



NEWS RELEASE

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Deere Announces Third-Quarter Net Income of \$910 Million

- Equipment net sales climb 36%, to \$9.3 billion, on strength in key markets.
- Earnings per share set third-quarter record.
- Performance benefiting from favorable conditions for agricultural and construction equipment.
- Advanced technology and product features earning strong customer response.

MOLINE, Illinois (August 17, 2018) — Deere & Company reported net income of \$910.3 million for the third quarter ended July 29, 2018, or \$2.78 per share, compared with net income of \$641.8 million, or \$1.97 per share, for the quarter ended July 30, 2017. For the first nine months of the year, net income attributable to Deere & Company was \$1.584 billion, or \$4.82 per share, compared with \$1.649 billion, or \$5.11 per share, for the same period last year.

Affecting results for the third quarter and first nine months of 2018 were provisional adjustments to the provision for income taxes due to the enactment of U.S. tax reform legislation on December 22, 2017 (tax reform). Third-quarter results included a favorable net adjustment to provisional income taxes of \$62 million, while the first nine months reflected an unfavorable net provisional income tax expense of \$741 million. Without these adjustments, net income attributable to Deere & Company for the third quarter and first nine months of the year would have been \$849 million, or \$2.59 per share, and \$2.325 billion, or \$7.08 per share, respectively. (For further information, refer to the appendix on the non-GAAP financial measures and Note 2 in the “Condensed Notes to Interim Consolidated Financial Statements” accompanying this release.)

Worldwide net sales and revenues increased 32 percent, to \$10.308 billion, for the third quarter and rose 29 percent, to \$27.942 billion, for nine months. Net sales of the equipment operations were \$9.286 billion for the third quarter and \$25.007 billion for the first nine months, compared with \$6.833 billion and \$18.791 billion for the same periods last year.

“Deere’s third-quarter performance benefited from favorable market conditions and positive response to our advanced product lineup,” said Samuel R. Allen, chairman and chief executive officer. “Farm machinery sales in North America and Europe made solid gains, while construction equipment sales

moved sharply higher and received significant support from our Wirtgen road-building unit. At the same time, we have continued to face cost pressures for raw materials and freight, which are being addressed through a combination of cost management and pricing actions.”

Summary of Operations

Net sales of the worldwide equipment operations increased 36 percent for the quarter and 33 percent for the first nine months compared with the same periods a year ago. Deere's acquisition of the Wirtgen Group (Wirtgen) in December 2017 added 17 percent to net sales for the quarter and 12 percent year to date. Sales included an unfavorable currency-translation effect of 1 percent for the quarter and a favorable effect of 2 percent for nine months. Equipment net sales in the United States and Canada increased by 29 percent for the quarter and 27 percent year to date, with Wirtgen adding 6 percent and 4 percent for the respective periods. Outside of the U.S. and Canada, net sales rose 45 percent for the quarter and 42 percent for the first nine months, with Wirtgen adding 31 percent and 23 percent for the periods. Net sales included an unfavorable currency-translation effect of 1 percent for the quarter and a favorable effect of 3 percent for nine months.

Deere's equipment operations reported operating profit of \$1.087 billion for the quarter and \$2.822 billion for the first nine months, compared with \$804 million and \$2.179 billion, respectively, last year. Wirtgen, whose results are included in these amounts, had operating profit of \$88 million for the quarter and \$37 million year to date. Excluding Wirtgen results, the improvement for both periods was primarily driven by higher shipment volumes, lower warranty costs, and price realization, partially offset by higher production costs and research and development expenses. The corresponding periods of 2017 included a gain on the sale of SiteOne Landscapes Supply, Inc. (SiteOne).

Net income of the company's equipment operations was \$751 million for the third quarter and \$889 million for the first nine months, compared with net income of \$506 million and \$1.291 billion for the same periods of 2017. In addition to the operating factors previously cited, the quarter was favorably affected by \$58 million and the nine-month period unfavorably affected by \$974 million due to provisional income-tax adjustments related to tax reform.

Financial services reported net income attributable to Deere & Company of \$151.2 million for the quarter and \$680.6 million for the first nine months compared with \$131.2 million and \$349.1 million last year. Results for both periods benefited from a higher average portfolio and a lower provision for credit losses, partially offset by less-favorable financing spreads. Nine-month results also were helped by lower losses on lease residual values. Additionally, provisional income tax adjustments related to tax reform had favorable effects of \$3.6 million for the quarter and \$232.4 million for nine months.

Company Outlook & Summary

Company equipment sales are projected to increase by about 30 percent for fiscal 2018 and by about 21 percent for the fourth quarter compared with the same periods of 2017. Of these amounts, Wirtgen is

expected to add about 12 percent to Deere sales for both the full year and fourth quarter. Foreign-currency rates are not expected to have a material translation effect on equipment sales for the year but are anticipated to have an unfavorable effect of about 3 percent for the fourth quarter.

Net sales and revenues are expected to increase by about 26 percent for fiscal 2018 with net income attributable to Deere & Company forecast to be about \$2.360 billion. The company's net income forecast includes \$741 million of provisional income tax expense associated with tax reform, representing discrete items for the remeasurement of the company's net deferred tax assets to the new U.S. corporate tax rate and a one-time deemed earnings repatriation tax. Adjusted net income attributable to Deere & Company, which excludes the provisional income-tax adjustments associated with tax reform, is forecast to be about \$3.1 billion. (Information on non-GAAP financial measures is included in the appendix.)

The current outlook for adjusted net income compares with previous guidance of \$3.1 billion, which included \$803 million of provisional income tax expense.

"We continue to believe Deere is well-positioned to capitalize on growth in the world's agricultural and construction equipment markets," Allen said. "Replacement demand for large agricultural equipment is driving sales even in the face of tensions over global trade and other geopolitical issues. At the same time, we are heartened by our customers' enthusiastic response to the advanced features and technology found on our new products. What's more, the powerful global trends of population growth and increased urbanization remain quite vibrant and are putting a positive light on the company's prospects for the future. As a result, we're confident Deere is on track to continue its strong performance and deliver significant value to customers and investors in the years ahead."

Equipment Division Performance

Agriculture & Turf. Sales rose 18 percent for the quarter and 19 percent for the first nine months due to higher shipment volumes as well as lower warranty expenses and price realization. Currency translation had an unfavorable impact on sales for the quarter and a favorable effect for nine months.

Operating profit was \$806 million for the quarter and \$2.249 billion year to date, compared with respective totals of \$693 million and \$1.920 billion last year. The improvement was driven by higher shipment volumes, lower warranty-related expenses and price realization, partially offset by higher production costs and research and development expenses. Last year, both periods benefited from gains on the SiteOne sale.

Construction & Forestry. Construction and forestry sales increased 100 percent for the quarter and 83 percent for nine months, with Wirtgen adding 77 percent and 56 percent for the respective periods. Foreign-currency rates did not have a material translation effect on sales for the quarter but had a favorable impact for nine months. Both periods were favorably affected by lower warranty expenses and negatively affected by higher sales-incentive expenses.

Operating profit was \$281 million for the quarter and \$573 million for nine months, compared with \$111 million and \$259 million last year. Wirtgen contributed operating profit of \$88 million for the quarter

and \$37 million year to date. Excluding Wirtgen, the improvements were primarily driven by higher shipment volumes and lower warranty expenses, partially offset by higher production costs and sales-incentive expenses.

Market Conditions & Outlook

Agriculture & Turf. Deere's worldwide sales of agriculture and turf equipment are forecast to increase by about 15 percent for fiscal-year 2018, with foreign-currency rates not expected to have a material translation effect. Industry sales of agricultural equipment in the U.S. and Canada are forecast to be up about 10 percent for 2018, led by higher demand for large equipment. Despite drought concerns in some areas, full-year industry sales in the EU28 member nations are forecast to be up 5 to 10 percent as a result of favorable conditions in the dairy and livestock sectors and positive arable-farming conditions in certain key markets. South American industry sales of tractors and combines are projected to be flat to up 5 percent benefiting from strength in Brazil. Asian sales are forecast to be in line with last year. Industry sales of turf and utility equipment in the U.S. and Canada are expected to be flat to up 5 percent for 2018.

Construction & Forestry. Deere's worldwide sales of construction and forestry equipment are anticipated to be up about 81 percent for 2018, with foreign-currency rates not expected to have a material translation effect. Wirtgen is expected to add about 55 percent to the division's sales for the year. The outlook reflects continued improvement in demand driven by higher housing starts in the U.S., increased activity in the oil and gas sector, and economic growth worldwide. In forestry, global industry sales are expected to be up about 10 percent mainly as a result of improved demand throughout the world, led by North America.

Financial Services. Fiscal-year 2018 net income attributable to Deere & Company for the financial services operations is projected to be approximately \$815 million, including a provisional income tax benefit of \$232 million associated with tax reform. Excluding the tax benefit, adjusted net income attributable to Deere & Company is forecast to be \$583 million. Results are expected to benefit from a higher average portfolio, a lower provision for credit losses and lower losses on lease residual values, partially offset by less-favorable financing spreads.

Last quarter's financial-services net income forecast for the year was \$800 million. That outlook included a provisional tax benefit estimate of \$229 million for remeasurement of the division's net deferred tax liability and a one-time deemed earnings repatriation tax.

John Deere Capital Corporation

The following is disclosed on behalf of the company's financial services subsidiary, John Deere Capital Corporation (JDCC), in connection with the disclosure requirements applicable to its periodic issuance of debt securities in the public market.

Net income attributable to JDCC was \$120.2 million for the third quarter and \$638.8 million year to date, compared with \$88.3 million and \$227.0 million for the respective periods last year. Results for both periods benefited from a favorable provision for income taxes associated with tax reform and a higher average portfolio, partially offset by less-favorable financing spreads. The first nine months also benefited from lower losses on lease residual values and a lower provision for credit losses.

Net receivables and leases financed by JDCC were \$35.633 billion at July 29, 2018, compared with \$32.929 billion at July 30, 2017.

APPENDIX

**DEERE & COMPANY
SUPPLEMENTAL STATEMENT OF CONSOLIDATED INCOME INFORMATION
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**

(Millions, except per-share amounts)

(Unaudited)

In addition to reporting financial results in conformity with accounting principles generally accepted in the United States (GAAP), the company also discusses non-GAAP measures that exclude adjustments related to tax reform. Net income attributable to Deere & Company and diluted earnings per share measures that exclude this item are not in accordance with nor a substitute for GAAP measures. The company believes that discussion of results excluding this item provides a useful analysis of ongoing operating trends.

The table below provides a reconciliation of the non-GAAP financial measure with the most directly comparable GAAP financial measure for the three months and nine months ended July 29, 2018, and the outlook for the twelve months ended October 28, 2018.

	Three Months Ended July 29, 2018		Nine Months Ended July 29, 2018	
	Net Income Attributable to Deere & Company	Diluted Earnings Per Share	Net Income Attributable to Deere & Company	Diluted Earnings Per Share
GAAP measure	\$ 910.3	\$ 2.78	\$ 1,583.6	\$ 4.82
Discrete tax reform expense (benefit)	(61.7)	(.19)	741.2	2.26
Non-GAAP measure	\$ 848.6	\$ 2.59	\$ 2,324.8	\$ 7.08

	Twelve Months Ended October 28, 2018 Net Income Attributable to Deere & Company
GAAP measure	\$ 2,360.0
Discrete tax reform expense	741.2
Non-GAAP measure	\$ 3,101.2

Safe Harbor Statement

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements under “Company Outlook & Summary,” “Market Conditions & Outlook,” and other forward-looking statements herein that relate to future events, expectations, and trends involve factors that are subject to change, and risks and uncertainties that could cause actual results to differ materially. Some of these risks and uncertainties could affect particular lines of business, while others could affect all of the company’s businesses.

The company’s agricultural equipment business is subject to a number of uncertainties including the factors that affect farmers’ confidence and financial condition. These factors include demand for agricultural products, world grain stocks, weather conditions, soil conditions, harvest yields, prices for commodities and livestock, crop and livestock production expenses, availability of transport for crops, trade restrictions and tariffs, global trade agreements (including the North American Free Trade Agreement and the Trans-Pacific Partnership), the level of farm product exports (including concerns about genetically modified organisms), the growth and sustainability of non-food uses for some crops (including ethanol and biodiesel production), real estate values, available acreage for farming, the land ownership policies of governments, changes in government farm programs and policies, international reaction to such programs, changes in and effects of crop insurance programs, changes in environmental regulations and their impact on farming practices, animal diseases and their effects on poultry, beef and pork consumption and prices, and crop pests and diseases.

Factors affecting the outlook for the company’s turf and utility equipment include consumer confidence, weather conditions, customer profitability, labor supply, consumer borrowing patterns, consumer purchasing preferences, housing starts and supply, infrastructure investment, spending by municipalities and golf courses, and consumable input costs.

Consumer spending patterns, real estate and housing prices, the number of housing starts, interest rates and the levels of public and non-residential construction are important to sales and results of the company’s construction and forestry equipment. Prices for pulp, paper, lumber and structural panels are important to sales of forestry equipment.

All of the company’s businesses and its results are affected by general economic conditions in the global markets and industries in which the company operates; customer confidence in general economic conditions; government spending and taxing; foreign currency exchange rates and their volatility, especially fluctuations in the value of the U.S. dollar; interest rates; inflation and deflation rates; changes in weather patterns; the political and social stability of the global markets in which the company operates; the effects of, or response to, terrorism and security threats; wars and other conflicts; natural disasters; and the spread of major epidemics.

Significant changes in market liquidity conditions, changes in the company’s credit ratings and any failure to comply with financial covenants in credit agreements could impact access to funding and

funding costs, which could reduce the company's earnings and cash flows. Financial market conditions could also negatively impact customer access to capital for purchases of the company's products and customer confidence and purchase decisions, borrowing and repayment practices, and the number and size of customer loan delinquencies and defaults. A debt crisis, in Europe or elsewhere, could negatively impact currencies, global financial markets, social and political stability, funding sources and costs, asset and obligation values, customers, suppliers, demand for equipment, and company operations and results. The company's investment management activities could be impaired by changes in the equity, bond and other financial markets, which would negatively affect earnings.

The anticipated withdrawal of the United Kingdom from the European Union and the perceptions as to the impact of the withdrawal may adversely affect business activity, political stability and economic conditions in the United Kingdom, the European Union and elsewhere. The economic conditions and outlook could be further adversely affected by (i) the uncertainty concerning the timing and terms of the exit, (ii) new or modified trading arrangements between the United Kingdom and other countries, (iii) the risk that one or more other European Union countries could come under increasing pressure to leave the European Union, or (iv) the risk that the euro as the single currency of the Eurozone could cease to exist. Any of these developments, or the perception that any of these developments are likely to occur, could affect economic growth or business activity in the United Kingdom or the European Union, and could result in the relocation of businesses, cause business interruptions, lead to economic recession or depression, and impact the stability of the financial markets, availability of credit, currency exchange rates, interest rates, financial institutions, and political, financial and monetary systems. Any of these developments could affect our businesses, liquidity, results of operations and financial position.

Additional factors that could materially affect the company's operations, access to capital, expenses and results include changes in, uncertainty surrounding and the impact of governmental trade, banking, monetary and fiscal policies, including financial regulatory reform and its effects on the consumer finance industry, derivatives, funding costs and other areas, and governmental programs, policies, tariffs and sanctions in particular jurisdictions or for the benefit of certain industries or sectors; retaliatory actions to such changes in trade, banking, monetary and fiscal policies; actions by central banks; actions by financial and securities regulators; actions by environmental, health and safety regulatory agencies, including those related to engine emissions, carbon and other greenhouse gas emissions, noise and the effects of climate change; changes to GPS radio frequency bands or their permitted uses; changes in labor and immigration regulations; changes to accounting standards; changes in tax rates, estimates, laws and regulations and company actions related thereto; changes to and compliance with privacy regulations; compliance with U.S. and foreign laws when expanding to new markets and otherwise; and actions by other regulatory bodies.

Other factors that could materially affect results include production, design and technological innovations and difficulties, including capacity and supply constraints and prices; the loss of or challenges to intellectual property rights whether through theft, infringement, counterfeiting or otherwise; the

availability and prices of strategically sourced materials, components and whole goods; delays or disruptions in the company's supply chain or the loss of liquidity by suppliers; disruptions of infrastructures that support communications, operations or distribution; the failure of suppliers or the company to comply with laws, regulations and company policy pertaining to employment, human rights, health, safety, the environment, anti-corruption, privacy and data protection and other ethical business practices; events that damage the company's reputation or brand; significant investigations, claims, lawsuits or other legal proceedings; start-up of new plants and products; the success of new product initiatives; changes in customer product preferences and sales mix; gaps or limitations in rural broadband coverage, capacity and speed needed to support technology solutions; oil and energy prices, supplies and volatility; the availability and cost of freight; actions of competitors in the various industries in which the company competes, particularly price discounting; dealer practices especially as to levels of new and used field inventories; changes in demand and pricing for used equipment and resulting impacts on lease residual values; labor relations and contracts; changes in the ability to attract, train and retain qualified personnel; acquisitions and divestitures of businesses; greater than anticipated transaction costs; the integration of new businesses; the failure or delay in closing or realizing anticipated benefits of acquisitions, joint ventures or divestitures; the implementation of organizational changes; the failure to realize anticipated savings or benefits of cost reduction, productivity, or efficiency efforts; difficulties related to the conversion and implementation of enterprise resource planning systems; security breaches, cybersecurity attacks, technology failures and other disruptions to the company's and suppliers' information technology infrastructure; changes in company declared dividends and common stock issuances and repurchases; changes in the level and funding of employee retirement benefits; changes in market values of investment assets, compensation, retirement, discount and mortality rates which impact retirement benefit costs; and significant changes in health care costs.

The liquidity and ongoing profitability of John Deere Capital Corporation and other credit subsidiaries depend largely on timely access to capital in order to meet future cash flow requirements, and to fund operations, costs, and purchases of the company's products. If general economic conditions deteriorate or capital markets become more volatile, funding could be unavailable or insufficient. Additionally, customer confidence levels may result in declines in credit applications and increases in delinquencies and default rates, which could materially impact write-offs and provisions for credit losses.

The company's outlook is based upon assumptions relating to the factors described above, which are sometimes based upon estimates and data prepared by government agencies. Such estimates and data are often revised. The company, except as required by law, undertakes no obligation to update or revise its outlook, whether as a result of new developments or otherwise. Further information concerning the company and its businesses, including factors that could materially affect the company's financial results, is included in the company's other filings with the SEC (including, but not limited to, the factors discussed in Item 1A. Risk Factors of the company's most recent annual report on Form 10-K and quarterly reports on Form 10-Q).

Third Quarter 2018 Press Release
(in millions of dollars)
Unaudited

	Three Months Ended			Nine Months Ended		
	July 29	July 30	%	July 29	July 30	%
	2018	2017	Change	2018	2017	Change
Net sales and revenues:						
Agriculture and turf	\$ 6,293	\$ 5,338	+18	\$ 17,585	\$ 14,730	+19
Construction and forestry	2,993	1,495	+100	7,422	4,061	+83
Total net sales	<u>9,286</u>	<u>6,833</u>	+36	<u>25,007</u>	<u>18,791</u>	+33
Financial services	830	741	+12	2,402	2,153	+12
Other revenues	192	234	-18	533	776	-31
Total net sales and revenues	<u>\$ 10,308</u>	<u>\$ 7,808</u>	+32	<u>\$ 27,942</u>	<u>\$ 21,720</u>	+29
Operating profit: *						
Agriculture and turf	\$ 806	\$ 693	+16	\$ 2,249	\$ 1,920	+17
Construction and forestry	281	111	+153	573	259	+121
Financial services	196	198	-1	591	523	+13
Total operating profit	<u>1,283</u>	<u>1,002</u>	+28	<u>3,413</u>	<u>2,702</u>	+26
Reconciling items **	(84)	(107)	-21	(306)	(304)	+1
Income taxes	(289)	(253)	+14	(1,523)	(749)	+103
Net income attributable to Deere & Company	<u>\$ 910</u>	<u>\$ 642</u>	+42	<u>\$ 1,584</u>	<u>\$ 1,649</u>	-4

* Operating profit is income from continuing operations before corporate expenses, certain external interest expense, certain foreign exchange gains and losses, and income taxes. Operating profit of the financial services segment includes the effect of interest expense and foreign exchange gains or losses.

** Reconciling items are primarily corporate expenses, certain external interest expense, certain foreign exchange gains and losses, pension and postretirement benefit costs excluding the service cost component, and net income attributable to noncontrolling interests.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED INCOME
For the Three Months Ended July 29, 2018 and July 30, 2017
(In millions of dollars and shares except per share amounts) Unaudited

	2018	2017
Net Sales and Revenues		
Net sales	\$ 9,286.4	\$ 6,833.0
Finance and interest income	786.4	688.8
Other income	235.5	286.0
Total	<u>10,308.3</u>	<u>7,807.8</u>
Costs and Expenses		
Cost of sales	7,152.7	5,248.6
Research and development expenses	415.7	336.8
Selling, administrative and general expenses	912.7	799.1
Interest expense	291.1	216.3
Other operating expenses	346.0	317.1
Total	<u>9,118.2</u>	<u>6,917.9</u>
Income of Consolidated Group before Income Taxes	1,190.1	889.9
Provision for income taxes	288.7	253.2
Income of Consolidated Group	901.4	636.7
Equity in income of unconsolidated affiliates	9.9	5.6
Net Income	911.3	642.3
Less: Net income attributable to noncontrolling interests	1.0	.5
Net Income Attributable to Deere & Company	<u>\$ 910.3</u>	<u>\$ 641.8</u>
Per Share Data		
Basic	\$ 2.81	\$ 2.00
Diluted	\$ 2.78	\$ 1.97
Average Shares Outstanding		
Basic	323.5	320.8
Diluted	328.0	325.1

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED INCOME
For the Nine Months Ended July 29, 2018 and July 30, 2017
(In millions of dollars and shares except per share amounts) Unaudited

	2018	2017
Net Sales and Revenues		
Net sales	\$ 25,007.4	\$ 18,790.7
Finance and interest income	2,263.2	2,009.3
Other income	671.2	920.0
Total	<u>27,941.8</u>	<u>21,720.0</u>
Costs and Expenses		
Cost of sales	19,190.5	14,457.8
Research and development expenses	1,187.7	974.2
Selling, administrative and general expenses	2,557.0	2,250.0
Interest expense	881.0	651.3
Other operating expenses	1,033.8	999.5
Total	<u>24,850.0</u>	<u>19,332.8</u>
Income of Consolidated Group before Income Taxes	3,091.8	2,387.2
Provision for income taxes	1,523.4	748.7
Income of Consolidated Group	<u>1,568.4</u>	<u>1,638.5</u>
Equity in income of unconsolidated affiliates	17.8	10.0
Net Income	<u>1,586.2</u>	<u>1,648.5</u>
Less: Net income (loss) attributable to noncontrolling interests	2.6	(.3)
Net Income Attributable to Deere & Company	<u>\$ 1,583.6</u>	<u>\$ 1,648.8</u>
Per Share Data		
Basic	\$ 4.90	\$ 5.17
Diluted	\$ 4.82	\$ 5.11
Average Shares Outstanding		
Basic	323.4	318.8
Diluted	328.2	322.5

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET
(In millions of dollars) Unaudited

	July 29 2018	October 29 2017	July 30 2017
Assets			
Cash and cash equivalents	\$ 3,923.3	\$ 9,334.9	\$ 6,537.4
Marketable securities	488.2	451.6	426.1
Receivables from unconsolidated affiliates	27.9	35.9	28.5
Trade accounts and notes receivable - net	6,207.9	3,924.9	4,389.8
Financing receivables - net	25,213.0	25,104.1	23,722.1
Financing receivables securitized - net	4,661.7	4,158.8	4,923.1
Other receivables	1,300.0	1,200.0	829.2
Equipment on operating leases - net	6,804.9	6,593.7	6,235.6
Inventories	6,239.3	3,904.1	4,252.9
Property and equipment - net	5,638.5	5,067.7	4,968.5
Investments in unconsolidated affiliates	198.7	182.5	220.8
Goodwill	3,046.5	1,033.3	845.8
Other intangible assets - net	1,580.8	218.0	92.0
Retirement benefits	737.2	538.2	219.1
Deferred income taxes	1,645.0	2,415.0	3,067.7
Other assets	1,677.2	1,623.6	1,591.3
Total Assets	\$ 69,390.1	\$ 65,786.3	\$ 62,349.9
Liabilities and Stockholders' Equity			
Liabilities			
Short-term borrowings	\$ 11,004.5	\$ 10,035.3	\$ 9,019.4
Short-term securitization borrowings	4,527.7	4,118.7	4,780.9
Payables to unconsolidated affiliates	110.8	121.9	77.8
Accounts payable and accrued expenses	9,482.7	8,417.0	7,599.0
Deferred income taxes	524.6	209.7	190.0
Long-term borrowings	26,838.0	25,891.3	23,674.3
Retirement benefits and other liabilities	6,521.9	7,417.9	8,419.6
Total liabilities	59,010.2	56,211.8	53,761.0
Redeemable noncontrolling interest	14.0	14.0	14.0
Stockholders' Equity			
Total Deere & Company stockholders' equity	10,356.3	9,557.3	8,572.2
Noncontrolling interests	9.6	3.2	2.7
Total stockholders' equity	10,365.9	9,560.5	8,574.9
Total Liabilities and Stockholders' Equity	\$ 69,390.1	\$ 65,786.3	\$ 62,349.9

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED CASH FLOWS
For the Nine Months Ended July 29, 2018 and July 30, 2017
(In millions of dollars) Unaudited

	2018	2017
Cash Flows from Operating Activities		
Net income	\$ 1,586.2	\$ 1,648.5
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Provision for credit losses	66.1	76.8
Provision for depreciation and amortization	1,444.8	1,279.0
Share-based compensation expense	62.8	50.7
Gain on sale of affiliates and investments	(25.1)	(375.1)
Undistributed earnings of unconsolidated affiliates	(9.8)	(9.3)
Provision (credit) for deferred income taxes	640.8	(77.5)
Changes in assets and liabilities:		
Trade, notes and financing receivables related to sales	(2,365.0)	(1,091.1)
Inventories	(1,538.8)	(1,348.0)
Accounts payable and accrued expenses	213.0	316.2
Accrued income taxes payable/receivable	175.7	167.8
Retirement benefits	(814.7)	173.1
Other	(110.7)	(81.8)
Net cash provided by (used for) operating activities	<u>(674.7)</u>	<u>729.3</u>
Cash Flows from Investing Activities		
Collections of receivables (excluding receivables related to sales)	12,161.9	11,334.4
Proceeds from maturities and sales of marketable securities	55.8	388.8
Proceeds from sales of equipment on operating leases	1,115.6	1,086.6
Proceeds from sales of businesses and unconsolidated affiliates, net of cash sold	133.0	113.9
Cost of receivables acquired (excluding receivables related to sales)	(12,585.6)	(11,325.6)
Acquisitions of businesses, net of cash acquired	(5,170.9)	
Purchases of marketable securities	(101.4)	(77.0)
Purchases of property and equipment	(570.6)	(373.7)
Cost of equipment on operating leases acquired	(1,427.7)	(1,395.3)
Other	(75.1)	(53.3)
Net cash used for investing activities	<u>(6,465.0)</u>	<u>(301.2)</u>
Cash Flows from Financing Activities		
Increase in total short-term borrowings	1,183.4	1,648.9
Proceeds from long-term borrowings	5,739.1	4,364.5
Payments of long-term borrowings	(4,371.8)	(4,205.6)
Proceeds from issuance of common stock	208.7	488.6
Repurchases of common stock	(454.0)	(6.2)
Dividends paid	(582.6)	(571.3)
Other	(66.8)	(62.9)
Net cash provided by financing activities	<u>1,656.0</u>	<u>1,656.0</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>72.1</u>	<u>117.5</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,411.6)	2,201.6
Cash and Cash Equivalents at Beginning of Period	9,334.9	4,335.8
Cash and Cash Equivalents at End of Period	<u>\$ 3,923.3</u>	<u>\$ 6,537.4</u>

See Condensed Notes to Interim Consolidated Financial Statements.

Condensed Notes to Interim Consolidated Financial Statements (Unaudited)

- (1) On December 1, 2017, the Company acquired the stock and certain assets of substantially all of Wirtgen Group Holding GmbH's (Wirtgen) operations. The total cash purchase price, net of cash acquired of \$197 million, was \$5,130 million, a portion of which is held in escrow to secure certain indemnity obligations of Wirtgen. In addition to the cash purchase price, the Company assumed \$1,717 million in liabilities, which represented substantially all of Wirtgen's liabilities. The preliminary fair values assigned to the assets and liabilities of the acquired entity in millions of dollars, which is based on information as of the acquisition date and available at July 29, 2018 follow:

Trade accounts and notes receivable	\$	457
Financing receivables		43
Financing receivables securitized		125
Other receivables		100
Inventories		1,538
Property and equipment		750
Goodwill		2,067
Other intangible assets		1,458
Deferred income taxes		96
Other assets		221
Total assets	<u>\$</u>	<u>6,855</u>
Short-term borrowings	\$	285
Short-term securitization borrowings		127
Accounts payable and accrued expenses		726
Deferred income taxes		501
Long-term borrowings		50
Retirement benefits and other liabilities		28
Total liabilities	<u>\$</u>	<u>1,717</u>
Noncontrolling interests	<u>\$</u>	<u>8</u>

During the third quarter of 2018, measurement period adjustments decreased property and equipment by \$7 million and increased goodwill by \$7 million. The Company continues to review the fair value of the assets and liabilities acquired, which may be updated during the measurement period.

Wirtgen's results were included in the Company's consolidated financial statements beginning on the acquisition date. The results are incorporated with the Company's results using a 30-day lag period and are included in the construction and forestry segment. The net sales and revenues and operating profit included in the Company's results in the third quarter and first nine months of 2018 were \$1,155 million and \$2,282 million, and \$88 million and \$37 million, respectively.

- (2) On December 22, 2017, the U.S. government enacted new tax legislation (tax reform). As a result of tax reform, the Company recorded a provisional income tax expense in the first quarter and measurement period adjustments in the second and third quarters of fiscal year 2018. The provisional income tax expense primarily related to discrete items for the remeasurement of the Company's net deferred tax assets to the new corporate income tax rate and a one-time, deemed earnings repatriation tax.

The provisional income tax expense (benefit) and measurement period adjustments recorded in the third quarter and first nine months in millions of dollars follow:

	Three Months Ended			Nine Months Ended		
	July 29, 2018			July 29, 2018		
	Equipment Operations	Financial Services	Total	Equipment Operations	Financial Services	Total
Net deferred tax asset remeasurement	\$ (58)	\$ (4)	\$ (62)	\$ 795	\$ (318)	\$ 477
Deemed earnings repatriation tax				179	85	264
Total discrete tax expense (benefit)	<u>\$ (58)</u>	<u>\$ (4)</u>	<u>\$ (62)</u>	<u>\$ 974</u>	<u>\$ (233)</u>	<u>\$ 741</u>

The third quarter measurement period benefit on the net deferred tax assets primarily resulted from refining the net deferred tax asset position with the completion of the fiscal year 2017 U.S. income tax return and changing tax accounting methods that affected the timing of certain U.S. tax deductions. The provision for income taxes was also affected by other tax reform items, primarily the lower corporate income tax rate on current year income.

The Company continues to analyze the provisions of tax reform and related pronouncements, and the information necessary to refine the calculations. As a result, the effects of tax reform may change during the one-year measurement period.

- (3) Dividends declared and paid on a per share basis were as follows:

	Three Months Ended		Nine Months Ended	
	July 29	July 30	July 29	July 30
	2018	2017	2018	2017
Dividends declared	\$.69	\$.60	\$ 1.89	\$ 1.80
Dividends paid	\$.60	\$.60	\$ 1.80	\$ 1.80

- (4) The calculation of basic net income per share is based on the average number of shares outstanding. The calculation of diluted net income per share recognizes any dilutive effect of share-based compensation.
- (5) The consolidated financial statements represent the consolidation of all Deere & Company's subsidiaries. In the supplemental consolidating data in Note 6 to the financial statements, "Equipment Operations" include the Company's agriculture and turf operations and construction and forestry operations with "Financial Services" reflected on the equity basis.

(6) SUPPLEMENTAL CONSOLIDATING DATA
STATEMENT OF INCOME
For the Three Months Ended July 29, 2018 and July 30, 2017
(In millions of dollars) Unaudited

	EQUIPMENT OPERATIONS*		FINANCIAL SERVICES	
	2018	2017	2018	2017
Net Sales and Revenues				
Net sales	\$ 9,286.4	\$ 6,833.0		
Finance and interest income	30.9	20.3	\$ 851.9	\$ 744.8
Other income	231.2	266.6	66.8	63.4
Total	<u>9,548.5</u>	<u>7,119.9</u>	<u>918.7</u>	<u>808.2</u>
Costs and Expenses				
Cost of sales	7,153.1	5,249.0		
Research and development expenses	415.7	336.8		
Selling, administrative and general expenses	768.9	645.7	145.6	154.6
Interest expense	51.4	65.8	249.8	161.3
Interest compensation to Financial Services	86.2	65.4		
Other operating expenses	80.3	67.2	326.1	292.4
Total	<u>8,555.6</u>	<u>6,429.9</u>	<u>721.5</u>	<u>608.3</u>
Income of Consolidated Group before Income Taxes	992.9	690.0	197.2	199.9
Provision for income taxes	242.3	184.2	46.4	69.0
Income of Consolidated Group	<u>750.6</u>	<u>505.8</u>	<u>150.8</u>	<u>130.9</u>
Equity in Income of Unconsolidated Subsidiaries and Affiliates				
Financial Services	151.2	131.2	.4	.3
Other	9.5	5.3		
Total	<u>160.7</u>	<u>136.5</u>	<u>.4</u>	<u>.3</u>
Net Income	911.3	642.3	151.2	131.2
Less: Net income attributable to noncontrolling interests	1.0	.5		
Net Income Attributable to Deere & Company	<u>\$ 910.3</u>	<u>\$ 641.8</u>	<u>\$ 151.2</u>	<u>\$ 131.2</u>

* Deere & Company with Financial Services on the equity basis.

The supplemental consolidating data is presented for informational purposes. Transactions between the "Equipment Operations" and "Financial Services" have been eliminated to arrive at the consolidated financial statements.

SUPPLEMENTAL CONSOLIDATING DATA (Continued)
STATEMENT OF INCOME
For the Nine Months Ended July 29, 2018 and July 30, 2017
(In millions of dollars) Unaudited

	EQUIPMENT OPERATIONS*		FINANCIAL SERVICES	
	2018	2017	2018	2017
Net Sales and Revenues				
Net sales	\$ 25,007.4	\$ 18,790.7		
Finance and interest income	70.3	60.3	\$ 2,441.3	\$ 2,148.6
Other income	630.5	864.2	194.5	182.5
Total	<u>25,708.2</u>	<u>19,715.2</u>	<u>2,635.8</u>	<u>2,331.1</u>
Costs and Expenses				
Cost of sales	19,191.9	14,459.1		
Research and development expenses	1,187.7	974.2		
Selling, administrative and general expenses	2,159.2	1,835.2	403.3	419.2
Interest expense	225.5	199.6	675.0	479.4
Interest compensation to Financial Services	228.5	171.5		
Other operating expenses	219.0	215.9	962.1	905.0
Total	<u>23,211.8</u>	<u>17,855.5</u>	<u>2,040.4</u>	<u>1,803.6</u>
Income of Consolidated Group before Income Taxes	2,496.4	1,859.7	595.4	527.5
Provision (credit) for income taxes	1,607.0	569.2	(83.6)	179.5
Income of Consolidated Group	<u>889.4</u>	<u>1,290.5</u>	<u>679.0</u>	<u>348.0</u>
Equity in Income of Unconsolidated Subsidiaries and Affiliates				
Financial Services	680.6	349.1	1.6	1.1
Other	16.2	8.9		
Total	<u>696.8</u>	<u>358.0</u>	<u>1.6</u>	<u>1.1</u>
Net Income	1,586.2	1,648.5	680.6	349.1
Less: Net income (loss) attributable to noncontrolling interests	2.6	(.3)		
Net Income Attributable to Deere & Company	<u>\$ 1,583.6</u>	<u>\$ 1,648.8</u>	<u>\$ 680.6</u>	<u>\$ 349.1</u>

* Deere & Company with Financial Services on the equity basis.

The supplemental consolidating data is presented for informational purposes. Transactions between the "Equipment Operations" and "Financial Services" have been eliminated to arrive at the consolidated financial statements.

SUPPLEMENTAL CONSOLIDATING DATA (Continued)
CONDENSED BALANCE SHEET

(In millions of dollars) Unaudited

	EQUIPMENT OPERATIONS*			FINANCIAL SERVICES		
	July 29 2018	October 29 2017	July 30 2017	July 29 2018	October 29 2017	July 30 2017
Assets						
Cash and cash equivalents	\$ 2,802.9	\$ 8,168.4	\$ 5,338.4	\$ 1,120.4	\$ 1,166.5	\$ 1,199.0
Marketable securities	11.4	20.2	21.4	476.8	431.4	404.7
Receivables from unconsolidated subsidiaries and affiliates	1,794.4	1,032.1	2,570.9			
Trade accounts and notes receivable - net	1,586.2	876.3	758.8	6,079.5	4,134.1	4,828.8
Financing receivables - net	78.0			25,135.0	25,104.1	23,722.1
Financing receivables securitized - net	90.2			4,571.5	4,158.8	4,923.1
Other receivables	1,130.6	1,045.6	708.0	176.1	195.5	147.1
Equipment on operating leases - net				6,804.9	6,593.7	6,235.6
Inventories	6,239.3	3,904.1	4,252.9			
Property and equipment - net	5,592.2	5,017.3	4,919.1	46.3	50.4	49.4
Investments in unconsolidated subsidiaries and affiliates	4,992.1	4,812.3	4,800.4	15.1	13.8	13.8
Goodwill	3,046.5	1,033.3	845.8			
Other intangible assets - net	1,580.8	218.0	92.0			
Retirement benefits	727.2	538.1	219.1	13.7	16.9	17.9
Deferred income taxes	1,983.9	3,098.8	3,720.6	68.1	79.8	68.8
Other assets	1,148.3	973.9	948.5	530.4	651.4	644.7
Total Assets	\$ 32,804.0	\$ 30,738.4	\$ 29,195.9	\$ 45,037.8	\$ 42,596.4	\$ 42,255.0
Liabilities and Stockholders' Equity						
Liabilities						
Short-term borrowings	\$ 789.5	\$ 375.5	\$ 342.8	\$ 10,215.0	\$ 9,659.8	\$ 8,676.6
Short-term securitization borrowings	90.2			4,437.5	4,118.7	4,780.9
Payables to unconsolidated subsidiaries and affiliates	110.8	121.9	77.8	1,766.5	996.2	2,542.4
Accounts payable and accrued expenses	9,046.9	7,718.1	7,213.5	1,901.8	1,827.1	1,611.2
Deferred income taxes	431.5	115.6	105.2	500.1	857.7	806.5
Long-term borrowings	5,525.7	5,490.9	4,523.6	21,312.3	20,400.4	19,150.7
Retirement benefits and other liabilities	6,429.5	7,341.9	8,344.1	96.1	92.9	93.4
Total liabilities	22,424.1	21,163.9	20,607.0	40,229.3	37,952.8	37,661.7
Redeemable noncontrolling interest	14.0	14.0	14.0			
Stockholders' Equity						
Total Deere & Company stockholders' equity	10,356.3	9,557.3	8,572.2	4,808.5	4,643.6	4,593.3
Noncontrolling interests	9.6	3.2	2.7			
Total stockholders' equity	10,365.9	9,560.5	8,574.9	4,808.5	4,643.6	4,593.3
Total Liabilities and Stockholders' Equity	\$ 32,804.0	\$ 30,738.4	\$ 29,195.9	\$ 45,037.8	\$ 42,596.4	\$ 42,255.0

* Deere & Company with Financial Services on the equity basis.

The supplemental consolidating data is presented for informational purposes. Transactions between the "Equipment Operations" and "Financial Services" have been eliminated to arrive at the consolidated financial statements.

SUPPLEMENTAL CONSOLIDATING DATA (Continued)
STATEMENT OF CASH FLOWS
For the Nine Months Ended July 29, 2018 and July 30, 2017
(In millions of dollars) Unaudited

	EQUIPMENT OPERATIONS*		FINANCIAL SERVICES	
	2018	2017	2018	2017
Cash Flows from Operating Activities				
Net income	\$ 1,586.2	\$ 1,648.5	\$ 680.6	\$ 349.1
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses	18.8	1.5	47.3	75.3
Provision for depreciation and amortization	740.8	640.1	800.6	725.1
Gain on sale of affiliates and investments	(25.1)	(375.1)		
Undistributed earnings of unconsolidated subsidiaries and affiliates	(235.2)	(37.3)	(1.4)	(1.0)
Provision (credit) for deferred income taxes	986.0	(145.1)	(345.2)	67.6
Changes in assets and liabilities:				
Trade receivables	(331.0)	(104.2)		
Inventories	(975.1)	(829.4)		
Accounts payable and accrued expenses	519.4	471.8	66.1	28.9
Accrued income taxes payable/receivable	230.9	150.9	(55.2)	16.9
Retirement benefits	(821.5)	166.6	6.8	6.5
Other	(87.8)	(50.9)	141.1	116.0
Net cash provided by operating activities	<u>1,606.4</u>	<u>1,537.4</u>	<u>1,340.7</u>	<u>1,384.4</u>
Cash Flows from Investing Activities				
Collections of receivables (excluding trade and wholesale)			13,245.7	12,275.9
Proceeds from maturities and sales of marketable securities	9.0	296.3	46.8	92.5
Proceeds from sales of equipment on operating leases			1,115.6	1,086.6
Proceeds from sales of businesses and unconsolidated affiliates, net of cash sold	133.0	113.9		
Cost of receivables acquired (excluding trade and wholesale)			(13,830.0)	(12,366.5)
Acquisitions of businesses, net of cash acquired	(5,170.9)			
Purchases of marketable securities			(101.4)	(77.0)
Purchases of property and equipment	(569.1)	(372.5)	(1.5)	(1.2)
Cost of equipment on operating leases acquired			(2,189.6)	(2,096.2)
Increase in trade and wholesale receivables			(2,329.7)	(1,070.9)
Other	42.1	(55.7)	(33.4)	(18.7)
Net cash used for investing activities	<u>(5,555.9)</u>	<u>(18.0)</u>	<u>(4,077.5)</u>	<u>(2,175.5)</u>
Cash Flows from Financing Activities				
Increase in total short-term borrowings	119.0	42.3	1,064.4	1,606.6
Change in intercompany receivables/payables	(796.8)	634.9	796.8	(634.9)
Proceeds from long-term borrowings	159.4	64.8	5,579.7	4,299.7
Payments of long-term borrowings	(117.6)	(44.5)	(4,254.2)	(4,161.1)
Proceeds from issuance of common stock	208.7	488.6		
Repurchases of common stock	(454.0)	(6.2)		
Dividends paid	(582.6)	(571.3)	(453.7)	(320.2)
Other	(41.7)	(43.2)	(24.8)	.3
Net cash provided by (used for) financing activities	<u>(1,505.6)</u>	<u>565.4</u>	<u>2,708.2</u>	<u>790.4</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>89.6</u>	<u>113.1</u>	<u>(17.5)</u>	<u>4.4</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(5,365.5)</u>	<u>2,197.9</u>	<u>(46.1)</u>	<u>3.7</u>
Cash and Cash Equivalents at Beginning of Period	<u>8,168.4</u>	<u>3,140.5</u>	<u>1,166.5</u>	<u>1,195.3</u>
Cash and Cash Equivalents at End of Period	<u>\$ 2,802.9</u>	<u>\$ 5,338.4</u>	<u>\$ 1,120.4</u>	<u>\$ 1,199.0</u>

* Deere & Company with Financial Services on the equity basis.

The supplemental consolidating data is presented for informational purposes. Transactions between the "Equipment Operations" and "Financial Services" have been eliminated to arrive at the consolidated financial statements.

Deere & Company
Other Financial Information

For the Nine Months Ended	Equipment Operations*		Agriculture and Turf		Construction and Forestry*	
	July 29 2018	July 30 2017**	July 29 2018	July 30 2017**	July 29 2018	July 30 2017**
Dollars in millions						
Net Sales	\$ 25,007	\$ 18,791	\$ 17,585	\$ 14,730	\$ 7,422	\$ 4,061
Net Sales - excluding Wirtgen	\$ 22,725	\$ 18,791	\$ 17,585	\$ 14,730	\$ 5,140	\$ 4,061
Average Identifiable Assets						
With Inventories at LIFO	\$ 19,632	\$ 12,020	\$ 10,272	\$ 8,897	\$ 9,360	\$ 3,123
With Inventories at LIFO - excluding Wirtgen	\$ 13,605	\$ 12,020	\$ 10,272	\$ 8,897	\$ 3,333	\$ 3,123
With Inventories at Standard Cost	\$ 20,900	\$ 13,293	\$ 11,294	\$ 9,933	\$ 9,606	\$ 3,360
With Inventories at Standard Cost - excluding Wirtgen	\$ 14,872	\$ 13,293	\$ 11,294	\$ 9,933	\$ 3,578	\$ 3,360
Operating Profit	\$ 2,822	\$ 2,179	\$ 2,249	\$ 1,920	\$ 573	\$ 259
Operating Profit - excluding Wirtgen	\$ 2,785	\$ 2,179	\$ 2,249	\$ 1,920	\$ 536	\$ 259
Percent of Net Sales - excluding Wirtgen	12.3 %	11.6 %	12.8 %	13.0 %	10.4 %	6.4 %
Operating Return on Assets - excluding Wirtgen						
With Inventories at LIFO - excluding Wirtgen	20.5 %	18.1 %	21.9 %	21.6 %	16.1 %	8.3 %
With Inventories at Standard Cost - excluding Wirtgen	18.7 %	16.4 %	19.9 %	19.3 %	15.0 %	7.7 %
SVA Cost of Assets - excluding Wirtgen	\$ (1,339)	\$ (1,196)	\$ (1,016)	\$ (894)	\$ (323)	\$ (302)
SVA - excluding Wirtgen	\$ 1,446	\$ 983	\$ 1,233	\$ 1,026	\$ 213	\$ (43)

For the Nine Months Ended	Financial Services	
	July 29 2018***	July 30 2017**
Dollars in millions		
Net Income Attributable to Deere & Company	\$ 681	\$ 349
Net Income Attributable to Deere & Company - Tax Adjusted	\$ 402	\$ 349
Average Equity	\$ 4,808	\$ 4,452
Average Equity - Tax Adjusted	\$ 4,758	\$ 4,452
Return on Equity - Tax Adjusted	8.4 %	7.8 %
Operating Profit	\$ 591	\$ 523
Average Equity - Tax Adjusted	\$ 4,758	\$ 4,452
Cost of Equity	\$ (527)	\$ (505)
SVA	\$ 64	\$ 18

The Company evaluates its business results on the basis of accounting principles generally accepted in the United States. In addition, it uses a metric referred to as Shareholder Value Added (SVA), which management believes is an appropriate measure for the performance of its businesses. SVA is, in effect, the pretax profit left over after subtracting the cost of enterprise capital. The Company is aiming for a sustained creation of SVA and is using this metric for various performance goals. Certain compensation is also determined on the basis of performance using this measure. For purposes of determining SVA, each of the equipment segments is assessed a pretax cost of assets, which on an annual basis is approximately 12 percent of the segment's average identifiable operating assets during the applicable period with inventory at standard cost. Management believes that valuing inventories at standard cost more closely approximates the current cost of inventory and the Company's investment in the asset. The Financial Services segment is assessed an annual pretax cost of approximately 15 percent of the segment's average equity. The cost of assets or equity, as applicable, is deducted from the operating profit or added to the operating loss of each segment to determine the amount of SVA.

* On December 1, 2017, the Company acquired the stock and certain assets of substantially all of Wirtgen Group Holding GmbH's operations (Wirtgen), the leading manufacturer worldwide of road construction equipment. Wirtgen is included in the construction and forestry segment. Wirtgen is excluded from the metrics above in order to provide comparability to the Company's performance in prior periods.

** During the first quarter of fiscal 2018, the Company adopted ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The ASU requires that employers report only the service cost component of the total defined benefit pension and postretirement benefit cost in Operating Profit. The ASU was adopted on a retrospective basis for the presentation of Operating Profit and on a prospective basis for the capitalization of only the service cost. Operating Profit amounts reported for fiscal 2017 have been restated accordingly.

*** On December 22, 2017, the U.S. government enacted new tax legislation (tax reform). The primary provisions of tax reform expected to impact the Company in fiscal year 2018 are a reduction to the U.S. federal income tax rate from 35 percent to 21 percent and a transition from a worldwide corporate tax system to a territorial tax system. As the Financial Services segment SVA is based on average equity, the "Tax Adjusted" amounts remove the effects of the discrete income tax benefit and the lower corporate tax rate provided in tax reform for comparability to the prior period.