**AGCO Reports Full Year Results**

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Sales and Margin Growth Highlight Annual Results Further Improvement Expected in 2003

DULUTH, Ga., Feb. 6 /PRNewswire-FirstCall/ -- AGCO Corporation (NYSE: AG), a worldwide designer, manufacturer and distributor of agricultural equipment, reported net income, excluding restructuring expenses, restricted stock compensation, a non-cash deferred tax adjustment and a cumulative effect of accounting change, of $1.17 per share for the year ended December 31, 2002. AGCO reported net income, excluding restructuring expenses, restricted stock compensation and a non-cash deferred tax adjustment, of $0.34 per share for the fourth quarter of 2002. These results compare to net income, excluding restructuring expenses, restricted stock compensation and an extraordinary loss, of $0.52 per share for the full year of 2001 and net income, excluding restructuring expenses and restricted stock compensation, of $0.39 per share for the fourth quarter of 2001. Net sales for the full year and fourth quarter of 2002 increased 15% and 9%, respectively, over the comparable periods in 2001.

Reported loss per share for 2002 including all items was $1.09 per share for the fourth quarter of 2002 and $1.14 per share for the full year of 2002. Reported earnings per share for 2001 including all items was $0.32 per share for the fourth quarter of 2001 and $0.33 per share for the full year of 2001. In the fourth quarter, AGCO recorded a non-cash adjustment to increase its valuation allowance against its U.S. deferred tax assets of $91.0 million, or $1.21 per share. Although AGCO is optimistic that these deferred tax assets can be fully utilized in the future, it determined that an adjustment to its valuation allowance was appropriate in accordance with the requirements of Statement of Financial Accounting Standards No. 109.

"Although our results were adversely affected by restructuring expenses, stock compensation expense and the fourth quarter tax charge, our core operations showed significant improvement in 2002," stated Robert J. Ratliff, Chairman, President and Chief Executive Officer. "The improvement demonstrates that our initiatives to expand margins and profitability are effective. While our results were impacted by softness in the North American market, our geographic diversity allowed us to take advantage of stronger markets in Europe and South America. In addition, our focus on working capital reduction in the fourth quarter enabled us to exceed our cash flow targets."

Fourth Quarter Results

For the fourth quarter of 2002, AGCO reported net sales of $843.7 million and net income, excluding restructuring expenses, restricted stock compensation and a non-cash deferred tax adjustment, of $25.5 million, or $0.34 per share. Net loss including all items was $82.0 million, or $1.09 per share. For the fourth quarter of 2001, AGCO reported net sales of $772.9 million and net income, excluding restructuring expenses and restricted stock compensation, of $28.1 million, or $0.39 per share. Net income including all items was $23.2 million, or $0.32 per share.

The following is a reconciliation of adjusted earnings per share to reported earnings (loss) per share for the quarters ended December 31, 2002 and 2001:

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | (in millions, except per share data) | | | |
| | Net Income (Loss) | Earnings (Loss) Per Share | Net Income | Earnings Per Share |
| Adjusted net income | $25.5 | $0.34 | $28.1 | $0.39 |
| Restructuring expenses (1) | 6.2 | 0.08 | 1.6 | 0.02 |
| Restricted stock compensation (1) | 10.3 | 0.14 | 3.3 | 0.05 |
| Deferred tax valuation allowance adjustment | 91.0 | 1.21 | --- | --- |

| | | | | |
|---|---|---|---|---|
| Reported net (loss) income | $(82.0) | $(1.09) | $23.2 | $0.32 |

(1) After-tax

The restructuring expenses recorded in the fourth quarter of 2002 relate primarily to the planned closure of the Company's tractor manufacturing facility in Coventry, England announced in June 2002. The restricted stock compensation recorded during the fourth quarter of 2002 is primarily related to the Company's Long-Term Incentive Plan ("LTIP"). Net income for 2001 also included a gain on the sale of a minority investment of approximately $5.2 million, or $0.05 per share.

AGCO's net sales for the fourth quarter increased 9% mainly due to higher sales in Europe, incremental sales of the new Challenger product line and positive currency impacts. These increases were partially offset by lower sales in North America, excluding Challenger, resulting from dealer inventory reductions in 2002 and the timing of new product introductions in 2001. AGCO's fourth quarter operating income excluding restructuring expenses and restricted stock compensation was $54.4 million in 2002 compared to $50.8 million in 2001. Improvements in Europe and South America resulting from stronger industry conditions and margin gains were offset by lower operating income in North America due to continued start-up losses related to the development of the Challenger product line and lower sales excluding Challenger. Operating income for 2002 also benefited by lower amortization of intangible assets of approximately $4.5 million as a result of the accounting change which discontinued the amortization of goodwill. Fourth quarter operating income including all items was $29.4 million in 2002 compared to $42.9 million in 2001 primarily related to increased restricted stock compensation expense in 2002.

Full Year Results

For the full year 2002, AGCO reported net sales of $2,922.7 million and net income, excluding restructuring expenses, restricted stock compensation, a non-cash deferred tax adjustment and a cumulative effect of accounting change, of $88.0 million, or $1.17 per share. Net loss including all items was $84.4 million, or $1.14 per share. For the full year 2001, AGCO reported net sales of $2,541.5 million and net income, excluding restructuring expenses, restricted stock compensation and an extraordinary loss, of $35.9 million, or $0.52 per share. Net income including all items was $22.6 million, or $0.33 per share.

The following is a reconciliation of adjusted earnings per share to reported earnings (loss) per share for the years ended December 31, 2002 and 2001:

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | (in millions, except per share data) | | | |
| | Net Income (Loss) | Earnings (Loss) Per Share | Net Income | Earnings Per Share |
| Adjusted net income | $88.0 | $1.17 | $35.9 | $0.52 |
| Restructuring expenses (1) | 28.2 | 0.38 | 8.1 | 0.12 |
| Restricted stock compensation (1) | 29.1 | 0.39 | 4.4 | 0.06 |
| Deferred tax valuation allowance adjustment | 91.0 | 1.21 | --- | --- |
| (Loss) income before extraordinary item and cumulative effect of a change in accounting principle | (60.3) | (0.81) | 23.4 | 0.34 |

| | | | | |
|---|---|---|---|---|
| Extraordinary item (1) | --- | --- | (0.8) | (0.01) |
| Cumulative effect of a change in accounting principle (1) | (24.1) | (0.33) | --- | --- |
| Reported net (loss) income | $(84.4) | $(1.14) | $22.6 | $0.33 |

(1) After tax

The restructuring expenses recorded in the full year 2002 relate primarily to the previously announced closure of the Coventry, England manufacturing facility as well as other cost reduction initiatives. The restricted stock compensation recorded during the full year 2002 primarily relates to first and fourth quarter awards earned under the Company's LTIP. In addition, the Company recorded a non-cash write-down of goodwill related to the adoption of SFAS No. 142 reflected as a cumulative effect of a change in accounting principle during the first quarter of 2002.

AGCO's net sales for the full year 2002 increased 15% mainly due to higher sales in Europe and South America and incremental sales resulting from the Ag- Chem acquisition and Challenger product line introduction. AGCO's operating income excluding restructuring expenses and restricted stock compensation for the full year was $190.8 million in 2002 compared to $116.8 million in 2001. The full year increase was due to the addition of Ag-Chem (acquired in April 2001) in the first quarter 2002 results, higher sales in the majority of markets and margin improvement from cost reduction initiatives and acquisition synergies. Full year gross margins improved from 17.1% to 18.2% from the addition of high margin Ag-Chem sales, the elimination of cost inefficiencies at AGCO's Hesston, Kansas manufacturing plant, increased production and other cost reduction programs. These improvements were partially offset by start-up losses relating to the Challenger product line introduction. Operating income for 2002 also benefited from lower intangible asset amortization of approximately $17.1 million. Full year operating income including all items was $104.0 million in 2002 compared to $96.7 million in 2001.

Regional Market Results

North America - Industry unit retail sales of tractors for the full year of 2002 increased approximately 1% over the comparable prior year period resulting from increases in the compact tractor segment, relatively flat demand in the utility tractor segment and a significant decrease in the high horsepower tractor segment. Industry unit retail sales of combines were approximately 20% lower than the prior year. AGCO's unit retail sales of tractors and combines for the full year of 2002 were higher than the prior year in all equipment categories.

Western Europe - Industry unit retail sales of tractors in Western Europe for the full year of 2002 increased approximately 4% over the comparable prior period. Strong increases were experienced in the United Kingdom, France and Germany, which were negatively impacted by concerns over livestock diseases in 2001. AGCO's unit retail sales for the full year of 2002 also increased when compared to the prior year period.

South America - Industry unit retail sales of tractors in the full year of 2002 increased approximately 16% over the comparable prior year period with strong increases in the Brazilian market due to the continued availability of the Brazilian government subsidized retail financing program, FINAME. AGCO's South American unit retail sales also increased in the full year of 2002 compared to the same period in 2001.

Rest of World Markets - Outside of North America, Western Europe and South America, AGCO's net sales for the full year of 2002 were higher than the prior year in most markets.

Sprayers - Industry retail sales of sprayers in North America declined approximately 16% in 2002 compared to 2001. Industry sales were impacted by dry conditions in certain key areas and uncertainty surrounding the new farm bill. AGCO's retail sales of sprayers in North America also declined in 2002 compared to 2001.

"We are pleased with our retail sales performance in 2002," stated Mr. Ratliff. "We achieved market share growth in many markets by improving our distribution network and product offerings. We expect continued favorable customer response in 2003 resulting from a full schedule of major product introductions slated for this year. We also believe that our Challenger business will gain traction in 2003 as we fill out the product line with the release of a Challenger combine and changes to our tractor line."

Sunflower Acquisition

On November 7, 2002, AGCO completed the acquisition of Sunflower Manufacturing Co., Inc. Sunflower is a leading producer of tillage, seeding and specialty harvesting equipment, located in Beloit, Kansas and serving the North American agricultural market. The purchase price was approximately $48.0 million and was funded through borrowings under the Company's revolving credit facility. Sunflower's products have been marketed and sold under the highly respected 'Sunflower' brand name for over 50 years and have established a reputation for innovation, performance and durability. The Company has established a separate planter and tillage sales and marketing unit in North America which will be responsible for the Sunflower line and AGCO's existing planter and tillage product lines. This will provide more focus on this sector of the North American market and create synergies with the Sunflower operations.

Coventry Assembly Operations Concluded

AGCO remains on schedule to conclude operations in its Coventry, England tractor facility by June 2003. In December 2002, tractor assembly operations were closed in Coventry with kit and transaxle production remaining until June 2003. Production of comparable utility tractors has begun in the Company's Beauvais, France and Canoas, Brazil manufacturing facilities. When complete, the rationalization of tractor manufacturing facilities is projected to increase the utilization of these facilities, reduce currency exposures and significantly lower production costs. In addition, the closure coincides with the introduction of a new line of high specification utility tractors produced in Beauvais which will include a new high performance transmission sourced from GIMA, the Company's transmission joint venture in France. Costs savings from the rationalization and new product introduction are expected to result in savings of $20 million to $25 million and be fully realized in 2004.

Outlook

Worldwide demand for farm equipment in 2003 is expected to remain relatively level with 2002. In North America, higher commodity prices and a generally favorable farm bill should support higher farm income in 2003. While current demand in North America remains soft due to dry conditions in portions of North America and transition issues with support payments, retail demand in North America is expected to improve modestly throughout the year. In Western Europe, industry demand rebounded in 2002 reflecting a recovery from livestock disease concerns. Industry demand in Western Europe is expected to remain relatively level in 2003 although concerns over common agricultural policy changes may impact some markets. In South America, industry demand has been at relatively high levels over the past two years due to the availability of financing support in Brazil. In 2003, subsidized financing is also expected to be available in Brazil but initially not at the same levels as 2002. As a result, South American industry demand is anticipated to be lower in 2003 than 2002.

Based on this current market outlook, AGCO's net sales are expected to increase approximately 8% to 10% in 2003 with growth to be achieved from the Challenger product line introduction, the addition of Sunflower, the impact of new product introductions, and the strengthening of the Euro. Operating margins are expected to improve from cost reduction initiatives, new product offerings, factory rationalizations and product mix. Offsetting these benefits will be higher pension costs which are expected to increase by approximately $12 million on a pre-tax basis. The resulting net income per share before restructuring expense is expected to be in the range of $1.60 to $1.75. Restructuring expenses related to the Coventry closure are expected to be approximately $10 million to $15 million on a pre-tax basis.

"We remain focused on improving profitability at current industry levels," stated Mr. Ratliff. "Our initiatives to reduce our cost base, rationalize operations, increase productivity and enhance our distribution provide opportunities for

continued profit improvement in 2003 and beyond."

Safe Harbor Statement

Statements which are not historical facts, including net income and net sales projections, gross margin improvement, projected cost savings, industry demand outlook, expectations of synergies for the Sunflower acquisition, and benefits of the rationalization of the Coventry, England facilities, are forward looking and subject to risks which could cause actual results to differ materially from those suggested by the statements. Although the Company believes that the statements it has made are based on reasonable assumptions, they are based on current information and beliefs and, accordingly, the Company can give no assurance that its statements will be achieved. The Company bases its outlook on key operating, economic and agricultural data which are subject to change including, but not limited to: farm cash income, worldwide demand for agricultural products, commodity prices, grain stock levels, weather, crop production, farmer debt levels, existing government programs and farm-related legislation. Additionally, the Company's financial results are sensitive to movement in interest rates and foreign currencies, as well as general economic conditions, pricing and product actions taken by competitors, customer acceptance of product introductions, the success of its facility rationalization process and other cost cutting measures, availability of governmental subsidized financing programs, production disruptions and changes in environmental, international trade and other laws which impact the way in which it conducts its business. The estimate of restructuring expenses for the Coventry facility assumes the favorable resolution of the litigation discussed in Note 3 to the financial statements. Further information concerning factors that could significantly affect the Company's results is included in the Company's filings with the Securities and Exchange Commission, including its Form 10-K for the year ended December 31, 2001. The Company disclaims any responsibility to update any forward-looking statements.

AGCO Corporation, headquartered in Duluth, Georgia, is a global designer, manufacturer and distributor of agricultural equipment and related replacement parts. AGCO products are distributed in 140 countries. AGCO offers a full product line including tractors, combines, hay tools, sprayers, forage, tillage equipment and implements through more than 8,450 independent dealers and distributors around the world. AGCO products are distributed under the brand names AGCO Tractors, Ag-Chem, Challenger, Farmhand, FENDT, Fieldstar, GLEANER, Glencoe, Hesston, LOR*AL, Massey Ferguson, New Idea, SOILTEQ, Spra- Coupe, Sunflower, Tye, White Planters and Willmar. AGCO provides retail financing through AGCO Finance in North America and through Agricredit in the United Kingdom, France, Germany, Ireland, Spain and Brazil. In 2002, AGCO had net sales of $2.9 billion.

Please visit our website at www.agcocorp.com .

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

| | December 31, 2002 (Unaudited) | December 31, 2001 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $34.3 | $28.9 |
| Accounts and notes receivable, net | 497.4 | 471.9 |
| Inventories, net | 708.6 | 558.8 |
| Other current assets | 171.9 | 122.9 |
| Total current assets | 1,412.2 | 1,182.5 |
| Property, plant and equipment, net | 343.7 | 316.9 |
| Investment in affiliates | 78.5 | 69.6 |
| Other assets | 120.0 | 190.9 |
| Intangible assets, net | 394.6 | 413.4 |
| Total assets | $2,349.0 | $2,173.3 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |

| | | |
|---|---|---|
| Accounts payable | $312.0 | $272.2 |
| Accrued expenses | 445.2 | 350.7 |
| Other current liabilities | 27.8 | 19.9 |
| Total current liabilities | 785.0 | 642.8 |
| Long-term debt | 636.9 | 617.7 |
| Pensions and postretirement health care benefits | 131.9 | 55.0 |
| Other noncurrent liabilities | 77.6 | 58.4 |
| Total liabilities | 1,631.4 | 1,373.9 |
| | | |
| Stockholders' Equity: | | |
| Common stock | 0.7 | 0.7 |
| Additional paid-in capital | 587.6 | 531.5 |
| Retained earnings | 560.7 | 645.0 |
| Unearned compensation | (0.7) | (0.6) |
| Accumulated other comprehensive loss | (430.7) | (377.2) |
| Total stockholders' equity | 717.6 | 799.4 |
| Total liabilities and stockholders' equity | $2,349.0 | $2,173.3 |

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)

| | Three Months Ended December 31, | |
|---|---|---|
| | 2002 | 2001 |
| Net sales | $843.7 | $772.9 |
| Cost of goods sold | 693.1 | 636.9 |
| Gross profit | 150.6 | 136.0 |
| | | |
| Selling, general and administrative expenses | 80.0 | 67.9 |
| Engineering expenses | 15.8 | 12.4 |
| Restricted stock compensation expense | 15.6 | 5.4 |
| Restructuring and other infrequent expenses | 9.4 | 2.5 |
| Amortization of intangibles | 0.4 | 4.9 |
| | | |
| Income from operations | 29.4 | 42.9 |
| | | |
| Interest expense, net | 15.2 | 13.6 |
| Other expense, net | 6.9 | 0.9 |
| | | |
| Income before income taxes and equity in net earnings of affiliates | 7.3 | 28.4 |
| | | |
| Income tax provision | 93.5 | 7.5 |
| | | |
| (Loss) income before equity in net earnings of affiliates | (86.2) | 20.9 |
| | | |
| Equity in net earnings of affiliates | 4.2 | 2.3 |
| | | |
| Net (loss) income | $(82.0) | $23.2 |
| | | |
| Net (loss) income per common share: | | |
| Basic | $(1.09) | $0.32 |
| Diluted | $(1.09) | $0.32 |
| | | |
| Weighted average number of common and common equivalent shares outstanding: | | |
| Basic | 74.9 | 71.9 |
| Diluted | 74.9 | 72.3 |

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)

| | Year Ended December 31, 2002 | 2001 |
|---|---|---|
| Net sales | $2,922.7 | $2,541.5 |
| Cost of goods sold | 2,390.9 | 2,106.7 |
| Gross profit | 531.8 | 434.8 |
| Selling, general and administrative expenses | 282.4 | 249.9 |
| Engineering expenses | 57.2 | 49.6 |
| Restricted stock compensation expense | 44.1 | 7.1 |
| Restructuring and other infrequent expenses | 42.7 | 13.0 |
| Amortization of intangibles | 1.4 | 18.5 |
| Income from operations | 104.0 | 96.7 |
| Interest expense, net | 57.4 | 58.6 |
| Other expense, net | 20.8 | 23.4 |
| Income before income taxes, equity in net earnings of affiliates, extraordinary loss and cumulative effect of a change in accounting principle | 25.8 | 14.7 |
| Income tax provision | 99.8 | 1.9 |
| (Loss) income before equity in net earnings of affiliates, extraordinary loss and cumulative effect of a change in accounting principle | (74.0) | 12.8 |
| Equity in net earnings of affiliates | 13.7 | 10.6 |
| (Loss) income before extraordinary loss and cumulative effect of a change in accounting principle | (60.3) | 23.4 |
| Extraordinary loss, net of taxes | --- | (0.8) |
| Cumulative effect of a change in accounting principle, net of taxes | (24.1) | --- |
| Net (loss) income | $(84.4) | $22.6 |
| Net (loss) income per common share: | | |
| Basic: | | |
| (Loss) income before extraordinary loss and cumulative effect of a change in accounting principle | $(0.81) | $0.34 |
| Extraordinary loss, net of taxes | --- | (0.01) |
| Cumulative effect of a change in accounting principle, net of taxes | (0.33) | --- |
| Net (loss) income | $(1.14) | $0.33 |
| Diluted: | | |
| (Loss) income before extraordinary loss and cumulative effect of a change in accounting principle | $(0.81) | $0.34 |

| | | |
|---|---|---|
| Extraordinary loss, net of taxes | --- | (.01) |
| Cumulative effect of a change in accounting principle, net of taxes | (0.33) | --- |
| Net (loss) income | $(1.14) | $0.33 |
| Weighted average number of common and common equivalent shares outstanding: | | |
| Basic | 74.2 | 68.3 |
| Diluted | 74.2 | 68.5 |

See accompanying notes to condensed consolidated financial statements.

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

| | Year Ended December 31, 2002 | 2001 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net (loss) income | $(84.4) | $22.6 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Extraordinary loss, net of taxes | --- | 0.8 |
| Cumulative effect of a change in accounting principle, net of taxes | 24.1 | --- |
| Depreciation and amortization | 50.9 | 51.9 |
| Amortization of intangibles | 1.4 | 18.5 |
| Restricted stock compensation | 24.4 | 4.3 |
| Equity in net earnings of affiliates, net of cash received | (2.7) | 4.0 |
| Deferred income tax provision (benefit) | 48.4 | (32.8) |
| Write-down / (recoveries) of property, plant and equipment | 11.6 | (0.3) |
| Gain on sale of investment in affiliate | --- | (5.2) |
| Changes in operating assets and liabilities net of effect from purchase of businesses: | | |
| Accounts and notes receivable, net | 43.4 | 111.7 |
| Inventories, net | (119.0) | 39.6 |
| Other current and noncurrent assets | 2.2 | 1.0 |
| Accounts payable | 7.4 | 16.0 |
| Accrued expenses | 66.2 | (8.2) |
| Other current and noncurrent liabilities | (0.7) | 1.5 |
| Total adjustments | 157.6 | 202.8 |
| Net cash provided by operating activities | 73.2 | 225.4 |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (54.9) | (39.3) |
| Purchase of businesses, net of cash acquired | (60.7) | (147.5) |
| Proceeds from sales of property, plant and equipment | 13.8 | 4.7 |
| Sale of / (investments in) affiliates, net | 1.2 | 1.3 |
| Net cash used for investing activities | (100.6) | (180.8) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 659.8 | 1,256.6 |
| Repayments of long-term debt | (637.6) | (1,276.3) |
| Proceeds from issuance of preferred and common stock | 10.3 | 6.4 |
| Payment of debt and common stock issuance costs | --- | (13.1) |
| Dividends paid on common stock | --- | (0.5) |
| Net cash provided by (used in) financing activities | 32.5 | (26.9) |
| Effect of exchange rate changes on cash and cash equivalents | 0.3 | (2.1) |

| | | |
|---|---|---|
| Increase in cash and cash equivalents | 5.4 | 15.6 |
| Cash and cash equivalents, beginning of period | 28.9 | 13.3 |
| Cash and cash equivalents, end of period | $34.3 | $28.9 |

See accompanying notes to condensed consolidated financial statements.

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

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of AGCO Corporation and subsidiaries (the "Company" or "AGCO") included herein have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's financial position, results of operations and cash flows at the dates and for the periods presented. These condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. Certain reclassifications of previously reported financial information were made to conform to the current presentation.

2. ACQUISITIONS

Sunflower

On November 7, 2002, the Company completed the acquisition of Sunflower Manufacturing Co., Inc. ("Sunflower"), a former product line of SPX Corporation. Sunflower is a leading producer of tillage, seeding and specialty harvesting equipment, serving the North American market and is located in Beloit, Kansas. The purchase price was approximately $48.0 million and was funded through borrowings under the Company's revolving credit facility. The acquired assets and liabilities consist primarily of inventories, accounts receivables, property, plant and equipment, technology, tradenames and patents. The results of operations for the Sunflower acquisition are included in the Company's consolidated financial statements as of and from the date of acquisition. The Company recorded approximately $4.9 million of goodwill and $7.1 million of tradenames and patents associated with the acquisition of Sunflower. The tradenames and patents will be amortized over a period from 15 to 30 years. The Sunflower acquisition was accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" ("SFAS No. 141"). The purchase price allocation for the Sunflower acquisition is preliminary and is subject to adjustment and will be completed in 2003.

Challenger

On March 5, 2002, the Company completed its agreement with Caterpillar, Inc. ("Caterpillar") to acquire the design, assembly and marketing of the new MT Series of Caterpillar's Challenger tractor line. The Company issued approximately 1.0 million shares of common stock in the transaction valued at approximately $21.3 million based on the closing price of the Company's common stock on the acquisition date. During July 2002, the Company received approximately $0.9 million from Caterpillar pursuant to the terms of the purchase agreement, whereby any proceeds Caterpillar received upon the sale of the Company's stock above $21.0 million would be refunded to the Company. In addition, the Company purchased approximately $13.6 million of initial production inventory from Caterpillar in connection with a supply agreement with Caterpillar. The addition of the Challenger tractor line provides the Company with a technological leader in high horsepower track-type tractors that will be marketed on a worldwide basis primarily through the Caterpillar distribution organization. Furthermore, the Company will provide Caterpillar dealers with additional products that will broaden their equipment offerings and enhance their competitive position. The results of operations for this product line have been included in the Company's results as of and from the date of the acquisition. The acquired assets consisted

primarily of inventory and property, plant and equipment. There were no accounts receivable acquired or liabilities assumed in the transaction since all rights and obligations relating to past sales of the prior series of the Challenger product line remain with Caterpillar. The Challenger acquisition was accounted for in accordance with SFAS No. 141. Since the preliminary fair value of the assets acquired was in excess of the purchase price, no goodwill was recorded in connection with the acquisition. The purchase price allocation for the Challenger acquisition is preliminary and is subject to adjustment and will be completed in 2003.

Ag-Chem

On April 16, 2001, the Company completed the acquisition of Ag-Chem Equipment Co., Inc. ("Ag-Chem"), a leading manufacturer and distributor of self-propelled fertilizer and chemical sprayers for pre-emergent and post- emergent applications.

The Ag-Chem acquisition was accounted for as a purchase in accordance with Accounting Principles Board ("APB") No. 16, and, accordingly, the purchase price has been allocated to the assets acquired and the liabilities assumed based on their fair values as of the acquisition date. In connection with the acquisition of Ag-Chem, the Company established $3.1 million in liabilities primarily related to severance, employee relocation and other costs associated with the planned closure of Ag-Chem's Benson, Minnesota, manufacturing facility, Minnetonka, Minnesota administrative office and fifteen parts and service facilities.

During the first quarter of 2002, all costs in connection with the liabilities established had been incurred. Accordingly, the Company adjusted its purchase price allocation to reflect a reduction in these established liabilities by $0.4 million. In addition, during 2002, the Company finalized its purchase price allocation resulting in a net total goodwill adjustment of approximately $3.6 million. The adjustment primarily related to the reflection of final appraised values of property, plant and equipment acquired and the establishment of certain liabilities related to outstanding litigation and warranty obligations.

3. RESTRUCTURING AND OTHER INFREQUENT EXPENSES

During the second quarter of 2002, the Company announced and initiated a restructuring plan related to the closure of its tractor manufacturing facility in Coventry, England, and the relocation of existing production at Coventry to the Company's Beauvais, France, and Canoas, Brazil, manufacturing facilities. In connection with the restructuring plan, the Company has recorded approximately $40.2 million of restructuring and other infrequent expenses during 2002. The components of the restructuring expenses are summarized in the following table:

| | Write-down of Property, Plant and Equipment | Employee Severance | Employee Retention Payments | Facility Closure Costs | Total |
|---|---|---|---|---|---|
| 2002 Provision | $11.2 | $8.3 | $18.3 | $2.4 | $40.2 |
| Less: Non-cash expense | 11.2 | --- | --- | --- | 11.2 |
| Cash expense | --- | 8.3 | 18.3 | 2.4 | 29.0 |
| Fiscal 2002 cash activity | --- | (0.1) | (0.3) | (0.3) | (0.7) |
| Balances as of December 31, 2002 | $ --- | $8.2 | $18.0 | $2.1 | $28.3 |

The severance costs relate to the termination of approximately 1,100 employees, following the completion of production in the Coventry facility. Approximately 250 employees have been terminated as of December 31, 2002. The employee retention payments relate to incentives paid to Coventry employees who remain employed until certain future termination dates and are accrued over the term of the retention period. The facility closure costs include certain noncancelable

operating lease termination and other facility exit costs. The write-down of property, plant and equipment represents the impairment of machinery and equipment resulting from the facility closure and was based on the estimated fair value of the assets compared to their carrying value. The estimated fair value of the equipment was determined based on current conditions in the market. The machinery, equipment and tooling will be disposed of after production ceases and the buildings, land and improvements will be marketed for sale. The $28.3 million of restructuring costs accrued at December 31, 2002 are expected to be incurred during 2003. The Company also recorded approximately $1.4 million of inventory reserves during 2002 reflected in costs of goods sold related to inventory that was identified as obsolete as a result of the closure.

In October 2002, the Company applied to the High Court in London, England, for clarification of a rule in its U.K. pension plan that governs the value of pension payments payable to an employee who retires from service in certain circumstances prior to his normal retirement date. The primary matter before the High Court was whether pension payments to such employees, including those terminated due to the closure of the Company's Coventry facility, should be reduced to compensate for the fact that the pension payments begin prior to normal retirement age of 65. On December 20, 2002, the High Court ruled against the Company's position that reduced pension payments are payable in the context of early retirements or terminations. The High Court's ruling also granted the Company approval to appeal the judgment in the Court of Appeal. The Company and its advisors maintain the view that reduced pension payments should be payable and, as a result, have appealed the judgment to the Court of Appeal. Under the appeal process in England, a panel of judges who had no involvement with the High Court proceedings will hear the appeal and determine the outcome on its merits. A majority ruling of the Court of Appeal judges is required to overturn the original High Court decision.

The Company, based upon advice of its legal advisors, has reassessed the merits of its case in consideration of the High Court ruling and maintains the opinion that the likelihood of an unfavorable resolution to this matter is reasonably possible, but does not consider it to be probable. Consequently, the Company has not recorded a loss as of December 31, 2002, related to this matter. In the event that the Company's position is not ultimately upheld, the closure of the Company's Coventry facility and past early retirement programs would entitle certain terminated employees to receive unreduced pension payments. The estimated impact to the Company's pension plan would be an increase in the Company's pension plan liabilities of approximately $55 million to $60 million and a related charge to the Company's Consolidated Statements of Operations. The Company presently estimates that additional funding to the pension plan related to this increased liability would be approximately $6.5 million per annum for the next 10 years. The timing of the Company's obligation to fund cash into the pension plan with respect to this increased liability would depend on many factors including the overall funded status of the plan and the investment returns of the plan's assets.

In addition, the Company recorded restructuring and other infrequent expenses of $3.4 million during 2002. The expense primarily relates to severance costs and certain lease termination and other exit costs associated with the rationalization of the Company's European engineering and marketing personnel and certain German manufacturing facilities, as well as the restructuring of the Company's North American information systems function. The $2.6 million of severance costs recorded associated with these activities relate to the termination of 137 employees in total. At December 31, 2002, approximately $2.6 million of the amount accrued had been incurred. The remaining balance of $0.8 million is expected to be incurred during 2003.

In 2001, the Company announced its plans to rationalize certain facilities as part of the Ag-Chem acquisition integration. The Company consolidated AGCO's Willmar, Minnesota manufacturing facility and Ag-Chem's Benson, Minnesota, manufacturing facility into Ag-Chem's Jackson, Minnesota, manufacturing plant. In addition, the Company closed Ag-Chem's Minnetonka, Minnesota, administrative offices and relocated all functions to the Jackson facility. The Company also closed fifteen parts and service facilities and integrated parts warehousing and logistics into AGCO's North American parts distribution system. The Company recorded $8.5 million of expenses associated with these rationalizations during 2001 and had $0.9 million of costs accrued related to these rationalizations as of December 31, 2001.

All employees identified in the restructuring plan had been terminated as of the end of the first quarter of 2002. Employee

retention payments related to incentives paid to Ag-Chem and AGCO employees who remained employed until certain future termination dates were accrued over the term of the retention period. The Company incurred facility closure costs, which included employee relocation costs and other future exit costs at the Company's Willmar location after operations ceased. These facility relocation and transition costs were expensed as incurred and represented costs to relocate inventory and machinery and costs to integrate operations into the remaining facilities.

During 2002, the Company expensed an additional $0.1 million of expenses associated with facility relocation and transition costs associated with these rationalizations, as well as an additional $0.2 million in employee severance costs. The relocation and transition costs were expensed as incurred and paid. The Company paid $0.8 million of employee severance costs and $0.1 million of facility closure costs during 2002. During the first quarter of 2002, the Company also reversed $0.2 million of previously accrued employee retention payments that were not earned or required. There are no remaining costs accrued related to these rationalizations as of December 31, 2002.

In 2000, the Company permanently closed its combine manufacturing facility in Independence, Missouri and its Lockney, Texas and Noetinger, Argentina implement manufacturing facilities. In 1999, the Company permanently closed its Coldwater, Ohio manufacturing facility. The majority of production in these facilities has been relocated to existing Company facilities or outsourced to third parties. The Company expensed approximately $4.5 million associated with these rationalizations during 2001 and had $1.0 million of costs accrued related to these rationalizations as of December 31, 2001. The Company did not record any additional restructuring and other infrequent expenses in 2002 related to these closures. The Company incurred approximately $0.5 million of expenses during 2002. The remaining accrued restructuring costs of $0.5 million primarily relate to noncancelable lease termination costs and will be incurred through 2005.

In addition, during 2002, the Company sold its closed manufacturing facilities in Independence, Missouri, and Coldwater, Ohio. A net gain on the sale of these two facilities of $1.0 million was reflected as "Restructuring and Other Infrequent Expenses" in the Company's Consolidated Statements of Operations.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

On January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 requires companies to cease amortizing goodwill and other indefinite-lived intangible assets on December 31, 2001, that were in existence at June 30, 2001. Any goodwill and other indefinite-lived intangible assets resulting from acquisitions completed after June 30, 2001, will not be amortized. SFAS No. 142 also establishes a new method of testing goodwill and other indefinite-lived intangible assets for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. SFAS No. 142 requires that an initial impairment assessment be performed on all goodwill and indefinite-lived intangible assets. This assessment involves determining an estimate of the fair value of the Company's reporting units including trademarks in order to evaluate whether an impairment of the current carrying amount of goodwill and other intangible assets exists. Fair values are derived based on an evaluation of past and expected future performance of the Company's reporting units.

The goodwill in each of the Company's segments was tested for impairment as of January 1, 2002 as required by SFAS No. 142. The Company utilized a combination of valuation techniques including a discounted cash flow approach, a market multiple approach and a comparable transaction approach. Based on this evaluation, the Company determined that goodwill associated with its Argentina and North America reporting units was impaired. As a result, the Company recorded a pre-tax write-down of goodwill of $27.7 million. This write-down was recognized as a cumulative effect of a change in accounting principle of $24.1 million, net of $3.6 million of taxes, in the first quarter of 2002. Goodwill is tested for impairment on an annual basis and more often if indications of impairment exist. The results of the Company's analyses conducted as of September 30, 2002, indicated that no further reduction in the carrying amount of goodwill was required in 2002.

Prior to the adoption of SFAS No. 142, the Company amortized goodwill and other indefinite-lived intangible assets over periods ranging from 10 to 40 years. The following is a reconciliation of the Company's (loss) income before cumulative

effect of a change in accounting principle and net (loss) income and net (loss) income per share as if goodwill and indefinite-lived intangible assets were accounted for in accordance with SFAS No. 142 in prior periods:

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Reported (loss) income before cumulative effect of a change in accounting principle | $(82.0) | $23.2 | $(60.3) | $22.6 |
| Add: Goodwill amortization | --- | 2.6 | --- | 10.1 |
| Add: Indefinite-lived trademark amortization | --- | 0.2 | --- | 1.0 |
| Adjusted (loss) income before cumulative effect of a change in accounting principle | (82.0) | 26.0 | (60.3) | 33.7 |
| Cumulative effect of a change in accounting principle, net of taxes | --- | --- | (24.1) | --- |
| Adjusted net (loss) income | $(82.0) | $26.0 | $(84.4) | $33.7 |
| | | | | |
| Net (loss) income per common share: | | | | |
| | | | | |
| Basic: | | | | |
| Reported (loss) income before cumulative effect of a change in accounting principle | $(1.09) | $0.32 | $(0.81) | $0.33 |
| Add: Goodwill amortization | --- | 0.04 | --- | 0.15 |
| Add: Indefinite-lived trademark amortization | --- | --- | --- | 0.01 |
| Adjusted (loss) income before cumulative effect of a change in accounting principle | (1.09) | 0.36 | (0.81) | 0.49 |
| Cumulative effect of a change in accounting principle, net of taxes | --- | --- | (0.33) | --- |
| Adjusted net (loss) income | $(1.09) | $0.36 | $(1.14) | $0.49 |
| | | | | |
| Diluted: | | | | |
| Reported (loss) income before cumulative effect of a change in accounting principle | $(1.09) | $0.32 | $(0.81) | $0.33 |
| Add: Goodwill amortization | --- | 0.04 | --- | 0.15 |
| Add: Indefinite-lived trademark amortization | --- | --- | --- | 0.01 |
| Adjusted (loss) income before cumulative effect of a change in accounting principle | (1.09) | 0.36 | (0.81) | 0.49 |
| Cumulative effect of a change in accounting principle, net of taxes | --- | --- | (0.33) | --- |

| | | | | |
|---|---|---|---|---|
| Adjusted net (loss) income | $(1.09) | $0.36 | $(1.14) | $0.49 |

5. LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2002 and December 31, 2001:

| | December 31, 2002 | December 31, 2001 |
|---|---|---|
| Revolving credit facility | $126.9 | $89.0 |
| 9-1/2% Senior notes due 2008 | 250.0 | 250.0 |
| 8-1/2% Senior subordinated notes due 2006 | 249.1 | 248.9 |
| Other long-term debt | 10.9 | 29.8 |
| Total long-term debt | $636.9 | $617.7 |

6. INVENTORIES

Inventories are valued at the lower of cost or market using the first-in, first-out method. Market is net realizable value for finished goods and repair and replacement parts. For work in process, production parts and raw materials, market is replacement cost.

Inventory balances at December 31, 2002 and December 31, 2001 were as follows:

| | December 31, 2002 | December 31, 2001 |
|---|---|---|
| Finished goods | $288.5 | $210.7 |
| Repair and replacement parts | 235.5 | 201.5 |
| Work in process, production parts and raw materials | 184.6 | 146.6 |
| Inventories, net | $708.6 | $558.8 |

7. ACCOUNTS RECEIVABLE SECURITIZATION

At December 31, 2002, the Company has accounts receivable securitization facilities in the United States, Canada, and Europe totaling approximately $424.9 million. Under these facilities, wholesale accounts receivable are sold on a revolving basis to commercial paper conduits either on a direct basis or through a wholly owned special purpose U.S. subsidiary. Outstanding funding under these facilities totaled $423.9 million at December 31, 2002, and $402.0 million at December 31, 2001. The funded balance has the effect of reducing accounts receivable and short-term liabilities by the same amount. Losses on sales of receivables primarily from securitization facilities included in other expense, net for the years ended December 31, 2002 and 2001 were $14.8 million and $23.5 million, respectively.

8. INCOME TAXES

During the fourth quarter and year ended December 31, 2002, the Company recognized a non-cash income tax charge of $91.0 million related to increasing the valuation allowance for its United States deferred tax assets.

SFAS No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), requires the establishment of a valuation allowance when there is uncertainty as to the realizability of deferred tax assets. In accordance with SFAS No. 109, the Company assessed the likelihood that its deferred tax assets would be recovered from future taxable income and determined that an adjustment to its valuation allowance was appropriate. In making this assessment, all available evidence was considered including the current economic climate as well as reasonable tax planning strategies. The Company believes it is more likely than not that the Company will realize its remaining deferred tax assets, net of the valuation allowance, in future years.

9. SEGMENT REPORTING

The Company has five reportable segments: North America; South America; Europe/Africa/Middle East; Asia/Pacific; and Sprayers. Each regional segment distributes a full range of agricultural equipment and related replacement parts. Sprayers manufacture and distribute self-propelled agricultural sprayers and replacement parts. The Company evaluates segment performance primarily based on income from operations. Sales for each regional segment are based on the location of the third-party customer. All intercompany transactions between the segments have been eliminated. The Company's selling, general and administrative expenses and engineering expenses are charged to each segment based on the region and division where the expenses are incurred. As a result, the components of operating income for one segment may not be comparable to another segment. Segment results for the three months and years ended December 31, 2002 and 2001 are as follows:

| Three months ended December 31, | North America | South America | Europe/ Africa /Middle East | Asia/ Pacific | Sprayer Division | Consolidated |
|---|---|---|---|---|---|---|
| 2002 | | | | | | |
| Net sales | $242.8 | $71.2 | $434.4 | $31.3 | $64.0 | $843.7 |
| Income (loss) from operations | (4.0) | 9.6 | 40.4 | 6.5 | 2.3 | 54.8 |
| 2001 | | | | | | |
| Net sales | $231.8 | $73.6 | $369.0 | $27.8 | $70.7 | $772.9 |
| Income from operations | 12.6 | 7.2 | 27.2 | 5.1 | 3.6 | 55.7 |

| Year Ended December 31, | North America | South America | Europe/ Africa /Middle East | Asia/ Pacific | Sprayer Division | Consolidated |
|---|---|---|---|---|---|---|
| 2002 | | | | | | |
| Net sales | $791.0 | $270.8 | $1,486.4 | $107.1 | $267.4 | $2,922.7 |
| Income (loss) from operations | (6.9) | 30.5 | 133.0 | 19.4 | 16.2 | 192.2 |
| 2001 | | | | | | |
| Net sales | $713.4 | $257.8 | $1,283.6 | $97.9 | $188.8 | $2,541.5 |
| Income (loss) from operations | 2.9 | 22.5 | 94.5 | 16.0 | (0.6) | 135.3 |

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

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Segment income from operations | $54.8 | $55.7 | $192.2 | $135.3 |
| Restricted stock compensation expense | (15.6) | (5.4) | (44.1) | (7.1) |
| Restructuring and other infrequent expenses | (9.4) | (2.5) | (42.7) | (13.0) |
| Amortization of intangibles | (0.4) | (4.9) | (1.4) | (18.5) |
| Consolidated income from operations | $29.4 | $42.9 | $104.0 | $96.7 |

SOURCE AGCO Corporation