AGCO CORP /DE
Form 10-Q
November 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
For the quarter ended September 30, 2009
of
AGCO CORPORATION
A Delaware Corporation
IRS Employer Identification No. 58-1960019
SEC File Number 1-12930
4205 River Green Parkway
Duluth, GA 30096
(770) 813-9200

AGCO Corporation (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

AGCO Corporation is not yet required to submit electronically and post on its corporate web site Interactive Data Files required to be submitted and posted pursuant to Rule 405 of regulation S-T.

As of October 31, 2009, AGCO Corporation had 92,451,944 shares of common stock outstanding. AGCO Corporation is a large accelerated filer.

AGCO Corporation is a well-known seasoned issuer and is not a shell company.

AGCO CORPORATION AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in millions, except share amounts)

	September 30, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 218.4	$ 512.2
Restricted cash	4.8	33.8
Accounts and notes receivable, net	785.0	815.6
Inventories, net	1,444.5	1,389.9
Deferred tax assets	44.3	56.6
Other current assets	195.7	197.1
Total current assets	2,692.7	3,005.2
Property, plant and equipment, net	933.1	811.1
Investment in affiliates	322.9	275.1
Deferred tax assets	36.6	29.9
Other assets	95.4	69.6
Intangible assets, net	172.7	176.9
Goodwill	643.5	587.0
Total assets	$ 4,896.9	$ 4,954.8
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Current portion of long-term debt	$	$ 0.1
Convertible senior subordinated notes	191.1	
Accounts payable	618.1	1,027.1
Accrued expenses	752.8	799.8
Other current liabilities	59.7	151.5
Total current liabilities	1,621.7	1,978.5
Long-term debt, less current portion	458.5	625.0
Pensions and postretirement health care benefits	173.9	173.6
Deferred tax liabilities	106.7	108.1
Other noncurrent liabilities	77.9	49.6
Total liabilities	2,438.7	2,934.8
Commitments and contingencies (Note 16)		
Temporary Equity:		

Equity component of redeemable convertible senior subordinated notes	10.2	
Stockholders Equity:		
AGCO Corporation stockholders equity:		
Preferred stock; $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding in 2009 and 2008		
Common stock; $0.01 par value, 150,000,000 shares authorized, 92,451,944 and 91,844,193 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	0.9	0.9
Additional paid-in capital	1,063.3	1,067.4
Retained earnings	1,484.3	1,382.1
Accumulated other comprehensive loss	(107.5)	(436.1)
Total AGCO Corporation stockholders equity	2,441.0	2,014.3
Noncontrolling interests	7.0	5.7
Total stockholders equity	2,448.0	2,020.0
Total liabilities, temporary equity and stockholders equity	$ 4,896.9	$ 4,954.8

See accompanying notes to condensed consolidated financial statements.

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AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in millions, except per share data)

	Three Months Ended September 30,	
	2009	2008
Net sales	$ 1,403.7	$ 2,085.4
Cost of goods sold	1,162.3	1,705.3
Gross profit	241.4	380.1
Selling, general and administrative expenses	155.5	183.5
Engineering expenses	46.3	49.8
Restructuring and other infrequent expenses	1.0	0.1
Amortization of intangibles	4.6	5.0
Income from operations	34.0	141.7
Interest expense, net	10.5	5.7
Other expense, net	5.7	2.9
Income before income taxes and equity in net earnings of affiliates	17.8	133.1
Income tax provision	14.8	42.7
Income before equity in net earnings of affiliates	3.0	90.4
Equity in net earnings of affiliates	7.0	8.6
Net income	10.0	99.0
Net loss attributable to noncontrolling interests	1.1	
Net income attributable to AGCO Corporation and subsidiaries	$ 11.1	$ 99.0
Net income per common share attributable to AGCO Corporation and subsidiaries:		
Basic	$ 0.12	$ 1.08
Diluted	$ 0.12	$ 1.01

Weighted average number of common and common equivalent shares outstanding:		
Basic	92.3	91.7
Diluted	94.8	98.3

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in millions, except per share data)

	Nine Months Ended September 30,	
	2009	2008
Net sales	$ 4,777.9	$ 6,267.4
Cost of goods sold	3,972.7	5,143.9
Gross profit	805.2	1,123.5
Selling, general and administrative expenses	471.3	535.1
Engineering expenses	146.4	148.2
Restructuring and other infrequent expenses	3.8	0.3
Amortization of intangibles	13.3	14.9
Income from operations	170.4	425.0
Interest expense, net	33.9	23.3
Other expense, net	20.5	18.5
Income before income taxes and equity in net earnings of affiliates	116.0	383.2
Income tax provision	43.6	128.0
Income before equity in net earnings of affiliates	72.4	255.2
Equity in net earnings of affiliates	28.9	32.2
Net income	101.3	287.4
Net loss attributable to noncontrolling interests	0.9	
Net income attributable to AGCO Corporation and subsidiaries	$ 102.2	$ 287.4
Net income per common share attributable to AGCO Corporation and subsidiaries:		
Basic	$ 1.11	$ 3.13
Diluted	$ 1.09	$ 2.91

Weighted average number of common and common equivalent shares outstanding:		
Basic	92.2	91.7
Diluted	93.5	98.9

See accompanying notes to condensed consolidated financial statements.

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AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in millions)

	Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income attributable to AGCO Corporation and subsidiaries	$ 102.2	$ 287.4
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	91.0	95.0
Deferred debt issuance cost amortization	2.1	2.5
Amortization of intangibles	13.3	14.9
Amortization of debt discount	11.3	10.6
Stock compensation	11.3	21.8
Equity in net earnings of affiliates, net of cash received	(14.5)	(18.8)
Deferred income tax provision	(7.9)	2.8
Gain on sale of property, plant and equipment	(0.3)	(0.2)
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	71.4	(72.0)
Inventories, net	55.2	(391.4)
Other current and noncurrent assets	16.3	(56.0)
Accounts payable	(413.6)	50.8
Accrued expenses	(83.5)	113.6
Other current and noncurrent liabilities	(16.5)	(13.1)
Total adjustments	(264.4)	(239.5)
Net cash (used in) provided by operating activities	(162.2)	47.9
Cash flows from investing activities:		
Purchases of property, plant and equipment	(149.4)	(155.5)
Proceeds from sale of property, plant and equipment	1.8	3.0
Investments in unconsolidated affiliates	(1.1)	(0.4)
Restricted cash and other	32.2	
Net cash used in investing activities	(116.5)	(152.9)
Cash flows from financing activities:		
(Repayment of) proceeds from debt obligations, net	(55.5)	12.7
Proceeds from issuance of common stock		0.3
Payment of minimum tax withholdings on stock compensation	(5.2)	(3.2)
Payment of debt issuance costs		(1.3)
Investments by noncontrolling interests	1.3	
Net cash (used in) provided by financing activities	(59.4)	8.5

Effect of exchange rate changes on cash and cash equivalents		44.3		(36.1)
Decrease in cash and cash equivalents		(293.8)		(132.6)
Cash and cash equivalents, beginning of period		512.2		582.4
Cash and cash equivalents, end of period	$	218.4	$	449.8

See accompanying notes to condensed consolidated financial statements.

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AGCO CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of AGCO Corporation and its subsidiaries (the Company or AGCO) included herein have been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP) for interim financial information and the rules and regulations of the Securities and Exchange Commission (SEC). In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the Company s financial position, results of operations and cash flows at the dates and for the periods presented. These condensed consolidated financial statements should be read in conjunction with the Company s audited financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. Results for interim periods are not necessarily indicative of the results for the year.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 105, Generally Accepted Accounting Principles (ASC 105), which stipulates that the FASB Accounting Standards Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of ASC 105 did not have an impact on the Company s consolidated financial position or results of operations.

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS No. 167). SFAS No. 167 amends FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)), to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires a qualitative analysis to determine whether an enterprise s variable interest gives it a controlling financial interest in a variable interest entity. SFAS No. 167 amends certain guidance in FIN 46(R) for determining whether an entity is a variable interest entity. This standard also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS No. 167 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. Earlier adoption of SFAS No. 167 is prohibited. The adoption of the standard could impact the consolidation or deconsolidation of certain of the Company s joint ventures. The Company is currently evaluating the potential impact of the adoption of SFAS No. 167 on its consolidated financial position and results of operations.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment to SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS No. 166). SFAS No. 166 eliminates the concept of a qualifying special-purpose entity (QSPE), changes the requirements for derecognizing financial assets and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity s continuing involvement in and exposure to the risks related to transferred financial assets. SFAS No. 166 is effective for fiscal years and interim periods beginning after November 15, 2009. Earlier adoption is prohibited. The Company is currently evaluating the potential impact of the adoption of SFAS No. 166 on its accounts receivable securitization facilities in the United States, Canada and Europe, as well as other financing facilities around the world (as are more fully

Notes to Condensed Consolidated Financial Statements Continued
(unaudited)

described in Notes 13 and 16). Upon adoption of SFAS No. 166, the Company may be required to recognize such receivables within its consolidated balance sheets with a corresponding liability equivalent to the funded balance of the facilities.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events, (SFAS No. 165), as included in ASC 855-10-50. SFAS No. 165 provides guidance on management s assessment of subsequent events and incorporates this guidance into accounting literature. The Standard is effective prospectively for interim and annual periods ending after June 15, 2009. The implementation of SFAS No. 165 did not have an impact on the Company s financial position or results of operations. The Company evaluated subsequent events through November 6, 2009.

In April 2009, the FASB issued FASB Staff Position (FSP) SFAS No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP SFAS 157-4). FSP SFAS 157-4, as included in ASC 820, Fair Value Measurements and Disclosures, provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased in relation to normal market activity. Additionally, FSP SFAS 157-4 provides guidance on identifying circumstances that indicate a transaction is not orderly. FSP SFAS 157-4 requires interim disclosures of the inputs and valuation techniques used to measure fair value reflecting changes in the valuation techniques and related inputs. FSP SFAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009 and is to be applied prospectively. The adoption of FSP SFAS 157-4 did not have an impact on the Company s results of operations or financial position.

In April 2009, the FASB issued FSP SFAS No. 107-1 and Accounting Principles Board (APB) No. 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP SFAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1, as included in ASC 825-10-50, Financial Instruments, require disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim and annual financial statements. Prior to the FSP, fair value for these assets and liabilities was only disclosed annually. FSP FAS 107-1 and APB 28-1 applies to all financial instruments within the scope of SFAS No. 107, Disclosures about Fair Value of Financial Instruments, and requires all entities to disclose the methods and significant assumptions used to estimate the fair value of financial instruments. FSP FAS 107-1 and APB 28-1 is effective for interim periods ending after June 15, 2009. In periods after initial adoption, the FSP requires comparative disclosures only for periods ending after initial adoption. The adoption of FSP FAS 107-1 and APB 28-1 did not have an impact on the Company s results of operations or financial position (Note 6).

In December 2008, the FASB affirmed FSP No. SFAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets (FSP SFAS 132(R)-1). FSP FAS 132(R)-1, as included in ASC 715-20-50, Compensation-Retirement Benefits, requires additional disclosures about assets held in an employer s defined benefit pension or postretirement plan, primarily related to categories and fair value measurements of plan assets. FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009. The Company will adopt the disclosure requirements for its fiscal year ended December 31, 2009.

In May 2008, the FASB issued FSP APB No. 14-1, Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (including Partial Cash Settlement) (FSP APB 14-1). The FSP, as included in ASC 470-20, Debt, requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement), commonly referred to as an Instrument C under Emerging Issues Task Force Issue No. 90-19, Convertible Bonds with Issuer Options to Settle for Cash upon Conversion be separated to account for the fair value of the debt and equity components as of the date of issuance to reflect the

Notes to Condensed Consolidated Financial Statements Continued
(unaudited)

issuer s nonconvertible debt borrowing rate. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008 and is to be applied retrospectively to all periods presented (retroactive restatement) pursuant to the guidance in ASC 250, Accounting Changes and Error Corrections. The adoption of the FSP on January 1, 2009 impacted the accounting treatment of the Company s $1^3/4$% convertible senior subordinated notes due 2033 and its $1^1/4$% convertible senior subordinated notes due 2036 by reclassifying a portion of the convertible notes balances to additional paid-in capital representing the estimated fair value of the conversion feature as of the date of issuance and creating a discount on the convertible notes that will be amortized through interest expense over the lives of the convertible notes. The resulting amortization resulted in a significant increase in interest expense and, therefore, reduced net income and basic and diluted earnings per share within the Company s Condensed Consolidated Statements of Operations. On January 1, 2009, the Company reduced its Retained earnings and convertible senior subordinated notes balance included within Long-term debt by approximately $37.2 million and $57.0 million, respectively, and increased its Additional paid-in capital balance by approximately $94.2 million. Due to a tax valuation allowance established in the United States, there was no deferred tax impact upon adoption. In accordance with the provisions of FSP APB 14-1, prior periods have been retroactively restated to reflect the adoption of the standard (Note 6).

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133 (SFAS No. 161). SFAS No. 161, as included in ASC 815, Derivatives and Hedging, is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted SFAS No. 161 on January 1, 2009.

In accordance with ASC 810-10-50, Consolidations (ASC 810-10-50), the Company has reported all noncontrolling interests as equity within its Condensed Consolidated Balance Sheets. The Company has disclosed net income for both AGCO and its subsidiaries and its noncontrolling interests on the Company s Condensed Consolidated Statements of Operations. The calculation of earnings per share is based on amounts attributable to AGCO Corporation and its subsidiaries (Note 2).

2. CONSOLIDATED JOINT VENTURES

GIMA is a joint venture between AGCO and Claas Tractor SAS to cooperate in the field of purchasing, design and manufacturing of components for agricultural tractors. Each party has a 50% ownership interest in the joint venture and has an investment of approximately 4.2 million in the joint venture. Both parties purchase all of the production output of the joint venture. The Company determined that it was the primary beneficiary of the joint venture under the requirements of FIN 46(R) (or ASC 810-10-25 Consolidations) due to the fact that the Company purchases a majority of the production output, and, thus, absorbs a majority of the gains or losses associated with the joint venture.

The Company adopted the provisions of SFAS No.160, Noncontrolling Interests in Consolidated Financial Statements, as included in ASC 810-10-50, on January 1, 2009 and, thus, reclassified the noncontrolling interest related to GIMA of approximately $6.0 million as of January 1, 2009 from Other noncurrent liabilities to a component of equity within the Company s Condensed Consolidated Financial Statements. The Company s other consolidated joint venture was established in January 2009 and is immaterial to the Company s financial position and results of operations. Refer to Note 12 for further details of the Company s other comprehensive income (loss) attributable to AGCO Corporation and its subsidiaries, and the noncontrolling interests discussed above.

Notes to Condensed Consolidated Financial Statements Continued
(unaudited)

3. RESTRUCTURING AND OTHER INFREQUENT EXPENSES

During the third quarter of 2009, the Company recorded restructuring and other infrequent expenses of approximately $1.0 million. These charges primarily related to severance and other related costs associated with the Company s rationalization of its operations in the United States, the United Kingdom and Finland. The Company recorded restructuring and other infrequent expenses of approximately $2.8 million associated with these rationalizations during the second quarter of 2009. The rationalizations will result in the termination of approximately 332 employees. Approximately $2.8 million of severance and other related costs had been paid as of September 30, 2009, and 257 of the employees had been terminated. The remaining $1.0 million of severance and other related costs accrued as of September 30, 2009 are expected to be paid during the remainder of 2009 and early 2010.

During the second quarter of 2007, the Company announced the closure of its Valtra sales office located in France. The closure resulted in the termination of approximately 15 employees. The Company recorded $0.2 million of severance and other facility closure costs associated with this closure during the nine months ended September 30, 2008. As of September 30, 2008, all accrued severance and other facility closure costs had been paid and all of the employees had been terminated.

4. STOCK COMPENSATION PLANS

The Company recorded stock compensation expense as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Cost of goods sold	$ 0.1	$ 0.3	$ 0.6	$ 0.7
Selling, general and administrative expenses	2.8	6.5	11.0	21.3
Total stock compensation expense	$ 2.9	$ 6.8	$ 11.6	$ 22.0

Stock Incentive Plans

Under the Company s 2006 Long Term Incentive Plan (the 2006 Plan), up to 5.0 million shares of AGCO common stock may be issued. The 2006 Plan allows the Company, under the direction of the Board of Directors Compensation Committee, to make grants of performance shares, stock appreciation rights, stock options and restricted stock awards to employees, officers and non-employee directors of the Company.

Employee Plans

The weighted average grant-date fair value of performance awards granted under the 2006 Plan during the nine months ended September 30, 2009 and 2008 was $21.55 and $57.12, respectively.

During the nine months ended September 30, 2009, the Company granted 1,238,000 awards for the three-year performance period commencing in 2009 and ending in 2011, assuming the maximum target level of performance is achieved. The compensation expense associated with all awards granted under the 2006 Plan is amortized ratably over the vesting or performance period based on the Company s projected assessment of the level of performance that will be achieved and earned. Performance award transactions during the nine months ended September 30, 2009 were as follows and are presented as if the Company were to achieve its maximum levels of performance under the plan:

Notes to Condensed Consolidated Financial Statements Continued
(unaudited)

Shares awarded but not earned at January 1	1,446,168
Shares awarded	1,238,000
Shares forfeited or unearned	(55,112)
Shares earned	
Shares awarded but not earned at September 30	2,629,056

As of September 30, 2009, the total compensation cost related to unearned performance awards not yet recognized, assuming the Company s current projected assessment of the level of performance that will be achieved and earned, was approximately $10.1 million, and the weighted average period over which it is expected to be recognized is approximately one year.

During the three and nine months ended September 30, 2009, the Company recorded stock compensation expense of approximately $0.6 million and $1.8 million, respectively, associated with stock settled stock appreciation rights (SSAR) awards. During the three and nine months ended September 30, 2008, the Company recorded stock compensation expense of approximately $0.5 million and $1.3 million, respectively, associated with SSAR awards. The Company estimated the fair value of the grants using the Black-Scholes option pricing model. The Company utilized the simplified method for estimating the expected term of granted SSARs during the nine months ended September 30, 2009 as afforded by SEC Staff Accounting Bulletin (SAB) No. 107, Share-Based Payment (SAB Topic 14), and SAB No. 110, Share-Based Payment (SAB Topic 14.D.2). The expected term used to value a grant under the simplified method is the mid-point between the vesting date and the contractual term of the SSAR. As the Company has only been granting SSARs since April 2006, it does not believe it has sufficient relevant experience regarding employee exercise behavior. The weighted average grant-date fair value of SSARs granted and the weighted average assumptions under the Black-Scholes option model were as follows for the nine months ended September 30, 2009 and 2008:

	Nine Months Ended September 30,	
	2009	2008
Weighted average grant date fair value	$ 7.46	$ 17.90
Weighted average assumptions under Black-Scholes option model:		
Expected life of awards (years)	5.5	5.5
Risk-free interest rate	1.6%	2.7%
Expected volatility	45.3%	38.0%
Expected dividend yield		

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Notes to Condensed Consolidated Financial Statements Continued
(unaudited)

SSAR transactions during the nine months ended September 30, 2009 were as follows:

SSARs outstanding at January 1	415,791
SSARs granted	300,500
SSARs exercised	
SSARs canceled or forfeited	(6,750)
SSARs outstanding at September 30	709,541

SSAR price ranges per share:	
Granted	$ 21.45-29.23
Exercised	
Canceled or forfeited	23.80-56.98
Weighted average SSAR exercise prices per share:	
Granted	$ 21.59
Exercised	
Canceled or forfeited	32.52
Outstanding at September 30	31.08

At September 30, 2009, the weighted average remaining contractual life of SSARs outstanding was approximately five years. As of September 30, 2009, the total compensation cost related to unvested SSARs not yet recognized was approximately $4.3 million and the weighted-average period over which it is expected to be recognized is approximately two years.

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual lives by groups of similar price:

		SSARs Outstanding			SSARs Exercisable	
Range of Exercise Prices		Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Exercisable as of September 30, 2009	Weighted Average Exercise Price
$21.45	$24.61	422,250	5.5	$22.17	87,937	$23.73
$26.00	$37.38	182,953	4.4	$36.90	79,938	$37.11
$51.82	$66.20	104,338	5.3	$56.92	26,975	$56.92
		709,541			194,850	$33.82

The total fair value of SSARs vested during the nine months ended September 30, 2009 was $1.6 million. There were 514,691 SSARs that were not vested as of September 30, 2009. The total intrinsic value of outstanding and exercisable SSARs as of September 30, 2009 was $2.3 million and $0.3 million, respectively.

Director Restricted Stock Grants

The 2006 Plan provides for annual restricted stock grants of the Company s common stock to all non-employee directors. The shares are restricted as to transferability for a period of three years, but are not subject to forfeiture. In the event a director departs from the Company s Board of Directors, the non-transferability period would expire immediately. The plan allows for the director to have the option of forfeiting a portion of the shares awarded in lieu of a cash payment contributed to the participant s tax withholding to satisfy the statutory minimum federal, state and employment taxes which would be payable at the time of grant. The April 23, 2009 grant equated to 38,130 shares of common stock, of which 26,388 shares of common stock were issued, after shares were withheld for withholding taxes. The Company recorded stock compensation expense of approximately $0.9 million during the second quarter of 2009 associated with these grants.

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Notes to Condensed Consolidated Financial Statements Continued
(unaudited)

As of September 30, 2009, of the 5.0 million shares reserved for issuance under the 2006 Plan, approximately 0.8 million shares were available for grant, assuming the maximum number of shares are earned related to the performance award grants discussed above.

Stock Option Plan

There have been no grants under the Company s Option Plan since 2002, and the Company does not intend to make any grants under the Option Plan in the future. All of the Company s outstanding stock options are fully vested. Stock option transactions during the nine months ended September 30, 2009 were as follows:

Options outstanding and exercisable at January 1	53,600
Options granted	
Options exercised	(1,425)
Options canceled or forfeited	
Options outstanding and exercisable at September 30	52,175
Options available for grant at September 30	1,935,437
Option price ranges per share:	
Granted	$
Exercised	11.00-15.12
Canceled or forfeited	
Weighted average option exercise prices per share:	
Granted	$
Exercised	12.23
Canceled or forfeited	
Outstanding at September 30	14.82

At September 30, 2009, the outstanding and exercisable options had a weighted average remaining contractual life of approximately two years and an aggregate intrinsic value of approximately $0.7 million.

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual lives by groups of similar price:

	Options Outstanding and Exercisable as of September 30, 2009		
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$10.06 $11.63	13,900	1.1	$11.51
$15.12 $20.85	38,275	2.2	$16.02
	52,175		$14.82

The total intrinsic value of options exercised during the nine months ended September 30, 2009 was less than $0.1 million. Cash received from stock option exercises was less than $0.1 million for the nine months ended September 30, 2009. The Company did not realize a tax benefit from the exercise of these options.

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5. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of acquired intangible assets during the nine months ended September 30, 2009 are summarized as follows (in millions):

	Trademarks and Tradenames	Customer Relationships	Patents and Technology	Total
Gross carrying amounts:				
Balance as of December 31, 2008	$ 33.2	$ 88.4	$ 52.9	$ 174.5
Foreign currency translation		15.0	2.5	17.5
Balance as of September 30, 2009	$ 33.2	$ 103.4	$ 55.4	$ 192.0

	Trademarks and Tradenames	Customer Relationships	Patents and Technology	Total
Accumulated amortization:				
Balance as of December 31, 2008	$ 8.4	$ 45.4	$ 38.2	$ 92.0
Amortization expense	0.8	7.0	5.5	13.3
Foreign currency translation		8.3	1.9	10.2
Balance as of September 30, 2009	$ 9.2	$ 60.7	$ 45.6	$ 115.5

	Trademarks and Tradenames
Unamortized intangible assets:	
Balance as of December 31, 2008	$ 94.4
Foreign currency translation	1.8
Balance as of September 30, 2009	$ 96.2

Changes in the carrying amount of goodwill during the nine months ended September 30, 2009 are summarized as follows (in millions):

	North America	South America	Europe/Africa/ Middle East	Consolidated
Balance as of December 31, 2008	$ 3.1	$ 141.6	$ 442.3	$ 587.0
Adjustments related to income taxes			(6.9)	(6.9)
Foreign currency translation		43.3	20.1	63.4

Balance as of September 30, 2009	$	3.1	$	184.9	$	455.5	$	643.5

Goodwill is tested for impairment on an annual basis and more often if indications of impairment exist. The Company conducts its annual impairment analyses as of October 1 each fiscal year.

The Company amortizes certain acquired intangible assets primarily on a straight-line basis over their estimated useful lives, which range from three to 30 years.

During the nine months ended September 30, 2009, the Company reduced goodwill by approximately $6.9 million related to the realization of tax benefits associated with excess tax basis deductible goodwill resulting from its acquisition of Valtra.

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6. INDEBTEDNESS

Indebtedness consisted of the following at September 30, 2009 and December 31, 2008 (in millions):

	September 30, 2009	December 31, 2008
$6^7/8$% Senior subordinated notes due 2014	$ 292.7	$ 279.4
$1^3/4$% Convertible senior subordinated notes due 2033	191.1	185.3
$1^1/4$% Convertible senior subordinated notes due 2036	165.7	160.3
Other long-term debt	0.1	0.1
	649.6	625.1
Less: Current portion of long-term debt		(0.1)
$1^3/4$% Convertible senior subordinated notes due 2033	(191.1)	
Total indebtedness, less current portion	$ 458.5	$ 625.0

The Company s $201.3 million of $1^3/4$% convertible senior subordinated notes due December 31, 2033, issued in June 2005, provide for (i) the settlement upon conversion in cash up to the principal amount of the notes with any excess conversion value settled in shares of the Company s common stock, and (ii) the conversion rate to be increased under certain circumstances if the new notes are converted in connection with certain change of control transactions occurring prior to December 10, 2010. The notes are unsecured obligations and are convertible into cash and shares of the Company s common stock upon satisfaction of certain conditions. Interest is payable on the notes at $1^3/4$% per annum, payable semi-annually in arrears in cash on June 30 and December 31 of each year. The notes are convertible into shares of the Company s common stock at an effective price of $22.36 per share, subject to adjustment. This reflects an initial conversion rate for the notes of 44.7193 shares of common stock per $1,000 principal amount of notes.

The Company s $201.3 million of $1^1/4$% convertible senior subordinated notes due December 15, 2036, issued in December 2006, provide for (i) the settlement upon conversion in cash up to the principal amount of the notes with any excess conversion value settled in shares of the Company s common stock, and (ii) the conversion rate to be increased under certain circumstances if the notes are converted in connection with certain change of control transactions occurring prior to December 15, 2013. The notes are unsecured obligations and are convertible into cash and shares of the Company s common stock upon satisfaction of certain conditions. Interest is payable on the notes at $1^1/4$% per annum, payable semi-annually in arrears in cash on June 15 and December 15 of each year. The notes are convertible into shares of the Company s common stock at an effective price of $40.73 per share, subject to adjustment. This reflects an initial conversion rate for the notes of 24.5525 shares of common stock per $1,000 principal amount of notes.

In accordance with the provisions of FSP APB 14-1, prior periods have been retroactively restated, which resulted in an adjustment of the following amounts (in millions, except per share amounts):

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Condensed Consolidated Balance Sheet as of December 31, 2008	As Previously Reported	Adjustment	As adjusted
Long-term debt, less current portion	$ 682.0	$(57.0)	$ 625.0
Additional paid-in capital	$ 973.2	$ 94.2	$1,067.4
Retained earnings	$1,419.3	$(37.2)	$1,382.1
Condensed Consolidated Statement of Operations for the Three Months Ended September 30, 2008			
Interest expense	$ 2.1	$ 3.6	$ 5.7
Net income attributable to AGCO and subsidiaries	$ 102.6	$ (3.6)	$ 99.0
Net income per common share attributable to AGCO and subsidiaries:			
Basic	$ 1.12	$(0.04)	$ 1.08
Diluted	$ 1.04	$(0.03)	$ 1.01
Condensed Consolidated Statement of Operations for the Nine Months Ended September 30, 2008			
Interest expense	$ 12.7	$ 10.6	$ 23.3
Net income attributable to AGCO and subsidiaries	$ 298.0	$(10.6)	$ 287.4
Net income per common share attributable to AGCO and subsidiaries:			
Basic	$ 3.25	$(0.12)	$ 3.13
Diluted	$ 3.01	$(0.10)	$ 2.91

The following table sets forth as of September 30, 2009 and December 31, 2008 the carrying amount of the equity component, the principal amount of the liability component, the unamortized discount and the net carrying amount of the Company s $1^3/4$% convertible senior subordinated notes and its $1^1/4$% convertible senior subordinated notes (in millions):

	September 30, 2009	December 31, 2008
$1^3/4$% Convertible senior subordinated notes due 2033:		
Carrying amount of the equity component	$ 39.9	$ 39.9
Principal amount of the liability component	$ 201.3	$ 201.3
Less: unamortized discount	(10.2)	(16.0)
Net carrying amount	$ 191.1	$ 185.3

$1^{1}/4\%$ Convertible senior subordinated notes due 2036:				
Carrying amount of the equity component	$	54.3	$	54.3
Principal amount of the liability component	$	201.3	$	201.3
Less: unamortized discount		(35.6)		(41.0)
Net carrying amount	$	165.7	$	160.3

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The following table sets forth the interest expense recognized relating to both the contractual interest coupon and the amortization of the discount on the liability component for the 1^{3}/4% convertible senior subordinated notes and 1^{1}/4% convertible senior subordinated notes (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
1^{3}/4% Convertible senior subordinated notes:				
Interest expense	$ 2.8	$ 2.7	$ 8.5	$ 8.2
1^{1}/4% Convertible senior subordinated notes:				
Interest expense	$ 2.4	$ 2.3	$ 7.3	$ 7.0

The effective interest rate on the liability component for the 1^{3}/4% convertible senior subordinated notes and the 1^{1}/4% convertible senior subordinated notes for the three and nine months ended September 30, 2009 and 2008 was 6.1% for both notes. The unamortized discount for the 1^{3}/4% convertible senior subordinated notes and the 1^{1}/4% convertible senior subordinated notes will be amortized through December 2010 and December 2013, respectively, as these are the earliest dates the notes holders can require the Company to repurchase the notes.

Holders of the Company s 1^{3}/4% convertible senior subordinated notes and its 1^{1}/4% convertible senior subordinated notes may convert the notes, if, during any fiscal quarter, the closing sales price of the Company s common stock exceeds 120% of the conversion price of $22.36 per share for the 1^{3}/4% convertible senior subordinated notes and $40.73 per share for the 1^{1}/4% convertible senior subordinated notes for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter. As of September 30, 2009, the closing sales price of the Company s common stock had exceeded 120% of the conversion price of the 1^{3}/4% convertible senior subordinated notes for at least 20 trading days in the 30 consecutive trading days ending September 30, 2009, and, therefore, the Company classified the notes as a current liability. In accordance with Accounting Standards Update No. 2009-04, Accounting for Redeemable Equity Instruments, the Company also classified the equity component of the 1^{3}/4% convertible senior subordinated notes as temporary equity. The amount classified as temporary equity was measured as the excess of (i) the amount of cash that would be required to be paid upon conversion over (ii) the current carrying amount of the liability-classified component. Future classification of both notes between current and long-term debt and classification of the equity component of both notes as temporary equity is dependent on the closing sales price of the Company s common stock during future quarters. The Company believes it is unlikely the holders of the notes would convert the notes under the provisions of the indenture agreement, thereby requiring the Company to repay the principal portion in cash. In the event the notes were converted, the Company believes it could repay the notes with available cash on hand, funds from the Company s $300.0 million multi-currency revolving credit facility or a combination of these sources.

At September 30, 2009, the estimated fair values of the Company s 6^{7}/8% senior subordinated notes, 1^{3}/4% convertible senior subordinated notes and 1^{1}/4% convertible senior subordinated notes, based on their listed market values, were $281.0 million, $274.7 million and $194.2 million, respectively, compared to their carrying values of $292.7 million, $191.1 million and $165.7 million, respectively. At December 31, 2008, the estimated fair values of the Company s 6^{7}/8% senior subordinated notes, 1^{3}/4% convertible senior subordinated notes and 1^{1}/4% convertible senior subordinated notes, based on their listed market values, were $171.5 million, $230.4 million and $145.4 million, respectively, compared to their carrying values of $279.4 million, $185.3 million and $160.3 million, respectively.

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The Company is selling certain export accounts receivables in Brazil to various financial institutions under a special export financing program. These facilities do not meet the criteria for off-balance sheet treatment pursuant to the guidelines of ASC 860, Transfers and Servicing . The amounts received and outstanding from these facilities as of September 30, 2009 and December 31, 2008 were approximately $0.1 million and $42.4 million, respectively, and are included in Other current liabilities within the Company s Condensed Consolidated Balance Sheets.

7. INVENTORIES

Inventories at September 30, 2009 and December 31, 2008 were as follows (in millions):

	September 30, 2009	December 31, 2008
Finished goods	$ 641.2	$ 484.9
Repair and replacement parts	394.2	396.1
Work in process	127.8	130.5
Raw materials	281.3	378.4
Inventories, net	$ 1,444.5	$ 1,389.9

8. PRODUCT WARRANTY

The warranty reserve activity for the three and nine months ended September 30, 2009 and 2008 consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Balance at beginning of period	$ 190.4	$ 206.8	$ 183.4	$ 167.1
Accruals for warranties issued during the period	25.7	34.0	92.4	123.0
Settlements made (in cash or in kind) during the period	(38.6)	(37.1)	(101.6)	(96.9)
Foreign currency translation	6.3	(16.9)	9.6	(6.4)
Balance at September 30	$ 183.8	$ 186.8	$ 183.8	$ 186.8

The Company s agricultural equipment products are generally warranted against defects in material and workmanship for a period of one to four years. The Company accrues for future warranty costs at the time of sale based on historical warranty experience. Approximately $162.8 million and $164.3 million of warranty reserves are included in Accrued expenses in the Company s Condensed Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008, respectively. Approximately $21.0 million and $19.1 million of warranty reserves are included in Other noncurrent liabilities in the Company s Condensed Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008, respectively.

9. NET INCOME PER COMMON SHARE

Basic earnings per common share is computed by dividing net income attributable to AGCO Corporation and its subsidiaries by the weighted average number of common shares outstanding during each period. Diluted earnings per common share assumes exercise of outstanding stock options, vesting of performance share awards, vesting of restricted stock and the appreciation of the excess conversion value of the contingently convertible senior subordinated notes using the treasury stock method when the effects of such assumptions are dilutive. Dilution of

weighted shares outstanding will depend on the Company s stock price for the excess conversion value of the convertible senior subordinated notes using

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the treasury stock method. A reconciliation of net income attributable to AGCO Corporation and its subsidiaries and weighted average common shares outstanding for purposes of calculating basic and diluted earnings per share for the three and nine months ended September 30, 2009 and 2008 is as follows (in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Basic net income per share:				
Net income attributable to AGCO Corporation and subsidiaries	$ 11.1	$ 99.0	$ 102.2	$ 287.4
Weighted average number of common shares outstanding	92.3	91.7	92.2	91.7
Basic net income per share attributable to AGCO Corporation and subsidiaries	$ 0.12	$ 1.08	$ 1.11	$ 3.13
Diluted net income per share:				
Net income attributable to AGCO Corporation and subsidiaries for purposes of computing diluted net income per share	$ 11.1	$ 99.0	$ 102.2	$ 287.4
Weighted average number of common shares outstanding	92.3	91.7	92.2	91.7
Dilutive stock options, performance share awards and restricted stock awards	0.2	0.2	0.1	0.2
Weighted average assumed conversion of contingently convertible senior subordinated notes	2.3	6.4	1.2	7.0
Weighted average number of common and common equivalent shares outstanding for purposes of computing diluted earnings per share	94.8	98.3	93.5	98.9
Diluted net income per share attributable to AGCO Corporation and subsidiaries	$ 0.12	$ 1.01	$ 1.09	$ 2.91

There were SSARs to purchase approximately 0.3 million shares of the Company s common stock for both the three and nine months ended September 30, 2009 and approximately 0.1 million shares of the Company s common stock for both the three and nine months ended September 30, 2008 that were excluded from the calculation of diluted earnings

per share because they had an antidilutive impact.

10. INCOME TAXES

At September 30, 2009 and December 31, 2008, the Company had approximately $20.6 million and $20.1 million, respectively, of unrecognized tax benefits, all of which would impact the Company s effective tax rate if recognized. As of September 30, 2009 and December 31, 2008, the Company had approximately $9.0 million and $7.6 million, respectively, of current accrued taxes related to uncertain income tax positions connected with ongoing tax audits in various jurisdictions. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. As of September 30, 2009 and December 31, 2008, the Company had accrued interest and penalties related to unrecognized tax benefits of $1.7 million and $1.8 million, respectively.

The tax years 2002 through 2008 remain open to examination by taxing authorities in the United States and certain other foreign taxing jurisdictions.

11. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

All derivatives are recognized on the Company s Condensed Consolidated Balance Sheets at fair value. On the date the derivative contract is entered into, the Company designates the derivative as either (1) a fair value hedge of a recognized liability, (2) a cash flow hedge of a forecasted transaction, (3) a hedge of a net investment in a foreign operation, or (4) a non-designated derivative instrument.

The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking various hedge transactions. The Company formally assesses, both at the hedge s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flow of hedged items. When it is determined that a derivative is no longer highly effective as a hedge, hedge accounting is discontinued on a prospective basis.

Foreign Currency Risk

The Company has significant manufacturing operations in the United States, France, Germany, Finland and Brazil, and it purchases a portion of its tractors, combines and components from third-party foreign suppliers, primarily in various European countries and in Japan. The Company also sells products in over 140 countries throughout the world. The Company s most significant transactional foreign currency exposures are the Euro, Brazilian real and the Canadian dollar in relation to the United States dollar, and the Euro in relation to the British pound.

The Company attempts to manage its transactional foreign exchange exposure by hedging foreign currency cash flow forecasts and commitments arising from the anticipated settlement of receivables and payables and from future purchases and sales. Where naturally offsetting currency positions do not occur, the Company hedges certain, but not all, of its exposures through the use of foreign currency option and forward contracts. The Company s translation exposure resulting from translating the financial statements of foreign subsidiaries into United States dollars is not hedged. When practical, the translation impact is reduced by financing local operations with local borrowings.

The Company uses foreign currency forward contracts to hedge receivables and payables on the Company and its subsidiaries balance sheets that are denominated in foreign currencies other than the functional currency. These forward contracts are classified as non-designated derivative instruments.

The foreign currency option and forward contracts fair value measurements fall within the Level 2 fair value hierarchy under ASC 820, Fair Value Measurements and Disclosures (ASC 820). Level 2 fair value measurements are generally based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets. The fair value of foreign currency forward contracts is based on a valuation model that discounts cash flows resulting from the differential between the contract price and the market-based forward rate. The fair value of foreign currency option contracts is based on a valuation model that utilizes spot and forward exchange rates, interest rates and currency pair volatility.

The Company s senior management establishes the Company s foreign currency and interest rate risk management policies. These policies are reviewed periodically by the Audit Committee of the Company s Board of Directors. The policy allows for the use of derivative instruments to hedge

exposures to movements in foreign currency and interest rates. The Company s policy prohibits the use of derivative instruments for speculative purposes.

Cash Flow Hedges

During 2009 and 2008, the Company designated certain foreign currency option and forward contracts as cash flow hedges of forecasted sales. The effective portion of the fair value gains or losses on these cash flow hedges are recorded in other comprehensive income (loss) and subsequently reclassified into cost of goods sold during the period the sales are recognized. These amounts offset the effect of the changes in foreign exchange rates on the related sale transactions. The ineffective portion of outstanding derivatives as of September 30, 2009 was immaterial. The amount of the (loss) gain recorded in other comprehensive income (loss) that was reclassified to cost of goods sold during the nine months ended September 30, 2009 and 2008 was approximately ($14.5) million and $20.0 million, respectively, on an after-tax basis. The outstanding contracts as of September 30, 2009 range in maturity through December 2009.

The following table summarizes activity in accumulated other comprehensive income (loss) related to derivatives held by the Company during the nine months ended September 30, 2009 (in millions):

	Before-Tax Amount	Income Tax	After-Tax Amount
Accumulated derivative net losses as of December 31, 2008	$ (54.1)	$ (17.4)	$ (36.7)
Net changes in fair value of derivatives	36.2	14.1	22.1
Net losses reclassified from accumulated other comprehensive income (loss) into income	18.0	3.5	14.5
Accumulated derivative net gains (losses) as of September 30, 2009	$ 0.1	$ 0.2	$ (0.1)

As of September 30, 2009, the Company had outstanding foreign exchange contracts with a notional amount of approximately $94.2 million that were entered into to hedge forecasted sale transactions.

Derivative Transactions Not Designated as Hedging Instruments

During 2009 and 2008, the Company entered into forward contracts to hedge receivables and payables on the Company and its subsidiaries balance sheets that are denominated in foreign currencies other than the functional currency. These forward contracts were classified as non-designated derivative instruments.

As of September 30, 2009, the Company had outstanding foreign exchange forward contracts with a notional amount of approximately $1,027.4 million that were entered into to hedge receivables and payables that are denominated in foreign currencies other than the functional currency. These contracts were classified as non-designated derivative instruments and changes in the fair value of these contracts are reported in other expense, net. For the three months and nine months ended September 30, 2009, the Company recorded a net loss of approximately $40.3 million and a net gain of approximately $26.8 million, respectively, related to these forward contracts. Gains and losses on such contracts are substantially offset by losses and gains on the remeasurement of the underlying asset or liability being hedged.

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The table below sets forth the fair value of derivative instruments as of September 30, 2009 (in millions):

	Asset Derivatives As of September 30, 2009		Liability Derivatives As of September 30, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative instruments designated as hedging instruments:				
Foreign exchange contracts	Other current assets	$ 1.0	Other current liabilities	$
Derivative instruments not designated as hedging instruments:				
Foreign exchange contracts	Other current assets	9.5	Other current liabilities	4.3
Total derivative instruments		$ 10.5		$ 4.3

Counterparty Risk

The Company generally has not required collateral from counterparties, nor has the Company historically been asked to post collateral