AGCO CORP /DE
Form 10-Q/A
March 29, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

(AMENDMENT NO. 1)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ____________________ TO ______________________

COMMISSION FILE NUMBER 1-12930

AGCO CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	58-196
(State of incorporation)	(I.R.S. Employer Id

4205 RIVER GREEN PARKWAY
DULUTH, GEORGIA 30096
(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES INCLUDING ZIP CODE)

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

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

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

Common stock par value $.01 per share: 59,578,628 shares outstanding as of September 30, 2000.

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Part I Financial Information

Item I. Financial Statements

AGCO CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT SHARE DATA)

	SEPTEMBER 30, 2000 (UNAUDITED)
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 4.0
Accounts and notes receivable, net	518.7
Inventories, net	604.2
Other current assets	88.3
Total current assets	1,215.2
Property, plant and equipment, net	297.9
Investment in affiliates	90.1
Other assets	165.7
Intangible assets, net	287.4
Total assets	$ 2,056.3
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$ 221.9
Accrued expenses	389.5
Other current liabilities	19.6
Total current liabilities	631.0
Long-term debt	582.3
Postretirement health care benefits	28.8
Other noncurrent liabilities	39.4
Total liabilities	1,281.5
Stockholders' Equity:	
Common stock: $0.01 par value, 150,000,000 shares authorized, 59,578,628 and 59,579,559 shares issued and outstanding at September 30, 2000 and December 31, 1999, respectively	0.6
Additional paid-in capital	427.0
Retained earnings	615.8
Unearned compensation	(1.8)
Accumulated other comprehensive income	(266.8)
Total stockholders' equity	774.8
Total liabilities and stockholders' equity	$ 2,056.3

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED AND IN MILLIONS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED
	2000
Net sales	$ 513.5
Cost of goods sold	423.7
Gross profit	89.8
Selling, general and administrative expenses	55.5
Engineering expenses	12.4
Restructuring and other infrequent expenses	4.5
Amortization of intangibles	3.9
Income from operations	13.5
Interest and financing expense, net	14.7
Other expense, net	2.4
Income (loss) before income taxes and equity in net earnings of affiliates	(3.6)
Income tax expense (benefit)	(3.4)
Income (loss) before equity in net earnings of affiliates	(0.2)
Equity in net earnings of affiliates	2.6
Net income	$ 2.4
Net income per common share:	
Basic	$ 0.04
Diluted	$ 0.04
Weighted average number of common and common equivalent shares outstanding:	
Basic	59.3
Diluted	59.7
Dividends declared per common share	$ 0.01

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED AND IN MILLIONS, EXCEPT PER SHARE DATA)

	NINE MONTHS ENDED
	2000
Net sales	$ 1,677.0
Cost of goods sold	1,405.7
Gross profit	271.3
Selling, general and administrative expenses	168.3
Engineering expenses	33.7
Restructuring and other infrequent expenses	19.5
Amortization of intangibles	11.2
Income from operations	38.6
Interest and financing expense, net	50.8
Other expense, net	11.6
Income (loss) before income taxes and equity in net earnings of affiliates	(23.8)
Income tax expense (benefit)	(11.5)
Income (loss) before equity in net earnings of affiliates	(12.3)
Equity in net earnings of affiliates	8.1
Net income (loss)	$ (4.2)
Net income (loss) per common share:	
Basic	$ (0.07)
Diluted	$ (0.07)
Weighted average number of common and common equivalent shares outstanding:	
Basic	59.1
Diluted	59.1
Dividends declared per common share	$ 0.03

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED AND IN MILLIONS)

	NINE MONTHS ENDED S
	2000
Cash flows from operating activities:	
Net income (loss)	$ (4.2)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	41.4
Amortization of intangibles	11.2
Amortization of unearned compensation	2.6
Equity in net earnings of affiliates, net of cash received	(7.8)
Deferred income tax benefit	(33.4)
Loss on write-down of property, plant and equipment	3.1
Changes in operating assets and liabilities, net of effects from purchase/sale of businesses:	
Accounts and notes receivable, net	193.0
Inventories, net	(60.0)
Other current and noncurrent assets	(15.0)
Accounts payable	(11.0)
Accrued expenses	10.0
Other current and noncurrent liabilities	(13.5)
Total adjustments	120.6
Net cash provided by operating activities	116.4
Cash flows from investing activities:	
Purchase of property, plant and equipment	(33.4)
Purchase of business	(10.0)
Proceeds from sale/leaseback of property	--
Investment in unconsolidated affiliates	(1.5)
Net cash used for investing activities	(44.9)
Cash flows from financing activities:	
Repayments of long-term debt, net	(84.6)
Issuance of common stock	0.2
Dividends paid on common stock	(1.8)
Net cash used for financing activities	(86.2)
Effect of exchange rate changes on cash and cash equivalents	(0.9)

Increase (decrease) in cash and cash equivalents	(15.6)
Cash and cash equivalents, beginning of period	19.6
Cash and cash equivalents, end of period	$ 4.0

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of AGCO Corporation and subsidiaries (the "Company" or "AGCO") included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's financial position, results of operations and cash flows at the dates and for the periods presented. These condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. Interim results of operations are not necessarily indicative of results to be expected for the fiscal year.

2. ACQUISITION

In May 2000, the Company acquired from CNH Global N.V. ("CNH") its 50% share in Hay and Forage Industries ("HFI") for $10 million. This agreement terminated a joint venture agreement in which CNH and AGCO each owned 50% interests in HFI, thereby providing AGCO with sole ownership of the facility. HFI, located in Hesston, Kansas, develops and manufactures hay and forage equipment and implements which AGCO sells under various brand names. As a result of the acquisition, the financial statements of HFI have been consolidated into the Company's condensed consolidated financial statements since the acquisition date.

3. RESTRUCTURING AND OTHER INFREQUENT EXPENSES

In the second quarter of 2000, the Company announced its plan to permanently close its combine manufacturing facility in Independence, Missouri and relocate existing production to the Company's Hesston, Kansas manufacturing facility. The closing of the Independence facility is expected to be completed by the end of 2000. In the fourth quarter of 1999, the Company announced its plan to close its Coldwater, Ohio; Lockney, Texas; and Noetinger, Argentina manufacturing facilities. The majority of production in these facilities has been relocated to existing Company facilities or outsourced to third parties. The Coldwater, Ohio facility was permanently closed in 1999 and the Lockney, Texas and Noetinger, Argentina facilities were closed in 2000.

In connection with these facility closures, the Company recorded restructuring and other infrequent expenses of $24.5 million in the fourth

quarter of 1999 and $19.5 million for the nine months ended September 30, 2000. The components of the expenses are summarized in the following table (in millions):

	1999 Restructuring and Other Infrequent Expenses	2000 Restructuring and Other Infrequent Expenses	Expenses Incurred
Employee severance	$ 1.9	$ 5.4	$ 3.5
Facility closure costs	7.7	6.1	7.8
Write-down of property plant and equipment, net of recoveries	14.9	1.1	16.0
Production transition costs	--	6.9	6.9
	$ 24.5	$ 19.5	$ 34.2

The severance costs relate to the termination of approximately 1,050 employees of which approximately 1,000 employees had been terminated as of September 30, 2000. The facility closure costs include employee costs and other exit costs to be incurred after operations cease in addition to noncancelable operating lease obligations. The write down of property, plant and equipment consisted of $.3 million related to machinery and equipment and $.8 million for building and improvements and was based on the estimated fair value compared to their carrying value. The production transition costs include costs to relocate and integrate production into other existing AGCO facilities.

4. LONG-TERM DEBT

Long-term debt consisted of the following at September 30, 2000 and December 31, 1999 (in millions):

	September 30, 2000	December 31, 1999
Revolving credit facility..............................	$ 326.3	$ 431.4
Senior subordinated notes..............................	248.6	248.5
Other long-term debt...................................	7.4	11.8
	$ 582.3	$ 691.7

In January 2000, the Company entered into a $250 million asset backed

securitization facility whereby certain U.S. wholesale accounts receivable are sold through a wholly-owned special purpose subsidiary to a third party (the "Securitization Facility"). Funding under the Securitization Facility is provided on a revolving basis and is dependent upon the level of U.S. dealer wholesale receivables eligible to be sold under the facility. The Company initially funded $200 million under the Securitization Facility, which was used to reduce outstanding borrowings under the Company's revolving credit facility. The $1.0 billion lending commitment under the revolving credit facility was permanently reduced by the $200 million initial proceeds received from the Securitization Facility and will be further reduced by any additional funding received under the Securitization Facility. In conjunction with the closing of the securitization transaction, the Company recorded an initial one-time loss in the first quarter of 2000 on the sale of the receivables of approximately $8 million, or $0.08 per share. The initial loss, included as a

component of interest and financing expense, net, represents the difference between the current and future value of the receivables sold, related transaction expenses and the write-off of certain unamortized debt issuance costs due to the reduction in the lending commitment of the revolving credit facility.

The Company's revolving credit facility allows for borrowings up to $800 million. As of September 30, 2000, $326.3 million was outstanding under the revolving credit facility and available borrowings were $473.7 million, subject to receivable and inventory borrowing base requirements.

The components of interest and financing expense, net are as follows:

	Three Months Ended September 30,		Nine Months Ende September 30,	
	2000	1999	2000	1
Interest expense, net	$11.0	$13.3	$33.4	$4
Loss on sale of accounts receivable	3.7	--	17.4	
	$14.7	$13.3	$50.8	$4

The loss on sale of accounts receivable of $17.4 million includes a one-time loss of $8.0 million recorded in conjunction with the closing and initial funding of the Securitization Facility as discussed above and $9.4 million related to subsequent sales of receivables provided on a revolving basis under the Securitization Facility.

5. INVENTORIES

Inventories are valued at the lower of cost or market using the first-in, first-out method. Market is net realizable value for finished goods and repair and replacement parts. For work in process, production parts and raw

materials, market is replacement cost.

Inventory balances at September 30, 2000 and December 31, 1999 were as follows (in millions):

	September 30, 2000
Finished goods	$ 282.2
Repair and replacement parts	224.7
Work in process, production parts and raw materials	167.3
Gross inventories	674.2
Allowance for surplus and obsolete inventories	(70.0)
Inventories, net	$ 604.2

6. NET INCOME PER COMMON SHARE

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

A reconciliation of net loss and the weighted average number of common shares outstanding used to calculate basic and diluted net loss per common share for the three and nine months ended September 30, 2000 and 1999 is as follows (in millions, except per share data):

	Three Months Ended September 30,	
	2000	1999
BASIC EARNINGS PER SHARE		
Weighted average number of common shares outstanding	59.3	58.8
Net income (loss)	$ 2.4	$ 7.5
Net income (loss) per common share	$ 0.04	$ 0.13

DILUTED EARNINGS PER SHARE		
Weighted average number of common shares outstanding	59.3	58.8
Assumed vesting of restricted stock	0.3	0.8
Assumed exercise of outstanding stock options	0.1	0.1
Weighted average number of common and common equivalent shares outstanding	59.7	59.7
Net income (loss)	$ 2.4	$ 7.5
Net income (loss) per common share	$ 0.04	$ 0.13

For the nine months ended September 30, 2000, approximately 0.6 million shares were excluded from the calculation of diluted earnings per share because such shares would be anti-dilutive.

7. COMPREHENSIVE INCOME

The Company follows the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which requires companies to disclose components of comprehensive income, defined as the total of net income and all other nonowner changes in equity. Total comprehensive loss for the three and nine months ended September 30, 2000 and 1999 was as follows (in millions):

	Three Months Ended September 30,		
	2000	1999	20
Net income (loss)	$ 2.4	$ 7.5	$ (

Other comprehensive loss:			
Foreign currency translation adjustments.....	(30.6)	(6.6)	(5
Total comprehensive loss	$(28.2)	$ (0.9)	(5

8. SEGMENT REPORTING

The Company has four geographic reportable segments: North America; South America; Europe/Africa/Middle East; and Asia/Pacific. Each segment distributes a full range of agricultural equipment and related replacement parts. The Company evaluates segment performance primarily based on income from operations. Sales for each segment are based on the location of the third-party

customer. All intercompany transactions between the segments have been eliminated. The Company's selling, general and administrative expenses and engineering expenses are charged to each segment based on the region where the expenses are incurred. As a result, the components of operating income for one segment may not be comparable to another segment. Segment results for the three and nine months ended September 30, 2000 and 1999 are as follows (in millions):

	North America	South America	Europe/Africa/ Middle East	Asia
Three months ended September 30:				
2000				
Net sales	$148.1	$ 65.6	$ 270.8	
Income (loss) from operations	(5.7)	3.0	20.1	
1999				
Net sales	$148.1	$ 52.1	$ 344.2	
Income (loss) from operations	(3.4)	(2.4)	33.7	
Nine months ended September 30:				
2000				
Net sales	$472.0	$168.0	$ 960.7	
Income (loss) from operations	(14.6)	0.9	74.8	
1999				
Net sales	$467.2	$155.8	$1,124.8	
Income (loss) from operations	(6.2)	(7.0)	94.1	

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

	Three Months Ended September 30,		
	2000	1999	20
Segment income from operations	$ 22.1	$ 32.1	$ 7
Restricted stock compensation expense	(0.2)	(1.9)	(
Restructuring and other infrequent expenses	(4.5)	--	(1
Amortization of intangibles	(3.9)	(3.7)	(1
Consolidated income from operations	$ 13.5	$ 26.5	$ 3

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

GENERAL

The Company's operations are subject to the cyclical nature of the agricultural industry. Sales of the Company's 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, commodity prices and general economic conditions. The Company records sales when the Company ships equipment and replacement parts to its independent dealers, distributors or other customers. To the extent possible, the Company attempts to ship products to its dealers and distributors on a level basis throughout the year to reduce the effect of seasonal demands on its manufacturing operations and to minimize its investment in inventory. Retail sales by dealers to farmers are highly seasonal and are a function of the timing of the planting and harvesting seasons. As a result, the Company's net sales have historically been the lowest in the first quarter and have increased in subsequent quarters.

RESULTS OF OPERATIONS

The Company recorded net income for the quarter ended September 30, 2000 of $2.4 million, or $0.04 per common share, compared to $7.5 million, or $0.13 per common share for the same period in 1999. In the third quarter of 2000, AGCO's results included restructuring and other infrequent expenses ("restructuring expenses") of $4.5 million, or $0.05 per share, associated with the closure of manufacturing facilities announced in 1999 and 2000. For the first nine months of 2000, the Company recorded a net loss of $4.2 million, or $0.07 per common share compared to net income of $15.8 million, or $0.27 per common share, for the same period in 1999. The 2000 year-to-date results included restructuring expenses related to plant closures of $19.5 million, or $0.20 per share. In addition, the year-to-date 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). Excluding restructuring expenses and the loss on the securitization facility, the decline in the Company's results was primarily related to the impact of foreign currency translation of the weakening Euro and British pound relative to the dollar.

RETAIL SALES

Demand for agricultural equipment in the first nine months of 2000 showed mixed results within the major markets of the world compared to the prior year. The effects of 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 the first nine months of 2000 increased approximately 10% and 8%, respectively, compared to the

same period in 1999. Despite no 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. When compared to the same period in 1999, Company unit retail sales of tractors in the United States and Canada decreased, and Company unit retail sales of

combines increased slightly.

In Western Europe, industry unit retail sales of tractors declined approximately 8% for the first nine months of 2000 as compared to the prior year. Decreases in industry unit retail sales were experienced in most significant Western European markets. Company unit retail sales results for the first nine months of 2000 also declined compared to the same period in 1999. The Company has experienced favorable acceptance of new tractor lines introduced in 1999. However, retail unit sales of the Company's UK-built product have been negatively impacted by the weakness of the Euro versus the British pound.

Industry unit retail sales of tractors in South America for the first nine months of 2000 increased approximately 12% compared to the same period in 1999. In the major market of Brazil, industry retail sales increased approximately 19% with significant increases since June 2000 due to full availability of the 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. Company unit retail sales of tractors in South America also increased compared to the first nine months of 1999.

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

STATEMENTS OF OPERATIONS

Net sales for the third quarter of 2000 were $513.5 million compared to $570.5 million for the same period in 1999. Net sales for the first nine months of 2000 were $1,677.0 million compared to $1,815.6 million for the prior year. Net sales for the third quarter and first nine months of 2000 were negatively impacted by approximately $40 million and $116 million, respectively, from 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 the third quarter and first nine months were slightly below the prior year primarily due to declines in Western Europe as a result of weaker industry conditions.

Regionally, net sales in North America were unchanged in the third quarter and were $4.8 million or 1.0% greater on a year-to-date basis compared to the same period in 1999. In the Europe/Africa/Middle East region, net sales decreased $73.4 million, or 21.3%, for the third quarter and $164.1 million, or 14.6%, for the first nine months of 2000 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 approximately $13.5 million, or 25.9%, for the third quarter and $12.2 million, or 7.8%, for the first nine months of 2000 compared to 1999, due to favorable market conditions in Brazil. In the Asia/Pacific region, net sales increased approximately $2.9 million, or 11.1%, for the third quarter and $8.5 million, or 12.5%,

for the first nine months of 2000 compared to 1999, primarily due to improvements in market demand.

Gross profit was $89.8 million (17.5% of net sales) for the third quarter of 2000 compared to $97.1 million (17.0% of net sales) for the same period in the prior year. Gross profit was $271.3 (16.2% of net sales) for the

first nine months of 2000 compared to $287.2 million (15.8% of net sales) for the same period in the prior year. Gross margins improved in 2000 primarily due to cost reduction initiatives and facility rationalization benefits offset by the impact of lower production in Western Europe and a less favorable mix within tractor and parts sales.

Selling, general and administrative expenses ("SG&A expenses") for the third quarter of 2000 were $55.5 million (10.8% of net sales) compared to $55.7 million (9.8% of net sales) for the same period in the prior year. For the first nine months of 2000, SG&A expenses were $168.3 million (10.0% of net sales) compared to the $170.0 million (9.4% of net sales) for the same period in the prior year. The increase as a percentage of net sales was due to lower sales volume in the third quarter and first nine months of 2000 compared to 1999. Engineering expenses for the three and nine months ended September 30, 2000 were $12.4 million (2.4% of net sales) and 33.7 million (2.0% of net sales), respectively, compared to $11.2 million (2.0% of net sales) and 34.1 million (1.9% of net sales), respectively, for the same periods in the prior year.

The Company recorded restructuring expenses of $4.5 million and $19.5 million for the three and nine months ended September 30, 2000, respectively, related to the closing of its Coldwater, Ohio; Independence, Missouri; Lockney, Texas and Noetinger, Argentina manufacturing facilities announced in 2000 and 1999. These restructuring expenses related to employee severance, facility closure costs, the write-down of property, plant and equipment and production transition costs. The Company recorded restructuring expenses of $24.5 million in the fourth quarter of 1999 related to the facility closures.

Income from operations was $13.5 million (2.6% of net sales) for the three months ended September 30, 2000 compared to $26.5 million (4.6% of net sales) in the prior year. On a year-to-date basis, income from operations was $38.6 million (2.3% of net sales) compared to $72.0 million (4.0% of net sales). Excluding restructuring expenses, operating income was $18.0 million (3.5% of net sales) and $58.1 million (3.5% of net sales) for the three and nine months ended September 30, 2000. Operating income before restructuring expenses declined primarily due to lower sales volume resulting from unfavorable currency translation and weaker industry conditions in Western Europe partially offset by improved gross margins.

Interest and financing expense, net was $14.7 million and $50.8 million for the three and nine months ended September 30, 2000, respectively, compared to $13.3 million and $45.0 million, respectively, for the same periods in 1999. The increase in interest and financing expense, net for the first nine months of 2000 was primarily the result of the initial one-time $8.0 million loss associated with the asset backed securitization transaction completed during the first

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quarter of 2000 (see Liquidity and Capital Resources) and an increase in interest rates, offset to some extent by lower average borrowings in 2000 compared to 1999.

The Company recorded an income tax benefit of $3.4 million and $11.5 million for the three and nine months ended September 30, 2000, respectively, compared to income tax expense of $3.8 million and $5.8 million, respectively, for the same periods in 1999. The tax benefit in the third quarter of 2000 included the recognition of a United States tax credit carryback of approximately $2 million.

Equity in earnings of affiliates was $2.6 million and $8.1 for the three and nine months ended September 30, 2000, respectively, compared to $3.1 million and $8.0 million for the same periods in 1999. Equity in earnings of the Company's retail finance affiliates, which represent the largest component of these earnings, was flat for the first nine months compared to 1999.

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

RESTRUCTURING AND OTHER INFREQUENT EXPENSES

In the second quarter of 2000, the Company announced its plan to permanently close its combine manufacturing facility in Independence, Missouri and relocate existing production to the Company's Hesston, Kansas manufacturing facility. The closure of the Independence facility is a continuation of the Company's strategy to reduce excess manufacturing capacity in its North America plants which began in 1999 with the announced closure of the Company's Coldwater, Ohio and Lockney, Texas manufacturing facilities. The Company also announced closure of its Noetinger, Argentina manufacturing facility in 1999. The closure of these facilities and the consolidation of production in other AGCO facilities is expected to result in a significant cost savings and will improve the overall competitiveness of implements, hay equipment, high horsepower tractors and combines produced in these plants. The Company 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. The Company expects to fully realize these savings in 2001. In connection with these closures, the Company recorded restructuring and other infrequent expenses of $19.5 million for the nine months ended September 30, 2000. The components of the expenses are summarized in the following table:

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	1999 Restructuring and other infrequent Expenses	2000 Restructuring and other infrequent Expenses	E I
Employee severance................	$ 1.9	$ 5.4	
Facility closure costs............	7.7	6.1	
Write-down of property, plant and equipment, net of recoveries	14.9	1.1	
Production transition costs..........	--	6.9	
	$24.5	$19.5	

The severance costs relate to the termination of approximately 1,050 employees of which approximately 1,000 employees had been terminated at September 30, 2000. The facility closure costs include employee costs and other exit costs to be incurred after operations ceased in addition to noncancelable operating lease obligations. The write-down of property, plant and equipment consisted of $.3 million related to machinery and equipment and $.8 million for building and improvements and was based on the estimated fair value compared to their carrying value. The production transition costs represent costs to relocate and integrate production into other existing AGCO facilities. The Company expects to record an additional $8.5 million in restructuring and other infrequent expenses in 2000 and 2001 related to these closures.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financing requirements are subject to variations due to seasonal changes in inventory and dealer receivable levels. Internally generated funds are supplemented when necessary from external sources, primarily the Company's revolving credit facility. The current lending commitment under the Company's revolving credit facility is $800 million with borrowings limited to the sum of 90% of eligible accounts receivable and 60% of eligible inventory. As of September 30, 2000, approximately $326.3 million was outstanding under the Company's revolving credit facility and available borrowings were approximately $473.7 million, subject to receivable and inventory borrowing base requirements.

In January 2000, the Company entered into a $250 million asset backed securitization facility whereby certain U.S. wholesale accounts receivables are sold through a wholly-owned special purpose subsidiary to a third party (the "Securitization Facility"). The Company initially funded $200 million under the Securitization Facility, which was used to reduce outstanding borrowings under the revolving credit facility. The Company's lending commitment under the revolving credit facility was permanently reduced to $800 million, representing a decrease of the $200 million initial proceeds received from the securitization, and will be further reduced by any additional funding received from the Securitization Facility. In conjunction with the closing of the securitization transaction, the Company recorded an initial one-time $8.0 million loss in the first quarter of 2000. The initial loss represents the difference between the current and future

value of the receivables sold, related transaction expenses and the write-off of certain unamortized debt issuance costs due to the reduction in the lending commitment of the revolving credit facility.

The Company's 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. The Company had $584.2 million of working capital at September 30, 2000, a decrease of $149.7 million from working capital of $733.9 million at December 31, 1999. The decrease in working capital was primarily due to lower accounts receivable related to the $200 million sale of accounts receivable through the Securitization Facility.

Cash flow provided by operating activities was $116.4 million for the nine months ended September 30, 2000 compared to $75.1 million for the same period during 1999. The increase in cash flow provided by operating activities was primarily due to a reduction in the Company's accounts receivable due to the $200 million sale of accounts receivable through the Securitization Facility.

Capital expenditures for the nine months ended September 30, 2000 were $33.4 million compared to $29.4 million for the same period in 1999. The Company anticipates that additional capital expenditures for the remainder of 2000 will range from approximately $25 million to $30 million and will primarily be used to support the development and enhancement of new and existing products as well as facility and equipment improvements.

The Company's debt to capitalization ratio (total long-term debt divided by the sum of total long-term debt and stockholders' equity) was 42.9% at September 30, 2000 compared to 45.5% at December 31, 1999. The decrease is attributable to a reduction of indebtedness of $109.4 million from December 31, 1999 primarily due to the reduction in outstanding borrowings from proceeds from the Securitization Facility offset to some extent by the negative cumulative translation adjustment to equity of $50.8 million, primarily related to the weakening of the Euro in relation to the U.S. dollar.

The Company believes that available borrowings under the Company's revolving credit facility, available cash and internally generated funds will be sufficient to support its working capital, capital expenditures and debt service requirements for the foreseeable future.

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

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." 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. The Company will be required to adopt SFAS No. 133 on January 1, 2001. 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. The Company has evaluated the effect of this statement on the Company's derivative instruments, which are primarily interest rate swaps and foreign currency forward contracts. The impact of adjustments to fair value is not expected to be material to the Company's consolidated financial position or results of operations.

In December 1999, the Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." SAB 101 does not change existing accounting literature on revenue recognition but rather explains the SEC's general framework for revenue recognition. The SEC subsequently released SAB 101B deferring implementation of SAB 101 to the fourth quarter of 2000. The Company has evaluated SAB 101 and

believes that it is in compliance with this bulletin and that this bulletin will not have an effect on results of operations or financial position of the Company.

In May 2000, the Emerging Issues Task Force ("EITF") reached a final consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives," effective in the fourth quarter of 2000. EITF 00-14 addresses the recognition, measurement and income statement classification for sales incentives offered. It requires that an entity recognize the cost of the sales incentive at the latter of the date at which the related revenue is recorded or the date at which the sales incentive is offered. EITF 00-14 also requires that the reduction in or refund of the selling price of the product resulting from any sales incentive be classified as a reduction of revenue. The Company is evaluating the effect of this Issue and believes that EITF 00-14 will not have a material effect on the Company's expense classifications, operations or financial position.

In September 2000, the EITF reached a final consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 is also effective in the fourth quarter of 2000 and addresses the income statement classification of amounts charged to customers for shipping and handling, as well as costs incurred related to shipping and handling. The EITF concluded that amounts billed to a customer in a sale transaction related to shipping and handling should be classified as revenue. The EITF also concluded that if costs incurred related to shipping and handling are significant and not included in cost of sales, an entity should disclose both the amount of such costs and the line item on the income statement that includes them. The Company is evaluating this Issue and believes that EITF 00-10 may result in reclassification of revenue and expense amounts but will have no effect on the Company's results of operations or financial position.

Also in September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB

Statement No. 125." SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. This statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. SFAS No. 140 is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The Company is currently evaluating this statement and its effect on the Company's consolidated financial position.

FORWARD LOOKING STATEMENTS

Certain statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report are forward looking, including certain statements set forth under the "Results of Operations" and "Liquidity and Capital Resources" headings. Forward looking statements include the Company's expectations with respect to factors that affect net sales, restructuring and other infrequent expenses, future capital expenditures, fulfillment of working capital needs, and plans with respect to acquisitions. Although the Company believes that the statements it has made are based on reasonable assumptions, they are based on current information and beliefs and, accordingly, the Company can give no assurance that its statements

will be achieved. In addition, these statements are subject to factors that could cause actual results to differ materially from those suggested by the forward looking statements. These factors include, but are not limited to, general economic and capital market conditions, the demand for agricultural products, world grain stocks, crop production, commodity prices, farm income, farm land values, government farm programs and legislation, the levels of new and used field inventories, weather conditions, interest and foreign currency exchanges rates, the conversion to the Euro, pricing and product actions taken by competitors, customer access to credit, production disruptions, supply and capacity constraints, Company cost reduction and control initiatives, Company research and development efforts, labor relations, dealer and distributor actions, technological difficulties, changes in environmental, international trade and other laws, and political and economic uncertainty in various areas of the world. Further information concerning factors that could significantly affect the Company's results is included in the Company's filings with the Securities and Exchange Commission. The Company disclaims any responsibility to update any forward looking statements.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN CURRENCY RISK MANAGEMENT

The Company has significant manufacturing operations in the United States, the United Kingdom, France, Germany, Denmark and Brazil, and it purchases a portion of its tractors, combines and components from third party foreign suppliers, primarily in various European countries and in Japan. The Company also sells products in over 140 countries throughout the world. The majority of the Company's 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. The Company's most significant transactional foreign currency exposures are the British pound in relation to the Euro and the British pound, the Euro and the Canadian dollar in relation to the U.S. dollar. Fluctuations in the value of foreign currencies create exposures, which can adversely affect the Company's results of operations.

The Company attempts to manage its transactional foreign exchange exposure by hedging identifiable foreign currency cash flow commitments arising from receivables, payables, and committed purchases and sales. Where naturally offsetting currency positions do not occur, the Company hedges certain of its exposures through the use of foreign currency forward contracts. The Company's hedging policy prohibits foreign currency forward contracts for speculative trading purposes. The Company's translation exposure resulting from translating the financial statements of foreign subsidiaries into U.S. dollars is not hedged. The Company's 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.

INTEREST RATE RISK

The Company manages interest rate risk through the use of fixed rate debt and interest rate swap contracts. The Company has fixed rate debt from its

$250 million 8.5% Senior Subordinated Notes due 2006. In addition, the Company uses its interest rate swap contract to further minimize the effect of potential interest rate increases on floating rate debt in a rising interest rate environment. The Company's floating rate debt is primarily the revolving credit facility, which is tied to changes in U.S. and European libor rates.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27.1 - Financial Data Schedule - September 30, 2000 (electronic filing purposes only).

(b) Reports on Form 8-K

None

SIGNATURES

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

AGCO CORPORATION
Registrant

Date: March 29, 2001

/s/ Donald R. Millard

Donald R. Millard
Sr. Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description	Sequentially Page
	Financial Data Schedule - September 30, 2000 (electronic	

27.1* filing purposes only).

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* Previously filed.