

## AGCO Reports Second Quarter Results

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Adjusted Earnings Per Share More Than Triple 2001  
Higher Sales and Cost Reduction Benefits Achieved

DULUTH, Ga., July 25 /PRNewswire-FirstCall/ -- AGCO Corporation (NYSE: AG), a worldwide designer, manufacturer, and distributor of agricultural equipment, reported net income, excluding restructuring expenses and restricted stock compensation, of \$0.39 per share for the second quarter ended June 30, 2002 and net income, excluding restructuring expenses, restricted stock compensation and the cumulative effect of accounting change of \$0.60 per share for the first six months of 2002. These results compare to net income, excluding restructuring expenses, restricted stock compensation and an extraordinary loss, of \$0.11 per share for the second quarter of 2001 and \$0.06 per share for the first six months of 2001.

"Our operating performance for the first half of 2002 demonstrates successful implementation of initiatives to improve margins and profitability," stated Robert J. Ratliff, Chairman, President and Chief Executive Officer. "We continue to focus on actions that reduce cost and improve operating efficiency and are confident we will meet our cost reduction targets in 2002."

### Second Quarter Results

For the second quarter of 2002, AGCO reported net sales of \$772.6 million and net income, excluding restructuring expenses and restricted stock compensation, of \$29.1 million, or \$0.39 per share. The second quarter results also included restructuring and other infrequent expenses of \$22.7 million, or \$0.19 per share, primarily related to the planned closure of the Company's tractor manufacturing facility in Coventry, England announced in June 2002. In addition, the Company recorded restricted stock compensation expense of \$0.8 million, or \$0.01 per share, in the second quarter of 2002 related to the Company's Long-Term Incentive Plan ("LTIP"). Including the restructuring expenses and restricted stock compensation, AGCO reported net income of \$14.1 million, or \$0.19 per share. For the second quarter of 2001, AGCO reported net sales of \$659.3 million and net income, excluding restructuring expenses, restricted stock compensation expense and an extraordinary loss, of \$8.0 million, or \$0.11 per share. Including restructuring expenses of \$3.3 million, restricted stock compensation of \$0.6 million and an extraordinary loss, net of taxes, of \$0.8 million in 2001, the Company reported second quarter net income of \$4.8 million, or \$0.07 per share.

AGCO's second quarter operating income excluding restructuring expenses and restricted stock compensation expense was \$58.7 million in 2002 compared to \$33.3 million in 2001. This improvement was primarily due to a 17.2% increase in net sales and continued gross margin expansion. Second quarter gross margins improved from 17.2% in 2001 to 18.3% in 2002 primarily due to the impact of cost reduction initiatives and increased production. In addition, the Company eliminated production inefficiencies incurred in 2001 at the Hesston, Kansas plant of approximately \$2.3 million associated with the initial production of products relocated from closed facilities. Operating earnings for 2002 also benefited by lower amortization of intangible assets of approximately \$4.4 million from the discontinuation of the amortization of goodwill and other indefinite-lived assets upon adoption of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). AGCO's second quarter 2001 results were also negatively impacted by \$3.6 million, or \$0.03 per share, of one-time losses and transaction costs associated with European and Canadian securitization facilities completed in 2001.

### Year to Date Results

For the first six months of 2002, AGCO reported net sales of \$1,391.2 million and net income, excluding restructuring expenses, restricted stock compensation and a cumulative effect of accounting change of \$44.9 million, or \$0.60 per share. The results for the first six months also included restructuring and other infrequent expenses of \$23.6 million, or \$0.20 per share, related to the announced closure of the Coventry, England manufacturing facility and other cost reduction

initiatives. The Company also incurred restricted stock compensation expense of \$27.8 million, or \$0.24 per share, primarily related to first quarter awards earned under the Company's LTIP. In addition, the Company recorded a non-cash writedown of goodwill of \$24.1 million, net of taxes, or \$0.32 per share, related to the adoption of SFAS No. 142 reflected as a cumulative effect of a change in accounting principle. Including the restructuring expenses, restricted stock compensation and the cumulative effect of accounting change, AGCO reported a net loss of \$12.1 million, or \$0.16 per share. For the first six months of 2001, AGCO reported net sales of \$1,191.4 million and net income, excluding restructuring expenses, restricted stock compensation and an extraordinary loss, of \$4.1 million, or \$0.06 per share. Including restructuring expenses of \$5.6 million, restricted stock compensation of \$1.3 million, and an extraordinary loss, net of taxes, of \$0.8 million, in 2001, the Company reported a net loss of \$1.0 million, or \$0.02 per share.

AGCO's operating income excluding restructuring expenses and restricted stock compensation expense for the first six months was \$97.9 million in 2002 compared to \$44.0 million in 2001. The year-to-date increase was due to the addition of Ag-Chem (acquired in April 2001) in the first quarter of 2002, higher sales in the majority of markets and margin improvement. Year-to-date gross margins improved from 16.5% to 18.5% from the addition of high margin Ag-Chem sales, the elimination of cost inefficiencies at the Hesston plant of \$6.0 million, increased production and other cost reduction initiatives. Operating earnings for 2002 also benefited from lower intangible asset amortization of approximately \$8.0 million upon adoption of SFAS No. 142 in 2002.

### Regional Market Results

North America -- Industry unit retail sales of tractors for the first six months of 2002 increased approximately 2% over the comparable prior year period with increases in the compact and utility tractor segments offset by a decrease in the high horsepower segment. Industry unit retail sales of combines were approximately 17% lower than the prior year in the seasonally low first half of 2002. AGCO's unit retail sales of tractors and combines for the first six months of 2002 were higher than the first half of 2001. AGCO's unit retail sales of combines in 2002 benefited from improved timing of shipments compared to 2001.

Western Europe -- Industry unit retail sales of tractors in Western Europe for the first six months of 2002 increased approximately 6% over the comparable prior period. Strong increases were experienced in the United Kingdom and Germany, which were negatively impacted by concerns over livestock diseases in 2001. AGCO's unit retail sales for the first six months of 2002 also increased when compared to the prior year period.

South America -- South American industry unit retail sales of tractors in the first six months of 2002 increased approximately 16% over the comparable prior period with increases in the Brazilian market partially offset by declines in Argentina. AGCO's South American unit retail sales also increased in the first six months of 2002 compared to the same period in 2001. The Brazilian market continued to be strong due to availability of the Brazilian government subsidized retail financing program, FINAME.

Rest of World Markets -- Outside of North America, Western Europe and South America, AGCO's net sales for the first six months of 2002 were higher than the prior year, particularly in Eastern Europe and Australia.

"Although the North America high horsepower tractor and combine markets were weaker than anticipated in the first half of 2002, the markets in Western Europe and South America were somewhat stronger than expected", stated Mr. Ratliff. "Our regional diversification has allowed us to take advantage of stronger markets and maintain stability in our production facilities."

### Challenger Product Line Update

AGCO has made significant progress in its initiative to market and distribute a new farm equipment line of products through Caterpillar dealers worldwide. AGCO completed the acquisition of Caterpillar Inc.'s agricultural track-type tractors known as "Challenger" in March 2002 and has added a full range of new agricultural equipment to form the new Challenger brand. Sales of the new Challenger track-type tractors began in the second quarter and other Challenger branded

products are expected to be available and released throughout the remainder of 2002 and 2003. To date, AGCO has signed 45 Caterpillar dealers to Challenger distributor contracts with others pending completion. AGCO's North America Challenger distribution network will double the number of Caterpillar dealers selling agricultural equipment prior to acquisition and will provide virtually full coverage of the North American market. Introduction of the Challenger product line and recruitment of dealers in the rest of the world is currently in progress. "We continue to be pleased with the response from Caterpillar dealers," stated Mr. Ratliff. "We believe this initiative provides AGCO with a unique growth opportunity by aligning ourselves with the Caterpillar distribution network."

#### Coventry Facility Closure

On June 25, 2002, AGCO announced a manufacturing rationalization plan of its European factories which will result in the closure of its tractor manufacturing facility in Coventry, England. The consolidation of tractor production will increase the utilization of other facilities, eliminate the negative impact of currency factors and significantly lower product and operating costs. The plan calls for Coventry's tractor kit operations and lower specification products to be relocated to the AGCO facility in Canoas, Brazil for integration with similar common platform tractors currently in production. The higher specification Coventry produced tractors will be relocated to the AGCO facility in Beauvais, France, where high horsepower tractors are currently produced. The transaxles produced at Coventry will be discontinued and a new transaxle for these models will be sourced from GIMA, the AGCO transmission/axle manufacturing joint venture with Renault. The transition plan is currently on schedule to cease tractor production at the Coventry assembly plant by the end of 2002 and terminate transaxle production by June 2003.

The Company recorded approximately \$21.3 million in restructuring expenses related to the plan in the second quarter of 2002, including approximately \$11.2 million for the non-cash write-down of machinery and equipment and approximately \$10.1 million for employee severance costs and other facility closure costs. Total cash closure and production transition costs are expected to be approximately \$35 to \$40 million and be incurred in 2002 and 2003. The Company anticipates that the facility rationalization will generate annual savings of approximately \$20 to \$25 million by the year 2004.

#### Outlook

Worldwide demand for farm equipment is expected to remain relatively unchanged in 2002 compared to 2001. The new U.S. farm legislation and current proposals under the European common agricultural policy are not likely to meaningfully impact 2002 demand. AGCO's net sales are expected to grow approximately 12% to 13% in 2002 compared to 2001 primarily due to the impact of the Challenger product line introduction, a full year of Ag-Chem sales, and the strengthening of the Euro. Gross margins are expected to improve from cost reduction initiatives, new product offerings and a full year's inclusion of Ag-Chem results with acquisition synergies. These benefits will be partially offset by the negative impact of the Challenger product line introduction in 2002 and production start-up costs related to the Coventry closure. The Company now expects 2002 full year net income per share before restructuring charges, restricted stock compensation expense and the cumulative effect of accounting change to be between \$1.05 and \$1.10 per share.

#### Safe Harbor Statement

Statements which are not historical facts, including earnings and sales projections, cost reduction projections, restructuring expense projections, production volume forecasts, industry demand outlook and the projected impact of acquisitions 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, the success of its facility rationalization

process, production disruptions and changes in environmental, international trade and other laws which impact the way in which it conducts its business. 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. 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 equipment and implements through more than 7,350 independent dealers and distributors around the world. AGCO products are distributed under the brand names AGCO, AGCOSTAR, Ag-Chem, Challenger, Farmhand, FENDT, Fieldstar, GLEANER, Glencoe, Hesston, LOR\*AL, Massey Ferguson, New Idea, SOILTEQ, Spra- Coupe, 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 2001, AGCO had sales of \$2.5 billion.

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

	June 30, 2002 (Unaudited)	December 31, 2001
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$13.7	\$28.9
Accounts and notes receivable, net	535.0	471.9
Inventories, net	708.5	558.8
Other current assets	125.5	122.9
Total current assets	1,382.7	1,182.5
Property, plant and equipment, net	325.1	316.9
Investment in affiliates	79.6	69.6
Other assets	177.7	190.9
Intangible assets, net	386.3	413.4
Total assets	\$2,351.4	\$2,173.3
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$329.1	\$272.2
Accrued expenses	378.1	350.7
Other current liabilities	12.3	19.9
Total current liabilities	719.5	642.8
Long-term debt	693.7	617.7
Postretirement health care benefits	24.8	25.6
Other noncurrent liabilities	91.4	87.8
Total liabilities	1,529.4	1,373.9
Stockholders' Equity:		
Common stock	0.7	0.7
Additional paid-in capital	574.7	531.5
Retained earnings	632.9	645.0
Unearned compensation	(2.7)	(0.6)
Accumulated other comprehensive loss	(383.6)	(377.2)
Total stockholders' equity	822.0	799.4
Total liabilities and stockholders' equity	\$2,351.4	\$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 June 30,	
	2002	2001
Net sales	\$772.6	\$659.3
Cost of goods sold	631.2	545.6
Gross profit	141.4	113.7
Selling, general and administrative expenses	69.8	63.2
Engineering expenses	13.3	13.0
Restructuring and other infrequent expenses	22.7	3.3
Amortization of intangibles	0.4	4.8
Income from operations	35.2	29.4
Interest expense, net	14.4	15.5
Other expense, net	3.9	10.1
Income before income taxes, equity in net earnings of affiliates and extraordinary loss	16.9	3.8
Income tax provision	6.1	1.4
Income before equity in net earnings of affiliates and extraordinary loss	10.8	2.4
Equity in net earnings of affiliates	3.3	3.2
Income before extraordinary loss	14.1	5.6
Extraordinary loss, net of taxes	---	(0.8)
Net income	\$14.1	\$4.8
Net income per common share:		
Basic:		
Income before extraordinary loss	\$0.19	\$0.08
Extraordinary loss	---	(0.01)
Net income	\$0.19	\$0.07
Diluted:		
Income before extraordinary loss	\$0.19	\$0.08
Extraordinary loss	---	(0.01)
Net income	\$0.19	\$0.07
Weighted average number of common and common equivalent shares outstanding:		
Basic	74.2	69.2
Diluted	75.2	69.9

See accompanying notes to condensed consolidated financial statements.

(unaudited and in millions, except per share data)

	Six Months Ended June 30,	
	2002	2001
Net sales	\$1,391.2	\$1,191.4
Cost of goods sold	1,133.6	995.2
Gross profit	257.6	196.2
Selling, general and administrative expenses	160.8	119.9
Engineering expenses	26.0	24.9
Restructuring and other infrequent expenses	23.6	5.6
Amortization of intangibles	0.7	8.7
Income from operations	46.5	37.1
Interest expense, net	28.5	29.4
Other expense, net	9.2	17.7
Income (loss) before income taxes, equity in net earnings of affiliates, extraordinary loss and cumulative effect of a change in accounting principle	8.8	(10.0)
Income tax provision (benefit)	3.2	(3.8)
Income (loss) before equity in net earnings of affiliates, extraordinary loss and cumulative effect of a change in accounting principle	5.6	(6.2)
Equity in net earnings of affiliates	6.4	6.0
Income (loss) income before extraordinary loss and cumulative effect of a change in accounting principle	12.0	(0.2)
Extraordinary loss, net of taxes	---	(0.8)
Cumulative effect of a change in accounting principle, net of taxes	(24.1)	---
Net loss	\$(12.1)	\$(1.0)
Net income (loss) per common share:		
Basic:		
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	\$0.16	\$(0.01)
Extraordinary loss	---	(0.01)
Cumulative effect of a change in accounting principle, net of taxes	(0.33)	---
Net loss	\$(0.17)	\$(0.02)
Diluted:		
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	\$0.16	\$(0.01)
Extraordinary loss	---	\$(0.01)
Cumulative effect of a change in accounting principle, net of taxes	(0.32)	---
Net loss	\$(0.16)	\$(0.02)

Weighted average number of common and common  
equivalent shares outstanding:

Basic	73.4	64.3
Diluted	74.4	64.3

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, 2002	2001
Cash flows from operating activities:		
Net loss	\$(12.1)	\$(1.0)
Adjustments to reconcile net loss to net cash (used in) 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	25.7	25.7
Amortization of intangibles	0.7	8.7
Restricted stock compensation	15.1	0.9
Equity in net earnings of affiliates, net of cash received	(1.5)	(5.3)
Deferred income tax benefit	(4.6)	(27.0)
Loss on write-down of property, plant and equipment	11.2	---
Changes in operating assets and liabilities net of effect		
from purchase of businesses:		
Accounts and notes receivable, net	(44.5)	120.8
Inventories, net	(129.2)	(56.2)
Other current and noncurrent assets	(1.3)	(12.4)
Accounts payable	36.8	(17.7)
Accrued expenses	20.4	12.0
Other current and noncurrent liabilities	(16.1)	(0.5)
Total adjustments	(63.2)	49.8
Net cash (used in) provided by operating activities	(75.3)	48.8
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18.1)	(12.5)
Purchase of businesses, net of cash acquired	(13.6)	(147.5)
Proceeds from sales of property, plant and equipment	13.8	---
Investment in unconsolidated affiliates	(1.1)	(0.5)
Net cash used for investing activities	(19.0)	(160.5)
Cash flows from financing activities:		
Proceeds from long-term debt, net	75.2	123.0
Proceeds from issuance of preferred and common stock	4.8	5.3
Payment of debt and common stock issuance costs	(0.1)	(11.3)
Dividends paid on common stock	---	(0.6)
Net cash provided by financing activities	79.9	116.4

Effect of exchange rate changes on cash and cash equivalents	(0.8)	(0.3)
(Decrease) increase in cash and cash equivalents	(15.2)	4.4
Cash and cash equivalents, beginning of period	28.9	13.3
Cash and cash equivalents, end of period	\$13.7	\$17.7

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. Results for interim periods are not necessarily indicative of the results for the year.

2. ACQUISITIONS

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 \$21.0 million based on the closing price of the Company's common stock on the acquisition date. In addition, the Company purchased approximately \$13.0 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 the date of the acquisition. The acquired assets consist of technology, trademarks, trade names, 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. Since the preliminary fair value of the assets acquired is in excess of the purchase price, the Company did not record any intangible assets or goodwill associated with the acquisition.

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 of \$0.4 million.

### 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 recorded approximately \$21.3 million of restructuring and other infrequent expenses in the second quarter of 2002. The components of the restructuring expenses are summarized in the following table:

	2002 Expense	Expenses Incurred	Balance at June 30, 2002
Cash:			
Employee severance	\$8.4	\$ ---	\$8.4
Facility closure costs	1.7	---	1.7
Noncash:			
Write-down of property, plant and equipment	11.2	11.2	---
	\$21.3	\$11.2	\$10.1

The severance costs relate to the termination of approximately 1,100 employees, following the completion of production in the Coventry facility. No employees have been terminated as of June 30, 2002. 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 \$10.1 million of restructuring costs accrued at June 30, 2002 are expected to be incurred during the remainder of 2002 and 2003. The Company also recorded approximately \$0.9 million of inventory reserves reflected in costs of goods sold, related to inventory that was identified as obsolete as a result of the closure.

In addition, the Company recorded restructuring and other infrequent expenses of \$2.2 million for the six months ended June 30, 2002. The expense for the six months primarily related to severance costs and certain lease termination and other exit costs associated with the rationalization of the Company's European engineering and marketing personnel as well as the restructuring of the Company's North American information systems function. The severance costs recorded associated with these activities relate to the termination of approximately 64 employees in total. At June 30, 2002, approximately \$0.7 million of the amount accrued had been incurred. The remaining balance of \$1.5 million is expected to be incurred during the remainder of 2002.

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 America parts distribution system.

The components of the restructuring and other infrequent expenses are summarized in the following table:

Reserve

Reserve

	Balance at December 31, 2001	2002 Expense	Expenses Incurred	Balance at June 30, 2002
Employee severance	\$0.6	\$0.2	\$0.4	\$0.4
Employee retention payments	0.2	(0.2)	---	---
Facility closure costs	0.1	---	0.1	---
Facility relocation and transition costs	---	0.1	0.1	---
	\$0.9	\$0.1	\$0.6	\$0.4

All employees identified in the restructuring plan had been terminated as of the end of the first quarter of 2002. The employee retention payments related to incentives to be paid to Ag-Chem and AGCO employees who remained employed until certain future termination dates and were accrued over the term of the retention period. In the first quarter of 2002, the Company reversed approximately \$0.2 million of retention payments, which were not earned or required. The facility closure costs included employee relocation costs and other future exit costs to be incurred at the Company's Willmar location after operations ceased. The facility relocation and transition costs are being expensed as incurred and represent costs to relocate inventory and machinery and costs to integrate operations into the remaining facilities. The \$0.4 million of costs accrued at June 30, 2002 are expected to be incurred in 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 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 related to these closures during the six months ended June 30, 2002. The remaining balance of \$0.5 million primarily relates to noncancelable lease termination costs and will be incurred through 2004.

#### 4. GOODWILL AND OTHER INTANGIBLE ASSETS

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142") "Goodwill and Other Intangible Assets." SFAS No. 142 requires companies to cease amortizing goodwill and other indefinite lived assets on December 31, 2001 that were in existence at June 30, 2001. Any goodwill and other indefinite lived 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 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 during the first quarter of 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.

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 income before cumulative effect of a change in accounting principle and net income as if goodwill were accounted for in accordance with SFAS No. 142 in

prior periods.

	Six Months Ended June 30,	
	2002	2001
Reported income (loss) before cumulative effect of a change in accounting principle	\$12.0	\$(1.0)
Add: Goodwill amortization	---	4.9
Add: Indefinite lived trademark amortization	---	0.5
Adjusted income before cumulative effect of a change in accounting principle	12.0	4.4
Cumulative effect of a change in accounting principle, net of taxes	(24.1)	---
Adjusted net (loss) income	\$(12.1)	\$4.4

Net income (loss) per common share:

Basic:

Reported income (loss) before cumulative effect of a change in accounting principle	\$0.16	\$(0.02)
Add: Goodwill amortization	---	0.08
Add: Indefinite lived trademark amortization	---	0.01
Adjusted income before cumulative effect of a change in accounting principle	0.16	0.07
Cumulative effect of a change in accounting principle, net of taxes	(0.33)	---
Adjusted net (loss) income	\$(0.17)	\$0.07

Diluted:

Reported income (loss) before cumulative effect of a change in accounting principle	\$0.16	\$(0.02)
Add: Goodwill amortization	---	0.08
Add: Indefinite lived trademark amortization	---	0.01
Adjusted income before cumulative effect of a change in accounting principle	0.16	0.07
Cumulative effect of a change in accounting principle, net of taxes	(0.32)	---
Adjusted net (loss) income	\$(0.16)	\$0.07

#### 5. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2002 and December 31, 2001:

	June 30, 2002	December 31, 2001
Revolving credit facility	\$179.4	\$89.0
9-1/2 Senior notes due 2008	250.0	250.0
8-1/2 Senior subordinated notes due 2006	249.0	248.9
Other long-term debt	15.3	29.8
Total long-term debt	\$693.7	\$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 June 30, 2002 and December 31, 2001 were as follows:

	June 30, 2002	December 31, 2001
Finished goods	\$296.8	\$235.8
Repair and replacement parts	274.5	235.3
Work in process, production parts and raw materials	219.3	161.2
Gross inventories	790.6	632.3
Allowance for surplus and obsolete inventories	(82.1)	(73.5)
Inventories, net	\$708.5	\$558.8

#### 7. ACCOUNTS RECEIVABLE SECURITIZATION

At June 30, 2002, the Company has accounts receivable securitization facilities in the United States, Canada, and Europe totaling approximately \$419.0 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 approximately \$389.5 million at June 30, 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 six months ended June 30, 2002 and 2001 were \$7.4 million and \$13.6 million, respectively.

#### 8. SEGMENT REPORTING

The Company has five reportable segments: North America; South America; Europe/Africa/Middle East; Asia/Pacific; and Sprayer Division. Each regional segment distributes a full range of agricultural equipment and related replacement parts. The Sprayer division manufactures and distributes 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 six months ended June 30, 2002 and 2001 are as follows:

	Three months ended June 30,	North America	South America	Europe/ Africa /Middle East	Asia/ Pacific	Sprayer Division	Consolidated
2002							
Net sales		\$219.3	\$67.1	\$406.5	\$24.0	\$55.7	\$772.6
Income from operations		5.5	6.2	41.8	4.1	1.5	59.1
2001							
Net sales		\$172.2	\$57.2	\$347.2	\$20.3	\$62.4	\$659.3
Income from operations		---	3.7	31.4	2.9	0.1	38.1
Six months ended June 30,							
		North America	South America	Europe/ Africa /Middle East	Asia/ Pacific	Sprayer Division	Consolidated
2002							
Net sales		\$351.5	\$130.1	\$702.6	\$45.9	\$161.1	\$1,391.2
Income from operations		0.5	12.7	61.2	7.8	16.4	98.6

2001						
Net sales	\$305.9	\$118.7	\$644.1	\$43.4	\$79.3	\$1,191.4
Income (loss) from operations	(14.5)	7.9	50.3	6.7	2.3	52.7

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Segment income from operations	\$59.1	\$38.1	\$98.6	\$52.7
Restricted stock compensation expense	(0.8)	(0.6)	(27.8)	(1.3)
Restructuring and other infrequent expenses	(22.7)	(3.3)	(23.6)	(5.6)
Amortization of intangibles	(0.4)	(4.8)	(0.7)	(8.7)
Consolidated income from operations	\$35.2	\$29.4	\$46.5	\$37.1

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CONTACT: Molly Dye, Vice President, Corporate Relations, +1-770-813-6044, or Andy Beck, Senior Vice President and Chief Financial Officer, +1-770-813-6083, both of AGCO Corporation

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