

## 2011 Marks Year of Exceptional Achievement for John Deere

John Deere prepares to observe its 175th anniversary after concluding a year of exceptional achievement. Our company has been noted for outstanding performance since its beginnings. Yet in many respects, that performance reached new levels in 2011.

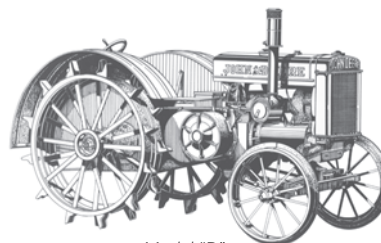
Among our accomplishments, we delivered record financial results, maintained our conservative capital structure, and introduced more products than ever before. We also strengthened our commitment to responsible corporate citizenship and made further strides in being a highly regarded employer.

As a result, the company remains well-positioned to capitalize on growth in the world economy and, longer term, to benefit from broad economic trends that hold great promise for the future.

For fiscal 2011, Deere reported income of \$2.8 billion, on net sales and revenues of \$32.0 billion. Both figures surpassed previous highs by a wide margin. Income was up 50 percent on a 23 percent increase in sales and revenues. All of Deere's business segments reported sharply higher profit in relation to 2010.

The year's performance reflected sound execution of our business plans, which center on operating consistency and a disciplined approach to asset and cost management. Rigorous execution leads to healthy levels of economic profit, or SVA (Shareholder Value Added\*), and cash flow. In 2011, SVA reached a record \$2.53 billion with enterprise operating cash flow of \$2.33 billion. These dollars helped us fuel major capital projects, pay out a record amount in dividends to investors, and continue with share repurchases, which totaled nearly \$1.7 billion.

Bolstered by such performance, the company maintained its strong financial condition. Deere's equipment operations finished the year essentially debt-free on a net basis and financial services continued to be conservatively capitalized. At year-end, Deere carried some \$4.4 billion of cash and marketable securities.



Model "D"

*Named "Tractor of the Year" by European farm-magazine editors, the 7280R delivers the power, fuel efficiency, and transport speeds that customers want. Deere tractors have long been present in Europe, including the Model "D" first delivered there in 1926.*

\* Non-GAAP financial measure. See page 11 for details.

## Largest Division Sets Pace

Our performance was led by the Agriculture & Turf division (A&T), which had yet another standout year. Sales increased by \$4.2 billion, one of the largest single-year gains ever. Deere's largest division efficiently managed assets, brought to market an unprecedented number of new products and broadened its customer base.

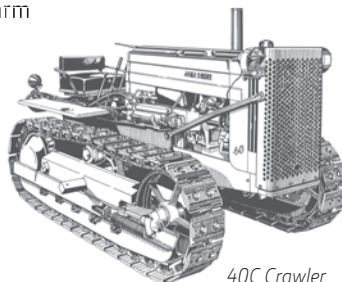
A&T results were aided by positive farm conditions and strong sales of large equipment, particularly in the United States and Canada. Sales in key markets such as Western and Central Europe, Brazil and Russia had significant increases as well.

In other parts of our business, Construction & Forestry (C&F) continued a dramatic turnaround with operating profit more than tripling on a sales increase of 45 percent. C&F introduced advanced products, expanded into new geographies, and picked up market share in key categories. Even with the year's strong growth – which has seen division sales more than double in just two years – sales remained well below what traditionally has been thought of as a normal level.

Further contributing to our results was John Deere Financial, which recorded a significant improvement in profits while continuing to provide competitive financing to our equipment customers. Financial Services' earnings jumped 26 percent, largely as a result of nearly \$3 billion of portfolio growth. Credit quality remained quite strong, with the provision for loss declining to a mere \$4 for each \$10,000 of average portfolio value.

## Powerful Tailwinds Shape Plans

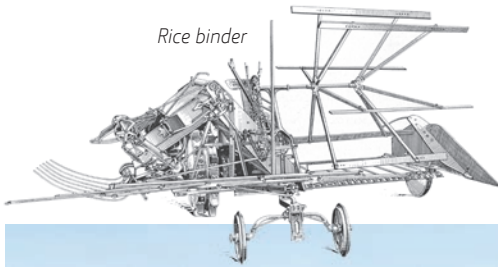
Powerful trends sweeping the world are lending support to our current performance and future prospects. Global population continues to grow, surpassing 7 billion during the year. Of equal importance, rising prosperity, particularly in developing economies such as Brazil, Russia, India and China, is leading to a greater need for food and energy. As a result, worldwide stocks of key farm commodities have remained near historic lows in relation to use. Grain prices and farm incomes have risen sharply in response.



40C Crawler

*Listening to earthmoving contractors and road builders helped the company design the Deere 850K Dozer. Its 205-hp, I4 engine and dual-path hydrostatic transmission match power and speed to load. Innovative cooling makes the 850K highly productive on big job sites. Customer input drove design even for Deere's earlier machines like the 40C introduced in 1953.*

Rice binder



Deere harvesting machines like the 1920s-era rice binder have been a part of rice harvesting for generations. The new R40 Small Track Combine, built in Ningbo, China, is designed for paddy rice harvesting and can be used for wheat and other small grains. The combine has an advanced separating and cleaning system and a hydrostatic drive.



Many experts believe agricultural output will need to double by mid-century to satisfy demand and do so from essentially the same amount of land and with even less water. Production gains on this scale are not without precedent. However, as in the past, they will require further advances in farming mechanization and productivity to achieve.

At the same time, people are migrating to cities from rural areas in great numbers. This furthers the need for roads, bridges, and buildings – and for the equipment required to construct them.

These trends, which appear to have considerable resilience, are positive for John Deere. In our view, they should support demand for innovative farm, construction, forestry and turf-care equipment and related solutions well into the future.

### Expanding our Global Market Presence

Favorable tailwinds are one thing; pursuing aggressive plans to capture them is another. To that point, John Deere is moving ahead with a far-reaching operating strategy aimed at expanding our global presence in a major way. The plan's centerpiece – a mid-cycle sales goal of \$50 billion by 2018 – requires substantial investments in additional capacity, distribution, credit and after-market support.

Over the last year, Deere announced plans to build seven factories in markets critical to our growth. These investments build on earlier ones that have added significantly to our capacity and marketing presence worldwide.

Of the new facilities, three are in China, for construction equipment, engines and large farm machinery; two are in Brazil, both for construction equipment; and one is located in India,

440A Skidder



The 843K Wheeled Feller Buncher is designed for high production and reliability with heavy-duty axles and robust hydraulic and electrical systems. Optional JDLink system monitors use and productivity, and alerts operators to maintenance needs. John Deere has long made machines for forestry applications, such as the 440A Skidder launched in 1966.



for the manufacture of farm tractors. Only last month plans were disclosed to construct a facility in Russia for seeding, tillage and application equipment.

In addition, new or expanded parts centers were opened during the year in Germany, Sweden, Canada and Russia. Finance operations were launched in China and are being planned in Russia.

At the same time, we continued a pattern of making substantial investments in our U.S. manufacturing base. In 2011, major upgrades moved forward for our facilities in Davenport, Des Moines and Waterloo. The company added some 2,500 employees to its U.S. workforce as well.

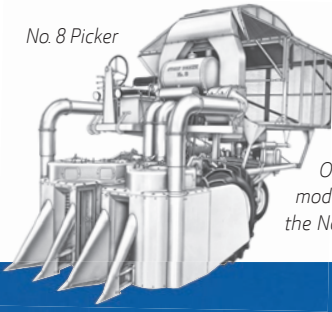
Even as we expand our global footprint, we continue to stress the vital importance of the U.S. and Canadian markets. Last year, the region accounted for 60 percent of our revenues, about 75 percent of our profit, and was the focus of over half the spending on capital programs.

The John Deere of the future will be more global in scale and more international in nature. Yet we fully intend to achieve meaningful growth in North America as we find new and better ways to serve those customers who remain a cornerstone of our success.

#### **Record Year for New Products**

Expanding our product range and entering attractive portions of the market also figure prominently in our growth plans. Last year John Deere introduced a record number of products, most of which feature improvements in power, comfort and performance. Many include John Deere engine technology that dramatically reduces emissions while meeting customer requirements for power and efficiency.

New products include premium combines that set standards for capacity and productivity, as well as the most powerful line of John Deere tractors ever made. Other products new to the market are our largest-ever self-propelled sprayers, one of which has a



No. 8 Picker

*The 7760 Cotton Picker is revolutionizing the industry by reducing need for labor and other equipment involved in the harvesting process. This machine compresses cotton into 5,000-lb. modules covered with protective wrap. Operators continue harvesting while carrying modules to a pick-up point. Early cotton pickers like the No. 8 in 1951 helped mechanize harvesting.*



120-foot boom. New models of construction equipment include advanced excavators, productive dozers, and loaders with hybrid-electric drivetrains.

As a company known for innovation since the time of our founder's original steel plow, John Deere received a number of technology-related honors in 2011. Among them were five silver medals presented at Europe's largest farm equipment show, eight awards from a leading U.S. agricultural-engineering group and a gold medal earned at an international competition in France. The recognized technologies pertain to advanced steering, tractor implement automation and crop harvesting logistics, among other areas. In addition, the John Deere 7280R was named tractor of the year by European farm-magazine editors.

#### **Tethered to Timeless Principles**

Regardless of the strength of our markets or the scale of our investments, John Deere's future rests on a foundation of timeless principles. They have shaped our character as a company for 175 years and have made John Deere a special kind of enterprise.

Our values both unite and differentiate us. They have sustained the loyalty of generations of customers and are a source of inspiration for thousands of supremely talented employees, dealers and suppliers. Further, our values have helped deliver solid returns to investors over many years.

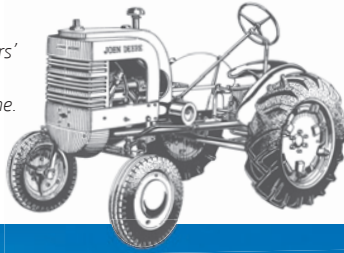
As John Deere expands throughout the world, we continue to dedicate ourselves to the company's core values – integrity, quality, commitment and innovation – and we recognize their prominent role in sustaining our success.

#### **Building on Proud Record of Citizenship**

Being a responsible corporate citizen and a progressive employer are essential to being a great company. They have characterized John Deere throughout its history.

Model "LA"

*New 1026R Sub-compact Utility Tractor answers customers' need for versatility and ease of use. It can be operated with three implements attached, reducing changeover time. No tools are needed to attach or remove compatible implements. Versatile small tractors, like the "LA" in 1941, were popular utility tractors on small farms.*



During the year, the John Deere Foundation provided continued support to organizations that are helping improve agricultural practices in developing countries. Along these lines, Opportunity International, a group that provides microfinance services to farmers in Africa, remained a major recipient of foundation support.

As well, John Deere employees are helping enrich their communities through extensive volunteer efforts. In launching the company's formal volunteerism initiative in 2011, a group of 20 John Deere leaders including me spent several days in India working with small-scale farmers. The experience followed a foundation grant to help these farmers grow more food and increase their incomes.

In addition, the John Deere Foundation continued its support of educational programs, with a particular focus on the fields of agriculture, science, technology, engineering and business. Through a partnership with a leading German university, the foundation helped sponsor an agricultural-development training program at five schools in Russia and Ukraine.

Responsible citizenship is also demonstrated by the degree of concern and respect shown for our employees. As an example, John Deere workplaces are among the safest in the world, and this exceptional record got even better in 2011. The rate of injuries causing time away from work improved sharply and was in line with historic lows. More than half of our locations did not have a single lost-time incident during the year.

In other milestones, the company's leadership development efforts were ranked as the ninth-best in the U.S. and 14th globally

by *Fortune* magazine. Deere also was named one of the best companies to work for in Brazil by a top survey. These are important acknowledgements of our ability to identify, nurture and develop top talent.

### **175 Years of Building for the Future**

John Deere is poised for growth and future success. Building on our strong performance in 2011, the company remains well-positioned to capitalize on the broad economic trends that have large-scale potential.

Thanks to the tireless efforts of John Deere employees, dealers and suppliers throughout the world, our plans for helping meet the world's growing need for advanced agricultural and construction equipment are on track and moving ahead at an accelerated rate. This is a chief reason we remain so confident about the company's prospects and our ability to deliver significant value to customers and investors in the years ahead.

For 175 years, John Deere has been setting standards of achievement. Throughout this time, we have been building for the future, a future which in our view has never held a greater measure of promise or opportunity for those with a stake in our success.

That's why we say with pride and conviction there has never been a better time to be associated with John Deere! To all who share our passion for serving those linked to the land and our optimism for meeting the challenges that lie ahead, we express our thanks for your encouragement and support.

On behalf of the John Deere team,

December 19, 2011

A handwritten signature in black ink, appearing to read "Samuel R. Allen". The signature is fluid and cursive, with a large initial "S" and "R".

Samuel R. Allen