AGCO Rationalizes European Production Facilities; Plans to Close Coventry, UK Plant

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DULUTH, Ga., June 25 /PRNewswire-FirstCall/ -- AGCO Corporation (NYSE: AG) a worldwide designer, manufacturer and distributor of agricultural equipment, today announced a major manufacturing rationalization plan of their European factories which will result in the closure of their tractor factory in Coventry, England. The move signals a consolidation of tractor production that increases the utilization of other facilities, eliminates the negative impact of currency factors and significantly lowers product and operating costs. Currently the Coventry plant manufactures transaxles and assembles tractors in the range of 50-110 horsepower, and has been the major export facility for CKD (Complete Knockdown Unit) kit shipments to licensees.

Over 85% of the facility production was exported which placed the Sterling based product under severe competitive pressure. The trend to higher horsepower tractors resulting from the consolidation of farms has caused this product segment of the industry decline over recent years to the extent that current utilization neared fifty percent of capacity. Industry consolidations, other acquisitions by AGCO, and economic changes had reduced utilization to a marginal level in the past two years and current long-term forecasts did not support a return to acceptable production levels. The Coventry site represented the largest factory in the AGCO network at 1.8 million square feet with peak production in recent years of 28,000 units in 1996.

The plan calls for CKD operations and lower specification products to be relocated to Canoas, Brazil for integration with similar common platform tractors currently in production. The strategic value of Canoas for export business is derived from lower product costs and a favorable currency. After relocation, the Canoas plant will operate at or near one-shift capacity of approximately 20,000 units annually. The higher specification Coventry produced tractors will be relocated to the AGCO facility in Beauvais, France, where the high horsepower tractors are currently produced. This addition at Beauvais will bring utilization near 100% on a one-shift basis and permit product rationalization with the current high horsepower common platform tractor. The expected cost reduction will improve the competitiveness of these models and also provide production near the major markets of Europe. Export units will be based on the Euro currency and thereby also improve their competitive position. The transaxles produced at Coventry will be discontinued and a new transaxle for these models will be sourced from GIMA, the AGCO transmission/axle manufacturing joint venture with Renault. Utilizing the joint venture supplier will not only provide a newly designed component, but lower component costs due to increased production volumes.

Tractor production at the Coventry assembly plant is planned to cease by the end of the year and the transaxle production will terminate by June 2003. This facility is 56 years old and has historic recognition as a major aircraft engine plant during the second World War. Later it was the site of the Standard car production and the original manufacturing site for the Ferguson tractor, which later became the Massey Ferguson Company. Currently, there are approximately 1,200 employees at the Coventry plant. The Coventry site is also AGCO's headquarters for the Europe, Africa & Middle East regional offices, which will remain.

The Canoas, Brazil facility was originally built in 1981 by Massey Ferguson and later sold to Iochpe-Maxion, a licensee of Massey Ferguson, in 1989. In 1996 AGCO purchased the business from Iochpe-Maxion and has expanded the operation into a world-class manufacturing facility. The operation employs approximately 900 people and maintains a very strong market participation in the Brazilian and South American markets.

The Beauvais factory was built in 1961 by Massey Ferguson and has been the site of high horsepower tractor production since its inception. It is also the location of GIMA, the joint venture for the design and manufacture of transmissions and axles. This joint venture was initiated in 1994 and has been a major component supplier to both AGCO and Renault. The AGCO facility is also the site of the Tractor Engineering Center and in total employs over 400 people.

The Company anticipates that the facility rationalization will generate annual savings of approximately $20 to $25 million by the year 2004. Preliminary cash closure and production transition costs are expected to be approximately $35 to $40 million and be incurred in 2002 and 2003. A majority of the cash closure costs are expected to be recovered from proceeds from the sale of the Coventry site. In addition, the Company expects to record a non- cash asset impairment charge of approximately $20 to $25 million related to the closure of the Coventry facility.

"This major program in Europe completes a worldwide plan to rationalize production facilities to meet current and future demands with the most efficient and highly utilized operations in order to achieve continued cost reductions. The savings will contribute significant earnings improvement, after one-time costs, in conjunction with our three-year earnings target," said Mr. Robert Ratliff, Chairman, President & CEO. "Increased production demands as a result of the recent introduction of the Challenger brand of products is also anticipated in this rationalization plan and further adds to the potential productivity improvements that can be anticipated."

Safe Harbor Statement

Statements which are not historical facts, including cost reduction projections, production volume forecasts, industry demand outlook and the projected costs and impact of the facility rationalization are forward looking and subject to risks which could cause actual results to differ materially from those suggested by the statements. Although the Company believes that the statements it has made are based on reasonable assumptions, they are based on current information and beliefs and, accordingly, the Company can give no assurance that its statements will be achieved. The Company bases its projections on key operating, economic and agricultural data which are subject to change including, but not limited to: farm cash income, worldwide demand for agricultural products, commodity prices, grain stock levels, weather, crop production, farmer debt levels, existing government programs and farm-related legislation. Additionally, factors affecting these assumptions include movement in interest rates and foreign currencies, as well as general economic conditions, pricing and product actions taken by competitors, the actual costs of the facility rationalization process, production disruptions and changes in environmental, international trade and other laws which impact the way in which the Company conducts its business. Further information concerning factors that could significantly affect the Company's results is included in the Company's filings with the Securities and Exchange Commission. The Company disclaims any responsibility to update any forward-looking statements.

AGCO Corporation, headquartered in Duluth, Georgia, is a global designer, manufacturer and distributor of agricultural equipment and related replacement parts. AGCO products are distributed in 140 countries. AGCO offers a full product line including tractors, combines, hay tools, sprayers, forage equipment and implements through more than 7,350 independent dealers and distributors around the world. AGCO products are distributed under the brand names AGCO, AGCOSTAR, Ag-Chem, Challenger, Farmhand, FENDT, Fieldstar, GLEANER, Glencoe, Hesston, LOR*AL, MasseyFerguson, NewIdea, SOILTEQ, Spra- Coupe, Tye, WhitePlanters and Willmar. AGCO provides retail financing through AGCO Finance in North America and through Agricredit in the United Kingdom, France, Germany, Ireland, Spain and Brazil. In 2001, AGCO had sales of $2.5 billion.

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