AGCO Reports Second Quarter Results

Second Quarter Sales of $2.1 Billion Generate Adjusted EPS of $1.25 and Reported EPS of $1.22

DULUTH, Ga.--(BUSINESS WIRE)--Jul. 28, 2015-- AGCO, Your Agriculture Company (NYSE:AGCO), a worldwide manufacturer and distributor of agricultural equipment, reported net sales of approximately $2.1 billion for the second quarter of 2015, a decrease of approximately 24.8% compared to net sales of approximately $2.8 billion for the second quarter of 2014. Reported net income was $1.22 per share and adjusted net income, excluding restructuring and other infrequent expenses, was $1.25 per share for the second quarter of 2015. These results compare to reported and adjusted net income per share of $1.77 for the second quarter of 2014. Excluding unfavorable currency translation impacts of approximately 13.8%, net sales in the second quarter of 2015 decreased approximately 10.9% compared to the second quarter of 2014.

Net sales for the first six months of 2015 were approximately $3.8 billion, a decrease of approximately 25.8% compared to the same period in 2014. Excluding the unfavorable impact of currency translation of approximately 12.9%, net sales for the first six months of 2015 decreased approximately 13.0% compared to the same period in 2014. For the first six months of 2015, reported net income was $1.55 per share and adjusted net income, excluding restructuring and other infrequent expenses, was $1.67 per share. These results compare to reported and adjusted net income of $2.79 per share for the first six months of 2014.

Second Quarter Highlights

- Regional sales results(1): North America (15.8)%, Europe/Africa/Middle East (“EAME”) (8.5)%, South America (14.2)%, Asia/Pacific (“APAC”) (0.5)%
- Regional operating margin performance: EAME 11.8%, North America 10.3%, South America 5.4%, APAC (12.2)%
- Inventory at June 30, 2015: approximately $245 million lower than June 30, 2014 on a constant currency basis(1)
- Operating expenses: 7.3% below 2014 levels on a constant currency basis(1)
- EPS positively impacted by a lower effective tax rate versus second quarter 2014 (29.4% vs 34.9%)
- Share repurchase program reduced outstanding shares by 2.2 million during the first half of 2015
- Full-year 2015 earnings per share guidance increased to approximately $3.10 (from approximately $3.00)

(1) Excludes currency translation impact. See reconciliation of Non-GAAP measures in appendix.

“Our second quarter results reflect the significant challenges caused by weaker global industry demand and currency headwinds,” stated Martin Richenhagen, AGCO’s Chairman, President and Chief Executive Officer. “AGCO’s performance demonstrates our ability to deliver solid results in a weaker industry environment. The quarter was highlighted by the successful reduction of our expenses and Company inventories. By reducing production hours approximately 22% compared to the second quarter of 2014, our June 2015 inventory levels were substantially lower than our position at June 2014. In addition, our expense reduction actions have been largely completed resulting in lower factory overheads and selling, general and administrative expenses compared to a year ago. Improving our products and service levels for our customers remains a top priority. These improvements and a successful release of many new products with advanced technologies have been well received by our customers, making AGCO very competitive in the market.”

Market Update

Industry Unit Retail Sales

<table>
<thead>
<tr>
<th>Region</th>
<th>Change from Prior Year Period</th>
<th>Tractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>(1)</td>
<td>(10)%</td>
</tr>
<tr>
<td>South America</td>
<td></td>
<td>(19)%</td>
</tr>
<tr>
<td>Western Europe</td>
<td></td>
<td>(8)%</td>
</tr>
</tbody>
</table>

(1) Excludes compact tractors.

“During the first half of 2015, lower commodity prices and the expectation of reduced farm income have pressured global sales of farm equipment,” continued Mr. Richenhagen. “Grain prices continue to be highly sensitive to 2015 crop production forecasts and will likely remain volatile throughout the growing season. Industry retail sales in North America declined with a significant drop in high-horsepower tractors, combines and sprayers. Growth in hay and forage equipment and small tractors, due to healthy conditions in the livestock sector, has provided a partial offset to the decline in large agricultural equipment. In Western Europe, margins for dairy producers remained weak and lower commodity prices kept market demand soft from the row crop segment. Industry sales declines were most pronounced in the United Kingdom, Finland, France and Germany. Reduced industry sales in South America were the result of lower demand in Brazil due to softness in the sugar sector, weakness in the general economy and changes to the government financing program. Our long-term view remains optimistic with expanding demand for grain supporting farm economics and healthy growth in our industry.”

Regional Results

AGCO Regional Net Sales (in millions)
Three Months Ended June 30, 2015

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2014</th>
<th>% change from 2014 due to currency translation</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>$ 563.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South America</td>
<td>280.3</td>
<td>1,137.0</td>
<td></td>
</tr>
<tr>
<td>Europe/Africa/Middle East</td>
<td>161.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>88.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,069.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six Months Ended June 30, 2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>$ 1,035.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South America</td>
<td>529.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe/Africa/Middle East</td>
<td>2,045.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>161.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,771.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) See Footnotes for additional disclosures

North America

AGCO’s North American net sales decreased 20.5% in the first half of 2015 compared to the same period of 2014, excluding the negative impact of currency translation. Inventory reduction efforts and weaker industry demand, particularly from the row crop sector, contributed to lower sales. Declines in sales of sprayers, high-horsepower tractors and grain storage were partially offset by modest growth in protein production products. Lower sales and production volumes and a weaker sales mix contributed to a reduction in income from operations of approximately $75.5 million for the first half of 2015 compared to the same period in 2014.

South America

Net sales in the South American region decreased 14.3% in the first six months of 2015 compared to the first half of 2014, excluding the impact of unfavorable currency translation. Sales declines in Brazil were partially offset by sales growth in Argentina and other South American markets. Income from operations decreased approximately $29.5 million for the first half of 2015 compared to the same period in 2014 due to lower sales and production volumes, as well as a weaker mix of sales.

Europe/Africa/Middle East

Net sales in EAME, excluding the negative impact of currency translation, declined 9.3% in the first half of 2015 compared to the same period in 2014. Sales declines were the largest in Germany, Scandinavia and Russia. Income from operations decreased approximately $93.9 million for the first half of 2015, compared to the same period in 2014, due to lower sales and production volumes as well as unfavorable currency translation. These headwinds were partially offset by the benefits of operational efficiencies, SG&A cost reduction initiatives and new product sales.

Asia/Pacific

Excluding unfavorable currency translation impacts, net sales decreased 7.4% in AGCO’s Asia/Pacific region in the first six months of 2015 compared to the same period in 2014. Income from operations declined approximately $18.3 million in the first half of 2015, compared to the same period in 2014, due to lower sales and increased market development costs in China.

Outlook

Weaker global demand for agricultural equipment and the unfavorable effect of foreign currency translation are expected to negatively impact AGCO’s sales and earnings in 2015. AGCO’s net sales for 2015 are expected to range from $7.7 to $7.9 billion. Gross and operating margins are expected to be below 2014 levels due to the negative impact of lower sales and production volumes along with a weaker sales mix. Benefits from the Company’s restructuring and other cost reduction initiatives and a lower tax rate are expected to partially offset the volume-related impacts. Based on these assumptions, 2015 earnings per share are targeted at approximately $3.10, excluding restructuring and other infrequent expenses.

*****

AGCO will be hosting a conference call with respect to this earnings announcement at 10:00 a.m. Eastern Time on Tuesday, July 28, 2015. The Company will refer to slides on its conference call. Interested persons can access the conference call and slide presentation via AGCO’s website at www.agcocorp.com in the “Events” section on the “Company/Investors” page of our website. A replay of the conference call will be available approximately two hours after the conclusion of the conference call for twelve months following the call. A copy of this press release will be available on AGCO’s website for at least twelve months following the call.

*****

Safe Harbor Statement

Statements that are not historical facts, including the projections of earnings per share, sales, industry demand, market conditions, grain prices, currency translation, farm income levels, margin levels, investments in product and market development, operational and cost reduction initiatives, production volumes, tax rates, and general economic conditions, are forward-looking and subject to risks that could cause actual results to differ materially from those suggested by the statements. The following are among the factors that could cause actual results to differ materially from the results discussed in or implied by the forward-looking statements.
Our financial results depend entirely upon the agricultural industry, and factors that adversely affect the agricultural industry generally, including declines in the general economy, increases in farm input costs, lower commodity prices, lower farm income and changes in the availability of credit for our retail customers, will adversely affect us.

A majority of our sales and manufacturing take place outside the United States, and, as a result, we are exposed to risks related to foreign laws, taxes, economic conditions, labor supply and relations, political conditions and governmental policies. These risks may delay or reduce our realization of value from our international operations.

Most retail sales of the products that we manufacture are financed, either by our joint ventures with Rabobank or by a bank or other private lender. Our joint ventures with Rabobank, which are controlled by Rabobank and are dependent upon Rabobank for financing as well, finance approximately 50% of the retail sales of our tractors and combines in the markets where the joint ventures operate. Any difficulty by Rabobank to continue to provide that financing, or any business decision by Rabobank as the controlling member not to fund the business or particular aspects of it (for example, a particular country or region), would require the joint ventures to find other sources of financing (which may be difficult to obtain), or us to find another source of retail financing for our customers, or our customers would be required to utilize other retail financing providers. As a result of the recent economic downturn, financing for capital equipment purchases generally has become more difficult in certain regions and in some cases, was expensive to obtain. To the extent that financing is not available or available only at unattractive prices, our sales would be negatively impacted.

Both AGCO and our retail finance joint ventures have substantial account receivables from dealers and end customers, and we would be adversely impacted if the collectability of these receivables was not consistent with historical experience; this collectability is dependent upon the financial strength of the farm industry, which in turn is dependent upon the general economy and commodity prices, as well as several of the other factors listed in this section.

We have experienced substantial and sustained volatility with respect to currency exchange rate and interest rate changes, including uncertainty associated with the Euro, which can adversely affect our reported results of operations and the competitiveness of our products.

Our success depends on the introduction of new products, particularly engines that comply with emission requirements, which requires substantial expenditures.

Our production levels and capacity constraints at our facilities, including those resulting from plant expansions and systems upgrades at our manufacturing facilities, could adversely affect our results.

Our expansion plans in emerging markets, including establishing a greater manufacturing and marketing presence and growing our use of component suppliers, could entail significant risks.

We depend on suppliers for components, parts and raw materials for our products, and any failure by our suppliers to provide products as needed, or by us to promptly address supplier issues, will adversely impact our ability to timely and efficiently manufacture and sell products. We also are subject to raw material price fluctuations, which can adversely affect our manufacturing costs.

We face significant competition, and if we are unable to compete successfully against other agricultural equipment manufacturers, we would lose customers and our net sales and profitability would decline.

We have a substantial amount of indebtedness, and, as result, we are subject to certain restrictive covenants and payment obligations that may adversely affect our ability to operate and expand our business.

Further information concerning these and other factors is included in AGCO’s filings with the Securities and Exchange Commission, including its Form 10-K for the year ended December 31, 2014 and subsequent Form 10-Qs. AGCO disclaims any obligation to update any forward-looking statements except as required by law.

*****