DEERE HAS RECORD YEAR
Bold Growth Plan Moves Ahead

John Deere had another strong year in 2012.
Our results reflected the sound execution of our business plans, centered on global expansion and disciplined cost and asset management. Among our achievements, we delivered our highest-ever sales and income, made substantial investments to expand our worldwide footprint, and continued an aggressive launch of advanced new products. We also built on our strong record as a responsible corporate citizen and leading employer.

As a result, the company remains well-positioned to earn solid profits even in a fragile global economy and, longer term, to benefit from broad trends that we believe hold great promise.

For fiscal 2012, Deere reported income of $3.1 billion, on net sales and revenues of $36.2 billion. Both figures exceeded previous highs set in 2011. Income was up 9 percent on a 13 percent increase in sales and revenues. Earnings per share rose fully 15 percent, reflecting the impact of fewer shares outstanding. The company has set annual income records seven times since 2003.

The company’s performance affirmed the wisdom of keeping our eyes on the horizon and feet on the ground, the theme of this year’s annual report. That means investing to capitalize on powerful macroeconomic trends related to a growing, more affluent global population, while at the same time maintaining a laser-like focus on operational excellence and customer service.

Last year, Deere produced a healthy level of SVA*, or economic profit, which reached $2.78 billion. This performance helped us fund important geographic expansions, pay a record amount in dividends to investors, and continue with share repurchases.

In addition, the company maintained its strong financial condition. At year-end, Deere’s equipment operations carried some $5 billion of cash and marketable securities with relatively low net debt. Our financial services remained conservatively capitalized as well.

The advanced John Deere 644K Hybrid Wheel Loader features both diesel and electric power, giving customers a productive yet quieter machine with lower emissions and fuel savings of as much as 25%.

* Non-GAAP financial measure. See page 11 for results.
A&T SETTING PACE
Our performance was led by the Agriculture & Turf division (A&T), which had another banner year. Deere’s largest division brought advanced new products to market, broadened its customer base, and reinforced its preeminent position in key markets. A&T results were aided by positive farm conditions and higher sales of large equipment, particularly in the United States.

In other businesses, Construction & Forestry (C&F) continued a turnaround with operating profit climbing 21 percent on a sales increase of 19 percent. Division sales have risen well over two-fold since 2009. C&F introduced advanced new products, continued its expansion into new geographies and gained market share in key product categories.

Deere’s financial services organization delivered solid profits while providing competitive financing to our equipment customers on an increasingly global scale. Although net earnings declined slightly from 2011 record levels, the loan portfolio grew by about $4 billion. Credit quality remained exceptionally strong, with the provision for loss declining to a negligible amount.

Investors shared in our success of 2012. Stockholders realized a total return of about 15 percent for the fiscal year compared with a slight decline for the overall U.S. equity market. Deere common-stock dividends totaled about $700 million, a record, while share repurchases of $1.6 billion were completed. Since mid-2004, the company has increased the quarterly dividend rate on 10 occasions and repurchased about 160 million shares of stock.

POWERFUL TRENDS DRIVING PLANS
Despite persistent global economic concerns, longer-term trends based on population growth and rising living standards remain quite powerful. It is widely believed that agricultural output will
need to double by mid-century to satisfy demand and do so with essentially the same amount of land, less water, and a shrinking rural workforce.

At the same time, people in developing economies are migrating to cities from rural areas as never before. Urbanization on such a scale furthers the need for roads, bridges and shelter — and for the equipment required to build them.

To illustrate the potential force of these tailwinds, consider that while economic growth for much of the world has stalled in the last four years, the overall farm economy has fared quite well. Grain prices and farm incomes have remained at or near record levels. Further, construction activity in developing parts of the world, while slowing, has continued to be generally healthy.

No doubt, the problems afflicting the world economy today are real and troubling. They may even cause the opportunities we foresee to take shape with less vigor or velocity. But take shape, they almost surely will — a fact that should support demand for productive farm, construction, forestry and turf-care equipment well into the future.

INVESTMENTS MOVING AHEAD
As noted in the past, John Deere has adopted a far-reaching operating strategy to capitalize on this promising situation. Its aim is to expand our global market presence in a major way while making further improvements in profitability and asset management. Reaching our goals — including $50 billion in mid-cycle sales by 2018 — requires making substantial investments in additional capacity, distribution, credit and after-market support.

Over the last two years, Deere has announced plans to build seven factories in markets critical to our future growth. Three of these facilities are in China, for construction equipment, engines and large farm machinery; two are in Brazil, for construction equipment; one is located in India, for the manufacture of farm tractors; and another is in Russia, for seeding, tillage and application equipment. Most are expected to begin production in 2013 or 2014. In a related development, a new combine factory in India went into operation in 2012.

*With the 990 Round Baler, John Deere aims to meet the needs of the large European contractor/farmer market. The baler’s award-winning quick-release system ejects a finished bale in under five seconds — roughly a third of the time required with a conventional machine.*
New parts centers were announced or opened during the year in Germany, Argentina and South Africa. Finance operations were launched in Russia, Chile, Thailand and India. Deere now has a retail-financing presence in nearly three-dozen countries and all those where we have significant sales.

The company also opened offices in Brazil and China that bring together employees of different divisions in a common setting. By operating as a more integrated enterprise — one of the principles underlying our growth strategy — we can leverage the complementary strengths of all our businesses. This adds further momentum to our growth efforts.

Even as we extend our global reach, the U.S. and Canadian markets remain vitally important. Last year, the region accounted for more than 60 percent of our sales and revenues as well as most of our profit and spending on capital programs.

We are committed to zealously defending our market-leading position with production farmers and other customers in the U.S. and Canada — and are investing accordingly. Of the 15 or so major projects under way in the company today, about half are in the United States. In 2012, significant factory expansions were announced for tractors, sprayers, and cylinders, among other products. We added some 2,300 to our U.S. and Canadian employee base as well.

John Deere is becoming a more global enterprise by the day. Yet we fully intend to achieve meaningful growth in North America as we find even better ways to serve those customers who remain such a crucial part of our success.

**MAJOR YEAR FOR NEW PRODUCTS**

New products play a central role in our growth plans. Last year John Deere continued with a record introduction of products, most of which feature improvements in power, comfort and performance.

*Advancements in the 748H Skidder make it easier for customers to move more wood, more reliably, on less fuel. An AutoShift option selects the optimum gear based on load, further reducing fuel use and allowing the operator to focus on running the grapple.*
Recently introduced equipment includes a line of innovative round balers, a fuller line of versatile utility tractors, and a family of premium midsize tractors. Also debuting were recreational-utility vehicles that can reach a top speed of more than 50 miles an hour. New construction-equipment models were highlighted by the company’s largest-ever articulated dump truck, as well as backhoes, crawlers and excavators offering increased levels of performance.

Many of our new products feature John Deere engine technology that reduces emissions while meeting customer requirements for power, reliability and efficiency. Deere’s extensive engine know-how, encompassing both design and production, provides customers with an integrated powertrain solution that optimizes the performance of our equipment.

Long acclaimed for innovation, John Deere won further honors for its advanced products and technology. Among them were three awards from a top farm magazine, seven awards from a leading U.S. agricultural-engineering group, and seven received at a prominent farm show in Spain.

Products recognized included S-series combines and various lines of large tractors. In addition, InformationWeek magazine named John Deere as the second most-innovative user of business technology among U.S. companies for its remote diagnostics software.

VALUES PROVIDING SUPPORT
Regardless of the scope of our aspirations or the scale of our achievements, John Deere’s future rests on a foundation of enduring principles.

Our core values – integrity, quality, commitment and innovation – have sustained the loyalty of generations of customers and are a source of inspiration for thousands of talented employees, dealers and suppliers. These values also have supported the kind of business performance that has resulted in solid investor returns over many years.

As Deere expands throughout the world, we reaffirm our dedication to our values and recognize their vital role in our continuing success.
In addition, the John Deere Foundation partnered with organizations in India to help address the issue of poverty. A project in the city of Pune is helping raise living standards through improved access to services, income opportunities and shelter. Meanwhile, the foundation formalized an effort to assist subsistence farmers in northwest India. The Joint Initiative for Village Advancement (JIVA) focuses on making sustainable improvements in agriculture, education and infrastructure.

In other actions, the company and foundation continued supporting education programs with an emphasis on science, technology, engineering and math (STEM) activities.

Responsible citizenship also is reflected in our efforts to protect the well-being of employees. Safety is one of our highest priorities and the company’s exemplary safety record got even better in 2012. The rate of injuries causing time away from work reached a record low with more than half of our locations not reporting a single lost-time incident.

In other milestones, Deere was listed among the world’s most-admired companies by *Fortune* magazine and named to

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**CITIZENSHIP EFFORTS MAKING IMPACT**

A cornerstone of John Deere’s success throughout its history, our corporate-citizenship efforts continued making a meaningful impact in 2012.

Thousands of employees celebrated the company’s 175th anniversary through volunteer activities such as planting trees, remodeling schools and assisting local food banks. In this vein, employees enthusiastically embraced the company’s recently launched volunteerism initiative, recording more than 40,000 hours of volunteer service. To further encourage employees to give back, a program was introduced in the U.S. that makes cash grants available to charitable organizations at which individual employees devote at least a week of time annually.
prominent listings of most-ethical companies and leading global brands. Additionally, the company was cited among the best places to work in Mexico, Brazil, Germany and Russia and named a top employer in China by a leading university. These are important acknowledgments of our ability to attract and develop top talent throughout the world.

**PLANS MEETING SUCCESS**

We firmly believe John Deere is poised for growth and future success. Building on our strong performance in 2012, the company remains well-positioned to capitalize on the economic tailwinds that hold so much promise for our future.

Thanks to the tireless efforts of John Deere employees, dealers and suppliers everywhere, our plans for helping meet the world’s growing need for advanced equipment and solutions are moving ahead and meeting with success. All of which supports our confidence in the company’s present course and in our ability to deliver value to customers and investors in the years ahead.

On visits to company locations throughout the world in 2012, I was reminded time and again of the pride our employees share in being part of John Deere. This pride has inspired a sense of unity and purpose that transcends the bounds of language, culture and nationality. It also helps give our company a distinctive competitive advantage in building its brand and attracting new customers and employees.

These experiences have reinforced my conviction that, by working together in a highly aligned fashion, we can ensure our best days are still to come!

To all who share our optimism for seizing the great opportunities that lie ahead, we say thanks for your continuing confidence and support.

On behalf of the John Deere team,

Samuel R. Allen

December 17, 2012