



SVA: FOCUSING ON GROWTH AND SUSTAINABLE PERFORMANCE

Shareholder Value Added (SVA) – essentially, the difference between operating profit and pretax cost of capital – is a metric used by John Deere to evaluate business results and measure sustainable performance.

In arriving at SVA, each equipment segment is assessed a pretax cost of assets – generally 12% of average identifiable operating assets with inventory at standard cost (believed to more closely approximate the current cost of inventory and the company’s related investment). Financial-services businesses are assessed a cost of average equity – approximately 15% pretax in 2010, versus 18% previously, due to lower leverage. The amount of SVA is determined by deducting the asset or equity charge from operating profit.

MARKET CONDITIONS AND OUTLOOK

Company equipment sales are projected to increase 10 to 12 percent for fiscal year 2011 and increase about 34 percent for the first quarter, compared with the same periods in 2010. Included is an unfavorable currency translation impact of about 1 percent for the year and about 2 percent for the first quarter of 2011. Net income attributable to Deere & Company is anticipated to be approximately \$2.1 billion for the year.

Fiscal year 2011 will be a record year for new model introductions for the company, due in large part to the implementation of more rigorous global engine emissions standards. The company’s earnings forecast reflects the complexity of transitioning to these new equipment models as well as increased product costs to comply with the regulations. In addition, the company projects higher raw material costs in 2011 and a less favorable sales mix in the agriculture and turf segment.

AGRICULTURE AND TURF

Worldwide sales of the company’s agriculture and turf segment are forecast to increase by 7 to 9 percent for fiscal year 2011, benefiting from generally favorable global farm conditions. Farmers in most of the company’s key markets

are experiencing solid levels of income due to strong global demand for agricultural commodities, low grain stock-piles in relation to use, and high prices for crops such as corn, wheat, soybeans, sugar and cotton.

After increasing in 2010, industry farm machinery sales in the U.S. and Canada are forecast to be about the same in 2011 as a result of production limits and transitional issues associated with the broad launch of Interim Tier 4 compliant equipment.

Industry sales in Western Europe are forecast to increase 5 to 10 percent, while sales in Central Europe and the Commonwealth of Independent States are expected to see moderate gains from the depressed level in 2010. Industry sales in Asia also are forecast to grow moderately.

In South America, industry sales are projected to be about the same in 2011 relative to the strong levels of 2010, although the company’s sales in the region are expected to benefit from a broader lineup of recently introduced products. Industry sales of turf and utility equipment in the U.S. and Canada are expected to be approximately the same after experiencing some recovery in 2010.

CONSTRUCTION AND FORESTRY

Worldwide sales of the company’s construction and forestry equipment are forecast to rise by 25 to 30 percent for fiscal year 2011. The increase reflects market conditions that are somewhat improved in relation to the relatively low level in 2010. In addition, sales to independent rental companies are expected to see further growth. World forestry markets are expected to move significantly higher as a result of improved wood and pulp prices.

CREDIT

Net income in fiscal year 2011 for the company’s credit operations is forecast to be approximately \$360 million. The forecast increase from 2010 primarily is due to growth in the portfolio.

SAFE HARBOR STATEMENT

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements under “Overview,” “Market Conditions and Outlook” and other forward-looking statements herein that relate to future events, expectations and operating periods involve certain factors that are subject to change, and important 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 many interrelated factors that affect farmers’ confidence. These factors include worldwide economic conditions, demand for agricultural products, world grain stocks,

weather conditions (including its effects on timely planting and harvesting), soil conditions, harvest yields, prices for commodities and livestock, crop and livestock production expenses, availability of transport for crops, the growth of non-food uses for some crops (including ethanol and biodiesel production), real estate values, available acreage for farming, the land ownership policies of various governments, changes in government farm programs and policies (including those in the U.S., Russia and Brazil), international reaction to such programs, global trade agreements, animal diseases and their effects on poultry and beef consumption and prices, crop pests and diseases, and the level of farm product exports (including concerns about genetically modified organisms).

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

General economic conditions, consumer spending patterns, real estate and housing prices, the number of housing starts and interest rates are especially important to sales of the company’s construction and forestry equipment. The levels of public and non-residential construction also impact the results of the company’s construction and forestry segment. Prices for pulp, paper, lumber and structural panels are important to sales of forestry equipment.