# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

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# FORM 10-Q

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

**For the quarterly period ended July 31, 2015**

**Commission File No. 001-33866**

# TITAN MACHINERY INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware**<br>(State or Other Jurisdiction of Incorporation or Organization) | **No. 45-0357838**<br>(IRS Employer Identification No.) |

**644 East Beaton Drive**
**West Fargo, ND 58078-2648**
(Address of Principal Executive Offices)

Registrant's telephone number **(701) 356-0130**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☒ |
| Non-accelerated filer ☐<br>(Do not check if smaller reporting company) | Smaller reporting company ☐ |

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

The number of shares outstanding of the registrant's common stock as of August 31, 2015 was: Common Stock, $0.00001 par value, 21,573,553 shares.

**TITAN MACHINERY INC.**
**QUARTERLY REPORT ON FORM 10-Q**

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## PART I. — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**TITAN MACHINERY INC.**
**CONSOLIDATED BALANCE SHEETS**
**(in thousands, except per share data)**

| | July 31, 2015 | January 31, 2015 |
|---|---|---|
| | (Unaudited) | |
| **Assets** | | |
| Current Assets | | |
| Cash | $ 95,416 | $ 127,528 |
| Receivables (net of allowance of $4,054 and $4,218 as of July 31, 2015 and January 31, 2015, respectively) | 70,797 | 76,382 |
| Inventories | 877,823 | 879,440 |
| Prepaid expenses and other | 5,353 | 10,634 |
| Income taxes receivable | 3,834 | 166 |
| Deferred income taxes | 18,297 | 19,025 |
| Assets held for sale | 11,246 | 15,312 |
| Total current assets | 1,082,766 | 1,128,487 |
| Intangibles and Other Assets | | |
| Intangible assets, net of accumulated amortization | 5,272 | 5,458 |
| Other | 6,490 | 7,122 |
| Total intangibles and other assets | 11,762 | 12,580 |
| Property and Equipment, net of accumulated depreciation | 186,000 | 208,680 |
| **Total Assets** | $ 1,280,528 | $ 1,349,747 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current Liabilities | | |
| Accounts payable | $ 18,358 | $ 17,659 |
| Floorplan payable | 619,636 | 627,249 |
| Current maturities of long-term debt | 6,365 | 7,749 |
| Customer deposits | 15,442 | 35,090 |
| Accrued expenses | 30,062 | 35,496 |
| Income taxes payable | — | 3,529 |
| Liabilities held for sale | 2,531 | 2,835 |
| Total current liabilities | 692,394 | 729,607 |
| Long-Term Liabilities | | |
| Senior convertible notes | 134,170 | 132,350 |
| Long-term debt, less current maturities | 41,629 | 67,123 |
| Deferred income taxes | 39,433 | 38,996 |
| Other long-term liabilities | 3,289 | 3,312 |
| Total long-term liabilities | 218,521 | 241,781 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Common stock, par value $.00001 per share, 45,000 shares authorized; 21,574 shares issued and outstanding at July 31, 2015; 21,406 shares issued and outstanding at January 31, 2015 | — | — |
| Additional paid-in-capital | 241,158 | 240,180 |
| Retained earnings | 131,120 | 137,418 |
| Accumulated other comprehensive loss | (3,492) | (1,099) |
| Total Titan Machinery Inc. stockholders' equity | 368,786 | 376,499 |
| Noncontrolling interest | 827 | 1,860 |
| Total stockholders' equity | 369,613 | 378,359 |
| **Total Liabilities and Stockholders' Equity** | $ 1,280,528 | $ 1,349,747 |

See Notes to Consolidated Financial Statements

**TITAN MACHINERY INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**
**(in thousands, except per share data)**

| | Three Months Ended July 31, 2015 | Three Months Ended July 31, 2014 | Six Months Ended July 31, 2015 | Six Months Ended July 31, 2014 |
|---|---|---|---|---|
| Revenue | | | | |
| Equipment | $ 221,016 | $ 320,087 | $ 465,999 | $ 665,132 |
| Parts | 62,081 | 70,526 | 123,601 | 138,905 |
| Service | 32,842 | 38,447 | 65,744 | 75,531 |
| Rental and other | 18,251 | 21,930 | 32,042 | 36,885 |
| Total Revenue | 334,190 | 450,990 | 687,386 | 916,453 |
| Cost of Revenue | | | | |
| Equipment | 203,152 | 292,879 | 430,185 | 609,161 |
| Parts | 43,382 | 49,730 | 86,953 | 97,744 |
| Service | 12,327 | 13,529 | 23,687 | 27,932 |
| Rental and other | 13,260 | 15,199 | 24,057 | 26,024 |
| Total Cost of Revenue | 272,121 | 371,337 | 564,882 | 760,861 |
| Gross Profit | 62,069 | 79,653 | 122,504 | 155,592 |
| Operating Expenses | 55,385 | 67,795 | 112,495 | 138,947 |
| Impairment and Realignment Costs | (104) | 151 | 1,497 | 2,952 |
| Income from Operations | 6,788 | 11,707 | 8,512 | 13,693 |
| Other Income (Expense) | | | | |
| Interest income and other income (expense) | 837 | (1,028) | (1,287) | (3,606) |
| Floorplan interest expense | (4,744) | (5,308) | (9,343) | (9,901) |
| Other interest expense | (3,360) | (3,559) | (7,187) | (7,000) |
| Income (Loss) Before Income Taxes | (479) | 1,812 | (9,305) | (6,814) |
| Provision for (Benefit from) Income Taxes | (649) | 2,587 | (2,585) | 854 |
| Net Income (Loss) Including Noncontrolling Interest | $ 170 | $ (775) | $ (6,720) | $ (7,668) |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest | 164 | (161) | (422) | (505) |
| Net Income (Loss) Attributable to Titan Machinery Inc. | $ 6 | $ (614) | $ (6,298) | $ (7,163) |
| Net Income (Loss) Allocated to Participating Securities - Note 1 | — | 11 | 112 | 114 |
| Net Income (Loss) Attributable to Titan Machinery Inc. Common Stockholders | $ 6 | $ (603) | $ (6,186) | $ (7,049) |
| Earnings (Loss) per Share - Note 1 | | | | |
| Earnings (Loss) per Share - Basic | $ 0.00 | $ (0.03) | $ (0.29) | $ (0.34) |
| Earnings (Loss) per Share - Diluted | $ 0.00 | $ (0.03) | $ (0.29) | $ (0.34) |
| Weighted Average Common Shares - Basic | 21,105 | 20,986 | 21,075 | 20,969 |
| Weighted Average Common Shares - Diluted | 21,217 | 20,986 | 21,075 | 20,969 |

See Notes to Consolidated Financial Statements

**TITAN MACHINERY INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**
**(in thousands)**

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net Income (Loss) Including Noncontrolling Interest | $ 170 | $ (775) | $ (6,720) | $ (7,668) |
| Other Comprehensive Income (Loss) | | | | |
| Foreign currency translation adjustments | 2,462 | 1,066 | (3,729) | (154) |
| Unrealized gain on net investment hedge derivative instruments, net of tax expense of $84 and $528 for the three months ended July 31, 2015 and 2014, respectively, and $128 and $30 for the six months ended July 31, 2015 and 2014, respectively | 126 | 793 | 193 | 46 |
| Unrealized gain (loss) on interest rate swap cash flow hedge derivative instrument, net of tax expense (benefit) of ($42) and ($34) for the three months ended July 31, 2015 and 2014, respectively, and $30 and ($32) for the six months ended July 31, 2015 and 2014, respectively | (63) | (49) | 46 | (46) |
| Unrealized gain on foreign currency contract cash flow hedge derivative instruments, net of tax expense of $8 and $29 for the three and six months ended July 31, 2014, respectively | — | 12 | — | 44 |
| Reclassification of loss on interest rate swap cash flow hedge derivative instruments included in net income (loss), net of tax benefit of $147 and $319 for the three and six months ended July 31, 2015, respectively | 220 | — | 478 | — |
| Reclassification of loss on foreign currency contract cash flow hedge derivative instruments included in net income (loss), net of tax benefit of $0 and $8 for the three months ended July 31, 2015 and July 31, 2014, respectively, and $5 and $14 for the six months ended July 31, 2015 and 2014, respectively | — | 11 | 8 | 20 |
| Total Other Comprehensive Income (Loss) | 2,745 | 1,833 | (3,004) | (90) |
| Comprehensive Income (Loss) | 2,915 | 1,058 | (9,724) | (7,758) |
| Comprehensive Income (Loss) Attributable to Noncontrolling Interest | 672 | 132 | (1,033) | (518) |
| Comprehensive Income (Loss) Attributable To Titan Machinery Inc. | $ 2,243 | $ 926 | $ (8,691) | $ (7,240) |

See Notes to Consolidated Financial Statements

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**TITAN MACHINERY INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**
**(in thousands)**

| | Common Stock | | | | Accumulated Other Comprehensive Income (Loss) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares Outstanding | Amount | Additional Paid-In Capital | Retained Earnings | Foreign Currency Translation Adjustments | Unrealized Gains (Losses) on Net Investment Hedges | Unrealized Gains (Losses) on Interest Rate Swap Cash Flow Hedges | Unrealized Gains (Losses) on Foreign Currency Contract Cash Flow Hedges | Total | Total Titan Machinery Inc. Stockholders' Equity | Noncontrolling Interest | Total Stockholders' Equity |
| Balance, January 31, 2014 | 21,261 | $ — | $238,857 | $169,575 | $ 1,541 | $ (339) | $ (737) | $ (126) | $ 339 | $ 408,771 | $ 2,571 | $ 411,342 |
| Common stock issued on grant of restricted stock (net of forfeitures), exercise of stock options, and tax benefits of equity awards | 152 | — | (50) | — | — | — | — | — | — | (50) | — | (50) |
| Stock-based compensation expense | — | — | 1,078 | — | — | — | — | — | — | 1,078 | — | 1,078 |
| Other | — | — | (502) | — | — | — | — | — | — | (502) | 501 | (1) |
| Comprehensive loss: | | | | | | | | | | | | |
| Net loss | — | — | — | (7,163) | — | — | — | — | — | (7,163) | (505) | (7,668) |
| Other comprehensive income (loss) | — | — | — | — | (141) | 46 | (46) | 64 | (77) | (77) | (13) | (90) |
| Total comprehensive loss | — | — | — | — | — | — | — | — | — | (7,240) | (518) | (7,758) |
| Balance, July 31, 2014 | 21,413 | $ — | $239,383 | $162,412 | $ 1,400 | $ (293) | $ (783) | $ (62) | $ 262 | $ 402,057 | $ 2,554 | $ 404,611 |
| | | | | | | | | | | | | |
| Balance, January 31, 2015 | 21,406 | $ — | $240,180 | $137,418 | $ (1,632) | $ 2,510 | $(1,940) | $ (37) | $(1,099) | $ 376,499 | $ 1,860 | $ 378,359 |
| Common stock issued on grant of restricted stock (net of forfeitures), exercise of stock options, and tax benefits of equity awards | 168 | — | (158) | — | — | — | — | — | — | (158) | — | (158) |
| Stock-based compensation expense | — | — | 1,136 | — | — | — | — | — | — | 1,136 | — | 1,136 |
| Comprehensive loss: | | | | | | | | | | | | |
| Net loss | — | — | — | (6,298) | — | — | — | — | — | (6,298) | (422) | (6,720) |
| Other comprehensive income (loss) | — | — | — | — | (3,118) | 193 | 524 | 8 | (2,393) | (2,393) | (611) | (3,004) |
| Total comprehensive loss | — | — | — | — | — | — | — | — | — | (8,691) | (1,033) | (9,724) |
| Balance, July 31, 2015 | 21,574 | $ — | $241,158 | $131,120 | $ (4,750) | $ 2,703 | $(1,416) | $ (29) | $(3,492) | $ 368,786 | $ 827 | $ 369,613 |

See Notes to Consolidated Financial Statements

**TITAN MACHINERY INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**
**(in thousands)**

| | Six Months Ended July 31, | |
|---|---|---|
| | 2015 | 2014 |
| Operating Activities | | |
| Net loss including noncontrolling interest | $ (6,720) | $ (7,668) |
| Adjustments to reconcile net loss including noncontrolling interest to net cash provided by (used for) operating activities | | |
| Depreciation and amortization | 13,824 | 14,746 |
| Impairment | 152 | 268 |
| Deferred income taxes | 689 | 385 |
| Stock-based compensation expense | 1,136 | 1,078 |
| Noncash interest expense | 3,018 | 2,326 |
| Unrealized foreign currency (gain) loss on loans to international subsidiaries | 816 | (319) |
| Other, net | (245) | (17) |
| Changes in assets and liabilities | | |
| Receivables, prepaid expenses and other assets | 6,296 | 20,350 |
| Inventories | 8,910 | (68,312) |
| Manufacturer floorplan payable | 186,563 | (643) |
| Accounts payable, customer deposits, accrued expenses and other long-term liabilities | (21,444) | (38,352) |
| Income taxes | (7,426) | (3,249) |
| Net Cash Provided by (Used for) Operating Activities | 185,569 | (79,407) |
| Investing Activities | | |
| Rental fleet purchases | (250) | (502) |
| Property and equipment purchases (excluding rental fleet) | (3,910) | (8,249) |
| Proceeds from sale of property and equipment | 2,201 | 2,444 |
| Proceeds upon settlement of net investment hedge derivative instruments | 337 | 1,219 |
| Payments upon settlement of net investment hedge derivative instruments | — | (915) |
| Other, net | 133 | 24 |
| Net Cash Used for Investing Activities | (1,489) | (5,979) |
| Financing Activities | | |
| Net change in non-manufacturer floorplan payable | (190,744) | 100,790 |
| Proceeds from long-term debt borrowings | 20,058 | 5,832 |
| Principal payments on long-term debt | (44,468) | (5,558) |
| Other, net | (573) | (264) |
| Net Cash Provided by (Used for) Financing Activities | (215,727) | 100,800 |
| Effect of Exchange Rate Changes on Cash | (465) | 57 |
| Net Change in Cash | (32,112) | 15,471 |
| Cash at Beginning of Period | 127,528 | 74,242 |
| Cash at End of Period | $ 95,416 | $ 89,713 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid during the period | | |
| Income taxes, net of refunds | $ 4,093 | $ 3,734 |
| Interest | $ 13,401 | $ 13,830 |
| Supplemental Disclosures of Noncash Investing and Financing Activities | | |
| Net property and equipment financed with long-term debt, accounts payable and accrued liabilities | $ 612 | $ 3,968 |
| Long-term debt extinguished upon sale of property and equipment | $ 3,315 | $ — |
| Net transfer of assets to (from) property and equipment from (to) inventories | $ (6,871) | $ 7,218 |

See Notes to Consolidated Financial Statements

**TITAN MACHINERY INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED)**

## NOTE 1—BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation*

The unaudited consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The quarterly operating results for Titan Machinery Inc. (the "Company") are subject to fluctuation due to varying weather patterns, which may impact the timing and amount of equipment purchases, rentals, and after-sales parts and service purchases by the Company's Agriculture, Construction and International customers. Therefore, operating results for the six-month period ended July 31, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2016. The information contained in the balance sheet as of January 31, 2015 was derived from the audited financial statements for the Company for the year then ended. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended January 31, 2015 as filed with the SEC.

*Nature of Business*

The Company is engaged in the retail sale, service and rental of agricultural and construction machinery through its stores in the United States and Europe. The Company's North American stores are located in Arizona, Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Wisconsin and Wyoming, and its European stores are located in Bulgaria, Romania, Serbia and Ukraine.

*Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, particularly related to realization of inventory, initial valuation and impairment of intangible assets, collectability of receivables, and income taxes.

*Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All material accounts, transactions and profits between the consolidated companies have been eliminated in consolidation.

*Earnings (Loss) Per Share ("EPS")*

The Company uses the two-class method to calculate basic and diluted EPS. Unvested restricted stock awards are considered participating securities because they entitle holders to non-forfeitable rights to dividends during the vesting term. Under the two-class method, basic EPS were computed by dividing net income (loss) attributable to Titan Machinery Inc. after allocation of income (loss) to participating securities by the weighted-average number of shares of common stock outstanding during the year.

Diluted EPS were computed by dividing net income (loss) attributable to Titan Machinery Inc. after allocation of income (loss) to participating securities by the weighted-average shares of common stock outstanding after adjusting for potential dilution related to the conversion of all dilutive securities into common stock. All potentially dilutive securities were included in the computation of diluted EPS. There were approximately 112,000 and 225,000 stock options outstanding that were excluded from the computation of diluted EPS for the three months ended July 31, 2015 and 2014, respectively, because they were anti-dilutive. There were approximately 208,000 and 225,000 stock options outstanding that were excluded from the computation of diluted EPS for the six months ended July 31, 2015 and 2014, respectively, because they were anti-dilutive. None of the approximately 3,474,000 shares underlying the Company's senior convertible notes were included in the computation of diluted EPS because the Company's average stock price was less than the conversion price of $43.17.

The following table sets forth the calculation of the denominator for basic and diluted EPS:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (in thousands, except per share data) | | (in thousands, except per share data) | |
| Basic Weighted-Average Common Shares Outstanding | 21,105 | 20,986 | 21,075 | 20,969 |
| Plus: Incremental Shares From Assumed Exercise of Stock Options | 112 | — | — | — |
| Diluted Weighted-Average Common Shares Outstanding | 21,217 | 20,986 | 21,075 | 20,969 |
| | | | | |
| Earnings (Loss) per Share - Basic | $ 0.00 | $ (0.03) | $ (0.29) | $ (0.34) |
| Earnings (Loss) per Share - Diluted | $ 0.00 | $ (0.03) | $ (0.29) | $ (0.34) |

*Recent Accounting Guidance*

In May 2014 and August 2015, the FASB issued authoritative guidance on accounting for revenue recognition, codified in ASC 606, *Revenue from Contracts with Customers*. This guidance supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. This guidance is based on the principle that revenue is recognized to depict the transfer of 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. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Company will adopt this guidance on February 1, 2018, and will employ one of the two retrospective application methods. The Company has not determined the potential effects adoption of this standard will have on the consolidated financial statements.

In August 2014, the FASB issued authoritative guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and provide related footnote disclosures, codified in ASC 205-40, *Going Concern*. The guidance provides a definition of the term substantial doubt, requires an evaluation every reporting period including interim periods, provides principles for considering the mitigating effect of management’s plans, requires certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans, requires an express statement and other disclosures when substantial doubt is not alleviated, and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The Company will adopt this guidance for the year-ended January 31, 2017, and it will apply to each interim and annual period thereafter. Its adoption is not expected to have a material effect on the Company's consolidated financial statements.

In April 2015, the FASB amended authoritative guidance on debt issuance costs, codified in ASC 835-30, *Imputation of Interest.* The amended guidance changes the balance sheet presentation of debt issuance costs to be a direct deduction from the related debt liability rather than an asset. This guidance is effective for the Company on February 1, 2016, with early adoption permitted. As of July 31, 2015, the Company had debt issuance costs associated with its senior convertible notes and lines of credit that are classified as noncurrent other assets, which upon adoption will be classified as a reduction from the respective liability balances. Its adoption will not have any impact on the Company's consolidated statements of operations.

In July 2015, the FASB amended authoritative guidance on accounting for measurement of inventory, codified in ASC 330, *Inventory.* The amended guidance requires inventory to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance is effective for the Company on February 1, 2017, with early adoption permitted. The Company has not determined the potential effects adoption of this standard will have on the consolidated financial statements.

**NOTE 2—INVENTORIES**

| | July 31, 2015 | January 31, 2015 |
|---|---|---|
| | (in thousands) | |
| New equipment | $ 454,852 | $ 442,984 |
| Used equipment | 313,689 | 318,308 |
| Parts and attachments | 97,006 | 107,893 |
| Work in process | 12,276 | 10,255 |
| | $ 877,823 | $ 879,440 |

**NOTE 3—PROPERTY AND EQUIPMENT**

| | July 31, 2015 | January 31, 2015 |
|---|---|---|
| | (in thousands) | |
| Rental fleet equipment | $ 137,310 | $ 148,198 |
| Machinery and equipment | 23,762 | 24,071 |
| Vehicles | 37,947 | 43,435 |
| Furniture and fixtures | 38,487 | 39,421 |
| Land, buildings, and leasehold improvements | 57,426 | 57,630 |
| | 294,932 | 312,755 |
| Less accumulated depreciation | (108,932) | (104,075) |
| | $ 186,000 | $ 208,680 |

**NOTE 4—LINES OF CREDIT / FLOORPLAN PAYABLE**

*Floorplan Lines of Credit*

Floorplan payable balances reflect the amount owed for new equipment inventory purchased from a manufacturer and for used equipment inventory, which is primarily acquired through trade-in on equipment sales. Certain of the manufacturers from which the Company purchases new equipment inventory offer financing on these purchases, either offered directly from the manufacturer or through the manufacturers' captive finance subsidiaries. CNH Industrial America LLC's captive finance subsidiary, CNH Industrial Capital America LLC ("CNH Industrial Capital"), also provides financing of used equipment inventory. The Company also has floorplan payable balances with non-manufacturer lenders for new and used equipment inventory. Cash flows associated with manufacturer floorplan payable are reported as operating cash flows while cash flows associated with in non-manufacturer floorplan payable are reported as financing cash flows in the Company's consolidated statements of cash flows. The Company has three significant floorplan lines of credit, credit facilities related to its foreign subsidiaries, and other floorplan payable balances with non-manufacturer lenders and manufacturers other than CNH Industrial.

As of July 31, 2015, the Company had discretionary floorplan lines of credit for equipment inventory purchases totaling approximately $1.0 billion, which includes a $275.0 million Floorplan Payable Line with a group of banks led by Wells Fargo Bank, National Association ("Wells Fargo"), a $450.0 million credit facility with CNH Industrial Capital, a $200.0 million credit facility with Agricredit Acceptance LLC and the U.S. dollar equivalent of $116.0 million in credit facilities related to our foreign subsidiaries. Floorplan payables relating to these credit facilities totaled approximately $598.3 million of the total floorplan payable balance of $619.6 million outstanding as of July 31, 2015 and $594.1 million of the total floorplan payable balance of $627.2 million outstanding as of January 31, 2015; the remaining outstanding balances relate to equipment inventory financing from manufacturers and non-manufacturer lenders other than the aforementioned lines of credit. As of July 31, 2015, the interest-bearing U.S. floorplan payables carried various interest rates primarily ranging from 3.31% to 5.03%, and the foreign floorplan payables carried various interest rates primarily ranging from 1.81% to 12.00%.

*Working Capital Line of Credit*

As of July 31, 2015, the Company had a $87.5 million working capital line of credit under the credit facility with Wells Fargo. The Company had $18.7 million outstanding on its working capital line of credit as of July 31, 2015 and January 31, 2015. Amounts outstanding are recorded as long-term debt, within long-term liabilities on the consolidated balance sheets, as the Company does not have an obligation to repay amounts borrowed within one year.

**NOTE 5—SENIOR CONVERTIBLE NOTES**

The Company's 3.75% Senior Convertible Notes issued on April 24, 2012 ("Convertible Notes") consisted of the following:

| | July 31, 2015 | January 31, 2015 |
|---|---|---|
| | (in thousands except conversion rate and conversion price) | |
| Principal value | $ 150,000 | $ 150,000 |
| Unamortized debt discount | (15,830) | (17,650) |
| Carrying value of senior convertible notes | $ 134,170 | $ 132,350 |
| Carrying value of equity component, net of deferred taxes | $ 15,546 | $ 15,546 |
| Conversion rate (shares of common stock per $1,000 principal amount of notes) | 23.1626 | |
| Conversion price (per share of common stock) | $ 43.17 | |

The Company recognized interest expense associated with its Senior Convertible Notes as follows:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (in thousands) | | (in thousands) | |
| Cash Interest Expense | | | | |
| Coupon interest expense | $ 1,407 | $ 1,407 | $ 2,813 | $ 2,813 |
| Noncash Interest Expense | | | | |
| Amortization of debt discount | 926 | 864 | 1,820 | 1,699 |
| Amortization of transaction costs | 138 | 134 | 274 | 267 |
| | $ 2,471 | $ 2,405 | $ 4,907 | $ 4,779 |

The Senior Convertible Notes mature on May 1, 2019, unless earlier purchased by the Company, redeemed or converted. As of July 31, 2015, the unamortized debt discount will be amortized over a remaining period of approximately 3.75 years. As of July 31, 2015 and January 31, 2015, the if-converted value of the Senior Convertible Notes did not exceed the principal balance. The effective interest rate of the liability component was equal to 7.0% for each of the statements of operations periods presented.

**NOTE 6—DERIVATIVE INSTRUMENTS**

The Company holds derivative instruments for the purpose of minimizing exposure to fluctuations in foreign currency exchange rates to which the Company is exposed in the normal course of its operations.

*Net Investment Hedges*

To protect the value of the Company's investments in its foreign operations against adverse changes in foreign currency exchange rates, the Company may, from time to time, hedge a portion of its net investment in one or more of its foreign subsidiaries. Gains and losses on derivative instruments that are designated and effective as a net investment hedge are included in other comprehensive income and only reclassified into earnings in the period during which the hedged net investment is sold or liquidated. Any hedge ineffectiveness is recognized in earnings immediately.

*Cash Flow Hedges*

On October 9, 2013, the Company entered into a forward-starting interest rate swap instrument which has a notional amount of $100.0 million, an effective date of September 30, 2014 and a maturity date of September 30, 2018. The objective of the instrument is to, beginning on September 30, 2014, protect the Company from changes in benchmark interest rates to which the Company is exposed through certain of its variable interest rate credit facilities. The instrument provides for a fixed interest rate of 1.901% up to the maturity date.

The Company may, from time to time, hedge foreign currency exchange rate risk arising from inventory purchases denominated in Canadian dollars through the use of foreign currency forward contracts. The maximum length of time over which the Company hedges its exposure to the variability in future cash flows associated with the Canadian dollar purchasing is less than 12 months.

The interest rate swap instrument and foreign currency contracts have been designated as cash flow hedging instruments and accordingly changes in the effective portion of the fair value of the instruments are recorded in other comprehensive income and only reclassified into earnings in the period(s) in which the related hedged item affects earnings or the anticipated underlying hedged transactions are no longer probable of occurring. Any hedge ineffectiveness is recognized in earnings immediately.

*Derivative Instruments Not Designated as Hedging Instruments*

The Company uses foreign currency forward contracts to hedge the effects of fluctuations in exchange rates on outstanding intercompany loans. The Company does not formally designate and document such derivative instruments as hedging instruments; however, the instruments are an effective economic hedge of the underlying foreign currency exposure. Both the gain or loss on the derivative instrument and the offsetting gain or loss on the underlying intercompany loan are recognized in earnings immediately, thereby eliminating or reducing the impact of foreign currency exchange rate fluctuations on net income.

The following table sets forth the notional value of the Company's outstanding derivative instruments.

| | Notional Amount as of: | |
|---|---|---|
| | **July 31, 2015** | **January 31, 2015** |
| | **(in thousands)** | |
| Net investment hedge: | | |
| Foreign currency contracts | $ 6,443 | $ 14,223 |
| Cash flow hedges: | | |
| Interest rate swap | 100,000 | 100,000 |
| Foreign currency contracts | — | — |
| Derivatives not designated as hedging instruments: | | |
| Foreign currency contracts | 26,122 | 30,030 |

The following table sets forth the fair value of the Company’s outstanding derivative instruments.

| | Fair Value as of: | | |
|---|---|---|---|
| | **July 31, 2015** | **January 31, 2015** | **Balance Sheet Location** |
| | **(in thousands)** | | |
| Liability Derivatives: | | | |
| Derivatives designated as hedging instruments: | | | |
| Net investment hedges: | | | |
| Foreign currency contracts | $ 35 | $ 19 | Accrued expenses |
| Cash flow hedges: | | | |
| Interest rate swap | 2,377 | 3,233 | Accrued expenses |
| Derivatives not designated as hedging instruments: | | | |
| Foreign currency contracts | 108 | 17 | Accrued expenses |
| Total Liability Derivatives | $ 2,520 | $ 3,269 | |

The following table sets forth the gains and losses recognized in other comprehensive income (loss) ("OCI") and income (loss) related to the Company's derivative instruments for the three and six months ended July 31, 2015 and 2014, respectively.

| | Three Months Ended July 31, | | | | Six Months Ended July 31, | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | | |
| | OCI | Income (Loss) | OCI | Income (Loss) | OCI | Income (Loss) | OCI | Income (Loss) | Statements of Operations Classification |
| | (in thousands) | | | | (in thousands) | | | | |
| Dervatives Designated as Hedging Instruments: | | | | | | | | | |
| Net investment hedges: | | | | | | | | | |
| Foreign currency contracts | $ 210 | $ — | $ 1,321 | $ — | $ 321 | $ — | $ 76 | $ — | N/A |
| Cash flow hedges: | | | | | | | | | |
| Interest rate swap [a] | (105) | (454) | (83) | — | 76 | (884) | (78) | — | Floorplan interest expense / Interest income and other income (expense) |
| Foreign currency contracts | — | — | 20 | (21) | — | (13) | 73 | (35) | Cost of revenue - equipment |
| Dervatives Not Designated as Hedging Instruments: | | | | | | | | | |
| Foreign currency contracts | — | 723 | — | 1,449 | — | 805 | — | 146 | Interest income and other income (expense) |
| Total Derivatives | $ 105 | $ 269 | $ 1,258 | $ 1,428 | $ 397 | $ (92) | $ 71 | $ 111 | |

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[a] Included in the Income (Loss) amounts under the Company's interest rate swap for the three and six months ended July 31, 2015, is hedge ineffectiveness loss of $0.1 million. This expense was recorded in interest income and other income (expense) in the consolidated statements of operations. The remaining amounts for the three and six months ended July 31, 2015 are reclassification amounts from accumulated other comprehensive income and are recorded in floorplan interest expense in the consolidated statements of operations. No ineffectiveness was recognized for the three and six months ended July 31, 2014.

No components of the Company's net investment or cash flow hedging instruments were excluded from the assessment of hedge ineffectiveness.

As of July 31, 2015, the Company had $2.4 million in pre-tax net unrealized losses associated with its interest rate swap cash flow hedging instrument recorded in accumulated other comprehensive income. The Company expects that $1.4 million of pre-tax unrealized losses associated with its interest rate swap will be reclassified into income over the next 12 months.

## NOTE 7—FAIR VALUE OF FINANCIAL INSTRUMENTS

The liabilities which are measured at fair value on a recurring basis as of July 31, 2015 and January 31, 2015 are as follows:

| | July 31, 2015 | | | | January 31, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | (in thousands) | | | | (in thousands) | | | |
| **Financial Liabilities** | | | | | | | | |
| Interest rate swap | $ — | $ 2,377 | $ — | $ 2,377 | $ — | $ 3,233 | $ — | $ 3,233 |
| Foreign currency contracts | — | 143 | — | 143 | — | 36 | — | 36 |
| Total Financial Liabilities | $ — | $ 2,520 | $ — | $ 2,520 | $ — | $ 3,269 | $ — | $ 3,269 |

The valuation for the Company's foreign currency contracts and interest rate swap derivative instruments were valued using discounted cash flow analyses, an income approach, utilizing readily observable market data as inputs.

The Company also has financial instruments that are not recorded at fair value in its consolidated financial statements. The carrying amount of cash, receivables, payables, short-term debt and other current liabilities approximates fair value because of the short maturity and/or frequent repricing of those instruments, which are Level 2 fair value inputs. Based upon current borrowing rates with similar maturities, which are Level 2 fair value inputs, the carrying value of long-term debt approximates the fair value as of July 31, 2015 and January 31, 2015, respectively. The following table provides details on the Senior Convertible Notes as of July 31, 2015 and January 31, 2015. The difference between the face value and the carrying value of these notes is the result of the allocation between the debt and equity components. Fair value of the Senior Convertible Notes was estimated based on Level 2 fair value inputs.

| | July 31, 2015 | | | January 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | Carrying Value | Face Value | Estimated Fair Value | Carrying Value | Face Value |
| | | (in thousands) | | | (in thousands) | |
| Senior convertible notes | $ 122,607 | $ 134,170 | $ 150,000 | $ 111,273 | $ 132,350 | $ 150,000 |

## NOTE 8—SEGMENT INFORMATION AND OPERATING RESULTS

The Company has three reportable segments: Agriculture, Construction and International. During the three months ended April 30, 2015, the Company made changes to its internal financial reporting, primarily related to the elimination of transactions within a segment. Previously, the segment results were reported at gross amounts with eliminations reported separately to reconcile to consolidated financial results. During the three months ended April 30, 2015, the Company began reporting these eliminations within the segments to which they relate. The financial information as of January 31, 2015 and for the three and six months ended July 31, 2014 have been reclassified for comparability with the current year presentation.

Revenue between segments is immaterial. The Company retains various unallocated income/(expense) items and assets at the general corporate level, which the Company refers to as “Shared Resources” in the table below. Shared Resources assets primarily consist of cash, deferred tax assets and property and equipment.

Certain financial information for each of the Company’s business segments is set forth below.

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (in thousands) | | (in thousands) | |
| **Revenue** | | | | |
| Agriculture | $ 209,449 | $ 305,721 | $ 449,304 | $ 650,102 |
| Construction | 81,407 | 101,747 | 162,578 | 193,512 |
| International | 43,334 | 43,522 | 75,504 | 72,839 |
| Total | $ 334,190 | $ 450,990 | $ 687,386 | $ 916,453 |
| **Income (Loss) Before Income Taxes** | | | | |
| Agriculture | $ (2,440) | $ 6,494 | $ (3,526) | $ 9,999 |
| Construction | (937) | (368) | (4,502) | (6,361) |
| International | 946 | (5,016) | (3,425) | (10,281) |
| Segment income (loss) before income taxes | (2,431) | 1,110 | (11,453) | (6,643) |
| Shared Resources | 1,952 | 702 | 2,148 | (171) |
| Income (Loss) Before Income Taxes | $ (479) | $ 1,812 | $ (9,305) | $ (6,814) |

| | July 31, 2015 | January 31, 2015 |
|---|---|---|
| | (in thousands) | |
| **Total Assets** | | |
| Agriculture | $ 644,644 | $ 734,894 |
| Construction | 360,637 | 393,573 |
| International | 144,929 | 152,587 |
| Segment assets | 1,150,210 | 1,281,054 |
| Shared Resources | 130,318 | 68,693 |
| Total | $ 1,280,528 | $ 1,349,747 |

**NOTE 9—STORE CLOSINGS AND REALIGNMENT COSTS**

To better align the Company's cost structure and re-balance staffing levels with the evolving needs of the business, in March 2015, the Company approved a realignment plan that reduced its headcount by approximately 14%, which included headcount reductions at stores in each of its operating segments and its Shared Resource Center, as well as from the closing of three Agriculture stores and one Construction store. The Company's remaining stores in each of the respective areas assumed the distribution rights for the CNH Industrial brand previously held by the closed stores. The Company estimates the total cost of these activities to be approximately $2.0 million, comprised of an accrual for the net present value of remaining lease obligations, employee severance costs, impairment of certain fixed assets and costs associated with relocation of assets from the closed stores. The Company recognized approximately $0.1 million in realigment costs primarily in its International segment in its fourth quarter ended January 31, 2015, and recognized $1.5 million in the six months ended July 31, 2015.

To better align its Construction business in certain markets, in April 2014, the Company reduced its Construction-related headcount by approximately 12% primarily through the closing of seven underperforming Construction stores, staff reductions at other dealerships and reductions in support staff at its Shared Resource Center. The Company also closed one Agriculture store. The Company's remaining stores in each of the respective areas assumed the majority of the distribution rights for the CNH Industrial brand previously held by the closed stores. The majority of the assets of the closed stores were redeployed to other store locations. Certain inventory items which are not sold by any of our remaining stores were sold at auction. The inventory markdown attributable to such items are included in the exit cost summary below. The Company incurred $3.4 million in exit costs in the six months ended July 31, 2014. No additional amounts are expected to be incurred related to the closing of these stores, exclusive of any changes in lease termination accrual assumptions.

The following summarizes the exit costs associated with the aforementioned store closings and realignment activities:

| | Three Months Ended July 31, | | Six Months Ended July 31, | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | Income Statement Classification |
| | (in thousands) | | (in thousands) | | |
| **Construction Segment** | | | | | |
| Lease termination costs | $ — | $ (7) | $ 261 | $ 1,511 | Impairment and Realignment Costs |
| Employee severance costs | (18) | — | 240 | 451 | Impairment and Realignment Costs |
| Impairment of fixed assets, net of gains on asset disposition | (80) | (212) | 10 | (60) | Impairment and Realignment Costs |
| Asset relocation and other closing costs | 14 | 197 | 68 | 362 | Impairment and Realignment Costs |
| | $ (84) | $ (22) | $ 579 | $ 2,264 | |
| **Agriculture Segment** | | | | | |
| Lease termination costs | $ (160) | $ 34 | $ 91 | $ 148 | Impairment and Realignment Costs |
| Employee severance costs | 29 | — | 333 | 71 | Impairment and Realignment Costs |
| Impairment of fixed assets, net of gains on asset disposition | 96 | — | 96 | 85 | Impairment and Realignment Costs |
| Asset relocation and other closing costs | 8 | 52 | 93 | 84 | Impairment and Realignment Costs |
| Inventory cost adjustments | — | 67 | — | 471 | Equipment Cost of Sales |
| | $ (27) | $ 153 | $ 613 | $ 859 | |
| **Shared Resource Center** | | | | | |
| Lease termination costs | $ — | $ — | $ 49 | $ — | Impairment and Realignment Costs |
| Employee severance costs | — | 87 | 187 | 300 | Impairment and Realignment Costs |
| Impairment of fixed assets, net of gains on asset disposition | 7 | — | 69 | — | Impairment and Realignment Costs |
| | $ 7 | $ 87 | $ 305 | $ 300 | |
| **Total** | | | | | |
| Lease termination costs | $ (160) | $ 27 | $ 401 | $ 1,659 | Impairment and Realignment Costs |
| Employee severance costs | 11 | 87 | 760 | 822 | Impairment and Realignment Costs |
| Impairment of fixed assets, net of gains on asset disposition | 23 | (212) | 175 | 25 | Impairment and Realignment Costs |
| Asset relocation and other closing costs | 22 | 249 | 161 | 446 | Impairment and Realignment Costs |
| Inventory cost adjustments | — | 67 | — | 471 | Equipment Cost of Sales |
| | $ (104) | $ 218 | $ 1,497 | $ 3,423 | — |

A reconciliation of the beginning and ending exit cost liability balance, which is included in accrued expenses in the consolidated balance sheets, follows:

| | Amount |
|---|---|
| | (in thousands) |
| Balance, January 31, 2015 | $ 1,706 |
| Exit costs incurred and charged to expense | |
| Lease termination costs | 401 |
| Employee severance costs | 760 |
| Exit costs paid | |
| Lease termination costs | (331) |
| Employee severance costs | (740) |
| Balance, July 31, 2015 | $ 1,796 |

## NOTE 10—HELD FOR SALE

The assets and liabilities which are held for sale are presented in the following table:

| | July 31, 2015 | January 31, 2015 |
|---|---|---|
| | (in thousands) | |
| **Assets Held for Sale** | | |
| Receivables | $ 85 | $ 147 |
| Inventories | | |
| New equipment | 2,919 | 6,269 |
| Used equipment | 2,818 | 3,973 |
| Parts and attachments | 457 | 920 |
| Work in process | 15 | 65 |
| Total inventories | 6,209 | 11,227 |
| Property and equipment | | |
| Machinery and equipment | 44 | 114 |
| Vehicles | 72 | 155 |
| Furniture and fixtures | 24 | 57 |
| Land, buildings, and leasehold improvements | 4,812 | 3,612 |
| Total property and equipment | 4,952 | 3,938 |
| | $ 11,246 | $ 15,312 |
| **Liabilities Held for Sale** | | |
| Accounts payable | $ 47 | $ 151 |
| Floorplan payable | 2,470 | 1,771 |
| Customer deposits | 14 | 913 |
| | $ 2,531 | $ 2,835 |

## NOTE 11—INCOME TAXES

The Company incurs a provision for income taxes in jurisdictions in which it has taxable income. Generally the Company receives a benefit for income taxes in jurisdictions in which it has taxable losses unless it has recorded a valuation allowance for that jurisdiction. These losses are available to reduce future taxable income in these jurisdictions if earned within the allowable net operating loss carryforward period. The foreign jurisdictions in which the Company operates have net operating loss carryforward periods ranging from five to seven years, with certain jurisdictions having indefinite carryforward periods.

The components of income (loss) before income taxes are as follows:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (in thousands) | | (in thousands) | |
| U.S. | $ (1,396) | $ 6,823 | $ (5,884) | $ 3,599 |
| Foreign | 917 | (5,011) | (3,421) | (10,413) |
| Total | $ (479) | $ 1,812 | $ (9,305) | $ (6,814) |

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate is as follows:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| U.S. statutory rate | (35.0)% | 35.0 % | (35.0)% | (35.0)% |
| Foreign statutory rates | (56.8)% | 61.5 % | 8.2 % | 27.9 % |
| State taxes on income net of federal tax benefit | (4.2)% | 4.3 % | (4.2)% | (4.3)% |
| Change in valuation allowance | (389.1)% | 55.8 % | 15.4 % | 67.7 % |
| Tax effect of Ukrainian hryvnia devaluation[a] | 352.2 % | (14.7)% | (9.1)% | (42.4)% |
| All other, net | (2.6)% | 0.9 % | (3.1)% | (1.4)% |
| | (135.5)% | 142.8 % | (27.8)% | 12.5 % |

[a] Represents the tax impact of differences in foreign currency losses recognized as the result of Ukrianian hryvnia devaluation between Ukrainian taxable income (loss) and financial reporting income (loss).

**NOTE 12—SUBSEQUENT EVENTS**

Effective September 1, 2015, the Company amended its credit facility with Agricredit Acceptance LLC. The amendment reduced the available lines of credit from $200.0 million to $172.0 million and changed the interest rate on outstanding balances from three-month LIBOR plus an applicable margin of 4.75% to 5.25% to one-month LIBOR plus an applicable margin of 4.86% to 5.36%, amongst other things. As a result of this amendment, and without adjusting the U.S. dollar amount of the Company's credit facilities related to its foreign subsidiaries based on current foreign currency exchange rates, the Company's total discretionary floorplan payable lines of credit for equipment purchases was reduced from approximately $1.04 billion to $1.01 billion as of September 1, 2015.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and related notes included in Item 1 of Part I of this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended January 31, 2015.

### Realignment Costs

To better align our cost structure and re-balance staffing levels with the evolving needs of the business, in March 2015, we approved a realignment plan that reduced our headcount by approximately 14%, which included headcount reductions at stores in each of our operating segments and our Shared Resource Center, as well as from the closing of three Agriculture stores and one Construction store. Our remaining stores in each of the respective areas assumed the distribution rights for the CNH Industrial brand previously held by the closed stores. The Company estimates the total cost of these activities to be approximately $2.0 million, comprised of an accrual for the net present value of remaining lease obligations, employee severance costs, impairment of certain fixed assets and costs associated with relocation of assets from the closed stores. We recognized $1.5 million in exit costs during the six months ended July 31, 2015.

To better align our Construction business in certain markets, in April 2014, we reduced our Construction-related headcount by approximately 12% primarily through the closing of seven underperforming Construction stores, staff reductions at other dealerships and reductions in support staff at our Shared Resource Center. We also closed one Agriculture store. Our remaining stores in each of the respective areas assumed the majority of the distribution rights for the CNH Industrial brand previously held by the stores which have closed. We recognized $3.4 million in exit costs during the six months ended July 31, 2014.

See also the Non-GAAP Financial Measures section below for the impact of these costs on non-GAAP Diluted EPS.

### Foreign Currency Remeasurement Losses

In February of 2014, the National Bank of Ukraine terminated the currency peg of the Ukrainian hryvnia ("UAH") to the USD; subsequent to the decoupling and as a result of the economic and political conditions present in the country, the UAH experienced significant devaluation from the date the currency peg was terminated through July 2015. We recognized foreign currency remeasurement losses resulting from a devaluation of the UAH totaling $0.1 million and $1.3 million for the three months ended July 31, 2015 and July 31, 2014, respectively, and $2.1 million and $4.4 million for the six months ended July 31, 2015 and July 31, 2014, respectively. These losses are included in interest income and other income (expense) in our consolidated statements of operations. See also the Non-GAAP Financial Measures section below for impact of these costs on non-GAAP Diluted EPS.

### Segment Reporting

During the three months ended April 30, 2015, the Company made changes to its internal financial reporting, primarily related to the elimination of transactions within a segment. Previously, the segment results were reported at gross amounts with eliminations reported separately to reconcile to consolidated financial results. During the three months ended April 30, 2015, the Company began reporting these eliminations within the segments to which they relate. The financial information for the three and six months ended July 31, 2014 have been reclassified for comparability with the current year presentation.

### Critical Accounting Policies and Estimates

There have been no material changes in our Critical Accounting Policies and Estimates, as disclosed in our Annual Report on Form 10-K for the year ended January 31, 2015.

**Overview**

We own and operate a network of full service agricultural and construction equipment stores in the United States and Europe. Based upon information provided to us by CNH Industrial N.V. or its U.S. subsidiary CNH Industrial America, LLC, we are the largest retail dealer of Case IH Agriculture equipment in the world, the largest retail dealer of Case Construction equipment in North America and a major retail dealer of New Holland Agriculture and New Holland Construction equipment in the U.S. We operate our business through three reportable segments, Agriculture, Construction and International. Within each segment, we have four principal sources of revenue: new and used equipment sales, parts sales, service, and equipment rental and other activities.

Our net income (loss) attributable to Titan Machinery Inc. common stockholders was \$0.0 million, or \$0.00 per diluted share, for the three months ended July 31, 2015, compared to net loss attributable to Titan Machinery Inc. common stockholders of \$0.6 million, or \$0.03 per diluted share, for the three months ended July 31, 2014. Our non-GAAP diluted earnings per share was \$0.00 for the three months ended July 31, 2015 and non-GAAP diluted earnings per share was \$0.04 for the three months ended July 31, 2014. See the Non-GAAP Financial Measures section below for a reconciliation between the GAAP and non-GAAP measures. Significant factors impacting the quarterly comparisons were:

- Revenue decreased 25.9% for the second quarter of fiscal 2016, as compared to the second quarter last year, primarily due to a decrease in Agriculture and Construction same-store sales;

- Total gross profit margin increased to 18.6% for the second quarter of fiscal 2016, as compared to 17.7% for the second quarter of fiscal 2015, primarily caused by a change in gross profit mix to our higher-margin parts and service businesses;

- Operating expenses decreased 18.3% for the second quarter of fiscal 2016, as compared to the second quarter last year, primarily due to our realignment plan implemented in the first quarter of fiscal 2016 which decreased our headcount by 14% and generated additional cost savings from the closing of four stores during the quarter.

**Results of Operations**

The results shown below include the operating results of the acquisitions made during these periods. The period-to-period comparisons included below are not necessarily indicative of future results. Segment information is provided later in this discussion and analysis of our results of operations.

Same-store sales for any period represent sales by stores that were part of the Company for the entire comparable periods in the current and preceding fiscal years. We do not distinguish relocated or newly-expanded stores in this same-store analysis. Closed stores are excluded from the same-store analysis. Stores that do not meet the criteria for same-store classification are described as excluded stores throughout the Results of Operations section in this Quarterly Report on Form 10-Q.

Comparative financial data for each of our four sources of revenue are expressed below.

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (dollars in thousands) | | (dollars in thousands) | |
| Equipment | | | | |
| Revenue | $ 221,016 | $ 320,087 | $ 465,999 | $ 665,132 |
| Cost of revenue | 203,152 | 292,879 | 430,185 | 609,161 |
| Gross profit | $ 17,864 | $ 27,208 | $ 35,814 | $ 55,971 |
| Gross profit margin | 8.1% | 8.5% | 7.7% | 8.4% |
| Parts | | | | |
| Revenue | $ 62,081 | $ 70,526 | $ 123,601 | $ 138,905 |
| Cost of revenue | 43,382 | 49,730 | 86,953 | 97,744 |
| Gross profit | $ 18,699 | $ 20,796 | $ 36,648 | $ 41,161 |
| Gross profit margin | 30.1% | 29.5% | 29.7% | 29.6% |
| Service | | | | |
| Revenue | $ 32,842 | $ 38,447 | $ 65,744 | $ 75,531 |
| Cost of revenue | 12,327 | 13,529 | 23,687 | 27,932 |
| Gross profit | $ 20,515 | $ 24,918 | $ 42,057 | $ 47,599 |
| Gross profit margin | 62.5% | 64.8% | 64.0% | 63.0% |
| Rental and other | | | | |
| Revenue | $ 18,251 | $ 21,930 | $ 32,042 | $ 36,885 |
| Cost of revenue | 13,260 | 15,199 | 24,057 | 26,024 |
| Gross profit | $ 4,991 | $ 6,731 | $ 7,985 | $ 10,861 |
| Gross profit margin | 27.3% | 30.7% | 24.9% | 29.4% |

The following table sets forth our statements of operations data expressed as a percentage of total revenue for the periods indicated:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | | | | |
| Equipment | 66.1 % | 71.0 % | 67.8 % | 72.6 % |
| Parts | 18.6 % | 15.6 % | 18.0 % | 15.2 % |
| Service | 9.8 % | 8.5 % | 9.6 % | 8.2 % |
| Rental and other | 5.5 % | 4.9 % | 4.6 % | 4.0 % |
| Total Revenue | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Total Cost of Revenue | 81.4 % | 82.3 % | 82.2 % | 83.0 % |
| Gross Profit Margin | 18.6 % | 17.7 % | 17.8 % | 17.0 % |
| Operating Expenses | 16.6 % | 15.1 % | 16.4 % | 15.2 % |
| Impairment and Realignment Costs | — % | — % | 0.2 % | 0.3 % |
| Income from Operations | 2.0 % | 2.6 % | 1.2 % | 1.5 % |
| Other Income (Expense) | (2.1)% | (2.2)% | (2.6)% | (2.2)% |
| Income (Loss) Before Income Taxes | (0.1)% | 0.4 % | (1.4)% | (0.7)% |
| Provision for (Benefit from) Income Taxes | (0.2)% | 0.6 % | (0.4)% | 0.1 % |
| Net Income (Loss) Including Noncontrolling Interest | 0.1 % | (0.2)% | (1.0)% | (0.8)% |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest | 0.1 % | (0.1)% | (0.1)% | — % |
| Net Income (Loss) Attributable to Titan Machinery Inc. | — % | (0.1)% | (0.9)% | (0.8)% |

***Three Months Ended July 31, 2015 Compared to Three Months Ended July 31, 2014***

**Consolidated Results**

*Revenue*

| | Three Months Ended July 31, 2015 | Three Months Ended July 31, 2014 | (Decrease) | Percent Change |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Equipment | $ 221,016 | $ 320,087 | $ (99,071) | (31.0)% |
| Parts | 62,081 | 70,526 | (8,445) | (12.0)% |
| Service | 32,842 | 38,447 | (5,605) | (14.6)% |
| Rental and other | 18,251 | 21,930 | (3,679) | (16.8)% |
| Total Revenue | $ 334,190 | $ 450,990 | $ (116,800) | (25.9)% |

The decrease in revenue for the second quarter of fiscal 2016 was primarily due to a decrease in same-store sales of 24.2% over the comparable prior year period, mainly driven by a decrease in Agriculture same-store sales of 29.9%. Agriculture same-store sales decreased primarily due to a decrease in equipment revenue and were negatively impacted by challenging industry conditions such as decreases in agricultural commodity prices and projected net farm income, which, among other things, have a negative effect on customer sentiment and our customers' ability to secure financing for their equipment purchases. Changes in actual or anticipated net farm income generally have a direct correlation with agricultural equipment purchases by farmers. Construction same-store sales decreased in the second quarter of fiscal 2016 by 17.8%, largely due to the decline in oil prices and a reduction in purchases of Construction equipment by customers in the agriculture industry as a result of the aforementioned challenging industry conditions, as well as the strong revenue amount and revenue growth realized during the second quarter of fiscal 2015 in which we achieved a same-store sale increase of 26.5% over the second quarter of fiscal 2014. The closing of four stores during the quarter ended April 30, 2015 also negatively impacted our revenue.

*Gross Profit*

| | Three Months Ended July 31, 2015 | Three Months Ended July 31, 2014 | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| **Gross Profit** | | | | |
| Equipment | $ 17,864 | $ 27,208 | $ (9,344) | (34.3)% |
| Parts | 18,699 | 20,796 | (2,097) | (10.1)% |
| Service | 20,515 | 24,918 | (4,403) | (17.7)% |
| Rental and other | 4,991 | 6,731 | (1,740) | (25.9)% |
| Total Gross Profit | $ 62,069 | $ 79,653 | $ (17,584) | (22.1)% |
| **Gross Profit Margin** | | | | |
| Equipment | 8.1% | 8.5% | (0.4)% | (4.7)% |
| Parts | 30.1% | 29.5% | 0.6 % | 2.0 % |
| Service | 62.5% | 64.8% | (2.3)% | (3.5)% |
| Rental and other | 27.3% | 30.7% | (3.4)% | (11.1)% |
| Total Gross Profit Margin | 18.6% | 17.7% | 0.9 % | 5.1 % |
| **Gross Profit Mix** | | | | |
| Equipment | 28.8% | 34.2% | (5.4)% | (15.8)% |
| Parts | 30.1% | 26.1% | 4.0 % | 15.3 % |
| Service | 33.1% | 31.3% | 1.8 % | 5.8 % |
| Rental and other | 8.0% | 8.4% | (0.4)% | (4.8)% |
| Total Gross Profit Mix | 100.0% | 100.0% | — % | — % |

The $17.6 million decrease in gross profit for the second quarter of fiscal 2016, as compared to the same period last year, was primarily due to a decrease in revenue. The increase in total gross profit margin from 17.7% for the second quarter of fiscal 2015 to 18.6% for the second quarter of fiscal 2016 was mainly due to a change in gross profit mix to our higher-margin parts and service businesses, and partially offset by decreases in gross profit margin on equipment and rental and other revenue. The compression in equipment gross margin was primarily caused by the previously discussed Agriculture industry challenges, including decreases in agricultural commodity prices and projected net farm income and an over-supply of equipment in the Agriculture industry. The decrease in rental and other gross profit margin was primarily caused by lower oil prices affecting rental demand in our oil producing markets. The reduced rental demand in these markets negatively impacted our rental fleet dollar utilization which decreased from 29.6% in the second quarter of fiscal 2015 to 26.0% in the second quarter of fiscal 2016.

Our company-wide absorption for the second quarter of fiscal 2016 was 77.9% compared to 74.8% during the same period last year. The increase is primarily the result of a reduction of our fixed operating costs from savings associated with our realignment plan implemented in the first quarter of fiscal 2016, but partially offset by a decrease in parts and service gross profit.

*Operating Expenses*

| | Three Months Ended July 31, | | Increase/ | Percent |
|---|---|---|---|---|
| | 2015 | 2014 | (Decrease) | Change |
| | (dollars in thousands) | | | |
| Operating Expenses | $ 55,385 | $ 67,795 | $ (12,410) | (18.3)% |
| Operating Expenses as a Percentage of Revenue | 16.6% | 15.1% | 1.5% | 9.9 % |

The $12.4 million decrease in operating expenses, as compared to the same period last year, was primarily the result of our realignment plan implemented in the first quarter of fiscal 2016 in which we reduced our headcount by 14% and generated additional cost savings associated with the closing of four stores in the quarter. The increase in operating expenses as a percentage of total revenue was primarily due to the decrease in total revenue in the second quarter of fiscal 2016, as compared to the second quarter of fiscal 2015, which negatively affected our ability to leverage our fixed operating costs.

*Impairment and Realignment Costs*

| | Three Months Ended July 31, | | | Percent |
|---|---|---|---|---|
| | 2015 | 2014 | Decrease | Change |
| | (dollars in thousands) | | | |
| Impairment and Realignment Costs | $ (104) | $ 151 | $ (255) | (168.9)% |

The realignment costs recognized in each of the the second quarter of fiscal 2016 and fiscal 2015 arise as the result of our store realignment plans and associated exit costs, including accruals for lease terminations and remaining lease obligations, employee severance costs, the impairment of certain fixed assets, and the costs associated with relocating certain assets of our closed stores. The costs recognized in the second quarter of fiscal 2016 were offset by a gain recognized upon termination of a lease of one of our closed stores. See the Non-GAAP Financial Measures section below for impact of these amounts on non-GAAP Diluted EPS.

*Other Income (Expense)*

| | Three Months Ended July 31, | | Increase/ | Percent |
|---|---|---|---|---|
| | 2015 | 2014 | (Decrease) | Change |
| | (dollars in thousands) | | | |
| Interest income and other income (expense) | $ 837 | $ (1,028) | $ 1,865 | 181.4 % |
| Floorplan interest expense | (4,744) | (5,308) | (564) | (10.6)% |
| Other interest expense | (3,360) | (3,559) | (199) | (5.6)% |

The improvement in interest income and other income (expense) is primarily due to a decrease in foreign currency remeasurement losses in Ukraine, resulting from changes in the valuation of the Ukrainian hryvnia, which totaled $0.1 million and $1.3 million for the three months ended July 31, 2015 and July 31, 2014, respectively, as well as an increase in other income in the second quarter of fiscal 2016, as compared to the second quarter of fiscal 2015. See the Non-GAAP Financial Measures section below for impact of the Ukraine foreign currency remeasurement losses on non-GAAP Diluted EPS. The decrease in floorplan interest expense for the second quarter of fiscal 2016, as compared to the second quarter of fiscal 201

5, was due to a decrease in our average interest-bearing inventory in the second quarter of fiscal 2016, but partially offset by higher interest rates, primarily due to the additional interest cost associated with our interest rate swap instrument.

*Provision for (Benefit from) Income Taxes*

| | Three Months Ended July 31, | | | Percent |
|---|---|---|---|---|
| | 2015 | 2014 | Decrease | Change |
| | (dollars in thousands) | | | |
| Provision for (Benefit from) Income Taxes | $ (649) | $ 2,587 | $ (3,236) | (125.1)% |

Our effective tax rate of 135.5% for the second quarter of fiscal 2016 and 142.8% for the same period last year are impacted by differences in statutory tax rates in our various taxable jurisdictions and the income or loss generated in each jurisdiction, the valuation allowances recorded on deferred tax assets, including net operating losses, in our foreign jurisdictions which have historical losses, and the impact of foreign currency exchange rate volatility of the Ukrainian hryvnia. See Note 11 to our consolidated financial statements for further details on our effective tax rate.

**Segment Results**

Certain financial information for our Agriculture, Construction and International business segments is set forth below. “Shared Resources” in the table below refers to the various unallocated income/(expense) items that we have retained at the general corporate level. Revenue between segments is immaterial.

| | Three Months Ended July 31, | | Increase/ | Percent |
|---|---|---|---|---|
| | 2015 | 2014 | (Decrease) | Change |
| | (dollars in thousands) | | | |
| **Revenue** | | | | |
| Agriculture | $ 209,449 | $ 305,721 | $ (96,272) | (31.5)% |
| Construction | 81,407 | 101,747 | (20,340) | (20.0)% |
| International | 43,334 | 43,522 | (188) | (0.4)% |
| Total | $ 334,190 | $ 450,990 | $ (116,800) | (25.9)% |
| | | | | |
| **Income (Loss) Before Income Taxes** | | | | |
| Agriculture | $ (2,440) | $ 6,494 | $ (8,934) | (137.6)% |
| Construction | (937) | (368) | (569) | (154.6)% |
| International | 946 | (5,016) | 5,962 | 118.9 % |
| Segment income (loss) before income taxes | (2,431) | 1,110 | (3,541) | (319.0)% |
| Shared Resources | 1,952 | 702 | 1,250 | 178.1 % |
| Income (Loss) Before Income Taxes | $ (479) | $ 1,812 | $ (2,291) | (126.4)% |

*Agriculture*

Agriculture segment revenue for the second quarter of fiscal 2016 decreased 31.5% compared to the same period last year. The revenue decrease was due to a same-store sales decrease of 29.9% over the second quarter of fiscal 2015, which was primarily due to a decrease in equipment revenue, which was negatively impacted by challenging industry conditions, such as decreases in agricultural commodity prices and projected net farm income, which, among other things, have a negative effect on customer sentiment and our customers' ability to secure financing for their equipment purchases. Changes in actual or anticipated net farm income generally have a direct correlation with agricultural equipment purchases by farmers. In August 2015, the U.S. Department of Agriculture ("USDA") published its projections of a 36.0% decrease in net farm income from calendar year 2014 to 2015. The commodity price of corn and soybeans, which are the predominant crops in our Agriculture store footprint, decreased significantly from the price during the second quarter of fiscal 2015. Our store closings during the quarter ended April 30, 2015 also negatively impacted revenue recognized in the quarter.

Agriculture segment income (loss) before income taxes for the second quarter of fiscal 2016 decreased $8.9 million compared to the same period last year. The decline in segment income (loss) is due to the aforementioned decrease in equipment revenue and a decrease in equipment gross profit margin, but partially offset by a decrease in operating expenses. The compression in equipment gross profit margin is caused by the previously discussed industry challenges and an oversupply of equipment in the Agriculture industry. The decrease in operating expenses is the result of the cost savings associated with our realignment plan implemented in the first quarter of fiscal 2016.

*Construction*

Construction segment revenue for the second quarter of fiscal 2016 decreased 20.0% compared to the same period last year. The revenue decrease was due to a same-store sales decrease of 17.8% over the second quarter of fiscal 2015, and due to the impact of our store closings. The decrease in Construction same-store sales was experienced in the equipment, parts, service and rental and other lines of business and was largely due to the decline in oil prices and a reduction in purchases of Construction equipment by customers in the agriculture industry as a result of the aforementioned challenging industry conditions, as well as the strong revenue realized in the second quarter of fiscal 2015.

Our Construction segment loss before income taxes was $0.9 million for the second quarter of fiscal 2016 compared to segment loss before income taxes of $0.4 million for the second quarter of fiscal 2015. The increase in segment loss before income taxes was primarily due to a decrease in segment revenue, decrease in rental and other gross margin and increase in floorplan interest expense, and partially offset by a decrease in operating expenses. The decrease in rental and other gross profit margin was primarily the result of lower oil prices negatively impacting rental demand in our oil producing markets. Reduced rental demand negatively impacted our rental revenue in these markets and resulted in lower rental fleet dollar utilization and rental fleet gross profit margin. The dollar utilization of our rental fleet decreased, from 29.6% in the second quarter of fiscal 2015 to 26.0% in the second quarter of fiscal 2016. The decrease in operating expenses reflects costs savings associated with our realignment plan implemented in the first quarter of fiscal 2016.

*International*

International segment revenue for the second quarter of fiscal 2016 was relatively flat compared to the same period last year. Our International revenue was negatively impacted by the aforementioned reduction in commodity prices but positively impacted by the availability of the European Union Subvention funds in the Romanian and Bulgarian markets in the second quarter of fiscal 2016.

Our International segment income before income taxes was $0.9 million for the second quarter of fiscal 2016 compared to segment loss before income taxes of $5.0 million for the same period last year. The improvement in segment income was the result of increase in our parts and service businesses, improved gross profit margin on equipment revenue, lower operating expenses, improved interest income and other income (expense) and lower floorplan interest expense. The reduction in operating expenses was the result of the cost saving initiatives implemented in late fiscal 2015. Interest income and other income (expense) improvements resulted from decreased foreign currency remeasurement losses in Ukraine. Floorplan interest expense decreased in the second quarter of fiscal 2016 compared to the same period last year due to a reduction in interest-bearing floorplan payables resulting from a reduction in our inventory levels.

*Shared Resources/Eliminations*

We incur centralized expenses/income at our general corporate level, which we refer to as “Shared Resources,” and then allocate these net expenses to our segments. Since these allocations are set early in the year, unallocated balances may occur.

***Six Months Ended July 31, 2015 Compared to Six Months Ended July 31, 2014***

**Consolidated Results**

*Revenue*

| | Six Months Ended July 31, | | | Percent |
|---|---|---|---|---|
| | 2015 | 2014 | (Decrease) | Change |
| | (dollars in thousands) | | | |
| Equipment | $ 465,999 | $ 665,132 | $ (199,133) | (29.9)% |
| Parts | 123,601 | 138,905 | (15,304) | (11.0)% |
| Service | 65,744 | 75,531 | (9,787) | (13.0)% |
| Rental and other | 32,042 | 36,885 | (4,843) | (13.1)% |
| Total Revenue | $ 687,386 | $ 916,453 | $ (229,067) | (25.0)% |

The decrease in revenue for the first six months of fiscal 2016 was primarily due to a decrease in same-store sales of 23.0% over the comparable prior year period, mainly driven by a decrease in Agriculture same-store sales. Agriculture same-store sales decreased primarily due to a decrease in equipment revenue and were negatively impacted by challenging industry conditions such as decreases in agricultural commodity prices and projected net farm income, which, among other things, have a negative effect on customer sentiment and our customers' ability to secure financing for their equipment purchases. Changes in actual or anticipated net farm income generally have a direct correlation with agricultural equipment purchases by farmers. Construction same-store sales decreased in the first six months of fiscal 2016 by 12.2%, largely due to the decline in oil prices and a reduction in purchases of Construction equipment by customers in the agriculture industry as a result of the aforementioned challenging industry conditions, as well as the strong revenue growth realized during the first six months of fiscal 2015 in which we achieved a same-store sale increase of 26.0% over the first six months of fiscal 2014. The closing of eight stores during the quarter ended April 30, 2014 and four stores during the quarter ended April 30, 2015 also negatively impacted our revenue.

*Gross Profit*

| | Six Months Ended July 31, | | Increase/ | Percent |
|---|---|---|---|---|
| | 2015 | 2014 | (Decrease) | Change |
| | (dollars in thousands) | | | |
| **Gross Profit** | | | | |
| Equipment | $ 35,814 | $ 55,971 | $ (20,157) | (36.0)% |
| Parts | 36,648 | 41,161 | (4,513) | (11.0)% |
| Service | 42,057 | 47,599 | (5,542) | (11.6)% |
| Rental and other | 7,985 | 10,861 | (2,876) | (26.5)% |
| Total Gross Profit | $ 122,504 | $ 155,592 | $ (33,088) | (21.3)% |
| **Gross Profit Margin** | | | | |
| Equipment | 7.7% | 8.4% | (0.7)% | (8.3)% |
| Parts | 29.7% | 29.6% | 0.1 % | 0.3 % |
| Service | 64.0% | 63.0% | 1.0 % | 1.6 % |
| Rental and other | 24.9% | 29.4% | (4.5)% | (15.3)% |
| Total Gross Profit Margin | 17.8% | 17.0% | 0.8 % | 4.7 % |
| **Gross Profit Mix** | | | | |
| Equipment | 29.2% | 36.0% | (6.8)% | (18.9)% |
| Parts | 29.9% | 26.4% | 3.5 % | 13.3 % |
| Service | 34.3% | 30.6% | 3.7 % | 12.1 % |
| Rental and other | 6.6% | 7.0% | (0.4)% | (5.7)% |
| Total Gross Profit Mix | 100.0% | 100.0% | — % | — % |

The $33.1 million decrease in gross profit for the first six months of fiscal 2016, as compared to the same period last year, was primarily due to lower equipment revenue and equipment gross profit margin. Total gross profit margin of 17.8% for the first six months of fiscal 2016 increased from the first six months of fiscal 2015, mainly due to a change in gross profit mix to our higher-margin parts and service businesses, and partially offset by the decreases in gross profit margin on equipment and rental and other. The change in gross profit mix primarily resulted from decreased equipment revenue causing a change in sales mix. The compression in equipment gross margin was primarily caused by the previously discussed Agriculture industry challenges, including decreases in agricultural commodity prices and projected net farm income and an over-supply of equipment in the Agriculture industry. The decrease in rental and other gross profit margin was primarily caused by lower oil prices affecting rental demand in our oil producing markets. The reduced rental demand in these markets negatively impacted our rental fleet dollar utilization which decreased from 26.2% in the first six months of fiscal 2015 to 22.5% in the first six months of fiscal 2016.

Our company-wide absorption for the first six months of fiscal 2016 was 75.6% compared to 71.5% during the same period last year. The increase is primarily the result of a reduction of our fixed operating costs from savings associated with our realignment plan implemented in the first quarter of fiscal 2016, but partially offset by a decrease in parts and service gross profit.

*Operating Expenses*

| | Six Months Ended July 31, 2015 | Six Months Ended July 31, 2014 | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Operating Expenses | $ 112,495 | $ 138,947 | $ (26,452) | (19.0)% |
| Operating Expenses as a Percentage of Revenue | 16.4% | 15.2% | 1.2% | 7.9 % |

The $26.5 million decrease in operating expenses, as compared to the same period last year, was primarily the result of our realignment plan implemented in the first quarter of fiscal 2016 in which we reduced our headcount by 14% and generated additional cost savings associated with the closing of four stores in the quarter. In addition, our operating expenses were positively impacted by the cost savings realized as a result of our realignment plan implemented in the first quarter of fiscal 2015. Commission expense for the first six months of fiscal 2016 decreased relative to the same period last year due to the decrease in equipment revenue and gross profit. The increase in operating expenses as a percentage of total revenue was primarily due to the decrease in total revenue in the first six months of fiscal 2016, as compared to the same period last year, which negatively affected our ability to leverage our fixed operating costs.

*Realignment Costs*

| | Six Months Ended July 31, 2015 | Six Months Ended July 31, 2014 | (Decrease) | Percent Change |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Impairment and Realignment Costs | $ 1,497 | $ 2,952 | $ (1,455) | (49.3)% |

The realignment costs recognized in each of the first six months of fiscal 2016 and fiscal 2015 arise as a result of our store realignment plans and associated exit costs, including accruals for lease terminations and remaining lease obligations, employee severance costs, the impairment of certain fixed assets, and the costs associated with relocating certain assets of our closed stores. See the Non-GAAP Financial Measures section below for impact of these amounts on non-GAAP Diluted EPS.

*Other Income (Expense)*

| | Six Months Ended July 31, 2015 | Six Months Ended July 31, 2014 | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Interest income and other income (expense) | $ (1,287) | $ (3,606) | $ 2,319 | 64.3 % |
| Floorplan interest expense | (9,343) | (9,901) | (558) | (5.6)% |
| Other interest expense | (7,187) | (7,000) | 187 | 2.7 % |

The improvement in interest income and other income (expense) is primarily due to a decrease in foreign currency remeasurement losses in Ukraine, resulting from changes in the valuation of the Ukrainian hryvnia, which totaled $2.1 million and $4.4 million for the six months ended July 31, 2015 and July 31, 2014, respectively. See the Non-GAAP Financial Measures section below for impact of the Ukraine foreign currency remeasurement losses on non-GAAP Diluted EPS. The decrease in floorplan interest expense for the first six months of fiscal 2016, as compared to the same period last year, was primarily due to a decrease in our average interest-bearing inventory in the first six months of fiscal 2016, but offset by higher interest rates, primarily due to the additional interest cost associated with our interest rate swap instrument. The increase in other interest expense is primarily the result of a $0.5 million write-off of capitalized debt issuance costs. The amendment of our Wells Fargo credit facility executed during the first quarter of fiscal 2016, among other things, lowered our borrowing capacity and such a reduction required the write-off of a portion of the capitalized debt issuance costs associated with this credit facility.

*Provision for (Benefit from) Income Taxes*

| | Six Months Ended July 31, 2015 | Six Months Ended July 31, 2014 | Increase | Percent Change |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Provision for (Benefit from) Income Taxes | $ (2,585) | $ 854 | $ (3,439) | (402.7)% |

Our effective tax rate was (27.8)% for the first six months of fiscal 2016 and 12.5% for the same period last year and is impacted by differences in statutory tax rates in our various taxable jurisdictions and the income or loss generated in each jurisdiction, the valuation allowances recorded on deferred tax assets, including net operating losses, in our foreign jurisdictions which have historical losses, and the impact of foreign currency exchange rate volatility of the Ukrainian hryvnia. See Note 11 to our consolidated financial statements for further details on our effective tax rate.

**Segment Results**

Certain financial information for our Agriculture, Construction and International business segments is set forth below. "Shared Resources" in the table below refers to the various unallocated income/(expense) items that we have retained at the general corporate level. Revenue between segments is immaterial.

| | Six Months Ended July 31, | | Increase/ | Percent |
|---|---|---|---|---|
| | 2015 | 2014 | (Decrease) | Change |
| | (dollars in thousands) | | | |
| **Revenue** | | | | |
| Agriculture | $ 449,304 | $ 650,102 | $ (200,798) | (30.9)% |
| Construction | 162,578 | 193,512 | (30,934) | (16.0)% |
| International | 75,504 | 72,839 | 2,665 | 3.7 % |
| Total | $ 687,386 | $ 916,453 | $ (229,067) | (25.0)% |
| | | | | |
| **Income (Loss) Before Income Taxes** | | | | |
| Agriculture | $ (3,526) | $ 9,999 | $ (13,525) | (135.3)% |
| Construction | (4,502) | (6,361) | 1,859 | 29.2 % |
| International | (3,425) | (10,281) | 6,856 | 66.7 % |
| Segment income (loss) before income taxes | (11,453) | (6,643) | (4,810) | (72.4)% |
| Shared Resources | 2,148 | (171) | 2,319 | 1,356.1 % |
| Income (Loss) Before Income Taxes | $ (9,305) | $ (6,814) | $ (2,491) | (36.6)% |

*Agriculture*

Agriculture segment revenue for the first six months of fiscal 2016 decreased 30.9% compared to the same period last year. The revenue decrease was due to an Agriculture same-store sales decrease of 29.3% compared to the same period last year, which was primarily due to a decrease in equipment revenue, which was negatively impacted by challenging industry conditions, such as decreases in agricultural commodity prices and projected net farm income, which, among other things, have a negative effect on customer sentiment and our customers' ability to secure financing for their equipment purchases. Changes in actual or anticipated net farm income generally have a direct correlation with agricultural equipment purchases by farmers. In August 2015, the USDA published its projections of a 36.0% decrease in net farm income from calendar year 2014 to 2015. The commodity price of corn and soybeans, which are the predominant crops in our Agriculture store footprint, decreased significantly from the price during the first six months of fiscal 2015. Our store closings during the quarter ended April 30, 2015 also negatively impacted revenue recognized in the quarter.

Agriculture segment loss before income taxes was $3.5 million for the first six months of fiscal 2016 compared to segment income before income taxes of $10.0 million over the first six months of fiscal 2015. The decline in segment income (loss) is due to the aforementioned decrease in equipment revenue and a decrease in equipment gross profit margin, but partially offset by a decrease in operating expenses. The compression in equipment gross profit margin is caused by the previously discussed industry challenges and an oversupply of equipment in the Agriculture industry. The decrease in operating expenses is the result of the cost savings associated with our realignment plan implemented in the first quarter of fiscal 2016 and lower commission expense resulting from the decrease in equipment gross profit.

*Construction*

Construction segment revenue for the first six months of fiscal 2016 decreased 16.0% compared to the same period last year. The revenue decrease was due to a same-store sales decrease of 12.2% over the first six months of fiscal 2015, and due to the impact of our store closings. The decrease in Construction same-store sales was experienced in the equipment, parts, service and rental and other lines of business and was largely due to the decline in oil prices and a reduction in purchases of Construction equipment by customers in the agriculture industry as a result of the aforementioned challenging industry conditions, as well as the strong revenue realized in the first six months of fiscal 2015.

Our Construction segment loss before income taxes was $4.5 million for the first six months of fiscal 2016 compared to segment loss before income taxes of $6.4 million for the first six months of fiscal 2015. This improvement was primarily due to the decrease in operating expenses and realignment costs, but partially offset by a decrease in gross profit on rental and other, an increase in floorplan interest expense and the aforementioned reduction in revenue, as compared to the the first six months of fiscal 2015. The decrease in operating expenses reflects costs savings associated with our realignment plan implemented in the first quarter of fiscal 2016. The decrease in rental and other gross profit margin was primarily the result of lower oil prices negatively impacting rental demand in our oil producing markets. Reduced rental demand negatively impacted our rental revenue in these markets and resulted in lower rental fleet dollar utilization and rental fleet gross profit margin. The dollar utilization of our rental fleet decreased, from 26.2% in the first six months of fiscal 2015 to 22.5% in the first six months of fiscal 2016.

*International*

International segment revenue for the first six months of fiscal 2016 increased $2.7 million compared to the same period last year, due to a same-store sales increase of 3.7%. Our International revenue was positively impacted by the availability of the European Union Subvention funds in the Romanian and Bulgarian markets in the first six months of fiscal 2016 but negatively impacted by the aforementioned reduction in commodity prices.

Our International segment loss before income taxes was $3.4 million for the first six months of fiscal 2016 compared to segment loss before income taxes of $10.3 million for the same period last year. The reduction in segment loss before income taxes was the result of lower operating expenses, improved interest income and other income (expense) and lower floorplan interest expense. The reduction in operating expenses for the first six months of fiscal 2016, as compared to the same period in the prior year, was the result of the cost saving initiatives implemented in late fiscal 2015. Interest income and other income (expense) improvements resulted from decreased foreign currency remeasurement losses in Ukraine. Floorplan interest expense decreased in the first six months of fiscal 2016 compared to the same period last year due to a reduction in interest-bearing floorplan payables resulting from a reduction in our inventory levels.

*Shared Resources/Eliminations*

We incur centralized expenses/income at our general corporate level, which we refer to as “Shared Resources,” and then allocate these net expenses to our segments. Since these allocations are set early in the year, unallocated balances may occur.

***Non-GAAP Financial Measures***

To supplement our earnings (loss) per share - diluted ("Diluted EPS") presented on a GAAP basis, we use non-GAAP Diluted EPS, which excludes the impact of the write-off of debt issuance costs, costs associated with our realignment/store closings and foreign currency remeasurement losses in Ukraine resulting from a devaluation of the Ukrainian hryvnia. We believe that the presentation of non-GAAP Diluted EPS is relevant and useful to our management and investors because it provides a measurement of earnings on activities we consider to occur in the ordinary course of our business. Non-GAAP Diluted EPS should be evaluated in addition to, and not considered a substitute for, or superior to, the GAAP measure of Diluted EPS. In addition, other companies may calculate non-GAAP Diluted EPS in a different manner, which may hinder comparability with other companies.

The following table reconciles Diluted EPS, a GAAP measure, to non-GAAP Diluted EPS:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (dollars in thousands, except per share data) | | | |
| ***Net Income (Loss) Attributable to Titan Machinery Inc. Common Stockholders*** | | | | |
| Net Income (Loss) Attributable to Titan Machinery Inc. Common Stockholders | $ 6 | $ (603) | $ (6,186) | $ (7,049) |
| Non-GAAP Adjustments | | | | |
| Debt Issuance Cost Write-Off | — | — | 318 | — |
| Realignment / Store Closing Costs | (62) | 130 | 882 | 2,038 |
| Ukraine Remeasurement | 62 | 1,262 | 2,066 | 4,336 |
| Total Non-GAAP Adjustments | — | 1,392 | 3,266 | 6,374 |
| Adjusted Net Loss Attributable to Titan Machinery Inc. Common Stockholders | $ 6 | $ 789 | $ (2,920) | $ (675) |
| | | | | |
| ***Earnings (Loss) per Share - Diluted*** | | | | |
| Earnings (Loss) per Share - Diluted | $ 0.00 | $ (0.03) | $ (0.29) | $ (0.34) |
| Non-GAAP Adjustments | | | | |
| Debt Issuance Cost Write-Off | — | — | 0.01 | — |
| Realignment / Store Closing Costs | — | 0.01 | 0.04 | 0.10 |
| Ukraine Remeasurement | — | 0.06 | 0.10 | 0.21 |
| Total Non-GAAP Adjustments | — | 0.07 | 0.15 | 0.31 |
| Adjusted Earnings (Loss) per Share - Diluted | $ 0.00 | $ 0.04 | $ (0.14) | $ (0.03) |

**Liquidity and Capital Resources**

**Sources of Liquidity**

Our primary sources of liquidity are cash reserves, cash generated from operations, and borrowings under our floorplan payable and other credit facilities. We expect these sources of liquidity to be sufficient to fund our working capital requirements, acquisitions, capital expenditures and other investments in our business, service our debt, pay our tax and lease obligations and other commitments and contingencies, and meet any seasonal operating requirements for the foreseeable future, provided, however, that our borrowing capacity under our credit agreements is dependent on compliance with various financial covenants as further described in the "Risk Factors" section of our Annual Report on Form 10-K. We have worked in the past, and will continue to work in the future, with our lenders to implement satisfactory modifications to certain financial covenants as appropriate for the business conditions confronted by us.

*Equipment Inventory and Floorplan Payable Credit Facilities*

As of July 31, 2015, the Company had discretionary floorplan payable lines of credit for equipment purchases totaling approximately $1.0 billion, which included a $275.0 million Floorplan Payable Line with Wells Fargo, a $450.0 million credit facility with CNH Industrial Capital, a $200.0 million credit facility with Agricredit and the U.S. dollar equivalent of $116.0 million in credit facilities related to our foreign subsidiaries. Floorplan payables relating to these credit facilities totaled approximately $598.3 million of the total floorplan payable balance of $619.6 million outstanding as of July 31, 2015.

Our equipment inventory turnover was 1.3 for the four quarters ended July 31, 2015 compared to 1.5 for the four quarters ended July 31, 2014. While our equipment inventories, including amounts classified as held for sale, decreased 22.3% from July 31, 2014 to July 31, 2015, the decrease in turnover was the result of the lower equipment sales in the four-quarter period ended July 31, 2015. Our equity in equipment inventory, which reflects the portion of our equipment inventory balance that is not financed by floorplan payables, increased to 20.0% as of July 31, 2015 from 18.7% as of January 31, 2015.

**Adequacy of Capital Resources**

Our primary uses of cash have been to fund our strategic acquisitions and fund our operating activities, including the purchase of inventory, meeting our debt service requirements, providing working capital, making payments due under building space operating leases and manufacturer floorplan payables. Based on our current operational performance, we believe our cash flow from operations, available cash and available borrowings under our existing credit facilities will adequately provide our liquidity needs for, at a minimum, the next 12 months. Our main financing arrangements, in which we had discretionary floorplan lines of credit totaling approximately $1.0 billion as of July 31, 2015, are described in Note 4 of the notes to our consolidated financial statements. As of July 31, 2015, we are in compliance with the financial covenants under these agreements. If anticipated operating results create the likelihood of a future covenant violation, we would work with our lenders on an appropriate modification or amendment to our financing arrangements.

**Cash Flow**

*Cash Flow Provided By Or Used For Operating Activities*

Net cash provided by operating activities was $185.6 million for the six months ended July 31, 2015, compared to net cash used for operating activities of $79.4 million for the six months ended July 31, 2014. Net cash provided by operating activities for the six months ended July 31, 2015 was primarily attributable to a changing mix of manufacturer versus non-manufacturer floorplan financing in which we increased our outstanding borrowings under our manufacturer financing facilities and used the proceeds from such borrowings to decrease our outstanding borrowings under our non-manufacturer facilities. Net cash used for operating activities for the six months ended July 31, 2014 was primarily attributable to an increase in our inventories and a decrease in accounts payable, customer deposits, accrued expenses and other long-term liabilities.

We evaluate our cash flow from operating activities net of all floorplan activity and maintaining a constant level of equity in our equipment inventory. Taking these adjustments into account, our non-GAAP cash flow provided by operating activities was $4.7 million and cash flow used for operating activities was $32.8 million for the six months ended July 31, 2015 and 2014, respectively. For reconciliation of this non-GAAP financial measure, please see the Non-GAAP Cash Flow Reconciliation below.

*Cash Flow Used For Investing Activities*

Net cash used for investing activities was $1.5 million for the six months ended July 31, 2015, compared to $6.0 million for the six months ended July 31, 2014. Cash used for investing activities was primarily for the purchase of property and equipment, net of any proceeds from the sale of property and equipment.

*Cash Flow Provided By Or Used For Financing Activities*

Net cash used for financing activities was $215.7 million for the six months ended July 31, 2015 compared to net cash provided by financing activities of $100.8 million for the six months ended July 31, 2014. For the six months ended July 31, 2015, net cash used for financing activities primarily resulted from the aforementioned change in financing mix in which we increased our outstanding borrowings under our manufacturer financing facilities and decreased our amount outstanding under our non-manufacturer facilities. For the six months ended July 31, 2014, net cash provided by financing activities primarily consisted of an increase in non-manufacturer floorplan payables as the result of increased inventory levels over the six months ended July 31, 2014.

*Non-GAAP Cash Flow Reconciliation*

We consider our cash flow from operating activities to include all equipment inventory financing activity regardless of whether we obtain the financing from a manufacturer or other source. We consider equipment inventory financing with both manufacturers and other sources to be part of the normal operations of our business and use the adjusted cash flow analysis in the evaluation of our equipment inventory and inventory flooring needs. The adjustment is equal to the net change in non-manufacturer floorplan payable, as shown on the consolidated statements of cash flows. GAAP categorizes non-manufacturer floorplan payable as financing activities in the consolidated statements of cash flows.

Our non-GAAP cash flow provided by (used for) operating activities is also impacted by the change in our equity in equipment inventory, which reflects the portion of our equipment inventory balance that is not financed by floorplan payables. Equity in equipment inventory increased to 20.0% as of July 31, 2015 from 18.7% as of January 31, 2015, and decreased to 14.7% as of July 31, 2014 from 20.1% as of January 31, 2014. We analyze our cash flow provided by (used for) operating activities by assuming a constant level of equipment inventory financing throughout each respective fiscal year. The adjustment eliminates the impact of this fluctuation of equity in our equipment inventory, and is equal to the difference between our actual level of equity in equipment inventory at each period end presented on the consolidated statements of cash flows, compared to the actual level of equity in equipment inventory at the beginning of the fiscal year.

Non-GAAP cash flow provided by (used for) operating activities is a non-GAAP financial measure which is adjusted for non-manufacturer floorplan payable and changes in the level of equity in equipment inventory. We believe that the presentation of non-GAAP cash flow provided by (used for) operating activities is relevant and useful to our investors because it provides information on activities we consider normal operations of our business, regardless of financing source and level of financing for our equipment inventory. The following table reconciles net cash provided by (used for) operating activities, a GAAP measure, to non-GAAP cash flow provided by (used for) operating activities, and net cash provided by (used for) financing activities, a GAAP measure, to non-GAAP cash flow provided by (used for) financing activities.

| | Net Cash Provided by (Used for) Operating Activities | | Net Cash Provided by (Used for) Financing Activities | |
|---|---|---|---|---|
| | Six Months Ended July 31, 2015 | Six Months Ended July 31, 2014 | Six Months Ended July 31, 2015 | Six Months Ended July 31, 2014 |
| | (in thousands) | | (in thousands) | |
| Cash Flow, As Reported | $ 185,569 | $ (79,407) | $ (215,727) | $ 100,800 |
| Adjustment for Non-Manufacturer Floorplan Net Payments | (190,744) | 100,790 | 190,744 | (100,790) |
| Adjustment for Constant Equity in Inventory | 9,844 | (54,225) | — | — |
| Non-GAAP Cash Flow | $ 4,669 | $ (32,842) | $ (24,983) | $ 10 |

Non-GAAP cash flow provided by (used for) operating activities and non-GAAP net cash provided by (used for) financing activities should be evaluated in addition to, and not considered a substitute for, or superior to, the GAAP measures of net cash provided by (used for) operating and financing activities.

**Certain Information Concerning Off-Balance Sheet Arrangements**

As of July 31, 2015, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships. In the normal course of our business activities, we lease real estate, vehicles and equipment under operating leases.

**PRIVATE SECURITIES LITIGATION REFORM ACT**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Such "forward-looking" information is included in this Quarterly Report on Form 10-Q, including in "Management's Discussion And Analysis Of Financial Condition And Results Of Operations," as well as in our Annual Report on Form 10-K for the year ended January 31, 2015, and in other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company).

Forward-looking statements include all statements based on future expectations and specifically include, among other things, all statements relating to our expectations regarding exchange rate and interest rate impact, farm income levels and performance of the agricultural and construction industries, equipment inventory levels, and our primary liquidity sources and adequacy of our capital resources. Any statements that are not based upon historical facts, including the outcome of events that have not yet occurred and our expectations for future performance, are forward-looking statements. The words "potential," "believe," "estimate," "expect," "intend," "may," "could," "will," "plan," "anticipate," and similar words and expressions are intended to identify forward-looking statements. Such statements are based upon the current beliefs and expectations of our management. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include, but are not limited to, adverse market conditions in the agricultural and construction equipment industries, the continuation of unfavorable conditions in the credit markets and those matters identified and discussed in our Annual Report on Form 10-K under the section titled "Risk Factors."

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in interest rates and foreign currency exchange rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates.

*Interest Rate Risk*

Exposure to changes in interest rates results from borrowing activities used to fund operations. For fixed rate debt, interest rate changes affect the fair value of financial instruments but do not impact earnings or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant. We have both fixed and floating rate financing. Some of our floating rate credit facilities contain minimum rates of interest to be charged. Based upon our interest-bearing balances and interest rates as of July 31, 2015, holding other variables constant, a one percentage point increase in interest rates for the next 12-month period would decrease pre-tax earnings and cash flow by approximately $3.7 million. Conversely, a one percentage point decrease in interest rates for the next 12-month period would result in an increase to pre-tax earnings and cash flow of approximately $3.7 million. At July 31, 2015, we had total floorplan payables of variable rate floorplan payable of $619.6 million, of which approximately $339.1 million was interest-bearing, $180.5 million was non-interest bearing and $100.0 million was effectively fixed rate due to our interest rate swap instrument. At July 31, 2015, we also had variable notes payable and long-term debt of $31.8 million, and fixed rate notes payable and long-term debt of $16.2 million.

*Foreign Currency Exchange Rate Risk*

Our foreign currency exposures arise as the result of our foreign operations. We are exposed to transactional foreign currency exchange rate risk through our foreign entities' holding assets and liabilities denominated in currencies other than their functional currency. In addition, the Company is exposed to foreign currency transaction risk as the result of certain intercompany financing transactions. The Company attempts to manage its transactional foreign currency exchange rate risk through the use of derivative financial instruments, primarily foreign exchange forward contracts, or through natural hedging instruments. Based upon balances and exchange rates as of July 31, 2015, holding other variables constant, we believe that a hypothetical 10% increase or decrease in all applicable foreign exchange rates would not have a material impact on our results of operations or cash flows. As of July 31, 2015, our Ukrainian subsidiary had $0.7 million of net monetary assets denominated in Ukrainian hryvnia (UAH). We have attempted to minimize our net monetary asset position through reducing overall asset levels in Ukraine and through borrowing in UAH which serves as a natural hedging instrument offsetting our net UAH denominated assets. At certain times, currency and payment controls imposed by the National Bank of Ukraine have limited our ability to manage our net monetary asset position. The UAH devalued significantly during the six month period ended July 31, 2015, but stabilized during the second quarter of fiscal 2016. Continued and significant devaluation of the UAH could have a material impact on our results of operations and cash flows.

In addition to transactional foreign currency exchange rate risk, we are also exposed to translational foreign currency exchange rate risk as we translate the results of operations and assets and liabilities of our foreign operations from their functional currency to the U.S. dollar. As a result, our results of operations, cash flows and net investment in our foreign operations may be adversely impacted by fluctuating foreign currency exchange rates. We believe that a hypothetical 10% increase or decrease in all applicable foreign exchange rates, holding all other variables constant, would not have a material impact on our results of operations or cash flows.

## ITEM 4. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures*. After evaluating the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this Quarterly Report, the Company's Chief Executive Officer and Chief Financial Officer, with the participation of the Company's management, have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are effective.

(b) *Changes in internal controls*. There has not been any change in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during its most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are, from time to time, subject to claims and suits arising in the ordinary course of business. Such claims have, in the past, generally been covered by insurance. There can be no assurance that our insurance will be adequate to cover all liabilities that may arise out of claims brought against us, or that our insurance will cover all claims. We are not currently a party to any material litigation.

### ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, including the important information in “Private Securities Litigation Reform Act,” you should carefully consider the “Risk Factors” discussed in our Form 10-K for the year ended January 31, 2015 as filed with the Securities and Exchange Commission. Those factors, if they were to occur, could cause our actual results to differ materially from those expressed in our forward-looking statements in this report, and materially adversely affect our financial condition or future results. Although we are not aware of any other factors, aside from those discussed in our Form 10-K, that we currently anticipate will cause our forward-looking statements to differ materially from our future actual results, or materially affect the Company’s financial condition or future results, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial might materially adversely affect our actual business, financial condition and/or operating results.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not have any unregistered sales of equity securities during the fiscal quarter ended July 31, 2015.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

Effective September 1, 2015, the Company amended its credit facility with Agricredit Acceptance LLC. The amendment reduced the available lines of credit to from $200.0 million to $172.0 million and changed the interest rate on outstanding balances from three-month LIBOR plus an applicable margin of 4.75% to 5.25% to one-month LIBOR plus an applicable margin of 4.86% to 5.36%, amongst other things. As a result of this amendment, and without adjusting the U.S. dollar amount of the Company's credit facilities related to its foreign subsidiaries based on current foreign currency exchange rates, the Company's total discretionary floorplan payable lines of credit for equipment purchases was reduced from approximately $1.04 billion to $1.01 billion as of September 1, 2015. The amendment is attached as exhibit 10.1 to this Form 10-Q.

On September 4, 2015, the Company entered into an amended and restated employment agreement with its Chief Financial Officer, Mark Kalvoda, which amended and restated employment agreement replaced in its entirety the prior employment agreement entered into with Mr. Kalvoda on September 5, 2014. Under the terms of the agreement, Mr. Kalvoda will receive a base salary as determined by the Compensation Committee of the Board of Directors (which is currently $294,500), which may be adjusted upward, but not downward, from time to time at the discretion of the Company's Compensation Committee. Mr. Kalvoda is also eligible for an annual incentive bonus award opportunity of 0% to 100% of base salary, pursuant to terms and conditions established by the Compensation Committee and based upon a target of 50% of base salary. Mr. Kalvoda is also entitled to receive a restricted stock award each fiscal year, the share amount of which is determined by dividing Mr. Kalvoda’s base salary by the closing price of the Company's stock on the date of grant. The risks of forfeiture on such restricted stock awards will be determined by the Company's Compensation Committee from time to time. Mr. Kalvoda is also eligible to participate in the Company's employee benefit plans. The term of Mr. Kalvoda’s employment agreement is from the effective date to January 31, 2018, with the end date automatically extended by one year on each February 1st absent a notice of non-renewal. The amended and restated employment agreement with Mr. Kalvoda contains a restrictive covenant prohibiting him from owning, operating or being employed by competing agricultural or construction equipment stores during his employment with us and for 24 months following termination of his employment with us.

The agreement is terminable by either us or Mr. Kalvoda at any time upon 60 days written notice for any reason, or immediately by us for Cause. If Mr. Kalvoda is terminated by us without Cause prior to the expiration of the term or if Mr. Kalvoda resigns for Good Reason, we are obligated to pay severance in an amount equal to the sum of his annual base salary then in effect, plus the average annual incentive bonus paid in the three years preceding the termination. The severance payment would be made in 12 equal monthly installments. If such termination occurs we would also be required to allow Mr. Kalvoda to continue to participate in our group medical and dental plans at our expense for a period of 12 months. If such termination occurs, Mr. Kalvoda's non-vested stock options and restricted equity awards that vest with the passage of time that are not intended to qualify as performance-based compensation will not be forfeited.

If Mr. Kalvoda's employment is terminated within 12 months following a Change in Control by him for Good Reason or by us without Cause, we are obligated to pay severance in an amount equal to two times the sum of Mr. Kalvoda's annual base salary then in effect, plus the average annual incentive bonus paid in the three years preceding the Change in Control. The severance payment would be made in 24 equal monthly installments. If such termination occurs we would also be required to allow Mr. Kalvoda to continue to participate in our group medical and dental plans at our expense for a period of 24 months. If such termination occurs following a Change in Control, Mr. Kalvoda's non-performance based equity awards shall become fully vested and earned and his performance based equity awards shall vest and be earned in accordance with the terms of the applicable award agreement.

In order to receive the severance and continued benefits described above, Mr. Kalvoda will be required to sign a release of claims against us, fulfill his non-competition obligations, cooperate with transitioning his duties and execute a non-disparagement agreement with us.

The amended and restated employment agreement for Mr. Kalvoda is attached as exhibit 10.3 to this Form 10-Q. (Capitalized terms used in the above discussion are defined in the attached agreement).

**ITEM 6. EXHIBITS**

Exhibits - See "Exhibit Index" on page following signatures.

## 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.

Dated: September 9, 2015

**TITAN MACHINERY INC.**

By /s/ Mark Kalvoda

Mark Kalvoda
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX
TITAN MACHINERY INC.
FORM 10-Q

| No. | Description |
| --- | --- |
| 10.1 | Amendment No. 2 to the Amended and Restated Wholesale Financing Plan, dated as of September 1, 2015, by and among the registrant and Agricredit Acceptance LLC |
| 10.2 | Titan Machinery Inc. Non-Employee Director Compensation Plan+ |
| 10.3 | Amended and Restated Employment Agreement, dated September 4, 2015, between Mark Kalvoda and the registrant.+ |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended July 31, 2015, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements. |

+ Management compensatory plan or arrangement

**EXHIBIT 10.1**

**AMENDMENT NO.2 TO THE AMENDED AND RESTATED WHOLESALE FINANCING PLAN**

This Amendment No. 2 to the Amended and Restated Wholesale Financing Plan (the "Amendment") is entered into effective as of September 1, 2015 by an between Titan Machinery, Inc., ("**Debtor**") and Agricredit Acceptance LLC ("**Secured Party**") (each a "Party" and collectively the "Parties").

The Parties entered into the Amended and Restated Wholesale Financing Plan dated October 31, 2013, as amended by Amendment No. 1 to the Amended an Restated Wholesale Financing Plan dated April 1, 2015, (as amended, the "Agreement"), and now desire to further amend the Agreement to reduce the tota amount of the uncommitted credit facility, to provide for a revised interest calculation and to permit Debtor to carry a negative balance in the Marketing Pool, all as set forth below.

NOW THEREFORE, INTENDING TO BE LEGALLY BOUND, and in consideration of the mutual covenants and agreements contained herein, the P agree as follows:

1. Integration. Except as amended herein, the terms and conditions of the Agreement shall remain unchanged and in full force and effect. In the event of a conflict between the terms of this Amendment and the Agreement, the terms of this Amendment shall prevail. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Agreement.

2. Amendment. The Agreement shall be amended as follows:

   2.1 The Total Amount of Uncommitted Credit Facility at Approval, as indicated on the first page of the Agreement, shall be deleted and replaced with $172,000,000.00. Debtor waives receipt of written notice from Secured Party regarding the foregoing.

   2.2 Subsection (b)(1), <u>Standard Rate</u>, of Section 6, titled <u>Payment Terms</u>, is hereby deleted in its entirety and replaced with the following:

   1. <u>Standard Rate</u>. All accrued and unpaid interest is due and payable on the 25th of each month according to the following schedule: Unless otherwise announced by Secured Party, interest will accrue on the principal balance of all outstanding balances due hereunder from the date of the Dealer Wholesale Funding Request applicable to such Inventory and shall thereafter accrue on the unpaid balance at an annual rate (the "Standard Rate"), which for any particular month, shall be equal to the "LIBOR Rate" i effect for the first day of such month, plus:

      a. If the average daily outstanding principal balance for the prior month is less than $35,000,000, then 4.36%;

      b. If the average daily outstanding principal balance for the prior month is equal to $35,000,000 but less than $55,000,000, then 4.11%; or

      c. If the average daily outstanding principal balance for the prior month is equal to or more than $55,000,000, then 3.86%.

      The Standard Rate above does not include the additional 1.00% charged to fund the marketing pool as described in Section 9. The average daily outstanding principal balance is calculated by dividing the sum of the end of the day balances during the month by the number of days in the month, all as determined by Secured Party. For the avoidance of doubt, the calculation of average daily outstanding principal balance shall exclude all vendor program lines by which Secured Party finances Debtor's acquisition of inventory under the terms of program agreements between such vendors and Secured Party.

      Secured Party reserves the right to adjust the interest rate upon notice to Debtor, including, without limitation, in the event the use of the LIBOR Rate is suspended as provided herein.

As used herein, the LIBOR Rate for any particular month means the highest per annum rate of interest described as the "30 Day or "One month", "London interbank offered rate" as published in the "Money Rates" section of the *Wall Street Journal - Central Edition* or its successor, in effect on the 25th day of the previous calendar month (if it is a Business Day, if not the next Business Day), which rate shall apply throughout the applicable calendar month. For example, if on July 25th (assuming it is a Business Day) the LIBOR Rate is 3%, 3% will be used as the LIBOR Rate for the entire month of August. Secured Party may, but shall not l obligated to, make a change from the "30 Day" LIBOR Rate to the "90 Day" LIBOR Rate and vice versa upon sixty (60) da prior written notice from Debtor requesting such change.

2.3 Subsection (c) of Section 9, titled Marketing Pool, is hereby deleted in its entirety and replaced with the following:

"(c) Withdrawals from the Pool. Debtor and Secured Party agree to use the credits from the Pool to (i) buy down Secured Party's retai rates for use with Debtor's retail customers who finance retail transactions with Secured Party, as agreed between the parties; and/or (ii) to create leasing and retail programs for Debtor's retail customers who finance retail transactions with Secured Party, as agreed between the parties. Debtor and Secured Party also agree that Debtor may carry a negative balance up to $500,000 in the Pool. In the event that the Pool has a negative balance, Secured Party shall invoice Debtor for negative balance less a notional credi of eighty percent (80%) of the prior month's contribution to the Pool acknowledging anticipated current month contributions. Secured Party will calculate the amount due, if any, at month end and invoice Debtor for such amounts by the 5th of the following month. Invoiced amounts shall be due and payable by the 15th day of that month."

3. Miscellaneous. This Amendment may be executed in counterparts, including facsimile counterparts, each of which will constitute an original, but which collectively will form one and the same instrument. This Amendment constitutes the final agreement between the Parties and is the exclusive expression of the Parties' agreement on the matters contained herein. All earlier and contemporaneous negotiations and agreements between the Parties on the matters contained herein are expressly merged into and superseded by this Amendment. Any modification or additions to the terms of this Amendment must be in a written agreement identified as an amendment and executed by both Parties.

IN WITNESS WHEREOF, the parties have executed this Amendment effective as of the date set forth on the first page of this Amendment.

| | | | |
|---|---|---|---|
| **Titan Machinery, Inc.,** | | **Agricredit Acceptance LLC,**<br>At: 8001 Birchwood Court, Johnston, IA 50131 | |
| Debtor | | | |
| **/s/ Ted O. Christianson, Treasurer** | | **/s/ Douglas Kunert** | |
| Authorized Signature | | Authorized Signature | |
| Ted O. Christianson, Treasurer | 9/1/15 | Douglas Kunert, Vice President-Risk | 9/2/2015 |
| Print Name & Title | Date | Print Name & Title | Date |

EXHIBIT 10.2

# TITAN MACHINERY INC.
# NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

1. Purpose. This Non-Employee Director Compensation Plan (the "**Plan**") is intended to attract highly-qualified individuals to serve as Non-Employee Directors of Titan Machinery Inc. (the "**Company**") and to provide Non-Employee Directors with incentives and rewards that motivate superior oversight and protection of the Company's business.

2. Administration. The Plan shall be administered by the Compensation Committee of the Board of Director of the Company ("**Compensation Committee**") which shall have the authority to construe and interpret the Plan, prescribe, amend and rescind rules relating to the Plan's administration and take any other actions necessary or desirable for the administration of the Plan. The Compensation Committee may correct any defect or supply any omission or reconcile any inconsistency or ambiguity in the Plan. The decisions of the Compensation Committee shall be final and binding on all persons. All expenses of administering the Plan shall be borne by the Company.

3. Eligibility. Each Non-Employee Director shall be eligible to receive the compensation provided hereunder. Directors who are also employees of the Company do not receive additional compensation for service as a director and shall not be eligible to participate in the Plan.

4. Cash Compensation.

A. Board Member Annual Retainer. Each Non-Employee Director who is elected or appointed to the Board at an annual meeting of shareholders shall receive an annual retainer for the Board term that commences on election or appointment at such meeting. The amount of the annual retainer shall be as determined by the Board from time to time. The current annual retainer is stated on Exhibit A hereto, as amended from time to time.

A Non-Employee Director who is appointed or elected to the Board after the annual meeting of shareholders shall receive a pro-rated portion of the annual retainer for the Board term based on the number of complete days/months of the Board term during which the Non-Employee Director serves as a member of the Board, unless otherwise determined by the Compensation Committee.

B. Committee Chair Annual Retainer. Each Non-Employee Director who is appointed to serve as a Committee Chair shall receive a Committee Chair annual retainer for the Board term that commences in appointment at such meeting. The amount of the Committee Chair annual retainer shall be as determined by the Board from time to time. The current annual retainers for the Committee Chair positions are stated on Exhibit A hereto, as amended from time to time.

A Non-Employee Director who is appointed as a Committee Chair after the annual meeting of shareholders shall receive a pro-rated portion of the Committee Chair annual retainer for the Board term based on the number of complete days/months of the Board term during which the Non-Employee Director serves as the applicable Committee Chair, unless otherwise determined by the Compensation Committee.

C. Lead Director Annual Retainer. If a Non-Employee Director is appointed to serve as the Lead Director he/she shall receive a Lead Director annual retainer for the Board term that commences in appointment at such meeting. The amount of the Lead Director annual retainer shall be as determined by the Board from time to time. The current annual retainer for the Lead Director is stated on Exhibit A hereto. A Non-Employee Director who is appointed as a Lead Director after the annual meeting of shareholders shall receive a pro-rated portion of the Lead Director annual retainer for the Board term based on the number of complete days/months of the Board term during which the Non-Employee Director serves as the Lead Director, unless otherwise determined by the Compensation Committee.

D. Form of Payment of Annual Retainers. Except as otherwise provided herein, all annual retainers shall be paid in cash, in arrears, in equal quarterly installments (the "**Quarterly Payment Dates**"). Any pro-rated portion of any annual retainer for any quarter shall be payable on the next regularly scheduled Quarterly Payment Date.

5. Equity Compensation.

A. Source of Shares. All grants of equity awards contemplated by this Plan shall be issued under the 2014 Equity Incentive Plan ("**EIP**"), subject to all of the terms and conditions thereof and only to the extent that shares remain available for issuance under the EIP. The terms of the EIP are incorporated into this Plan with respect to any equity awards paid hereunder. In the event of any inconsistency between the EIP and this Plan with respect to the equity awards, the terms of the EIP shall control. The Plan does not constitute a separate source of shares for the granting of any equity awards hereunder.

B. Restricted Stock Awards. Each Non-Employee Director who continues as a member of the Board following the annual meeting of shareholders will receive an annual award of restricted stock awards ("**RSA**") in such amounts as determined by the Board from time to time calculated by dividing the dollar value of the RSAs by the fair market value of a share on the grant date, rounded to the nearest whole share. The RSAs shall be granted pursuant to the terms of the EIP and a Restricted Stock Award Agreement ("**Award Agreement**") between the Non-Employee Director and the Company. The RSA shall be granted as of the date of the annual shareholder meeting as compensation for the next 12 months of service, and shall vest on the date of the following annual shareholder meeting, or such other grant or vesting dates as determined by the Compensation Committee. Other terms and conditions of the RSA shall be determined by the Compensation Committee, as stated in the Award Agreement.

C. Settlement of RSAs. Promptly following the vesting date, the Company shall issue and deliver to the Non-Employee Director one share for each outstanding vested RSA.

D. Pro-rated RSA Annual Awards. Any Non-employee Director who becomes a director between annual meetings of shareholders shall receive a pro-rated annual award of RSAs for the Board term during which he or she joined the Board based on the number of complete months and days to be served during the Board term. Any such pro-rated annual award shall be granted on the effective date of the appointment or such other date as determined by the Compensation Committee, and shall vest as of the following annual meeting of shareholders.

6. Reimbursement of Expenses. The Company shall reimburse each Non-Employee Director for his or her reasonable business expenses incurred in connection with the performance of his or her duties, including reasonable travel and other expenses incurred by the Non-Employee Director to attend Board and Committee meetings. Each Non-Employee Director shall provide to the Company such receipts and other records related to such reimbursable expenses as the Company may require.

To the extent that any reimbursement under the Plan provides for a deferral of compensation under Section 409A of the Internal Revenue Code of 1986 (the "**Code**"), (a) the amount eligible for reimbursement in one calendar year may not affect the amount eligible for reimbursement in any other calendar year; (b) the right to reimbursement is not subject to liquidation or exchange for another benefit; and (c) any such reimbursement of an expense must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred.

7. General Provisions.

A. Unfunded Obligations. The amounts to be paid to Non-Employee Directors under the Plan are unfunded obligations of the Company. The Company is not required to segregate any monies or other assets from its general funds with respect to these obligations. Non-Employee Directors shall not have any reference or security interest in any assets of the Company other than as a general unsecured creditor.

B. No Right to Continued Board Membership. Neither the Plan nor any compensation paid hereunder will confer on any Non-Employee Director the right to continue to serve as a member of the Board or in any other capacity.

C. Nonassignment. Any and all rights of a Non-Employee Director respecting payments under this Plan may not be assigned, transferred, pledged or encumbered in any manner, other than by will or the laws of descent and distribution, and any attempt to do so shall be void.

D. Successors and Assigns. The Plan shall be binding on the Company and its successors and assigns.

E. Entire Plan. This Plan constitutes the entire plan with respect to the subject matter hereof (other than matters covered by the EIP and supersedes all prior plans with respect to the subject matter hereof.

F. Compliance With Law. The obligations of the Company with respect to payments under the Plan are subject to compliance with all applicable laws and regulations.

G. Term of Plan. This Plan will remain in effect until it is revised or terminated by further action of the Board.

H. Termination and Amendment. The Board may at any time amend or modify this Plan in whole or in part. Notwithstanding the foregoing, no amendment or termination of the Plan may impair the right of a Non-Employee Director to receive any amounts accrued hereunder prior to the effective date of such amendment or termination.

I. Applicable Law. The law of the State of North Dakota shall govern all questions concerning the construction, validity and interpretation of the Plan, without regard to such state's conflict of law rules.

J. Section 409A. The Plan is intended to comply with the requirements of Section 409A of the Code, to the extent applicable, and shall be interpreted accordingly. Notwithstanding the foregoing, the Company makes no representations or covenants that any compensation paid or awarded under the Plan will comply with Section 409A.

K. Withholding. To the extent required by applicable federal, state or local law, a Non-Employee Director must make arrangements satisfactory to the Company for the payment of any withholding or similar tax obligations that arise in connection with the Plan.

L. Severability. If any provision of the Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed as if such invalid or unenforceable provision were omitted.

M. Headings. The headings of sections herein are included solely for convenience and shall not affect the meaning of any of the provisions of the Plan.

*Adopted 6/4/2015*

EXHIBIT A

TO

NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

| | |
|---|---|
| Director Retainer | $50,000 |
| Lead Independent Director | $15,000 |
| Audit Committee Chair | $25,000 |
| Governance & Compensation Committee Chairs | $10,000 |
| Restricted Stock* | $70,000 |
| * The actual number of shares delivered will be determined based upon the closing market price of Titan’s stock on the date of the Annual Meeting | |

**EXHIBIT 10.3**

AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT (the "*Agreement*") is made this 4th day of September, 2015 by and between TITAN MACHINERY INC., a Delaware corporation (the "*Company*") and MARK KALVODA ("*you*").

WHEREAS, the Company and you (collectively, the "*parties*") have entered into a letter agreement dated September 5, 2014 ("*Letter Agreement*"); and

WHEREAS, the parties desire to amend and restate in full the Letter Agreement on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises set forth above, the parties agree as follows:

1. Employment. The Company agrees to continue to employ you and you agree to continue to be employed as the Chief Financial Officer ("*CFO*") consistent with the terms and conditions set forth in this Agreement.

2. Term. Unless terminated by either party as provided in this Agreement, the term of your employment as CFO of the Company under this Agreement shall be for a rolling three-year period (the "*Term*") as follows: the initial term shall commence on the date hereof ("*Effective Date*") and end on January 31, 2018, which end date shall be automatically extended by one year on each February 1st. Thus, for example, on February 1, 2016, the end date shall be extended to January 31, 2019, and on February 1, 2017, the end date shall be extended to January 31, 2020. Such automatic extensions shall continue unless either party provides the other with written notice terminating the automatic extensions prior to August 1 of any year.

3. Responsibilities. During your employment with the Company as CFO, you will report to the Chief Executive Officer of the Company (the "*CEO*") and will be responsible for the overall operations and direction and financial matters of the Company. You agree to serve the Company faithfully and to the best of your ability, and to devote your full working time, attention and efforts to the business of the Company. You further agree to make yourself available as needed, in a timely manner, to address business issues that may arise. You may, to a reasonable extent, participate in charitable activities, personal investment activities and outside businesses that are not competitive with the business of the Company and serve on boards of directors, so long as such activities and directorships do not interfere with the performance of your duties and responsibilities to the Company; provided, that you shall report on all such activities and directorships to the CEO at least annually.

4. Representations. By signing this Agreement, you represent and confirm that you are under no contractual or legal commitments that would prevent you from fulfilling your duties and responsibilities to the Company as CFO.

5. Base Salary. You will be paid a base salary as recommended by the CEO and approved by the Compensation Committee of the Board (the "*Committee*"). Your base salary will be reviewed annually, and may be adjusted upward from time to time but will not be reduced during the Term without your consent.

6. Incentive Bonus. For each full fiscal year of the Company that you are employed during the Term, you will be eligible for an incentive award opportunity payable from 0% to 100% of your base salary at the rate in effect at the end of such fiscal year, pursuant to the terms and conditions recommended by the CEO and approved by the Committee, based upon a target equal to 50% of your annual base salary at the rate in effect at such time. Objectives will be established by the Committee for each fiscal year. Any annual incentive bonus earned for a fiscal year will be paid to you within two and one-half (2½) months after the end of such fiscal year.

7. Long-Term Equity Incentive. On June 1 of each year that this Agreement is in effect, or such other date as determined by the Committee, you may be entitled to receive a restricted stock award. The number of shares under each award shall be determined by dividing your annual base salary in effect on the date of grant by the closing sale price of the Company's stock on the date of grant. Each award shall be granted in accordance with the terms of the Company's Equity Grant Policy, and will be subject to such terms (including, without limitation, vesting, risk of forfeiture, or similar terms) as shall be recommended by the CEO and approved by the Committee.

8. Benefits. During your employment with the Company, you will be eligible to participate in the employee benefit plans and programs generally available to other executive officers of the Company, and in such other employee benefit plans and programs to the extent that you meet the eligibility requirements for each individual plan or program and subject to the provisions, rules and regulations applicable to each such plan or program as in effect from time to time. The plans and programs of the Company may be modified or terminated by the Company in its discretion.

9. Paid Time Off. During your employment with the Company, you will receive paid time off ("*PTO*") in accordance with the policies and practices of the Company. PTO shall be taken at such times so as not to unduly disrupt the operations of the Company. While away from the office, you agree that business issues may arise that require your attention, whether remotely or in person.

10. Office Location. Your employment will be based at the Company's headquarters in West Fargo, North Dakota. Regular travel will be required in the course of performing your duties and responsibilities as CFO.

11. Termination. You may terminate the employment relationship during the Term with at least 60 days' written notice. The Company may terminate the employment relationship during the Term for Cause at any time with written notice, subject to compliance with the procedures herein, or without Cause with at least 60 days' written notice. Upon termination of your employment by either party for any reason, you will promptly resign any and all positions you then hold as officer or director of the Company and any of its affiliates.

12. Severance.

(a) Qualifying Termination. In case of termination of your employment by the Company without Cause prior to the expiration of the Term or in the case of voluntary resignation of your employment for Good Reason prior to the expiration of the Term (each a "*Qualifying Termination*"), the Company will pay you as severance pay an amount equal to the sum of (a) your annual base salary at the rate in effect on your last day of employment plus (b) the average annual incentive bonus paid to you in the three (3) years preceding the Qualifying Termination. The Company will pay the severance amount in twelve (12) equal monthly installments beginning on the first day of the month coinciding with or immediately following the expiration of the rescission period under the Release as set forth in Section 12(c). In addition, upon a Qualifying Termination the Company will, for a period of 12 months following the effective date of termination of your employment, allow you to continue to participate in the Company's group medical and dental plans on the same basis, and the Company will contribute toward the monthly premium at the same rate, as of your last day of employment, if you timely elect COBRA continuation coverage. Benefits provided by the Company may be reduced if you become eligible for comparable benefits from another employer or third party.

(b) Change in Control Termination. Notwithstanding any other provision contained herein, if your employment is terminated within twelve (12) months following a Change in Control by you for Good Reason or by the Company without Cause ("*Change in Control Termination*"), the Company will pay you as severance an amount equal to two times the sum of (a) your annual base salary at the rate in effect on your last day of employment plus (b) the average annual incentive bonus paid to you in the three (3) years preceding the Change in Control Termination. The Company will pay the severance amount in twenty four (24) equal monthly installments beginning on the first day of the month coinciding with or immediately following the expiration of the rescission period under the Release as set forth in Section 12(c). In addition, upon a Change in Control Termination the Company will, for a period of 24 months following the effective date of termination of your employment, allow you to continue to participate in the Company's group medical and dental plans on the same basis, and the Company will contribute toward the monthly premium at the same rate, as of your last day of employment, if you timely elect COBRA continuation coverage. Benefits provided by the Company may be reduced if you become eligible for comparable benefits from another employer or third party.

(c) Conditions. Payment by the Company of any severance pay or premium reimbursements under this paragraph will be conditioned upon you (1) signing and not revoking a full release of all claims against the Company, its affiliates, officers, directors, employees, agents and assigns, substantially in the form attached to this Agreement as Exhibit A (the "*Release*"), within 30 days of the Qualifying Termination or Change in Control Termination; (2) complying with your obligations under this Agreement, including the noncompetition covenant herein, or any other agreement continuing between you and the Company then in effect; (3) cooperating with the Company in the transition of your duties; and (4) agreeing not to disparage or defame the Company, its affiliates, officers, directors, employees, agents, assigns, products or services.

(d) Terminations other than Qualifying Terminations and Change in Control Terminations. In the event of termination of your employment by the Company for Cause, or resignation by you other than for Good Reason, the Company's only obligation hereunder shall be to pay such compensation and provide such benefits as are earned by you through the date of termination of employment.

(e) Definitions of Cause, Good Reason and Change in Control. For purposes of this Agreement, "Cause," "Good Reason," and "Change in Control" have the following definitions:

"*Cause*" shall mean the occurrence of any of the following:

i. Material breach of this Agreement;
ii. Willful refusal to perform your duties without justification, or willful misconduct or gross negligence in the performance of your duties under this Agreement;
iii. A material breach by you of the Company's material policies or codes of conduct or of your material obligations under any other agreement between you and the

Company;

iv. The willful engagement in dishonesty, fraud, illegal conduct, with respect to or in the course of the business or affairs of the Company, which materially and adversely harms the Company;

v. Conviction of, or a plea of nolo contendere to, a felony or other crime involving moral turpitude; and

vi. Death or permanent disability.

Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause under any of (i) – (iv) unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Company's Board of Directors at a meeting of the Board called and held for this purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that you have engaged in conduct described in any of (i) – (iv) above specifying the particulars thereof in detail. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, you will have ten (10) business days from the delivery of written notice by the Company within which to cure any acts constituting Cause. Permanent disability shall be determined consistent with the standards of the Company's long-term disability plan or, if the Company does not have a plan, with the standards established by the Social Security Administration.

"*Good Reason*" means any one or more of the following occurring without your consent:

i. The assignment to you of material duties inconsistent with your status or position as Chief Financial Officer, or other action that results in a material change in your status, responsibilities, duties, authority, base salary, compensation, position, or change in reporting relationship;

ii. The relocation of your principal office for Company business to a location more than forty (40) miles from the Company's current headquarters;

iii. Material breach by the Company of any terms or conditions of this Agreement; or

iv. The failure of the Company to require a successor to assume the terms of this Agreement.

A condition will not be considered "Good Reason" unless you give the Company written notice of the condition within 30 days after the condition comes into existence and the Company fails to substantially remedy the condition within 30 days after receiving your written notice.

"*Change in Control*" shall mean the occurrence of any of the following:

i. One person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company;

ii. A majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; or

iii. The sale of all or substantially all of the Company's assets.

13. Vesting of Outstanding Stock Options, Restricted Stock, and Performance Based Awards.

(a) Qualifying Termination. In the event of a Qualifying Termination, and subject to your compliance with the conditions stated below, the Company agrees that (i) your non-vested stock options and restricted equity awards that vest with the passage of time and that are not intended to qualify as performance-based compensation under Section 162(m)(4)(C) of the Code ("*Non-Performance Equity Awards*") will not be forfeited due to your separation of employment and will be earned by you under the normal vesting schedule; and (ii) your non-vested equity-based compensation awards that are intended to constitute performance-based compensation under Section 162(m)(4)(C) of the Code ("*Performance Equity Awards*") shall remain outstanding and shall vest or be forfeited in accordance with the terms of the applicable award agreements.

(b) Change in Control Termination. In the event of a Change in Control Termination, and subject to your compliance with the conditions stated below, the Company agrees that: (a) your Non-Performance Based Equity Awards shall become fully vested and earned as of the first day following the expiration of the rescission period under the Release; and (b) your Performance Based Equity Awards shall vest and be earned in accordance with the terms of the applicable award agreement.

(c) Conditions. Your rights to receive the benefits of the vesting of the equity awards described above in subparagraphs (a) and (b) are conditioned upon you:

i. signing and not revoking a full release of all claims against the Company, its affiliates, officers, directors, employees, agents and assigns, substantially in the form attached to this Agreement as Exhibit A, within 30 days of the termination event;
ii. not directly or indirectly, whether on your own behalf or that of a third party (other than the Company), engaging in the business (whether as an owner of, or as employee, director or officer of or consultant to any business, other than the Company, that is engaged in the business), of owning or operating agricultural or construction equipment stores in any state or Canadian province in which the Company or its subsidiaries owns or operates any agricultural or construction equipment stores during the term of your employment;
iii. not directly or indirectly, either for yourself or any other person or entity solicit, inducing, or attempting to induce any employee of the Company to leave the employ of the Company; and
iv. complying with your obligations under the Release.

In the event of any non-compliance with the obligations set forth above, all of your then non-vested equity awards will immediately be forfeited. The parties acknowledge and agree that the effective compliance period applicable to the conditions stated above, based on the vesting schedule of the applicable awards, may be longer than the periods set forth elsewhere for similar covenants in this Agreement and the Release.

(d) Terminations other than Qualifying Terminations and Change in Control Terminations. In the event of termination of your employment by the Company for Cause, or resignation by you other than for Good Reason, your outstanding equity awards shall be forfeited or vested in accordance with the terms of applicable equity award agreements.

14. Noncompetition. In consideration of you and the Company entering into this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to protect the reasonable business interests of the Company, you agree that while you are an employee of the Company, and for a period of 24 months after termination of your employment for any reason,

you will not directly or indirectly, whether on your own behalf or that of a third party (other than the Company), engage in the business (whether as an owner of, or as employee, director or officer of or consultant to any business, other than the Company, that is engaged in the business), of owning or operating agricultural or construction equipment stores in any state or Canadian province in which the Company or its subsidiaries owns or operates any agricultural or construction equipment stores during the term of your employment. You agree that the Company will be entitled to equitable relief without the requirement of posting a bond to enforce the terms of such noncompetition restriction, in addition to any other rights or remedies that the Company may have. In the event that any provision of this noncompetition clause (or any other provision contained in this Agreement) shall be determined by any court of competent jurisdiction to be unenforceable, such provision shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which they may be enforceable, all as determined by such court in such action so as to be enforceable to the extent consistent with then applicable law. This noncompetition clause shall survive the termination of your employment, and shall apply whether the termination of your employment is voluntary or involuntary and regardless of the reason for such termination.

15. Non-Solicitation of Employees. You agree that for a period of 24 months following your employment with the Company, you will, not directly or indirectly, either for yourself or any other person or entity solicit, induce, or attempt to induce any employee of the Company to leave the employ of the Company.

16. Confidential Information. You have had and will continue to have access to and familiarity with the confidential and proprietary information of the Company. You agree that all Confidential Information, whether or not in writing, concerning the Company is and shall be the exclusive property of the Company. For purposes of this paragraph, the term "*Confidential Information*" means information that is not generally known and that is proprietary to the Company or that has been made available to the Company in a manner reasonably understood to require confidential treatment, including, without limitation, trade secret information about the Company and its products; information relating to the business of the Company or anticipated to be conducted by the Company; any of the Company's past, current or anticipated products; information about the Company's research, development, manufacturing, purchasing, accounting, engineering, marketing, selling, leasing, servicing, discoveries, improvements, inventions, designs, graphs, drawings, methods, techniques, plans, strategies, customer lists, licensee lists, marketing plans, pricing and other policies, forecasts, budgets, customer information, financial data, personnel data; and any other material relating to Confidential Information, however documented. All information that you have a reasonable basis to consider Confidential Information or that is treated by the Company as being Confidential Information shall be presumed to be Confidential Information, without regard to the manner in which you obtain access to such information.

During the time you are employed with the Company and for a period of ten (10) years following the date your employment with the Company ends for any reason (except with respect to trade secrets, which you agree to keep confidential for so long as such information remains a trade secret), and except (i) in the ordinary course of performing your employment duties for the Company, (ii) as expressly authorized in writing by the Board, or (iii) as compelled to disclose Confidential Information by judicial or governmental authority, you agree not to disclose any Confidential Information to persons or entities outside the Company, or to use any Confidential Information for any other purpose, either during or after your employment, unless and until such Confidential Information has become public knowledge without fault by you. You also agree to deliver all written, electronic, magnetic, computer or other recorded or tangible material and copies thereof containing Confidential Information to the Company upon the earlier of a request by the Company or the date your employment with the Company ends. You further agree to treat all confidential information and know-how of any affiliate, employee, customer, contractor, vendor, or supplier of the Company, as applicable, in the same manner as the Confidential Information.

17. Indemnification. The Company will indemnify you in connection with your duties and responsibilities for the Company in accordance with applicable statutory and common law the Company's bylaws and as set forth in any indemnification agreement between you and the Company from time to time.

18. Taxes. The Company may withhold from any compensation and severance benefits payable to you hereunder such federal, state and local income and employment taxes as the Company shall determine are required to be withheld pursuant to any applicable law or regulation.

19. Remedies. You acknowledge that your covenants and obligations hereunder are of special, unique, and intellectual character, which gives them a peculiar value, the actual or threatened breach of which may result in substantial injuries and damages, for which monetary relief may fail to provide an adequate remedy at law. Accordingly, if the Company institutes any action or proceeding to enforce the provisions hereof, seeking injunctive relief or specific performance, you hereby waive the claim or defense that the Company has an adequate remedy at law, and you will not urge in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. Nothing in this provision limits the parties' rights to seek any and all remedies available under applicable law, including equitable and legal relief, either separately or cumulatively, for breach or threatened breach of contract.

20. Section 409A and Restrictions. Notwithstanding anything to the contrary in this Agreement, and to the maximum extent permitted by law, this Agreement shall be interpreted in such a manner that all payments to you are either exempt from, or comply with, Section 409A of the Code and the regulations and other interpretive guidance issued thereunder (collectively, "*Section 409A*"), including without limitation any such regulations or other guidance that may be issued in the future. It is intended that payments under this Agreement will be exempt from Section 409A, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions, so as not to subject you to payment of interest or any additional tax under Section 409A. To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation §1.409A-3(i)(1)(iv) (or any similar or successor provisions). In furtherance thereof, if the provision of any reimbursement or in-kind benefit payment hereunder that is subject to Section 409A at the time specified herein would subject such amount to any additional tax under Section 409A, the provision of such reimbursement or in-kind benefit payment shall be postponed to the earliest commencement date on which the provision of such amount could be made without incurring such additional tax. Notwithstanding anything in this Agreement to the contrary, if any of the severance payments described in Agreement are subject to the requirements of Section 409A and the Company determines that you are a "specified employee" as defined in Section 409A as of the date of your Qualifying Termination of Change of Control Termination, such payments shall not be paid or commence earlier than the first day of the seventh month following the date of your Qualifying Termination or Change of Control Termination. In addition, to the extent that any regulations or other guidance issued under Section 409A (after application of the previous provisions of this paragraph) would result in you being subject to the payment of interest or any additional tax under Section 409A, the parties agree, to the extent reasonably possible, to amend this Agreement to the extent necessary (including retroactively) in order to avoid the imposition of any such interest or additional tax under Section 409A, which amendment shall have the

minimum economic effect necessary and be reasonably determined in good faith by the Company and you. You acknowledge and agree that the Company has made no representation to you as to the tax treatment of the compensation and benefits provided pursuant to this Agreement and that you are solely responsible for all taxes due with respect to such compensation and benefits.

Notwithstanding anything in this Agreement to the contrary, if the Company determines, in its sole discretion, that the payment of the group medical and dental premiums would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Internal Revenue Code or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then, in lieu of providing such premiums, the Company may, in its sole discretion, elect to instead pay you, on the first day of each month, a fully taxable cash payment equal to such premiums for that month, subject to applicable tax withholdings (such amount, the "*Special Severance Payment*"), for the applicable severance period. You may, but are not obligated to, use such Special Severance Payment toward the cost of COBRA premiums.If you participate in another group health or dental plan or otherwise ceases to be eligible for COBRA during the period provided in this clause, you must immediately notify the Company of such event, and all payments and obligations under this clause shall cease.

21. Clawback. The incentive based compensation paid to you under this Agreement is subject to recovery or clawback under applicable laws or regulations and any clawback or recoupment policy adopted by the Company's Board of Directors to comply with applicable legal or stock exchange listing requirements, which such recovery or clawback you agree to pay promptly upon demand.

22. Applicable Law. This Agreement shall be interpreted and construed in accordance with the laws of the State of Delaware.

23. Construction. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

24. Entire Agreement. This Agreement and the documents referenced herein constitute the entire agreement between the parties, and supersedes all prior discussions, agreements, and negotiations between us. No amendment or modification of this Agreement will be effective unless made in writing and signed by you and an authorized officer or director of the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth above.

TITAN MACHINERY INC.

By: /s/ Stanley Dardis
Stanley Dardis
Chair of the Compensation Committee

/s/ Mark Kalvoda
Mark Kalvoda

**Exhibit A**
**FORM OF RELEASE BY MARK KALVODA**

1. **Definitions.** I intend all words used in this Release to have their plain meanings in ordinary English. Specific terms that I use in this Release have the following meanings:

A. I, me, and my include both me (Mark Kalvoda) and anyone who has or obtains any legal rights or claims through me.

B. Titan means Titan Machinery Inc., any company related to Titan Machinery Inc. in the present or past (including without limitation, its predecessors, parents, subsidiaries, affiliates, joint venture partners, and divisions), and any successors of Titan Machinery Inc.

C. Company means Titan; the present and past officers, directors, committees, shareholders, and employees of Titan; any company providing insurance to Titan in the present or past; the present and past fiduciaries of any employee benefit plan sponsored or maintained by Titan (other than multiemployer plans); the attorneys for Titan; and anyone who acted on behalf of Titan or on instructions from Titan.

D. Agreement means the employment agreement between me and Titan with an Effective Date of September 4, 2015, including all of the documents attached to such agreement.

E. My Claims mean all of my rights that I now have to any relief of any kind from the Company, whether I now know about such rights or not, including without limitation:

i. all claims arising out of or relating to my employment with Titan or the termination of that employment;

ii. all claims arising out of or relating to the statements, actions, or omissions of the Company;

iii. all claims for any alleged unlawful discrimination, harassment, retaliation or reprisal, or other alleged unlawful practices arising under any federal, state, or local statute, ordinance, or regulation, including without limitation, claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, 42 U.S.C. § 1981, the Employee Retirement Income Security Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the Sarbanes-Oxley Act, the Family and Medical Leave Act, the Fair Credit Reporting Act, the North Dakota Huma Rights Act, N.D. Stat. § 14.02-4-01 et seq., the North Dakota Equal Pay Act, N.D. Stat. § 34-06.1-01 e seq., the North Dakota Age Discrimination Act, N.D. Stat. § 34-01-17, and workers' compensation non-interference or non-retaliation statutes;

iv. all claims for alleged wrongful discharge; breach of contract; breach of implied contract; failure to keep any promise; breach of a covenant of good faith and fair dealing; breach of fiduciary duty; estoppel; my activities, if any, as a "whistleblower"; defamation; infliction of emotional distress; fraud; misrepresentation; negligence; harassment; retaliation or reprisal; constructive discharge; assault; battery; false imprisonment; invasion of privacy; interference with contractual or business relationships; any other wrongful employment practices; and violation of any other principle of common law;

v. all claims for compensation of any kind, including without limitation, bonuses, commissions, stock-based compensation or stock options, vacation pay and paid time off, perquisites, and expense reimbursements;

vi. all claims for back pay, front pay, reinstatement, other equitable relief, compensatory damages, damages for alleged personal injury, liquidated damages, and punitive damages; and

vii. all claims for attorneys' fees, costs, and interest.

However, My Claims do not include any claims that the law does not allow to be waived; any claims that may arise after the date on which I sign this Release; any rights I may have to indemnification from Titan as a current or former officer, director or employee of Titan; any claims for payment of severance benefits under the Agreement; any rights I have to severance pay or benefits under the Agreement; or any claims I may have for earned and accrued benefits under any employee benefit plan sponsored by the Company in which I am a participant as of the date of termination of my employment with Titan.

2. **Consideration.** I am entering into this Release in consideration of Titan's obligations to provide me certain severance pay and benefits as specified in the Agreement. I will receive consideration from Titan as set forth in the Agreement if I sign and do not rescind this Release as provided below. I understand and acknowledge that I would not be entitled to the consideration under the Agreement if I did not sign this Release. The consideration is in addition to anything of value that I would be entitled to receive from Titan if I did not sign this Release or if I rescinded this Release. I acknowledge and represent that I have received all payments and benefits that I am entitled to receive (as of the date of this Release) by virtue of any employment by the Company.

3. **Agreement to Release My Claims In exchange for the consideration described in the Agreement, I give up and release all of My Claims. I will not make any demands or claims against the Company for compensation or damages relating to My Claims. The consideration that I am receiving is a fair compromise for the release of My Claims.**

4. **Cooperation.** Upon the reasonable request of the Company, I agree that I will (i) timely execute and deliver such acknowledgements, instruments, certificates, and other ministerial documents (including without limitation, certification as to specific actions performed

by me in my capacity as an officer of the Company) as may be necessary or appropriate to formalize and complete the applicable corporate records; (ii) reasonably consult with the Company regarding business matters that I was involved with while employed by the Company; and (iii) be reasonably available, with or without subpoena, to be interviewed, review documents or things, give depositions, testify, or engage in other reasonable activities in connection with any litigation or investigation, with respect to matters that I may have knowledge of by virtue of my employment by or service to the Company. In performing my obligations under this paragraph to testify or otherwise provide information, I will honestly, truthfully, forthrightly, and completely provide the information requested, volunteer pertinent information and turn over to the Company all relevant documents which are or may come into my possession.

5. **My Continuing Obligations**. I understand and acknowledge that I must comply with all of my post-employment obligations under the Agreement. I will not defame or disparage the reputation, character, image, products, or services of Titan, or the reputation or character of Titan's directors, officers, employees and agents, and I will refrain from making public comment about the Company except upon the express written consent of an officer of Titan.

6. **Additional Agreements and Understandings**. Even though Titan will provide consideration for me to settle and release My Claims, the Company does not admit that it is responsible or legally obligated to me with regard to My Claims. In fact, the Company denies that it is responsible or legally obligated to me for My Claims, denies that it engaged in any unlawful or improper conduct toward me, and denies that it treated me unfairly.

7. **Advice to Consult with an Attorney**. I understand and acknowledge that I am hereby being advised by the Company to consult with an attorney prior to signing this Release and I have done so. My decision whether to sign this Release is my own voluntary decision made with full knowledge that the Company has advised me to consult with an attorney.

8. **Period to Consider the Release**. I understand that I have 21 days from the last day of my employment to consider whether I wish to sign this Release. If I sign this Release before the end of the 21-day period, it will be my voluntary decision to do so because I have decided that I do not need any additional time to decide whether to sign this Release. I understand and agree that if I sign this Release prior to my last day of employment with Titan it will not be valid and Titan will not be obligated to provide the consideration described in the Release.

9. **My Right to Rescind this Release**. I understand that I may rescind this Release at any time within 7 days after I sign it, not counting the day upon which I sign it. This Release will not become effective or enforceable unless and until the 7-day rescission period has expired without my rescinding it. I understand that if I rescind this Release Titan will not be obligated to provide the consideration described in the Release.

10. **Procedure for Accepting or Rescinding the Release**. To accept the terms of this Release, I must deliver the Release, after I have signed and dated it, to Titan by hand or by mail within the 21-day period that I have to consider this Release. To rescind my acceptance, I must

deliver a written, signed statement that I rescind my acceptance to Titan by hand or by mail within the 7-day rescission period. All deliveries must be made to Titan at the following address:

General Counsel
644 East Beaton Drive
West Fargo, ND 58078

If I choose to deliver my acceptance or the rescission by mail, it must be postmarked within the period stated above and properly addressed to Titan at the address stated above.

11. **Interpretation of the Release**. This Release should be interpreted as broadly as possible to achieve my intention to resolve all of My Claims against the Company. If this Release is held by a court to be inadequate to release a particular claim encompassed within My Claims, this Release will remain in full force and effect with respect to all the rest of My Claims. I agree that the provisions of this Release may not be amended, waived, changed or modified except by an instrument in writing signed by an authorized representative of Titan and by me.

12. **My Representations**. I am legally able and entitled to receive the consideration being provided to me in settlement of My Claims. I have not been involved in any personal bankruptcy or other insolvency proceedings at any time since I began my employment with Titan. No child support orders, garnishment orders, or other orders requiring that money owed to me by Titan be paid to any other person are now in effect.

I have read this Release carefully. I understand all of its terms. In signing this Release, I have not relied on any statements or explanations made by the Company except as specifically set forth in the Agreement. I am voluntarily releasing My Claims against the Company. I intend this Release and the Agreement to be legally binding.

Dated this ____ day of __________, 20____.

_____________________________________________

Mark Kalvoda

**EXHIBIT 31.1**

**CERTIFICATION**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, David J. Meyer, certify that:

1. I have reviewed this report on Form 10-Q of Titan Machinery 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 the registrant's board of directors (or persons performing the equivalent functions):

   (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: September 9, 2015

/s/ David J. Meyer

David J. Meyer
*Board Chair and Chief Executive Officer*

**EXHIBIT 31.2**

**CERTIFICATION**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Mark Kalvoda, certify that:

1. I have reviewed this report on Form 10-Q of Titan Machinery 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 the registrant's board of directors (or persons performing the equivalent functions):

   (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: September 9, 2015

/s/ Mark Kalvoda

Mark Kalvoda
*Chief Financial Officer*

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Titan Machinery Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, David J. Meyer, Board Chair and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2015

/s/ David J. Meyer

David J. Meyer
*Board Chair and Chief Executive Officer*

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Titan Machinery Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, Mark Kalvoda, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2015

/s/ Mark Kalvoda

Mark Kalvoda
*Chief Financial Officer*