	-15.5%	0.0%	0.0%	0.0%	14.5%	0.0%	0.0%	14.7%	3.1%	3.1%
Light Truck	16.4%	0.2%	-4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.9%	0.0%	0.0%
Total Other	32.5%	-10.6%	-5.6%	4.2%	8.3%	5.4%	2.5%	4.7%	3.6%	-8.1%	4.6%	4.5%

RAW MATERIALS – HISTORY AND PROJECTIONS

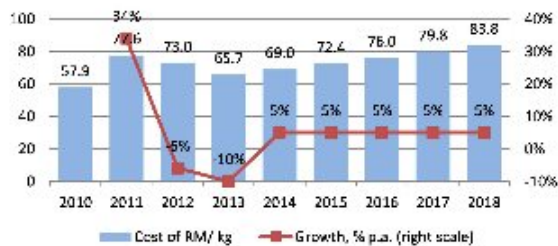
Assuming flat Contribution Margin, both revenue and profits are positively correlated with the Raw Materials prices. Average raw material expense per kg of tire has decreased 6% in 2012 and 10% in 1Q13

Figure 34: Raw Materials Price Trends
Index to 100 at December 1999



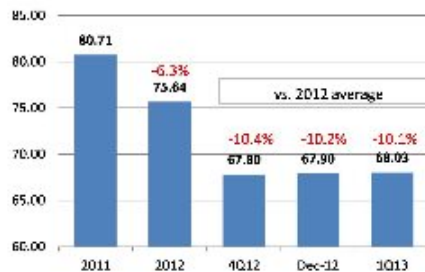
Source: JPMorgan Chase

Raw Materials Price Assumption, rub/kg



- JPM weighted index of Raw Materials prices for the Tire Industry at the end of 2012 was ~350, while 1999 was 100. This implies a 10.1% CAGR over 13 years
- We have assumed a 10% growth rate in 2013 (see next slide) and a 5% growth rate thereafter
- 10% drop in 2013 is due to a sharp decline in RM prices in 2H12, after which they were roughly flat

Volyte-Prom Cost of RM/kg, rub



PRODUCT PRICES

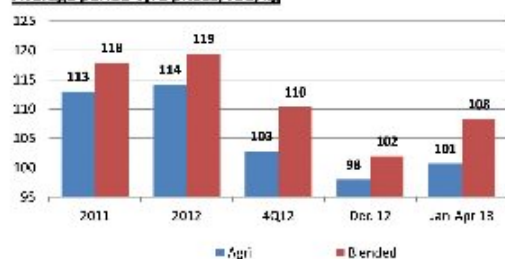
Prices for Agri tyres have been declining since mid-2012, caused by the materials price decline. 1Q13 prices are in line with 4Q12 prices, -12% vs. avg. 2012 for Agri and -9.3% for Blended

Monthly tire price evolution, rub/kg



- Prices for Agri tires have been consistently declining in 2012, including a 12% m-o-m drop in December, the month when Cordiant did channel stuffing
- Prices for other tires have been stable or increasing
- Agri tire dynamic potentially a consequence of Voltyre-Prom producing 80% of legacy tires, which is a more competitive market

Average period tyre prices, rub/kg

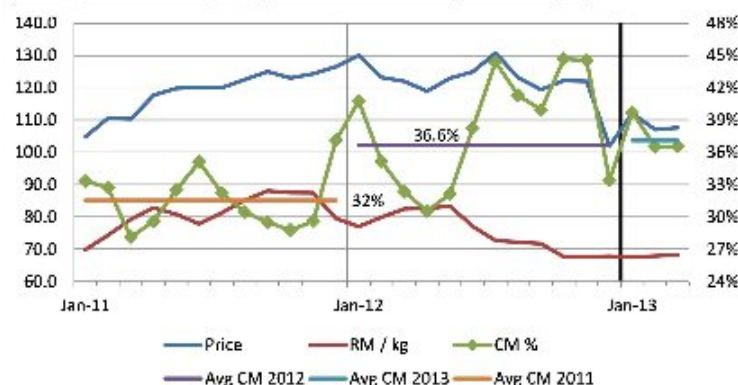


	12 vs. '11	4Q12 vs. '12	Dec'12 vs. '12	4M13 vs '12
Agri	1.0%	-10.0%	-14.2%	-11.8%
Blended	1.2%	-7.6%	-14.6%	-9.3%

CONTRIBUTION MARGIN - HISTORY

Contribution margins have expanded significantly in 2012, driven by a lag in the fall of product pricing vs. the decline in raw materials. 1Q12 contribution margin is line with 2012 level

Product, Materials Prices (rub/kg) and Contribution Margin Evolution, %



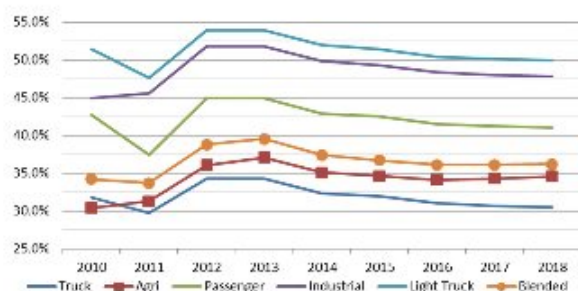
- Contribution margins in 2012 were almost 5% higher than in 2011, driven by a lag of product pricing falling vs. raw materials.
- While in December 2012 prices fell to such a level that contribution margin was significantly down, they rebounded in 1Q13, which maintained the contribution margin at average 2012 levels
- Nevertheless, given the overall high level of contribution margin, going forward we are still modeling in gradual declines in contribution margin

Note: the absolute level of RM prices and contribution margin does not match P&L, as data on RM pricing comes from different sources. This should not affect the dynamics.

CONTRIBUTION MARGIN - PROJECTIONS

We are assuming that CM will stay flat in 2013, but then decline by 2% in 2014 and by 1% in 2015-2016 on a LFI basis. However, as the mix shift changes to more profitable tires, blended CM is relatively stable at 37.4% from 2014

Contribution Margin Projection



- **Important Note:** we have assumed for the purposes of historic analysis and projections that all types and generation of tires have the same cost of raw materials per KG of tire. Therefore, higher product price represents a higher contribution margin
- To the extent that this assumption is wrong, the contribution margins might be over/under stated and the positive effect of the mix shift to higher price modern tires might be overstating the CMs in the future

P&L FORECAST – BASE CASE

P&L, RUB MM - REPORTED BASIS	2010A	2011A	2012F	2013F	2014F	2015F	2016F	2017F	2018F	CAGR		
										'10-'12	'12-'17	'13-'18
Agri volumes - '000 tons	57,427	34,410	40,573	57,115	43,166	46,196	49,763	52,586	54,968	4.1%	5.3%	8.1%
Volume Adjusted Volume - '000 tons		34,410	37,573	40,115	43,166	46,196	49,763	52,586	54,968		7.0%	6.5%
Volume - '000 tons	62,741	56,094	55,028	52,206	58,669	61,860	63,415	66,416	68,798	-5.5%	3.5%	5.7%
% growth		-8.0%	12.0%	-8.3%	16.1%	7.0%	7.7%	5.7%	4.5%		1.7%	4.9%
Average price, rub/kg	88.1	117.9	119.4	108.8	111.4	116.7	122.6	129.9	137.9	16.4%		
Revenue												
Agri sales	3,134	3,880	4,830	3,884	4,831	5,217	5,913	6,640	7,387	22.0%	7.5%	13.7%
% growth		20.9%	19.1%	-26.2%	19.2%	17.2%	11.8%	12.6%	11.2%			
Industrial sales	418	511	473	512	647	488	533	580	623	3.9%	4.5%	10.0%
% growth		16.4%	-7.6%	21.4%	20.1%	-9.2%	9.2%	10.2%	5.6%			
Other line revenue	1,972	2,215	1,572	1,724	1,795	1,517	1,316	1,348	1,577	-10.5%	-2.4%	0.0%
Decrease in Contract				-71	-73	-86						
Other Revenue	32	-9	70	-3	-3	-3	-1	-1	-1	52.2%	-140.7%	-27.7%
Total Revenue	5,557	6,606	6,757	5,694	6,458	7,143	7,771	8,629	9,497	10.3%	5.0%	13.1%
% growth		18.9%	2.2%	-17.2%	12.2%	10.6%	8.8%	12.0%	9.5%			
Raw Materials	3,032	4,353	4,086	3,429	4,085	4,520	4,912	5,453	5,987	6.1%	5.9%	11.8%
Per kg of product	51.9	77.6	73.0	58.7	69.6	73.1	77.5	82.2	86.0	12.3%	2.4%	5.8%
Variable Contribution	1,859	2,202	2,597	2,178	2,376	2,626	2,860	3,177	3,500	17.1%	4.1%	9.9%
Contribution Margin (% of revenue)	34.3%	34.2%	38.9%	38.2%	36.8%	36.7%	36.8%	36.8%	36.9%	6.5%	1.1%	1.3%
Contribution Margin (% of RM costs)	52.1%	52.0%	63.6%	63.5%	58.2%	58.1%	58.2%	58.3%	58.5%	10.4%	1.7%	1.6%
Other COGS	1,050	1,282	1,283	1,191	1,233	1,247	1,308	1,389	1,468	10.5%	1.6%	4.3%
Per kg of product	16.7	22.9	22.9	22.8	21.0	26.2	30.6	30.9	21.3	17.0%	1.8%	1.3%
Gross Profit	875	971	1,388	984	1,139	1,375	1,552	1,787	2,032	26.0%	5.2%	15.0%
% margin	15.7%	14.7%	20.5%	17.6%	17.6%	19.3%	20.0%	20.7%	21.4%			
Operating expenses	453	444	508	504	531	559	590	623	657	5.0%	4.2%	5.4%
% growth		-2.0%	14.3%	-0.6%	5.3%	5.3%	5.5%	5.5%	5.5%			
% of sales	8.2%	6.7%	7.5%	9.0%	8.2%	7.8%	7.6%	7.2%	6.7%			
Total EBITDA	0	422	527	684	608	816	962	1,164	1,375	44.5%	5.7%	23.4%
% of Sales		7.6%	8.0%	12.0%	9.6%	11.4%	12.4%	13.5%	14.5%	31.0%	0.7%	11.1%
% Growth		24.8%	27.1%	-45.5%	26.8%	34.1%	17.8%	21.1%	18.1%			
EBIT, recurring	246	357	679	245	364	559	682	854	1,033	66.1%	4.7%	33.3%
% of Sales	4.4%	5.4%	10.0%	4.4%	5.6%	7.8%	8.8%	9.9%	10.9%			
% Growth		45.0%	90.2%	-63.0%	49.6%	53.4%	22.0%	25.2%	21.0%			

1 = CAGR('10-'18), i.e. contribution margin is stable per cubic of raw material costs

11

THIS AGREEMENT (the "**Agreement**") is executed and dated on 4 October 2013

BETWEEN:

- (1) **TITAN INTERNATIONAL, INC.** , a company organised under the laws of the State of Illinois and having its principal office at 2701 Spruce Street, Quincy, IL 62301, United States;
- (2) **TITAN LUXEMBOURG S.A.R.L.** , a private limited liability company incorporated under the laws of Luxembourg, with its registered office at 412F, route d'Esch, L-1030, Luxembourg;
- (3) **OEP 11 COÖPERATIEF U.A.** , a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), having its seat in Amsterdam, its address at 1017 CA Amsterdam, Herengracht 466, registered in the trade register under number 57627843;
- (4) **RUBBER COÖPERATIEF U.A.** , a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), having its seat in Amsterdam, its address at 1101 CM Amsterdam Zuidoost, the Netherlands, Herikerbergweg 238, Luna ArenA, registered in the trade register under number 58015965; and
- (5) **TITAN TIRE RUSSIA B.V.** , the private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its seat in Amsterdam, and its address at 1017 CA Amsterdam, Herengracht 466, registered in the trade register under number 58036008 (the "**Company**"),

(each a "**Party**" and together the "**Parties**").

WHEREAS:

- (A) The Parties have entered into shareholders' agreement in relation to the Company on 9 July 2013 (the "**Original Agreement**").
- (B) The parties to the Original Agreement have agreed to amend the Original Agreement as set out in this Agreement.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Terms defined in the Original Agreement shall, unless otherwise defined in this Agreement or a contrary intention appears, bear the same meaning when used in this Agreement and the following terms shall have the following meanings:

"Amended Agreement" means the Original Agreement as amended in accordance with this Agreement;

1.2 Interpretation

The provisions of clause 1.2 of the Original Agreement shall also apply to this Agreement but references to Clauses and Schedules are to clauses and schedules of this Agreement unless otherwise specified.

2. AMENDMENTS

- 2.1** With effect from (and including) the date of this Agreement, a new definition of "Existing Loan Agreement" shall be included in the Original Agreement, to read as follows:

" Existing Loan Agreement " means a loan agreement No. 175/10/05-0954 dated 6 July 2010 (as amended) between the Russian Operating Company (as borrower) and (following an assignment to the Company on the Completion Date) the Company (as lender); "

- 2.2 With effect from (and including) the date of this Agreement, a new definition of "Initial Participation Agreement" shall be included in the Original Agreement, to read as follows:
- " "Initial Participation Agreement" means the participation agreement to be entered into between Titan and the Company on or around the Completion Date pursuant to which Titan agrees to provide up to USD 20,000,000 of funding to the Company at an annual rate of 7% in respect of the Existing Loan Agreement; "*
- 2.3 With effect from (and including) the date of this Agreement, a new definition of "Participation Agreement" shall be included in the Original Agreement, to read as follows:
- " "Participation Agreement" means any agreement between Titan (or any of its Affiliates) and any Group Company pursuant to which Titan (or any of its Affiliates) agrees to participate in funding any loan to a Group Company, including, without limitation, the Initial Participation Agreement; "*
- 2.4 With effect from (and including) the date of this Agreement:
- 2.4.1 the definition of "Permitted Titan Loan" shall be deleted;
- 2.4.2 the following words in the first paragraph of Clause 9.2 shall be deleted:
- " , provided that nothing in Clauses 9.2.1 to 9.2.12 shall require (i) the entry by any Group Company into, or (ii) the granting by any Group Company of security in relation to, the Permitted Titan Loan to be approved by the Supervisory Board pursuant to Clause 9.1, save in the circumstances (and to the extent) set out in Clause 9.3 "*
- 2.4.3 the following word in Clause 9.2.11 shall be deleted:
- " save in respect of the Permitted Titan Loan (subject to Clause 9.3), "*
- 2.4.4 Clause 9.3 shall be deleted entirely.
- 2.5 With effect from (and including) the date of this Agreement, a new Clause 11.5 shall be included in the Original Agreement, to read as follows:
- " 11.5 If at any time prior to the expiry of the term of the Existing Loan Agreement the Russian Operating Company or the Company obtains third party funding the Shareholders agree that all funds provided to and/or available to the Company pursuant to such third party funding shall first be used to repay the amounts that have been advanced to the Company by Titan pursuant to the Initial Participation Agreement. "*
- 2.6 With effect from (and including) the date of this Agreement, the last paragraph of Clause 26.6 of the Original Agreement shall be deleted in its entirety and replaced with the following:
- "then, without prejudice to Titan's and Titan US's obligations under this Agreement and to any other rights or remedies available to any of the other Parties with respect to Titan and Titan US, RDIF and OEP (acting together) shall be entitled by further notice in writing to Titan (copied to the Company) (a "Company Sale Notice") at any time whilst such Titan Event of Default subsists to sell all (and not some only) of their Shares on a bona fide arms' length sale to a Third Party Purchaser, and require Titan to sell to such Third Party Purchaser all the Shares held by Titan or to procure that the Company sells all the Shares held by it in the Russian Operating Company on a bona fide arms' length sale to a Third Party Purchaser (a "Company Sale ")."*

- 2.7 With effect from (and including) the date of this Agreement, Clause 26.10 of the Original Agreement shall be deleted in its entirety and replaced with the following:

" 26.10 Following a Company Sale, the Shareholders agree (and shall take such steps to procure) that the proceeds of such a sale which are due to the Shareholders from the Third Party Purchaser, and any other proceeds payable in relation to such sale (including, but not limited to, proceeds from any loan assignments and/or repayments) shall be paid to the Shareholders in the order of priority set out in the table below (as applicable):

No.	Where the Company Sale occurs following the occurrence of a Titan Event of Default in the circumstances contemplated by Clauses 26.1.8(A):	Where the Company Sale occurs following the occurrence of a Titan Event of Default in the circumstances contemplated by Clauses 26.1.8(B) or (C) or (D):
	first, to repay all principal and interest amounts outstanding in respect of any outstanding Titan Loan and/or Participation Agreement;	first, to pay each B Shareholder an amount equal to the aggregate of (i) its Investment Amount and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by that B Shareholder from the Company, represent an IRR for that B Shareholder of 8 per cent per annum in respect of the B Shares held by that B Shareholder for the period from Completion until the date of the Company Sale Notice;
	second, to pay each B Shareholder an amount equal to the aggregate of (i) its Investment Amount and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by that B Shareholder from the Company, represent an IRR for that B Shareholder of 8 per cent per annum in respect of the B Shares held by that B Shareholder for the period from Completion until the date of the Company Sale Notice;	second, to repay all principal and interest amounts outstanding in respect of any outstanding Titan Loan and/or Participation Agreement,
	third, to pay the A Shareholder an amount equal to the aggregate of (i) its Investment Amount and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by the A Shareholder from the Company, represent an IRR for the A Shareholder of 8 per cent per annum in respect of the A shares held by the A Shareholder for the period from Completion until the date of the Company Sale Notice; and	third, to pay the A Shareholder an amount equal to the aggregate of (i) its Investment Amount and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by the A Shareholder from the Company, represent an IRR for the A Shareholder of 8 per cent per annum in respect of the A shares held by the A Shareholder for the period from Completion until the date of the Company Sale Notice; and
	fourth, to pay any remaining proceeds to the Shareholders pro rata to their Equity Proportions."	fourth, to pay any remaining proceeds to the Shareholders pro rata to their Equity Proportions."

- 2.8 With effect from (and including) the date of this Agreement, Clause 23.2.2(A) of the Original Agreement shall be deleted in its entirety and replaced with the following:

" (A) to repay all principal and interest amounts outstanding in respect of any outstanding Titan Loan and/or Participation Agreement; "

- 2.9 The Parties agree that, with effect from (and including) the date of this Agreement, they shall have the rights and take on the obligations ascribed to them under the Amended Agreement.

3. CONTINUATION

- 3.1 This Agreement is supplemental to, and shall be construed as one with, the Original Agreement.

- 3.2 Except as varied by the terms of this Agreement, the Original Agreement will remain in full force and effect and any reference in the Original Agreement to the Original Agreement or to any provision of the Original

Agreement will be construed as a reference to the Original Agreement, or that provision, as amended by this Agreement.

4. **FURTHER ASSURANCE**

The Parties shall do all such things necessary and desirable in order to confirm or establish the validity and enforceability of this Agreement.

5. **COSTS**

The Parties shall pay their own costs in connection with the preparation, negotiation and execution of this Agreement and any matter contemplated by it.

6. **MISCELLANEOUS**

6.1 The provisions of clauses 29.1 to 29.14 (*Miscellaneous*), 29.16 to 29.18, 29.21, 29.22, 30 (*Notices*) and 31.2 to 31.8 (*Governing Law and Dispute Resolution*) of the Original Agreement shall apply to this Agreement as though those clauses were set out in this Agreement, but as if references in those clauses to the Original Agreement were references to this Agreement.

6.2 This Agreement (together with the documents referred to herein) constitutes the entire and only agreement between the Parties in relation to the subject matter herein or therein.

6.3 This Agreement may only be varied in writing signed by each of the Parties.

6.4 This Agreement may be executed in any number of counterparts and by the Parties to it in separate counterparts, each of which when so executed and delivered shall be an original, but all counterparts shall together constitute one and the same instrument.

7. **GOVERNING LAW**

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

IN WITNESS whereof this Agreement has been executed by the Parties and delivered as a Deed on the date first above written.

EXECUTED and delivered as a deed for) /s/ MAURICE M. TAYLOR
and on behalf of **TITAN**) **Maurice M. Taylor**
INTERNATIONAL, INC. by Maurice M.)
Taylor) Authorised Signatory

) /s/ MAURICE M. TAYLOR
EXECUTED and delivered as a deed for) **Maurice M. Taylor**
and on behalf of **TITAN LUXEMBOURG**)
S.A.R.L. by Maurice M. Taylor) Authorised Signatory

/s/ DAVID ROBAKIDZE
David Robakidze
Authorised Signatory

EXECUTED and delivered as a deed for) /s/ ROBERT HARMZEN
and on behalf of **OEP 11 COÖPERATIEF**) **Robert Harmzen**
U.A. by David Robakidze and Robert)
Harmzen) Authorised Signatory

/s/ MR V.N. PYLTSOV
Mr V.N. Pyltsov
Authorised Signatory

EXECUTED and delivered as a deed for) /s/ MR T.J. VAN RIJN
and on behalf of **RUBBER**) **Mr T.J. van Rijn**
COÖPERATIEF U.A. by Mr V.N. Pyltsov)
and Mr T.J. van Rijn) Authorised Signatory

/s/ ROBERT HARMZEN
Robert Harmzen
Authorised Signatory

EXECUTED and delivered as a deed for) /s/ DAVID ROBAKIDZE
and on behalf of **TITAN TIRE RUSSIA**) **David Robakidze**
B.V. by Robert Harmzen and David)
Robakidze) Authorised Signatory

THIS AGREEMENT (the "**Agreement**") is executed and dated on 27 December 2015

BETWEEN:

- (1) **TITAN INTERNATIONAL, INC.**, a company organised under the laws of the State of Illinois and having its principal office at 2701 Spruce Street, Quincy, IL 62301, United States;
- (2) **TITAN LUXEMBOURG S.A.R.L.**, a private limited liability company incorporated under the laws of Luxembourg, with its registered office at 412F Route d'Esch, Luxembourg L-1030;
- (3) **OEP 11 COÖPERATIEF U.A.**, a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), having its seat in Amsterdam, its address at 1017 CA Amsterdam, Herengracht 466, registered in the trade register under number 57627843;
- (4) **RUBBER COÖPERATIEF U.A.**, a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), having its seat in Amsterdam, its address at Hoogoorddreef 15, 1101BA, Amsterdam, Netherlands, registered in the trade register under number 58015965; and
- (5) **TITAN TIRE RUSSIA B.V.**, the private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its seat in Amsterdam, and its address at Netherlands, 2 Martinus Nijhofflaan, 2624ES Delft, registered in the trade register under number 58036008 (the "**Company**"),

(each a "**Party**" and together the "**Parties**").

WHEREAS:

- (A) The Parties have entered into shareholders' agreement in relation to the Company on 9 July 2013, as further amended on 4 October 2013 (the "**Original Agreement**").
- (B) Titan has provided USD 25,000,000 of funding to the Company under the Initial Participation Agreement;
- (C) The Parties have agreed that the Company forgives part of outstanding indebtedness of the Russian Operating Company under the Existing Loan Agreement in the amount of USD 25,000,000 on or about the date hereof;
- (D) The Parties have agreed that simultaneously with the actions described in recital (c) above Titan converts the indebtedness outstanding under the Initial Participation Agreement and the Company issues additional shares to Titan on the terms described in this Agreement;
- (E) The Parties have agreed that simultaneously with the actions described in recitals (c) and (d) above the Shareholders shall pass relevant resolutions to issue new A Shares and take all other required actions on or about the date hereof;
- (F) The parties to the Original Agreement have agreed to amend the Original Agreement as set out in this Agreement.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Terms defined in the Original Agreement shall, unless otherwise defined in this Agreement or a contrary intention appears, bear the same meaning when used in this Agreement and the following terms shall have the following meanings:

"Amended Agreement" means the Original Agreement as amended in accordance with this Agreement;

1.2 Interpretation

The provisions of clause 1.2 of the Original Agreement shall also apply to this Agreement but references to Clauses and Schedules are to clauses and schedules of this Agreement unless otherwise specified.

2. AMENDMENTS

- 2.1 With effect from (and including) the date of this Agreement a new definition of "Conversion" shall be included in the Original Agreement, to read as follows:

*" **Conversion** " means conversion of outstanding indebtedness provided by Titan under the Initial Participation Agreement in the amount of USD 25,000,000 into A Shares;*

- 2.2 With effect from Conversion, each Investor shall have the economic benefit of and voting rights to the following total number and percentage of Shares:

Investor	Number of Shares	Percentage of Shares	Subscription amount
Titan	6,000	42.86%	USD 60,000,000
OEP	3,000	21.43%	USD 30,000,000
RDIF	5,000	35.71%	USD 50,000,000
Total	14,000	100%	USD 140,000,000

- 2.3 With effect from (and including) the date of this Agreement, Clause 11.5 shall be deleted entirely.
- 2.4 With effect from (and including) the date of this Agreement, Clause 26.10 of the Original Agreement shall be deleted in its entirety and replaced with the following:
- " 26.10. The Class B Shares shall carry a liquidation preference over Class A Shares. Following a Company Sale or any other sale of 100% of the Shares by the Shareholders (a " **Trade Sale** ") or liquidation of the Company, the Shareholders agree (and shall take such steps to procure) that the proceeds of such sale or liquidation which are due to the Shareholders from the Third Party Purchaser or from the Company shall be paid to the Shareholders in the following order of priority:*
- 2.4.1 *first, to pay each B Shareholder an amount equal to the aggregate of (i) its Investment Amount and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by that B Shareholder from the Company, represent an IRR for that B Shareholder of 8 per cent per annum in respect of the B Shares held by that B Shareholder for the period from Completion until the date of the Company Sale Notice or the date of the Trade Sale or liquidation of the Company;*
- 2.4.2 *second, to repay all principal and interest amounts outstanding in respect of any outstanding Titan Loan and/or Participation Agreement;*
- 2.4.3 *third, to pay the A Shareholder an amount equal to the aggregate of (i) its Investment Amount and (ii) such amount as would, when aggregated with the amount of dividends and/or distributions received by the A Shareholder from the Company, represent an IRR for the A Shareholder of 8 per cent per annum in respect of the A shares held by the A Shareholder for the period from Completion until the date of the Company Sale Notice or the date of the Trade Sale or liquidation of the Company; and*
- 2.4.4 *fourth, to pay any remaining proceeds to the Shareholders pro rata to their Equity Proportions."*
- 2.5 The Parties agree that, with effect from (and including) the date of this Agreement, they shall have the rights and take on the obligations ascribed to them under the Amended Agreement.

3. **CONTINUATION**

3.1 This Agreement is supplemental to, and shall be construed as one with, the Original Agreement.

3.2 Except as varied by the terms of this Agreement, the Original Agreement will remain in full force and effect and any reference in the Original Agreement to the Original Agreement or to any provision of the Original Agreement will be construed as a reference to the Original Agreement, or that provision, as amended by this Agreement.

4. **FURTHER ASSURANCE**

The Parties shall do all such things necessary and desirable in order to confirm or establish the validity and enforceability of this Agreement.

5. **COSTS**

The Parties shall pay their own costs in connection with the preparation, negotiation and execution of this Agreement and any matter contemplated by it.

6. **MISCELLANEOUS**

6.1 The provisions of clauses 29.1 to 29.14 (*Miscellaneous*), 29.16 to 29.18, 29.21, 29.22, 30 (*Notices*) and 31.2 to 31.8 (*Governing Law and Dispute Resolution*) of the Original Agreement shall apply to this Agreement as though those clauses were set out in this Agreement, but as if references in those clauses to the Original Agreement were references to this Agreement.

6.2 This Agreement (together with the documents referred to herein) constitutes the entire and only agreement between the Parties in relation to the subject matter herein or therein.

6.3 This Agreement may only be varied in writing signed by each of the Parties.

6.4 This Agreement may be executed in any number of counterparts and by the Parties to it in separate counterparts, each of which when so executed and delivered shall be an original, but all counterparts shall together constitute one and the same instrument.

7. **GOVERNING LAW**

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

IN WITNESS whereof this Agreement has been executed by the Parties and delivered as a Deed on the date first above written.

EXECUTED and delivered as a deed for) /s/ MAURICE M. TAYLOR
and on behalf of **TITAN**) **Maurice M. Taylor**
INTERNATIONAL, INC. by Maurice M.)
Taylor) Authorised Signatory

) /s/ PAUL REITZ
EXECUTED and delivered as a deed for) **Paul Reitz**
and on behalf of **TITAN LUXEMBOURG**)
S.A.R.L. by Paul Reitz) Authorised Signatory

/s/ DAVID ROBAKIDZE
David Robakidze
Authorised Signatory

EXECUTED and delivered as a deed for) /s/ ROBERT HARMZEN
and on behalf of **OEP 11 COÖPERATIEF**) **Robert Harmzen**
U.A. by David Robakidze and Robert)
Harmzen) Authorised Signatory

EXECUTED and delivered as) a deed for) /s/ SGG MANAGMENT NETHERLANDS B.V.
and on behalf of **RUBBER**)
COÖPERATIEF U.A. by SGG) **SGG Management (Netherlands) B.V.** Authorised
Management (Netherlands) B.V.) Signatory

/s/ DENNIS KRAMER
) **Dennis Kramer**
EXECUTED and delivered as a deed for)
and on behalf of **TITAN TIRE RUSSIA**) Authorised Signatory
B.V. by Dennis Kramer)

CERTIFICATION

I, Paul G. Reitz, certify that:

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

Date: November 2, 2018

By: /s/ PAUL G. REITZ

Paul G. Reitz

President and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, David A. Martin, certify that:

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

Date: November 2, 2018

By: /s/ DAVID A. MARTIN

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

CERTIFICATION

In connection with the Quarterly Report of Titan International, Inc. on Form 10-Q for the period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned hereby certifies that, to the best of their knowledge, this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

TITAN INTERNATIONAL, INC.
(Registrant)

Date: November 2, 2018

By: /s/ PAUL G. REITZ

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

By: /s/ DAVID A. MARTIN

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