UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2002

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________________ to __________________

Commission file number 1-12930

AGCO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**58-1960019**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

4205 River Green Parkway

Duluth, Georgia 30096

(Address of principal executive offices

including zip code)

Registrant's telephone number, including area code: (770) 813-9200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date

Common stock par value $.01 per share: 74,565,721 shares outstanding as of July 31, 2002

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Part I. Financial Information

Item I. Financial Statements

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	June 30, 2002	December 31, 2001
	(Unaudited)	
ASSETS		
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
LIABILITIES AND STOCKHOLDERS' EQUITY		
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; $0.01 par value, 150,000,000 shares authorized, 74,550,221 and 72,311,107 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively	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.

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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 (loss) 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.

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

	Six Months Ended June 30, 2002	Six Months Ended June 30, 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) 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 from 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. The Challenger acquisition was accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations." Since the preliminary fair value of the assets acquired is in excess of the purchase price, the Company did not record any 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 "Business Combinations," 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.

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 from 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 had 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 certain plant assets 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 plant assets 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.

The Company recorded additional restructuring and other infrequent expenses of $2.2 million during the six months ended June 30, 2002. The expenses primarily related to severance, 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 $1.7 million of 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 Balance at December 31, 2001	2002 Expense	Expenses Incurred	Reserve 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 2005.

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 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 Company's acquired intangible assets are as follows:

	June 30, 2002		December 31, 2001	
	Gross Carrying Amounts	Accumulated Amortization	Gross Carrying Amounts	Accumulated Amortization
Amortized intangible assets:				
Trademarks	$25.3	$(1.1)	$25.3	$(0.6)
Other	1.9	(0.2)	1.9	—
Total	$27.2	$(1.3)	$27.2	$(0.6)
Unamortized intangible assets:				
Trademarks	$53.4		$53.4	

The Company amortizes certain acquired intangible assets over estimated useful lives of 7 to 30 years. For the three months ended June 30, 2002 and 2001, acquired intangible asset amortization was $0.4 million. For the six months ended June 30, 2002 and 2001, acquired intangible asset amortization was $0.7 million and $0.8 million, respectively. In accordance with SFAS No. 142, the Company ceased amortizing certain trademarks, which it determined to have an indefinite useful life as of January 1, 2002. The Company estimates amortization of existing intangible assets will be $1.3 million for 2002, $1.2 million for 2003 and 2004, $1.1 million for 2005 and $1.0 million for 2006.

Changes in the carrying amount of goodwill during the six months ended June 30, 2002 are summarized as follows:

	North America	South America	Europe/Africa/ Middle East	Sprayer Division	Consolidated
Balance as of December 31, 2001	$ 10.2	$ 70.0	$92.5	$159.2	$331.9
Transitional impairment losses	(10.2)	(17.5)	—	—	(27.7)
Adjustment to purchase price allocations	—	—	—	3.6	3.6
Reversal of unused restructuring reserves	—	—	(2.0)	—	(2.0)
Foreign currency translation	—	(9.1)	9.0	—	(0.1)
Balance as of June 30, 2002	$ —	$ 43.4	$99.5	$162.8	$305.7

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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Reported income before cumulative effect of a change in accounting principle	$14.1	$ 4.8	$ 12.0	$ (1.0)
Add: Goodwill amortization	—	2.6	—	4.9
Add: Indefinite lived trademark amortization	—	0.3	—	0.5
Adjusted income before cumulative effect of a change in accounting principle	14.1	7.7	12.0	4.4
Cumulative effect of a change in accounting principle, net of taxes	—	—	(24.1)	—
Adjusted net income	$14.1	$ 7.7	$(12.1)	$ 4.4
Net income per common share:				
Basic:				
Reported income before cumulative effect of a change in accounting principle	$0.19	$0.07	$ 0.16	$(0.02)
Add: Goodwill amortization	—	0.04	—	0.08
Add: Indefinite lived trademark amortization	—	—	—	0.01
Adjusted income before cumulative effect of a change in accounting principle	0.19	0.11	0.16	0.07
Cumulative effect of a change in accounting principle, net of taxes	—	—	(0.33)	—
Adjusted net income	$0.19	$0.11	$(0.17)	$ 0.07
Diluted:				
Reported income before cumulative effect of a change in accounting principle	$0.19	$0.07	$ 0.16	$(0.02)
Add: Goodwill amortization	—	0.04	—	0.08
Add: Indefinite lived trademark amortization	—	—	—	0.01
Adjusted income before cumulative effect of a change in accounting principle	0.19	0.11	0.16	0.07
Cumulative effect of a change in accounting principle, net of taxes	—	—	(0.32)	—
Adjusted net income	$0.19	$0.11	$(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	$273.6	$210.7
Repair and replacement parts	236.2	201.5
Work in process, production parts and raw materials	198.7	146.6
Inventories, net	$708.5	$558.8

7. NET INCOME (LOSS) PER COMMON SHARE

The computation, presentation and disclosure requirements for earnings per share are presented in accordance with SFAS No. 128, "Earnings per Share." Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during each period. Diluted earnings per common share assumes exercise of outstanding stock options and vesting of restricted stock when the effects of such assumptions are dilutive.

A reconciliation of net income (loss) and the weighted average number of common shares outstanding used to calculate basic and diluted net income (loss) per common share for the three and six months ended June 30, 2002 and 2001 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Basic Earnings Per Share				
Weighted average number of common shares outstanding	74.2	69.2	73.4	64.3
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	$14.1	$ 5.6	$ 12.0	$ (0.2)
Extraordinary loss, net of taxes	—	(0.8)	—	(0.8)
Cumulative effect of a change in accounting principle, net of taxes	—	—	(24.1)	—
Net income (loss)	$14.1	$ 4.8	$(12.1)	$ (1.0)
Net income (loss) per share:				
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	$0.19	$ 0.08	$ 0.16	$(0.01)
Extraordinary loss, net of taxes	—	(0.01)	—	(0.01)
Cumulative effect of a change in accounting principle, net of taxes	—	—	(0.33)	—
Net income (loss) per common share	$0.19	$ 0.07	$(0.17)	$(0.02)

AGCO Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements – Continued
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Diluted Earnings Per Share				
Weighted average number of common shares outstanding	74.2	69.2	73.4	64.3
Shares issued upon assumed vesting of restricted stock	0.3	0.5	0.3	—
Shares issued upon assumed exercise of outstanding stock options	0.7	0.2	0.7	—
Weighted average number of common and common equivalent shares	75.2	69.9	74.4	64.3
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	$14.1	$ 5.6	$ 12.0	$ (0.2)
Extraordinary loss, net of taxes	—	(0.8)	—	(0.8)
Cumulative effect of a change in accounting principle, net of taxes	—	—	(24.1)	—
Net income (loss)	$14.1	$ 4.8	$(12.1)	$ (1.0)
Net income (loss) per share :				
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	$0.19	$ 0.08	$ 0.16	$(0.01)
Extraordinary loss, net of taxes	—	(0.01)	—	(0.01)
Cumulative effect of a change in accounting principle, net of taxes	—	—	(0.32)	—
Net income (loss) per common share	$0.19	$ 0.07	$(0.16)	$(0.02)

Shares issued upon the assumed vesting of restricted stock totaling 0.3 million for the six months ended June 30, 2001 and shares issued upon the assumed exercise of outstanding stock options totaling 0.1 million for the six months ended June 30, 2001 were excluded from the calculation of the diluted weighted average number of common shares outstanding because their effects would be antidilutive to the Company’s net loss for the period. In addition, there were 0.7 million and 1.7 million, respectively, for both the three and six months ended June 30, 2002 and 2001, of stock options outstanding that were also excluded from the calculation of weighted average number of common shares outstanding because the option exercise prices were higher than the market price of the Company’s common stock during the related period.

8. COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) for the three and six months ended June 30, 2002 and 2001 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net income (loss)	$14.1	$ 4.8	$(12.1)	$ (1.0)
Other comprehensive income (loss)				
Foreign currency translation adjustments	18.1	(16.1)	(9.2)	(61.5)
Unrealized gain (loss) on derivatives	2.0	0.2	1.9	(1.2)
Unrealized gain (loss) on derivatives held by affiliates	(0.7)	—	0.9	—
Total comprehensive income (loss)	$33.5	$(11.1)	$(18.5)	$(63.7)

9. 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.

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The following table summarizes activity in accumulated other comprehensive loss related to derivatives held by the Company during the six months ended June 30, 2002:

	Before-Tax Amount	Income Tax	After-Tax Amount
Accumulated derivative net losses as of December 31, 2001	$(0.2)	$ 0.1	$(0.1)
Net changes in fair value of derivatives	2.8	(1.1)	1.7
Net gains reclassified from accumulated other comprehensive loss into income	0.4	(0.2)	0.2
Accumulated derivative net gains as of June 30, 2002	$ 3.0	$(1.2)	$ 1.8

11. 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 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 June 30,		Six Months Ended 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

12. GUARANTOR/NON-GUARANTOR FINANCIALS

On April 17, 2001, AGCO Corporation issued $250.0 million of 91/2% Senior Notes due 2008 (the “Senior Notes”). The Senior Notes are fully and unconditionally guaranteed by the following U.S. subsidiaries of AGCO Corporation: Ag-Chem Equipment Co., Inc., Ag-Chem Equipment International, Inc. and Ag-Chem Equipment Canada, Ltd. The following financial information presents condensed consolidating balance sheet, statements of operations and cash flows of (i) AGCO Corporation, the parent company, as if it accounted for its subsidiaries on the equity method, (ii) the guarantor subsidiaries on a combined basis, and (iii) the non-guarantor subsidiaries on a combined basis. The guarantor subsidiaries were acquired on April 16, 2001 as part of the acquisition of Ag-Chem, and accordingly, are not included in the following financial information for periods prior to acquisition.

AGCO Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements – Continued
(Unaudited)

Condensed Consolidating Statements of Operations
Three Months Ended June 30, 2002
(in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Net sales	$229.5	$55.2	$598.0	$(110.1)	$772.6
Cost of goods sold	201.1	45.1	495.1	(110.1)	631.2
Gross profit	28.4	10.1	102.9	—	141.4
Selling, general and administrative expenses	20.4	8.5	40.9	—	69.8
Engineering expenses	3.2	1.3	8.8	—	13.3
Restructuring and other infrequent expenses	0.7	—	22.0	—	22.7
Amortization of intangibles	—	0.4	—	—	0.4
Income (loss) from operations	4.1	(0.1)	31.2	—	35.2
Interest expense, net	13.6	0.1	0.7	—	14.4
Other (income) expense, net	1.6	(0.1)	2.4	—	3.9
Income (loss) before income taxes, equity in net earnings of unconsolidated subsidiaries and affiliates, extraordinary loss and cumulative effect of a change in accounting principle	(11.1)	(0.1)	28.1	—	16.9
Income tax provision (benefit)	(3.2)	(0.2)	9.5	—	6.1
Income (loss) before equity in net earnings of unconsolidated subsidiaries and affiliates, extraordinary loss and cumulative effect of a change in accounting principle	(7.9)	0.1	18.6	—	10.8
Equity in net earnings of unconsolidated subsidiaries and affiliates	22.0	—	2.0	(20.7)	3.3
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	14.1	0.1	20.6	(20.7)	14.1
Extraordinary loss, net of taxes	—	—	—	—	—
Cumulative effect of a change in accounting principle, net of taxes	—	—	—	—	—
Net income (loss)	$ 14.1	$ 0.1	$ 20.6	$ (20.7)	$ 14.1

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Condensed Consolidating Statements of Operations
Three Months Ended June 30, 2001
(in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Net sales	$179.7	$54.0	$506.3	$(80.7)	$659.3
Cost of goods sold	160.0	43.7	422.6	(80.7)	545.6
Gross profit	19.7	10.3	83.7	—	113.7
Selling, general and administrative expenses	23.7	8.8	30.7	—	63.2
Engineering expenses	4.2	1.0	7.8	—	13.0
Restructuring and other infrequent expenses	1.2	0.7	1.4	—	3.3
Amortization of intangibles	1.8	1.0	2.0	—	4.8
Income (loss) from operations	(11.2)	(1.2)	41.8	—	29.4
Interest expense, net	12.9	0.2	2.4	—	15.5
Other (income) expense, net	3.3	(0.3)	7.1	—	10.1
Income (loss) before income taxes, equity in net earnings of unconsolidated subsidiaries and affiliates, extraordinary loss and cumulative effect of a change in accounting principle	(27.4)	(1.1)	32.3	—	3.8
Income tax provision (benefit)	(8.5)	(0.8)	10.7	—	1.4
Income (loss) before equity in net earnings of unconsolidated subsidiaries and affiliates, extraordinary loss and cumulative effect of a change in accounting principle	(18.9)	(0.3)	21.6	—	2.4
Equity in net earnings of unconsolidated subsidiaries and affiliates	24.5	0.5	1.4	(23.2)	3.2
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	5.6	0.2	23.0	(23.2)	5.6
Extraordinary loss, net of taxes	(0.8)	—	—	—	(0.8)
Cumulative effect of a change in accounting principle, net of taxes	—	—	—	—	—
Net income (loss)	$ 4.8	$ 0.2	$ 23.0	$(23.2)	$ 4.8

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Condensed Consolidating Statements of Operations
Six Months Ended June 30, 2002
(in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Net sales	$382.4	$159.3	$1,052.6	$(203.1)	$1,391.2
Cost of goods sold	332.9	128.0	875.8	(203.1)	1,133.6
Gross profit	49.5	31.3	176.8	—	257.6
Selling, general and administrative expenses	70.4	17.2	73.2	—	160.8
Engineering expenses	6.4	2.3	17.3	—	26.0
Restructuring and other infrequent expenses	0.8	—	22.8	—	23.6
Amortization of intangibles	—	0.7	—	—	0.7
Income (loss) from operations	(28.1)	11.1	63.5	—	46.5
Interest expense, net	26.9	0.3	1.3	—	28.5
Other (income) expense, net	3.4	(0.3)	6.1	—	9.2
Income (loss) before income taxes, equity in net earnings of unconsolidated subsidiaries and affiliates, extraordinary loss and cumulative effect of a change in accounting principle	(58.4)	11.1	56.1	—	8.8
Income tax provision (benefit)	(20.1)	4.0	19.3	—	3.2
Income (loss) before equity in net earnings of unconsolidated subsidiaries and affiliates, extraordinary loss and cumulative effect of a change in accounting principle	(38.3)	7.1	36.8	—	5.6
Equity in net earnings of unconsolidated subsidiaries and affiliates	32.8	0.5	3.3	(30.2)	6.4
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	(5.5)	7.6	40.1	(30.2)	12.0
Extraordinary loss, net of taxes	—	—	—	—	—
Cumulative effect of a change in accounting principle, net of taxes	(6.6)	—	(17.5)	—	(24.1)
Net income (loss)	$ (12.1)	$ 7.6	$ 22.6	$ (30.2)	$ (12.1)

Condensed Consolidating Statements of Operations
Six Months Ended June 30, 2001
(in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Net sales	$333.5	$54.0	$953.7	$(149.8)	$1,191.4
Cost of goods sold	303.5	43.7	797.8	(149.8)	995.2
Gross profit	30.0	10.3	155.9	—	196.2
Selling, general and administrative expenses	47.3	8.8	63.8	—	119.9
Engineering expenses	7.5	1.0	16.4	—	24.9
Restructuring and other infrequent expenses	3.5	0.7	1.4	—	5.6
Amortization of intangibles	3.5	1.0	4.2	—	8.7
Income (loss) from operations	(31.8)	(1.2)	70.1	—	37.1
Interest expense, net	22.9	0.2	6.3	—	29.4
Other (income) expense, net	8.7	(0.3)	9.3	—	17.7
Income (loss) before income taxes, equity in net earnings of unconsolidated subsidiaries and affiliates, extraordinary loss and cumulative effect of a change in accounting principle	(63.4)	(1.1)	54.5	—	(10.0)
Income tax provision (benefit)	(20.9)	(0.8)	17.9	—	(3.8)
Income (loss) before equity in net earnings of unconsolidated subsidiaries and affiliates, extraordinary loss and cumulative effect of a change in accounting principle	(42.5)	(0.3)	36.6	—	(6.2)
Equity in net earnings of unconsolidated subsidiaries and affiliates	42.3	0.5	3.0	(39.8)	6.0
Income (loss) before extraordinary loss and cumulative effect of a change in accounting principle	(0.2)	0.2	39.6	(39.8)	(0.2)
Extraordinary loss, net of taxes	(0.8)	—	—	—	(0.8)
Cumulative effect of a change in accounting principle, net of taxes	—	—	—	—	—
Net income (loss)	$ (1.0)	$ 0.2	$ 39.6	$ (39.8)	$ (1.0)

Condensed Consolidating Balance Sheet
As of June 30, 2002
(in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 2.8	$ (0.2)	$ 11.1	$ —	$ 13.7
Accounts and notes receivables, net	154.8	17.8	350.6	—	523.2
Receivables from unconsolidated subsidiaries and affiliates	193.2	46.9	253.1	(481.4)	11.8
Inventories, net	279.8	98.2	342.2	(11.7)	708.5
Other current assets	76.7	0.2	48.6	—	125.5
Total current assets	707.3	162.9	1,005.6	(493.1)	1,382.7
Property, plant and equipment, net	80.0	30.0	215.1	—	325.1
Investments in unconsolidated subsidiaries and affiliates	990.0	1.3	82.4	(994.1)	79.6
Other assets	124.3	8.4	45.1	(0.1)	177.7
Intangible assets, net	21.1	168.7	196.5	—	386.3
Total assets	$1,922.7	$371.3	$1,544.7	$(1,487.3)	$2,351.4
LIABILITIES & STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$ 82.8	$ 9.5	$ 219.1	$ —	$ 311.4
Payables to unconsolidated subsidiaries and affiliates	262.8	87.1	149.2	(481.4)	17.7
Accrued expenses	100.1	16.0	262.0	—	378.1
Other current liabilities	0.7	1.9	9.7	—	12.3
Total current liabilities	446.4	114.5	640.0	(481.4)	719.5
Long-term debt	624.5	5.8	63.4	—	693.7
Postretirement health care benefits	24.8	—	—	—	24.8
Other noncurrent liabilities	5.0	—	86.4	—	91.4
Total liabilities	1,100.7	120.3	789.8	(481.4)	1,529.4
Total stockholders' equity	822.0	251.0	754.9	(1,005.9)	822.0
Total liabilities & stockholders' equity	$1,922.7	$371.3	$1,544.7	$(1,487.3)	$2,351.4

AGCO Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements – Continued
(Unaudited)

Condensed Consolidating Statements of Cash Flows
Six Months Ended June 30, 2002
(in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Net cash (used for) provided by operating activities:	$(80.8)	$ (6.2)	$ 11.7	$ —	$(75.3)
Cash flows from investing activities:					
Purchase of property, plant & equipment	(7.1)	(0.5)	(10.5)	—	(18.1)
Purchase of business, net of cash acquired	(13.6)	—	—	—	(13.6)
Proceeds from sale of property, plant & equipment	—	13.8	—	—	13.8
Investments in unconsolidated subsidiaries and affiliates	—	—	(1.1)	—	(1.1)
Net cash (used for) provided by investing activities	(20.7)	13.3	(11.6)	—	(19.0)
Cash flows from financing activities:					
Proceeds (payments) on long-term debt, net	90.6	(8.8)	(6.6)	—	75.2
Proceeds (payments) from intercompany loans, net	—	—	—	—	—
Proceeds from issuance of preferred stock	4.8	—	—	—	4.8
Payment of debt and common stock issuance costs	(0.1)	—	—	—	(0.1)
Net cash provided by (used for) financing activities	95.3	(8.8)	(6.6)	—	79.9
Effect of exchange rate changes on cash & cash equivalents	—	—	(0.8)	—	(0.8)
Decrease in cash & cash equivalents	(6.2)	(1.7)	(7.3)	—	(15.2)
Cash and cash equivalents, beginning of period	9.0	1.5	18.4	—	28.9
Cash and cash equivalents, end of period	$ 2.8	$ (0.2)	$ 11.1	$ —	$ 13.7

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Condensed Consolidating Statements of Cash Flows
Six Months Ended June 30, 2001
(in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Net cash (used for) provided by operating activities:	$ (26.0)	$ (0.4)	$ 75.2	$ —	$ 48.8
Cash flows from investing activities:					
Purchase of property, plant & equipment	(5.3)	(0.3)	(6.9)	—	(12.5)
Purchase of business, net of cash acquired	(147.5)	—	—	—	(147.5)
Investments in unconsolidated subsidiaries and affiliates	(0.5)	—	—	—	(0.5)
Net cash used for investing activities	(153.3)	(0.3)	(6.9)	—	(160.5)
Cash flows from financing activities:					
Proceeds (payments) on long-term debt, net	238.6	(44.0)	(71.6)	—	123.0
Proceeds (payments) from intercompany loans, net	(48.6)	46.5	2.1	—	—
Proceeds from issuance of common stock	5.3	—	—	—	5.3
Payment of debt and common stock issuance cost	(11.3)	—	—	—	(11.3)
Dividends paid on common stock	(0.6)	—	—	—	(0.6)
Net cash provided by (used for) financing activities	183.4	2.5	(69.5)	—	116.4
Effect of exchange rate changes on cash & cash equivalents	—	(0.1)	(0.2)	—	(0.3)
Increase (decrease) in cash & cash equivalents	4.1	1.7	(1.4)	—	4.4
Cash and cash equivalents, beginning of period	0.1	—	13.2	—	13.3
Cash and cash equivalents, end of period	$ 4.2	$ 1.7	$ 11.8	$ —	$ 17.7

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Our operations are subject to the cyclical nature of the agricultural industry. Sales of our equipment have been and are expected to continue to be affected by changes in net cash farm income, farm land values, weather conditions, demand for agricultural commodities, commodity prices and general economic conditions. We record sales when we sell equipment and replacement parts to our independent dealers, distributors or other customers. To the extent possible, we attempt to sell products to our dealers and distributors on a level basis throughout the year to reduce the effect of seasonal demands on manufacturing operations and to minimize our investment in inventory. Retail sales by dealers to farmers are highly seasonal and are a function of the timing of the planting and harvesting seasons. As a result, our net sales have historically been the lowest in the first quarter and have increased in subsequent quarters.

RESULTS OF OPERATIONS

For the three months ended June 30, 2002, we recorded net income of $14.1 million, or $0.19 per share, compared to income before extraordinary loss for the quarter ended June 30, 2001 of $5.6 million, or $0.08 per share. Including the extraordinary loss, net income for the second quarter of 2001 was $4.8 million, or $0.07 per share. For the first six months of 2002, we recorded income before cumulative effect of a change in accounting principle of $12.0 million, or $0.16 per share. We recorded a non-cash goodwill impairment charge of $24.1 million, or $0.32 per share, related to the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," which was recorded as a cumulative effect of a change in accounting principle in the first quarter of 2002. Including the accounting change, net loss for the first six months of 2002 was $12.1 million, or $0.16 per share. For the first six months of 2001, we recorded a net loss before extraordinary loss of $0.2 million, or $0.01 per share. Including the extraordinary loss, net loss for the six months ended June 30, 2001 was $1.0 million, or $0.02 per share.

The results for the second quarter and first six months of 2002 included restructuring and other infrequent expenses ("restructuring expenses") of $22.7 million, or $0.19 per share, and $23.6 million, or $0.20 per share, respectively, primarily related to the announced closure of the Coventry, England manufacturing facility and other cost reduction initiatives. In addition, the results for the second quarter and the first six months of 2002 included restricted stock compensation expense of $0.8 million, or $0.01 per share, and $27.8 million, or $0.24 per share, respectively, primarily related to first quarter awards earned under our Long-Term Incentive Plan ("LTIP"). The results for the second quarter and first six months of 2001 included restructuring expenses of $3.3 million, or $0.03 per share, and $5.6 million, or $0.05 per share, respectively, primarily for costs associated with the closure of manufacturing facilities announced in 2000 and 2001. The results for the second quarter and first six months of 2001 also included restricted stock compensation of $0.6 million, or $0.01 per share, and $1.3 million, or $0.01 per share, respectively.

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. 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. Second quarter 2001 results were 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.

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), higher sales in the majority of markets and gross 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.

Acquisitions

On March 5, 2002, we completed our acquisition of the design, assembly and marketing of Caterpillar, Inc.'s new MT Series of Challenger agricultural tractors. We issued approximately 1.0 million shares of common stock in the transaction valued at approximately $21.0 million and purchased approximately $13.0 million of initial production inventory in connection with a supply agreement with Caterpillar. The addition of the Challenger tractor line provides us with a technological leader in high horsepower track-type tractors which we can market on a worldwide basis primarily through the Caterpillar distribution organization. Furthermore, we will provide Caterpillar dealers with additional products that will broaden their equipment offerings and enhance their competitive position. 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.

Retail Sales

In North America, industry unit retail sales of tractors for the first six months of 2002 increased approximately 2% over the first six months of the prior year 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. Our unit retail sales of tractors and combines for the first six months of 2002 were higher than the first half of 2001. Our unit retail sales of combines in 2002 benefited from improved timing of shipments compared to 2001.

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

South American industry unit retail sales of tractors in the first six months of 2002 increased approximately 16% over the first six months of the prior year with increases in the Brazilian market partially offset by declines in Argentina. Our 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.

Outside of North America, Western Europe and South America, net sales for the first six months of 2002 were higher than the prior year, particularly in Eastern Europe and Australia.

STATEMENTS OF OPERATIONS

Net sales for the second quarter of 2002 were $772.6 million compared to $659.3 million for the same period in 2001. Net sales for the first six months of 2002 were $1,391.2 million compared to $1,191.4 million for the prior year. The increase in net sales was primarily due to higher sales in a majority of our markets, as well as a year-to-date increase attributable to the addition of Ag-Chem (acquired in April 2001). Net sales generated during the first six months of 2002 by the acquired Ag-Chem operations were approximately $136.1 million compared to $54.0 million in 2001 subsequent to the April 2001 acquisition. The acquired Challenger operations generated sales of approximately $10.7 million in the second quarter of 2002. Foreign currency translation was neutral to net sales in the second quarter of 2002. Net sales for the first six months of 2002 were negatively impacted by foreign currency translation of approximately $18 million primarily due to the weakening of the Brazilian real. Excluding the incremental sales impact of the Ag-Chem and Challenger acquisitions and foreign currency translation, net sales were approximately 11% higher in the first six months of 2002 compared to the same period in 2001.

Regionally, net sales in North America were $47.1 million, or 27.4% higher for the second quarter of 2002 and $45.6 million, or 14.9% higher for the first six months of 2002 compared to the same periods in 2001. The sales increase in North America was the result of improved retail sales and the timing of production and shipments to dealers of equipment produced in our Hesston, Kansas facility. In 2001, production and shipments to dealers were delayed due to the transition of production from closed facilities to the Hesston plant. Net sales in the Europe/Africa/Middle East region increased $59.3 million, or 17.1%, for the second quarter of 2002 and $58.5 million, or 9.1%, for the first six months of 2002 compared to the same periods in 2001 primarily due to improved industry conditions. Net sales in South America increased $9.9 million, or 17.3% for the second quarter of 2002 and $11.4 million, or 9.6%, for the first six months of 2002 compared to the same periods in 2001 primarily due to the continued strength of the Brazilian market offset by sales decreases in Argentina due to depressed market conditions. In the Asia Pacific region, net sales increased $3.7 million, or 18.2%, for the second quarter of 2002 and $2.5 million, or 5.8%, for the first six months of 2002 compared to the same periods in 2001, primarily due to sales increases in Australia offset by sales decreases in the Far East. In the Sprayer division, net sales decreased $6.7 million, or 10.7%, for the second quarter of 2002 and increased $81.8 million, or 103.2%, for the first six months of 2002 compared to the same periods in 2001. The increase in the first six months of 2002 was a result of the Ag-Chem acquisition which occurred in April 2001.

Gross profit was $141.4 million (18.3% of net sales) for the second quarter of 2002 compared to $113.7 million (17.2% of net sales) for the same period in the prior year. Gross profit was $257.6 million (18.5% of net sales) for the first six months of 2002 compared to $196.2 million (16.5% of net sales) for the same period in the prior year. Gross margins improved during the second quarter primarily due to the impact of cost reduction initiatives and increased production. The gross margin improvement for the first six months was primarily due to the addition of high margin Ag-Chem sales, increased production and other cost reduction initiatives. In addition, we eliminated production inefficiencies incurred in 2001 at the Hesston, Kansas plant of approximately $2.3 million and $6.0 million for the second quarter and first six months, respectively, associated with the initial production of products relocated from closed facilities.

Selling, general and administrative ("SG&A") expenses for the second quarter of 2002 were $69.8 million (9.0% of net sales) for the second quarter of 2002 compared to $63.2 million (9.6% of net sales) for the same period in the prior year. For the first six months of 2002, SG&A expenses were $160.8 million (11.6% of net sales) compared to $119.9 million (10.1% of net sales) for the same period in the prior year. The increase in SG&A for the first six months of 2002 primarily relates to $27.8 million of restricted stock compensation expense. Due to the rise in our common stock price in the first quarter of 2002, portions of restricted stock compensation awards granted to key executives in 2000 were earned. Under the LTIP, restricted stock awards are earned upon increases in our common stock price. Shares earned under the LTIP remain restricted after being earned and cannot be sold for a period of three to five years. A cash bonus equal to 40% of the value of the stock also is paid to participants at the time the shares are earned to facilitate the payment of the current income tax liability incurred by the participants. Of the $27.8 million expense recorded in the first six months, approximately $15.1 million was a non-cash expense. Additional shares can be earned upon further increases in our stock price that would result in additional expense. Excluding restricted stock compensation expenses, SG&A expenses were 9.6% of net sales for the first six months of 2002 compared to 10.0% of net sales for the first six months of 2001. Engineering expenses for the second quarter and first six months of 2002 were $13.3 million (1.7% of net sales) and $26.0 million (1.9% of net sales), respectively, compared to $13.0 million (2.0% of net sales) and $24.9 million (2.1% of net sales), respectively, for the same periods in the prior year.

Restructuring and other infrequent expenses were $22.7 million and $23.6 million for the second quarter and first six months ended June 30, 2002, respectively. The restructuring expenses in 2002 primarily related to the planned closure of our tractor manufacturing facility located in Coventry, England, announced in June 2002. See "Restructuring and Other Infrequent Expenses." For the second quarter and first six months ended June 30, 2001, we recorded $3.3 million and $5.6 million, respectively, for costs associated with the integration of Ag-Chem and manufacturing facility rationalization programs.

Amortization of intangibles decreased to $0.4 million in the second quarter of 2002 from $4.8 million in the second quarter of 2001, and to $0.7 million in the first six months of 2002 from $8.7 million in the first six months of 2001. The decrease in 2002 was due to the discontinuation of the amortization of goodwill and other intangible assets upon adoption of SFAS No. 142 in 2002. See "Accounting Changes."

Income from operations was $35.2 million (4.6% of net sales) and $46.5 million (3.3% of net sales) for the second quarter and first six months of 2002, respectively, compared to $29.4 million (4.5% of net sales) and $37.1 million (3.1% of net sales), respectively, for the same period in the prior year. Excluding restructuring expenses and restricted stock compensation, operating income was $58.7 million (7.6% of net sales) and $97.9 million (7.0% of net sales) for the second quarter and first six months of 2002, respectively, compared to $33.3 million (5.1% of net sales) and $44.0 million (3.7% of net sales), respectively, compared to the same period in the prior year. The improvement in operating earnings was primarily the result of sales growth, gross margin expansion, and lower amortization of intangibles.

Interest expense, net was $14.4 million and $28.5 million for the second quarter and first six months of 2002, respectively, compared to $15.5 million and $29.4 million, respectively, for the same periods in 2001. The decrease in interest expense was due primarily to lower interest rates in 2002 compared to 2001. In addition, interest expense for the first six months of 2001 included a $2.0 million fee for the successful waiver solicitation on our 81/2% Senior Subordinated Notes.

Other expense, net was $3.9 million and $9.2 million for the second quarter and first six months of 2002, respectively, compared to $10.1 million and $17.7 million, respectively, for the same periods in 2001. During the second quarter of 2002, losses on sales of receivables primarily under our securitization facilities were $3.7 million compared to $8.6 million for the same period in 2001. During the second quarter of 2001, we completed securitization facilities in Europe and Canada totaling $150.0 million. As a result, the second quarter of 2001 included $3.6 million of up-front losses and transaction costs associated with the initial funding of these facilities. The remaining decrease is due to lower interest rates in 2002 compared to 2001. For the first six months of 2002, losses on sales of receivables were $7.4 million compared to $13.6 million for the same period in 2001. The first six months of 2001 included $4.0 million of costs associated with the initial funding of the facilities.

We recorded an income tax provision of $6.1 million and $3.2 million for the second quarter and first six months of 2002, respectively, compared to an income tax provision of $1.4 million and an income tax benefit of $3.8 million for the same periods in 2001. The effective tax rate was 36% in the second quarter and first six months of 2002 compared to 38% in the comparable prior year periods.

Equity in earnings of affiliates was $3.3 million and $6.4 million for the second quarter and first six months of 2002, respectively, compared to $3.2 million and $6.0 million for the same periods in 2001. Equity in earnings in our retail finance joint ventures in the second quarter and first six months of 2002 was higher than the same periods of the prior year.

During the second quarter of 2001, we recorded a $0.8 million extraordinary loss, net of taxes, representing the write-off of the unamortized debt issuance costs associated with our revolving credit facility, which was refinanced in April 2001.

During the first quarter of 2002, we recorded a non-cash goodwill impairment charge of $24.1 million, net of taxes, or $0.32 per share, related to the adoption of SFAS No. 142, which was recorded as a cumulative effect of a change in accounting principle. See "Accounting Changes".

AG-CHEM ACQUISITION

On April 16, 2001, we 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, we 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, we adjusted its purchase price allocation to reflect a reduction in these established liabilities of $0.4 million.

RESTRUCTURING AND OTHER INFREQUENT EXPENSES

During the second quarter of 2002, we announced and initiated a restructuring plan related to the closure of our tractor manufacturing facility in Coventry, England and the relocation of existing production from Coventry to our Beauvais, France and Canoas, Brazil manufacturing facilities. In connection with the restructuring plan, we 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 had 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. We 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. Additional cash closure and production transition costs related to the Coventry closure are expected to be approximately $25 million to $30 million and will be incurred during the remainder of 2002 and in 2003.

We recorded additional restructuring and other infrequent expenses of $2.2 million during the six months ended June 30, 2002. The expenses primarily related to severance, lease termination and other exit costs associated with the rationalization of our European engineering and marketing personnel as well as the restructuring of our North American information systems function. The $1.7 million of 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, we announced plans to rationalize certain facilities as part of the Ag-Chem acquisition integration. We consolidated our Willmar, Minnesota manufacturing facility and Ag-Chem's Benson, Minnesota manufacturing facility into Ag-Chem's Jackson, Minnesota manufacturing plant. In addition, we closed Ag-Chem's Minnetonka, Minnesota administrative offices and relocated all functions to the Jackson facility. We also closed fifteen parts and service facilities and integrated parts warehousing and logistics into our North American parts distribution system.

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

	Reserve Balance at December 31, 2001	2002 Expense	Expenses Incurred	Reserve 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, we 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 our 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, we permanently closed our combine manufacturing facility in Independence, Missouri and our Lockney, Texas and Noetinger, Argentina implement manufacturing facilities. In 1999, we permanently closed our Coldwater, Ohio manufacturing facility. The majority of production in these facilities has been relocated to existing AGCO facilities or outsourced to third parties. We did not record any additional restructuring and other infrequent expenses in 2002 related to these closures. We 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 2005.

LIQUIDITY AND CAPITAL RESOURCES

Our financing requirements are subject to variations due to seasonal changes in inventory and dealer receivable levels. Internally generated funds are supplemented when necessary from external sources, primarily our revolving credit facility and accounts receivable securitization facilities.

Our primary financing and funding sources are the $250.0 million 8 1/2% Senior Subordinated Notes due 2006, the $250.0 million 9 1/2% Senior Notes due 2008, a $350.0 million revolving credit facility and approximately $419.0 million of accounts receivable securitization facilities in the U.S., Canada and Europe.

The $350.0 million multi-currency revolving credit facility with Rabobank matures October 2005. The facility is secured by a majority of our U.S., Canadian and U.K. based assets and a pledge of the stock of our domestic and material foreign subsidiaries. Interest accrues on borrowings outstanding under the facility, at our option, at either (1) LIBOR plus a margin based on a ratio of our senior debt to EBITDA, as adjusted, or (2) the administrative agent's base lending rate or the federal funds rate plus a margin ranging between .625% and 1.5%, whichever is higher. The facility contains covenants, including covenants restricting the incurrence of indebtedness and the making of restrictive payments, including dividends. In addition, we must fulfill financial covenants including, among others, a total debt to EBITDA ratio, a senior debt to EBITDA ratio and a fixed charge coverage ratio, as defined in the facility. As of June 30, 2002, we had borrowings of $179.4 million and availability to borrow $164.3 million under the revolving credit facility. On March 14, 2002 we amended our revolving credit facility agreement to allow the LTIP cash expense to be recorded evenly over four quarters for purposes of calculating EBITDA under certain financial covenants.

The $250.0 million of 9 1/2% Senior Notes due 2008 (the "Senior Notes") were issued in 2001. The Senior Notes are unsecured obligations and are redeemable at our option, in whole or in part, commencing May 1, 2005 initially at 104.75% of their principal amount, plus accrued interest, declining to 100% of their principal amount plus accrued interest on May 1, 2007. The indenture governing the Senior Notes requires us to offer to repurchase the Senior Notes at 101% of their principal amount, plus accrued interest to the date of the repurchase in the event of a change in control. The indenture contains certain covenants that, among other things, limits our ability (and that of our restricted subsidiaries) to incur additional indebtedness; make restricted payments (including dividends and share repurchases); make investments; guarantee indebtedness; create liens; and sell assets and share repurchases.

The $250.0 million of 81/2% Senior Subordinated Notes due 2006 (the "Senior Subordinated Notes") were issued in 1996 at 99.139% of their principal amount. The Senior Subordinated Notes are unsecured obligations and are redeemable at our option, in whole or in part, at any time at 102.125% of their principal amount, plus accrued interest, until March 15, 2003, after which they become redeemable at 100% of their principal amount, plus accrued interest. The Senior Subordinated Notes include certain covenants restricting the incurrence of indebtedness and the making of certain restrictive payments, including dividends.

Under our securitization facilities, we sell accounts receivable on a revolving basis to commercial paper conduits either on a direct basis or through a wholly owned special purpose entity. As of June 30, 2002, funding under securitization facilities totaled $389.5 million, which has the effect of reducing accounts receivable and short-term liabilities by the same amount. Our risk of loss under the securitization facilities is limited to the unfunded balance of receivables sold which is approximately 15% of the funded amount. We maintain reserves for doubtful accounts associated with this risk. If the facilities were terminated, we would not be required to repurchase previously sold receivables but would be prevented from selling additional receivables.

Our working capital requirements are seasonal, with investments in working capital typically building in the first half of the year and then reducing in the second half of the year. We had $663.2 million of working capital at June 30, 2002, an increase of $123.5 million from working capital of $539.7 million at December 31, 2001. Accounts receivable and inventory combined were $212.8 million higher than at the end of December 2001 primarily due to the Challenger acquisition, seasonal working capital requirements and currency translation.

Cash flow used for operating activities was $75.3 million for the six months ended June 30, 2002 compared to a source of $48.8 million for the same period during 2001. In 2001, operating cash flow benefited from the initial funding of our Canadian and European securitization facilities which generated approximately $150.0 million of incremental cash flow from the sales of accounts receivable. Excluding this impact in 2001, operating cash flow improved in 2002 compared to 2001.

Capital expenditures for the first six months of 2002 were $18.1 million compared to $12.5 million for the same period in 2001. We anticipate that our capital expenditures for the full year of 2002 will range from approximately $45 million to $55 million and will primarily be used to support the development and enhancement of new and existing products as well as facility, equipment and systems improvements.

Our debt to capitalization ratio (total long-term debt divided by the sum of total long-term debt and stockholders' equity) was 45.8% compared to 43.6% at December 31, 2001. The increase is primarily attributable to higher debt incurred to fund seasonal working capital requirements.

We believe that available borrowings under our revolving credit facility, funding under the accounts receivable securitization facilities, available cash and internally generated funds will be sufficient to support our working capital, capital expenditures and debt service requirements for the foreseeable future.

We will from time to time, review and will continue to review acquisition and joint venture opportunities as well as changes in the capital markets. If we were to consummate a significant acquisition or elect to take advantage of favorable opportunities in the capital markets, we may supplement availability or revise the terms under our credit facilities or complete public or private offerings of equity or debt securities.

OUTLOOK

Worldwide retail demand is expected to be relatively flat in 2002 as compared to 2001. In light of these industry conditions, we expect to generate sales growth from the impact of the new Challenger product line introduction, a full year impact of Ag-Chem, and the strengthening of the Euro dollar. Earnings before extraordinary losses and the cumulative effect of accounting changes in 2002 are expected to be above 2001 due to the impact of increased sales and improved gross margins. The impact of the Challenger product line introduction in 2002 is expected to be slightly negative to earnings in 2002 because the track-type tractor was not sold until the second quarter and the complementary Challenger products will not be fully available in 2002. Restricted stock compensation expense is expected to be approximately $29.1 million, or $0.25 per share, based on grants and awards earned to date. Additional restricted shares can be earned upon further increases in our stock price that would result in additional expense. Restructuring expenses are expected to be in the range of $35.0 to $40.0 million and primarily relate to the Coventry facility and staff rationalization actions.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, management evaluates estimates, including those related to reserves, intangible assets, income taxes, derivative financial instruments and contingencies. Management bases these estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. A description of critical accounting policies and related judgment and estimates that affect the preparation of the consolidated financial statements is set forth in the Annual Report on Form 10-K for the year ended December 31, 2001.

ACCOUNTING CHANGES

On January 1, 2002, we adopted SFAS No. 142. 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 our reporting units and 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 our reporting units.

The goodwill in each of our segments was tested for impairment as of January 1, 2002 as required by SFAS No. 142. We 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, we determined that goodwill associated with our Argentine and North American reporting units was impaired. As a result, we 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.

In July 2001, the FASB also issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation for the amount recorded or incurs a gain or loss. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. We are evaluating the effect of this statement on our results of operations and financial position, but do not believe the impact will be material.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 supersedes FASB statement No. 121. "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121"), and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB Opinion No. 30") for the disposal of a segment of business (as previously defined in APB Opinion No. 30). The FASB issued SFAS No. 144 to establish a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale. SFAS No. 144 broadens the presentation of discontinued operations in the statement of operations to include a component of an entity (rather than a segment of a business). A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. SFAS No. 144 also requires that discontinued operations be measured at the lower of the carrying amount or fair value less cost to sell. We adopted SFAS No. 144 effective January 1, 2002. The adoption of this standard had no impact on our current results of operations or financial position.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections" ("SFAS No. 145"). SFAS No. 145 eliminates the requirement under SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", to report gains and losses from extinguishments of debt as extraordinary items in the income statement. Accordingly, gains or losses from extinguishments of debt for fiscal years beginning after May 15, 2002 shall not be reported as extraordinary items unless the extinguishment qualifies as an extraordinary item under the provisions of APB Opinion No. 30. Upon adoption of SFAS No. 145, any gain or loss on extinguishment of debt previously classified as an extraordinary item in prior periods presented that does not meet the criteria of APB Opinion No. 30 for such classification should be reclassified to conform with the provisions of SFAS No. 145. SFAS No. 145 also amends SFAS No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. In addition, this Statement amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. We are evaluating the effect of this statement on our results of operations and financial position, but do not believe the impact will be material.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost as defined in the Issue was recognized at the date of an entity's commitment to an exit plan. Therefore, SFAS No. 146 eliminates the definition and requirements for recognition of exit costs in EITF Issue No. 94-3, and also establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 is effective for all exit or disposal activities that are initiated after December 31, 2002. SFAS No. 146 does not impact our current restructuring plans including the closure of the Coventry, England manufacturing facility. We will comply with SFAS No. 146 for any future exit or disposal activities.

FORWARD LOOKING STATEMENTS

Certain statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report are forward looking, including certain statements set forth under the headings "Results of Operations," "Liquidity and Capital Resources" and "Outlook." Forward looking statements include our expectations with respect to factors that affect industry conditions, net sales and income, restructuring and other infrequent expenses, impairment charges, future capital expenditures, fulfillment of working capital needs, and plans with respect to acquisitions. Although we believe that the statements we have made are based on reasonable assumptions, they are based on current information and beliefs and, accordingly, we can give no assurance that our statements will be achieved. In addition, these statements are subject to factors that could cause actual results to differ materially from those suggested by the forward looking statements. These factors include, but are not limited to, general economic and capital market conditions, the demand for agricultural products, world grain stocks, crop production, commodity prices, farm income, farm land values, government farm programs and legislation, pervasive livestock diseases, the levels of new and used field inventories, weather conditions, interest and foreign currency exchanges rates, the conversion to the Euro, pricing and product actions taken by competitors, customer access to credit, production disruptions, supply and capacity constraints, cost reduction and control initiatives, research and development efforts, labor relations, dealer and distributor actions, technological difficulties, changes in environmental, international trade and other laws, and political and economic uncertainty in various areas of the world. Further information concerning factors that could significantly affect our results is included in our filings with the Securities and Exchange Commission. We disclaim any responsibility to update any forward looking statements.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN CURRENCY RISK MANAGEMENT

We have significant manufacturing operations in the United States, the United Kingdom, France, Germany, Denmark and Brazil, and we purchase a portion of our tractors, combines and components from third party foreign suppliers, primarily in various European countries and in Japan. We also sell products in over 140 countries throughout the world. The majority of our revenue outside the United States is denominated in the currency of the customer location with the exception of sales in the Middle East, Africa and Asia which is primarily denominated in British pounds, Euros or U.S. dollars. Our most significant transactional foreign currency exposures are (i) the British pound in relation to the Euro and the U.S. dollar and (ii) the Euro and the Canadian dollar in relation to the U.S. dollar. Fluctuations in the value of foreign currencies create exposures, which can adversely affect our results of operations.

We attempt to manage our transactional foreign exchange exposure by hedging identifiable foreign currency cash flow commitments arising from receivables, payables, and committed purchases and sales. Where naturally offsetting currency positions do not occur, we hedge certain of our exposures through the use of foreign currency forward contracts. Our hedging policy prohibits foreign currency forward contracts for speculative trading purposes. Our translation exposure resulting from translating the financial statements of foreign subsidiaries into U.S. dollars is not hedged. Our most significant translation exposures are the British pound, the Euro and the Brazilian real in relation to the U.S. dollar. When practical, this translation impact is reduced by financing local operations with local borrowings.

In the first six months of 2002, the Argentine Peso incurred a significant devaluation resulting from a severe economic crisis in the Argentina. Our operations in Argentina are limited to the distribution of farm equipment and replacement parts sourced from our manufacturing operations in Brazil or third party suppliers. The devaluation resulted in a negative foreign currency translation adjustment to stockholders’ equity of $37.6 million as of December 31, 2001 and an additional $22.3 million in the first six months of 2002. As of June 30, 2002, we had assets of approximately $28.2 million and liabilities of $12.4 million in our Argentina subsidiary.

For additional information, see our most recent annual report filed on Form 10-K (Item 7A). There has been no material change in this information.

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PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's annual meeting of Stockholders was held on April 25, 2002. The following matters were voted upon and the results of the voting were as follows:

(1) To elect three directors to serve as Class I directors until the annual meeting in 2005 or until their successors have been duly elected and qualified. The nominees, Messrs. Deml, Loehnis and Momot were elected to the Company's board of directors. The results follow:

Nominee	Affirmative Votes	Withheld Votes
Wolfgang Deml	64,556,827	1,601,174
Anthony D. Loehnis	65,208,816	949,185
David E. Momot	64,728,671	1,429,330

(2) To approve the Amended and Restated Certificate of Incorporation of AGCO Corporation.

There were 63,959,264 votes in favor, 2,162,217 votes opposed and 36,520 votes abstained.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

3.1 Amended and Restated Certificate of Incorporation of AGCO Corporation.

10.1 First Amendment to Credit Agreement dated as of March 14, 2002, among the Company and its subsidiaries named therein, Cooperatieve Centrale Raffeisen- Boerenleenbank B.A. and the lenders named therein.

10.2 Employment Agreement between Andrew H. Beck and AGCO Corporation dated June 1, 2002.*

(b) Reports on Form 8-K

During the fiscal quarter ended June 30, 2002, we filed a Current Report on Form 8-K/A dated April 4, 2002 which amended the Form 8-K we filed on March 5, 2002 relating to an acquisition of assets from Caterpillar Agricultural Products, Inc. In the Form 8-K/A, we reported information under Items 2 and 7.

During the fiscal quarter ended June 30, 2002, we filed a Current Report on Form 8-K dated April 24, 2002 relating to a change in our certifying accountant. In the Form 8-K, we reported information under Item 4.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AGCO CORPORATION
Registrant

Date: August 14, 2002 /s/ Andrew H. Beck

Andrew H. Beck
Sr. Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
AGCO CORPORATION
(REFLECTING AMENDMENTS THROUGH APRIL 25, 2002)

AGCO Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name under which the corporation was originally incorporated was AGCO Holding Corporation. The date of filing of its original Certificate of Incorporation with the Secretary of State was April 22, 1991.

2. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of Delaware.

3. The Certificate of Incorporation of the Corporation, as amended or supplemented heretofore, is hereby amended and restated by this Amended and Restated Certificate of Incorporation to read in full as follows:

FIRST: The name of the corporation is AGCO Corporation.

SECOND: The address of the corporation's registered office in the state of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, and the name of the registered agent thereat is The Corporation Trust Company.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of all classes of stock which the corporation is authorized to issue is 151,000,000, of which 1,000,000 shares, having a par value of $.01 per share, will be Preferred Stock and 150,000,000 shares, having a par value of $.01 per share will be Common Stock.

The designations and the powers, preferences and rights and the qualifications, limitations or restrictions in respect of the shares of each class of stock will be as follows:

(a) Voting Rights.

The holders of the Common Stock shall have the exclusive voting power for all purposes and the holders of the Preferred Stock shall have no voting rights or voice whatsoever in the affairs or management of the corporation or the right to notice of any meeting of stockholders, except (i) as set forth in Annex A hereto with respect to the corporation's Junior Cumulative Preferred Stock, (ii) as may be set forth in the resolution or resolutions of the Board of Directors which may be hereafter adopted pursuant to Section 4(b) below, or (iii) as specifically required by law.

On all matters to be voted or acted upon by the stockholders, each holder of the Common Stock will be entitled to one vote for each share of such stock held of record in the holder's name on the books of the corporation at the time determined according to law, and each holder of Preferred Stock will be entitled to such vote, if any, as may be specified by the Board of Directors pursuant to Section 4(b) below.

(b) Terms of Preferred Stock.

Except as otherwise provided herein or by law, the Board of Directors of the corporation is expressly authorized to provide for the issuance of all or any shares of Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights, and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series and as may be permitted by the General Corporation Law of the State of Delaware, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at any such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such time, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the corporation at such price or prices or at such rates of exchange and with such adjustments, all as may be stated in such resolution or resolutions.

(c) Junior Cumulative Preferred Stock. The corporation's certificate of incorporation shall include the provisions set forth in Annex A, which provisions contain the terms of the corporation's Junior Cumulative Preferred Stock, which provisions were filed with the Secretary of State on May 3, 1994, in a Certificate of Designations.

FIFTH: The number of directors of the corporation shall be such as from time to time may be fixed by, or in the manner provided in, the By-laws, but in no case shall the number be less than the minimum number authorized by the laws of Delaware. Directors need not be stockholders. The elections of directors need not be by ballot.

SIXTH: A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the Director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law hereafter is amended to authorize the further elimination or limitation of the liability of directors, then, in addition to the limitation on personal liability provided herein, the liability of a director of the corporation shall be limited to the fullest extent permitted by the amended Delaware General Corporation Law. Any repeal or modification of this paragraph by the stockholders of the corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director or the corporation existing at the time of such repeal or modification.

SEVENTH: The Board of Directors shall have the power to make, alter and amend the By-laws, subject only to such limitations, if any, as the By-laws of the corporation may from time to time impose.

EIGHTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation or any amendment hereto in the manner now or hereafter prescribed by law, and all rights conferred on the stockholders hereunder are granted subject to this reservation.

4. This Amended and Restated Certificate of Incorporation was duly executed, acknowledged, and filed in accordance with Section 103 of the Delaware General Corporation Law.

5. This Amended and Restated Certificate of Incorporation shall be effective on the date of filing.

IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated Certificate of Incorporation this 30th day of April, 2002.

AGCO Corporation

/s/ Stephen D. Lupton

By: Stephen D. Lupton

Its: Senior Vice President and General Counsel

ATTEST:

/s/ Lynnette D. Schoenfeld

By: Lynnette D. Schoenfeld

Its: Assistant Secretary

JUNIOR CUMULATIVE PREFERRED STOCK OF AGCO CORPORATION

There is hereby established a series of the authorized preferred stock of the Corporation having a par value of $.0l per share, which series shall be designated as "Junior Cumulative Preferred Stock," shall consist of three hundred thousand (300,000) shares and shall have the following designations, preferences, limitations and relative rights, which sometimes are referred to herein as this "resolution":

1. Certain Definitions. Unless the context otherwise requires, the terms defined in this Paragraph 1 shall have, for all purposes of this resolution, the meanings herein specified:

(a) "Board of Directors" shall mean the Board of Directors of the Corporation and, to the extent permitted by law, any committee of the Board of Directors authorized to exercise the powers of the Board of Directors.

(b) "Common Stock" shall mean the common stock, par value one one-hundredth of one dollar ($.0l) per share, of the Corporation, which term shall include, where appropriate, in the case of a reclassification, recapitalization or other changes in such Common Stock, or in the case of a consolidation or merger of this Corporation with or into another corporation, such consideration to which a holder of a share of Common Stock would have been entitled upon the occurrence of such event.

(c) "Junior Preferred Stock" shall mean the three hundred thousand (300,000) shares of Junior Cumulative Preferred Stock, par value $.0l per share, of the corporation.

(d) "Junior Stock" shall mean the Common Stock and any other class or series of stock of the Corporation not entitled to receive any dividends unless all dividends required to have been paid or declared and set apart for payment on the Junior Preferred Stock and any Parity stock shall have been so paid or declared and set apart for payment and, for purposes of Paragraph 3 below, shall mean any class or series of stock of the Corporation not entitled to receive any assets upon liquidation, dissolution or winding up of the affairs of the Corporation until the Junior Preferred Stock and any Parity Stock shall have received the entire amount to which such stock is entitled upon such liquidation, dissolution or winding up.

(e) "Parity Stock" shall mean any class or series of stock of the Corporation entitled to receive payment of dividends on a parity with the Junior Preferred Stock or entitled to receive assets upon liquidation, dissolution or winding up of the affairs of the corporation on a parity with the Junior Preferred Stock.

(f) "Rights Declaration Date" shall mean April 27, 1994.

(g) "Semiannual Dividend Payment Date" shall mean the first day of March and September in each year.

(h) "Senior Stock" shall mean any class or series of stock of the Corporation ranking senior to the Junior Preferred Stock and to any Parity Stock in respect of the right to receive dividends or in respect of the right to participate in any distribution upon liquidation, dissolution or winding up of the affairs of the Corporation.

2. Dividend and Distributions. (A) Subject to the prior preferences and other rights of any Senior Stock, the holders of shares of Junior Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, semiannual dividends payable in cash at the rate hereinafter fixed in this Paragraph 2 on each Semiannual Dividend Payment Date, commencing on the first Semiannual Dividend Payment Date after the first issuance of any shares or fractions of a share of Junior Preferred Stock. Semiannual dividends on the Junior Preferred Stock shall be payable to holders of record of the Junior Preferred Stock on the respective date not exceeding 50 days preceding such Semiannual Dividend Payment Date as shall be fixed for this purpose by the Board of Directors, in an amount per share (rounded to the nearest cent) equal to the greater of (i) five one-hundredths of one dollar ($.05) or (ii) subject to the

provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding semiannual Dividend Payment Date, or, with respect to the first semiannual Dividend Payment Date, since the first issuance of any share or fraction of a share of Junior Preferred Stock. In the event the Corporation shall at any time after the Rights Declaration Date (a) declare any dividend on Common Stock payable in shares of Common Stock, (b) subdivide the outstanding Common Stock, or (c) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) No dividend or other distribution may be declared or paid on the Common Stock (other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock) unless, coincidentally with the declaration of such dividend or such other distribution, the dividend payable on the Junior Preferred Stock pursuant to clause (ii) of subparagraph (A) above is declared and the consideration sufficient for the payment thereof set apart from funds legally available therefor so as to be available then and on the next Semiannual Dividend Payment Date for the payment in full thereof and for no other purpose. In the event no dividend or distribution shall have been declared on the Common Stock during the period between any Semiannual Dividend Payment Date and the next subsequent Semiannual Dividend Payment Date, a dividend of five one-hundredths of one dollar ($.05) per share on the Junior Preferred Stock shall nevertheless be payable on such subsequent Semiannual Dividend Payment Date.

(C) Dividends on each outstanding share of Junior Preferred Stock shall begin to accrue and be cumulative from the Semiannual Dividend Payment Date next following the respective date of issuance of such share unless the date of such issuance is a Semiannual Dividend Payment Date, in which case dividends shall accrue and be cumulative from the date of issuance.

(D) The holders of shares of the Junior Preferred Stock shall not be entitled to receive any dividends thereon other than the cash dividends specified in this Paragraph 2. Unpaid dividends shall be cumulative and shall accrue, whether or not declared by the Board of Directors, until the date such dividends are paid. Accrued but unpaid dividends on the Junior Preferred stock shall not bear interest. Dividends on account of arrears for any past dividend periods may be declared and paid at any time, without reference to any Semiannual Dividend Payment Date, to holders of record of the Junior Preferred Stock on such date, not more than fifty (50) days preceding the payment date thereof, as may be fixed by the Board of Directors.

(E) So long as any shares of Junior Preferred Stock shall be outstanding, the Corporation shall not declare or pay on any Junior Stock any dividend in cash or property of any sort, nor shall the Corporation make any distribution on any Junior Stock, or set aside any assets for any such purposes, nor shall any Junior Stock be purchased, redeemed or otherwise acquired by the corporation or any of its subsidiaries, nor shall any monies be paid, set aside for payment or made available for a sinking fund for the purchase or redemption of any Junior Stock, unless and until all dividends to which the holders of the Junior Preferred Stock and any Parity Stock have been entitled for all current and all previous dividend periods have been paid or declared and the consideration sufficient for the payment thereof set apart so as to be available for the payment thereof and for no other purpose; provided, however, that nothing contained in this subparagraph (E) shall prevent the payment of dividends solely in Junior Stock or the repurchase, redemption or other acquisition solely through the issuance of Junior Stock.

3. Distributions Upon Liquidation, Dissolution or Winding Up. Subject to the prior payment in full of the preferential amounts to which a Senior Stock is entitled, in the event of any liquid on, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of shares of the Junior Preferred Stock shall be entitled to receive from the assets of the Corporation available for distribution to the

shareholders the sum of two hundred dollars ($200) per share, together with the amount of all cumulative dividends accrued and unpaid thereon to and including the date of such liquidation, dissolution or winding up, before any payment or distribution shall be made to the holders of any Junior Stock of the Corporation, which payment shall be made paripassu to any such payment made to the holders, if any, of any Parity Stock. The holders of the Junior Preferred Stock shall be entitled to no other or further distribution of or participation in any remaining assets of the Corporation after receiving the liquidation price described above. If, upon distribution of the Corporation's assets in liquidation, dissolution or winding up, the assets of the Corporation to be distributed among the holders of the Junior Preferred Stock and to all holders of any Parity Stock shall be insufficient to permit payment in full to such holders of the preferential amounts to which they are entitled, then the entire assets of the Corporation to be distributed to holders of the Junior Preferred Stock and such Parity Stock shall be distributed pro rata to such holders based upon the aggregate of the full preferential amounts to which the shares of Junior Preferred Stock and such Parity Stock would otherwise respectively be entitled. Neither the consolidation nor merger of the Corporation with or into any other corporation or corporations nor the sale, transfer, or lease of all or substantially all the assets of the Corporation shall itself be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Paragraph 3.

4. Voting Rights. (A) Except as otherwise expressly provided in this Paragraph 4 or as otherwise required by law, the holders of shares of Junior Preferred Stock shall vote together with the holders of the Common Stock (and the holders of any other class or series of the Corporation's stock entitled to vote with the holders of the Common Stock) as a single class for the election of directors and on all other matters coming before any meeting of the shareholders of the Corporation or otherwise to be acted upon by the shareholders of the Corporation, subject to any voting rights granted or which may be granted to holders of any other class or series of the preferred stock of the Corporation. Each share of Junior Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the shareholders of the Corporation.

(B) In addition to the voting rights set forth above, if and when dividends payable on the Junior Preferred Stock shall be in arrears in an amount equivalent to or exceeding three (3) full semiannual dividends thereon, whether or not consecutive, the holders of shares of the Junior Preferred Stock, voting separately as a class, shall be entitled to elect two directors to the Board of Directors. Directors so elected shall thereupon become additional directors of the Corporation and the authorized number of directors of the Corporation shall thereupon be automatically increased by such number. During such times that the holders of the Junior Preferred Stock, voting as a class, shall be entitled to elect such additional directors as provided herein, the holders of the Junior Preferred Stock shall not be entitled to participate in the election of any other directors with the holders of shares of the Common Stock or any other class or classes of stock who are entitled to vote for the election of directors.

Such right of the holders of shares of the Junior Preferred Stock who are entitled to vote in such manner to elect such additional directors may be exercised until all dividends in default on the Junior Preferred Stock shall have been paid or declared and the consideration sufficient for the payment in full thereof set apart so as to be available for the payment thereof and for no other purpose; when said dividends shall have been so paid or declared and set apart such right to elect two directors shall terminate, subject to the vesting of such voting rights in the event of any such future default or defaults in the payment of dividends. Whenever the holders of shares of the Junior Preferred Stock who are entitled to vote in such manner shall be divested of such voting rights by reason of the payment or the declaration and setting apart of consideration sufficient for the payment in full of the dividends then in default, the terms of office of the directors elected as such by the holders of shares of the Junior Preferred Stock shall forthwith terminate and the number of the directors of the corporation shall be reduced correspondingly.

At any time after such voting rights shall so have vested in the holders of shares of the Junior Preferred Stock who are entitled to vote in such manner, the Secretary of the Corporation may, and upon the written request of the holders of record of not less than seventy-five percent (75%) of the outstanding shares of Junior Preferred Stock, addressed to him at the principal office of the Corporation, shall, call a special meeting of the holders of shares of the Junior Preferred Stock who are entitled to vote in such manner for the election of the directors to be elected by them, such meeting to be held within ten (10) days after the earlier of such call or the delivery of such request and at the place and upon the notice provided by the By-laws of the Corporation for the holding of meetings of shareholders, except that the Secretary of the Corporation shall not be required to call such a special meeting if the request for such call is received less than forty-five (45) days prior to the date fixed for the next annual meeting of shareholders.

5. Consolidation, Merger, Etc. In case the Corporation shall enter into an consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Junior Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to one hundred (100) times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Junior Preferred Stock shall be adjusted by multiplying such amount (as such amount may have been previously adjusted by reason of the prior occurrence(s) of any such events) by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

6. Reacquired Shares. Any shares of Junior Preferred Stock purchased or otherwise acquired by the corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock to be created by amendment of the Certificate of Incorporation adopted by resolution of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

7. Preemptive Rights. The holders of shares of the Junior Preferred Stock shall not have any preemptive right to subscribe for or purchase any shares of stock or any other securities which may be issued by the Corporation.

8. No Redemption. The shares of Junior Preferred Stock shall not be redeemable.

9. Amendment. Without the consent of the holders of at least seventy-five percent (75%) of the shares of Junior Preferred Stock at the time outstanding, either in writing or by vote at a meeting called for that purpose at which the holders of the Junior Preferred Stock shall vote as a class, neither the Certificate of Incorporation nor any resolution of the Board of Directors establishing and designating a series of preferred stock and determining the relative rights and preferences thereof shall be changed so as to alter in an adverse manner the designations, preferences, limitations and rights of holders of the Junior Preferred Stock.

10. Fractional Shares. The Junior Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Junior Preferred Stock.

11. Exclusion of Other Rights. Except as may otherwise be required by law, the shares of Junior Preferred Stock shall not have any designations, preferences, limitations or relative rights, other than those specifically set forth in the Certificate of Incorporation.

12. Headings of Subdivisions. The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

13. Severability of Provisions. If any right, preference or limitation of the Junior Preferred Stock set forth in this resolution (as such resolution may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other rights, preferences and limitations set forth in this Paragraph (as so amended) which can be given effect without the invalid, unlawful or unenforceable right, preference or limitation shall, nevertheless, remain in full force and effect, and no right, preference or limitation herein set forth shall be deemed dependent upon any other such right, preference or limitation unless so expressed herein.

EXHIBIT 10.1

FIRST AMENDMENT TO CREDIT AGREEMENT

This First Amendment to Credit Agreement (this "Amendment") dated as of March 14, 2002, by and among AGCO CORPORATION, a Delaware corporation ("AGCO"), the Subsidiaries of AGCO signatory hereto (together with AGCO, each referred to herein collectively as the "Borrowers" and individually as a "Borrower"); the banks, financial institutions and other institutional lenders party to the Credit Agreement (as defined below) (the "Lenders"); COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., "RABOBANK NEDERLAND", CANADIAN BRANCH, as Canadian administrative agent for the Canadian Facility Lenders (the "Canadian Administrative Agent"), and COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., "RABOBANK NEDERLAND", NEW YORK BRANCH, as administrative agent for the Lenders (the "Administrative Agent");

WITNESSETH:

WHEREAS, the Borrowers, the Administrative Agent, the Canadian Administrative Agent and the Lenders are parties to that certain Credit Agreement dated as of April 17, 2001 (the "Credit Agreement"); and

WHEREAS, the Borrowers have requested that certain terms and conditions of the Credit Agreement be amended, and the Lenders, the Canadian Administrative Agent and the Administrative Agent have agreed to the requested amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree that all capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Credit Agreement, and further agree as follows:

SECTION 1. Amendments to Section 1.1.

(a) Section 1.1 of the Credit Agreement, Certain Defined Terms, is hereby amended by deleting the definition of "Consolidated EBITDA" set forth therein in its entirety and inserting the following in lieu thereof:

> ""Consolidated EBITDA" means, for any period, (a) Consolidated Net Income (or net loss) for such period, plus (b) Consolidated Net Interest Expense for such period and all of the following amounts deducted in arriving at such Consolidated Net Income: (i) amounts in respect of taxes imposed on or measured by income or excess profits (other than income taxes (either positive or negative) attributable to extraordinary and non-recurring gains or losses on sales of assets,

to the extent such gains or losses are not included in the definition of Consolidated Net Income), (ii) depreciation and amortization expense, (iii) restructuring and other infrequent expenses, (iv) losses under any Securitization Facility incurred in connection with the initial transfer of Receivables thereunder, (v) in respect of any calculation including the fiscal quarter ending March 31, 2001, the aggregate amount of consent fees and the solicitation agent fee paid by AGCO in March 2001 in connection with the Subordinated Note Indenture, and (vi) all other non-cash items reducing Consolidated Net Income (other than items that will require cash payments and for which an accrual or reserve is, or is required by GAAP to be, made), minus (c) all non-cash items increasing Consolidated Net Income, all as determined in accordance with GAAP; PROVIDED, HOWEVER, SOLELY FOR PURPOSES OF CALCULATING COMPLIANCE WITH THE FINANCIAL COVENANTS SET FORTH IN SECTION 7.19 (A), (B) AND (C) HEREOF (AND NOT FOR PURPOSES OF CALCULATING THE SENIOR DEBT RATIO AS USED IN THE DEFINITION OF "APPLICABLE MARGIN" OR FOR ANY OTHER PURPOSE), THE AMOUNT OF CONSOLIDATED EBITDA OTHERWISE OBTAINED HEREUNDER SHALL BE ADJUSTED TO REFLECT THE AMORTIZATION OF LTIP EXPENSE IN FOUR EQUAL QUARTERLY INSTALLMENTS, COMMENCING WITH THE FISCAL QUARTER DURING WHICH SUCH LTIP EXPENSE IS DEDUCTED IN ARRIVING AT CONSOLIDATED NET INCOME AND CONTINUING FOR EACH OF THE THREE CONSECUTIVE FISCAL QUARTERS THEREAFTER. Upon the consummation of the Merger, for purposes of calculating "Consolidated EBITDA" hereunder for any quarter during which the financial performance of Target was not consolidated with AGCO, "Consolidated EBITDA" shall be calculated by giving pro forma effect to the Merger as if the Merger has occurred as of the first day of such quarter and, in connection with such calculation for any period including the fiscal quarters ending September 30, 2000 and December 31, 2000, the product recall expenses of Target incurred during such quarters shall be included as "other infrequent expenses" hereunder."

(b) Section 1.1 of the Credit Agreement, Certain Defined Terms, is hereby further amended by adding the following definition of "LTIP Expense" in appropriate alphabetical order thereto:

""LTIP Expense" means, for any fiscal quarter beginning on or after January 1, 2002, the cash expense arising from cash bonuses paid by AGCO to senior management participants in AGCO's Long-Term Incentive Plan in connection with the vesting of AGCO Stock in favor of such participants. "

SECTION 2. Representations and Warranties. Each of AGCO and the other Borrowers represents and warrants as follows:

(a) The execution, delivery and performance by each Borrower of this Amendment and the other transactions contemplated hereby, are within such Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene such Borrower's charter or by-laws; (ii) violate any Applicable Law (including, without limitation, to the extent applicable, the Securities Exchange Act of 1934, the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970 and any similar statute); (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Borrower, any of its Subsidiaries or any of their properties (including the Material Contracts, the Senior Note Documents and the Subordinated Note Documents); or (iv) except for the Liens created under the Security Documents, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Borrower or any of its Subsidiaries;

(b) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body or any other third party is required for the due execution, delivery, recordation, filing or performance by any Borrower of this Amendment and each other Loan Document contemplated hereby to which it is or is to be a party, or for the consummation of the transactions contemplated hereby;

(c) This Amendment and each other document required to be delivered by a Borrower hereunder has been duly executed and delivered by each Borrower thereto, and constitutes the legal, valid and binding obligation of each Borrower thereto, enforceable against such Borrower in accordance with its terms;

(d) The representations and warranties contained in Article 4 of the Credit Agreement, and in each of the other Loan Documents, are true and correct on and as of the date hereof as though made on and as of such date, other than any such representations and warranties that, by their terms, expressly refer to an earlier date; and

(e) No event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

SECTION 3. Conditions Precedent to Effectiveness of this Amendment. This Amendment shall be effective as of the date first set forth above when the Administrative Agent shall have received, in form and substance satisfactory to it:

(a) This Amendment, duly executed by the Borrowers, the Administrative Agent and the Required Lenders; and

(b) Such other documents, instruments, and information executed and/or delivered by the Borrowers as the Administrative Agent may reasonably request.

SECTION 4. Reference to and Effect on the Credit Agreement. Upon the effectiveness of this Amendment as set forth in Section 3 hereof, on and after the date hereof, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended hereby, and each reference in the Notes and the other Loan Documents to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended hereby.

SECTION 5. Costs, Expenses and Taxes. The Borrowers agree, jointly and severally, to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the fees and expenses of counsel for the Administrative Agent with respect thereto).

SECTION 6. No Other Amendments. Except as otherwise expressed herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Agents or the Lenders under the Credit Agreement, or any of the other Loan Documents, nor constitute a waiver of any provision of the Credit Agreement or any of the other Loan Documents. Except for the amendment set forth above, the text of the Credit Agreement and all other Loan Documents shall remain unchanged and in full force and effect and the Borrowers hereby ratify and confirms their respective obligations thereunder. This Amendment shall not constitute a modification of the Credit Agreement or a course of dealing with the Administrative Agent at variance with the Credit Agreement such as to require further notice by the Administrative Agent to require strict compliance with the terms of the Credit Agreement and the other Loan Documents in the future, except as expressly set forth herein. The Borrowers acknowledge and expressly agree that the Agents and the Lenders reserve the right to, and do in fact, require strict compliance with all terms and provisions of the Credit Agreement and the other Loan Documents (in each case as amended hereby).

SECTION 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of a signature page hereto by facsimile transmission shall be as effective as delivery of a manually executed counterpart hereof.

SECTION 8. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws (without giving effect to the conflicts of laws principles thereof) of the State of New York.

SECTION 9. Final Agreement. This Amendment represents the final agreement between the Borrowers, the Administrative Agent, the Canadian Administrative Agent and the Lenders as to the subject matter hereof and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties. The Amendment shall constitute a Loan Document for all purposes.

[The remainder of the page is intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWERS:

AGCO CORPORATION

By: --

Title: -------------------------------------

AG-CHEM EQUIPMENT CO., INC. (f/k/a Agri Acquisition Corp.)

By: --

Title: -------------------------------------

AGCO LIMITED

By: --

Title: -------------------------------------

AGCO S.A.

By: --

Title: -------------------------------------

AGCO INTERNATIONAL LIMITED

By: --

Title: -------------------------------------

[SIGNATURES CONTINUED ON NEXT PAGE]

AGCO HOLDING B.V.

By:

Title:

AGCO VERTRIEBS GMBH

By:

Title:

AGCO GMBH & CO.

By:

Title:

By:

Title:

AGCO CANADA, LTD.

By:

Title:

[SIGNATURES CONTINUED ON NEXT PAGE]

AGENTS AND LENDERS:

COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., "RABOBANK NEDERLAND," NEW YORK BRANCH, as Administrative Agent, a Lender and Multi-Currency Issuing Bank

By: ---------------------------------------

Title: ------------------------------------

By: ---------------------------------------

Title: ------------------------------------

COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., "RABOBANK NEDERLAND," CANADIAN BRANCH, as Canadian Administrative Agent, a Canadian Facility Lender and Canadian Issuing Bank

By: ---------------------------------------

Title: ------------------------------------

By: ---------------------------------------

Title: ------------------------------------

[SIGNATURES CONTINUED ON NEXT PAGE]

CREDIT SUISSE FIRST BOSTON

By:

Title:

By:

Title:

SUNTRUST BANK

By:

Title:

COBANK, ACB

By:

Title:

BEAR STEARNS CORPORATE LENDING INC.

By:

Title:

HSBC BANK USA

By:

Title:

[SIGNATURES CONTINUED ON NEXT PAGE]

NATEXIS BANQUES POPULAIRES

By:

Title:

By:

Title:

U.S. BANK NATIONAL ASSOCIATION

By:

Title:

BANK OF TOKYO-MITSUBISHI, LTD

By:

Title:

CREDIT INDUSTRIEL ET COMMERCIAL

By:

Title:

[SIGNATURES CONTINUED ON NEXT PAGE]

AGFIRST FARM CREDIT BANK,
as a General Syndication Participant

By: ---------------------------------------

Title: ------------------------------------

FARM CREDIT SERVICES OF AMERICA, PCA, as a General Syndication Participant

By: ---------------------------------------

Title: ------------------------------------

EXHIBIT 10.2

EMPLOYMENT AND SEVERANCE AGREEMENT

This Employment and Severance Agreement (the "Agreement") entered into this First day of June, 2002, by and between AGCO CORPORATION, a Delaware corporation (the "Company"), and Andrew H. Beck (the "Executive"),

WITNESSETH:

In consideration of the mutual covenants and agreements hereinafter set forth, the Company and the Executive do hereby agree as follows:

1. EMPLOYMENT.

(a) The Company hereby employs the Executive and the Executive hereby agrees to serve the Company on the terms and conditions set forth herein.

(b) The employment term shall commence on June 1, 2002 and shall continue in effect until terminated in accordance with Section 5 or any other provision of the Agreement.

2. POSITION AND DUTIES.

The Executive shall serve as an Executive Officer of the Company and shall perform such duties and responsibilities as may from time to time be prescribed by the Company's board of directors (the "Board"), provided that such duties and responsibilities are consistent with the Executive's position. The Executive shall perform and discharge faithfully, diligently and to the best of his/her ability such duties and responsibilities and shall devote all of his/her working time and efforts to the business and affairs of the Company and its affiliates.

3. COMPENSATION.

(a) BASE SALARY. The Company shall pay to the Executive an annual base salary ("Base Salary") of One Hundred Ninety Four Thousand Three Hundred Eighteen Dollars ($194,318), payable in equal semi-monthly installments throughout the term of such employment subject to Section 5 hereof and subject to applicable tax and payroll deductions. The Company shall consider increases in the Executive's Base Salary annually, and any such increase in salary implemented by the Company shall become the Executive's Base Salary for purposes of this Agreement.

(b) INCENTIVE COMPENSATION. Provided Executive has duly performed his/her obligations pursuant to this Agreement, the Executive shall be entitled to participate in or receive benefits under the Management Incentive Compensation Plan implemented by the Company.

(c) OTHER BENEFITS. During the term of this Agreement, the Executive shall be entitled to participate in the long term incentive plan implemented by the Company and any employee benefit plans and arrangements which are available to senior executive officers of the Company, including, without limitation, group health and life insurance, pension and savings and the Senior Management Employment Policy.

(d) FRINGE BENEFITS. The Company shall pay or reimburse Executive for all reasonable and necessary expenses incurred by him/her in connection with his/her duties hereunder, upon submission by Executive to the Company of such written evidence of such expense as the Company may require. Throughout the term of this Agreement, the Company will provide Executive with the use of a vehicle for purposes within the scope of his/her employment and shall pay all expenses for fuel, maintenance and insurance in connection with such use of the automobile. The Company further agrees that Executive shall be entitled to four (4) weeks of vacation in any year of the term of employment hereunder. Nothing paid to the Executive under any such Company plans or arrangements shall be deemed to be in lieu of compensation to the Executive hereunder.

4. NON-DISCLOSURE, NON-COMPETITION AND NON-SOLICITATION COVENANTS.

(a) ACKNOWLEDGEMENTS. The Executive acknowledges that as an Executive Officer of the Company (i) he/she frequently will be exposed to certain "Trade Secrets" and "Confidential Information" of the Company (as those terms are defined in Subsection 4(b)), (ii) his/her responsibilities on behalf of the Company will extend to all geographical areas where the Company is doing business, and (iii) any competitive activity on his/her part during the term of his employment and for a reasonable period thereafter would necessarily involve his/her use of the Company's Trade Secrets and Confidential Information and, therefore, would unfairly threaten the Company's legitimate business interests, including its substantial investment in the proprietary aspects of its business and the goodwill associated with its customer base. Moreover, the Executive acknowledges that, in the event of the termination of his/her employment with the Company, he/she would have sufficient skills to find alternative, commensurate work in his/her field of expertise that would not involve a violation of any of the provisions of this Section 4. Therefore, the Executive acknowledges and agrees that it is reasonable for the Company to require him/her to abide by the covenants set forth in this Section 4. The parties acknowledge and agree that if the nature of the Executive's responsibilities for or on behalf of the Company and the geographical areas in which the Executive must fulfill them materially change, the parties will execute appropriate amendments to the scope of the covenants in this Section 4.

(b) DEFINITIONS. For purposes of this Section 4, the following terms shall have the following meanings:

(i) "COMPETITIVE POSITION" shall mean (i) the Executive's direct or indirect equity ownership (excluding equity ownership of less than one percent (1%) or control of all or any portion of a Competitor, or (ii) any employment, consulting, partnership, advisory, directorship, agency, promotional or independent contractor arrangement between the Executive and any Competitor whereby the Executive is required to perform executive level services substantially similar to those that he will perform for the Company as an Executive Officer.

(ii) "COMPETITOR" of the Company shall refer to any person or entity engaged, wholly or partly, in the business of manufacturing and distributing farm equipment machinery and replacement parts.

(iii) "CONFIDENTIAL INFORMATION" shall mean the proprietary and confidential data or information of the Company, other than "Trade Secrets" (as defined below), which is of tangible or intangible value to the Company and is not public information or is not generally known or available to the Company's competitors.

(iv) "TRADE SECRETS" shall mean information of the Company, including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, products plans, or lists of actual or potential customers or suppliers, which: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(v) "WORK PRODUCT" shall mean all work product, property, data, documentation, "know-how", concepts or plans, inventions, improvements, techniques, processes or information of any kind, relating to the Company and its business prepared, conceived, discovered, developed or created by the Executive for the Company or any of the Company's customers.

(c) NONDISCLOSURE; OWNERSHIP OF PROPRIETARY PROPERTY.

(i) The Executive hereby covenants and agrees that: (i) with regard to information constituting a Trade Secret, at all times during the Executive's employment with the Company and all times thereafter during which such information continues to constitute a Trade Secret; and (ii) with regard to any Confidential Information, at all times during the Executive's employment with the Company and for three (3) years after the termination of the Executive's employment with the Company, the Executive shall regard and treat all information constituting a Trade Secret or Confidential Information as strictly confidential and wholly owned by the Company and will not, for any reason in any fashion, either directly or indirectly, use, sell, lend, lease, distribute, license, give, transfer, assign, show, disclose, disseminate, reproduce, copy, appropriate or otherwise communicate any such information to any party for any purpose other than strictly in accordance with the express terms of this Agreement and other than as may be required by law.

(ii) To the greatest extent possible, any Work Product shall be deemed to be "work made for hire" (as defined in the Copyright Act, 17 U.S.C.A. ss. 101 et seq., as amended) and owned exclusively by the Company. The Executive hereby unconditionally and irrevocably transfers and assigns to the Company all rights, title and interest the Executive may currently have or in the future may have by operation of law or otherwise in or to any Work Product, including, without limitation, all patents, copyrights, trademarks, service marks and other intellectual property rights. The Executive agrees to execute and deliver to the Company any transfers, assignments, documents or other instruments which the Company may deem necessary or appropriate to vest complete title and ownership of any Work Product, and all rights therein, exclusively in the Company.

(iii) The Executive shall immediately notify the Company of any intended or unintended, unauthorized disclosure or use of any Trade Secrets or Confidential Information by the Executive or any other person of which the Executive becomes aware. In addition to complying with the provisions of Section 4(c) (i) and 4 (c) (ii), the Executive shall exercise his best efforts to assist the Company, to the extent the Company deems reasonably necessary, in the procurement of any protection of the Company's rights to or in any of the Trade Secrets or Confidential Information.

(iv) Immediately upon termination of the Executive's employment with the Company, or at any point prior to or after that time upon the specific request of the Company, the Executive shall return to the Company all written or descriptive materials of any kind in the Executive's possession or to which the Executive has access that constitute or contain any Confidential Information or Trade Secrets, and the confidentiality obligations of this Agreement shall continue until their expiration under the terms of this Agreement.

(d) NON-COMPETITION. The Executive agrees that during his/her employment, he/she will not, either directly or indirectly, alone or in conjunction with any other party, (i) accept or enter into a Competitive Position with a Competitor of the Company, or (ii) take any action in furtherance of or in conjunction with a Competitive Position with a Competitor of the Company. The Executive agrees that for two (2) years after any termination of his employment with the Company, he/she will not, in the "Restricted Territory" (as defined in the next sentence), either directly or indirectly, alone or in conjunction with any other party, (A) accept or enter into a Competitive Position with a Competitor of the Company, or (B) take any action in furtherance of or in conjunction with a Competitive Position with a Competitor of the Company. For purposes of this Section 4, "Restricted Territory" shall refer to all geographical areas comprised within the fifty United States of America, Western Europe, Brazil and Canada. The Executive and the Company each acknowledge that the scope of the Restricted Territory is reasonable because (1) the Company is conducting substantial business in all fifty states (as well as several foreign countries), (2) the Executive occupies one of the top executive positions with the Company, and (3) the Executive will be carrying out his employment responsibilities in all locations where the Company is doing business.

(e) NON-SOLICITATION OF CUSTOMERS. The Executive agrees that during the term of his/her employment, he/she will not, either directly or indirectly, along or in conjunction with any other party, solicit, divert or appropriate or attempt to solicit, divert or appropriate any customer or actively sought prospective customer of the Company for or on behalf of any Competitor of the Company. The Executive agrees that for two (2) years after any termination of his employment with the Company, he/she will not, in the Restricted Territory, either directly or indirectly, alone or in conjunction with any other party, for or on behalf of a Competitor of the Company, solicit, divert or appropriate or attempt to solicit, divert or appropriate any customer or actively sought prospective customer of the Company with whom he had substantial contact during a period of time of up to, but no longer than, eighteen (18) months prior to any termination of his/her employment with the Company.

(f) NON-SOLICITATION OF COMPANY PERSONNEL. The Executive agrees that, except to the extent that he/she is required to do so in connection with his/her express employment responsibilities on behalf of the Company, during the term of his/her employment he/she will not, either directly or indirectly, alone or in conjunction with any other party, solicit or attempt to solicit any employee, consultant, contractor or other personnel of the Company to terminate, alter or lessen that party's affiliation with the Company or to violate the terms of any agreement or understanding between such employee, consultant, contractor or other person and the Company. The Executive agrees that for two (2) years after any termination of his/her employment with the Company, and in the Restricted Territory, he/she will not, either directly or indirectly, alone or in conjunction with any other party, solicit or attempt to solicit any "material" or "key" (as those terms are defined in the next sentence) employee, consultant, contractor or other personnel of the Company to terminate, alter or lessen that party's affiliation with the Company or to violate the terms of any agreement or understanding between such employee, consultant, contractor or other person and the Company. For purposes of the preceding sentence, "material" or "key" employees, consultants, contractors or other personnel of the Company are those who have access to the Company's Trade Secrets and Confidential Information and whose position or affiliation with the Company is significant.

(g) REMEDIES. Executive agrees that damages at law for the Executive's violation of any of the covenants in this Section 4 would not be an adequate or proper remedy and that should the Executive violate or threaten to violate any of the provisions of such covenants, the Company or its successors or assigns shall be entitled to obtain a temporary or permanent injunction against Executive in any court having jurisdiction prohibiting any further violation of any such covenants, in addition to any award or damages, compensatory, exemplary or otherwise, for such violation, if any.

(h) PARTIAL ENFORCEMENT. The Company has attempted to limit the rights of the Executive to compete only to the extent necessary to protect the Company from unfair competition. The Company, however, agrees that, if the scope of enforceability of these restrictive covenants is in any way disputed at any time, a court or other trier of fact may modify and enforce the covenant to the extent that it believes to be reasonable under the circumstances existing at the time.

5. TERMINATION.

(a) DEATH. The Executive's employment hereunder shall terminate upon the death of the Executive, provided, however, that for purposes of the payment of compensation and benefits to the Executive under this Agreement the death of the Executive shall be deemed to have occurred ninety (90) days from the last day of the month in which the death of the Executive shall have occurred.

(b) INCAPACITY. The Company may terminate the Executive's employment hereunder at the end of any calendar month by giving written Notice of Termination to the Executive in the event of the Executive's incapacity due to physical or mental illness which prevents the proper performance of the duties of the Executive set forth herein or established pursuant hereto for a substantial portion of any six (6) month period of the Executive's term of employment hereunder. Any question as to the existence, extent or potentiality of illness or incapacity of Executive upon which Company and Executive cannot agree shall be determined by a qualified independent physician selected by the Company and approved by Executive (or, if Executive is unable to give such approval, by any adult member of the immediate family or the duly appointed guardian of the Executive). The determination of such physician shall be certified in writing to the Company and to the Executive and shall be final and conclusive for all purposes of this Agreement.

(c) CAUSE. The Company may terminate the Executive's employment hereunder for Cause by giving written Notice of Termination to the Executive. For the purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder upon: (i) the Executive's habitual drunkenness or chronic substance abuse; (ii) a willful failure by the Executive to materially perform and discharge the duties and responsibilities of the Executive hereunder; (iii) any breach by the Executive of the provisions of Section 4 hereof; (iv) any misconduct by the Executive that is materially injurious to the Company; or (v) a conviction of a felony involving the personal dishonesty or moral turpitude of the Executive.

(d) WITHOUT CAUSE; GOOD REASON.

(i) The Company may terminate the Executive's employment hereunder without Cause, by giving written Notice of termination to the Executive.

(ii) The Executive may terminate his employment hereunder, by giving written Notice of Termination to the Company. For the purposes of this Agreement, the Executive shall have "Good Reason" to terminate his employment hereunder upon (and without the written consent of the Executive) (a) a reduction in the Executive's base salary or benefits received from the Company, other than in connection with an across-the-board reduction in salaries and/or benefits for similarly situated employees of the Company or pursuant to the Company's standard retirement policy; or (b) the relocation of the Executive's full-time office to a location greater than fifty (50) miles from the Company's current corporate office; or (c) a material breach by the Company of this Agreement.

(e) NOTICE OF TERMINATION. Any termination by the Company pursuant to the Subsections (b), (c) or (d)(i) above or by the Executive pursuant to Subsection (d)(ii) above, shall be communicated by written Notice of Termination from the party issuing such notice to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision of this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination. A date of termination specified in the Notice of Termination shall not be dated earlier than ninety (90) days from the date such Notice is delivered or mailed to the applicable party.

(f) OBLIGATION TO PAY. Except upon voluntary termination by the Executive without Good Reason and subject to Section 6 below, the Company shall pay the compensation specified in this Subsection 5(f) to the Executive for the period specified in this Subsection 5(f). The Company also will continue insurance benefits during the remainder of the applicable period, including the Severance Period set forth in this Subsection 5(f). If the Executive's employment shall be terminated by reason of death, the estate of the Executive shall be paid all sums otherwise payable to the Executive through the end of the third month after the month in which the death of the Executive occurred and all bonus or other incentive benefits accrued or accruable to the Executive through the end of the month in which the death of the Executive occurred and the Company shall have no further obligations to the Executive under this Agreement. If the Executive's employment is terminated by reason of incapacity, the Executive or the person charged with legal responsibility for the Executive's estate shall be paid all sums otherwise payable to the Executive, including the bonus and other benefits accrued or accruable to the Executive, through the date of termination specified in the Notice of Termination, and the Company shall have no further obligations to the Executive under this Agreement. If the Executive's employment shall be terminated for Cause, the Company shall pay the Executive his Base Salary through the date of termination specified in the Notice of Termination and the Company shall have no further obligations to the Executive under this Agreement. If the Executive's employment shall be terminated by the Company, without cause, or by the Executive for Good Reason, the Company shall (x) continue to pay the Executive the Base Salary (at the rate in effect on the date of such termination) for a period of two (2) years beginning as of the date of such termination (such two (2) year period being referred to hereinafter as the "Severance Period") at such intervals as the same would have been paid had the Executive remained in the active service of the Company, and (y) pay the Executive a pro rata portion of the bonus or other incentive benefits to which the Executive would have been entitled for the year of termination, had the Executive remained employed for the entire year, which incentive compensation shall be payable at the time incentive compensation is payable generally under the applicable incentive plans. The executive shall have no further right to receive any other compensation benefits or perquisites after the date of termination of employment except as determined under the terms of the employee benefit plans or programs of the Company or under applicable law.

6. CONDITIONS APPLICABLE TO SEVERANCE PERIOD; MITIGATION OF DAMAGES

(a) If during the Severance Period, the Executive breaches his obligations under Section 4 above, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments or provide any benefits described in Subsection 5(f).

(b) Although the Executive shall not be required to mitigate the amount of any payment provided for in Subsection 5(f) by seeking other employment, any such payments shall be reduced by any amounts which the Executive receives or is entitled to receive from another employer with respect to the Severance Period. The Executive shall promptly notify the Company in writing in the event that other employment is obtained during the Severance Period.

7. NOTICES. For the purpose of this Agreement, notices and all other communications to either party hereunder provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered in person or mailed by certified first-class mail, postage prepaid, addressed:

in the case of the Company to:

AGCO Corporation
4205 River Green Parkway
Duluth, Georgia 30096
Attention: R.J. Ratliff

in the case of the Executive to:

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or to such other address as either party shall designate by giving written notice of such change to the other party.

8. ARBITRATION. Any claim, controversy, or dispute arising between the parties with respect to this Agreement, to the maximum extent allowed by applicable law, shall be submitted to and resolved by binding arbitration. The arbitration shall be conducted pursuant to the terms of the Federal Arbitration Act and (except as otherwise specified herein) the Commercial Arbitration Rules of the American Arbitration Association in effect at the time the arbitration is commenced. The venue for the arbitration shall be the Atlanta, Georgia offices of the American Arbitration Association. Either party may notify the other party at any time of the existence of an arbitrable controversy by delivery in person or by certified mail of a Notice of Arbitrable Controversy. Upon receipt of such a Notice, the parties shall attempt in good faith to

resolve their differences within fifteen (15) days after the receipt of such Notice. Notice to the Company and the Executive shall be sent to the addresses specified in Section 7 above. If the dispute cannot be resolved within the fifteen (15) day period, either party may file a written Demand for Arbitration with the American Arbitration Association's Atlanta, Georgia Regional Office, and shall send a copy of the Demand for Arbitration to the other party. The arbitration shall be conducted before a panel of three (3) arbitrators. The arbitrators shall be selected as follows: (a) The party filing the Demand for Arbitration shall simultaneously specify his or its arbitrator, giving the name, address and telephone number of said arbitrator; (b) The party receiving such notice shall notify the party demanding the arbitration of his or its arbitrator, giving the name, address and telephone number of the arbitrator within five (5) days of the receipt of such Demand for Arbitration; (c) A neutral person shall be selected through the American Arbitration Association's arbitrator selection procedures to serve as the third arbitrator. The arbitrator designated by any party need not be neutral. In the event that any person fails or refuses timely to name his arbitrator within the time specified in this Section 8, the American Arbitration Association shall (immediately upon notice from the other party) appoint an arbitrator. The arbitrators thus constituted shall promptly meet, select a chairperson, fix the time, date(s), and place of the hearing, and notify the parties. To the extent practical, the arbitrators shall schedule the hearing to commence within sixty (60) days after the arbitrators have been impaneled. A majority of the panel shall render an award within ten (10) days of the completion of the hearing, which award may include an award of interest, legal fees and costs of arbitration. The panel of arbitrators shall promptly transmit an executed copy of the award to the respective parties. The award of the arbitrators shall be final, binding and conclusive upon the parties hereto. Each party shall have the right to have the award enforced by any court of competent jurisdiction.

Executive initials:__________ Company initials:__________

9. NO WAIVER. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is approved by the Board and agreed to in a writing signed by the Executive and such officer as may be specifically authorized by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of any other provisions or conditions of this Agreement at the same or at any prior or subsequent time.

10. SUCCESSORS AND ASSIGNS. The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company and the Executive's rights under this Agreement shall inure to the benefit of and be binding upon his heirs and executors. Neither this Agreement or any rights or obligations of the Executive herein shall be transferable or assignable by the Executive.

11. VALIDITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provisions of this

Agreement, which shall remain in full force and effect. The parties intend for each of the covenants contained in Section 4 to be severable from one another.

12. SURVIVAL. The provisions of Section 4 hereof shall survive the termination of Executive's employment and shall be binding upon the Executive's personal or legal representative, executors, administrators, successors, heirs, distributee, devisees and legatees and the provisions of Section 5 hereof relating to payments and termination of the Executive's employment hereunder shall survive such termination and shall be binding upon the Company.

13. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. ENTIRE AGREEMENT. This Agreement constitutes the full agreement and understanding of the parties hereto with respect to the subject matter hereof and all prior or contemporaneous agreements or understandings are merged herein. The parties to this Agreement each acknowledge that both of them and their respective agents and advisors were active in the negotiation and drafting of the terms of this Agreement.

15. GOVERNING LAW. The validity, construction and enforcement of this Agreement, and the determination of the rights and duties of the parties hereto, shall be governed by the laws of the State of Georgia.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

AGCO CORPORATION

By: --------------------------------------

Name: ------------------------------------

Title: -----------------------------------

EXECUTIVE OFFICER
