



# JOHN DEERE

**Fourth Quarter 2008 Earnings Conference Call**

**26 November 2008**

# Safe Harbor Statement & Disclosures

The earnings call and accompanying material include forward-looking comments and information concerning the company's projections, plans and objectives for the future, including estimates and assumptions with respect to economic, political, technological, weather, market acceptance and other factors that impact our businesses and customers. They also may include financial measures that are not in conformance with GAAP (accounting principles generally accepted in the United States of America). Words such as "forecast," "projection," "outlook," "prospects," "expected," "estimated," "will," "plan," "anticipate," "intend," "believe," or other similar words or phrases often identify forward-looking statements. Actual results may differ materially from those projected in these forward-looking statements based on a number of factors and uncertainties. Additional information concerning factors that could cause actual results to differ materially is contained in the company's most recent Form 8-K and periodic report filed with the Securities and Exchange Commission, and is incorporated by reference herein. Investors should refer to and consider the incorporated information on risks and uncertainties in addition to the information presented here. Investors should consider non-GAAP financial measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP. The company, except as required by law, undertakes no obligation to update or revise its forward-looking statements whether as a result of new developments or otherwise. The call and accompanying materials are not an offer to sell or a solicitation of offers to buy any of the company's securities.

# Fourth Quarter Overview

<i>(in millions of dollars except per share amounts)</i>	Q4 2008	Q4 2007	Change
Net Sales and Revenues	\$7,401	\$6,141	+21%
Net Sales	\$6,734	\$5,423	+24%
Net Income	\$345	\$422	-18%
Diluted EPS	\$.81	\$.94	-14%

# Additional Supplemental Data

## Fourth Quarter 2008

	(In Millions)	Diluted EPS
Net income, as reported	\$345.0	\$0.81
Estimated expenses related to Welland factory closing <i>(not included in 13 August 2008 guidance)</i>	<u>35.0*</u>	<u>0.08</u>
Estimated income excluding special item	\$380.0	\$0.89

- NOTE: Due to the magnitude of the amount for the item listed above in the quarter, management believes the above additional supplemental data provides valuable insight into the operating performance for the fourth quarter of 2008. Management believes this presentation will enhance the reader's understanding of the impact of this item on Deere & Company's performance during the quarter. Management does not intend this presentation to be considered in isolation or as a substitute for the related measures under accounting principles generally accepted in the U.S.

- \* Item was not included in the earnings release of 13 August 2008. Event was previously disclosed in press release of 2 September 2008 and Form 10-Q for third quarter filed on 2 September 2008

# Fourth Quarter Overview

## Net Sales

- Equipment operations net sales: Up ~ 24% in Q4 2008 vs. Q4 2007
  - Currency translation: Flat
  - Price realization: ~ +3 points

# Production Tonnage\*

% Change	Q4 2008 Actual	FY 2008 Actual	Q1 2009 Forecast	FY 2009 Forecast
Total Worldwide	+24	+18	+12	(3)
Worldwide AG	+35	+32		Flat
Worldwide C&CE	+14	(3)		(10)
Worldwide C&F	(10)	(8)		(12)
Total U.S. and Canada	+22	+13		(2)
Outside U.S. and Canada	+28	+31		(6)
U.S. and Canada AG	+36	+29	+12	

\*Percentage change from same period in previous year, excluding purchased product.

*Deere & Company Forecast as of 26 November 2008*

# 2009 Company Outlook

- Outlook for 2009 is highly uncertain due to global economic conditions and turmoil in world financial markets.
- First Quarter 2009 Forecast
  - Net sales up ~ 7% vs. Q1 2008
    - Currency translation: ~ (6) points
    - Price realization: ~ +5 points
  - Net income of ~ \$275 million
- Fiscal Year 2009 Forecast
  - Net sales flat from FY 2008
    - Currency translation: ~ (6) points
    - Price realization: ~ +7 points
  - Net Income of ~ \$1.9 billion

*Deere & Company Forecast as of 26 November 2008*

# Worldwide Agricultural Equipment Fourth Quarter Overview

<i>(in millions of dollars)</i>	Q4 2008	Q4 2007	Change
Net Sales	\$4,570	\$3,188	+43%
Operating Profit*	\$476	\$388	+23%
Production Tonnage			+35%

\*Operating profit impacted by:

- Higher shipment volumes
- Improved price realization
- Higher raw material costs
- Higher SA&G and R&D expenses
- Closure of facility in Canada

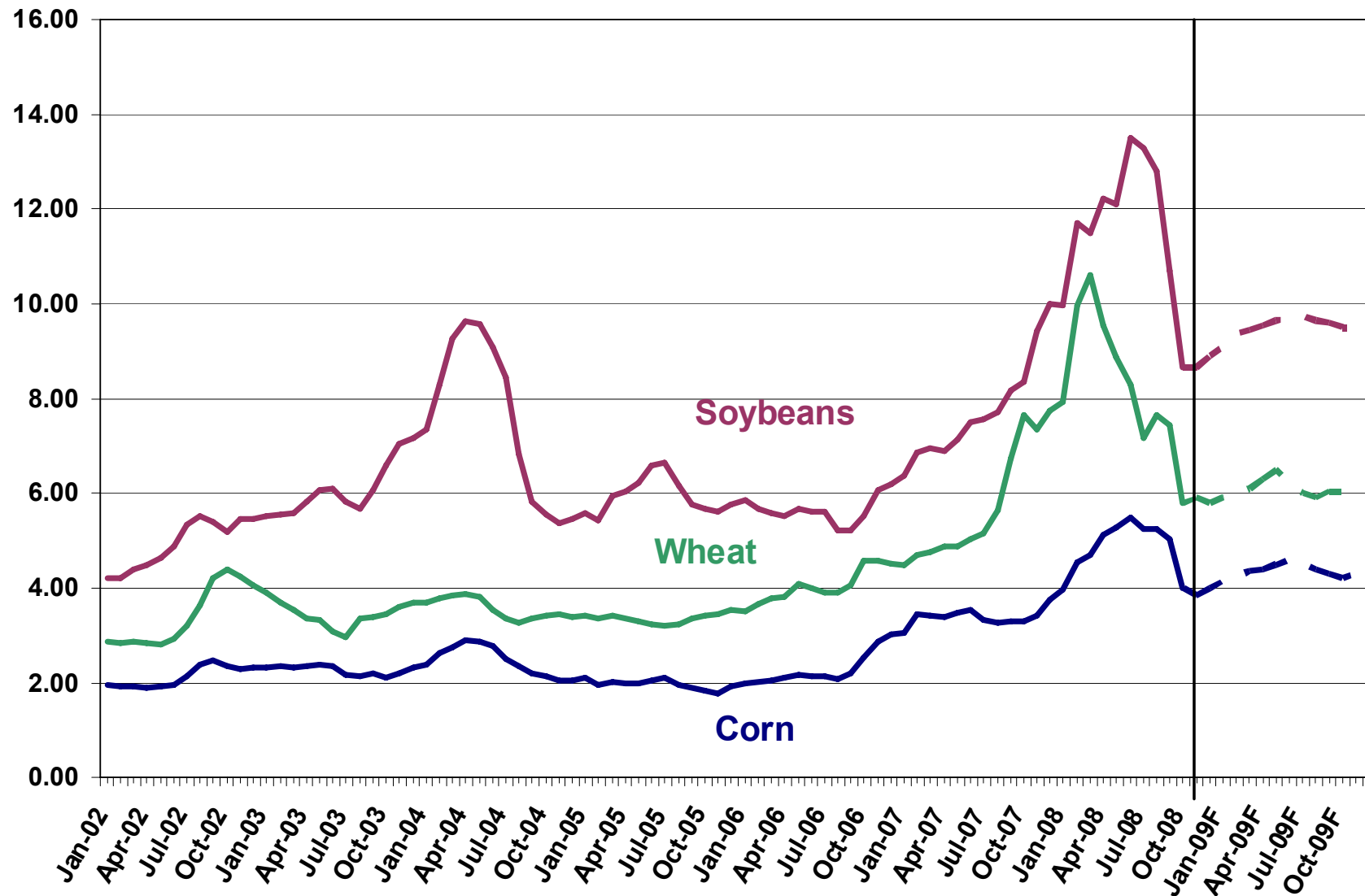
Incremental Margin ~ 6%

# U.S. Commodity Price Estimates

	2007/08	Previous 2007/08	2008/09 Forecast	Previous 2008/09	2009/10 Forecast
Corn (per bushel)	\$4.30	\$4.45	\$4.25	\$5.50	\$4.15
Wheat (per bushel)	\$7.35	\$6.92	\$6.50	\$7.74	\$6.00
Soybeans (per bushel)	\$10.10	\$10.60	\$9.30	\$13.50	\$9.20
Cotton (per pound)	\$0.57	\$0.58	\$0.52	\$0.65	\$0.55

*Deere & Company Forecast as of 26 November 2008 (Previous Forecast as of 13 August 2008)*

# U.S. Farm Prices



Source: Actual data from Wall Street Journal

Deere & Company Forecast as of 26 November 2008

# U.S. Farm Production Cost / Profitability\*

- Variable production costs:

	<b>2008</b>	<b>2009</b>
Corn	\$2.02	\$2.36
Wheat	\$2.84	\$3.18
Soybeans	\$3.27	\$3.57

- Prices at which farmers still make good money:

Corn	\$3.10 to \$3.30
Wheat	\$5.40 to \$5.80
Soybeans	\$6.50 to \$7.00

\*Source: Informa Economics; estimates based on production costs as of 14 November 2008

# U.S. Farm Cash Receipts

<i>(in billions of dollars)</i>	2007	2008 Forecast	Previous 2008	2009 Forecast	Previous 2009
Crops	147.0	183.0	195.8	168.8	206.0
Livestock	137.9	140.5	137.5	144.8	138.4
Government Payments	11.9	13.3	13.3	10.3	10.3
Total Cash Receipts	296.8	336.8	346.6	323.9	354.7

*Deere & Company Forecast as of 26 November 2008 (Previous Forecast as of 13 August 2008)*

# Agricultural Equipment Retail Sales Industry Outlook

- U.S. and Canada: Up ~ 5% for Fiscal 2009
  - Increase in large tractors and combines
  - Agricultural commodity prices at healthy levels, though below 2008 levels
  - Cotton equipment, small tractors, and equipment commonly used by livestock producers projected lower
- South America: Down 10% - 20% for Fiscal 2009
  - Credit access in Brazil
  - Drought conditions in Argentina

*Deere & Company Forecast as of 26 November 2008*

# Farm Net Income

## Brazil and Argentina

<i>(in billions of U.S. dollars)</i>	Brazil			Argentina		
	2007	2008 Forecast	2009 Forecast Range	2007	2008 Forecast	2009 Forecast Range
	9.0	15.4	(2.0) - 6.0	5.1	3.4	(6.0) - 8.0

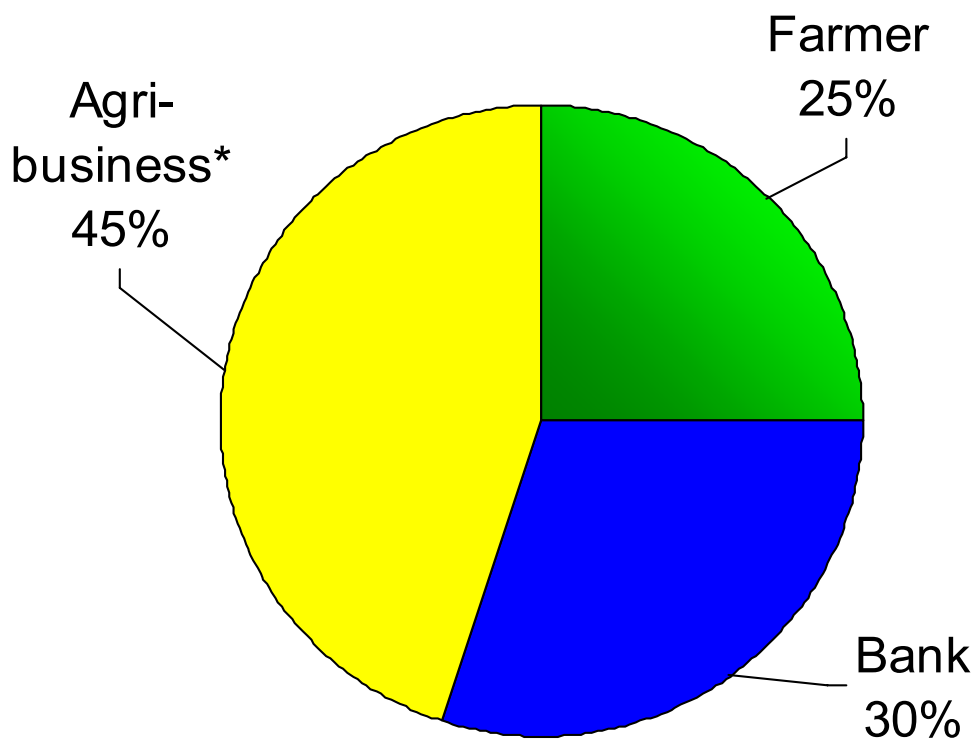
- Factors influencing farm net income in 2009:
  - Customers' access to credit
  - Increase in input costs
  - Reduction in planted area
  - Drought conditions in Argentina
  - Future of Argentina farming sector will depend more on political decisions (retenciones), than on economic conditions

*Deere & Company Forecast as of 26 November 2008*

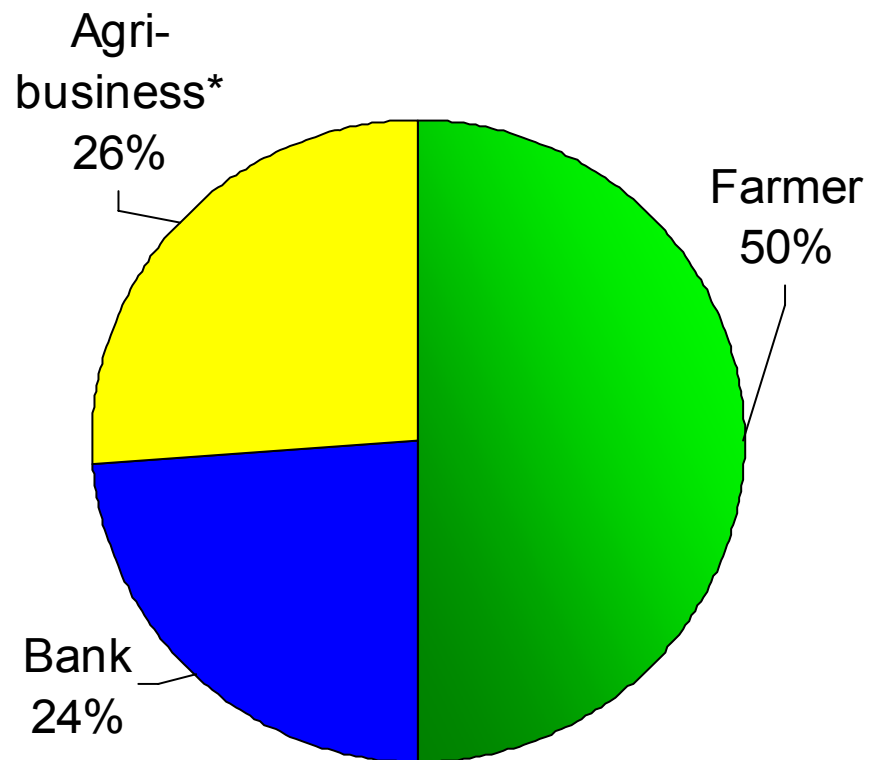
# Brazilian Soybean Crop Funding

## Additional Funding Pressure on Farmers

*2007/08 Crop:*



*2008/09 Crop:*



*\*Agribusiness includes seed, fertilizer, agrochemical and trading companies*

*Source: Agroconsult October 2008*

# European (EU-27) Agricultural Update

- 2009 outlook: business back to normal
  - Margins and mood back at normal levels
  - Improvements for pork sector
  - Rural finance intact in Western Europe
- Medium-term prospects
  - Policy shift towards more rural development
  - Higher degree of specialization
  - Slight shift to cash crops from livestock farming
  - Income up in new member states

*Deere & Company Forecast as of 26 November 2008*

# Agricultural Equipment Retail Sales Industry Outlook

- Western Europe
  - Down 5% - 10% for Fiscal 2009
- Central Europe and the Commonwealth of Independent States countries, including Russia
  - Down moderately
  - Good demand, but depends on access to credit markets

*Deere & Company Forecast as of 26 November 2008*

# Worldwide Agricultural Equipment Deere & Company Outlook

- Fiscal Year 2009 Forecast
  - Net sales projected to be up ~ 5%
    - Currency translation ~ (8) points

*Deere & Company Forecast as of 26 November 2008*

# Worldwide Commercial & Consumer Equipment Fourth Quarter Overview

<i>(in millions of dollars)</i>	Q4 2008	Q4 2007	Change
<b>Net Sales</b>	\$915	\$1,027	-11%
<b>Operating Loss*</b>	-\$16	-\$11	+45%
<b>Production Tonnage</b>			+14%

\*Operating Loss impacted by:

- Closure of facility in Canada
- Higher raw material costs
- Lower shipment volumes
- Improved price realization
- Lower SA&G expenses

Incremental Margin ~ 4%

# Worldwide Commercial & Consumer Equipment Deere & Company Outlook

- Fiscal Year 2009 Forecast
  - Net sales projected to be down ~ 6%
    - U.S. housing slump
    - Recessionary economic conditions
    - Partially offset by new products

*Deere & Company Forecast as of 26 November 2008*

# Worldwide Construction & Forestry

## Fourth Quarter Overview

<i>(in millions of dollars)</i>	Q4 2008	Q4 2007	Change
<b>Net Sales</b>	\$1,249	\$1,208	+3%
<b>Operating Profit*</b>	\$89	\$134	-34%
<b>Production Tonnage</b>			-10%

\*Operating Profit impacted by:

- Higher raw material costs

# Worldwide Construction & Forestry

## Strong Performance in Challenging Market Conditions

	Full Year 2008
Operating Return on Sales	9.7%
Operating Return on Assets (OROA)	17.6%

*Note: For reconciliation of OROA to GAAP, please see "Reconciliation to GAAP" slide in Appendix*

# Worldwide Construction & Forestry Deere & Company Outlook

- Fiscal Year 2009 Forecast
  - Net sales projected to be down ~ 12%
    - U.S. economic factors
      - Housing starts at 0.6 - 0.7 million
      - Non-residential spending down ~ 15%
      - GDP growth of ~ (1%)
    - Global forestry markets down
    - Partially offset by new products

*Deere & Company Forecast as of 26 November 2008*

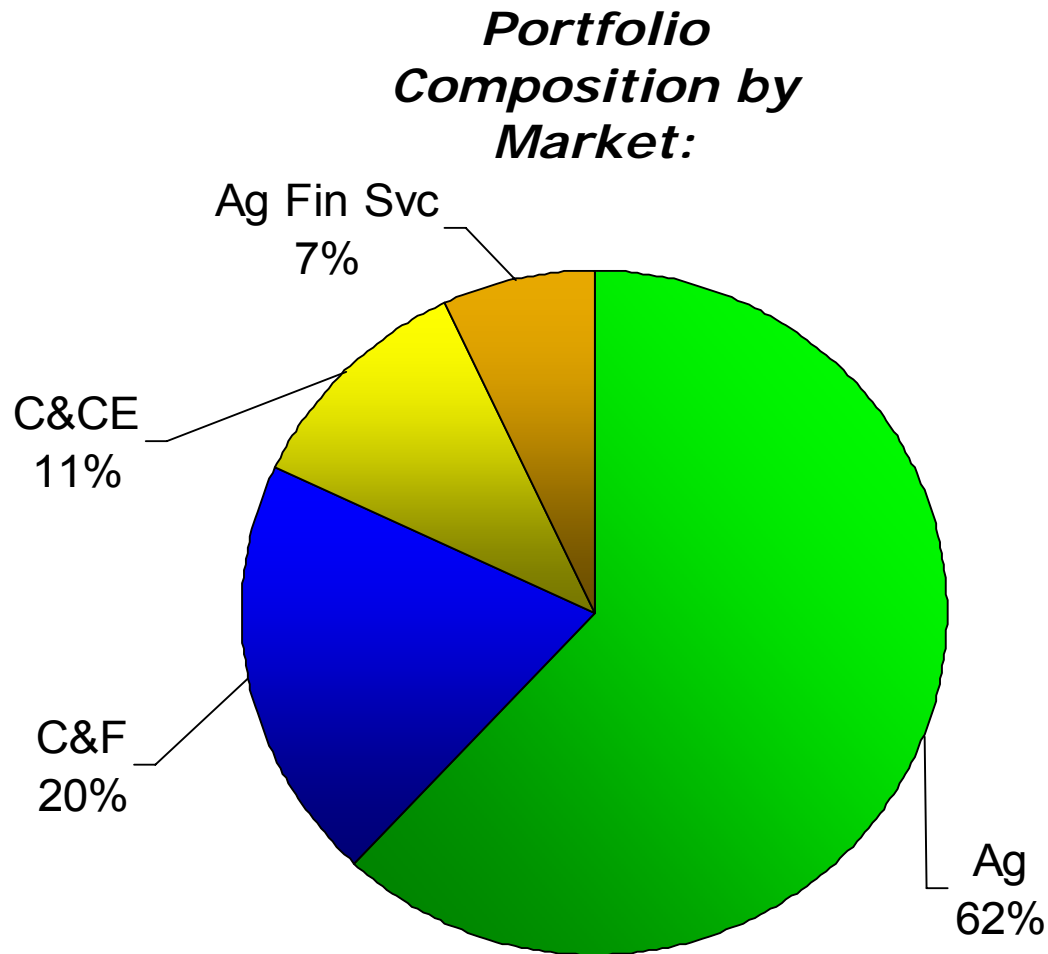
# Worldwide Construction & Forestry

## Expanding Global Footprint

- China
  - June 2008 - acquired 50 percent of Xuzhou Xuwa Excavator Machinery Co., Ltd. (XCG)
  - First domestic manufacturing operation for the division in China
- India
  - September 2008 - announced plans to form a joint venture with Ashok Leyland Limited
  - Manufacture and market backhoes and four-wheel-drive loaders
  - Currently evaluating site locations
  - Initial production planned for early 2010

# Credit Worldwide

**\$22.2 billion Owned Portfolio as of 31 October 2008**

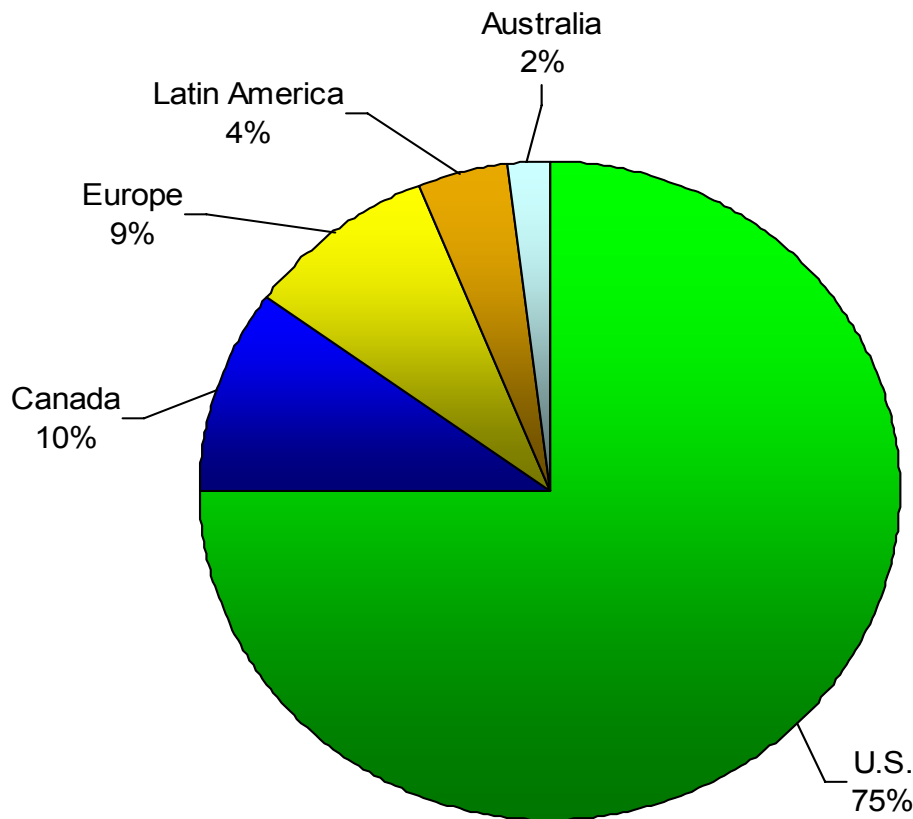


*John Deere Capital Corporation is a U.S. subsidiary of John Deere Credit Company and is included in the information above*

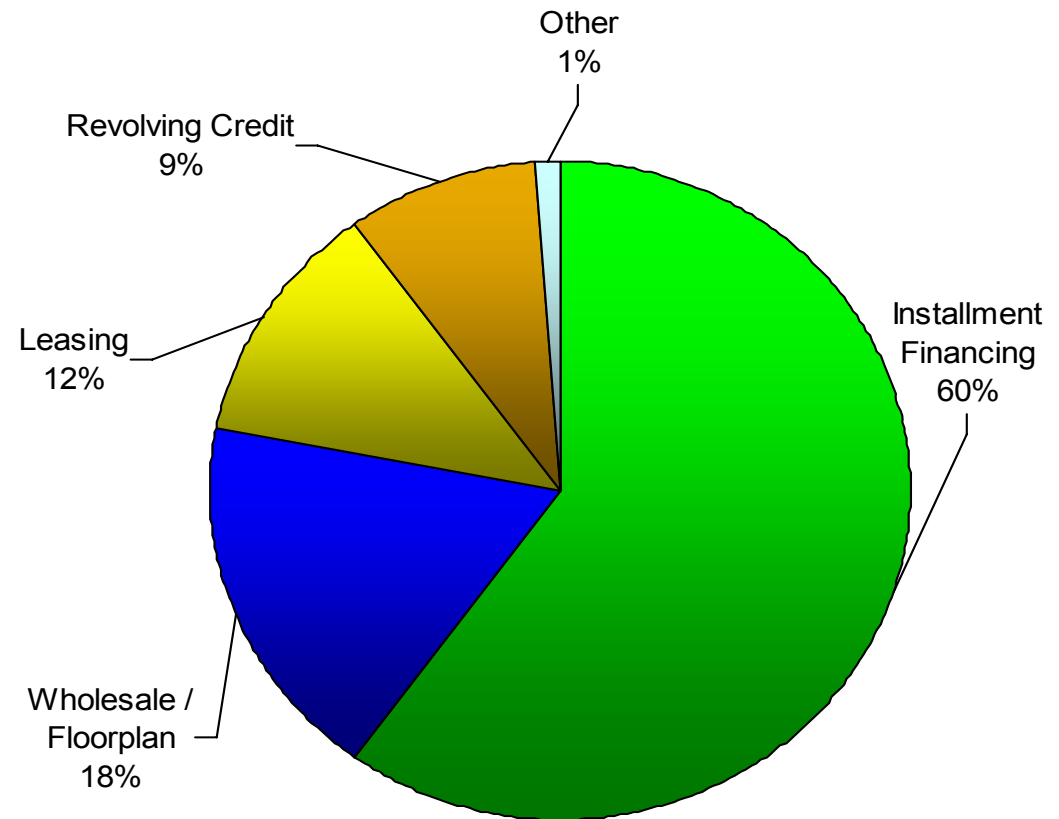
# Credit Worldwide

\$22.2 billion Owned Portfolio as of 31 October 2008

*Portfolio  
Composition by  
Geography:*



*Portfolio  
Composition by  
Product:*



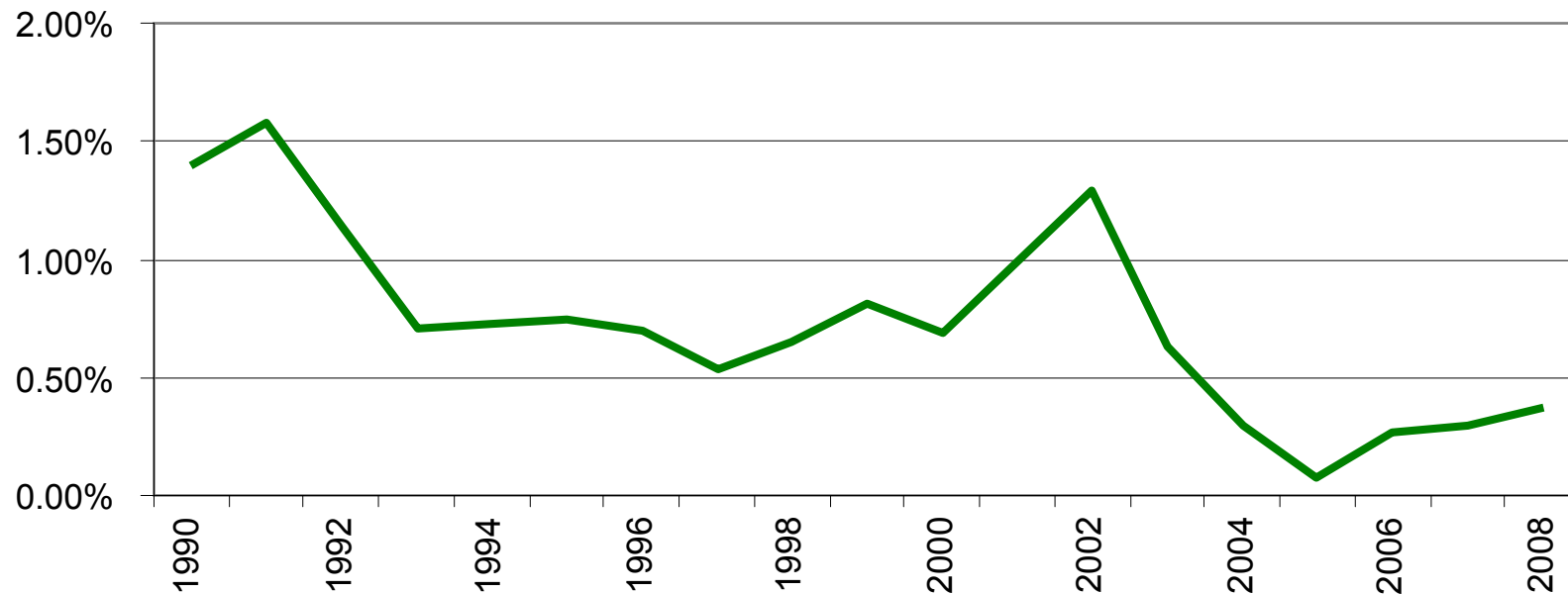
*John Deere Capital Corporation is a U.S. subsidiary of John Deere Credit Company and is included in the information above*

# Credit

## Credit Loss History

- Low losses driven by:
  - Strong farmer cash flows
  - Ag & C&CE dealer reserves
  - Rigorous underwriting standards
  - Robust collection practices
  - Strong used equipment values

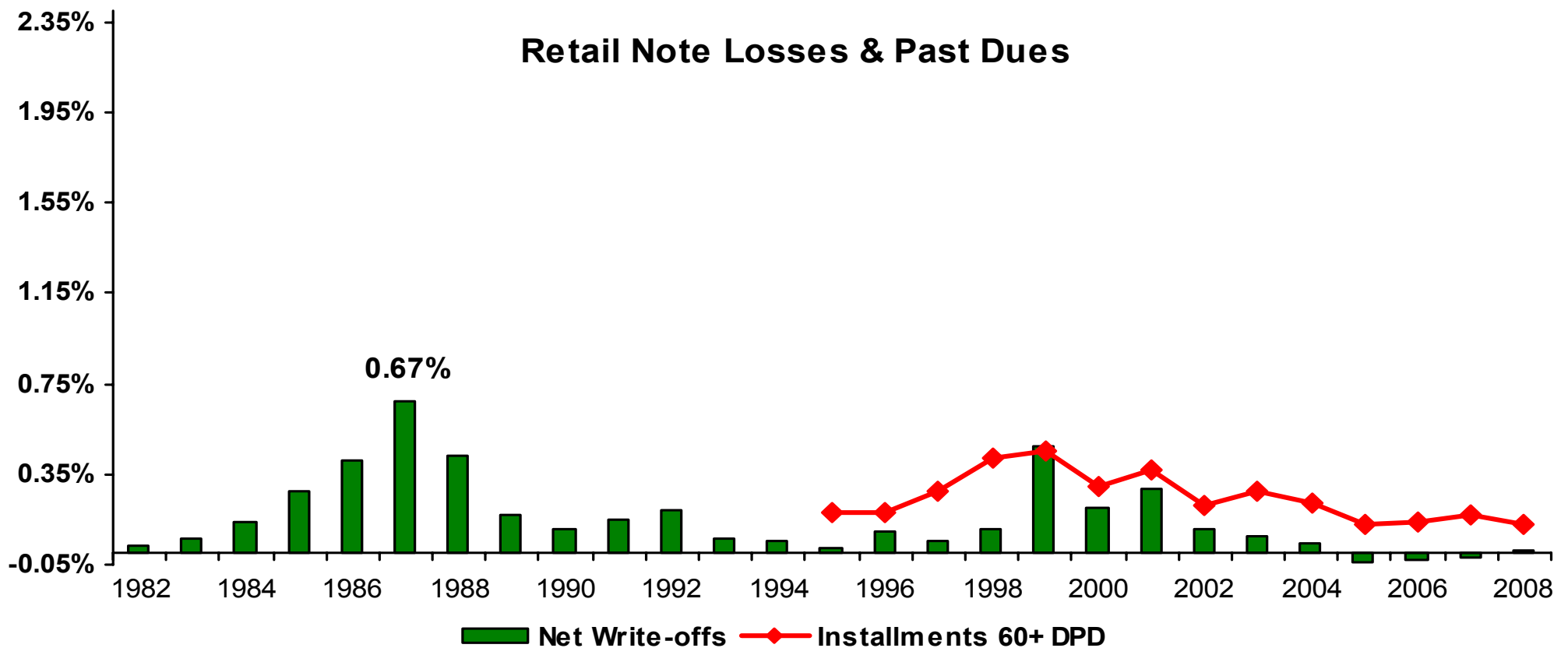
Provision for Credit Losses / Average Owned Portfolio



# John Deere Capital Corporation Retail Notes

## 60+ Days Past Due vs. Write-offs

- Agricultural Equipment
  - Extremely low write-offs; average 12 bps for last 10 years
  - Even in the severe Ag market of the 1980s, losses were comparatively low



Note: 1982 – 1985 includes Construction; 1986 - 1994 includes Lawn & Grounds Care; As % of Owned Losses After Dealer Reserve Charges

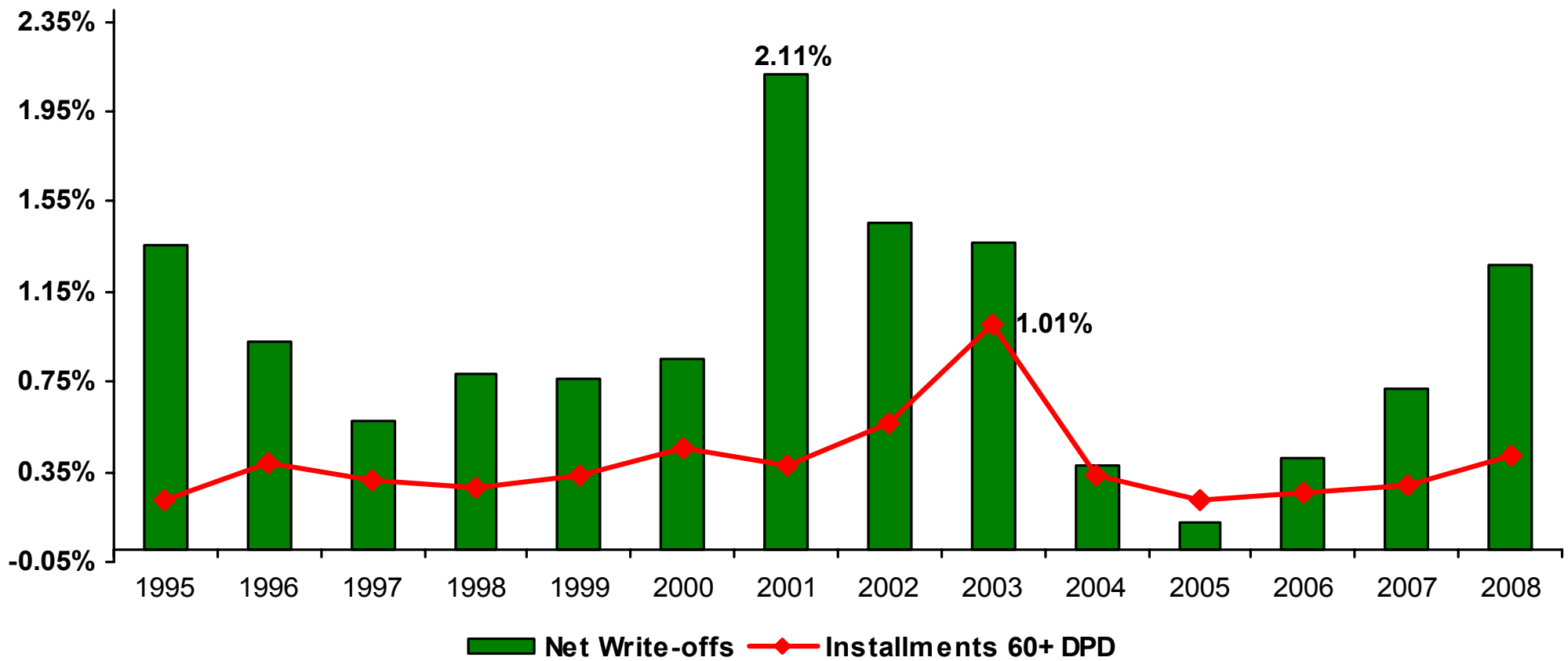
Source: 1982 – 1994 internal reporting, 1995 - 2007 JDCC 10K's; 2008 internal reporting

# John Deere Capital Corporation Retail Notes

## 60+ Days Past Due vs. Write-offs

- Construction and Forestry
  - 2008 performed in line with historical average despite severe economic pullback in construction

**Retail Note Losses & Past Dues**



Source: 1995 - 2007 JDCC 10K's; 2008 internal reporting

# Credit

- Fourth Quarter 2008
  - Net income of ~ \$67 million
    - Higher SA&G expenses
    - Increase in average leverage
    - Unfavorable currency translation
    - Higher provision for credit losses
    - Narrower financing spreads
    - Growth in average credit portfolio
    - Increased commissions from crop insurance
  
- Fiscal Year 2009 Forecast
  - Net income of ~ \$300 million

*Deere & Company Forecast as of 26 November 2008*

# Consolidated Trade Receivables & Inventory

## Change at 31 October: 2008 vs. 2007, 2009 vs. 2008

<i>(in millions of dollars)</i>	2008 Actual	2008 Prior Forecast	2009 Forecast
AG	↑ 886	↑ 875	↑ 125
CCE	↑ 51	↑ 25	↓ 75
C&F	↓ 53	↑ 25	↓ 125
Total, as reported	↑ 884	↑ 925	↓ 75
Total, constant exchange	↑ 1,290	↑ 763	↓ 75

Deere & Company Forecast as of 26 November 2008 (Previous Forecast as of 13 August 2008)



# October Retail Sales

## U.S. and Canada

	Industry*	Deere**
Utility Tractors	↓ 9%	↓ low double digit
Row-Crop Tractors	↑ 19%	↑ more than industry
4WD Tractors	↓ 9%	↓ double digits
Combines	↑ 38%	↑ triple digits

\* As reported by the Association of Equipment Manufacturers

\*\* As reported to the Association of Equipment Manufacturers

# Deere Dealer Inventories

## U.S. and Canada

*(at 31 October – in units as a % of trailing 12 months retail sales)*

	2008	2007
Row-Crop Tractors	11%	21%
Combines	2%	1%

*As reported to the Association of Equipment Manufacturers*

# October 2008 Retail Sales Western Europe

	Deere & Company
Tractors	Flat
Combines	↓ single digit

*Based on EU Government Reporting of Registrations*

# October 2008 Retail Sales

## U.S. and Canada

	Deere & Company
Commercial & Consumer Equipment	↓ low double digit
Construction & Forestry	
First-in-the-Dirt	↓ single digit
Settlements	Flat

# Liquidity and Bank Support

- In the past eight weeks, successful access to commercial paper market
  - Typically issuing more than \$700 million per week
  - Weighted average term ~25 days
  - Majority of commercial paper outstanding matures after 31 December 2008
    - Ahead of last year's pace
- \$4.5B credit facility supporting commercial paper
  - Have not drawn on facility
  - \$1.7 billion incremental capacity
- To be prudent:
  - \$400M capital infusion into JDCC in October
  - Not currently repurchasing shares

# Material Costs and Freight Equipment Operations

- Fourth Quarter 2008
  - Up ~ \$305 million vs. Q4 2007
- Fiscal Year 2008
  - Up ~ \$550 million vs. FY2007
  - By division
    - Agricultural Equipment: ~ \$405
    - Commercial & Consumer Equipment: ~ \$ 65
    - Construction & Forestry: ~ \$ 80
  - Previous forecast up \$425 - \$475 million

*Previous Forecast as of 13 August 2008*

# 2009 Material Costs and Freight Equipment Operations

- Fiscal Year 2009

- Up \$500 - \$900 million vs. FY2008

- By division

- Agricultural Equipment: \$350 - \$625
    - Commercial & Consumer Equipment: \$ 75 - \$125
    - Construction & Forestry: \$ 75 - \$150

*Deere & Company Forecast as of 26 November 2008*

# Research & Development Expense Equipment Operations

- Fourth Quarter 2008
  - Up ~ 17% vs. Q4 2007
- Fiscal Year 2008
  - Up ~ 15% vs. FY2007
    - Currency translation ~ 2 points
  - Previous forecast ~ 16%
    - Currency translation ~ 3 points
- Fiscal Year 2009
  - Up ~ 5% vs. FY2008

*Deere & Company Forecast as of 26 November 2008 (Previous Forecast as of 13 August 2008)*

# Selling, Administrative & General Expense Equipment Operations

- Fourth Quarter 2008
  - Flat vs. Q4 2007
    - Includes ~ 5 points related to global growth initiatives
- Fiscal Year 2008
  - Up ~ 13% vs. FY 2007
    - Includes ~ 9 points related to global growth initiatives and currency translation
  - Previous forecast ~ 16%
    - Included ~ 10 points related to global growth initiatives and currency translation
- Fiscal Year 2009
  - Up ~ 2% vs. FY 2008

*Deere & Company Forecast as of 26 November 2008 (Previous Forecast as of 13 August 2008)*

# Tax Rate

## Equipment Operations

- Fourth Quarter 2008
  - Effective tax rate of ~ 41%
    - Shift in geographic mix of income
    - Distributions of non-U.S. income
    - Partially offset by R&D tax credit
- Fiscal year 2008
  - Effective tax rate of ~ 36%
    - Previous forecast of ~ 36%
- Fiscal Year 2009 Forecast
  - Assumes tax rate of ~ 35%

*Deere & Company Forecast as of 26 November 2008 (Previous Forecast as of 13 August 2008)*

# Other Information

## Fiscal Year 2008

- Equipment Operations
  - Capital Expenditures
    - ~ \$773 million
      - Previous forecast ~ \$775 million
  - Depreciation and Amortization
    - ~ \$484 million
  - Pension/OPEB Contributions
    - ~ \$430 million
- Financial Services
  - Capital Expenditures
    - ~ \$339 million
      - Primarily Wind

*Previous Forecast as of 13 August 2008*

# Other Information

## Fiscal Year 2009 Forecast

- Equipment Operations
  - Capital Expenditures
    - ~ \$1.0 billion
  - Depreciation and Amortization
    - ~ \$525 million
  - Pension/OPEB Contributions
    - ~ \$170 million
- Financial Services
  - Capital Expenditures
    - ~ \$125 million
      - Primarily Wind

*Deere & Company Forecast as of 26 November 2008*

# Appendix

# Share Repurchase as Part of Publicly Announced Plans

- Cumulative cost of repurchases since 2004: \$5.6 billion
- Balance remaining on May 2007 40-million share authorization: 13.7 million
- May 2008 share authorization: \$5.0 billion
- 2008 period ending shares: 422.3 million

FY2008	Shares Repurchased* (in millions)	Total \$ Amount (in billions)
Q1	5.8	\$0.5
Q2	6.1	\$0.5
Q3	4.5	\$0.3
Q4	4.8	\$0.4
Total	21.2	\$1.7

Actual	Shares Repurchased* (in millions)	Total \$ Amount (in billions)
2004	5.9	\$0.2
2005	27.7	\$0.9
2006	34.0	\$1.3
2007	25.7	\$1.5
Total	93.3	\$3.9

\* All shares adjusted for two-for-one stock split effective 26 November 2007

# OROA Reconciliation to GAAP

## Worldwide Construction and Forestry

<i>in millions of dollars, unless indicated</i>	<b><u>2008</u></b>
Operating Profit	\$ 466
Average Identifiable Assets	
With Inventory @ LIFO	\$ 2,456
With Inventory @ Std Cost	\$ 2,641
OROA @ LIFO (Operating Profit / Average Assets)	19.0%
<b>OROA @ Standard Cost</b> (Operating Profit / Average Assets)	<b>17.6%</b>

**Deere's first quarter 2009 conference call  
is scheduled for 9:00 a.m. central time  
on Wednesday, February 18, 2009**



**JOHN DEERE**