

PERFORMANCE STAGES STRONG REBOUND;
COMPANY SETS AMBITIOUS COURSE FOR FUTURE

The year 2010 will be remembered as a pivotal one for John Deere.

The company delivered sharply improved financial results despite sluggish global economic conditions that restrained sales in certain regions and businesses. John Deere also proceeded with significant investments aimed at widening our manufacturing footprint and expanding our global market presence. 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 attractive promise for the future.

We maintained our strong financial condition as well. Deere's equipment operations ended the year essentially debt-free on a net basis, while our credit company's balance sheet remained conservatively capitalized. In a step that could have a major impact on the company's future, an ambitious blueprint was introduced to guide our efforts in meeting the world's increasing need for food, shelter and infrastructure. The next evolution of the John Deere Strategy places a sharp focus on producing the agricultural and construction equipment solutions required by global markets that are gaining in both size and stature.

For fiscal 2010, Deere reported income of nearly \$1.9 billion, on net sales and revenues of \$26.0 billion. Both figures were the second-highest in the company's history, trailing only 2008. Income more than doubled on a 13 percent increase in sales and revenues. Earnings, in rising by nearly \$1 billion, staged their largest single-year improvement ever. All our business units reported higher profit in relation to 2009.

The company again generated strong cash flow as a result of its solid financial performance and the skillful execution of our business plans. Net cash from operating activities equaled \$2.3 billion on an enterprise basis. The total was more than enough to fund a healthy level of capital projects, resume share repurchases, and pay out a record amount in dividends to shareholders.

Deere's performance reflected continued success delivering more profit from a lean slate of productive assets. Our profit and asset model aims for all businesses to earn their cost of capital – and deliver SVA, or Shareholder Value Added – across the business cycle. In 2010, SVA reached a record \$1.714 billion. All company business units had improved SVA performance for the year. What's more, despite significantly higher sales and factory production, asset levels remained well under control.

Our performance was led by the Agriculture and Turf (A&T) division, which delivered particularly impressive results. With a sales increase of just 10 percent, A&T reported almost twice as much operating profit and more than four times the level of SVA achieved in 2009. Deere's largest division efficiently managed assets, brought advanced new products to market 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.

John Deere 8345R tractor has more power than earlier models and "smart tractor" telematics. Integrated with machine controls, telematics allows remote monitoring and increased productivity. Deere's 8R-series tractors are equipped with engines that meet more-rigorous emissions standards taking effect in 2011.

Sales also rose dramatically in Brazil after a steep decrease in 2009. However, conditions in Europe – our second-largest regional market, after North America – showed a further decline. In other parts of our business, Construction and Forestry (C&F) saw an impressive rebound with sales increasing by 41 percent and operating profit turning strongly positive. C&F had success introducing advanced new products, expanding into new geographies and picking up market share in key categories. The division's results were especially noteworthy in light of underlying weakness in U.S. construction markets. Even with the year's sharp improvement, sales remained well below what traditionally has been considered a trough level.



Making a further contribution to last year's performance was John Deere Credit, which recorded significantly higher financial results while continuing to provide competitive financing to our equipment customers. Credit's earnings jumped 85 percent as a result of higher loan margins and loan quality in addition to growth in the average portfolio of about \$1 billion. Loan quality remained quite strong as the provision for loss declined to less than \$50 for each \$10,000 of portfolio value.

With our strong 2010 performance, the company remains well-positioned to capture the economic tailwinds that hold such promise for our future. Thanks in large part to the dedication and hard work of talented John Deere employees, our plans for helping meet the world's growing need for advanced agricultural and construction equipment are well on track and moving ahead at an accelerated rate. That's 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.

We firmly believe this is a great time to be associated with John Deere. To all who share our commitment to improving global living standards and our passion for serving those linked to the land, we say thanks for your continuing support.

On behalf of the John Deere team,

Samuel R. Allen