AGCO CORP /DE
Form 10-K405
March 29, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

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 (State or other jurisdiction of incorporation or organization)	58-1960019 (I.R.S. Employer Identification No.)
4205 RIVER GREEN PARKWAY, DULUTH, GEORGIA (Address of principal executive offices)	30096 (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(770) 813-9200

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED

Common Stock	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be file 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of common stock held by non-affiliates of the Registrant as of the close of business on March 15, 2002 was $1,593,136,783. As of such date, there were 74,147,779 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 25, 2002 are incorporated by reference in Part III.

PART I

ITEM 1. BUSINESS

AGCO Corporation ("AGCO," "we," "us," or the "Company") was incorporated in Delaware in April 1991. Our executive offices are located at 4205 River Green Parkway, Duluth, Georgia 30096, and our telephone number is 770-813-9200. Unless otherwise indicated, all references in this Form 10-K to the Company include our subsidiaries.

GENERAL

We are a leading manufacturer and distributor of agricultural equipment and related replacement parts throughout the world. We sell a full range of agricultural equipment, including tractors, combines, self-propelled sprayers, hay tools, forage equipment and implements. Our products are widely recognized in the agricultural equipment industry and are marketed under the following brand names: AGCO(R), AGCO()(R)Allis, AGCOSTAR(R), Ag-Chem(R), Farmhand(R), FENDT(TM), Fieldstar(R), GLEANER(R), Glencoe(R), Hesston(R), Lor(*)Al()(R), Massey Ferguson(R), New Idea(R), RoGator(R), SOILTEQ, Spra-Coupe(R), Terra-Gator(R), Tye(R), White Tractors, White Planters and Willmar(R). We distribute most of our products through a combination of approximately 7,350 independent dealers and distributors, associates and licensees. In addition, we provide retail financing in North America, the United Kingdom, France, Germany, Spain, Ireland and Brazil through our finance joint ventures with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland," which we refer to in this document as "Rabobank".

We were organized in June 1990 by an investment group formed by management to acquire the successor to the agricultural equipment business of Allis-Chalmers, a company which began manufacturing and distributing agricultural equipment in the early 1900s. Since our formation in June 1990, we have grown substantially through a series of 19 acquisitions for consideration aggregating approximately $1.6 billion. These acquisitions have allowed us to broaden our product lines, expand our dealer network and establish strong market positions in several new markets throughout North America, South America, Western Europe and the rest of the world. We have achieved significant cost savings and efficiencies from our acquisitions by eliminating duplicate administrative, sales and marketing functions, rationalizing our dealer network, increasing manufacturing capacity utilization and engineering common product platforms for certain products. In addition, we are focusing our efforts on long-term growth and profit improvement initiatives including developing new and innovative products, expanding and strengthening our distribution network, reducing product costs, maintaining a flexible production strategy, and utilizing efficient asset management.

CATERPILLAR CHALLENGER ACQUISITION

On March 5, 2002, we completed our acquisition of the design, assembly and marketing of Caterpillar Inc.'s new MT Series of Challenger tractors. We issued approximately 1.0 million shares of common stock in the transaction valued at approximately $21 million based on the closing price of our common stock on the acquisition date. In addition, we expect to purchase approximately $13 million of initial production inventory from Caterpillar. The addition of the Challenger tractor line provides us 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, we plan to provide Caterpillar dealers with additional products that should broaden their equipment offerings and enhance their competitive position. The results of operations for this product line will be included in our results as of the date of the acquisition.

TRANSACTION HISTORY

The following is a description of the major acquisitions that we have completed since our formation:

Hesston Acquisition. In March 1991, we acquired Hesston Corporation, a leading manufacturer and distributor of hay tools, forage equipment and related replacement parts. The assets we acquired included

Hesston's 50% interest in a joint venture, Hay and Forage Industries, or HFI, between Hesston and CNH Global N.V., which manufactured hay and forage equipment for both parties. As noted below, we subsequently acquired the remaining 50% interest in HFI in 2000. Hesston's net sales in its full fiscal year preceding the acquisition were approximately $91.0 million. The acquisition enabled us to provide our dealers with a more complete line of farm equipment and to expand our dealer network.

White Tractor Acquisition. In May 1991, we acquired the White Tractor Division of Allied Products Corporation. White Tractor's net sales in its full fiscal year preceding the acquisition were approximately $58.3 million. As a result of our acquisition of White Tractor, we added a new line of tractors to our product offerings and expanded our North America dealer network.

Massey Ferguson North American Acquisition. In January 1993, we entered into an agreement with Varity Corporation to be the exclusive distributor in the United States and Canada of the Massey Ferguson line of farm equipment. Concurrently, we acquired the North American distribution operation of Massey

Ferguson Group Limited from Varity. Net sales attributable to Massey's North American distribution operation in the full fiscal year preceding the acquisition were approximately $215.0 million. Our acquisition of Massey North America provided us with access to another leading brand name in the agricultural equipment industry and enabled us to expand our dealer network.

White-New Idea Acquisition. In December 1993, we acquired the White-New Idea Farm Equipment Division of Allied Products Corporation. White-New Idea's net sales in 1993 were approximately $83.1 million. Our acquisition of White-New Idea enabled us to offer a more complete line of planters and spreaders and a broader line of hay and tillage equipment.

Agricredit-North America Acquisition. We acquired Agricredit Acceptance Company, a retail finance company, from Varity in two separate transactions. We acquired an initial 50% joint venture interest in Agricredit in January 1993 and acquired the remaining 50% interest in February 1994. Our acquisition of Agricredit enabled us to provide more competitive and flexible financing alternatives to end users in North America.

Massey Ferguson Acquisition. In June 1994, we acquired Massey from Varity, including Massey's network of independent dealers and distributors and associate and licensee companies outside the United States and Canada. At the time of our acquisition, Massey was one of the largest manufacturers and distributors of tractors in the world with fiscal 1993 net sales of approximately $898.4 million (including net sales to us of approximately $124.6 million). Our acquisition of Massey significantly expanded our sales and distribution outside North America.

AgEquipment Acquisition. In March 1995, we further expanded our product offerings through our acquisition of AgEquipment Group, a manufacturer and distributor of farm implements and tillage equipment. Through our acquisition of AgEquipment, we added three brands of agricultural implements to our product line, including no-till and minimum tillage products, distributed under the Tye, Farmhand and Glencoe brand names.

Maxion Acquisition. In June 1996, we acquired the agricultural and industrial equipment business of Iochpe-Maxion S.A. Iochpe-Maxion's agricultural equipment business which had 1995 sales of approximately $265.0 million, Iochpe Maxion's agricultural equipment business was our Massey Ferguson licensee in Brazil, and manufactured and distributed agricultural tractors and combines under the Massey Ferguson brand name and industrial loader-backhoes under the Massey Ferguson and Maxion brand names. This acquisition expanded our product offerings and distribution network in South America, particularly in the significant Brazilian agricultural equipment market.

Western Combine Acquisition. In July 1996, we acquired assets of Western Combine Corporation and Portage Manufacturing, Inc., our suppliers of Massey Ferguson combines and other harvesting equipment sold in North America. This acquisition provided us with access to advanced technology and increased our profit margin on some of our combines and harvesting equipment sold in North America.

Agricredit-North America Joint Venture. In November 1996, we sold a 51% interest in Agricredit to a wholly-owned subsidiary of Rabobank. We retained a 49% interest in Agricredit and now operate Agricredit with Rabobank as a joint venture. We have similar joint venture arrangements with Rabobank with respect to our retail finance companies located in the United Kingdom, France, Germany, Spain and Brazil. In July 2000, the Agricredit joint venture was renamed AGCO Finance LLC.

Deutz Argentina Acquisition. In December 1996, we acquired the operations of Deutz Argentina S.A. Deutz Argentina was a manufacturer and distributor of agricultural equipment, engines and light duty trucks in Argentina and other markets in South America with 1995 sales of approximately $109.0 million. Our acquisition of Deutz Argentina established us as a leading supplier of agricultural equipment in Argentina. In February 1999, we sold our manufacturing operations in Haedo, Argentina, which allowed us to consolidate the assembly of tractors into an existing facility in Brazil.

Fendt Acquisition. In January 1997, we acquired the operations of Xaver Fendt GmbH & Co. KG, commonly referred to as "Fendt." Fendt, which had 1996 sales of approximately $650.0 million, manufactures and distributes tractors through a network of independent agricultural cooperatives, dealers and distributors in Germany and throughout Europe and Australia. With this acquisition, we have a leading market share in Germany and France, two of Europe's largest agricultural equipment markets, with one of the most technologically advanced line of tractors in the world. In December 1997, we sold Fendt's caravan and motor home business in order to focus on our core agricultural equipment business.

Dronningborg Acquisition. In December 1997, we acquired the remaining 68% of Dronningborg Industries a/s, which was our supplier of combine harvesters sold under the Massey Ferguson brand name in Europe. Prior to this acquisition, we owned 32% of this combine manufacturer. Dronningborg develops and manufactures combine harvesters exclusively for us. Our acquisition of Dronningborg enabled us to achieve synergies within our worldwide combine manufacturing.

Argentina Engine Joint Venture. In December 1997, we sold 50% of Deutz Argentina's engine production and distribution business to Deutz AG, a global supplier of diesel engines in Cologne, Germany. We retained a 50% interest in the engine business and now operate it with Deutz AG as a joint venture.

MF Argentina Acquisition. In May 1998, we acquired the distribution rights for the Massey Ferguson brand in Argentina. This acquisition expanded our distribution network in the second largest market in South America.

Spra-Coupe and Willmar Acquisitions. In July 1998, we acquired the Spra-Coupe product line, a brand of agricultural self-propelled sprayers sold primarily in North America. In October 1998, we acquired the Willmar product line, a brand of agricultural self-propelled sprayers, spreaders and loaders sold primarily in North America. These two products lines had combined net sales of approximately $81.8 million in their respective full fiscal years preceding these acquisitions. These acquisitions expanded our product offerings to include a full line of self-propelled sprayers.

HFI Acquisition. In May 2000, we acquired from CNH-Global N.V. its 50% share in HFI. The acquisition terminated the joint venture agreement with CNH, thereby providing us with sole ownership of the facility. HFI develops and manufactures hay and forage equipment and implements that we sell under various brand names. In 2000, we closed our Coldwater, Ohio; Lockney, Texas; and Independence, Missouri manufacturing facilities. In 2001, we completed the relocation of the majority of production from these facilities to HFI.

Ag-Chem Acquisition. In April 2001, we acquired Ag-Chem Equipment Co., Inc., a manufacturer and distributor of self-propelled fertilizer and chemical sprayers for pre-emergent and post-emergent applications. Ag-Chem had net sales of approximately $298.8 million in its fiscal year preceding the acquisition. This acquisition provided us a leading position in the self-propelled sprayer market.

PRODUCTS

TRACTORS

Our compact tractors are sold under the AGCO or Massey Ferguson brand name and typically are used on small farms and in specialty agricultural industries, such as dairies, landscaping and residential areas. We also offer a full range of tractors in the utility tractor category ranging primarily from 40-100 horsepower including both two-wheel and all-wheel drive versions. We sell utility tractors under the AGCO, Massey Ferguson, Fendt, AGCO Allis and White brand names. The utility tractors are typically used on small- and medium-sized farms and in specialty agricultural industries, such as orchards and vineyards. In addition, we offer a full range of tractors in the high horsepower segment ranging primarily from 100 to 425 horsepower. High horsepower tractors typically are used on larger farms and on cattle ranches for hay production. We sell high horsepower tractors under the AGCO, Massey Ferguson, Fendt, AGCO Allis, White and AGCOSTAR brand names. In 2001, we introduced the AGCO brand tractor for the North American market, which replaced both the AGCO Allis and White brand tractors and merged their respective dealer networks. Tractors accounted for approximately 57% of our net sales in 2001, 63% in 2000 and 64% in 1999.

COMBINES

We sell combines under the GLEANER, Massey Ferguson, Fendt and AGCO Allis brand names. Depending on the market, GLEANER and Massey Ferguson combines are sold with conventional or rotary technology, while the Fendt and AGCO Allis combines utilize conventional technology. All combines are complemented by a variety of crop-harvesting heads, available in different sizes, which are designed to maximize harvesting speed and efficiency while minimizing crop loss. Combines accounted for approximately 8% of our net sales in 2001, 6% in 2000 and 7% in 1999.

SPRAYERS

We offer self-propelled, three- and four-wheeled vehicles and related equipment for use in the application of liquid and dry fertilizers and crop protection chemicals. We manufacture chemical sprayer equipment for use both prior to planting crops (pre-emergence) and after crops emerge from the ground (post-emergence) under the RoGator, Terra-Gator, Spra-Coupe, Lor(*)Al and Willmar brand names. The RoGator, Terra-Gator and Lor(*)Al product lines were acquired in 2001 through the Ag-Chem acquisition. Other related equipment includes vehicles used for waste application, specifically designed for subsurface liquid injection and surface spreading of biosolids, i.e., sewage sludge and other farm or industrial waste that can be safely used for soil enrichment. Sprayers accounted for approximately 6% of our net sales in 2001, 1% in 2000 and 1% in 1999.

HAY TOOLS AND FORAGE EQUIPMENT, IMPLEMENTS AND OTHER PRODUCTS

We sell hay tools and forage equipment primarily under the Hesston brand name and, to a lesser extent, the New Idea, Massey Ferguson and AGCO Allis brand names.

We also distribute a wide range of implements, planters and other equipment for our product lines. Tractor-pulled implements are used in field preparation and crop management. Implements include disk harrows, which improve field performance by cutting through crop residue, leveling seed beds and mixing chemicals with the soil; heavy tillage, which breaks up soil and mixes crop residue into topsoil, with or without prior disking; and field cultivators, which prepare a smooth seed bed and destroy weeds. Tractor-pulled planters apply fertilizer and place seeds in the field. Other equipment primarily includes loaders, which are used for a variety of tasks including lifting and transporting hay crops. We sell implements, planters and other products under the Hesston, New Idea, Massey Ferguson, AGCO Allis, Tye, Farmhand, Glencoe, and Fendt brand names. Hay tools and forage equipment, implements and other products accounted for approximately 10% of our net sales in 2001, 11% in 2000 and 9% in 1999.

Through our Fieldstar brand precision farming system, we offer software and hardware products that provide farmers with the capability to enhance productivity by utilizing global positioning system

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(GPS) technology, yield mapping, variable rate planting and application and site specific agriculture. Many of our tractors, combines, planters, sprayers, tillage and other application equipment are equipped to employ the Fieldstar system technology at the customer's option. In addition, our SOILTEQ operations, acquired in the Ag-Chem acquisition, designs and merchandises site-specific farming systems to enhance crop yield and productivity.

REPLACEMENT PARTS

In addition to sales of new equipment, our replacement parts business is an important source of revenue and profitability for both us and our dealers. We sell replacement parts for products sold under all of our brand names, many of which are proprietary. These parts help keep farm equipment in use, including products no longer in production. Since most of our products can be economically maintained with parts and service for a period of ten to twenty years, each product that enters the marketplace provides us with a potential long-term revenue stream. In addition, sales of replacement parts typically generate higher gross margins and historically have been less cyclical than new product sales. Replacement parts accounted for approximately 19% of our net sales in 2001, 2000 and 1999.

MARKETING AND DISTRIBUTION

We distribute products primarily through a network of independent dealers and distributors. Our dealers are responsible for retail sales to the equipment's end user in addition to after-sales service and support of the equipment. Our distributors may sell our products through a network of dealers supported by the distributor. Through our acquisitions and dealer development activities, we have broadened our product line, expanded our dealer network and strengthened our geographic presence in Western Europe, North America, South America and the rest of the world. Our sales are not dependent on any specific dealer, distributor or group of dealers.

WESTERN EUROPE

We market fully assembled tractors and other equipment in most major Western European markets directly through a network of approximately 2,900 independent Massey Ferguson and Fendt dealer outlets and agricultural cooperatives. In addition, we sell through independent distributors and associates in certain markets, which distribute through approximately 690 Massey Ferguson and Fendt dealer outlets. In most cases, dealers carry competing or complementary products from other manufacturers. Sales in Western Europe accounted for approximately 46% of our net sales in 2001, 49% in 2000 and 56% in 1999.

NORTH AMERICA

We market and distribute farm machinery, equipment and replacement parts to farmers in North America through a network of dealers supporting approximately 6,100 dealer contracts. Each of our approximately 2,000 independent dealers represents one or more of our brand names. Dealers may also handle competitive and dissimilar lines of products. We intend to maintain the separate strengths and identities of our brand names and product lines. Certain of our sprayer brands acquired in the Ag-Chem acquisition are sold directly to the end customer, often a fertilizer and chemical supplier. We also provide all after-sales service and support for these products. Sales in North America accounted for approximately 35% of our net sales in 2001, 29% in 2000 and 26% in 1999.

SOUTH AMERICA

We market and distribute farm machinery, equipment and replacement parts to farmers in South America through several different networks. In Brazil and Argentina, we distribute products directly to approximately 250 independent dealers, primarily supporting the Massey Ferguson and AGCO Allis brand names. In Brazil, federal laws are extremely protective of dealers and prohibit a manufacturer from selling any of our products within Brazil, except through our dealer network. Additionally, each dealer has the exclusive right to sell one manufacturer's product in a designated territory and, as a result, no dealer may

represent more than one manufacturer. Outside of Brazil and Argentina, we sell our products in South America through independent distributors. Sales in South America accounted for approximately 10% of our net sales in 2001 and 2000 and 8% in 1999.

REST OF THE WORLD

Outside Western Europe, North America and South America, we operate primarily through a network of approximately 2,200 independent Massey Ferguson and Fendt distributors and dealer outlets, as well as associates and licensees, marketing our products and providing customer service support in approximately 100 countries in Africa, the Middle East, Eastern and Central Europe, Australia and Asia. With the exception of Australia, where we directly support our dealer network, we generally utilize independent distributors, associates and licensees to sell our products. These arrangements allow us to benefit from local market expertise to establish strong market positions with limited investment. In some cases, we also sell agricultural equipment directly to governmental agencies. Sales outside Western Europe, North America and South America accounted for approximately 9% of our net sales in 2001, 12% in 2000 and 10% in 1999.

In Western Europe and the rest of the world, associates and licensees provide a significant distribution channel for our products and a source of low cost production for certain Massey Ferguson products. Associates are entities in which we have an ownership interest, most notably in India. Licensees are entities in which we have no direct ownership interest, most notably in Pakistan and Turkey. The associate or licensee generally has the exclusive right to produce and sell Massey Ferguson equipment in its home country, but may not sell these products in other countries. We generally license to these associates certain technology, as well as the right to use Massey Ferguson's trade names. We sell products to associates and licensees in the form of components used in local manufacturing operations, tractor sets supplied in completely knocked down (CKD) form for local assembly and distribution, and fully assembled tractors for local distribution only. In some countries, our arrangements with associates and licensees have evolved to where we principally are providing technology, technical assistance and quality control. In these situations, licensee manufacturers sell tractor models under the Massey Ferguson brand name in the licensed territory and may also become a source of low cost production for us.

PARTS DISTRIBUTION

In Western Europe, our parts operation is supported by master distribution facilities in Desford, England; Ennery, France; and Marktoberdorf, Germany and regional parts facilities in Spain, Denmark, Germany and Italy. We support our sales of replacement parts in North America through our master parts warehouse in Batavia, Illinois and regional warehouses throughout North America. In the Asia/Pacific region, we support our parts operation through a master distribution facility in Melbourne, Australia. In South America, replacement parts are maintained and distributed primarily from our facilities in Brazil and Argentina.

DEALER SUPPORT AND SUPERVISION

We believe that one of the most important criteria affecting a farmer's decision to purchase a particular brand of equipment is the quality of the dealer who sells and services the equipment. We provide significant support to our dealers in order to improve the quality of our dealer network. We monitor each dealer's performance and profitability, as well as establish programs that focus on the continual dealer improvement. In North America, we also identify open markets with the greatest potential for each brand and select an existing dealer, or a new dealer, who would best represent the brand in that territory. We protect each existing dealer's territory and will not place the same brand with another dealer within that protected area. Internationally, we also focus on the development of our dealers. We analyze, on an ongoing basis, the regions of each country where market share is not acceptable. Based on this analysis, we may add a dealer in a particular territory, or a nonperforming dealer may be replaced or refocused on performance standards.

We believe that our ability to offer our dealers a full product line of agricultural equipment and related replacement parts, as well as our ongoing dealer training and support programs, which focus on business and inventory management, sales, marketing, warranty and servicing matters and products, help ensure the vitality and increase the competitiveness of our dealer network. In addition, we maintain dealer advisory groups to obtain dealer feedback on our operations. We believe all of these programs contribute to the good relations we generally enjoy with our dealers.

In addition, we strive to provide our dealers with competitive products, terms and pricing. Dealers also are given volume sales incentives, demonstration programs and other advertising to assist sales. Our competitive sales programs, including retail financing incentives, and our policy for maintaining parts and service availability with extensive product warranties are designed to enhance our dealers' competitive position. Finally, a limited amount of financial assistance is provided as part of developing new dealers in key market locations. In general, dealer contracts are cancelable by either party within certain notice periods.

WHOLESALE FINANCING

Primarily in the U.S. and Canada, we engage in the standard industry practice of providing dealers with inventories of farm equipment for extended periods. The terms of our wholesale finance agreements with our dealers vary by region and product line, with fixed payment schedules on all sales. In the U.S. and Canada, dealers typically are not required to make an initial down payment, and our terms allow for an interest-free period generally ranging from one to 12 months, depending on the product. We also provide financing to dealers on used equipment accepted in trade. We retain a security interest in all new and used equipment we finance.

Typically, the sales terms outside the U.S. and Canada are of a shorter duration, generally ranging from 30 to 180 days. In many cases, we retain a security interest in the equipment sold on extended terms. In certain international markets, our sales are backed by letters of credit or credit insurance.

For sales outside of the United States and Canada, we do not normally charge interest on outstanding receivables with our dealers and distributors. For sales to dealers or distributors in the United States and Canada, where approximately 29% of our net sales were generated in 2001, interest is charged at or above prime lending rates on outstanding receivable balances after interest-free periods. These interest-free periods vary by product and range from 1 to 12 months with the exception of certain seasonal products, which bear interest after various periods depending on the time of year of the sale and the dealer or distributor's sales volume during the preceding year. For the year ended December 31, 2001, 20.7%, 5.1%, 1.9% and 1.3% of our net sales had maximum interest-free periods ranging from 1 to 6 months, 7 to 12 months, 13 to 20 months and 21 months or more, respectively. Actual interest-free periods are shorter than above because the equipment receivable from dealers or distributors in the United States and Canada is due immediately upon sale of the equipment to a retail customer. Under normal circumstances, interest is not forgiven and interest-free periods are not extended.

RETAIL FINANCING

Through our retail financing joint ventures located in North America, the United Kingdom, France, Germany, Spain, Ireland and Brazil, we provide a competitive and dedicated financing source to the end users of our products, as well as equipment produced by other manufacturers. These retail finance companies are owned 49% by us and 51% by a wholly-owned subsidiary of Rabobank. We can tailor retail finance programs to prevailing market conditions and such programs can enhance our sales efforts.

MANUFACTURING AND SUPPLIERS

MANUFACTURING AND ASSEMBLY

We have consolidated the manufacture of our products in locations where capacity, technology or local costs are optimized. Furthermore, we continue to balance our manufacturing resources with

externally-sourced machinery, components and replacement parts to enable us to better control inventory and supply of components. We believe that our manufacturing facilities are sufficient to meet our needs for the foreseeable future.

WESTERN EUROPE

Our manufacturing operations in Western Europe are performed in tractor manufacturing facilities located in Coventry, England; Beauvais, France; and Marktoberdorf, Germany and a combine manufacturing facility in Randers, Denmark. The Coventry facility produces tractors marketed under the Massey Ferguson and AGCO brand names ranging from 38 to 110 horsepower that are sold worldwide in fully-assembled form or as CKD kits for final assembly by licensees and associates. The Beauvais facility produces 70 to 225 horsepower tractors marketed under the Massey Ferguson and AGCO brand names. The Marktoberdorf facility produces 50 to 260 horsepower tractors marketed under the Fendt brand name. The Randers facility produces conventional combines under the Massey Ferguson and Fendt brand names. We also assemble forklifts for sale to third parties and manufacture hydraulics for our Fendt tractors and for sale to third parties in our Kempten, Germany facility, and assemble cabs for our Fendt tractors in Baumenheim, Germany. We have a joint venture with Renault Agriculture S.A. for the manufacture of driveline assemblies for high horsepower AGCO, Massey Ferguson and Renault tractors at our facility in Beauvais. By sharing overhead and engineering costs, this joint venture has resulted in a decrease in the cost of these components.

NORTH AMERICA

In 1999 and 2000, we closed our hay and forage equipment, planter, loader, implement and tractor manufacturing facility in Coldwater, Ohio, our planter and implement manufacturing facility in Lockney, Texas, and our combine manufacturing facility in Independence, Missouri. The majority of the production in these facilities has been relocated to the HFI facility in Hesston, Kansas with the exception of tractor production, which was moved to Beauvais, France, and loaders and certain implement production, which was outsourced. We completed the relocation in 2001.

In 2001, we announced our 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 completed the relocation during 2001.

Accordingly, our current manufacturing operations in North America are located in Hesston, Kansas; Jackson, Minnesota; and Queretaro, Mexico. The Hesston facility produces hay and forage equipment marketed under the Hesston, New Idea and Massey Ferguson brand names, conventional and rotary combines under the GLEANER and Massey Ferguson brand names and planters under the White brand name. In Jackson, we produce self-propelled sprayers marketed under the Lor(*)Al, RoGator, Spra-Coupe, Terra-Gator and Willmar brand names, wheeled loaders marketed under the Willmar and Massey Ferguson brand names, and dry fertilizer spreaders marketed under the Willmar brand name. In Queretaro, we assemble tractors for distribution in the Mexican market.

SOUTH AMERICA

Our manufacturing operations in South America are located in Brazil. In Canoas, Rio Grande do Sul, Brazil, we manufacture and assemble tractors, ranging from 50 to 200 horsepower and industrial loader-backhoes. The tractors are sold under the Massey Ferguson and AGCO Allis brand names primarily in South America. We also manufacture conventional combines marketed under the Massey Ferguson and AGCO Allis brand names in Santa Rosa, Rio Grande do Sul, Brazil.

THIRD-PARTY SUPPLIERS

We believe that managing the level of our company and dealer inventory is critical to maintaining favorable pricing for our products. Unlike many of our competitors, we externally source many of our products, components and replacement parts. Our production strategy minimizes our capital investment requirements and allows us greater flexibility to respond to changes in market conditions.

We purchase some of the products we distribute from third-party suppliers.

We purchase standard and specialty tractors from SAME Deutz-Fahr Group S.p.A. and distribute these tractors worldwide under the Massey Ferguson brand name. In addition, we purchase some tractor models from a licensee in Turkey and from Iseki & Company, Limited, a Japanese manufacturer. We also purchase other tractors, implements and hay and forage equipment from various third-party suppliers.

In addition to the purchase of machinery, third-party companies supply significant components used in our manufacturing operations, such as engines. We select third-party suppliers that we believe are low cost, high quality and possess the most appropriate technology. We also assist in the development of these products or component parts based upon our own design requirements. Our past experience with outside suppliers has been favorable. Although we are currently dependent upon outside suppliers for several of our products, we believe that, if necessary, we could identify alternative sources of supply without material disruption to our business.

SEASONALITY

Generally, retail sales by dealers to farmers are highly seasonal and are a function of the timing of the planting and harvesting seasons. To the extent practicable, we attempt to sell products to our dealers and distributors on a level basis throughout the year to reduce the effect of seasonal retail demands on our manufacturing operations and to minimize our investment in inventory. Our financing requirements are subject to variations due to seasonal changes in working capital levels, which typically increase in the first half of the year and then decrease in the second half of the year.

COMPETITION

The agricultural industry is highly competitive. We compete with several large national and international full-line suppliers, as well as numerous short-line and specialty manufacturers with differing manufacturing and marketing methods. Our two principal competitors on a worldwide basis are Deere & Company and CNH Global N.V. In certain Western European and South American countries, we have regional competitors that have significant market share in a single country or a group of countries.

We believe several key factors influence a buyer's choice of farm equipment, including the strength and quality of a company's dealers, the quality and pricing of products, dealer or brand loyalty, product availability, the terms of financing and customer service. We believe that we have improved, and we continually seek to improve, in each of these areas. Our primary focus is increasing farmers' loyalty to our dealers and overall dealer organizational quality in order to distinguish our company in the marketplace. See "Marketing and Distribution."

ENGINEERING AND RESEARCH

We make significant expenditures for engineering and applied research to improve the quality and performance of our products and to develop new products. Our expenditures on engineering and research were approximately $49.6 million (2.0% of net sales) in 2001, $45.6 million (2.0% of net sales) in 2000 and $44.6 million (1.8% of net sales) in 1999.

INTELLECTUAL PROPERTY

We own and have licenses to the rights under a number of domestic and foreign patents, trademarks, trade names and brand names relating to our products and businesses. We defend our patent, trademark and trade and brand name rights primarily by monitoring competitors' machines and industry publications and conducting other investigative work. We consider our intellectual property rights, including our rights to use the AGCO, AGCO Allis, AGCOSTAR, Ag-Chem, Farmhand, FENDT, Fieldstar, GLEANER, Glencoe, Hesston, Lor(*)Al, Massey Ferguson, New Idea, RoGator, Spra-Coupe, Terra-Gator, Tye and Willmar trade and brand names important in the operation of our businesses. However, we do not believe we are dependent on any single patent, trademark or trade name or group of patents or trademarks, trade names or brand names. AGCO, AGCO Allis, AGCOSTAR, Ag-Chem, Farmhand, FENDT, Fieldstar, GLEANER, Glencoe, Hesston, Lor(*)Al, Massey Ferguson, New Idea, RoGator, Spra-Coupe, Terra-Gator, Tye and Willmar are our registered trademarks.

ENVIRONMENTAL MATTERS AND REGULATION

We are subject to environmental laws and regulations concerning emissions to the air, discharges of processed or other types of wastewater and the generation, handling, storage, transportation, treatment and disposal of waste materials. These laws and regulations are constantly changing, and the effects that they may have on us in the future are impossible to predict with accuracy. We have been made aware of possible solvent contamination at the facility in Hesston, Kansas. We are investigating the extent of any possible contamination in conjunction with the appropriate state authorities. It is our policy to comply with all applicable environmental, health and safety laws and regulations, and we believe that any expense or liability we may incur in connection with any noncompliance with any law or regulation or the cleanup of any of our properties will not have a material adverse effect on us. We believe that we are in compliance, in all material respects, with all applicable laws and regulations.

The U.S. Environmental Protection Agency has issued regulations concerning permissible emissions from off-road engines. We do not anticipate that the cost of compliance with the regulations will have a material impact on us.

Our international operations are also subject to environmental laws, as well as various other national and local laws, in the countries in which we manufacture and sell our products. We believe that we are in compliance with these laws in all material respects and that the cost of compliance with these laws in the future will not have a material adverse effect on us.

REGULATION AND GOVERNMENT POLICY

Domestic and foreign political developments and government regulations and policies directly affect the agricultural industry in the U.S. and abroad and indirectly affect the agricultural equipment business. The application or modification of existing laws, regulations or policies or the adoption of new laws, regulations or policies could have an adverse effect on our business.

We are subject to various national, federal, state and local laws affecting our business, as well as a variety of regulations relating to such matters as working conditions and product safety. A variety of state laws regulate our contractual relationships with our dealers. These laws impose substantive standards on the relationship between us and our dealers, including events of default, grounds for termination, non-renewal of dealer contracts and equipment repurchase requirements. Such state laws could adversely affect our ability to rationalize our dealer network.

EMPLOYEES

As of December 31, 2001, we employed approximately 11,300 employees, including approximately 3,650 employees in the U.S. and Canada. A majority of our employees at our manufacturing facilities, both domestic and international, are represented by collective bargaining agreements with expiration dates ranging from 2002 to 2007. We currently do not expect any significant difficulties in renewing these agreements.

EXECUTIVE OFFICERS OF THE REGISTRANT

The table sets forth information as of March 15, 2002 with respect to each person who is an executive of the Company.

NAME	AGE	POSITIONS
Robert J. Ratliff........................	70	Chairman, President and Chief Executive Officer
Garry L. Ball............................	54	Senior Vice President -- Engineering and Product Development
Norman L. Boyd...........................	58	Senior Vice President -- Corporate Development
Stephen D. Lupton........................	57	Senior Vice President, General Counsel and Secretary
Donald R. Millard........................	54	Senior Vice President and Chief Financial Officer
James M. Seaver..........................	55	Senior Vice President -- Sales and Marketing Worldwide
Brian C. Truex...........................	42	Senior Vice President -- Manufacturing Technologies and Quality
Adri Verhagen............................	60	Senior Vice President -- Special Projects

Robert J. Ratliff is currently the President and Chief Executive Officer of the Company, positions he undertook following the death of Mr. Shumejda in January 2002. In addition, Mr. Ratliff has served as the Executive Chairman of the Board of Directors since January 1999 and Chairman of the Board of Directors since August 1993, and a Director since June 1990. Mr. Ratliff previously served as Chief Executive Officer of the Company from January 1996 until November 1996 and from August 1997 to February 1999 and President and Chief Executive Officer from June 1990 to January 1996. Mr. Ratliff is also a director of the National Association of Manufacturers and the Equipment Manufacturers Institute. Mr. Ratliff is a member of the Board of Councilors of the Carter Center.

Garry L. Ball has been Senior Vice President -- Engineering and Product Development of the Company since June 2001. From 2000 to 2001, Mr. Ball was Vice President of Engineering at CapacityWeb.com. From 1999 to 2000, Mr. Ball was employed as Vice President of Construction Equipment New Product Development at CNH Global N.V. Prior to that assignment, he held several key positions including Vice President of Engineering Agricultural Tractor for New Holland N.V., Europe, and Chief Engineer for Tractors at Ford New Holland.

Norman L. Boyd has been Senior Vice President -- Corporate Development of the Company since October 1998. Mr. Boyd was Vice President of Europe/Africa/Middle East Distribution from February 1997 to September 1998, Vice President of Marketing, Americas from February 1995 to February 1997 and Manager of Dealer Operations from January 1993 to February 1995.

Stephen D. Lupton has been Senior Vice President and General Counsel of the Company since June 1999. Mr. Lupton was Vice President of Legal Services, International from October 1995 to May 1999, and Director of Legal Services, International from June 1994 to October 1995. Mr. Lupton was Director of Legal Services of Massey Ferguson from February 1990 to June 1994.

Donald R. Millard has been Senior Vice President and Chief Financial Officer of the Company since October 2000. Mr. Millard was previously President, Chief Executive Officer and a director of Matria Healthcare, Inc. from October 1997 until October 2000. From October 1997 to October 1999, Mr. Millard served as Chief Financial Officer of Matria Healthcare. Mr. Millard also served as Senior Vice President -- Finance, Chief Financial Officer and Treasurer of Matria Healthcare from March 1996 until October 1997. Mr. Millard is a director of First Union Bank, Atlanta, Georgia, Coast Dental Services, Inc. and American HomePatient, Inc.

James M. Seaver has been Senior Vice President -- Sales and Marketing Worldwide of the Company since January 2002. Mr. Seaver was previously Chief Executive Officer, AGCO Finance for the Company

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from June 1999 to January 2002. Mr. Seaver was Senior Vice President, Worldwide Sales from September 1998 to May 1999; Executive Vice President, Sales and Marketing from February 1997 to September 1998; President, Corporate Sales and Marketing from August 1996 to February 1997; Executive Vice President, Sales and Marketing from January 1996 to August 1996; Senior Vice President, Sales and Marketing, Americas from February 1995 to January 1996; and Vice President, Sales, Americas from May 1993 to February 1995.

Brian C. Truex has been Senior Vice President -- Manufacturing Technologies and Quality of the Company since June 2001. Mr. Truex previously was with The Stanley Works, where he served as Director of Operations, Stanley Mechanics Tools, from 2000 to 2001. From 1994 - 2000, he was employed by Halliburton Company, where he served in various manufacturing positions including Director, Manufacturing Excellence Group.

Adri Verhagen has been Senior Vice President -- Special Projects of the Company since January 2002. He previously served as Senior Vice President of Sales and Marketing, Europe/Africa/Middle East and East Asia/Pacific from June 1999 to January 2002. Mr. Verhagen was Vice President of Sales, Europe/Africa/Middle East from September 1998 to May 1999, Director/General Manager, East Asia/Pacific from October 1995 to September 1998 and Managing Director, Massey Ferguson of Australia Ltd. from July 1979 to October 1995.

FINANCIAL INFORMATION ON GEOGRAPHICAL AREAS

For financial information on geographic areas, see pages 66 through 68 of this Form 10-K under the caption "Segment Reporting" which information is incorporated herein by reference.

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ITEM 2. PROPERTIES

Our principal properties as of February 28, 2002 were as follows:

LOCATION	DESCRIPTION OF PROPERTY	LEASED (SQ. FT.)	OWNED (SQ. FT.)

North America:			
Duluth, Georgia	Corporate Headquarters	125,000	
Coldwater, Ohio (A)	Manufacturing		1,490,000
Hesston, Kansas	Manufacturing		1,276,500
Independence, Missouri (A)	Manufacturing		450,000
Jackson, Minnesota	Manufacturing		403,000
Lockney, Texas (A)	Manufacturing	190,000	
Queretaro, Mexico	Manufacturing		13,500
Willmar, Minnesota (B)	Manufacturing		223,400
Kansas City, Missouri	Warehouse	425,000	
Batavia, Illinois	Parts Distribution	310,200	
Jackson, Minnesota	Parts Distribution/Service Support		70,770
Jackson, Minnesota	Training Center		37,500
International:			
Coventry, United Kingdom	Regional Headquarters/ Manufacturing		4,135,150
Beauvais, France (C)	Manufacturing		2,720,000
Marktoberdorf, Germany	Manufacturing		2,668,000
Baumenheim, Germany	Manufacturing		1,249,000
Grubbenvorst, Holland	Manufacturing	37,700	
Kempten, Germany	Manufacturing		582,000
Randers, Denmark	Manufacturing		683,000
Haedo, Argentina	Parts Distribution/Sales Office	32,366	
Noetinger, Argentina (A)	Warehouse		152,820
San Luis, Argentina (D)	Manufacturing		57,860
Canoas, Rio Grande do Sul, Brazil	Regional Headquarters/ Manufacturing		452,400
Santa Rosa, Rio Grande do Sul, Brazil	Manufacturing		297,100
Ennery, France	Parts Distribution		861,000
Sunshine, Victoria, Australia	Regional Headquarters		37,200
Tottenham, Victoria, Australia	Parts Distribution		180,000
Stoneleigh, United Kingdom	Training Facility/Office	40,778	

(A) We closed our production facilities in Coldwater, Ohio; Independence, Missouri; Lockney, Texas; and Noetinger, Argentina in 2000. The Coldwater, Independence and Noetinger facilities currently are being marketed for sale.

(B) In connection with the Ag-Chem acquisition, we closed our production facility in Willmar, Minnesota. The Willmar location is being marketed for sale.

(C) Includes the GIMA Joint Venture, in which we own a 50% interest.

(D) Owned by the Argentina Engine Joint Venture, in which the Company has a 50% interest.

We consider each of our facilities to be in good condition and adequate for its present use. We believe that we have sufficient capacity to meet our current and anticipated manufacturing requirements.

ITEM 3. LEGAL PROCEEDINGS

We are a party to various legal claims and actions incidental to our business. We believe that none of these claims or actions, either individually or in the aggregate, is material to our business or financial condition.

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

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the New York Stock Exchange ("NYSE") and trades under the symbol AG. As of the close of business on March 15, 2002, the closing stock price was $21.72, and there were 768 stockholders of record. The following table sets forth, for the periods indicated, the high and low sales prices for our common stock for each quarter within the last two fiscal years, as reported on the NYSE.

	HIGH	LOW	DIVIDENDS DECLARED
	(IN DOLLARS)		
2001			
First Quarter	$12.13	$ 9.48	$.01
Second Quarter	9.50	8.00	--
Third Quarter	12.30	8.55	--
Fourth Quarter	16.85	8.61	--

	HIGH	LOW	DIVIDENDS DECLARED
	(IN DOLLARS)		
2000			
First Quarter	$13.88	$10.06	$.01
Second Quarter	14.38	10.56	.01
Third Quarter	13.06	10.00	.01
Fourth Quarter	12.13	9.69	.01

Through the first quarter of 2001 we paid a regular dividend of $0.01 per share per quarter. However, under the indenture governing our 8 1/2% Senior Subordinated Notes due 2006, we currently are unable to pay any cash dividends. There can be no assurance that we will pay dividends in the future.

ITEM 6. SELECTED FINANCIAL DATA

The following tables present our selected consolidated financial data. The data set forth below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and the related notes. Our operating data for the fiscal years ended December 31, 2001, 2000, 1999, 1998, and 1997 and the selected balance sheet data for the years then ended, are derived from our audited consolidated financial statements, which were audited by Arthur Andersen LLP, independent public accountants. The historical financial data may not be indicative of our future performance.

	YEARS ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
	(IN MILLIONS, EXCEPT PER SHARE DATA)				
OPERATING DATA:					
Net sales	$2,541.5	$2,336.1	$2,436.4	$2,970.8	$3,253.9
Gross profit	434.8	376.6	357.7	539.3	668.4
Income from operations(1)	96.7	65.8	40.6	155.7	303.9
Net income (loss)(1)	$ 22.6(2)	$ 3.5	$ (11.5)	$ 60.6	$ 168.7(2)
Net income (loss) per common share -- diluted(1)	$ 0.33(2)	$ 0.06	$ (0.20)	$ 0.99	$ 2.71(2)
Weighted average shares outstanding -- diluted	68.5	59.7	58.7	61.2	62.1
Dividends declared per common share	$ 0.01	$ 0.04	$ 0.04	$ 0.04	$ 0.04

	AS OF DECEMBER 31,				
	2001	2000	1999	1998	1997
	(IN MILLIONS, EXCEPT NUMBER OF EMPLOYEES)				
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 28.9	$ 13.3	$ 19.6	$ 15.9	$ 31.2
Working capital	539.7	603.9	764.0	1,029.9	884.3
Total assets	2,173.3	2,104.2	2,273.2	2,750.4	2,620.9
Total long-term debt	617.7	570.2	691.7	924.2	727.4
Stockholders' equity	799.4	789.9	829.1	982.1	991.6
OTHER DATA:					
Number of employees	11,325	9,785	9,287	10,572	11,829

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(1) These amounts include restructuring and other infrequent expenses of $13.0 million, $21.9 million, $24.5 million, $40.0 million and $18.2 million for the years ended December 31, 2001, 2000, 1999, 1998 and 1997, respectively. The effect of these expenses reduced net income per common share on a diluted basis by $0.12, $0.22, $0.26, $0.41 and $0.19 for the years ended December 31, 2001, 2000, 1999, 1998 and 1997, respectively. See Management's Discussion and Analysis of Financial Condition and Results of Operations -- "Restructuring and Other Infrequent Expenses."

(2) Net income for the years ended December 31, 2001 and 1997 include extraordinary losses, net of taxes, for the write-off of unamortized debt costs related to the refinancing of our revolving credit facility of $0.8 million, or $0.01 per share, in 2001 and $2.1 million, or $0.03 per share in 1997.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We are a leading manufacturer and distributor of agricultural equipment and related replacement parts throughout the world. We sell a full range of agricultural equipment, including tractors, combines, hay tools, sprayers, forage equipment and implements. Our products are marketed under the following brand names: AGCO(R), AGCO(R) Allis, AGCOSTAR(R), Ag-Chem(R), Farmhand(R), FENDT(TM), Fieldstar(R), GLEANER(R), Glencoe(R), Hesston(R), Lor(*)Al(R), Massey Ferguson(R), New Idea(R), RoGator(R), SOILTEQ, Spra-Coupe(R), Terra-Gator(R), Tye(R), White Tractors, White Planters and Willmar(R). We distribute most of our products through a combination of approximately 7,350 independent dealers, distributors, associates and licensees. In addition, we provide retail financing in North America, the United Kingdom, France, Germany, Spain, Ireland and Brazil through our finance joint ventures with Rabobank.

RESULTS OF OPERATIONS

We sell our equipment and replacement parts to our independent dealers, distributors or other customers. A large majority of our sales are to independent dealers and distributors that sell our products to the end user. To the extent practicable, 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 our manufacturing operations and to minimize our investment in inventory. However, retail sales by dealers to farmers are highly seasonal and are linked to the planting and harvesting seasons. In certain markets, particularly in North America, there is often a time lag, which varies based on the timing and level of retail demand, between our sale of the equipment to the dealer and the dealer's sale to a retail customer. During this time lag between the wholesale and retail sale, dealers may not return equipment to us unless the dealer's contract is terminated or we agree to accept returned products. Commissions payable under our salesman incentive programs are paid at the time of the retail sale, as opposed to when the products are sold to dealers.

The following table sets forth, for the periods indicated, the percentage relationship to net sales of certain items included in our Consolidated Statements of Operations:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	82.9	83.9	85.3
Gross profit	17.1	16.1	14.7
Selling, general and administrative expenses	10.1	9.8	9.6
Engineering expenses	2.0	2.0	1.8
Restructuring and other infrequent expenses	0.5	0.9	1.0
Amortization of intangibles	0.7	0.6	0.6
Income from operations	3.8	2.8	1.7
Interest expense, net	2.3	2.0	2.4
Other expense, net	0.9	1.4	0.6

Income (loss) before income taxes, equity in net earnings of affiliates and extraordinary loss	0.6	(0.6)	(1.3)
Income tax provision (benefit)	0.1	(0.3)	(0.4)
Income (loss) before equity in net earnings of affiliates and extraordinary loss	0.5	(0.3)	(0.9)
Equity in net earnings of affiliates	0.4	0.4	0.4
Net income (loss) before extraordinary loss	0.9	0.1	(0.5)
Extraordinary loss, net of taxes	--	--	--
Net income (loss)	0.9%	0.1%	(0.5)%

2001 COMPARED TO 2000

Net income for 2001 was $22.6 million, or $0.33 per diluted share, compared to $3.5 million, or $0.06 per diluted share, for 2000. Our results for 2001 included restructuring and other infrequent expenses ("restructuring expenses") of $13.0 million, or $0.12 per share primarily related to the integration of Ag-Chem Equipment Company, Inc. acquired in April 2001 and the rationalization of certain manufacturing facilities. In addition, our 2001 earnings include an extraordinary loss, net of taxes, of $0.8 million, or $0.01 per share, for the write-off of unamortized debt costs associated with our revolving credit facility, which was refinanced in April 2001. Our results for 2000 included restructuring expenses of $21.9 million, or $0.22 per share associated with the closure of certain manufacturing facilities announced in 2000 and 1999.

Our earnings improvement in 2001 was primarily the result of margin improvement generated by our successful cost reduction initiatives including the impact of manufacturing facility rationalizations. Our results were negatively impacted by losses at Ag-Chem for the period since acquisition. The Ag-Chem acquisition was completed after Ag-Chem's seasonally strongest period, typically the first calendar quarter of the year. The impact of the Ag-Chem acquisition, excluding restructuring expenses, was a reduction in net income of approximately $10.5 million, or $0.15 per share.

Acquisitions

On April 16, 2001, we completed the acquisition of Ag-Chem, a manufacturer and distributor of self-propelled fertilizer and chemical sprayers for pre-emergent and post-emergent applications. This acquisition provided us a leading position in the self-propelled sprayer market. See "Ag-Chem Acquisition" for additional information.

Retail Sales

Industry demand for agricultural equipment in 2001 showed mixed results within the major markets of the world compared to the prior year. Commodity prices remained at relatively low levels in 2001 caused by high global commodity stocks and lower export demand for farm commodities. These conditions adversely affect farm income thereby negatively impacting demand for new equipment purchases.

In the United States and Canada, industry retail unit sales of tractors and combines for 2001 increased approximately 10% and 9%, respectively, compared to 2000, reflecting an improvement from the relatively low industry levels in 2000. Our retail unit sales of tractors in North America increased and our retail unit sales of combines declined in 2001 compared to 2000. Delays related to the relocation and start-up of combine production in our Hesston, Kansas facility negatively impacted our 2001 sales.

In Western Europe, industry retail unit sales of tractors declined approximately 7% for 2001 compared to 2000. Concerns over BSE (mad cow disease) and foot-and-mouth disease in the first half of 2001 contributed to the decline but subsequently diminished in the second half of the year. Our retail unit sales for 2001 also declined compared to 2000.

In South America, industry retail unit sales of tractors in 2001 increased approximately 13% compared to 2000. The major market of Brazil continued its strong growth due to full availability of a supplemental Brazilian government subsidized retail financing program. The growth in the Brazilian market was partially offset by declines in the Argentina market. Our retail unit sales also increased in 2001 compared to the prior year.

In our other international markets, our net sales for 2001 were below the prior year. The majority of the decline related to sales in Middle Eastern markets.

Statements of Operations

Net sales for 2001 were $2,541.5 million compared to $2,336.1 million for 2000. Net sales generated by Ag-Chem subsequent to acquisition in 2001 were $148.5 million. Net sales for 2001 were negatively

impacted by foreign currency translation by approximately $127.3 million due to the strength of the U.S. dollar in relation to the Euro and Brazilian real. Excluding the impact of the Ag-Chem acquisition and foreign currency translation, net sales were 7.9% higher than 2000.

Net sales in North America increased $77.4 million, or 12.2%, in 2001 over 2000 due primarily to improved market conditions. In addition, combine sales were higher in 2001 than in 2000 resulting from increased combine production, which was limited in 2000 by its relocation to Hesston, Kansas during the second half of the year. In the Europe/Africa/Middle East region, net sales decreased $33.6 million, or 2.6%, compared to 2000 primarily due to the negative impact of foreign currency translation and the result of industry declines in Western Europe. Net sales in South America increased $15.0 million, or 6.2%, compared to 2000 with strong sales increases being partially offset by the impact of currency translation. In the Asia/Pacific region, net sales decreased approximately $0.5 million, or 0.5%, compared to 2000 primarily due to the impact of currency translation. In the Sprayer Division, net sales increased $147.1 million compared to 2000 primarily due to the acquisition of Ag-Chem, which contributed net sales of approximately $148.5 million.

Gross profit was $434.8 million (17.1% of net sales) in 2001 compared to $376.6 million (16.1% of net sales) for 2000. Gross margins improved primarily due to cost reduction initiatives and the impact of new higher margin products. This margin improvement was offset, in part, by cost inefficiencies during the first three quarters of 2001 in the Hesston, Kansas manufacturing facility of approximately $7.9 million during the initial production of products relocated from closed facilities. These inefficiencies were primarily associated with the initial production run of combines and planters in this facility.

Selling, general and administrative ("SG&A") expenses for 2001 were $257.0 million (10.1% of net sales) compared to $228.2 million (9.8% of net sales) for 2000. The increase as a percentage of net sales was the result of Ag-Chem, which had a higher SG&A expense ratio to net sales than the remainder of our operations. Engineering expenses for 2001 were $49.6 million (2.0% of net sales) compared to $45.6 million (2.0% of net sales) for 2000. This increase is due to the inclusion of a full year of engineering expenses of Hay & Forage Industries acquired in May 2000 and the addition of Ag-Chem subsequent to acquisition.

We recorded restructuring expenses of $13.0 million for 2001 and $21.9 million for 2000. The restructuring expenses in 2001 included $8.5 million for the integration Ag-Chem and $4.5 million for manufacturing facility rationalization programs. See "Restructuring and Other Infrequent Expenses" for further discussion. For 2000, the restructuring expenses were costs primarily associated with manufacturing facility closures.

Amortization of intangibles increased to $18.5 million in 2001 from $15.1 million in 2000 primarily due to the amortization of goodwill and other acquired intangibles associated with the Ag-Chem acquisition.

Income from operations was $96.7 million (3.8% of net sales) for 2001 compared to $65.8 million (2.8% of net sales) for 2000. Excluding restructuring expenses, operating income was $109.7 million (4.3% of net sales) for 2001 compared to $87.7 million (3.8% of net sales) for 2000. The improvement is due to higher gross margins as discussed previously.

Interest expense, net was $58.6 million for 2001 compared to $46.6 million for 2000. The increase in interest expense primarily relates to increased indebtedness related to the Ag-Chem acquisition partially offset by a decline in interest rates and the reduction in borrowings associated with new securitization facilities. Interest expense, net for 2001 also included a $2.0 million fee for the successful waiver solicitation on the Company's 8 1/2% Senior Subordinated Notes.

Other expense, net was $23.4 million in 2001 compared to $33.1 million in 2000. Losses on sales of receivables primarily under securitization facilities were $23.5 million compared to $24.5 million in 2000. The amount in 2001 included approximately $3.6 million of up-front losses and transaction costs associated with the initial funding of new securitization facilities in Europe and Canada totaling $152.0 million. The 2000 amount included $7.1 million of up-front losses and transaction costs associated with the initial

$200.0 million funding of a U.S. securitization facility. Other expense, net for 2001 also included a gain of $5.2 million associated with the sale of a minority interest investment in a European agricultural equipment company.

We recorded an income tax provision of $1.9 million in 2001 compared to an income tax benefit of $7.6 million in 2000. The 2001 provision reflects a lower tax provision on foreign income. The 2000 tax benefit includes a benefit for the recognition of a United States tax credit carryback of approximately $2.0 million. At December 31, 2001, we had deferred tax assets of $206.5 million, including $141.6 million related to net operating loss carryforwards. The amount of net operating losses has grown in the past three years primarily as a result of tax losses in the United States. These losses resulted from the industry decline in the U.S. market and from restructuring expenses associated with facility closures. Realization of the resulting deferred tax assets is dependent on generating sufficient taxable income in future periods. We have established valuation allowances of $52.7 million primarily related to net operating loss carryforwards in foreign jurisdictions where it is more likely than not that the losses will expire unused. We believe it is more likely than not that the remaining net deferred tax assets will be realized.

Equity in earnings of affiliates was $10.6 million for 2001 compared to

$9.8 million for 2000. The increase in earnings was primarily the result of reduced losses in the Argentina engine joint venture. Equity in earnings in retail finance joint ventures in 2001 was consistent with the prior year.

2000 COMPARED TO 1999

Net income in 2000 was $3.5 million, or $0.06 per diluted share, compared to a loss of $11.5 million, or $0.20 per diluted share, in 1999. Our results included restructuring expenses of $21.9 million, or $0.22 per diluted share, in 2000 and $24.5 million, or $0.26 per diluted share, in 1999 associated with the closure of manufacturing facilities announced in 1999 and 2000. In addition, the results for 2000 included an $8.0 million loss, or $0.08 per share, associated with the completion of an accounts receivable securitization facility in January 2000 (see "Liquidity and Capital Resources"). Our results improved in 2000 primarily due to improved gross margins resulting from cost of sales reductions achieved through facility rationalizations and other initiatives.

Acquisitions

In May 2000, we acquired from CNH Global N.V. its 50% share in Hay and Forage Industries ("HFI") for $10 million. This acquisition terminated a joint venture agreement pursuant to which we and CNH each owned 50% interests in HFI, thereby providing us with sole ownership. HFI, located in Hesston, Kansas, develops and manufactures hay and forage equipment and implements that we sell under various brand names.

Retail Sales

Demand for agricultural equipment in 2000 showed mixed results within the major markets of the world compared to 1999. Low commodity prices caused by high global commodity stocks and lower export demand for farm commodities have continued to adversely affect worldwide demand for new equipment purchases over the past two years.

In the United States and Canada, industry unit retail sales of tractors and combines for 2000 increased approximately 8% and 5%, respectively, compared to 1999. Despite a lack of significant changes in commodity prices, there were moderate improvements in the core agricultural segments of the industry, which may have been influenced by aggressive pricing actions by competitors. Our unit retail sales of tractors and combines in the United States and Canada decreased in 2000 compared to 1999.

In Western Europe, industry unit retail sales of tractors for 2000 declined approximately 8% compared to 1999. The reduction was experienced in all significant Western European markets. Our unit retail sales in Western Europe in 2000 also declined compared to 1999. We experienced favorable acceptance of new

tractor lines introduced in 1999 and 2000. However, retail unit sales of our UK-built products were negatively impacted by the weakness of the Euro versus the British pound.

Industry unit retail sales of tractors in South America for 2000 increased approximately 16% compared to 1999. In the major market of Brazil, industry retail sales increased approximately 28%, with significant increases since June 2000 due to full availability of a supplemental Brazilian government subsidized retail financing program. In the remaining South American markets, including Argentina, retail unit sales decreased due to economic uncertainty and tightening credit. Our unit retail sales of tractors in South America also increased compared to 1999.

In most other international markets, our net sales were higher than the prior year, particularly in the Middle East and Far East, primarily due to improved industry demand.

Statements of Operations

Net sales for 2000 were $2.3 billion compared to $2.4 billion for 1999. Net sales for 2000 decreased by approximately $181 million as a result of the foreign currency translation effect of the weakening Euro and British pound in relation to the U.S. dollar. Excluding the impact of currency translation, net sales for 2000 were approximately 3% above 1999.

Regionally, net sales in North America increased by $49.6 million, or 9%, compared to 1999. The increase was the result of our efforts in 1999 to lower dealer inventory levels by reducing wholesale shipments to dealers. In the Europe/Africa/Middle East region, net sales in 2000 decreased by $191.1 million, or 13%, compared to 1999, primarily due to the negative impact of foreign currency translation and industry declines in Western Europe. Net sales in South America increased by $35.5 million, or 17%, compared to 1999, due to favorable market conditions in Brazil. In the Asia/Pacific region, net sales increased by $2.1 million, or 2%, compared to 1999, primarily due to improvements in market demand in the Far East markets. Net sales in the Sprayer division increased $3.6 million, or 9%, over 1999.

Gross profit was $376.6 million (16.1% of net sales) for 2000 compared to $357.7 million (14.7% of net sales) for 1999. Gross margins improved in 2000 primarily due to cost reduction initiatives, including the impact of facility rationalizations, and lower sales incentive costs, particularly on used equipment. In addition, gross margins were negatively impacted in 1999 by a $5.0 million write-down of production inventory related to closure of our Coldwater, Ohio and Lockney, Texas manufacturing facilities.

Selling, general and administrative expenses ("SG&A expenses") for 2000 were $228.2 million (9.8% of net sales) compared to $233.2 million (9.6% of net sales) for 1999. The increase as a percentage of net sales was due to lower sales volume in 2000 compared to 1999. Engineering expenses for 2000 were $45.6 million (2.0% of net sales) compared to $44.6 million (1.8% of net sales) for 1999. The increase in engineering expenses was primarily due to the addition of HFI's engineering expenses subsequent to our acquisition of HFI.

We recorded restructuring and other infrequent expenses of $21.9 million and $24.5 million in 2000 and 1999, respectively. The restructuring expenses related to the closing of its Coldwater, Ohio; Independence, Missouri; Lockney, Texas; and Noetinger, Argentina manufacturing facilities announced in 1999 and 2000. These restructuring expenses related to employee severance, facility closure costs, the write-down of property, plant and equipment and production transition costs. In addition, the restructuring expenses in 2000 were net of a $3.0 million reduction related to a reversal of restructuring reserves established in 1997. See "Restructuring and Other Infrequent Expenses" for additional information.

Income from operations was $65.8 million for 2000 compared to $40.6 million in 1999. Excluding restructuring expenses, operating income was $87.7 million (3.8% of net sales) in 2000 compared to $65.1 million (2.7% of net sales) in 1999. Operating income increased primarily as a result of improved gross margins primarily related to cost of sales reductions achieved in 2000. These improvements were partially offset by the impact of currency translation that reduced 2000 operating income by approximately $16.0 million.

Interest expense, net was $46.6 million in 2000 compared to $57.6 million in 1999. The reduction in interest expense is due to a $200 million reduction in outstanding debt as a result of the United States accounts receivable securitization transaction completed during the first quarter of 2000 (see "Liquidity and Capital Resources").

Other expense, net was $33.1 million in 2000 compared to $15.2 million in 1999. The increase in other expense is related to losses on sales of receivables in connection with the establishment of the U.S. securitization facility in January 2000. We recorded losses totaling $24.5 million in 2000 including a loss of $7.1 million related to the initial funding of the U.S. securitization facility.

We recorded an income tax benefit of $7.6 million in 2000 compared to an income tax benefit of $10.2 million in 1999. The tax benefit in 2000 included the recognition of a United States tax credit carryback of approximately $2.0 million.

Equity in earnings of affiliates was $9.8 million in 2000 compared to $10.5 million in 1999. Equity in earnings of our retail finance affiliates, which represent the largest component of these earnings, was lower in 2000 due to portfolio declines.

QUARTERLY RESULTS

The following table presents unaudited interim operating results. We believe that the following information includes all adjustments (consisting only of normal, recurring adjustments) that we consider necessary for a fair presentation, in accordance with generally accepted accounting principles. The operating results for any period are not necessarily indicative of results for any future period.

	THREE MONTHS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(IN MILLIONS, EXCEPT PER SHARE DATA)			
2001:				
Net sales	$532.1	$659.3	$577.2	$772.9
Gross profit	82.5	113.7	102.6	136.0
Income from operations(1)	7.7	29.4	16.7	42.9
Net income (loss)(1)(2)	(5.8)	4.8	0.4	23.2
Net income (loss) per common share -- diluted(1)(2)	(0.10)	0.07	0.01	0.32
2000:				
Net sales	$534.8	$640.8	$521.1	$639.4
Gross profit	77.1	105.0	90.3	104.2
Income from operations(1)	2.0	22.2	13.1	28.5
Net income (loss)(1)	(10.7)	4.1	2.4	7.7
Net income (loss) per common share -- diluted(1)	(0.18)	0.07	0.04	0.13

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(1) For 2001, the quarters ended March 31, June 30, September 30 and December 31 include restructuring and other infrequent expenses of $2.3 million, $3.3 million, $4.9 million and $2.5 million, respectively, thereby reducing net

income per common share on a diluted basis by $0.02, $0.03, $0.04 and $0.02, respectively. For 2000, the quarters ended March 31, June 30, September 30 and December 31 include restructuring and other infrequent expenses of $1.9 million, $13.1 million, $4.5 million and $2.4 million, respectively, thereby reducing net income per common share on a diluted basis by $0.02, $0.13, $0.05 and $0.02, respectively.

(2) The quarter ended June 30, 2001 includes an extraordinary loss, net of taxes, of $0.8 million or $0.01 per share.

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 our manufacturing operations and to minimize investments in inventory. However, retail sales of agricultural equipment are highly seasonal, with farmers traditionally purchasing agricultural equipment in the spring and fall in conjunction with the major planting and harvesting seasons.

AG-CHEM ACQUISITION

On April 16, 2001, we completed the acquisition of Ag-Chem. We paid Ag-Chem shareholders approximately $247.2 million consisting of approximately 11.8 million AGCO common shares and $147.5 million of cash. The funding of the cash component of the purchase price was made through borrowings under our revolving credit facility.

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 a preliminary estimate of fair values as of the acquisition date. In connection with the acquisition of Ag-Chem, we established 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. The activity related to these liabilities is summarized in the following table (in millions):

	LIABILITIES ESTABLISHED	EXPENSES INCURRED	BALANCE AT DECEMBER 31, 2001
Employee severance	$2.6	$2.5	$0.1
Employee relocation expense	0.3	0.2	0.1
Facility closure costs	0.2	--	0.2
	$3.1	$2.7	$0.4

The severance relates to the planned termination of approximately 350 Ag-Chem employees, of which approximately 340 had been terminated as of December 31, 2001.

RESTRUCTURING AND OTHER INFREQUENT EXPENSES

In the second quarter of 2001, we announced our intention to rationalize certain facilities as part of our Ag-Chem acquisition integration plan. The

Company consolidated our existing 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 the majority of functions to the Jackson facility. Lastly, we closed fifteen Ag-Chem parts and service facilities and integrated parts warehousing and logistics into our existing North America parts distribution system. These closures are expected to result in the reduction of cost of goods sold and operating expenses for the combined businesses and generate a portion of the targeted $30 million of synergies to be achieved in the acquisition. We anticipate that a majority of these savings will be achieved in 2002.

In connection with these closures, we recorded restructuring and other infrequent expenses of $8.5 million in 2001. The components of the restructuring and other infrequent expenses are summarized in the following table (in millions):

	2001 EXPENSE	EXPENSES INCURRED	BALANCE AT DECEMBER 31, 2001
Employee severance	$1.3	$0.7	$0.6
Employee retention payments	1.4	1.2	0.2
Facility closure costs	0.8	0.7	0.1
Write-down of property, plant and equipment	0.4	0.4	--
Facility relocation and transition costs	4.6	4.6	--
	$8.5	$7.6	$0.9

The severance relates to the planned termination of approximately 200 AGCO employees of which approximately 190 were terminated as of December 31, 2001. The employee retention payments relate to incentives to be paid to Ag-Chem and AGCO employees who remain employed until certain future termination dates and are accrued over the term of retention period. The facility closure costs include employee costs and other exit costs to be incurred at Willmar after operations cease. The write-down of property, plant and equipment represents the impairment of machinery and equipment at Willmar from the facility closures and was based on the estimated fair value of the assets compared to their carrying value. The facility relocation and transition costs are being expensed as incurred and represent costs to relocate employees, inventory and machinery and costs to integrate operations into the remaining facilities. The $0.9 million of costs accrued at December 31, 2001 are expected to be incurred in 2002.

From 1999 to 2001, we completed several manufacturing rationalization initiatives, which included the closure in 1999 of our Coldwater, Ohio tractor and implement facility and the closures in 2000 of our combine manufacturing facility in Independence, Missouri and our implement manufacturing facilities in Lockney, Texas and Noetinger, Argentina. These initiatives included the relocation of the majority of production and engineering in these facilities to other existing facilities. The closure of these facilities is consistent with our strategy to reduce excess manufacturing capacity. Due to declines in industry demand since 1998, we determined that closure of these facilities and redeployment of the majority of production to other existing facilities and the remaining production to third-party suppliers was necessary to address the excess capacity in our U.S. and South American manufacturing plants. The manufacturing facility rationalization resulted in significant cost savings and improved the overall competitiveness of implements, hay equipment, high horsepower tractors and combines produced in these plants. We closed the Coldwater plant in 1999 and the Independence, Lockney and Noetinger plants in 2000. The rationalization of these production facilities is expected to generate annual cost savings of $20 million to $25 million from the elimination of production overhead costs and other efficiencies. We believe we achieved our savings targets in 2001 except for start-up inefficiencies of $7.9 million experienced in our Hesston manufacturing facility due to the initial production of combines and planters in the facility. A summary of expenses and related reserves associated with these initiatives is summarized in the following table (in millions):

	1999 EXPENSES	2000 EXPENSES	2001 EXPENSES	EXPENSES INCURRED	BALANCE AT DECEMBER 31, 2001
Employee severance.................	$ 1.9	$ 6.9	$ 0.4	$ 8.6	$0.6
Facility closure costs.............	7.7	5.4	(0.7)	12.0	0.4
Write-down of property, plant and equipment, net of recoveries.....	14.9	1.3	(0.7)	15.5	--
Production transition costs........	--	11.3	5.5	16.8	--
	$24.5	$24.9	$ 4.5	$52.9	$1.0

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The severance costs relate to the termination of approximately 1,050 employees of which all employees had been terminated at December 31, 2001. The facility closure costs include employee costs and other exit costs to be incurred after operations ceased in addition to noncancelable operating lease obligations. In 2001, we reversed $0.7 million of accrued facility closure costs which will not be incurred. The write-down of property, plant and equipment represents the impairment of assets resulting from the facility closures and was based on the estimated fair value of the assets compared to their carrying value. The write-down consisted of $0.5 million in 2000 and $7.0 million in 1999 related to machinery and equipment and $0.8 million in 2000 and $7.9 million in 1999 for building and improvements. In 2001, we recorded a recovery of $0.7 million for the sale of machinery and equipment. The write-down, net of recoveries, consisted of $11.6 related to Coldwater, $1.2 million related to Independence and $2.7 million related to Noetinger. The estimated fair value of the equipment and buildings was determined based on current conditions in the applicable markets. The machinery, equipment and tooling have been disposed of and the buildings and improvements are currently being marketed for sale. The production transition costs, which we expensed as incurred, represent costs to relocate and integrate production and engineering into other existing AGCO facilities. The remaining costs accrued at December 31, 2001 are expected to be incurred in 2002 and 2003.

In 1998, we recorded restructuring and other infrequent expenses of $40.0 million primarily related to severance and related costs associated with the reduction in our worldwide permanent workforce of approximately 1,400 employees. As of December 31, 2001, approximately $0.4 million of accrued severance remained to be paid. We expect the remaining costs to be paid in 2002.

CATERPILLAR CHALLENGER ACQUISITION

On March 5, 2002, we completed our acquisition of the design, assembly and marketing of Caterpillar Inc.'s new MT Series of Challenger tractors. We issued approximately 1.0 million shares of common stock in the transaction valued at approximately $21 million based on the closing price of our common stock on the acquisition date. In addition, we expect to purchase approximately $13 million of initial production inventory from Caterpillar. The addition of the Challenger tractor line provides us 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, we plan to provide Caterpillar dealers with additional products that should broaden their equipment offerings and enhance their competitive position. The results of operations for this product line will be included in our results as of the date of the acquisition. Since the Challenger tractors will not be sold until May 2002 and the complementary products will not be fully available in 2002, we anticipate that the impact of this acquisition will be neutral to slightly negative to earnings in 2002.

LIQUIDITY AND CAPITAL RESOURCES

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

During 2001, we completed a number of transactions, which modified our capital structure and replaced our existing revolving credit facility, which was scheduled to expire in January 2002.

We entered into a $350.0 million multi-currency revolving credit facility with Rabobank that will mature 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 will accrue 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 0.625% 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. The proceeds were used to repay borrowings outstanding under our existing revolving credit facility. As of December 31, 2001, we had borrowings of $89.0 million and availability to borrow $256.6 million under the revolving credit facility.

We issued $250.0 million of 9 1/2% Senior Notes due 2008. 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 its 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 proceeds were used to pay borrowings outstanding under our existing revolving credit facility and support the financing of the Ag-Chem acquisition.

Lastly, we completed additional accounts receivable securitization facilities totaling approximately $152.0 million whereby certain European and Canadian wholesale accounts receivable may be sold to a third party on a revolving basis. We used the proceeds from these securitization facilities to reduce outstanding borrowings under our new revolving credit facility. In 2000, we completed a $250 million securitization facility for the sale of United States accounts receivable on a revolving basis.

As a result, 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 $410.0 million of accounts receivable securitization facilities in the U.S., Canada and Europe.

We meet our short-term liquidity requirements through utilization of our revolving credit facility and the accounts receivable securitization facilities. Our revolving credit facility is committed through October 2005 and is subject to maintaining certain covenants as described above. The securitization facilities each have terms of five years but are subject to annual renewal. These facilities allow us to sell accounts receivables through financing conduits which obtain funding from commercial paper markets. Future funding under securitization facilities is dependent upon the adequacy of receivables, a sufficient demand for the underlying commercial paper and the maintenance of certain covenants concerning the quality of the receivables and our financial condition. In the event commercial paper demand is not adequate, our securitization facilities provide for liquidity backing from various financial institutions including Rabobank. These liquidity commitments would provide us with interim funding and should allow us time to find alternative sources of working capital financing, if necessary.

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 December 31, 2001, the unpaid balance of receivables sold was approximately $508.9 million, of which funding of $402.0 million had been advanced to us. The funded balance of $402.0 million 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 receivables required to be contributed to the commercial paper conduit in excess of the amount funded. Currently, this receivable requirement is approximately 15% in excess 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 $539.7 million of working capital at December 31, 2001, a decrease of $64.2 million from working capital of $603.9 million at December 31, 2000. Accounts receivable and inventory combined were $103.3 million lower than the prior year. The change includes a $145.0 million reduction resulting from the increased sales of receivables in 2001, offset by the addition of $106.8 million of Ag-Chem receivables and inventory. The net change in receivables and inventory, excluding these items is a reduction of approximately $65.1 million compared to December 31, 2000. The majority of this reduction is due to currency translation.

Cash flow provided by operating activities was $225.4 million for 2001 compared to $174.4 million for 2000. Operating cash flow benefited from an additional $145.0 million in receivables sales in 2001 and $200.0 million in 2000. Excluding securitization impacts, operating cash flow improved compared to the prior year.

Capital expenditures for 2001 were $39.3 million compared to $57.7 million for 2000. The decrease in capital expenditures was primarily due to the completion of capital expansion projects related to facility rationalizations. We anticipate that capital expenditures for 2002 will range from approximately $45.0 million to $55.0 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 43.6% at December 31, 2001 compared to 41.9% at December 31, 2000. The increase is primarily attributable to higher debt incurred in connection with the Ag-Chem acquisition partially offset by the reduction in debt resulting from increased funding of accounts receivable securitization facilities as well as the negative impact of currency translation on our equity balance.

We believe that available borrowings under the 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.

From time to time, we 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.

CONTRACTUAL COMMITMENTS

During 1999, we entered into a sale/leaseback transaction involving certain real property. The proceeds from the transaction of $18.7 million were used to reduce the outstanding borrowings under the revolving credit facility. The terms of the lease require us to pay approximately $2.0 million per year for fifteen years at which time we have the option to extend the lease with annual payments ranging from $2.2 million to $2.7 million. In accordance with SFAS No. 13, we have accounted for the lease as an operating lease.

At December 31, 2001, we were obligated under certain circumstances to purchase through the year 2005 up to $4.2 million of equipment upon expiration of certain operating leases between AGCO Finance LLC and AGCO Finance Canada Ltd., our retail finance joint ventures in North America, and end users. We also maintain a remarketing agreement with these joint ventures, whereby we are obligated to repurchase repossessed inventory at market values. Management believes that any losses, which might be incurred on the resale of this equipment, will not materially impact our financial position or results of operations.

At December 31, 2001, we guaranteed indebtedness owed to third parties of approximately $15.1 million, primarily related to dealer and end user financing of equipment. We believe the credit risk associated with these guarantees is not material to our financial position.

RELATED PARTIES

Rabobank Nederland, a AAA rated financial institution based in the Netherlands, is a 51% owner in our retail finance joint ventures which are located in the United States, Canada, the United Kingdom, France, Germany, Spain, Ireland and Brazil. Rabobank is also the principal agent and participant in our revolving credit facility and our securitization facilities. The finance joint ventures are also financed by lines of credit with Rabobank. These credit facilities are not directly guaranteed by us.

In 2000, the Company entered into supply agreements with SAME Deutz-Fahr Group S.p.A. ("SDFG") whereby SDFG supplies certain orchard and vineyard tractors and AGCO supplies SDFG with combines in the European market. At December 31, 2001, SDFG owned approximately 5% of AGCO's common stock, but has no involvement in AGCO management.

During 2001, we had net sales of $87.0 million to BayWa Corporation, a German distributor, in the ordinary course of business. The President and CEO of BayWa Corporation is also a member of our Board of Directors.

OUTLOOK

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, the demand for agricultural commodities and general economic conditions.

Worldwide industry demand of agricultural equipment is expected to remain principally unchanged for 2002, as industry fundamentals, including commodity prices, are not anticipated to improve meaningfully in 2002. In the U.S., the proposed U.S. Farm Bill may provide more stability to farm income and farmer confidence. In Europe, farm consolidation and CAP reform will continue to negatively impact industry demand while concerns over livestock diseases, which impacted 2001 demand, have receded. In South America, Brazilian farm economics remain strong, however, equipment demand in 2002 will continue to be dependent on the availability of subsidized financing.

In light of the flat industry conditions, AGCO expects to continue to generate earnings growth in 2002 from cost reduction initiatives, the positive impact of upgraded product offerings and a full-year inclusion of Ag-Chem's results with acquisition synergies. In addition, we anticipate that the impact of adopting Statement of Financial Accounting Standards ("SFAS") No. 142, which eliminates the amortization of goodwill, will result in an increase in operating income in 2002 of $18 million. This impact to operating income will be more than offset by increased restricted stock expense associated with awards earned in 2002 under our Long-Term Incentive Plan. These awards are earned upon increases in the price of our common stock, which has increased significantly to date in 2002. Based on the restricted shares earned to date in 2002, we will record compensation expense of approximately $27 million, or $0.24 per share in the first quarter of 2002, of which approximately $15 million is non-cash expense.

As discussed further in "Accounting Changes," we expect the adoption of SFAS No. 142 will result in a non-cash goodwill impairment charge of $18 million to $28 million on a pre-tax basis recorded as a cumulative effect of an accounting change.

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 (See "Segment Reporting" in the Notes to consolidated financial statements for sales by customer location). Our most significant transactional foreign currency exposures are the British pound in relation to the Euro and the British pound, Euro, Brazilian real 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 foreign currency cash flow forecasts and commitments arising from the settlement of receivables and payables, and from future 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.

The following is a summary of foreign currency forward contracts used to hedge currency exposures. All contracts have a maturity of less than one year. The net notional amounts and fair value gains or losses as of December 31, 2001 stated in U.S. dollars are as follows:

	NET NOTIONAL AMOUNT BUY/(SELL)	AVERAGE CONTRACT RATE*	FAIR VALUE GAIN/(LOSS)
		(IN MILLIONS)	
Australian dollar	$ 0.6	1.97	$ --
British pound	45.5	0.70	0.2
Canadian dollar	(39.9)	1.59	0.5
Danish krone	(16.9)	8.31	(0.1)
Euro dollar	82.0	1.13	(0.2)
Japanese yen	5.2	131.27	(0.4)
Mexican peso	11.3	9.21	--
Norwegian krone	(6.8)	8.99	--
South African rand	(0.8)	12.04	--
Swedish krona	(5.9)	10.49	--
Swiss franc	(1.0)	1.66	--
	$ 73.3		$ --

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* per U.S. dollar

Because these contracts were entered into for hedging purposes, the gains and losses on the contracts would largely be offset by gains and losses on the underlying firm commitment.

In January of 2002, the Argentine Peso incurred a significant devaluation. We accounted for this devaluation as of December 31, 2001 resulting in a negative currency translation adjustment to stockholder's equity of approximately $38 million.

INTEREST RATES

We manage interest rate risk through the use of fixed rate debt and interest rate swap contracts. We have fixed rate debt from our $250 million 8 1/2% Senior Subordinated Notes due 2006 and our $250 million 9 1/2% Senior Notes due 2008. During 2001, we had an interest rate swap contract outstanding to further minimize the effect of potential interest rate increases on floating rate debt. This contract expired on December 31, 2001 and we currently have no interest rate swap contracts outstanding. For 2001, the interest rate swap had the effect of converting a portion of our floating rate indebtedness to a fixed rate of 6.1%. Our floating rate exposure is related to our revolving credit facility and our securitization facilities, which are tied to changes in U.S. and European LIBOR rates. Assuming a 10% increase in interest rates, interest expense, net, excluding the effect of the interest rate swap contract for 2001, would have increased by approximately $2.1 million.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. The significant accounting policies followed in the preparation of the financial statements are detailed in Note 1 in the notes to consolidated financial statements. In the

preparation of these financial statements, we make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We believe that our judgments, estimates and assumptions are reasonable. However, due to the level of judgment, complexity, and the period of time over which many items are resolved, actual results could differ from those estimated at the time of preparation of the financial statements. Adjustments to these estimates would impact our financial position and future results of operations. We believe that our application of policies involving significant judgments, estimates and complexity utilized in our financial statements include the establishment of the following:

Allowances for Discounts and Sales Incentives -- Allowances for discounts and sales incentives are made at the time of sale based on retail sales incentive programs available to the dealer or the retail customer. The cost of these programs is dependent on various factors including the timing of the retail sale and the volume of sales achieved by the dealer. These retail sales incentives may also be revised between the time we record the sale and the time the retail sale occurs. We monitor these factors and revise our provisions when necessary.

Allowances for Surplus and Obsolete Inventory -- Our allowances for surplus and obsolete inventory are based on historical usage and sales patterns and estimates of future sales and production. Changes in demand and product design can impact these estimates. We periodically evaluate and update our assumptions when assessing the adequacy of inventory allowances.

Valuation Allowances for Deferred Tax Assets -- Valuation allowances for deferred tax assets are established when we estimate it is more likely than not that the tax assets will not be realized. These estimates are based on projections of future income in certain tax jurisdictions. Changes in industry conditions and the competitive environment may impact the accuracy of our projections.

Warranty Reserves -- Provisions for estimated expenses related to product warranties are made at the time products are sold. These estimates are based on historical experience of the nature, frequency and average cost of warranty claims. We frequently review warranty trends to monitor our estimates and develop actions to minimize future claims.

Insurance Reserves -- Insurance reserves are provided for our estimates of losses due to claims for worker's compensation, product liability and other liabilities for which we are self-insured. These estimates are based on the ultimate value of claims, which often have long periods of resolution. We closely monitor the claims to maintain adequate reserves.

Additional details for these accounts are located in Note 1 to the consolidated financial statements with the exception of the valuation allowances for deferred taxes which are located in Note 6 to the consolidated financial statements.

ACCOUNTING CHANGES

In September 1999, the Financial Accounting Standards Board ("FASB") issued SFAS No. 137, providing for a one year delay of the effective date of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" to January 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. SFAS No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting treatment is met. In June 2000, the FASB issued SFAS No. 138 that amends the accounting and reporting of derivatives under SFAS No. 133 to exclude, among other things, contracts for normal purchases and normal sales. As discussed further in Note 11 to the consolidated financial statements, we adopted SFAS No. 133 on January 1, 2001.

In July 2001, the FASB issued SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141 prospectively prohibits the pooling of interest method of accounting for business combinations initiated after June 30, 2001. 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. The adoption of SFAS No. 142 will result in the discontinuation of amortization of our goodwill; however, we will be required to test our goodwill for impairment under the new standard beginning in 2002, which could have an adverse effect on our future results of operations if an impairment occurs. 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 will be derived based on an evaluation of past and expected future performance of our reporting units. Any impairment charge from this initial assessment will be recorded as a cumulative effect of an accounting change. We are currently performing the initial fair value assessment. Although the assessment has not been completed and is subject to change, we estimate that the cumulative effect of adopting this standard will result in a non-cash charge of $18 million to $28 million on a pre-tax basis. We expect to complete our assessment and record the impact of adoption of the standard in the first quarter of 2002. The adoption of this standard will also benefit pre-tax earnings beginning in 2002 by approximately $18 million, or $.16 per share, from reduced amortization of intangibles.

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 SFAS 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 Accounting Principles Board 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" ("Opinion 30") for the disposal of a segment of business (as previously defined in Opinion 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. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 and should be applied prospectively. This standard will not impact our current results of operations or financial position, but will be applied if appropriate circumstances arise.

FORWARD LOOKING STATEMENTS

Certain statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this annual report on Form 10-K are forward looking, including certain statements set forth under the headings "Results of Operations" and "Liquidity and Capital Resources." 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 it has made are based on reasonable assumptions, they are based on current information and beliefs and, accordingly, we can give no assurance that its 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 limit