

May 01, 2012

AGCO Reports First Quarter Results

Record First Quarter Sales and Earnings Per Share

Improved Performance in North America and Western Europe

Sales and Earnings Outlook Increased

DULUTH, Ga.--(BUSINESS WIRE)--May. 1, 2012-- AGCO, Your Agriculture Company (NYSE:AGCO), a worldwide manufacturer and distributor of agricultural equipment, reported net sales of \$2.3 billion for the first quarter of 2012, an increase of 26.5% compared to net sales of \$1.8 billion for the first quarter of 2011. Reported and adjusted net income per share were \$1.21 for the first quarter of 2012. These results compare to reported and adjusted net income per share of \$0.81 for the first quarter of 2011. Excluding unfavorable currency translation impacts of 4.3%, net sales in the first quarter of 2012 increased approximately 30.8% compared to the same period in 2011.

"AGCO's strong performance in the first quarter produced record sales and earnings," stated Martin Richenhagen, Chairman, President and Chief Executive Officer. "We capitalized on improved demand in key Western European markets and continued market strength in North America while executing against our important margin improvement initiatives. Margin expansion in the first quarter was led by the Europe/Africa/Middle East (EAME) and North American regions. EAME's first quarter operating margins exceeded 11% and North American operating margins improved over 500 basis points compared to the first quarter of 2011. Our GSI acquisition was also a contributor to the positive results, particularly in North America."

"Industry fundamentals remain excellent, and our 2012 sales and earnings outlook has been increased," continued Mr. Richenhagen. "We will maintain our focus on improving profitability throughout 2012, while also increasing our investments to support our longer term objectives. These investments include an expansion at our Fendt manufacturing facility in Marktoberdorf, Germany and construction of the low horsepower production facility in China. In addition, our important investments in new product development and market expansion will remain at high levels in the coming quarters as we work to meet Tier 4 final emission requirements and refresh and grow our product line. We are forecasting another year of solid cash generation after funding our growth investments."

Sales growth for the first quarter of 2012 was approximately 19.4%, excluding an 11.4% benefit of acquisitions and the 4.3% unfavorable impact of currency translation. AGCO's EAME region reported a net sales increase of approximately 28.5% in the first quarter of 2012 compared to the first quarter of 2011, excluding unfavorable currency translation impacts. Sales growth was strongest in Western and Eastern Europe. In the North American region, sales in the first quarter of 2012 improved 58.6% compared to the first quarter of 2011, excluding unfavorable currency translation impacts. The GSI acquisition and growth in sales of sprayer equipment contributed to the results. AGCO's South American region reported a sales increase of 7.0% in the first quarter of 2012, compared to the first quarter of 2011, excluding unfavorable currency translation impacts. The benefits of acquisitions drove most of the increase.

Sales growth and improved gross margins contributed to higher income from operations for the first quarter of 2012 compared to the first quarter of 2011. Production increases in Europe and North America, and a richer product mix, partially offset by higher material costs, produced improved gross margins. AGCO increased its investment in new product development, resulting in increased engineering expenses in the first quarter of 2012 compared to the same period last year.

Market Update

Industry Unit Retail Sales

Quarter ended March 31, 2012

Tractors	Change from
Prior Year Period	

Combines	Change from
Prior Year Period	

North America

+1%
(40%)

South America

(7%)
(3%)

Western Europe

+1%
+23%

North America

In the first quarter of 2012, industry unit retail sales of tractors were up modestly compared to the same period in 2011. Industry retail sales of combines were down substantially from robust levels in the prior year. Record farm income in 2011 and the expectation of continued favorable farm economics resulted in the strength in retail sales of high horsepower tractors. Improvement in the dairy and livestock sector contributed to higher industry unit retail sales of mid-range tractors and hay equipment.

South America

Industry unit retail sales of tractors and combines in the first quarter of 2012 declined compared to the high levels in the same period in 2011. Drought impacted the early harvests in southern Brazil and Argentina and resulted in weaker demand in these markets. Despite the adverse weather in the first quarter, overall industry demand in South America remains at a high level.

Western Europe

Industry demand in Western Europe remained strong during the first quarter of 2012 compared to the prior year period. Healthy farm economics drove increases in both tractors and combines. The tractor sales growth in France, the United Kingdom and Germany was partially offset by declines in Italy and Spain. Combine sales also improved compared to weak levels in the first quarter of 2011.

"The growing population and the shift to higher protein diets are driving increases in the consumption of food and long-term demand for grain," stated Mr. Richenhagen. "Currently, inventories of grain remain at historically low levels on a stocks-to-use basis. Elevated soft commodity prices, resulting from these positive supply/demand dynamics, are providing support for farm income and our industry. In Western Europe, industry demand has returned to more normal levels, and recovery is continuing in Eastern Europe. Positive farm fundamentals continue to support strong market demand in North America. The Brazilian government continues to support their farming industry, and attractive government financing rates have been extended through the end of 2013. We remain positive on our 2012 industry view."

Regional Results

AGCO		Regional Net Sales (in millions)				
Three Months Ended March 31,						
	2011	2012	(1)			
	(1)					
% change from 2011		% change from	2011 due to	currency	translation	(1)
North America						
\$						
566.5		\$				
359.4		+ 57.6%				
(1.0%)						
South America						
		415.4				
		410.5				
		+ 1.2%				
(5.8%)						
EAME						
		1,199.8				
		973.0				
		+ 23.3%				
(5.2%)						
Asia /Pacific						
92.0						
54.8						
+ 67.9%						
+ 1.6%						
Total			\$			
2,273.7						

\$
1,797.7

+ 26.5%
(4.3%)

(1) Effective for the quarter ended March 31, 2012, the Company has realigned its business segment reporting. See Footnote 6 for additional disclosure.

North America

Solid industry demand produced growth of 27.0% in North American sales in the first quarter of 2012 compared to the first quarter of 2011, excluding the impact of unfavorable currency translation and the benefits of acquisitions. The most significant increases were in sprayers, high horsepower tractors and hay equipment. The positive impact of acquisitions, higher sales, increased production and expense control initiatives all contributed to growth in income from operations of \$37.5 million for the first quarter of 2012 compared to the same period in 2011.

South America

AGCO's sales in South America were relatively flat compared to the first quarter of 2011 on a constant currency basis and exclusive of acquisition benefits. Sales increases in Brazil were offset by lower sales in Argentina. Income from operations decreased \$9.5 million in the first quarter of 2012 compared to the same period in 2011 primarily due to the impact of acquisition related costs and higher engineering and product introduction expenses.

EAME

Positive farm fundamentals in Western Europe and recovery in Eastern Europe resulted in sales growth of approximately 24.5% in the EAME region compared to the first quarter of 2011, exclusive of acquisition benefits and the unfavorable impact of currency translation. AGCO experienced the largest sales increases in Germany, France and the United Kingdom. Income from operations grew by \$54.8 million in the first quarter of 2012 compared to the same period in 2011. Higher sales and production levels along with a richer mix of products contributed to the improvement.

Asia/Pacific

Net sales in AGCO's Asia/Pacific segment increased by approximately 23.8% during the first quarter of 2012 compared to the prior year period, excluding the favorable impact of currency translation and acquisitions. Growth in the Asian markets produced most of the increase. Income from operations in the Asia/Pacific region decreased \$7.1 million in the first quarter of 2012 compared to the same period in 2011 due to additional market development costs in China.

Outlook

Global industry sales are expected to grow modestly in 2012 compared to 2011. Growth is expected in Western and Eastern Europe and market conditions are projected to remain strong in North America and South America. AGCO is targeting adjusted earnings per share of approximately \$5.50 for the full year of 2012. Net sales are expected to range from \$10.2 billion to \$10.5 billion for the full year. Gross margin improvement is expected to be partially offset by increased engineering and market expansion expenditures.

AGCO will be hosting a conference call with respect to this earnings announcement at 10:00 a.m. Eastern Time on Tuesday, May 1, 2012. 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 on the "Investors/Events" page in the "Company" section 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, cash flow, market conditions, margin improvements, profitability, new product development, factory productivity, investments in facilities and expanding markets, industry demand, general economic conditions, engineering efforts and capital expenditures, 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 2011, 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 recently have experienced substantial and sustained volatility with respect to currency exchange rate and interest rate changes, 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 GSI 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 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.