

February 05, 2013

AGCO Reports Fourth Quarter Results

Record Sales Produce Full Year Adjusted Earnings per Share of \$5.25

DULUTH, Ga.--(BUSINESS WIRE)--Feb. 5, 2013-- AGCO, Your Agriculture Company (NYSE:AGCO), a worldwide manufacturer and distributor of agricultural equipment, reported net sales of approximately \$2.7 billion for the fourth quarter of 2012, an increase of approximately 7.4% compared to net sales of \$2.5 billion for the fourth quarter of 2011. Reported and adjusted net income for the fourth quarter of 2012 were \$1.04 per share and \$0.99 per share, respectively. Adjusted net income excludes a non-cash intangible asset impairment charge of approximately \$22.4 million related to the Company's Chinese harvesting business. Adjusted net income also excludes a non-cash tax gain of \$26.9 million from the recognition of U.S. deferred tax assets. These results compare to reported and adjusted net income of \$2.90 per share and \$1.44 per share, respectively, for the fourth quarter of 2011. Adjusted net income for the fourth quarter of 2011 excluded a non-cash tax gain and transaction expenses associated with the acquisition of GSI. Excluding unfavorable currency translation impacts of approximately 4.0%, net sales in the fourth quarter of 2012 increased approximately 11.4% compared to the fourth quarter of 2011.

Net sales for the full year of 2012 were approximately \$10.0 billion, an increase of approximately 13.6% compared to the full year of 2011. Excluding the unfavorable impact of currency translation of approximately 7.7% and the favorable impact of acquisitions of approximately 8.8%, net sales for the full year of 2012 increased approximately 12.5% compared to the full year of 2011. For the full year of 2012, reported net income per share was \$5.30 and adjusted net income per share, excluding the items discussed above, was \$5.25. These results compare to reported net income of \$5.95 per share and adjusted net income, excluding the items discussed above, of \$4.48 per share for the full year of 2011.

Fourth Quarter Highlights

- Organic sales growth for Q4 2012 vs Q4 2011 was 7.3%, with the strongest growth coming from South America and Asia/Pacific⁽¹⁾
- Regional organic sales results: South America +27.8%; Asia/Pacific+27.5%; Europe/Africa/ Middle East ("EAME") +3.4%; North America(1.8%)
- Fourth quarter operating margin reached approximately 10% in the South American region and North American operating margin improved 120 basis points in Q4 2012 vs Q4 2011
- EAME fourth quarter sales and operating income negatively impacted by lower production and start-up costs associated with the new Fendt assembly facility in Germany
- Working capital reduction in the fourth quarter resulting in 2012 full-year free cash flow of approximately \$326 million

⁽¹⁾Excludes currency translation and acquisition impacts

"AGCO completed 2012 with record sales and adjusted earnings while making significant upgrades to our product offerings and improving our manufacturing facilities," stated Martin Richenhagen, Chairman, President and Chief Executive Officer. "We also generated \$326 million of free cash flow for the full year of 2012 after increasing our strategic investments in our business. This progress was achieved while overcoming start-up inefficiencies in our German manufacturing operations. Our margin improvement initiatives continued to be successful. Most notably, full year operating margins in South America expanded over 100 basis points and North American operating margins were approximately 10%, the best in over a decade. Looking forward, we continue to have a positive long-term outlook for our industry and for AGCO as demonstrated by the start of a share repurchase plan last July and the recently announced initiation of a dividend beginning in March 2013."

Market Update

Industry Unit Retail Sales

Year ended December 31, 2012

	Tractors	Change from	Prior Year Period
	Combines	Change from	Prior Year Period
North America	10%		
	Flat		
South America	3%		
	(1)%		
Western Europe	(3)%		
	5%		

"Global commodity prices remain elevated due to weather-related production difficulties across many of the developed markets," stated Mr. Richenhagen. "Crop production in North America was significantly lower in 2012 due to ongoing drought conditions. However, higher crop prices and extensive crop insurance produced near record levels of farm income in the U.S. supporting farm machinery purchases. We are experiencing softness in demand for grain storage and protein production equipment as a result of lower crop production volumes. A mixed weather pattern is partially offsetting attractive crop prices in Europe. Industry

sales remain soft in the weather impacted markets of Southern Europe, Scandinavia and Finland, while demand remained stable in the key Western European markets of Germany and France. Industry demand in South America increased during the second half of 2012. Improved crop yields, attractive government financing programs in Brazil and favorable grain prices all supported farm equipment industry sales. Demand for commodities has caught up with global capacity driven by biofuels use, the growing population and increasing emerging market protein consumption. Our long-term view remains optimistic as elevated farm income should continue to support healthy growth in our industry."

Regional Results

AGCO	Regional Net Sales (in millions))
Net sales					
	% change	from 2011			
	% change from	2011 due to	currency	translation	(1)
Three months ended December 31, 2012					
North America					
	\$				
652.3	9.0				
%	0.6				
%					
South America					
		511.9			
	14.1				
%	(15.9				
)%					
Europe/Africa/Middle East					
		1,406.5			
	1.8				
%	(2.3				
)%					
Asia/Pacific					
132.7	49.1				
%	(0.3				
)%					
Total			\$		
2,703.4	7.4				
%	(4.0				
)%					
Year ended December 31, 2012					
North America					
	\$				
2,584.4	46.0				
%	(0.7				
)%					
South America					
		1,855.7			
	(0.8				
)%					

	(15.8	
)%		
Europe/Africa/Middle East		
	5,073.7	
	4.7	
%		
	(7.4	
)%		
Asia/Pacific		
	448.4	
	57.9	
%		
	(2.8	
)%		
Total		\$
9,962.2		
	13.6	
%		
	(7.7	
)%		
(1)	See Footnotes for additional disclosure	

North America

AGCO's North American sales grew 19.8% in the full year of 2012 compared to 2011, excluding the impact of unfavorable currency translation and the acquisition benefit from GSI. Elevated levels of farm income continued to support strong industry demand from the professional farming sector and produced healthy growth for AGCO. The most significant increases were in high horsepower tractors, sprayers and hay equipment. The positive contribution of acquisitions, higher sales and margin improvement initiatives all contributed to growth in income from operations of \$169.0 million for the full year of 2012 compared to 2011.

South America

Excluding the benefit of acquisitions and negative currency translation, South American sales were 10.3% higher in the full year of 2012 compared to the full year of 2011. Higher sales in Brazil were partially offset by declines in Argentina. AGCO's profitability in South America improved during the full year of 2012, with operating margins rising to 8.7% compared to 7.7% in the same period of 2011. Income from operations increased \$18.5 million for the full year of 2012 compared to 2011 due to higher sales and margin expansion.

EAME

Sales in AGCO's EAME region grew approximately 9.9% in the full year of 2012 compared to the full year of 2011, exclusive of acquisition benefits and the unfavorable impact of currency translation. AGCO sales growth in France, Germany and Russia was partially offset by lower sales in southern Europe and Finland. EAME operating income declined by \$12.0 million in the full year of 2012 compared to the same period in 2011. Results were negatively impacted by a weaker sales mix and start-up costs associated with the slow ramp of production in the new Fendt tractor assembly facility.

Asia/Pacific

Excluding the benefit of acquisitions and negative currency translation, net sales in the Asia/Pacific region were 23.2% higher in the full year of 2012 compared to the full year of 2011. Growth in Australia, New Zealand and China produced most of the increase. Income from operations in the Asia/Pacific region decreased \$13.7 million in the full year of 2012, compared to 2011, due to increased market development costs in China.

Outlook

Elevated soft commodities prices in 2013 are expected to support healthy farm income and sustain stable equipment demand. For 2013, AGCO is projecting net sales in a range from \$10.2 billion to \$10.4 billion, with forecasted pricing benefits, market share improvements and relatively neutral currency impacts. Improved gross and operating margins compared to 2012 levels are expected while allowing for significant investments in product and market development costs. Based on these assumptions, AGCO is targeting 2013 earnings per share in a range from \$5.10 to \$5.35. The Company's earnings target reflects an increase in income tax expense of approximately \$0.40 per share compared to 2012 and previous 2013 projections as a result of the recognition of its U.S. deferred income tax assets.

"As we turn our focus to 2013, we remain optimistic about AGCO's ability to take advantage of the positive long-term demand drivers for our industry," stated Mr. Richenhagen. "Organic growth and margin improvement will continue to be our primary focus. AGCO's cost reduction initiatives are aimed at lowering material and labor costs through purchasing actions and factory productivity. Engineering expenditures are expected to increase as we work to meet tier 4 emissions requirements. We expect to continue to invest in new products, including upgraded harvesting, high horsepower tractor and sprayer offerings, and to devote significant resources to enhance our presence in the CIS region, China and Africa. Our plans in 2013 also include investing in our manufacturing facilities to enable our growth and improve our productivity."

AGCO will be hosting a conference call with respect to this earnings announcement at 10:00 a.m. Eastern Time on Tuesday, February 5, 2013. 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, market conditions, farm incomes, share repurchase plans, initiation of dividend payments, cost reduction initiatives, commodity prices, pricing benefits, effects of tax accounting, margin improvements, currency translation, investments in production facilities and product development, expanding markets, industry demand, productivity and market share improvements, general economic conditions and engineering efforts, 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.
- The recent poor performance of the general economy may result in a decline in demand for our products. However, we are unable to predict with accuracy the amount or duration of this decline, and our forward-looking statements reflect merely our best estimates at the current time.
- 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. During 2012, our joint ventures with Rabobank, which are controlled by Rabobank and are dependent upon Rabobank for financing as well, financed 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.
- All acquisitions, including the acquisition of GSI, involve risks relating to retention of key employees and customers and fulfilling projections prepared by or at the direction of prior ownership. In addition, we may encounter difficulties in integrating recent and future acquisitions into our business and may not fully achieve, or achieve within a reasonable time frame, expected strategic objectives and other expected benefits of the acquisition.
- 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, 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, 2011. AGCO disclaims any obligation to update any forward-looking statements except as required by law.