

# 2010 Analyst Briefing

December 7, 2010



# Today's Objectives

---

- ✓ AGCO's highlights for 2010
- ✓ Our plans for margin improvement
- ✓ AGCO's sales growth opportunities
- ✓ Our plans for future investments





# Agenda

Speaker	Topic
Greg Peterson Director – Investor Relations	<ul style="list-style-type: none"><li>• Introduction</li></ul>
Martin Richenhagen Chairman, President & CEO	<ul style="list-style-type: none"><li>• Margin improvement initiatives</li><li>• Growth drivers</li></ul>
	<ul style="list-style-type: none"><li>• Break – 5 minutes</li></ul>
Andy Beck Senior Vice President & CFO	<ul style="list-style-type: none"><li>• Investment Plans</li><li>• 2011 targets</li></ul>



# Forward Looking Statements

Statements that are not historical facts, including the projections of sales, earnings, general economic conditions, population estimates, market conditions, crop forecasts, currency translation impacts, working capital (and its components), margin and productivity improvements, purchasing initiatives, financing portfolio, cash flow, pension expenses, pricing levels, capital expenditures, proposed facilities and plant closures, new products, research and development expenditures and the underlying assumptions, are forward-looking and subject to risks which could cause actual results to differ materially from those suggested by the statements. The following are among the factors that could cause actual results to differ materially from the results discussed in or implied by the forward-looking statements: Our results depend entirely on the agricultural industry, the economic downturn has and will continue to impact sales, we depend upon suppliers for components and parts, a majority of our sales and manufacturing takes place outside the United States, and we are subject to exchange and interest rate changes. Further information concerning these and other factors is included in AGCO's filings with the SEC, including its Form 10-K for the year ended December 31, 2009. The Company disclaims any responsibility to update any forward-looking statements except as required by law.







**Martin Richenhagen**  
Chairman, President and CEO

# Agenda

---

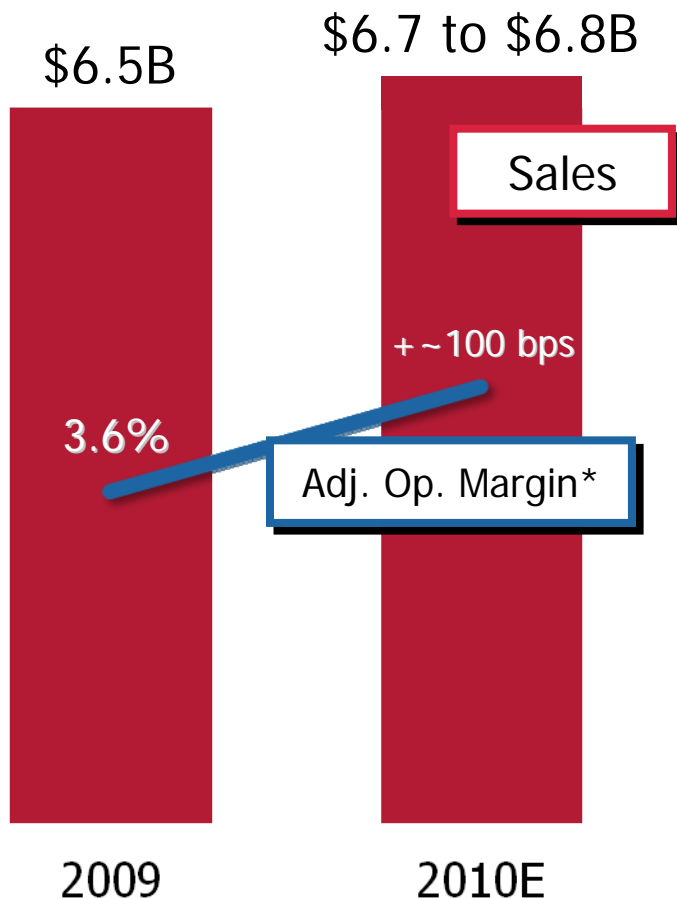
- Financial execution
- Operational execution
- Industry fundamentals
- Margin improvements
- Growth opportunities



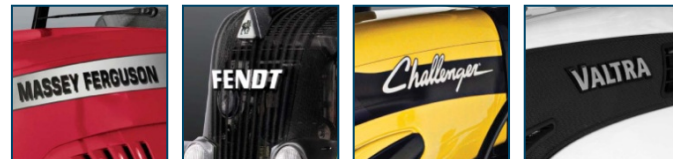


# 2010 – Strong Improvement in Operating Margin; Consolidated Results

## Full Year Results



- Modest sales growth
  - Strong growth in S. America offset weakness in EAME\*\*
- Strong improvement in adjusted operating margin



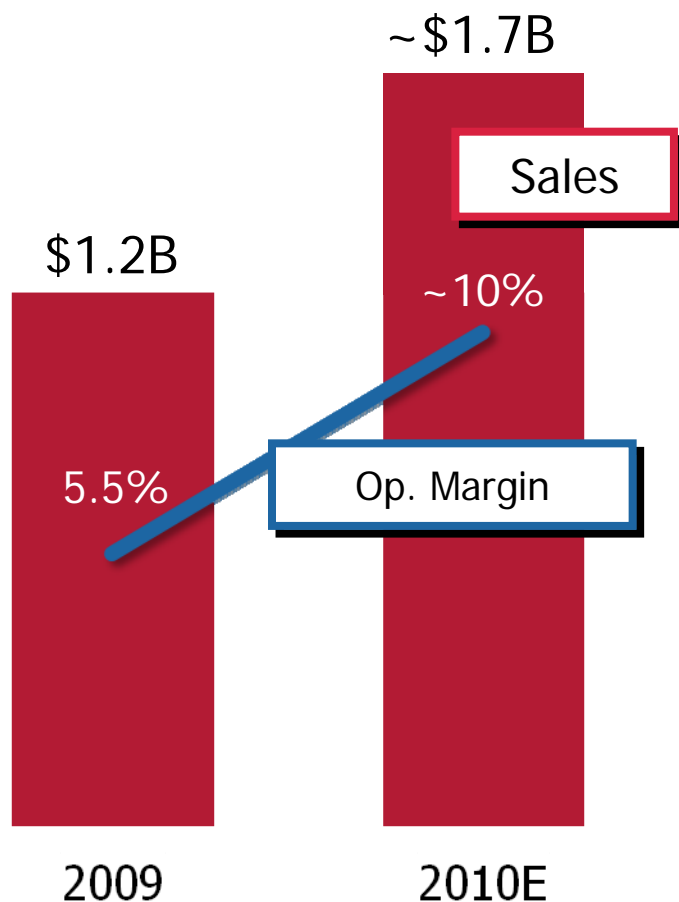
\*\* Europe/Africa/Middle East

\* Reflects adjusted results, which exclude restructuring and other infrequent items. Please see reconciliations to GAAP metrics provided in the appendix to this presentation.



# Record Sales and Income in South America

## Full Year Results

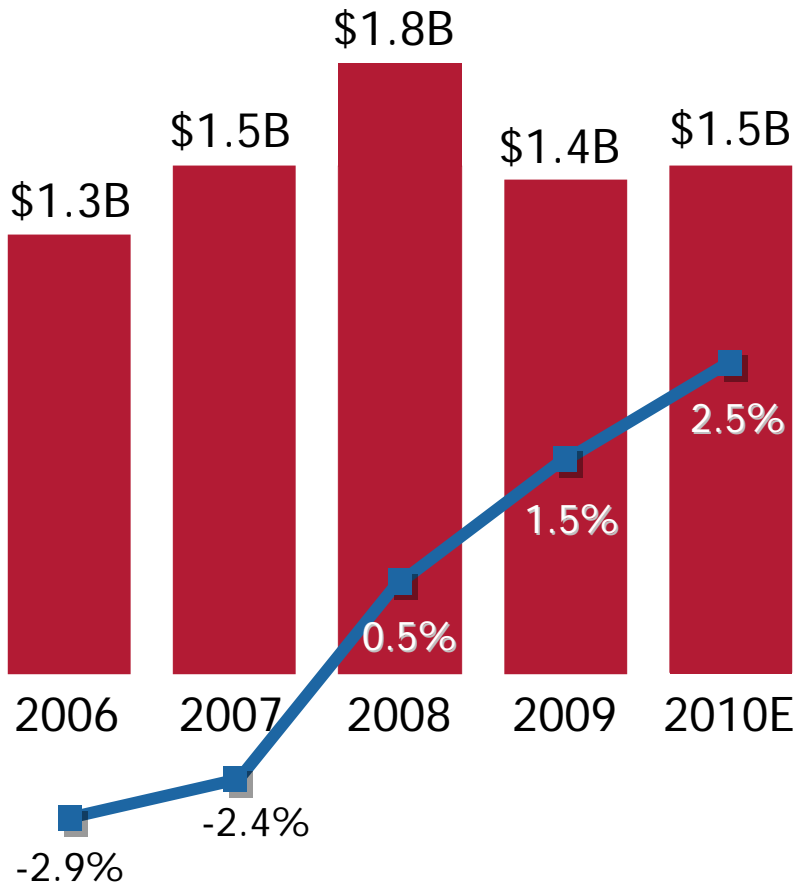


- Dominant market position
  - Market leading brands and distribution
- Robust market conditions
- Record sales and income



# Improved North American Profitability

## North American Sales and Margins



- Significant progress over last 4 years
- Improvement in 2009 and 2010 despite declining or flat sales
- Progress driven by:
  - New products
  - Factory productivity
  - Logistics savings
  - Pricing initiatives



# Agenda

---

- Financial execution
- Operational execution
- Industry fundamentals
- Margin improvements
- Growth opportunities





# Established European Combine Headquarters in Breganze, Italy

- Announced acquisition of remaining 50% of Laverda
- Moved all European combine production from Randers to Breganze
- Well-positioned to grow harvesting business



Fendt



Challenger



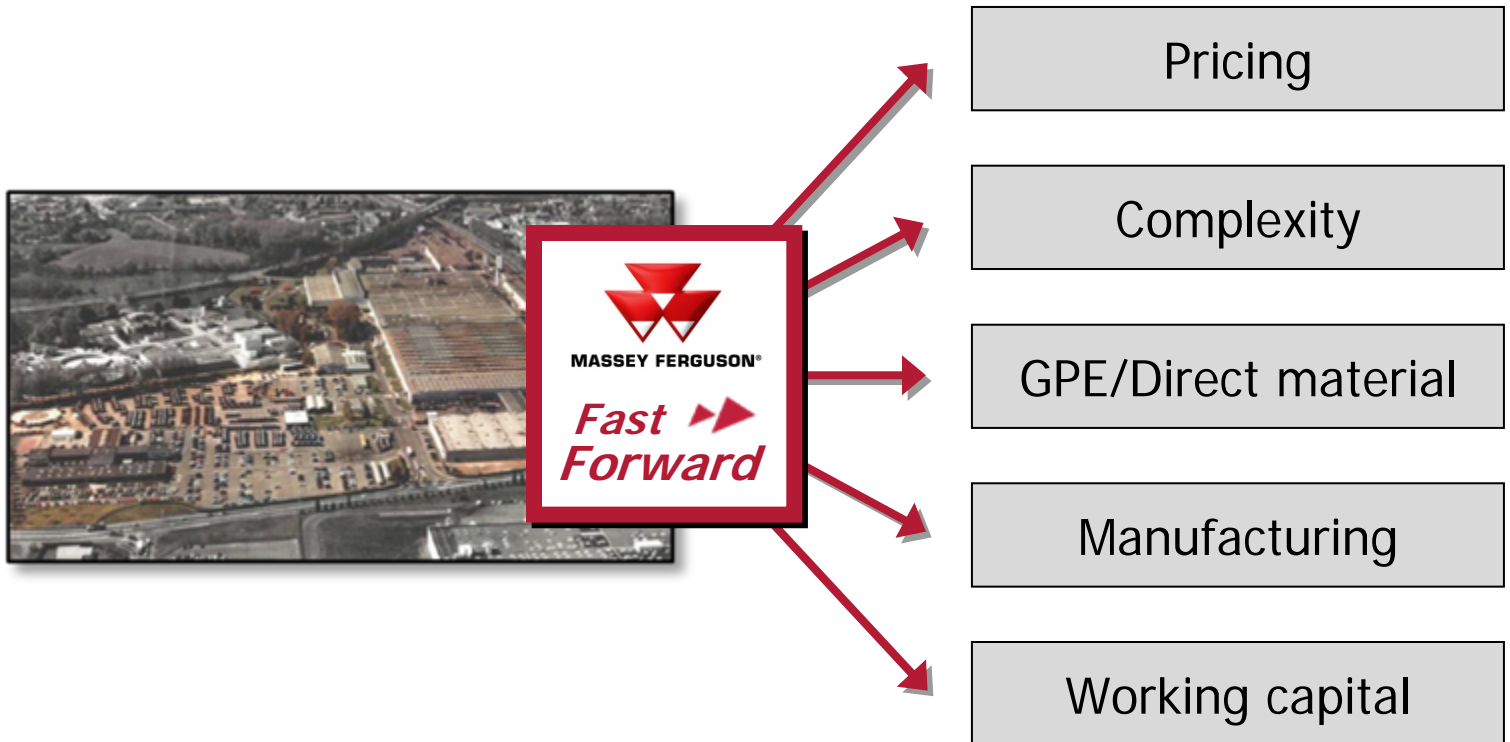
Laverda



Massey Ferguson

# Factory Productivity Initiatives

## – Launched Massey Ferguson Fast Forward



# Factory Productivity Initiatives

## – Beauvais Tractor Plant Rearrangement



**MASSEY FERGUSON®**

**BEFORE**



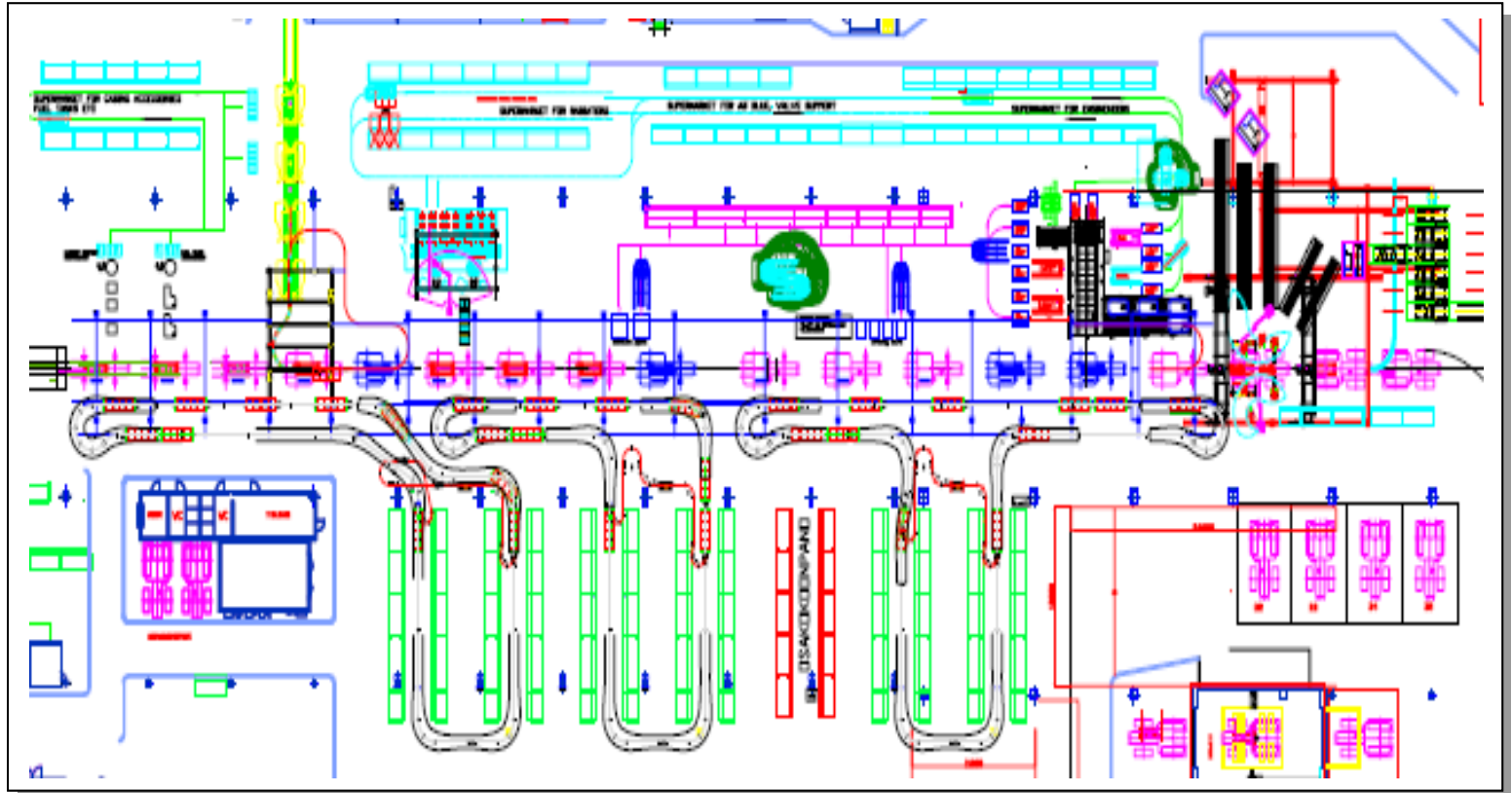
**AFTER**





# Factory Productivity Initiatives – Suolahti Tractor Plant (Finland) Rearrangement

## VALTRA Layout in December 2010



# Marketing Events

## – Valtra's 50th Anniversary in Brazil





# Marketing Events

## – 2010 Fendt Field Day in Germany



**FENDT**





# Marketing Events – Hybrid Combine Product Launch



# Marketing Events

## – Launch of New CVT Equipped Sprayer in N. America

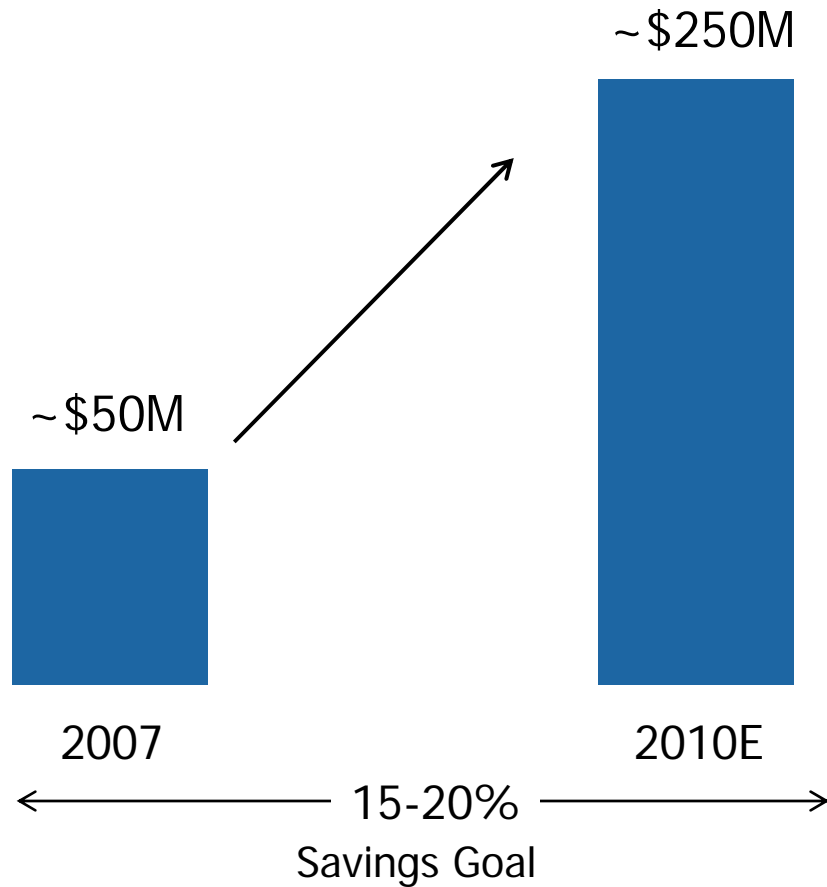


**TerraGator**



# Best-Cost Country Sourcing Spend Moved

## Advancing Towards Our Goal





# Agenda

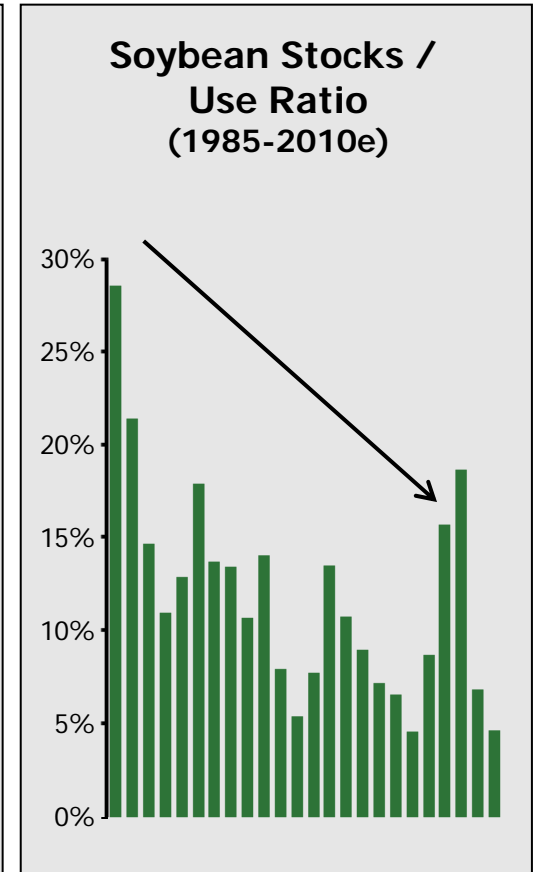
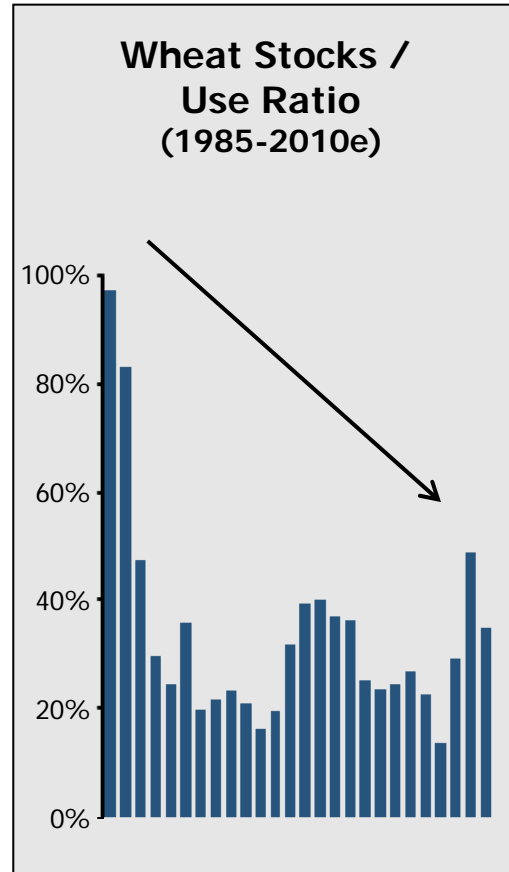
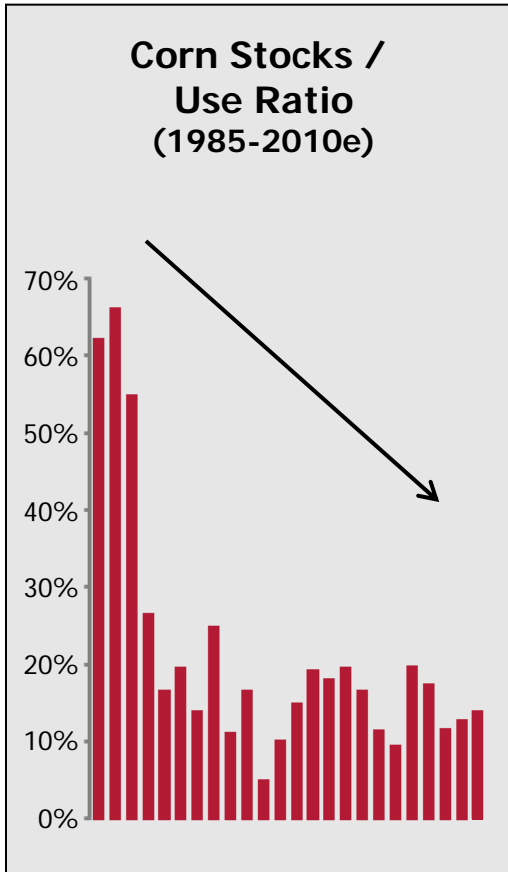
---

- Financial execution
- Operational execution
- Industry fundamentals
- Margin improvements
- Growth opportunities



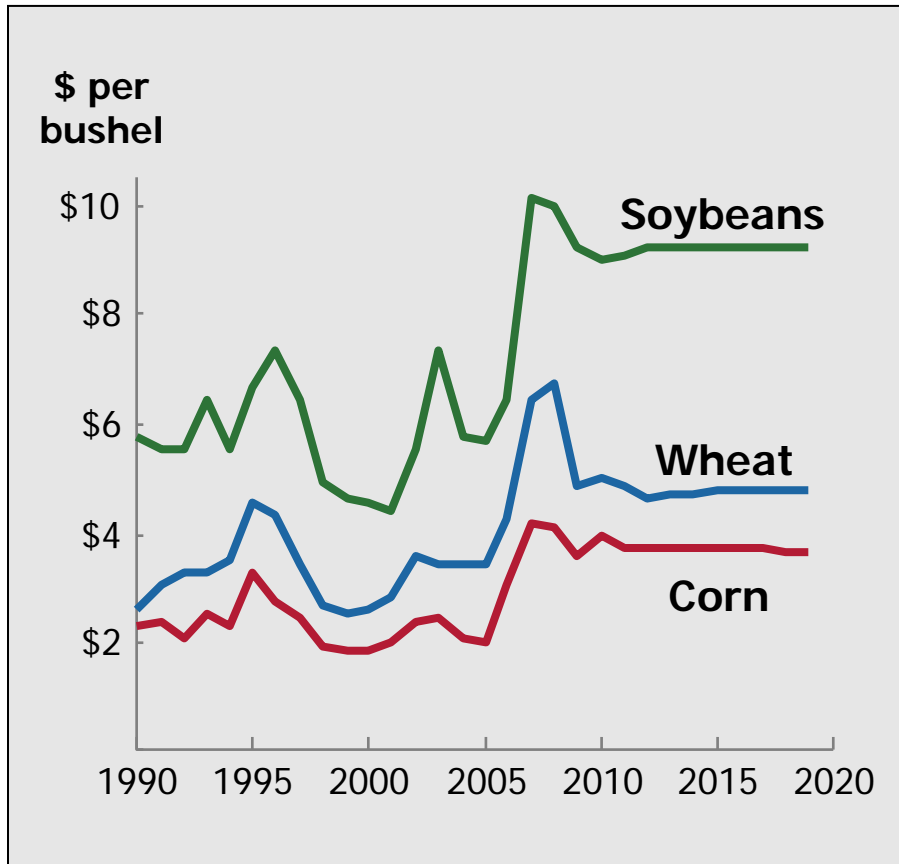
# Positive Industry Fundamentals will Drive Growth

## Food Stocks Declining



# Positive Industry Fundamentals will Drive Growth

## Prices Are Above Historical Levels



- Population and diets driving grain consumption
- Biofuels continuing to consume grains
- Stocks at low levels
- Long-term farm fundamentals supportive of investment in farm equipment



Source: *USDA Agricultural Projections to 2019*, February 2010.  
USDA, Economic Research Service.



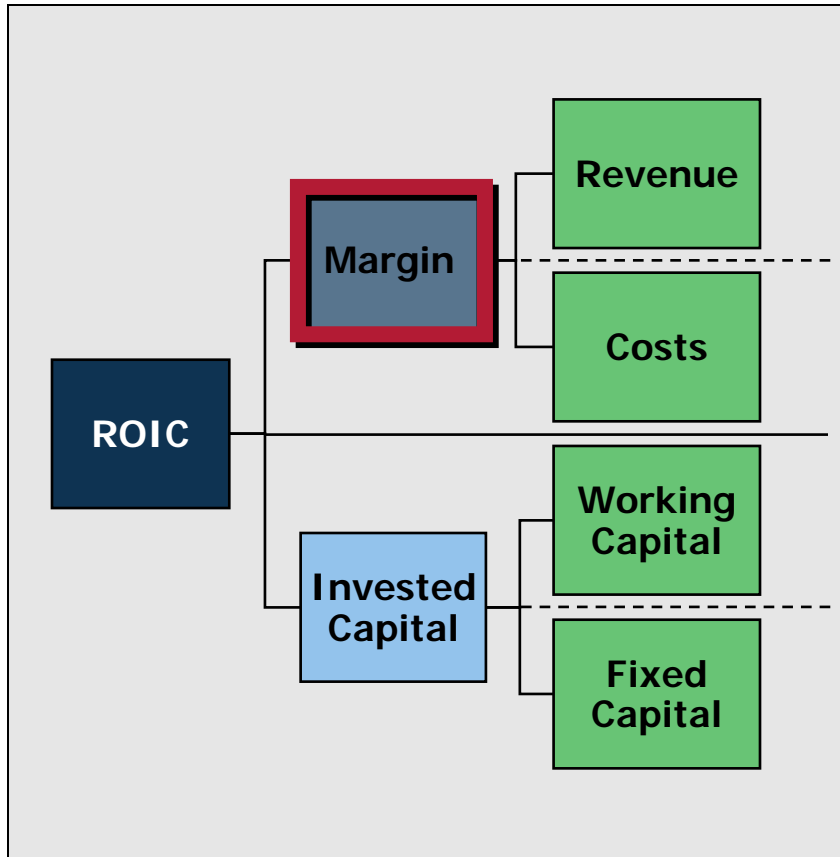
# Agenda

---

- Financial execution
- Operational execution
- Industry fundamentals
- Margin improvements
- Growth opportunities



# Focusing on ROIC Improvement

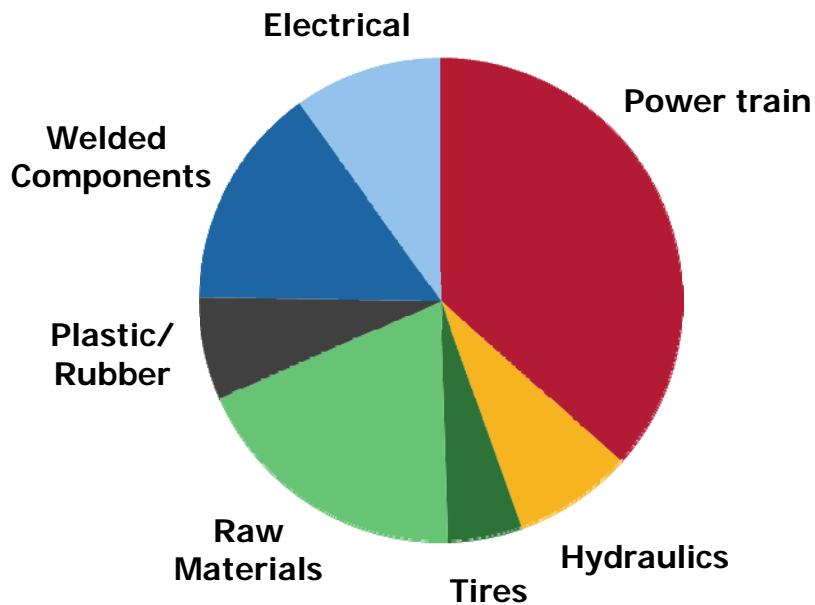


- ROIC is highly correlated to shareholder value
- Roadmap developed to drive improvement
- Margin expansion biggest opportunity
- Key initiatives address:
  - material costs
  - manufacturing optimization
  - new product introductions



# Material Cost Improvement

## Annual Material Spend over \$3 Billion



### The Global Purchasing Excellence (GPE) program

- Common components
- Common suppliers

### Best-cost country sourcing

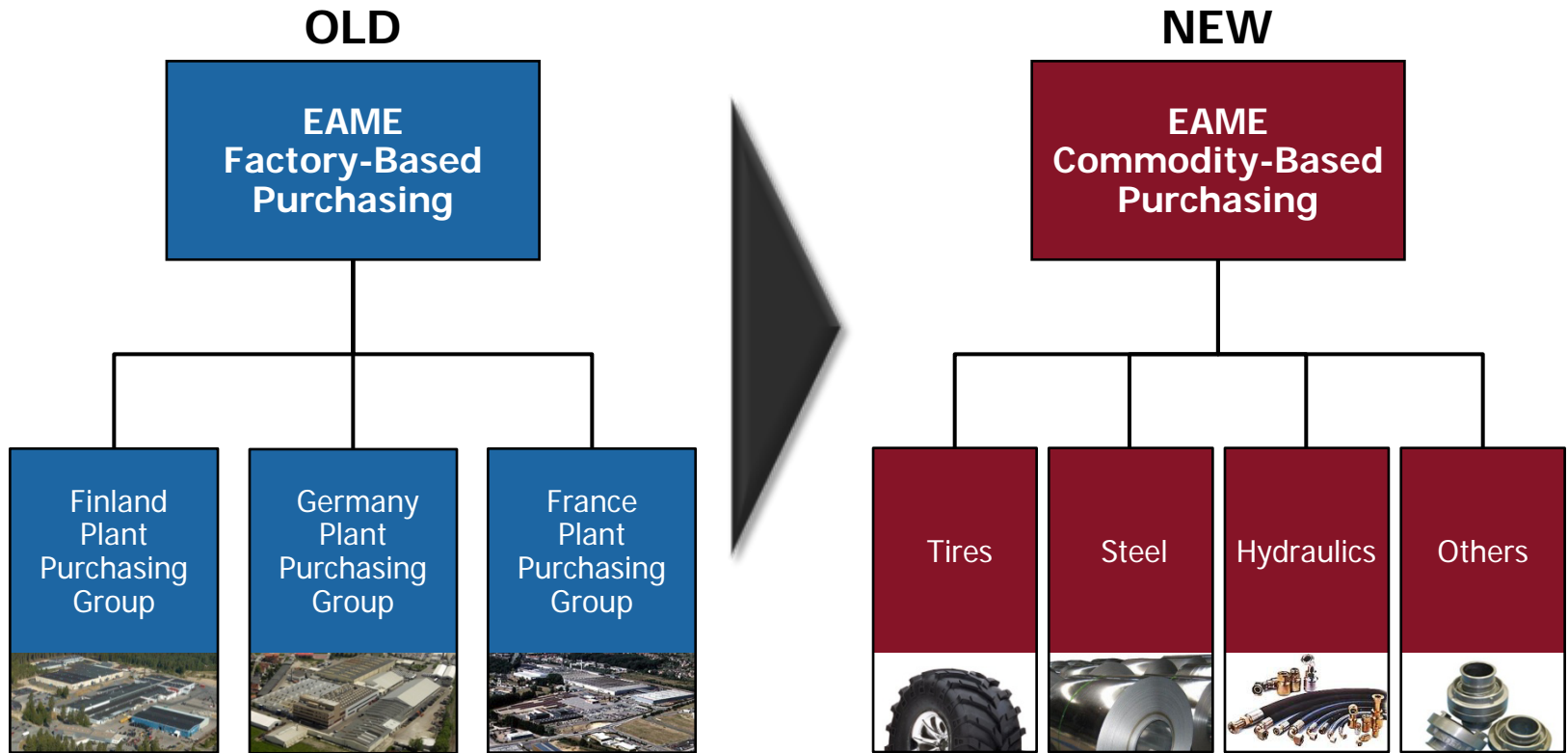
- China
- Eastern Europe
- India





# Material Cost Improvement – Reorganized Purchasing Department

Key to Success is Change to Regional Strategic Commodity Management – example EAME



# Material Cost Improvement – Global Purchasing Excellence - GPE

24 commodity  
teams covering:

## EAME

- Castings
- Metal Fabrications
- Wiring Harness
- Axles
- Cabins
- Other small categories

## North America

- Metal Fabrications
- Castings
- Hydraulics
- Wiring harness
- Gearboxes
- Cabs
- Machine Parts

## South America

- Hydraulics
- Metal Fabrication
- Castings
- Plastics
- Electrical
- Steel

**\$800M annual spend**

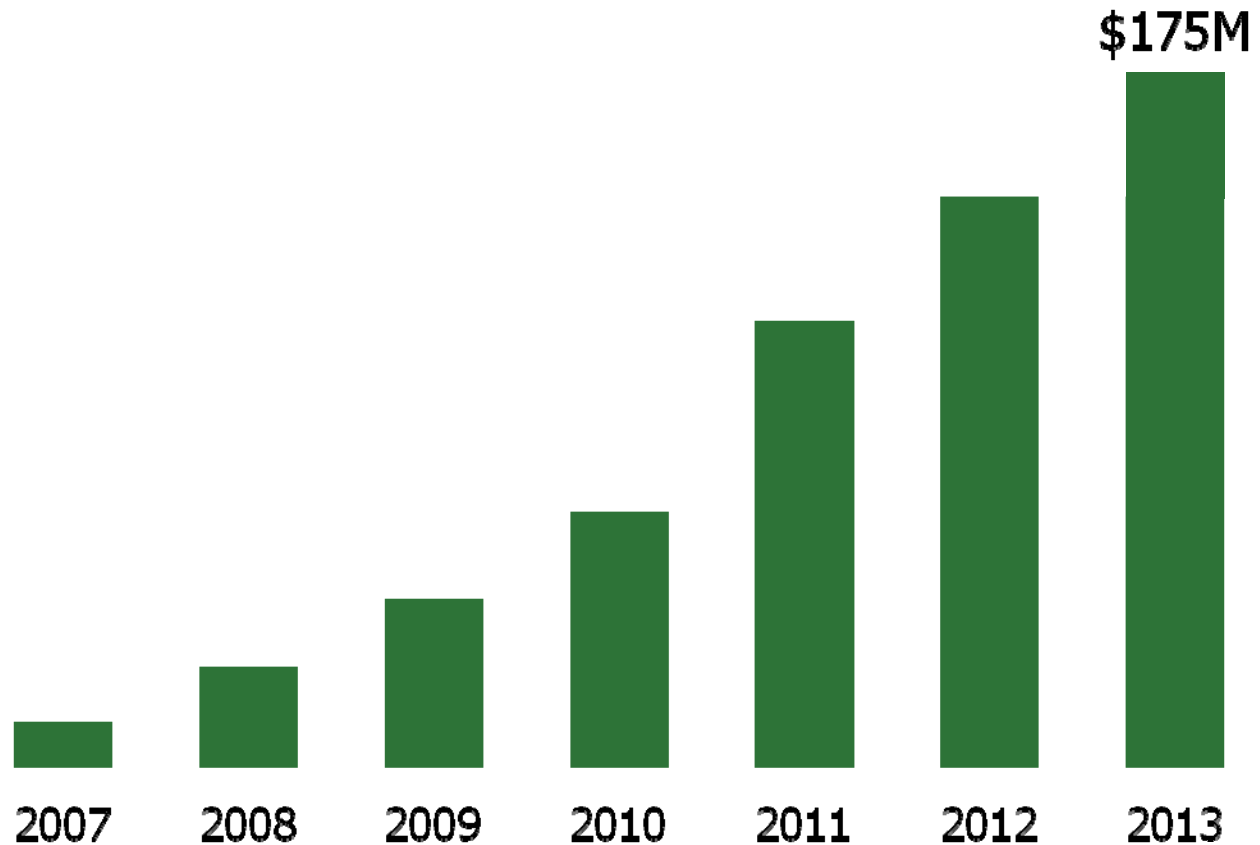


**\$40M** in  
estimated  
annual savings  
by 2013



# Material Cost Improvement – Best Cost Country Sourcing

## Best-Cost Country Sourcing Savings



\$175M in cumulative savings by 2013



# A Broad Focus On Manufacturing Optimization

## QUALITY



AGCO Quality Systems

## TECHNOLOGY



Design 'leading edge' manufacturing methods for our Core Processes

## Manufacturing Optimization

## LABOR/MATERIAL EFFICIENCY



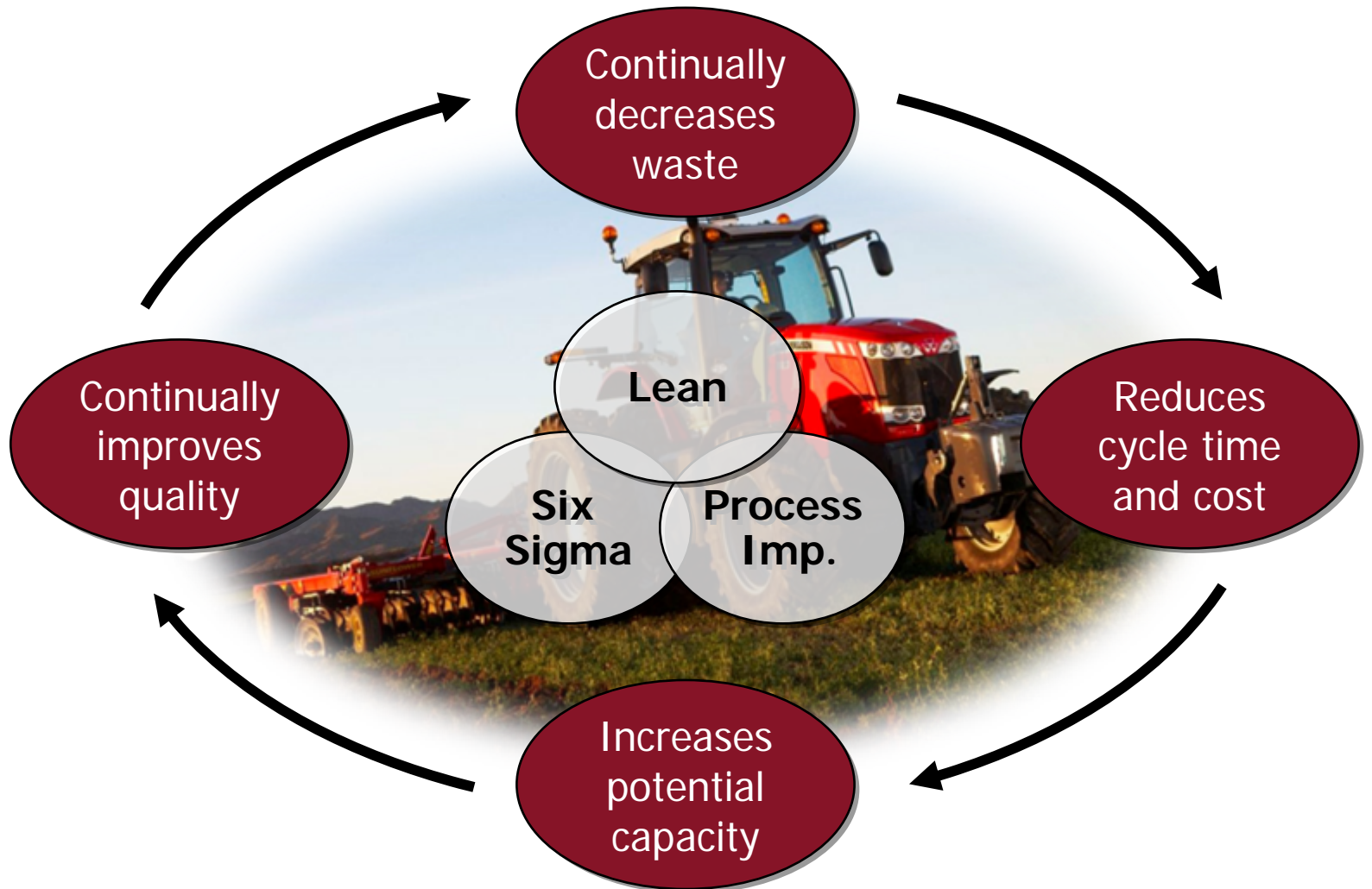
AGCO Production Systems

## VALUE ADDING ACTIVITIES



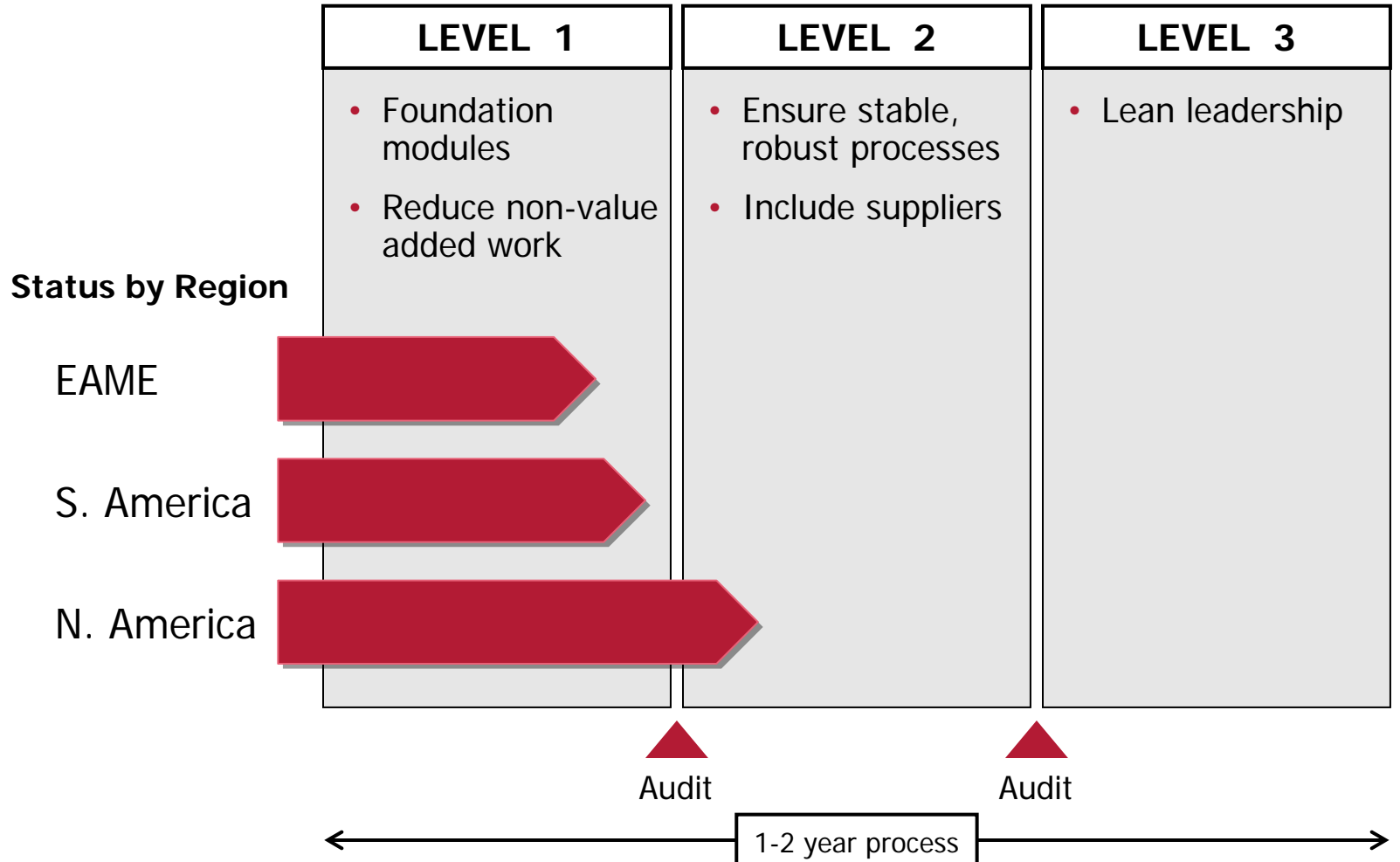
AGCO Production Systems

# Manufacturing Optimization – AGCO Production Systems



# Manufacturing Optimization

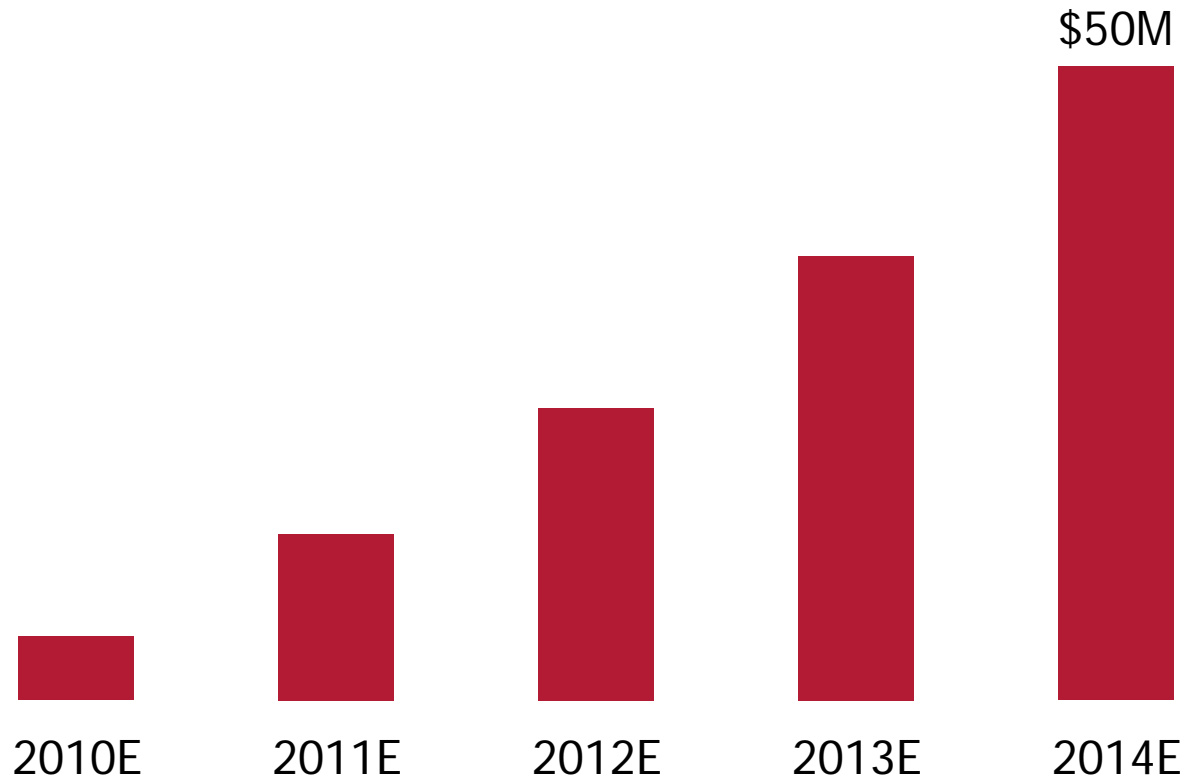
## – Global Implementation of APS in 3 Phases





# Manufacturing Optimization – APS Savings

## APS Cumulative Savings



\$15M in annual savings by 2014

# Product Cost Reductions – Centurion Project

**New Centurion Project “World Platform” 50-130HP  
replaces many diverse current products**



...converging to one modular tractor family

**Centurion “Family”**

**C1  
Light  
55-75HP**

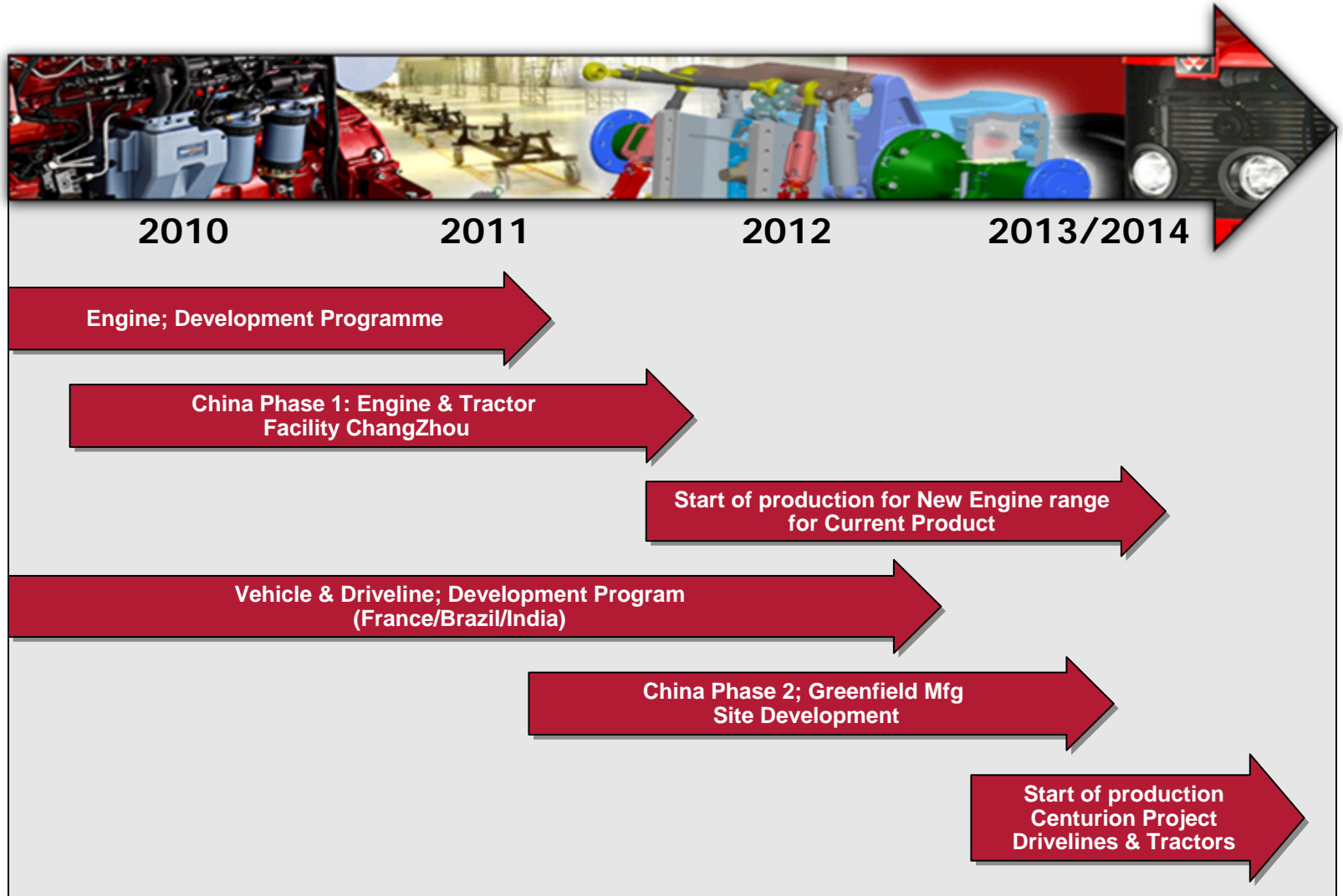
**C2/C3  
Medium  
75-105HP**

**C3/C4  
Heavy  
95-130HP**

**~ \$1 Billion in global sales**

Expected savings of 500-800 bps on cost of production

# Product Cost Reductions – Centurion Project Milestones

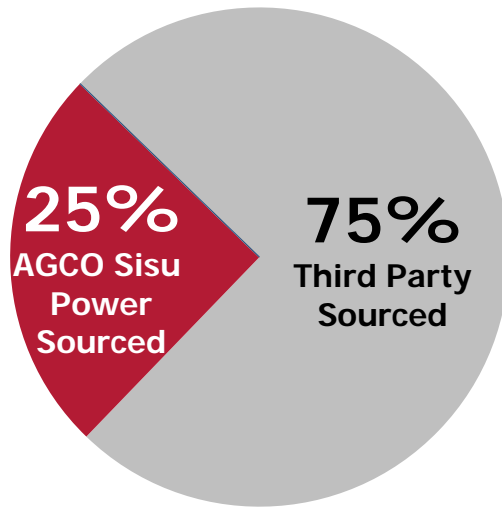




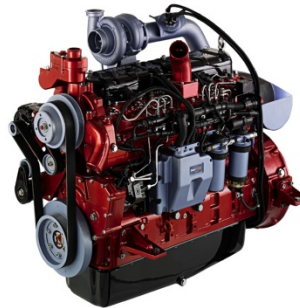
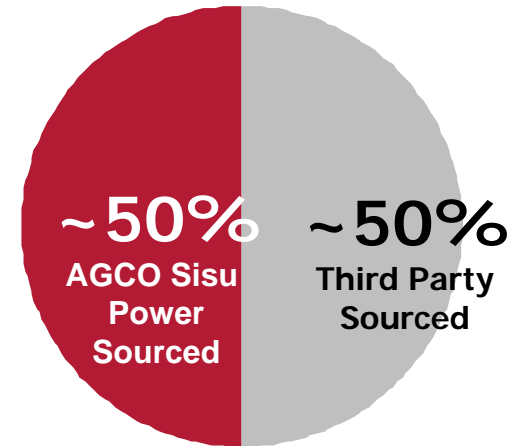
# Product Cost Reductions – Shifting Engine Sourcing to In-House

## Tractors and Combine Engine by Source

2005



2010E



# Agenda

---

- Financial execution
- Operational execution
- Industry fundamentals
- Margin improvements
- Growth opportunities



# Developing Markets – China

- Large, growing market for low/mid horsepower tractors
- Farm consolidation and government policies drive growth in high horsepower tractors and combines
- AGCO strategy focusing on
  - growing import business
  - establishing domestic production and localization of tractors and combines
  - leverage of China as global sourcing and manufacturing base





# Developing Markets – China

- Changzhou hosts the lower horsepower tractor and Centurion drive train operations
- Higher horsepower tractor and combine assembly are planned for Daqing



# Developing Markets

## – Russia: Immense Farm Footprint

- Under-investment in farm equipment
- Market remains weak due to credit constraints and bad harvest
- AGCO strategy focusing on
  - continued growth of existing import business
  - establishing combine and tractor assembly plant
  - developing distribution



# Developing Markets

## – India: Strong Partnership With TAFE

- Massey Ferguson Licensee
- AGCO owns 23% of TAFE
- TAFE Provides
  - participation in Indian market
  - sourcing of finished product
  - sourcing of components and parts
  - access to emerging market suppliers

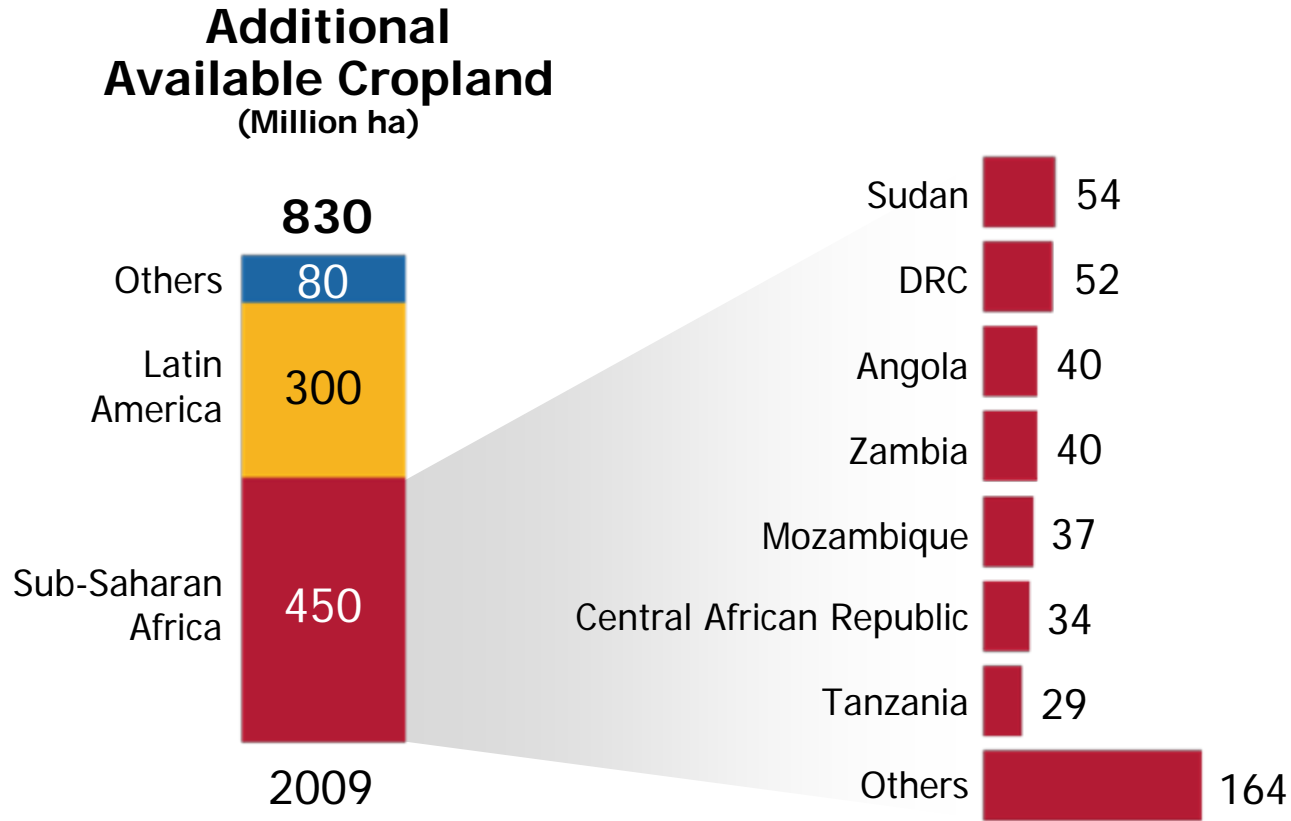


### TAFE Brands



# Developing Markets

## – Africa: Significant Reserves of Fertile Land



SOURCE: IIASA; World Bank; McKinsey analysis, IFPRI



# Long Term Margin Target



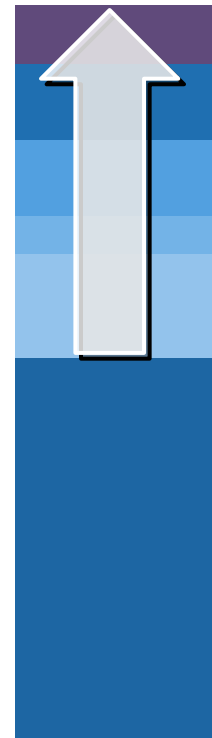
2009



2010E



**~ 10%** Assumes sales of **\$8.5B**



- Other
- Volume
- New products
- Productivity
- Material cost savings

~ 5 Years



\* Reflects adjusted results, which exclude restructuring and other infrequent items.

# Our Priorities Are Clear

1

Execute plans for margin improvement



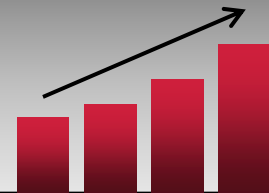
2

Capitalize on AGCO's sales growth opportunities



3

Meet our ambitions for long-term earnings growth



# Appendix

---



# Non-GAAP To GAAP Reconciliation

\$M Except %'s	<b>AGCO Corporation</b> Years ended December 31,			
	2010E		2009	
	Income From Operations	Operating Margin	Income From Operations	Operating Margin
As adjusted	\$300 to \$313	4.4% to 4.6%	\$232.50	3.5%
Restructuring and other infrequent expenses	<u>5 to 6</u>	<u>0.1%</u>	<u>13.2</u>	<u>0.2%</u>
As reported	<u>\$295 to \$308</u>	<u>4.3% to 4.5%</u>	<u>\$219.30</u>	<u>3.3%</u>

