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AGCO Reports First Quarter Results

Improvement in Western Europe Produces Record First Quarter Sales and Earnings per Share
Sales and Earnings Outlook Increased

DULUTH, Ga., Apr 26, 2011 (BUSINESS WIRE) --

AGCO, Your Agriculture Company (NYSE:AGCO), a worldwide manufacturer and distributor of agricultural equipment, reported net sales of \$1.8 billion for the first quarter of 2011, an increase of 35.3% compared to net sales of \$1.3 billion for the first quarter of 2010. Reported and adjusted net income per share were \$0.81 for the first quarter of 2011. These results compare to reported net income per share of \$0.10 and adjusted net income per share, which excludes restructuring and other infrequent expenses, of \$0.12 for the first quarter of 2010. Excluding favorable currency translation impacts of 3.3%, net sales in the first quarter of 2011 increased 32.1% compared to the same period in 2010.

"Robust farm economics are stimulating markets in Western Europe and sustaining market strength in North and South America," stated Martin Richenhagen, Chairman, President and Chief Executive Officer. "AGCO capitalized on strong industry demand and delivered record first quarter sales and earnings. We demonstrated operational execution by raising production significantly, growing sales over 30%, and expanding margins. Margin expansion in the first quarter was led by the Europe/Africa/Middle East (EAME) and North American regions. EAME operating margins rebounded to nearly 9% driven by the strong European market recovery and North American operating margins improved 600 basis points over a year ago. First quarter 2010 operating margins were exceptionally low in both regions due to weak market conditions and the adverse impacts of our inventory reduction efforts."

"Industry fundamentals improved over the last quarter, and our 2011 sales and earnings outlook has been increased," continued Mr. Richenhagen. "We will maintain our focus on improving profitability during 2011, while our important investments in new product development and market expansion will accelerate in the coming quarters, limiting our margin improvement. In 2011, we expect to increase both our engineering efforts and capital expenditures as we work to meet Tier 4 final emission requirements, refresh and expand our product line, improve our factory productivity in Germany and make investments in China and Russia."

All four geographic segments reported sales growth in the first quarter of 2011 compared to the first quarter of 2010. AGCO's EAME region reported a sales increase of approximately 50.7% in the first quarter of 2011 compared to the production-constrained first quarter of 2010, excluding favorable currency translation impacts. In the North American region, sales in the first quarter of 2011 improved 25.4% compared to the first quarter of 2010, excluding favorable currency translation impacts. Strong growth in tractors and combines highlighted the results. AGCO's South American region reported a sales increase of 1.4% in the first quarter of 2011 compared to the first quarter of 2010, excluding favorable currency translation impacts. Stronger industry demand in Argentina and other South American markets offset sales declines in Brazil.

Sales growth and improved gross margins contributed to higher income from operations for the first quarter of 2011 compared to the first quarter of 2010. Production increases in Europe and North America, and a richer product mix, partially offset by higher material costs, produced improved gross margins. The Company increased its investment in new product development in order to meet new emission standards, resulting in increased engineering expenses in the first quarter of 2011 compared to the same period last year.

Market Update

Industry Unit Retail Sales

Quarter ended March 31, 2011

		Tractors	Change from	
Prior Year Period			Combines	Change from
				Prior Year Period
North America	+ 6%			
		+ 37%		
South America	+2%			
		-1%		
Western Europe	+18%			
		+22%		

North America

In the first quarter of 2011, industry unit retail sales of tractors were up modestly compared to the same period in 2010, while industry retail sales of combines were up substantially. Higher commodity prices and the expectation of record farm income resulted in the strength in retail sales of tractors and combines. Improvement in the dairy and livestock sector contributed to higher industry unit retail sales of mid-range tractors and hay equipment, which both increased compared to 2010 levels.

South America

Industry unit retail sales of tractors and combines in the first quarter of 2011 were relatively flat compared to the high levels in the same period in 2010. Growth in Argentina and other South American markets offset industry sales declines in Brazil in the first quarter of 2011 compared to record levels in the first quarter of 2010. Industry unit retail sales in Brazil declined, but remained strong due to attractive farm economics and supportive government financing rates that have been extended through the end of 2011.

Western Europe

Industry demand in Western Europe increased sharply during the first quarter of 2011 compared to the prior year period. Higher commodity prices and the prospect for higher farm income contributed to the growth in the first quarter of 2011 compared to weak industry unit retail sales in the comparable prior year period. The tractor sales growth was strongest in Germany, Finland, Scandinavia and France.

"The global demand for grain and protein is growing and inventories of grain have fallen to historically low levels on a stocks-to-use basis," stated Mr. Richenhagen. "The elevated soft commodity prices, resulting from tight supply, are providing positive support for farm income and for our industry. In Western Europe, industry conditions continued to recover throughout the first quarter and are well above the weak levels that existed in early 2010. Farm fundamentals are healthy and market demand remains strong in North and South America. We expect these conditions to remain positive throughout 2011."

Regional Results

AGCO	Regional Net Sales (in millions)	Three Months Ended March 31,	
		2011	(1)
		% change from	
2010 due to currency translation	(1)		
North America			
	\$		
359.4			
	\$		
282.9			
	+ 27.0%		
	+ 1.6%		
South America			
	410.5		
	377.3		
	+ 8.8%		
	+ 7.4%		
EAME			
	928.7		
	612.3		
	+ 51.7%		
	+ 1.0%		
Rest of World			
	99.1		
	55.7		
	+ 77.9%		
	+ 8.3%		
Total			
	\$		
1,797.7			
	\$		
1,328.2			
	+ 35.3%		
	+ 3.3%		

(1) See Footnotes for additional disclosure

North America

Favorable farm economics and strong industry demand produced growth of 25.4% in North American sales in the first quarter of 2011 compared to the production- constrained level in the first quarter of 2010, excluding the impact of favorable currency translation. The most significant increases were in combines, implements and hay equipment. Higher sales, the benefit of increased production, and expense control initiatives all contributed to growth in income from operations of \$20.0 million for the first quarter of 2011 compared to the same period in 2010.

South America

AGCO's sales in South America were relatively flat compared to the first quarter of 2010 on a constant currency basis. Sales increases in Argentina and other South American markets were offset by lower sales in Brazil. Income from operations decreased a \$9.4 million in the first quarter of 2011 compared to the same period in 2010 due primarily to a less favorable geographic sales mix and higher engineering and product introduction expenses.

EAME

Strengthening market conditions and the improved outlook for farm income in Western Europe resulted in robust sales growth in the EAME region compared to exceptionally low sales levels in the first quarter of 2010. Sales in the first quarter of 2010 were negatively impacted by weak market conditions and inventory reduction efforts. AGCO experienced the largest increases in Germany, France and the United Kingdom. Income from operations increased by \$86.4 million in the first quarter of 2011 compared to the same period in 2010. Higher sales and production levels and a richer mix of products contributed to the improvement.

Rest of World

Net sales in AGCO's Rest of World segment increased by approximately 69.6% during the first quarter of 2011 compared to the prior year period, excluding the impact of currency translation. Growth in Eastern Europe and Russia compared to depressed 2010 levels produced most of the increase. Income from operations in the Rest of World region increased \$4.6 million in the first quarter of 2011 compared to the same period in 2010.

Outlook

Global industry sales are expected to grow in 2011 compared to 2010. Strong growth is expected in Western Europe and the CIS due to market recovery. Modest growth is projected for North America and healthy market conditions are expected to continue in South America.

AGCO is targeting adjusted earnings per share in a range from \$3.50 to \$3.75 for the full year of 2011. Net sales are expected to range from \$8.3 billion to \$8.5 billion. Gross margin improvement is expected to be 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, April 26, 2011. 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, market conditions, margin improvements, profitability, new product development and market expansion, factory productivity, investments in expanding markets, industry demand, general economic conditions, farm economics and productivity, pension costs, 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. 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, 2010. AGCO disclaims any obligation to update any forward-looking statements except as required by law.

- 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 of 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 retail finance 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 ongoing economic downturn, financing for capital equipment purchases generally has become more difficult and 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 accounts 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.
- We are subject to extensive environmental laws and regulations, and our compliance with, or our failure to comply with, existing or future laws and regulations could delay production of our products or otherwise adversely affect our business.

- We have significant pension obligations with respect to our employees, and our available cash flow may be adversely affected in the event that payments become due under any pension plans that are unfunded or underfunded. Declines in the market value of the securities used to fund these obligations result in increased pension expense in future periods.
- The agricultural equipment industry is highly seasonal, and seasonal fluctuations significantly impact results of operations and cash flows.
- Our success depends on the introduction of new products, particularly engines that comply with emission requirements, which requires substantial expenditures.
- We depend on suppliers for raw materials, components and parts 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.