



AGCO Reports Second Quarter Results

July 28, 2022

DULUTH, Ga.--(BUSINESS WIRE)--Jul. 28, 2022-- AGCO, Your Agriculture Company (NYSE: AGCO), a worldwide manufacturer and distributor of agricultural equipment and solutions, reported its results for the second quarter ended June 30, 2022. Net sales for the second quarter were approximately \$2.9 billion, an increase of approximately 2.3% compared to the second quarter of 2021. Excluding unfavorable currency translation impacts of approximately 7.5%, net sales in the second quarter of 2022 increased approximately 9.8% compared to the second quarter of 2021. Reported net income was \$2.37 per share for the second quarter of 2022, and adjusted net income⁽³⁾, which excludes restructuring expenses, was \$2.38 per share. These results compare to reported net income of \$3.73 per share and adjusted net income, which excludes restructuring expenses and the reversal of a valuation allowance previously established against the Company's deferred tax assets in the United States, of \$2.88 per share for the second quarter of 2021.

Net sales for the first six months of 2022 were approximately \$5.6 billion, an increase of approximately 7.1% compared to the same period in 2021. Excluding unfavorable currency translation impacts of approximately 6.4%, net sales for the first six months of 2022 increased approximately 13.5% compared to the same period in 2021. For the first six months of 2022, reported net income was \$4.40 per share, and adjusted net income⁽³⁾, excluding impairment charges, restructuring expenses and other related items, was \$4.77 per share. These results compare to reported net income of \$5.71 per share, and adjusted net income, excluding restructuring expenses and the aforementioned reversal of a valuation allowance of \$4.89 per share, for the first six months of 2021.

Second Quarter Highlights

- Reported regional sales results⁽¹⁾: Europe/Middle East ("EME") (10.3)%, North America +0.7%, South America +86.6%, Asia/Pacific/Africa ("APA") (5.5)%
- Constant currency regional sales results⁽¹⁾⁽²⁾⁽³⁾: EME +3.2%, North America +1.4%, South America +77.2%, APA +1.7%
- Regional operating margin performance: EME 11.0%, North America 6.9%, South America 16.5%, APA 14.1%
- Fully operational within approximately two weeks of May 2022 cyberattack
 - Q2 production, sales and net income were negatively impacted
- Paid a variable special dividend of \$4.50 per share as compared to \$4.00 in 2021
- Maintained full-year outlook for adjusted earnings per share

⁽¹⁾ As compared to second quarter 2021.

⁽²⁾ Excludes currency translation impact.

⁽³⁾ See reconciliation of Non-GAAP measures in appendix.

"AGCO delivered solid results in the second quarter by remaining focused on our farmer-first strategy, while effectively managing the challenges associated with the cyberattack, currency headwinds and ongoing supply chain constraints," stated Eric Hansotia, AGCO's Chairman, President and Chief Executive Officer. "Our results reflect substantial price increases to combat rising material costs, higher logistics expenses, and other manufacturing inefficiencies. Farm fundamentals remain favorable and are supporting healthy order boards that remain ahead of last year's level. Our farmer-first approach and expanding precision ag portfolio are contributing to strong end-market demand and robust growth in our margin-rich businesses."

Mr. Hansotia continued, "Our team's ability to execute and adapt to the challenging environment along with the robust market conditions gives us confidence in delivering our 2022 outlook, which includes record sales, margin expansion and record earnings. These results reinforce our plan to continue investing in our smart farming solutions and enhanced digital capabilities to support further growth and margin expansion."

Market Update

	Industry Unit Retail Sales	
	Tractors	Combines
	Change from Prior Year Period	Change from Prior Year Period
Six Months Ended June 30, 2022		
North America ⁽¹⁾	(7)%	(8)%
South America	7%	(5)%

Western Europe⁽²⁾

(10)%

(16)%

⁽¹⁾ Excludes compact tractors.

⁽²⁾ Based on Company estimates.

“Healthy grain production is forecasted for the major agricultural production regions. Although crop prices have declined from record levels earlier in 2022, they remain supportive and are helping farmers offset inflationary pressures from higher fuel, fertilizer and other input costs. Farm income estimates remain elevated and are expected to extend the strong end-market demand,” stated Mr. Hansotia.

Global industry production and retail sales were down modestly in the first 6 months of 2022 compared to last year's elevated levels due primarily to supply chain limitations. Industry retail sales in North America were down approximately 7% in the first half of 2022 compared to last year. The decline was driven by weaker sales in smaller tractors partially offset by improved sales of high horsepower tractors which increased approximately 6% in the first half of 2022 compared to the same period in 2021.

Western European industry retail tractors decreased approximately 10% in the first six months of 2022 compared to strong levels in the first half of 2021. Farmer sentiment has been negatively impacted by the conflict in Ukraine, as well as input cost inflation, but forecasts for healthy farm income in Western Europe are expected to support improved retail demand for equipment in the second half of 2022.

In South America, industry retail sales increased during the first six months of 2022 in both Brazil and Argentina compared to 2021 levels. Healthy crop production levels and favorable margins for the farmer are supporting investments to replace an aged fleet.

“While dependent on supply chain performance, we continue to expect strong demand in the second half to support full year 2022 industry retail sales that are expected to be above 2021 levels in North and South America and approximately flat in Western Europe,” continued Mr. Hansotia.

Regional Results

AGCO Regional Net Sales (in millions)

Three Months Ended June 30,	2022	2021	% change from 2021	% change from 2021 due to currency translation ⁽¹⁾	% change excluding currency translation
North America	\$ 739.9	\$ 734.7	0.7%	(0.7)%	1.4%
South America	519.2	278.3	86.6%	9.3%	77.2%
Europe/Middle East	1,467.6	1,635.2	(10.3)%	(13.5)%	3.2%
Asia/Pacific/Africa	218.5	231.1	(5.5)%	(7.1)%	1.7%
Total	\$ 2,945.2	\$ 2,879.3	2.3%	(7.5)%	9.8%

Six Months Ended June 30,	2022	2021	% change from 2021	% change from 2021 due to currency translation ⁽¹⁾	% change excluding currency translation
North America	\$ 1,440.9	\$ 1,345.8	7.1%	(0.5)%	7.6%
South America	875.6	518.8	68.8%	8.0%	60.8%
Europe/Middle East	2,870.7	2,962.4	(3.1)%	(11.6)%	8.5%
Asia/Pacific/Africa	443.7	431.0	2.9%	(6.0)%	9.0%
Total	\$ 5,630.9	\$ 5,258.0	7.1%	(6.4)%	13.5%

⁽¹⁾ See Footnotes for additional disclosures.

North America

AGCO's North American net sales grew 7.6% in the first six months of 2022 compared to the same period of 2021, excluding the negative impact of currency translation. The increase resulted from the effects of pricing to mitigate inflationary cost pressures, along with increased sales of tractors. Income from operations for the first six months of 2022 decreased approximately \$73.1 million compared to the same period in 2021. First half 2022 operating income was negatively impacted by a weaker sales mix, material and logistics cost inflation, higher production costs and increased operating expenses, including the effects of the recent cyberattack.

South America

Net sales in the South American region increased 60.8% in the first six months of 2022 compared to the same period of 2021, excluding the impact of favorable currency translation. Sales grew strongly across all markets, driven by robust industry demand and favorable pricing impacts. Income from operations in the first six months of 2022 increased by approximately \$92.3 million compared to the same period in 2021 and operating margins reached approximately 15.0%. The improved South America results reflect the benefit of higher sales and production, a favorable sales mix, and pricing that offset material cost inflation.

Europe/Middle East

Europe/Middle East net sales increased 8.5% in the first six months of 2022 compared to the same period in 2021, excluding unfavorable currency translation. The improvement was driven by higher sales of tractors and replacement parts along with favorable pricing actions. Sales growth in France and Scandinavia was partially offset by significantly lower sales in Russia and the Ukraine. Income from operations decreased approximately \$22.3 million in the first six months of 2022, compared to the same period in 2021. The decline was the result of foreign currency translation, weaker sales mix, higher production costs as well as increased operating expenses, which were magnified by the recent cyberattack.

Asia/Pacific/Africa

Net sales in Asia/Pacific/Africa increased 9.0%, excluding the negative impact of currency translation, in the first six months of 2022 compared to the same period in 2021. Higher sales in Australia, Japan and Africa were partially offset by lower sales in China. Income from operations improved by approximately \$17.1 million in the first six months of 2022 and operating margins expanded by approximately 3.5% compared to the same period in 2021 due to higher sales and a richer sales mix.

Outlook

The ability of the Company's supply chain to deliver parts and components on schedule is currently difficult to predict. The following outlook is based on AGCO's current estimates of component deliveries. AGCO's results will be impacted if the actual supply chain delivery performance differs from these estimates.

- Net sales for 2022 of \$12.4 billion to \$12.6 billion
- Gross and operating margins are projected to improve from 2021 levels, reflecting the impact of higher sales and production volumes as well as favorable pricing to offset material and labor cost inflation
- Increased investments in engineering and other technology investments to support AGCO's precision ag and digital initiatives
- Full year adjusted earnings per share of \$11.70 to \$11.90

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AGCO will host a conference call with respect to this earnings announcement at 10:00 a.m. Eastern Time on Thursday, July 28, 2022. 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.

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Safe Harbor Statement

Statements that are not historical facts, including the projections of earnings per share, production levels, sales, industry demand, market conditions, commodity prices, currency translation, farm income levels, margin levels, strategy, investments in product and technology development, new product introductions, restructuring and other 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.

- COVID-19 has negatively impacted our business, initially through closures, higher absentee rates, and reduced production at both our plants and the plants that supply us with parts and components, and more recently through supply chain challenges, including the inability of some of our suppliers to meet demand and logistics and transportation-related companies to deliver products in a timely manner. In addition, we have had to incur various costs related to preventing the spread of COVID-19, including changes to our factories and other facilities and those related to enabling remote work. We expect COVID-19 to continue to impact our business, although the manner and extent to which it impacts us will depend on future developments, including the duration of the pandemic, the timing, distribution and impact of vaccinations, and possible mutations of the virus that are more contagious or resistant to current vaccines. Measures taken by governments around the world, as well as businesses, including us, and the general public in order to limit the spread of COVID-19 will impact our business as well. These measures have included travel bans and restrictions, quarantines, shelter in place orders, curfews, business and government office closures, increased border controls or closures, port closures and transportation restrictions. The impacts of COVID-19 and such measures could include decreases in demand for our products, factory closures, increased absentee rates, reduced production, incurrence of additional costs due to the

adherence to cleaning requirements and social distancing guidelines and increased costs of labor, parts and components and shipping, incurrence of impairment charges, slower collections and larger write-offs of accounts receivable, among other changes.

- Our financial results depend entirely upon the agricultural industry, and factors that adversely affect the agricultural industry generally, including declines in the general economy, adverse weather, tariffs, 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 takes place outside the United States, and, many of our sales involve products that are manufactured in one country and sold in a different country, and as a result, we are exposed to risks related to foreign laws, taxes and tariffs, trade restrictions, 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. Among these risks are the uncertain consequences of Brexit, Russian sanctions and tariffs imposed on exports to and imports from China.
- 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 over 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, can be 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 finance joint ventures have substantial accounts receivable from dealers and end customers, and we would be adversely impacted if the collectability of these receivables was less than optimal; 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, 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 and sustainable smart farming technology, which require substantial expenditures; there is no certainty that we can develop the necessary technology or that the technology that we develop will be attractive to farmers or available at competitive prices.
- 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.
- Our business increasingly is subject to regulations relating to privacy and data protection, and if we violate any of those regulations, or otherwise are the victim of a cyber-attack, we could be subject to significant claims, penalties and damages.
- Attacks through ransomware and other means are rapidly increasing, and in May 2022 we learned that we had been the victim of a cyberattack. We have recently reexamined our safeguards as a result of the cyberattack, and continue to implement and bolster such safeguards that we believe are reasonable. However, there always will be the potential of the risk that a cyberattack will be successful and will disrupt our business, either through shutting down our operations, destroying data, exfiltrating data or otherwise.
- 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. Recently suppliers of several key parts and components have not been able to meet our demand and we have had to decrease our production levels. In addition, the potential of natural gas shortages in Europe, as well as predicted overall shortages in other energy sources, could also negatively impact our production and that of our supply chain in the future. It is unclear when these supply chain disruptions will be restored or what the ultimate impact on production, and consequently sales, will be.
- Although as a general proposition our business has not experienced significant inflation in many years, beginning in the second half of 2021 we experienced significant inflation in a range of costs, including for parts and components, shipping, and energy. While we have been able to pass along most of those costs through increased prices, there can be no assurance that we will be able to continue to do so. If we are not, it will adversely impact our performance.
- 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 performance would decline.
- We have a substantial amount of indebtedness, and, as a 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, 2021. AGCO disclaims any obligation to update any forward-looking statements except as required by law.

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About AGCO

AGCO (NYSE: AGCO) is a global leader in the design, manufacture and distribution of agricultural solutions and delivers high-tech solutions for farmers feeding the world through its full line of equipment and related services. AGCO products are sold through five

core brands, Challenger®, Fendt®, GSI®, Massey Ferguson®, Precision Planting® and Valtra®, supported by Fuse® smart farming solutions. Founded in 1990 and headquartered in Duluth, Georgia, USA, AGCO had net sales of approximately \$11.1 billion in 2021. For more information, visit <http://www.agcocorp.com>. For company news, information and events, please follow us on Twitter: @AGCOCorp. For financial news on Twitter, please follow the hashtag #AGCOIR.

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Please visit our website at www.agcocorp.com

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in millions)

	June 30, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash, cash equivalents and restricted cash	\$ 580.6	\$ 889.1
Accounts and notes receivable, net	1,149.3	991.5
Inventories, net	3,382.3	2,593.7
Other current assets	592.1	539.8
Total current assets	<u>5,704.3</u>	<u>5,014.1</u>
Property, plant and equipment, net	1,405.6	1,464.8
Right-of-use lease assets	153.4	154.1
Investments in affiliates	417.0	413.5
Deferred tax assets	203.8	169.3
Other assets	317.8	293.3
Intangible assets, net	388.8	392.2
Goodwill	1,298.2	1,280.8
Total assets	<u>\$ 9,888.9</u>	<u>\$ 9,182.1</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 2.0	\$ 2.1
Short-term borrowings	320.8	90.8
Accounts payable	1,204.1	1,078.3
Accrued expenses	1,915.0	2,062.2
Other current liabilities	188.6	221.2
Total current liabilities	<u>3,630.5</u>	<u>3,454.6</u>
Long-term debt, less current portion and debt issuance costs	2,018.0	1,411.2
Operating lease liabilities	119.8	115.5
Pension and postretirement health care benefits	203.6	209.0
Deferred tax liabilities	114.2	116.9
Other noncurrent liabilities	419.5	431.1
Total liabilities	<u>6,505.6</u>	<u>5,738.3</u>
Stockholders' Equity:		
AGCO Corporation stockholders' equity:		
Common stock	0.7	0.7
Additional paid-in capital	13.3	3.9
Retained earnings	5,130.3	5,182.2
Accumulated other comprehensive loss	(1,761.1)	(1,770.9)
Total AGCO Corporation stockholders' equity	<u>3,383.2</u>	<u>3,415.9</u>
Noncontrolling interests	0.1	27.9
Total stockholders' equity	<u>3,383.3</u>	<u>3,443.8</u>
Total liabilities and stockholders' equity	<u>\$ 9,888.9</u>	<u>\$ 9,182.1</u>

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in millions, except per share data)

	Three Months Ended June 30,	
	2022	2021
Net sales	\$ 2,945.2	\$ 2,879.3
Cost of goods sold	2,254.7	2,186.9
Gross profit	690.5	692.4
Selling, general and administrative expenses	302.5	276.3
Engineering expenses	107.1	107.2
Amortization of intangibles	15.4	14.2
Restructuring expenses	0.4	4.7
Bad debt expense (credit)	1.6	(0.3)
Income from operations	263.5	290.3
Interest expense, net	5.9	2.2
Other expense, net	21.7	14.6
Income before income taxes and equity in net earnings of affiliates	235.9	273.5
Income tax provision	71.5	7.7
Income before equity in net earnings of affiliates	164.4	265.8
Equity in net earnings of affiliates	13.2	18.6
Net income	177.6	284.4
Net loss (income) attributable to noncontrolling interests	0.1	(1.6)
Net income attributable to AGCO Corporation and subsidiaries	\$ 177.7	\$ 282.8
Net income per common share attributable to AGCO Corporation and subsidiaries:		
Basic	\$ 2.38	\$ 3.74
Diluted	\$ 2.37	\$ 3.73
Cash dividends declared and paid per common share	\$ 4.72	\$ 4.17
Weighted average number of common and common equivalent shares outstanding:		
Basic	74.6	75.5
Diluted	74.9	75.9

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in millions, except per share data)

	Six Months Ended June 30,	
	2022	2021
Net sales	\$ 5,630.9	\$ 5,258.0
Cost of goods sold	4,309.1	3,995.1
Gross profit	1,321.8	1,262.9
Selling, general and administrative expenses	573.6	536.9
Engineering expenses	207.4	203.5
Amortization of intangibles	30.7	31.7
Impairment charges	36.0	—
Restructuring expenses	3.4	6.0
Bad debt expense (credit)	3.2	(0.7)
Income from operations	467.5	485.5
Interest expense, net	6.3	5.6
Other expense, net	39.2	26.1
Income before income taxes and equity in net earnings of affiliates	422.0	453.8
Income tax provision	131.7	51.3
Income before equity in net earnings of affiliates	290.3	402.5
Equity in net earnings of affiliates	24.3	33.3
Net income	314.6	435.8
Net loss (income) attributable to noncontrolling interests	14.9	(2.2)

Net income attributable to AGCO Corporation and subsidiaries	\$ 329.5	\$ 433.6
Net income per common share attributable to AGCO Corporation and subsidiaries:		
Basic	\$ 4.41	\$ 5.75
Diluted	\$ 4.40	\$ 5.71
Cash dividends declared and paid per common share	\$ 4.92	\$ 4.33
Weighted average number of common and common equivalent shares outstanding:		
Basic	74.6	75.4
Diluted	74.9	75.9

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in millions)

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 314.6	\$ 435.8
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	106.5	109.9
Amortization of intangibles	30.7	31.7
Stock compensation expense	17.6	15.2
Impairment charges	36.0	—
Equity in net earnings of affiliates, net of cash received	(23.7)	(32.6)
Deferred income tax benefit	(0.6)	(65.5)
Other	2.7	9.2
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	(219.5)	(265.5)
Inventories, net	(888.1)	(721.5)
Other current and noncurrent assets	(91.9)	(73.3)
Accounts payable	191.1	320.5
Accrued expenses	(46.2)	(0.8)
Other current and noncurrent liabilities	4.6	112.0
Total adjustments	(880.8)	(560.7)
Net cash used in operating activities	(566.2)	(124.9)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(139.2)	(120.6)
Proceeds from sale of property, plant and equipment	2.1	2.4
Investment in unconsolidated affiliates	(1.5)	(1.0)
(Purchase) sale of businesses, net of cash acquired	(111.3)	5.4
Other	—	(2.4)
Net cash used in investing activities	(249.9)	(116.2)
Cash flows from financing activities:		
Proceeds from indebtedness, net	947.2	4.0
Payment of dividends to stockholders	(368.5)	(328.6)
Payment of minimum tax withholdings on stock compensation	(20.8)	(33.6)
Payment of debt issuance costs	(0.2)	—
Distributions to noncontrolling interest	(11.6)	(3.5)
Net cash provided by (used in) financing activities	546.1	(361.7)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(38.5)	(16.1)
Decrease in cash, cash equivalents and restricted cash	(308.5)	(618.9)
Cash, cash equivalents and restricted cash, beginning of period	889.1	1,119.1
Cash, cash equivalents and restricted cash, end of period	\$ 580.6	\$ 500.2

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited, in millions, except share amounts, per share data and employees)

1. STOCK COMPENSATION EXPENSE

The Company recorded stock compensation expense as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of goods sold	\$ 0.3	\$ 0.3	\$ 0.6	\$ 0.6
Selling, general and administrative expenses	10.3	8.2	17.0	14.7
Total stock compensation expense	\$ 10.6	\$ 8.5	\$ 17.6	\$ 15.3

2. IMPAIRMENT CHARGES

As a consequence of the current conflict between Russia and Ukraine, during the three months ended March 31, 2022, the Company assessed the fair value of its gross assets related to its joint ventures in Russia for potential impairment and recorded certain asset impairment charges of approximately \$36.0 million, reflected as "Impairment charges" in its Condensed Consolidated Statements of Operations, with an offsetting benefit of approximately \$12.2 million included within "Net loss (income) attributable to noncontrolling interests." In addition, during the three months ended March 31, 2022, the Company recorded a write-down of its investment in its Russian finance joint venture of approximately \$4.8 million, reflected within "Equity in net earnings of affiliates" in its Condensed Consolidated Statements of Operations.

3. RESTRUCTURING EXPENSES

In recent years, the Company announced and initiated several actions to rationalize employee headcount in various manufacturing facilities and administrative offices located in the U.S., Europe, South America, Africa and China in order to reduce costs in response to fluctuating global market demand. The Company also previously rationalized its grain and protein business during 2019 and 2020. As of December 31, 2021, the Company had approximately \$14.7 million of accrued severance and other costs related to such rationalizations. During the three and six months ended June 30, 2022, the Company recorded an additional \$0.4 million and \$3.4 million, respectively, of severance costs associated with further rationalizations in connection with the termination of approximately 75 employees, and paid approximately \$3.3 million and \$6.7 million, respectively, of severance costs. The remaining \$10.6 million of severance and other related costs as of June 30, 2022, inclusive of approximately \$0.8 million of negative foreign currency translation impacts, are expected to be paid primarily during 2022.

4. INDEBTEDNESS

Long-term debt at June 30, 2022 and December 31, 2021 consisted of the following (in millions):

	June 30, 2022	December 31, 2021
Credit facility, expires 2023	800.0	—
1.002% Senior term loan due 2025	260.4	283.7
Senior term loans due between 2023 and 2028	332.7	445.9
0.800% Senior Notes Due 2028	624.8	680.8
Other long-term debt	6.1	7.7
Debt issuance costs	(4.0)	(4.8)
	2,020.0	1,413.3
Less:		
Current portion of other long-term debt	(2.0)	(2.1)
Total long-term indebtedness, less current portion	\$ 2,018.0	\$ 1,411.2

In April 2022, the Company entered into a short-term revolving credit facility of €225.0 million with Coöperatieve Rabobank U.A., or "Rabobank." The €225.0 million (or approximately \$240.0 million) was borrowed on April 26, 2022, with a maturity date of March 31, 2023. Interest accrues on amounts outstanding under the credit facility, at the Company's option, at either (1) the secured overnight financing rate ("SOFR") for borrowings denominated in U.S. dollars or Euro Interbank Offered Rate ("EURIBOR") for borrowings denominated in Euros plus a margin of 0.75%, or (2) the base rate, which is equal to the higher of (i) the administrative agent's base lending rate for the applicable currency, (ii) the federal funds rate plus 0.5%, or (iii) one-month adjusted term SOFR plus 1.0%, plus a margin of 0.75%. The credit facility contains covenants restricting, among other things, the incurrence of indebtedness and the making of certain payments, including dividends. The Company also has to fulfill financial covenants with respect to a total debt to EBITDA ratio and an interest coverage ratio.

In June 2022, the Company entered into an uncommitted revolving credit facility that allows the Company to borrow up to €100.0 million (or approximately \$104.1 million as of June 30, 2022) with Unicredit Bank. The credit facility expires on December 31,

2026. Borrowing requests are required for each borrowing and, the Company must state the amount and interest period at which time the Company is quoted a rate for the entire period. The amount of each requested drawdown must be at least €1.0 million. As of June 30, 2022, the Company had no outstanding borrowings under the revolving credit facility and had the ability to borrow €100.0 million (or approximately \$104.1 million).

As of June 30, 2022 and December 31, 2021, the Company had short-term borrowings due within one year of approximately \$320.8 million and \$90.8 million, respectively. The balance as of June 30, 2022 related to short-term borrowings includes the short-term revolving credit facility discussed previously of approximately \$240.0 million.

5. INVENTORIES

Inventories at June 30, 2022 and December 31, 2021 were as follows (in millions):

	June 30, 2022	December 31, 2021
Finished goods	\$ 951.9	\$ 718.2
Repair and replacement parts	737.6	697.8
Work in process	625.6	282.8
Raw materials	1,067.2	894.9
Inventories, net	<u>\$ 3,382.3</u>	<u>\$ 2,593.7</u>

6. ACCOUNTS RECEIVABLE SALES AGREEMENTS

The Company has accounts receivable sales agreements that permit the sale, on an ongoing basis, of a majority of its wholesale receivables in North America, Europe and Brazil to its U.S., Canadian, European and Brazilian finance joint ventures. As of June 30, 2022 and December 31, 2021, the cash received from receivables sold under the U.S., Canadian, European and Brazilian accounts receivable sales agreements was approximately \$1.2 billion and \$1.3 billion, respectively.

In addition, the Company sells certain trade receivables under factoring arrangements to other financial institutions around the world. As of June 30, 2022 and December 31, 2021, the cash received from these arrangements was approximately \$174.9 million and \$215.4 million, respectively.

Losses on sales of receivables associated with the accounts receivable financing facilities discussed above, reflected within "Other expense, net" in the Company's Condensed Consolidated Statements of Operations, were approximately \$10.2 million and \$18.1 million, respectively, during the three and six months ended June 30, 2022. Losses on sales of receivables associated with the accounts receivable financing facilities discussed above, reflected within "Other expense, net" in the Company's Condensed Consolidated Statements of Operations, were approximately \$5.1 million and \$9.7 million, respectively, during the three and six months ended June 30, 2021.

The Company's finance joint ventures in Europe, Brazil and Australia also provide wholesale financing directly to the Company's dealers. As of June 30, 2022 and December 31, 2021, these finance joint ventures had approximately \$50.7 million and \$42.6 million, respectively, of outstanding accounts receivable associated with these arrangements. In addition, the Company sells certain trade receivables under factoring arrangements to other financial institutions around the world.

7. NET INCOME PER SHARE

A reconciliation of net income attributable to AGCO Corporation and subsidiaries and weighted average common shares outstanding for purposes of calculating basic and diluted net income per share for the three and six months ended June 30, 2022 and 2021 is as follows (in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Basic net income per share:				
Net income attributable to AGCO Corporation and subsidiaries	<u>\$ 177.7</u>	<u>\$ 282.8</u>	<u>\$ 329.5</u>	<u>\$ 433.6</u>
Weighted average number of common shares outstanding	<u>74.6</u>	<u>75.5</u>	<u>74.6</u>	<u>75.4</u>
Basic net income per share attributable to AGCO Corporation and subsidiaries	<u>\$ 2.38</u>	<u>\$ 3.74</u>	<u>\$ 4.41</u>	<u>\$ 5.75</u>
Diluted net income per share:				
Net income attributable to AGCO Corporation and subsidiaries	<u>\$ 177.7</u>	<u>\$ 282.8</u>	<u>\$ 329.5</u>	<u>\$ 433.6</u>
Weighted average number of common shares outstanding	<u>74.6</u>	<u>75.5</u>	<u>74.6</u>	<u>75.4</u>

Dilutive stock-settled appreciation rights, performance share awards and restricted stock units	0.3	0.4	0.3	0.5
Weighted average number of common shares and common share equivalents outstanding for purposes of computing diluted net income per share	74.9	75.9	74.9	75.9
Diluted net income per share attributable to AGCO Corporation and subsidiaries	\$ 2.37	\$ 3.73	\$ 4.40	\$ 5.71

8. SEGMENT REPORTING

The Company's four reportable segments distribute a full range of agricultural equipment and related replacement parts. The Company evaluates segment performance primarily based on income from operations. Sales for each segment are based on the location of the third-party customer. The Company's selling, general and administrative expenses and engineering expenses are generally charged to each segment based on the region and division where the expenses are incurred. As a result, the components of income from operations for one segment may not be comparable to another segment. Segment results for the three and six months ended June 30, 2022 and 2021 are as follows (in millions):

Three Months Ended June 30,	North America	South America	Europe/Middle East	Asia/Pacific/Africa	Consolidated
2022					
Net sales	\$ 739.9	\$ 519.2	\$ 1,467.6	\$ 218.5	\$ 2,945.2
Income from operations	50.7	85.5	161.2	30.7	328.1
2021					
Net sales	\$ 734.7	\$ 278.3	\$ 1,635.2	\$ 231.1	\$ 2,879.3
Income from operations	103.7	23.1	201.5	26.6	354.9
Six Months Ended June 30,	North America	South America	Europe/Middle East	Asia/Pacific/Africa	Consolidated
2022					
Net sales	\$ 1,440.9	\$ 875.6	\$ 2,870.7	\$ 443.7	\$ 5,630.9
Income from operations	105.5	131.6	323.5	64.7	625.3
2021					
Net sales	\$ 1,345.8	\$ 518.8	\$ 2,962.4	\$ 431.0	\$ 5,258.0
Income from operations	178.6	39.3	345.8	47.6	611.3

A reconciliation from the segment information to the consolidated balances for income from operations is set forth below (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Segment income from operations	\$ 328.1	\$ 354.9	\$ 625.3	\$ 611.3
Impairment charges	—	—	(36.0)	—
Corporate expenses	(38.5)	(37.5)	(70.7)	(73.4)
Amortization of intangibles	(15.4)	(14.2)	(30.7)	(31.7)
Stock compensation expense	(10.3)	(8.2)	(17.0)	(14.7)
Restructuring expenses	(0.4)	(4.7)	(3.4)	(6.0)
Consolidated income from operations	\$ 263.5	\$ 290.3	\$ 467.5	\$ 485.5

RECONCILIATION OF NON-GAAP MEASURES

This earnings release discloses adjusted income from operations, adjusted net income, adjusted net income per share, and net sales on a constant currency basis, each of which exclude amounts that are typically included in the most directly comparable measure calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). A reconciliation of each of those measures to the most directly comparable GAAP measure is included below.

The following is a reconciliation of reported income from operations, net income and net income per share to adjusted income from operations, adjusted net income and adjusted net income per share for the three and six months ended June 30, 2022 and 2021 (in millions, except per share data):

Three Months Ended June 30,

	2022			2021		
	Income From Operations ⁽²⁾	Net Income ⁽¹⁾	Net Income Per Share ⁽¹⁾	Income From Operations	Net Income ⁽¹⁾	Net Income Per Share ⁽¹⁾⁽²⁾
As reported	\$ 263.5	\$ 177.7	\$ 2.37	\$ 290.3	\$ 282.8	\$ 3.73
Restructuring expenses ⁽³⁾	0.4	0.4	0.01	4.7	3.9	0.05
Deferred income tax adjustment ⁽⁴⁾	—	—	—	—	(67.8)	(0.89)
As adjusted	\$ 264.0	\$ 178.1	\$ 2.38	\$ 295.0	\$ 218.9	\$ 2.88

(1) Net income and net income per share amounts are after tax.

(2) Rounding may impact summation of amounts.

(3) The restructuring expenses recorded during the three months ended June 30, 2022 related primarily to severance and other related costs associated with the Company's rationalization of certain European manufacturing operations. The restructuring expenses recorded during the three months ended June 30, 2021 related primarily to severance and other related costs associated with the Company's rationalization of certain U.S., European and South American manufacturing operations and various administrative offices.

(4) During the three months ended June 30, 2021, the Company's income tax provision includes the benefit of a reversal of approximately \$67.8 million related to a valuation allowance previously established against the Company's net deferred tax assets in the United States. Significant improvements in income from operations in the United States during 2021, as well as updated forecasts for future years, supported the reversal of the valuation allowance during the three months ended June 30, 2021.

Six Months Ended June 30,

	2022			2021		
	Income From Operations ⁽²⁾	Net Income ⁽¹⁾⁽²⁾	Net Income Per Share ⁽¹⁾⁽²⁾	Income From Operations ⁽²⁾	Net Income ⁽¹⁾⁽²⁾	Net Income Per Share ⁽¹⁾
As reported	\$ 467.5	\$ 329.5	\$ 4.40	\$ 485.5	\$ 433.6	\$ 5.71
Impairment of Russian joint ventures ⁽³⁾	36.0	23.8	0.32	—	—	—
Restructuring expenses ⁽⁴⁾	3.4	2.5	0.03	6.0	5.2	0.07
Gain on full acquisition of IAS joint venture ⁽⁵⁾	—	(3.4)	(0.05)	—	—	—
Write-down of investment in Russian finance joint venture ⁽⁶⁾	—	4.8	0.06	—	—	—
Deferred income tax adjustment ⁽⁷⁾	—	—	—	—	(67.8)	(0.89)
As adjusted	\$ 507.0	\$ 357.1	\$ 4.77	\$ 491.5	\$ 371.0	\$ 4.89

(1) Net income and net income per share amounts are after tax.

(2) Rounding may impact summation of amounts.

(3) During the six months ended June 30, 2022, the Company recorded certain asset impairment charges related to its Russian joint ventures of approximately \$36.0 million, reflected as "Impairment charges" in its Condensed Consolidated Statements of Operations, with an offsetting benefit of approximately \$12.2 million included within "Net loss (income) attributable to noncontrolling interests."

(4) The restructuring expenses recorded during the six months ended June 30, 2022 related primarily to severance and other related costs associated with the Company's rationalization of certain European manufacturing operations. The restructuring expenses recorded during the six months ended June 30, 2021 related primarily to severance and other related costs associated with the Company's rationalization of certain U.S., European and South American manufacturing operations and various administrative offices.

(5) During the six months ended June 30, 2021, the Company acquired Appareo Systems, LLC ("Appareo"), which included the acquisition of the remaining 50% of its former 50% IAS joint venture with Appareo. The Company recorded a gain associated with this remaining 50% acquisition of approximately \$3.4 million, which was reflected within "Other expense, net" in its Condensed Consolidated Statements of Operations.

(6) During the six months ended June 30, 2021, the Company recorded a write-down of its investment in its Russian finance joint venture of approximately \$4.8 million, reflected within "Equity in net earnings of affiliates" in its Condensed Consolidated Statements of Operations.

(7) During the six months ended June 30, 2021, the Company's income tax provision includes the benefit of a reversal of approximately \$67.8 million related to a valuation allowance previously established against the Company's net deferred tax assets in the United States. Significant improvements in income from operations in the United States during 2021, as well as updated forecasts for future years, supported the reversal of the valuation allowance during the three months ended June 30, 2021.

The following is a reconciliation of targeted net income per share to adjusted targeted net income per share for the six months ended June 30, 2022:

	Net Income Per Share ⁽¹⁾
As targeted	\$11.34 - \$11.54
Impairment of Russian joint ventures	0.32
Restructuring expenses	0.03
Gain on full acquisition of IAS joint venture	(0.05)
Write-down of investment in Russian finance joint venture	0.06
As adjusted targeted ⁽²⁾	<u>\$11.70 - \$11.90</u>

(1) Net income per share amount is after tax.

(2) The above reconciliation adjustments to full year 2022 targeted net income per share are based upon restructuring expenses and the other adjustments incurred during the six months ended June 30, 2022. Full year expenses or benefits could differ based on future restructuring activity as well as other activities.

The following table sets forth, for the three and six months ended June 30, 2022 and 2021, the impact to net sales of currency translation by geographical segment (in millions, except percentages):

	Three Months Ended June 30,			Change due to currency translation	
	2022	2021	% change from 2021	\$	%
	North America	\$ 739.9	\$ 734.7	0.7%	\$ (5.3)
South America	519.2	278.3	86.6%	26.0	9.3%
Europe/Middle East	1,467.6	1,635.2	(10.3)%	(220.7)	(13.5)%
Asia/Pacific/Africa	218.5	231.1	(5.5)%	(16.5)	(7.1)%
	<u>\$ 2,945.2</u>	<u>\$ 2,879.3</u>	<u>2.3%</u>	<u>\$ (216.5)</u>	<u>(7.5)%</u>

	Six Months Ended June 30,			Change due to currency translation	
	2022	2021	% change from 2021	\$	%
	North America	\$ 1,440.9	\$ 1,345.8	7.1%	\$ (6.9)
South America	875.6	518.8	68.8%	41.4	8.0%
Europe/Middle East	2,870.7	2,962.4	(3.1)%	(344.5)	(11.6)%
Asia/Pacific/Africa	443.7	431.0	2.9%	(26.0)	(6.0)%
	<u>\$ 5,630.9</u>	<u>\$ 5,258.0</u>	<u>7.1%</u>	<u>\$ (336.0)</u>	<u>(6.4)%</u>

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