DEERE & CO
Form 10-K
December 17, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2012

Commission file number 1-4121

DEERE & COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**36-2382580**
(State of incorporation)	(IRS Employer Identification No.)

One John Deere Place, Moline, Illinois	**61265**	**(309) 765-8000**
(Address of principal executive offices)	(Zip Code)	(Telephone Number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

Title of each class	**Name of each exchange on which registered**
Common stock, $1 par value	New York Stock Exchange
8-1/2% Debentures Due 2022	New York Stock Exchange
6.55% Debentures Due 2028	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

Indicate by check mark whether the registrant (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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No x

The aggregate quoted market price of voting stock of registrant held by non-affiliates at April 30, 2012 was $32,685,878,489. At November 30, 2012, 387,870,270 shares of common stock, $1 par value, of the registrant were outstanding. *Documents Incorporated by Reference*. Portions of the proxy statement for the annual meeting of stockholders to be held on February 27, 2013 are incorporated by reference into Part III of this Form 10-K.

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ITEM 1. BUSINESS.

Products

Deere & Company (the Company) and its subsidiaries (collectively, John Deere) have operations which are categorized into three major business segments.

The *agriculture and turf* segment primarily manufactures and distributes a full line of agriculture and turf equipment and related service parts including large, medium and utility tractors; loaders; combines, corn pickers, cotton and sugarcane harvesters and related front-end equipment and sugarcane loaders; tillage, seeding and application equipment, including sprayers, nutrient management and soil preparation machinery; hay and forage equipment, including self-propelled forage harvesters and attachments, balers and mowers; turf and utility equipment, including riding lawn equipment and walk-behind mowers, golf course equipment, utility vehicles, and commercial mowing equipment, along with a broad line of associated implements; integrated agricultural management systems technology; precision agricultural irrigation equipment and supplies; landscape and nursery products; and other outdoor power products.

The *construction and forestry* segment primarily manufactures and distributes a broad range of machines and service parts used in construction, earthmoving, material handling and timber harvesting including backhoe loaders; crawler dozers and loaders; four-wheel-drive loaders; excavators; motor graders; articulated dump trucks; landscape loaders; skid-steer loaders; and log skidders, feller bunchers, log loaders, log forwarders, log harvesters and related attachments.

The products and services produced by the segments above are marketed primarily through independent retail dealer networks and major retail outlets.

The *financial services* segment primarily finances sales and leases by John Deere dealers of new and used agriculture and turf equipment and construction and forestry equipment. In addition, the financial services segment provides wholesale financing to dealers of the foregoing equipment, finances retail revolving charge accounts and operating loans and offers crop risk mitigation products and extended equipment warranties.

John Deere s worldwide agriculture and turf operations and construction and forestry operations are sometimes referred to as the equipment operations. The financial services segment is sometimes referred to as the financial services operations.

Additional information is presented in the discussion of business segment and geographic area results on pages 22-23. The John Deere enterprise has manufactured agricultural machinery since 1837. The present Company was incorporated under the laws of Delaware in 1958.

The Company s internet address is http://www.JohnDeere.com. Through that address, the Company s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available free of charge as soon as reasonably practicable after they are filed with the United States Securities and Exchange Commission (Securities and Exchange Commission or Commission). The information contained on the Company s website is not included in, or incorporated by reference into, this annual report on Form 10-K.

Market Conditions and Outlook

The Company s equipment sales are projected to increase by about 5 percent for fiscal year 2013 and about 10 percent for the first quarter, compared with the same periods of 2012. For fiscal year 2013, net income attributable to Deere & Company is anticipated to be approximately $3.2 billion.

Agriculture & Turf. The Company s worldwide sales of agriculture and turf equipment are forecast to increase by about 4 percent for fiscal year 2013. Relatively high commodity prices and strong farm incomes are expected to continue supporting a favorable level of demand for farm machinery during the year. The Company s sales are expected to benefit from global expansion and lines of advanced new equipment.

Industry sales for agricultural machinery in the United States (U.S.) and Canada are forecast to be about the same for 2013 in relation to the prior year s healthy levels. Caution around the U.S. livestock and dairy sectors is expected to offset continued strength in demand for large equipment, such as high-horsepower tractors.

Fiscal year industry sales in the European Union (EU)27 nations of Western and Central Europe are forecast to be about the same to 5 percent lower due to continuing deterioration in the overall economy and a poor harvest in the U.K. Sales in the Commonwealth of Independent States are expected to be modestly higher in 2013. In South America, industry sales are projected to increase about 10 percent as a result of favorable commodity prices and increased planting intentions. Industry sales in Asia are projected to be approximately the same as 2012 due to softer economic conditions in India and China.

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U.S. and Canada industry sales of turf and utility equipment are expected to increase about 5 percent for 2013, reflecting some improvement in the U.S. economy. The Company s sales are expected to increase more than the industry due to the impact of new products.

Construction & Forestry. The Company s worldwide sales of construction and forestry equipment are forecast to increase by about 8 percent for fiscal year 2013 due in part to modest improvement in U.S. economic conditions. Sales in world forestry markets are projected to be about the same for the year as further weakness in European markets offsets stronger demand in the U.S.

Financial Services. Fiscal year 2013 net income attributable to Deere & Company for the financial services operations is expected to be approximately $500 million. The forecast improvement is primarily due to expected growth in the credit portfolio and lower crop insurance claims. These factors are projected to be partially offset by an increase in the provision for credit losses, which is anticipated to return to a more typical level.

2012 Consolidated Results Compared with 2011

Worldwide net income attributable to Deere & Company in 2012 was $3,065 million, or $7.63 per share diluted ($7.72 basic), compared with $2,800 million, or $6.63 per share diluted ($6.71 basic), in 2011. Net sales and revenues increased 13 percent to $36,157 million in 2012, compared with $32,013 million in 2011. Net sales of the equipment operations increased 14 percent in 2012 to $33,501 million from $29,466 million last year. The sales increase included improved price realization of 4 percent and an unfavorable foreign currency translation of 3 percent. Net sales in the U.S. and Canada increased 20 percent in 2012. Net sales outside the U.S. and Canada increased by 5 percent in 2012, which included an unfavorable effect of 6 percent for foreign currency translation.

Worldwide equipment operations had an operating profit of $4,397 million in 2012, compared with $3,839 million in 2011. The higher operating profit was primarily due to the impact of improved price realization and higher shipment volumes, partially offset by higher production and raw material costs, unfavorable effects of foreign currency exchange, increased research and development expenses, higher selling, administrative and general expenses and a goodwill impairment charge. The increase in production costs related to new products, engine emission requirements and incentive compensation expenses.

The equipment operations net income was $2,616 million in 2012, compared with $2,329 million in 2011. The same operating factors mentioned above, as well as an increase in the effective tax rate and interest expense affected these results.

Net income of the financial services operations attributable to Deere & Company in 2012 decreased to $460 million, compared with $471 million in 2011. The decrease was primarily a result of increased selling, administrative and general expenses, higher reserves for crop insurance claims and narrower financing spreads, partially offset by growth in the credit portfolio and a lower provision for credit losses. Additional information is presented in the discussion of the Worldwide Financial Services Operations on page 22.

The cost of sales to net sales ratio for 2012 was 74.6 percent, compared with 74.4 percent last year. The increase was primarily due to higher production costs, increased raw material costs and unfavorable effects of foreign currency exchange, partially offset by improved price

realization.

Additional information on 2012 results is presented on pages 21-23.

EQUIPMENT OPERATIONS

Agriculture and Turf

The John Deere agriculture and turf segment manufactures and distributes a full line of agricultural and turf equipment and related service parts. The segment s global operating model is designed to enable faster geographic growth and increase the segment s competitiveness. Pursuant to this model, the segment consolidates all markets into four geographical customer focus areas to facilitate comprehensive customer understanding and deliver optimal customer service. As an additional component of the global operating model, the segment s equipment operations are consolidated into five product platforms crop harvesting (combines, corn pickers, cotton and sugarcane harvesters and related front-end equipment and sugarcane loaders); turf and utility (utility vehicles, riding lawn equipment, walk-behind mowers, commercial mowing equipment, golf course equipment, implements for mowing, tilling, snow and debris handling, aerating and many other residential, commercial, golf and sports turf care applications; and other outdoor power products); hay and forage (self-propelled forage harvesters and attachments, balers and mowers); crop care (tillage, seeding and application equipment, including sprayers, nutrient management and soil preparation machinery); and tractors (loaders and large, medium and utility tractors and related attachments). John Deere also purchases certain products from other manufacturers for resale.

Additionally, the segment offers ancillary products and services supporting its agricultural and turf equipment customers. John Deere Landscapes, a unit of the segment, distributes irrigation equipment, nursery products and landscape supplies, including seed, fertilizer

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and hardscape materials, primarily to landscape service professionals. John Deere Water, also a unit of the agriculture and turf segment, manufactures and distributes precision agricultural irrigation equipment and supplies.

The segment also provides integrated agricultural business and equipment management systems. John Deere has developed a comprehensive agricultural management systems approach using advanced communications, data collection and global satellite positioning technologies to enable farmers to better control input costs and yields, improve soil conservation and minimize chemical use and to gather information. John Deere s advanced telematics systems remotely connect agricultural equipment owners, business managers and dealers to agricultural equipment in the field, providing real-time alerts and information about equipment location, utilization, performance and maintenance to improve productivity and efficiency.

In addition to the John Deere brand, the agriculture and turf segment purchases and sells a variety of equipment attachments under the Frontier, Kemper and Green Systems brand names, and manufactures and sells walk-behind mowers and scarifiers in select European countries under the SABO brand name. John Deere manufactures its agricultural and turf equipment for sale primarily through independent retail dealer networks, and also builds products for sale by mass retailers, including The Home Depot and Lowe s.

Sales of agricultural equipment are affected by total farm cash receipts, which reflect levels of farm commodity prices, acreage planted, crop yields and governmental policies, including the amount and timing of government payments. Sales are also influenced by general economic conditions, farm land prices, farmers debt levels and access to financing, interest and exchange rates, agricultural trends, including the production of and demand for renewable fuels, labor availability and costs, energy costs and other input costs associated with farming. Other important factors affecting new agricultural equipment sales are the value and level of used equipment, including tractors, harvesting equipment, self-propelled sprayers, hay and forage equipment and seeding equipment. Weather and climatic conditions can also affect buying decisions of agricultural equipment purchasers.

Innovations in machinery and technology also influence agricultural equipment purchasing. For example, larger, more productive equipment is well accepted where farmers are striving for more efficiency in their operations. Large, cost-efficient, highly-mechanized agricultural operations account for an important share of worldwide farm output. The large-size agricultural equipment used on such farms has been particularly important to John Deere. A large proportion of the equipment operations total agricultural equipment sales in the U.S. and Canada, and a growing proportion of sales in many countries outside the U.S. and Canada, is comprised of tractors over 100 horsepower, self-propelled combines, self-propelled cotton pickers, self-propelled forage harvesters, self-propelled sprayers and seeding equipment. However, as John Deere expands its business globally, especially in developing countries where demand for smaller equipment is greater, John Deere s sales of small tractors below 100 horsepower are increasing and John Deere offers a number of harvesting solutions to support the development of mechanized harvesting of grain, oilseeds, cotton, sugar and biomass.

Retail sales of lawn and garden tractors, compact utility tractors, residential and commercial mowers, utility vehicles, and golf and turf equipment are influenced by weather conditions, consumer spending patterns and general economic conditions.

Seasonality. Seasonal patterns in retail demand for agricultural equipment result in substantial variations in the volume and mix of products sold to retail customers during various times of the year. Seasonal demand must be estimated in advance, and equipment must be manufactured in anticipation of such demand in order to achieve efficient utilization of manpower and facilities throughout the year. For certain equipment, John Deere offers early order discounts to retail customers. Production schedules are based, in part, on these early order programs. The segment incurs substantial seasonal variation in cash flows to finance production and inventory of agricultural equipment. The segment also incurs costs to finance sales to dealers in advance of seasonal demand. New combine and cotton harvesting equipment has been sold under early order

programs with waivers of retail finance charges available to customers who take delivery of machines during off-season periods. In Australia, Canada and the U.S., there are typically several used equipment trade-in transactions for most new agricultural equipment sales. To provide support to its dealers for these used equipment trade-ins, John Deere provides dealers in these countries with a pool of funds, awarded to dealers as a percentage of the dealer cost for certain new eligible equipment sales. Dealers can use these funds to defray the costs of carrying or marketing used equipment inventory or to provide financing incentives to customers purchasing the used equipment.

Retail demand for turf and utility equipment is normally higher in the second and third quarters. John Deere is pursuing a strategy of building and shipping as close to retail demand as possible. Consequently, to increase asset turnover and reduce the average level of field inventories through the year, production and shipment schedules of these product lines will normally be proportionately higher in the second and third quarters of each year, corresponding closely to the seasonal pattern of retail sales.

Construction and Forestry

John Deere construction, earthmoving, material handling and forestry equipment includes a broad range of backhoe loaders, crawler dozers and loaders, four-wheel-drive loaders, excavators, motor graders, articulated dump trucks, landscape loaders, skid-steer loaders, log skidders, log feller bunchers, log loaders, log forwarders, log harvesters and a variety of attachments. John Deere provides the most complete line of forestry machines and attachments available in the world. The segment s forestry machines are distributed under the John Deere brand name and forestry attachments are distributed under the John Deere and Waratah brand names. In addition

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to the equipment manufactured by the construction and forestry segment, John Deere purchases certain products from other manufacturers for resale. The segment also provides comprehensive fleet management telematics solutions designed to improve customer productivity and efficiency through access to fleet location, utilization and maintenance information.

The prevailing levels of residential, commercial and public construction and the condition of the forestry products industry influence retail sales of John Deere construction, earthmoving, material handling and forestry equipment. General economic conditions, the level of interest rates, the availability of credit and certain commodity prices such as those applicable to pulp, paper and saw logs also influence sales.

Pursuant to agreements between John Deere and Bell Equipment Limited (Bell), Bell licenses John Deere to manufacture articulated dump trucks in the U.S. for John Deere s distribution under the John Deere brand name in North, Central and South America. John Deere licenses Bell to manufacture and sell certain John Deere-designed construction equipment in specified territories of Africa. Bell is also the distributor of certain John Deere-manufactured construction equipment under the Bell brand name and forestry equipment under the John Deere brand name in certain territories of Africa. Bell and John Deere have agreed to terminate the articulated dump truck manufacturing and license agreements over the next few years, and John Deere will retain Bell as a dealer of construction and forestry equipment.

John Deere and Hitachi Construction Machinery Co. (Hitachi) have a joint venture for the manufacture of hydraulic excavators and track log loaders in the U.S. and Canada and a joint venture for the manufacture of excavators in Brazil. John Deere distributes Hitachi brands of construction and mining equipment in North, Central and South America. John Deere also has supply agreements with Hitachi under which a range of construction, earthmoving, material handling and forestry products manufactured by John Deere in the U.S., Finland and New Zealand are distributed by Hitachi in certain Asian markets.

The construction and forestry segment also has a joint venture in China for the manufacture of hydraulic excavators with Xuzhou Bohui Science & Technology Development Co. Ltd. (Xuzhou) known as Xuzhou XCG John Deere Machinery Manufacturing Co., Ltd. (XCGJD). In India, the construction and forestry segment manufactures construction equipment branded Leyland Deere through its joint venture with Ashok Leyland Limited, known as Ashok Leyland John Deere Construction Equipment Company Private Limited (ALJD).The segment has also established manufacturing capacity for construction and forestry equipment in Russia and construction equipment in China, and is establishing manufacturing capacity for construction equipment in Brazil.

The segment has a number of initiatives in the rent-to-rent, or short-term rental, market for construction, earthmoving and material handling equipment. These include specially designed rental programs for John Deere dealers and expanded cooperation with major, national equipment rental companies.

John Deere also owns Nortrax, Inc. and Nortrax Canada Inc. (collectively called Nortrax). Nortrax is an authorized John Deere dealer for construction, earthmoving, material handling and forestry equipment in a variety of markets in the U.S. and Canada. John Deere also owns a retail construction and forestry sales operation in Russia and owns retail forestry sales operations in Australia, Brazil, Finland, Ireland, New Zealand, Norway, Sweden and the United Kingdom.

Competition

The equipment operations sell products and services into a variety of highly competitive global and regional markets. The principal competitive factors in all markets include product performance, innovation and quality, distribution, customer service and price. In North America and many other parts of the world, John Deere s brand recognition is a competitive factor.

The competitive environment for the agriculture and turf segment includes some global competitors, including AGCO Corporation, CLAAS KGaA mbH, CNH Global N.V., Kubota Tractor Corporation and The Toro Company, and many regional and local competitors. These competitors have varying numbers of product lines competing with the segment s products and each have varying degrees of regional focus. An important part of the competition within the agricultural equipment industry during the past decade has come from a diverse variety of short-line and specialty manufacturers, as well as indigenous regional competitors, with differing manufacturing and marketing methods. Because of industry conditions, including the merger of certain large integrated competitors and the emergence and expanding global capability of many competitors, particularly in emerging and high potential markets such as Brazil, China, India and Russia where John Deere seeks to increase market share, the agricultural equipment business continues to undergo significant change and is becoming even more competitive. John Deere has continued to increase its global manufacturing capacity to compete in these markets. The segment s turf equipment is sold primarily in the highly competitive North American and Western European markets. The agriculture and turf segment s global operating model is designed to enhance the segment s competitive position by reducing complexity, implementing standard processes and increasing customer focus, speed and flexibility while building on the segment s broad global reach and deep understanding of the agriculture and turf care markets.

The construction and forestry segment operates in highly competitive North American and global markets, and is seeking to grow its competitive position in other parts of the world, including Brazil, China, India and Russia. Global competitors of the construction and forestry segment include Caterpillar Inc., Komatsu Ltd., Volvo Construction Equipment (part of Volvo Group AB), CNH Global

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N.V., Tigercat Industries Inc. and Ponsse Plc. The segment manufactures construction, earthmoving and material handling equipment for over 90 percent of the types of equipment used in the U.S. and Canada.

Engineering and Research

John Deere invests heavily in engineering and research to improve the quality and performance of its products, to develop new products and to comply with government regulations. Such expenditures were $1,434 million or 4.3 percent of net sales in 2012, $1,226 million or 4.2 percent in 2011 and $1,052 million or 4.5 percent in 2010.

Manufacturing

Manufacturing Plants. In the U.S. and Canada, the equipment operations own and operate 19 factory locations and lease and operate another six locations, which contain approximately 27.3 million square feet of floor space. Of these 25 factories, 16 are devoted primarily to agriculture and turf equipment, four to construction and forestry equipment, one to engines, two to engine and component remanufacturing and two to hydraulic and power train components. Outside the U.S. and Canada, the equipment operations own or lease and operate: agriculture and turf equipment factories in Brazil, China, France, Germany, India, Israel, Mexico, the Netherlands, Russia and Spain; a construction and forestry assembly operation in Russia; engine factories in Argentina, France, India and Mexico; and forestry equipment factories in Finland and New Zealand. Agriculture equipment factories are being added in India, construction equipment factories are being added in Brazil and China, and an engine factory is being added in China. In addition, John Deere Water has manufacturing operations outside of North America in Argentina, Australia, Brazil, Chile, France, India, Israel and Spain. These factories and manufacturing operations outside the U.S. and Canada contain approximately 19.2 million square feet of floor space. The engine factories referred to above manufacture non-road, heavy duty diesel engines a majority of which are manufactured for John Deere s equipment operations. The remaining engines are sold to other regional and global original equipment manufacturers.

The equipment operations also have financial interests in other manufacturing organizations, which include agricultural equipment manufacturers in the U.S., an industrial truck manufacturer in South Africa, the Hitachi joint venture that builds hydraulic excavators and track log loaders in the U.S. and Canada and the Hitachi joint venture that will build hydraulic excavators in Brazil, the XCGJD joint venture that builds excavators, the ALJD joint venture that builds backhoes and four-wheel-drive loaders, ventures that manufacture transaxles and transmissions used in certain agriculture and turf segment products and a venture that remanufactures turbochargers, diesel particulate filters and electronics.

John Deere s facilities are well maintained, in good operating condition and are suitable for their present purposes. These facilities, together with both short-term and long-term planned capital expenditures, are expected to meet John Deere s manufacturing needs in the foreseeable future.

Capacity is adequate to satisfy John Deere s current expectations for retail market demand. The equipment operations manufacturing strategy involves the implementation of appropriate levels of technology and automation to allow manufacturing processes to remain profitable at varying production levels. Operations are also designed to be flexible enough to accommodate the product design changes required to meet market conditions and changing customer requirements. Common manufacturing facilities and techniques are employed in the production of components for agriculture and turf equipment and construction and forestry equipment.

In order to utilize manufacturing facilities and technology more effectively, the equipment operations pursue continuous improvements in manufacturing processes. These include steps to streamline manufacturing processes and enhance responsiveness to customers. John Deere has implemented flexible assembly lines that can accommodate a wider product mix and deliver products in line with dealer and customer demand. Additionally, considerable effort is being directed to manufacturing cost reduction through process improvement, product design, advanced manufacturing technology, enhanced environmental management systems, supply management and logistics as well as compensation incentives related to productivity and organizational structure. In recent years, John Deere has experienced volatility in the price of many raw materials. John Deere has responded to cost pressures by implementing the cost-reduction measures described above and increasing prices. Significant cost increases, if they occur, could have an adverse effect on the Company s operating results. The equipment operations also pursue external sales of selected parts and components that can be manufactured and supplied to third parties on a competitive basis.

Capital Expenditures. The equipment operations capital expenditures totaled $1,357 million in 2012, compared with $1,047 million in 2011 and $796 million in 2010. Provisions for depreciation applicable to these operations property and equipment during these years were $549 million, $510 million and $477 million, respectively. Capital expenditures for the equipment operations in 2013 are currently estimated to be approximately $1,300 million. The 2013 expenditures will relate primarily to U.S. Tier 4 emission requirements, the modernization and restructuring of key manufacturing facilities, the construction of new manufacturing facilities, and the development of new products. Future levels of capital expenditures will depend on business conditions.

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Patents and Trademarks

John Deere owns a significant number of patents, trade secrets, licenses and trademarks related to John Deere products and services, and expects the number to grow as John Deere continues to pursue technological innovations. John Deere s policy is to further its competitive position by filing patent applications in the U.S. and internationally to protect technology and improvements considered important to the business. John Deere believes that, in the aggregate, the rights under these patents and licenses are generally important to its operations and competitive position, but does not regard any of its businesses as being dependent upon any single patent or group of patents. However, certain John Deere trademarks, which contribute to John Deere s identity and the recognition of its products and services, including but not limited to the John Deere mark, the leaping deer logo, the Nothing Runs Like a Deere slogan and green and yellow equipment colors, are an integral part of John Deere s business, and their loss could have a material adverse effect on John Deere.

Marketing

In the U.S. and Canada, the equipment operations distribute equipment and service parts through the following facilities: two agriculture and turf equipment sales and administration offices located in Olathe, Kansas and Cary, North Carolina and one sales branch located in Grimsby, Ontario; and one construction, earthmoving, material handling and forestry equipment sales and administration office located in Moline, Illinois. In addition, the equipment operations operate a centralized parts distribution warehouse in coordination with eight regional parts depots and distribution centers in the U.S. and Canada.

Through these U.S. and Canadian facilities, John Deere markets products to approximately 2,490 dealer locations, most of which are independently owned. Of these, approximately 1,542 sell agricultural equipment, while 418 sell construction, earthmoving, material handling and/or forestry equipment. Nortrax owns some of the 418 dealer locations. Turf equipment is sold at most John Deere agricultural equipment locations, a few construction, earthmoving, material handling and forestry equipment locations, and about 530 turf-only locations, many of which also sell dissimilar lines of non-John Deere products. In addition, certain lawn and garden product lines are sold through The Home Depot and Lowe s. John Deere Landscapes operates its business from approximately 411 branch locations throughout the U.S. and Canada.

Outside the U.S. and Canada, John Deere agriculture and turf equipment is sold to distributors and dealers for resale in over 100 countries. Sales and administrative offices are located in Argentina, Australia, Brazil, China, France, Germany, India, Italy, Mexico, Poland, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine and the United Kingdom and an administrative office is located in Kenya. Associated companies doing business in China also sell agricultural equipment. Turf equipment sales outside the U.S. and Canada occur primarily in Europe and Australia. Construction, earthmoving, material handling and forestry equipment is sold to distributors and dealers primarily by sales offices located in Australia, Brazil, Finland, Ireland, New Zealand, Russia and Singapore. Some of these dealers are independently owned while John Deere owns others. The equipment operations operate centralized parts distribution warehouses in Brazil, Germany and Russia in coordination with regional parts depots and distribution centers in Argentina, Australia, China, India, Mexico, South Africa, Sweden and the United Kingdom.

John Deere Water operates from 24 sales and marketing locations and 19 warehousing locations in 15 countries including Argentina, Australia, Brazil, Chile, China, Ecuador, France, India, Israel, Italy, Mexico, Russia, Spain, Turkey and the U.S. John Deere Water s products are marketed through approximately 700 independent dealers and distributors in over 100 countries.

John Deere engines are marketed worldwide through select sales branches to large original equipment manufacturers and independently owned engine distributors.

Raw Materials

John Deere purchases raw materials and some manufactured components and replacement parts for its equipment, engines and other products from leading suppliers both domestically and internationally. These materials and components include a variety of steel products, steel and iron castings, forgings, plastics, electronics and ready to assemble components made to certain specifications. John Deere also purchases various goods and services used in production, logistics, offices and research and development processes. John Deere maintains strategic sourcing models to meet its production needs and build upon long-term supplier relationships. John Deere uses a variety of agreements with suppliers intended to drive innovation, ensure availability and delivery of industry-leading quality raw materials and components, manage costs on a globally competitive basis, protect John Deere s intellectual property and minimize other supply-related risks. Supply chain risks monitored by John Deere to minimize the likelihood of the supply base causing business disruption include supplier financial viability, capacity, business continuity, quality and delivery, and weather-related events including natural disasters. In fiscal year 2012, John Deere experienced no significant work stoppages as a result of shortages of raw materials or other commodities.

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Backlog Orders

The dollar amount of backlog orders for the agriculture and turf segment believed to be firm was approximately $5.5 billion at October 31, 2012, compared with $5.5 billion at October 31, 2011. The agriculture and turf backlog is generally highest in the second and third quarters due to seasonal buying trends in these industries. John Deere generally produces and ships its construction and forestry equipment on average within approximately 60 days after an order is deemed to become firm. Therefore, no significant amount of construction and forestry backlog orders accumulates during any period.

Trade Accounts and Notes Receivable

Trade accounts and notes receivable arise primarily from sales of goods to independent dealers. Most trade receivables originated by the equipment operations are purchased by the financial services operations. The equipment operations compensate the financial services operations at approximate market rates of interest for these receivables. Additional information appears in Note 12 to the Consolidated Financial Statements.

FINANCIAL SERVICES

U.S. and Canada. The financial services segment primarily provides and administers financing for retail purchases from John Deere dealers of new equipment manufactured by John Deere s agriculture and turf and construction and forestry segments and used equipment taken in trade for this equipment.

The Company and John Deere Construction & Forestry Company (a wholly-owned subsidiary of the Company) are referred to as the sales companies. John Deere Capital Corporation (Capital Corporation), a U.S. financial services subsidiary, generally purchases retail installment sales and loan contracts (retail notes) from the sales companies. These retail notes are acquired by the sales companies through John Deere retail dealers in the U.S. John Deere Financial Inc. (formerly John Deere Credit Inc.), a Canadian financial services subsidiary, purchases and finances retail notes acquired by John Deere Canada ULC, the Company s Canadian sales branch. The terms of retail notes and the basis on which the financial services operations acquire retail notes from the sales companies are governed by agreements with the sales companies. The financial services segment also finances and services revolving charge accounts, in most cases acquired from and offered through merchants in the agriculture and turf and construction and forestry markets (revolving charge accounts). Further, the financial services operations finance and service operating loans. Additionally, the financial services operations provide wholesale financing for inventories of John Deere agriculture and turf equipment and construction and forestry equipment owned by dealers of those products (wholesale notes). The various financing options offered by the financial services operations are designed to enhance sales of John Deere products and generate financing income for the financial services operations. In the U.S., certain subsidiaries included in the financial services segment offer crop risk mitigation products and certain subsidiaries offer extended equipment warranties.

Retail notes acquired by the sales companies are immediately sold to the financial services operations. The equipment operations are the financial services operations major source of business, but many retail purchasers of John Deere products finance their purchases outside the John Deere organization through a variety of sources, including commercial banks and finance and leasing companies.

The financial services operations offer retail leases to equipment users in the U.S. A small number of leases are executed with units of local government. Leases are usually written for periods of four months to sixty months, and typically contain an option permitting the customer to purchase the equipment at the end of the lease term. Retail leases are also offered in a generally similar manner to customers in Canada through John Deere Financial Inc. and John Deere Canada ULC.

The financial services operations terms for financing equipment retail sales (other than smaller items financed with unsecured revolving charge accounts) provide for retention of a security interest in the equipment financed. The financial services operations guidelines for minimum down payments, which vary with the types of equipment and repayment provisions, are generally 10 percent to 30 percent. Finance charges are sometimes waived for specified periods or reduced on certain John Deere products sold or leased in advance of the season of use or in other sales promotions. The financial services operations generally receive compensation from the sales companies at approximate market interest rates for periods during which finance charges are waived or reduced on the retail notes or leases. The cost is accounted for as a deduction in arriving at net sales by the equipment operations.

The Company has an agreement with Capital Corporation to make payments to Capital Corporation such that its ratio of earnings to fixed charges is not less than 1.05 to 1 for any fiscal quarter. For 2012 and 2011, Capital Corporation s ratios were 2.30 to 1 and 2.18 to 1, respectively, and never less than 2.02 to 1 and 1.96 to 1 for any fiscal quarter of 2012 and 2011, respectively. The Company has also committed to continue to own, directly or through one or more wholly-owned subsidiaries, at least 51 percent of the voting shares of capital stock of Capital Corporation and to maintain Capital Corporation s consolidated tangible net worth at not less than $50 million. The Company s obligations to make payments to Capital Corporation under the agreement are independent of whether Capital Corporation is in default on its indebtedness, obligations or other liabilities. Further, the Company s obligations under the agreement are not measured by the amount of Capital Corporation s indebtedness, obligations or other liabilities. The Company s obligations to make payments under this agreement are expressly stated not to be a guaranty of any specific indebtedness, obligation or liability of

Capital Corporation and are enforceable only by or in the name of Capital Corporation. No payments were required under this agreement in 2012 or 2011.

Outside the U.S. and Canada. The financial services operations also offer financing, primarily for John Deere products, in Australia, China, India, New Zealand, Russia, Thailand and in several other countries in Asia, Europe and in Latin America. In certain areas, financing is offered through cooperation agreements or joint ventures. The manner in which the financial services operations offer financing in these countries is affected by a variety of country specific laws, regulations and customs, including those governing property rights and debtor obligations, that are subject to change and that may introduce greater risk to the financial services operations.

The financial services operations also offer to select customers and dealers credit enhanced international export financing for the purchase of John Deere products.

Additional information on the financial services operations appears on pages 22, 23, 26 and 28.

ENVIRONMENTAL MATTERS

John Deere is subject to a wide variety of local, state and federal environmental laws and regulations in the U.S., as well as the environmental laws and regulations of other countries in which John Deere conducts business. John Deere strives to comply, and believes it is in compliance, in all material respects, with applicable laws and regulations. However, failure to comply with these regulations could lead to fines and other penalties. John Deere is involved in the evaluation and clean-up of a limited number of sites but does not expect that these matters, or other expenses or liabilities John Deere may incur in connection with any noncompliance with environmental laws or regulations or the cleanup of any additional properties, will have a material adverse effect on the consolidated financial position, results of operations, cash flows or competitive position of John Deere. With respect to acquired properties and businesses or properties and businesses acquired in the future, John Deere conducts due diligence into potential exposure to environmental liabilities, but cannot be certain that it has identified or will identify all adverse environmental conditions. Compliance with these laws and regulations has added, and will continue to add, to the cost of John Deere s products.

The U.S. Environmental Protection Agency has issued increasingly stringent regulations concerning permissible emissions of off-road engines, and governmental agencies throughout the world are similarly enacting more stringent laws to reduce off-road engine emissions. John Deere has achieved, and plans to continue to achieve, compliance with these regulations through significant investments in the development of new engine technologies and after-treatment systems. Compliance with emissions regulations has added, and will continue to add, to the cost of John Deere s products.

EMPLOYEES

At October 31, 2012, John Deere had approximately 66,900 full-time employees, including approximately 34,600 employees in the U.S. and Canada. From time to time, John Deere also retains consultants, independent contractors, and temporary and part-time workers. Unions are certified as bargaining agents for approximately 82 percent of John Deere s U.S. production and maintenance employees. Approximately 11,700

of John Deere s U.S. production and maintenance workers are covered by a collective bargaining agreement with the United Auto Workers (UAW), with an expiration date of October 1, 2015.

Unions also represent the majority of employees at John Deere manufacturing facilities outside the U.S.

EXECUTIVE OFFICERS OF THE REGISTRANT

Following are the names and ages of the executive officers of the Company, their positions with the Company and summaries of their backgrounds and business experience. All executive officers are elected or appointed by the Board of Directors and hold office until the annual meeting of the Board of Directors following the annual meeting of stockholders in each year.

Name, age and office (at December 1, 2012), and year elected to office				Principal occupation during last five years other than office of the Company currently held
Samuel R. Allen	59	Chairman and Chief Executive Officer	2010	August 2009-February 2010 President and Chief Executive Officer; June 2009-August 2009 President and Chief Operating Officer; 2005-2009 President, Worldwide Construction & Forestry Division and John Deere Power Systems
James M. Field	49	President, Agriculture & Turf Division-	2012	June 2009-August 2012, Senior Vice

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		Americas, Australia and Global Harvesting & Turf Platforms		President and Chief Financial Officer; 2007-2009 President, Worldwide Commercial & Consumer Equipment Division; 2002-2007 Vice President and Comptroller
Jean H. Gilles	55	Senior Vice President John Deere Power Systems, Worldwide Parts Services, Advanced Technology & Engineering, Global Supply Management and Logistics	2010	June 2009-June 2010 Senior Vice President, John Deere Power Systems, John Deere Intelligent Solutions Group and Advanced Technology and Engineering; 2005-2009 Senior Vice President, John Deere Power Systems
Max A. Guinn	54	Senior Vice President, Human Resources, Communications, Public Affairs, and Labor Relations	2012	2009-2012 Senior Vice President Agriculture & Turf Division, Global Platform, Crop Harvesting; 2006-2009 Senior Vice President, Manufacturing & Engineering, Harvesting Equipment, Worldwide Agricultural Division
James A. Israel	56	President, Worldwide Financial Services Division	2006	Has held this position for the last five years
James R. Jenkins	67	Senior Vice President and General Counsel	2000	Has held this position for the last five years
Rajesh Kalathur	44	Senior Vice President and Chief Financial Officer	2012	April 2012 September 2012 Deputy Financial Officer; 2009-2012 Vice President, Sales & Marketing, China/India/South and East Asia/Sub-Saharan and South Africa, Agriculture & Turf Division; 2006-2009 Managing Director and CEO, John Deere India Private Limited, a wholly owned subsidiary of the Company
Michael J. Mack, Jr.	56	President, Worldwide Construction & Forestry Division	2009	2006-2009 Senior Vice President and Chief Financial Officer;
John C. May	43	President Agricultural Solutions & Chief Information Officer	2012	2009-2012 Vice President, Agriculture & Turf Global Platform, Turf & Utility; 2007-2009 Factory Manager, John Deere Dubuque Works
Markwart von Pentz	49	President, Agriculture & Turf Division-Europe, Asia, Africa, and Global Tractor Platform	2012	2009-2012 President, Agriculture & Turf Division-Europe, CIS, Northern Africa, Middle East, Latin America, and Global Harvesting, Crop Care, Hay & Forage Products; 2007-2009 President, Agricultural Division - Europe, Africa, South America and Global Harvesting Equipment Sourcing; 2006-2007 Senior Vice President Marketing and Product Support - Europe, Africa and Middle East

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ITEM 1A. RISK FACTORS.

The following risks are considered the most significant to John Deere s business based upon current knowledge, information and assumptions. This discussion of risk factors should be considered closely in conjunction with Management s Discussion and Analysis beginning on page 21, including the risks and uncertainties described in the Safe Harbor Statement on pages 23 through 25, and the Notes to Consolidated Financial Statements beginning on page 36. These risk factors and other forward-looking statements that relate to future events, expectations, trends 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. Although each risk is discussed separately, many are interrelated. The Company, except as required by law, undertakes no obligation to update or revise this risk factors discussion, whether as a result of new developments or otherwise. The risks described in this Annual Report on Form 10-K, and the Safe Harbor Statement in this report, are not the only risks faced by the Company. Additional risks and uncertainties may also materially affect the Company s business, financial condition or operating results. You should not consider these risk factors to be a complete discussion of risks, uncertainties and assumptions.

International, national and regional trade laws, regulations and policies (particularly those related to or restricting global trade) and government farm programs and policies, could significantly impair John Deere s profitability and growth prospects.

International, national and regional laws, regulations and policies directly or indirectly related to or restricting trade, including protectionist policies in particular jurisdictions or for the benefit of favored industries or sectors, could harm John Deere s multinational business. John Deere s profitability and growth prospects are tied directly to the global marketplace. Restricted access to global markets impairs John Deere s ability to export goods and services from its various manufacturing locations around the world, and limits the ability to access raw materials and high quality parts and components at competitive prices on a timely basis. While trade agreements may expand opportunities, trade restrictions could limit John Deere s ability to capitalize on current and future growth opportunities in international markets and impair John Deere s ability to expand the business by offering new technologies, products and services. Furthermore, the ability to export agricultural and forestry commodities is critical to John Deere s agricultural and forestry customers. Policies impacting exchange rates and commodity prices or those limiting the export or import of commodities, including the outcome of the global negotiations under the auspices of the World Trade Organization, could have a material adverse effect on the international flow of agricultural and other commodities which may result in a corresponding negative effect on the demand for agricultural and forestry equipment in many areas of the world. John Deere s agricultural equipment sales could be especially harmed because farm income strongly influences sales of agricultural equipment around the world. Furthermore, trade restrictions could impede those in developing countries from achieving a higher standard of living, which could negatively impact John Deere s future growth opportunities arising from increasing global demand for food, fuel and infrastructure. Furthermore, changes in government farm programs and policies, including direct payment and other subsidies, can significantly influence demand for agricultural equipment.

Changes in government banking, monetary and fiscal policies could have a negative effect on John Deere.

Policies of the U.S. and other governments regarding banking, monetary and fiscal policies intended to promote or maintain liquidity, stabilize financial markets and/or address local deficit or structural economic issues may not be effective and could have a material impact on John Deere s customers and markets. John Deere s operations and results could also be impacted by financial regulatory reform which could have an adverse affect on the financial services segment and John Deere s customers by limiting their ability to finance purchases of John Deere products. Governmental policies on taxes and spending can also affect John Deere, especially the construction and forestry segment due to the impact of government spending on infrastructure development.

Changing worldwide demand for food and for different forms of bio-energy could have an effect on the price of farm commodities and consequently the demand for certain John Deere equipment and could also result in higher research and development costs related to changing machine fuel requirements.

Changing worldwide demand for farm outputs to meet the world s growing food and bio-energy demands, driven in part by government policies and a growing world population, are likely to result in fluctuating agricultural commodity prices, which directly affect sales of agricultural equipment. While higher commodity prices will benefit John Deere s crop producing agricultural equipment customers, higher commodity prices also result in greater feed costs for livestock and poultry producers which in turn may result in lower levels of equipment purchased by these customers. Furthermore, changing bio-fuel demands may cause farmers to change the types or quantities of the crops they raise, with corresponding changes in equipment demands. Finally, changes in governmental policies regulating bio-fuel utilization could affect demand for John Deere s gasoline- or diesel-fueled equipment and result in higher research and development costs related to equipment fuel standards.

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As John Deere seeks to expand its business globally, growth opportunities may be impacted by greater political, economic and social uncertainty and the continuing and accelerating globalization of businesses could significantly change the dynamics of John Deere s competition, customer base and product offerings.

John Deere s efforts to grow its businesses depend to a large extent upon access to, and its success in developing market share and operating profitably in, additional geographic markets including but not limited to Brazil, China, India and Russia. In some cases, these countries have greater political and economic volatility, greater vulnerability to infrastructure and labor disruptions and differing local customer product preferences and requirements than John Deere s other markets. Operating and seeking to expand business in a number of different regions and countries exposes John Deere to multiple and potentially conflicting cultural practices, business practices and legal and regulatory requirements that are subject to change, including those related to tariffs and trade barriers, investments, property ownership rights, taxation and repatriation of earnings and advanced technologies. Expanding business operations globally also increases exposure to currency fluctuations which can materially affect the Company s financial results. As these emerging geographic markets become more important to John Deere, its competitors are also seeking to expand their production capacities and sales in these same markets. While John Deere maintains a positive corporate image and the John Deere brand is widely recognized and valued in its traditional markets, the brand is less well known in some emerging markets which could impede John Deere s efforts to successfully compete in these markets. Although John Deere is taking measures to adapt to these changing circumstances, John Deere s reputation and/or business results could be negatively affected should these efforts prove unsuccessful.

John Deere operates in highly competitive markets.

John Deere operates in a variety of highly competitive global and regional markets. John Deere competes worldwide with a number of other manufacturers and distributors that produce and sell similar products. John Deere competes on the basis of product performance, innovation and quality, distribution, customer service and price. Aggressive pricing or other strategies pursued by competitors, unanticipated product or manufacturing delays or John Deere s failure to price its products competitively could adversely affect John Deere s business, results of operations and financial condition.

John Deere is subject to extensive anti-corruption laws and regulations.

John Deere s international operations must comply with U.S. law, including the U.S. Foreign Corrupt Practices Act (FCPA). The FCPA and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence foreign government officials for the purpose of obtaining or retaining business regardless of whether those practices are legal or culturally expected in the foreign jurisdiction. Recently, there has been a substantial increase in the global enforcement of anti-corruption laws. Although John Deere has a compliance program in place designed to reduce the likelihood of potential violations of such laws, violations of these laws could result in criminal or civil sanctions and an adverse effect on John Deere s reputation, business and results of operations and financial condition.

Negative economic conditions and outlook can materially weaken demand for John Deere s equipment and services, limit access to funding and result in higher funding costs.

The demand for John Deere s products and services can be significantly reduced in an economic environment characterized by high unemployment, cautious consumer spending, lower corporate earnings and lower business investment. Negative or uncertain economic conditions causing John Deere s customers to lack confidence in the general economic outlook can significantly reduce their propensity to purchase John Deere s equipment. Sustained or negative economic conditions and outlook affect housing starts and other construction which dampens demand for certain construction equipment. John Deere s turf operations and its construction and forestry segment are dependent on construction activity and general economic conditions. Sustained low levels or decreases in construction activity and housing starts could have a material adverse effect on the Company s results of operations. If negative economic conditions affect the overall farm economy, there could be a similar effect on John Deere s agricultural equipment sales. In addition, negative or uncertain economic conditions and outlook can cause significant changes in capital market liquidity conditions. Such changes could impact access to funding and associated funding costs, which could reduce the Company s earnings and cash flows. Additionally, the Company s investment management activities could be adversely affected by changes in the equity and bond markets, which would negatively affect earnings.

Concerns regarding the European debt crisis and market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could adversely affect John Deere s business, results of operations and financing.

Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. These concerns could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro currency entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the

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Company s euro- denominated assets and obligations. In addition, concerns over the effect of this financial crisis on financial institutions in Europe and globally could have an adverse impact on the capital markets generally, and more specifically on the ability of the Company and John Deere s customers, suppliers and lenders to finance their respective businesses, to access liquidity at acceptable financing costs, if at all, on the availability of supplies and materials and on the demand for John Deere products.

The Company s consolidated financial results are reported in U.S. dollars while certain assets and other reported items are denominated in the currencies of other countries, creating currency translation risk.

John Deere operates in many areas of the world, involving transactions denominated in a variety of currencies. John Deere is subject to currency exchange risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. Additionally, the reporting currency for the Company s consolidated financial statements is the U.S. dollar. Certain of John Deere s assets, liabilities, expenses and revenues are denominated in other countries currencies. Those assets, liabilities, expenses and revenues are translated into U.S. dollars at the applicable exchange rates to prepare the Company s consolidated financial statements. Therefore, increases or decreases in exchange rates between the U.S. dollar and those other currencies affect the value of those items as reflected in the Company s consolidated financial statements, even if their value remains unchanged in their original currency. Substantial fluctuations in the value of the U.S. dollar could have a significant impact on John Deere s results.

Because the financial services segment provides financing for a significant portion of John Deere sales worldwide, John Deere s operations and financial results could be impacted materially should negative economic conditions affect the financial industry.

In recent years, negative economic conditions have frequently had an adverse effect on the financial industry in which the financial services segment operates. The financial services segment provides financing for a significant portion of John Deere s sales worldwide. The financial services segment is exposed to the credit risk of its various counterparties. The financial services segment may experience credit losses that exceed its expectations and adversely affect its financial condition and results of operations. The financial services segment s inability to access funds or to access funds at cost effective rates to support its financing activities to John Deere s customers could have a material adverse effect on John Deere s business. The financial services segment s liquidity and ongoing profitability depend largely on timely access to capital to meet future cash flow requirements and fund operations and the costs associated with engaging in diversified funding activities. Additionally, negative market conditions could reduce customer confidence levels, resulting in declines in credit applications and increases in delinquencies and default rates, which could materially impact the financial services segment s write-offs and provision for credit losses.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Act), and the regulations implementing the Act, could impose additional supervisory, financial and reporting requirements and compliance costs on John Deere and John Deere s financial services operations and could therefore adversely affect John Deere and its financial services segment.

The Act was enacted on July 21, 2010 to broadly reform practices in the financial services industry, including equipment financing and securitizations. The Act directs federal agencies, including the Consumer Financial Protection Bureau, the U.S. Federal Reserve Board, the Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation and others, to adopt rules to regulate depository institutions, non-bank financial institutions, thrift holding companies, the consumer finance industry and the capital markets, including certain commercial transactions such as derivatives contracts. Although the effects of the Act on the capital markets and the financial industry are largely unknown until regulations have been finalized and implemented, the Act and its regulations are expected to impose additional reporting requirements, leverage, capital and other supervisory and financial standards and restrictions that increase regulatory-related compliance costs for John Deere and John Deere s financial services operations and could adversely affect John Deere and its financial services segment s funding

activities, liquidity, structure (including relationships with affiliates), operations and performance. The U.S. Federal Reserve Board has recently proposed capital requirements for certain institutions including thrift holding companies. Under the proposed rules, certain risk-based capital levels would need to be maintained in order to avoid the imposition of new restrictions on making dividends and other capital payouts. Moreover, our operations, including those outside of the United States, could also be impacted by non-U.S. regulatory reforms, including Basel III, being implemented to further regulate non-U.S. financial institutions and markets.

John Deere s business results depend largely on its ability to understand its customers specific preferences and requirements, and to develop, manufacture and market products that meet customer demand.

John Deere s ability to match new product offerings to diverse global customers anticipated preferences for different types and sizes of equipment and various equipment features and functionality, at affordable prices, is critical to its success. This requires a thorough understanding of John Deere s existing and potential customers on a global basis, particularly in potential high growth markets, including Brazil, China, India and Russia. Failure to deliver quality products that meet customer needs at competitive prices ahead of competitors could have a significant adverse effect on John Deere s business.

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John Deere s business may be directly and indirectly affected by unfavorable weather conditions or natural disasters that reduce agricultural production and demand for agricultural and turf equipment.

Poor or unusual weather conditions, particularly during the planting and early growing season, can significantly affect the purchasing decisions of John Deere s customers, particularly the purchasers of agriculture and turf equipment. The timing and quantity of rainfall are two of the most important factors in agricultural production. Insufficient levels of rain prevent farmers from planting new crops and may cause growing crops to die or result in lower yields. Excessive rain or flooding can also prevent planting from occurring at optimal times, and may cause crop loss through increased disease or mold growth. Temperatures outside normal ranges can also cause crop failure or decreased yields, and may also affect disease incidence. Temperature affects the rate of growth, crop maturity and crop quality. Natural calamities such as regional floods, hurricanes or other storms, and droughts can have significant negative effects on agricultural production. The resulting negative impact on farm income can strongly affect demand for agricultural equipment. In addition, poor or unusual weather conditions at critical periods in the planting, growing or harvesting seasons can impact the profitability of crop risk mitigation products. Sales of turf equipment, particularly during the important spring selling season, can be dramatically impacted by weather. Adverse weather conditions in a particular geographic region may adversely affect sales of some turf equipment. Drought conditions can adversely affect sales of certain mowing equipment and unusually rainy weather can similarly cause lower sales volumes.

Changes in the availability and price of certain raw materials, components and whole goods could result in production disruptions or increased costs and lower profits on sales of John Deere products.

John Deere requires access to various raw materials, components and whole goods at competitive prices to manufacture and distribute its products. Changes in the availability and price of these raw materials, components and whole goods, which have fluctuated significantly in the past and which are more likely to occur during times of economic volatility, can significantly increase the costs of production which could have a material negative effect on the profitability of the business, particularly if John Deere, due to pricing considerations or other factors, was unable to recover the increased costs from its customers. John Deere relies on suppliers to acquire raw materials, components and whole goods required to manufacture its products. Certain components and parts used in John Deere s products are available from a single supplier and cannot be re-sourced quickly. Supply chain disruptions due to supplier financial viability, capacity constraints, business continuity, quality, delivery, or disruptions due to weather related or natural disaster events could affect John Deere s operations and profitability.

John Deere s equipment operations and financial services segment are subject to interest rate risks. Changes in interest rates can reduce demand for equipment, adversely affect interest margins and limit the ability to access capital markets while increasing borrowing costs.

Rising interest rates could have a dampening effect on overall economic activity and/or the financial condition of John Deere s customers, either or both of which could negatively affect customer demand for John Deere equipment and customers ability to repay obligations to John Deere. In addition, credit market dislocations, including as a result of Eurozone concerns, could have an impact on funding costs which are very important to John Deere s financial services segment because such costs affect the segment s ability to offer customers competitive financing rates. In addition, changing interest rates could have an adverse effect on the Company s net interest rate margin the difference between the yield the Company earns on its assets and the interest rates the Company pays for funding, which could in turn affect the Company s net interest income and earnings. Actions by credit rating agencies, such as downgrades or negative changes to ratings outlooks, can affect the availability and cost of funding for the Company and can increase the Company s cost of capital and hurt its competitive position.

John Deere s operations are subject to and affected by increasingly rigorous environmental, health and safety laws and regulations of federal, state and local authorities in the U.S. and various regulatory authorities with jurisdiction over John Deere s international operations. In

addition, private civil litigation on these subjects has increased, primarily in the U.S.

Enforcement actions arising from violations of environmental, health and safety laws or regulations can lead to investigation and defense costs, and result in significant fines or penalties. In addition, new or more stringent requirements of governmental authorities could prevent or restrict John Deere s operations, require significant expenditures to achieve compliance and/or give rise to civil or criminal liability. There can be no assurance that violations of such legislation and/or regulations, or private civil claims for damages to property or personal injury arising from the environmental, health or safety impacts of John Deere s operations, would not have consequences that result in a material adverse effect on John Deere s business, financial condition or results of operations.

Increasingly stringent engine emission standards could impact John Deere s ability to manufacture and distribute certain engines or equipment which could negatively affect business results.

John Deere s equipment operations must meet increasingly stringent engine emission reduction standards, including USEPA, Interim Tier 4, Final Tier 4 and EU Stage IIIb and Stage IV non-road diesel emission requirements. These standards are applicable to many engines manufactured by John Deere and used in many models of John Deere agricultural and construction and forestry equipment. In order to meet these standards, John Deere has incurred and continues to incur substantial research and development costs and is introducing many new equipment models, largely due to the implementation of these more rigorous standards. While John Deere has developed and is executing comprehensive plans to meet these requirements, and does not currently foresee significant obstacles that

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would prevent timely compliance, these plans are subject to many variables that could delay or otherwise affect John Deere s ability to manufacture and distribute certain equipment or engines, which could negatively impact business results.

John Deere may incur increased costs due to new or more stringent greenhouse gas emission standards designed to address climate change and could be further impacted by physical effects attributed to climate change on its facilities, suppliers and customers.

There is a growing political and scientific consensus that emissions of greenhouse gases (GHG) continue to alter the composition of the global atmosphere in ways that are affecting and are expected to continue to affect the global climate. These considerations may lead to international, national, regional or local legislative or regulatory responses in the future. Various stakeholders, including legislators and regulators, shareholders and non-governmental organizations, as well as companies in many business sectors, including John Deere, are considering ways to reduce GHG emissions. The regulation of GHG emissions from certain stationary or mobile sources could result in additional costs to John Deere in the form of taxes or emission allowances, facilities improvements and energy costs (which would increase John Deere s operating costs through higher utility, transportation and materials costs). The regulation of GHG emissions from non-road sources could require further changes to the design of John Deere s engines and equipment. Increased input costs, such as fuel and fertilizer, and compliance-related costs could also impact customer operations and demand for John Deere equipment. Because the impact of any future GHG legislative, regulatory or product standard requirements on John Deere s global businesses and products is dependent on the timing and design of the mandates or standards, John Deere is unable to predict its significance at this time.

Furthermore, the potential physical impacts of climate change on John Deere s facilities, suppliers and customers, and therefore on John Deere s operations, are highly uncertain, and will be particular to the circumstances developing in various geographical regions. These may include changes in weather patterns (including drought and rainfall levels), water availability, storm patterns and intensities, and temperature levels. These potential physical effects may adversely impact the demand for John Deere s products and the cost, production, sales and financial performance of John Deere s operations.

Sustained increases in funding obligations under the Company s pension plans may impair our liquidity or financial condition.

The Company maintains certain defined benefit pension plans for certain employees, which impose on us funding obligations. The Company uses many assumptions in calculating its future payment obligations under the plans. Significant adverse changes in credit or market conditions could result in actual rates of returns being lower than expected. The Company may be required to make significant contributions to its pension plans in the future. These factors could significantly increase the Company s payment obligations under the plans and adversely affect its business, results of operations and financial condition.

The reallocation of radio frequency (RF) spectrums could disrupt or degrade the reliability of John Deere s high precision augmented Global Positioning System (GPS) technology, which could impair John Deere s ability to develop and market GPS-based technology solutions as well as significantly reduce agricultural and construction customers profitability.

John Deere s current and planned integrated agricultural business and equipment management systems, as well as its fleet management telematics solutions for construction equipment, depend upon the use of RF signals. These signals include, but are not limited to, GPS signals, other GPS-like satellite signals, augmented GPS services and other RF equipment which link equipment, operations, owners, dealers and technicians.

These radio services depend on frequency allocations governed by international and national agencies. Any international or national reallocation of frequency bands, including frequency bands segmentation and band spectrum sharing, or other modifications concerning the regulation of frequency bands, could significantly disrupt or degrade the utility and reliability of John Deere s GPS-based products, which could negatively affect John Deere s ability to develop and market GPS-based technology solutions. For John Deere s agricultural customers, the inability to use high-precision augmented GPS signals (or other RF signals) could result in lower crop yields and higher equipment maintenance, seed, fertilizer, fuel and wage costs. For construction customers, disrupting GPS (or RF) applications could result in higher fuel and equipment maintenance costs, as well as lower construction design and project management efficiencies. These cost increases could significantly reduce customers profitability and demand for John Deere products.

Security breaches and other disruptions to John Deere s information technology infrastructure could interfere with John Deere s operations, and could compromise John Deere s and its customers and suppliers information, exposing John Deere to liability which would cause John Deere s business and reputation to suffer.

In the ordinary course of business, John Deere relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including supply chain, manufacturing, distribution, invoicing, and collection of payments from dealers or other purchasers of John Deere equipment and from customers of John Deere s financial services operations. John Deere uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, John Deere collects and stores sensitive data, including intellectual property, proprietary business information, the proprietary business information of our customers and suppliers, as well as personally identifiable information of John Deere s customers and employees, in data centers and on information

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technology networks. The secure operation of these information technology networks, and the processing and maintenance of this information is critical to John Deere s business operations and strategy. Despite security measures and business continuity plans, John Deere s information technology networks and infrastructure may be vulnerable to damage, disruptions or shutdowns due to attacks by hackers or breaches due to employee error or malfeasance, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters or other catastrophic events. The occurrence of any of these events could compromise John Deere s networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage John Deere s reputation, which could adversely affect John Deere s business.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

See Manufacturing in Item 1.

The equipment operations own or lease nine facilities housing one centralized parts distribution center and eight regional parts depots and distribution centers throughout the U.S. and Canada. These facilities contain approximately 5.3 million square feet of floor space. Outside the U.S. and Canada the equipment operations also own or lease and occupy buildings housing three centralized parts distribution centers in Brazil, Germany and Russia and regional parts depots and distribution centers in Argentina, Australia, China, India, Mexico, South Africa, Sweden and the United Kingdom. These facilities contain approximately 2.8 million square feet of floor space. John Deere also owns facilities for the manufacture and distribution of other brands of replacement parts containing approximately 1.1 million square feet. John Deere has announced plans to increase parts facilities floor space in India.

The Company s administrative offices and research facilities, which are owned and leased by John Deere, together contain about 3.5 million square feet of floor space globally and miscellaneous other facilities total 7.3 million square feet globally.

Overall, John Deere owns approximately 53.9 million square feet of facilities and leases approximately 18.5 million additional square feet in various locations.

ITEM 3. LEGAL PROCEEDINGS.

John Deere is subject to various unresolved legal actions which arise in the normal course of its business, the most prevalent of which relate to product liability (including asbestos-related liability), retail credit, software licensing, patent, trademark and environmental matters. John Deere believes the reasonably possible range of losses for these unresolved legal actions in addition to the amounts accrued would not have a material effect on its financial statements.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) The Company s common stock is listed on the New York Stock Exchange. See the information concerning quoted prices of the Company s common stock, the number of stockholders and the data on dividends declared and paid per share in Notes 29 and 30.

(b) Not applicable.

(c) The Company s purchases of its common stock during the fourth quarter of 2012 were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (thousands)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1) (thousands)	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (1) (millions)
Aug 1 to Aug 31	1,890	$ 77.40	1,890	31.7
Sept 1 to Sept 30	1,604	77.12	1,604	30.2
Oct 1 to Oct 31	1,115	82.85	1,115	29.1
Total	4,609		4,609	

(1) During the fourth quarter of 2012, the Company had a share repurchase plan that was announced in May 2008 to purchase up to $5,000 million of shares of the Company s common stock. The maximum number of shares above that may yet be purchased under this plan is based on the October 31, 2012 closing share price of $85.44 per share. At October 31, 2012, $2,489 million of common stock remain to be purchased under this plan.

ITEM 6. SELECTED FINANCIAL DATA.

Financial Summary

(Millions of dollars except per share amounts)	2012	2011	2010	2009*	2008*
For the Year Ended October 31:					
Total net sales and revenues	$ 36,157	$ 32,013	$ 26,005	$ 23,112	$ 28,438
Income from continuing operations and net income attributable to Deere & Company	$ 3,065	$ 2,800	$ 1,865	$ 873	$ 2,053
Net income per share basic	$ 7.72	$ 6.71	$ 4.40	$ 2.07	$ 4.76
Net income per share diluted	$ 7.63	$ 6.63	$ 4.35	$ 2.06	$ 4.70
Dividends declared per share	$ 1.79	$ 1.52	$ 1.16	$ 1.12	$ 1.06
At October 31:					
Total assets	$ 56,266	$ 48,207	$ 43,267	$ 41,133	$ 38,735
Long-term borrowings	$ 22,453	$ 16,960	$ 16,815	$ 17,392	$ 13,899

* In 2009, the Company had a goodwill impairment charge of $274 million after-tax, or $.65 per share, voluntary employee separation expenses of $58 million after-tax, or $.13 per share, and special charges related to Welland, Ontario, Canada of $30 million after-tax, or $.07 per share. In 2008, the Company had special charges of $31 million after-tax, or $.07 per share, related to closing a facility in Welland.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

See the information under the caption Management s Discussion and Analysis on pages 21 - 31.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to a variety of market risks, including interest rates and currency exchange rates. The Company attempts to actively manage these risks. See the information under Management s Discussion and Analysis beginning on page 21 and in Note 27 to the Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the Consolidated Financial Statements and notes thereto and supplementary data on pages 32 - 65.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Company s principal executive officer and its principal financial officer have concluded that the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) were effective as of October 31, 2012, based on the evaluation of these controls and procedures required by Rule 13a-15(b) or 15d-15(b) of the Exchange Act. During the fourth quarter, there were no changes that have materially affected or are reasonably likely to materially affect the Company s internal control over financial reporting.

Management s Report on Internal Control Over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company s internal control over financial reporting as of October 31, 2012, using the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes that, as of October 31, 2012, the Company s internal control over financial reporting was effective.

The Company s independent registered public accounting firm has issued an audit report on the effectiveness of the Company s internal control over financial reporting. That report is included herein.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information regarding directors in the proxy statement expected to be filed January 14, 2013 but no later than February 13, 2013 (proxy statement), under the captions Election of Directors, and in the third paragraph under the caption Committees - The Audit Review Committee, is incorporated herein by reference. Information regarding executive officers is presented in Item 1 of this report under the caption Executive Officers of the Registrant.

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer. This code of ethics and the Company s corporate governance policies are posted on the Company s website at http://www.JohnDeere.com. The Company intends to satisfy disclosure requirements regarding amendments to or waivers from its code of ethics by posting such information on this website. The charters of the Audit Review, Corporate Governance and

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Compensation committees of the Company s Board of Directors are available on the Company s website as well. This information is also available in print free of charge to any person who requests it.

ITEM 11. EXECUTIVE COMPENSATION.

The information in the proxy statement under the captions Compensation of Directors, Compensation Discussion & Analysis, Compensation Committee Report, and Executive Compensation Tables is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

(a) *Securities authorized for issuance under equity compensation plans.*

Equity compensation plan information in the proxy statement under the caption Equity Compensation Plan Information is incorporated herein by reference.

(b) *Security ownership of certain beneficial owners.*

The information on the security ownership of certain beneficial owners in the proxy statement under the caption Security Ownership of Certain Beneficial Owners and Management is incorporated herein by reference.

(c) *Security ownership of management.*

The information on shares of common stock of the Company beneficially owned by, and under option to (i) each director, (ii) certain named executive officers and (iii) the directors and officers as a group, contained in the proxy statement under the captions Security Ownership of Certain Beneficial Owners and Management, and Executive Compensation Tables - Outstanding Equity Awards at Fiscal 2012 Year-End is incorporated herein by reference.

(d) *Change in control.*

None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information in the proxy statement under the captions Corporate Governance Policies, Director Independence, and Review and Approval of Related Person Transactions is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information in the proxy statement under the caption Fees Paid to the Independent Registered Public Accounting Firm is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

		Page
(1)	*Financial Statements*	
	Statement of Consolidated Income for the years ended October 31, 2012, 2011 and 2010	32
	Consolidated Balance Sheet as of October 31, 2012 and 2011	33
	Statement of Consolidated Cash Flows for the years ended October 31, 2012, 2011 and 2010	34
	Statement of Changes in Consolidated Stockholders Equity for the years ended October 31, 2010, 2011 and 2012	35
	Notes to Consolidated Financial Statements	36
(2)	*Schedule to Consolidated Financial Statements*	
	Schedule II - Valuation and Qualifying Accounts for the years ended October 31, 2012, 2011 and 2010	70
(3)	*Exhibits*	

See the Index to Exhibits on pages 71 - 73 of this report

Certain instruments relating to long-term borrowings, constituting less than 10 percent of registrant s total assets, are not filed as exhibits herewith pursuant to Item 601(b)4(iii)(A) of Regulation S-K. Registrant agrees to file copies of such instruments upon request of the Commission.

Financial Statement Schedules Omitted

The following schedules for the Company and consolidated subsidiaries are omitted because of the absence of the conditions under which they are required: I, III, IV and V.

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MANAGEMENT S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS FOR THE YEARS ENDED OCTOBER 31, 2012, 2011 AND 2010

OVERVIEW

Organization

The company s equipment operations generate revenues and cash primarily from the sale of equipment to John Deere dealers and distributors. The equipment operations manufacture and distribute a full line of agricultural equipment; a variety of commercial, consumer and landscapes equipment and products; and a broad range of equipment for construction and forestry. The company s financial services primarily provide credit services, which mainly finance sales and leases of equipment by John Deere dealers and trade receivables purchased from the equipment operations. In addition, financial services offer crop risk mitigation products and extended equipment warranties. The information in the following discussion is presented in a format that includes information grouped as consolidated, equipment operations and financial services. The company also views its operations as consisting of two geographic areas, the U.S. and Canada, and outside the U.S. and Canada. The company s operating segments consist of agriculture and turf, construction and forestry, and financial services.

Trends and Economic Conditions

The company s agriculture and turf equipment sales increased 13 percent in 2012 and are forecast to increase by about 4 percent for 2013. Industry agricultural machinery sales in the U.S. and Canada for 2013 are forecast to remain approximately the same, compared to healthy levels in 2012. Industry sales in the European Union (EU)27 nations of Western and Central Europe are forecast to be about the same to 5 percent lower in 2013, while sales in the Commonwealth of Independent States are expected to be modestly higher. South American industry sales are projected to increase approximately 10 percent in 2013. Industry sales in Asia are forecast to be about the same in 2013. Industry sales of turf and utility equipment in the U.S. and Canada are expected to increase approximately 5 percent. The company s construction and forestry sales increased 19 percent in 2012 and are forecast to increase by about 8 percent in 2013. Sales in world forestry markets are expected to be approximately the same in 2013. Net income of the company s financial services operations attributable to Deere & Company in 2013 is expected to be approximately $500 million.

Items of concern include the uncertainty of the effectiveness of governmental actions in respect to monetary and fiscal policies, the global economic recovery, the impact of sovereign and state debt, capital market disruptions, trade agreements, the availability of credit for the company s customers and suppliers, and financial regulatory reform. Drought conditions and significant volatility in the price of many commodities could also impact the company s results. The availability of certain components that could impact the company s ability to meet production schedules continues to be monitored. Designing and producing products with engines that continue to meet high performance standards and increasingly stringent emissions regulations is one of the company s major priorities.

The company remains well positioned to carry out its growth plans and capitalize on positive long-term trends. With support from employees, dealers and suppliers, the company s plans for helping meet the world s growing need for food and infrastructure are moving ahead successfully.

2012 COMPARED WITH 2011

CONSOLIDATED RESULTS

Worldwide net income attributable to Deere & Company in 2012 was $3,065 million, or $7.63 per share diluted ($7.72 basic), compared with $2,800 million, or $6.63 per share diluted ($6.71 basic), in 2011. Net sales and revenues increased 13 percent to $36,157 million in 2012, compared with $32,013 million in 2011. Net sales of the equipment operations increased 14 percent in 2012 to $33,501 million from $29,466 million last year. The sales increase included improved price realization of 4 percent and an unfavorable foreign currency translation effect of 3 percent. Net sales in the U.S. and Canada increased 20 percent in 2012. Net sales outside the U.S. and Canada increased by 5 percent in 2012, which included an unfavorable effect of 6 percent for foreign currency translation.

Worldwide equipment operations had an operating profit of $4,397 million in 2012, compared with $3,839 million in 2011. The higher operating profit was primarily due to the impact of improved price realization and higher shipment volumes, partially offset by higher production and raw material costs, unfavorable effects of foreign currency exchange, increased research and development expenses, higher selling, administrative and general expenses and a goodwill impairment charge (see Note 5). The increase in production costs related to new products, engine emission requirements and incentive compensation expenses.

The equipment operations net income was $2,616 million in 2012, compared with $2,329 million in 2011. The same operating factors mentioned above, as well as an increase in the effective tax rate and interest expense affected these results.

Net income of the financial services operations attributable to Deere & Company in 2012 decreased to $460 million, compared with $471 million in 2011. The decrease was primarily a result of increased selling, administrative and general expenses, higher reserves for crop insurance claims and narrower financing spreads, partially offset by growth in the credit portfolio and a lower provision for credit losses. Additional information is presented in the following discussion of the Worldwide Financial Services Operations.

The cost of sales to net sales ratio for 2012 was 74.6 percent, compared with 74.4 percent last year. The increase was primarily due to higher production costs, increased raw material costs and unfavorable effects of foreign currency exchange, partially offset by improved price realization.

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Finance and interest income increased this year due to a larger average credit portfolio, partially offset by lower average financing rates. Other income increased primarily as a result of an increase in service revenues and insurance premiums and fees. Research and development costs increased primarily as a result of increased spending in support of new products and more stringent emission requirements. Selling, administrative and general expenses increased primarily due to growth and incentive compensation expenses. Interest expense increased due to higher average borrowings, partially offset by lower average borrowing rates. Other operating expenses increased primarily due to higher crop insurance claims and costs and depreciation of equipment on operating leases.

The company has several defined benefit pension plans and defined benefit health care and life insurance plans. The company s postretirement benefit costs for these plans in 2012 were $511 million, compared with $603 million in 2011. The long-term expected return on plan assets, which is reflected in these costs, was an expected gain of 8.0 percent in 2012 and 2011, or $887 million in 2012 and $906 million in 2011. The actual return was a gain of $849 million in 2012 and $695 million in 2011. In 2013, the expected return will be approximately 7.8 percent. The company s postretirement costs in 2013 are expected to increase approximately $75 million. The company makes any required contributions to the plan assets under applicable regulations and voluntary contributions from time to time based on the company s liquidity and ability to make tax-deductible contributions. Total company contributions to the plans were $478 million in 2012 and $122 million in 2011, which include direct benefit payments for unfunded plans. These contributions also included voluntary contributions to plan assets of $350 million in 2012. Total company contributions in 2013 are expected to be approximately $554 million, which includes voluntary contributions of approximately $450 million. The company has no significant required contributions to pension plan assets in 2013 under applicable funding regulations. See the following discussion of Critical Accounting Policies for more information about postretirement benefit obligations.

BUSINESS SEGMENT AND GEOGRAPHIC AREA RESULTS

The following discussion relates to operating results by reportable segment and geographic area. Operating profit is income before certain external interest expense, certain foreign exchange gains or losses, income taxes and corporate expenses. However, operating profit of the financial services segment includes the effect of interest expense and foreign currency exchange gains or losses.

Worldwide Agriculture and Turf Operations

The agriculture and turf segment had an operating profit of $3,921 million in 2012, compared with $3,447 million in 2011. Net sales increased 13 percent this year primarily due to higher shipment volumes and improved price realization, partially offset by the unfavorable effects of foreign currency translation. The increase in operating profit was primarily due to higher shipment volumes and price realization, partially offset by increased production and raw material costs, unfavorable effects of foreign currency exchange, increased research and development expenses and higher selling, administrative and general expenses. The increase in production costs was primarily related to new products, engine emission requirements and incentive compensation expenses.

Worldwide Construction and Forestry Operations

The construction and forestry segment had an operating profit of $476 million in 2012, compared with $392 million in 2011. Net sales increased 19 percent for the year primarily due to higher shipment volumes and improved price realization. The operating profit improvement in 2012 was primarily due to price realization and higher shipment volumes, partially offset by increased production and raw material costs, increased

research and development expenses and higher selling, administrative and general expenses. The increase in production costs was primarily related to new products, engine emission requirements and incentive compensation expenses.

Worldwide Financial Services Operations

The operating profit of the financial services segment was $712 million in 2012, compared with $725 million in 2011. The decrease in operating profit was primarily due to increased selling, administrative and general expenses, higher reserves for crop insurance claims and narrower financing spreads, partially offset by growth in the credit portfolio and a lower provision for credit losses. Total revenues of the financial services operations, including intercompany revenues, increased 3 percent in 2012, primarily reflecting the larger portfolio. The average balance of receivables and leases financed was 10 percent higher in 2012, compared with 2011. Interest expense decreased 4 percent in 2012 as a result of lower average borrowing rates, partially offset by higher average borrowings. The financial services operations ratio of earnings to fixed charges was 2.25 to 1 in 2012, compared with 2.22 to 1 in 2011.

Equipment Operations in U.S. and Canada

The equipment operations in the U.S. and Canada had an operating profit of $3,836 million in 2012, compared with $2,898 million in 2011. The increase was due to higher shipment volumes and improved price realization, partially offset by increased production and raw material costs, increased research and development expenses and higher selling, administrative and general expenses. Net sales increased 20 percent primarily due to higher shipment volumes and price realization. The physical volume of sales increased 14 percent, compared with 2011.

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Equipment Operations outside U.S. and Canada

The equipment operations outside the U.S. and Canada had an operating profit of $561 million in 2012, compared with $941 million in 2011. The decrease was primarily due to higher production and raw material costs, the unfavorable effects of foreign currency exchange, increased selling, administrative and general expenses and higher research and development expenses, partially offset by the effects of higher shipment volumes and improved price realization. Net sales were 5 percent higher primarily reflecting increased shipment volumes and price realization, partially offset by the effect of foreign currency translation. The physical volume of sales increased 7 percent, compared with 2011.

MARKET CONDITIONS AND OUTLOOK

Company equipment sales are projected to increase by about 5 percent for fiscal year 2013 and about 10 percent for the first quarter, compared with the same periods of 2012. For fiscal year 2013, net income attributable to Deere & Company is anticipated to be approximately $3.2 billion.

Agriculture and Turf. The company s worldwide sales of agriculture and turf equipment are forecast to increase by about 4 percent for fiscal year 2013. Relatively high commodity prices and strong farm incomes are expected to continue supporting a favorable level of demand for farm machinery during the year. The company s sales are expected to benefit from global expansion and lines of advanced new equipment.

Industry sales for agricultural machinery in the U.S. and Canada are forecast to be about the same for 2013 in relation to the prior year s healthy levels. Caution around the U.S. livestock and dairy sectors is expected to offset continued strength in demand for large equipment, such as high horsepower tractors.

Fiscal year industry sales in the EU27 are forecast to be about the same to 5 percent lower due to continuing deterioration in the overall economy and a poor harvest in the U.K. Sales in the Commonwealth of Independent States are expected to be modestly higher in 2013. In South America, industry sales are projected to increase about 10 percent as a result of favorable commodity prices and increased planting intentions. Industry sales in Asia are projected to be approximately the same as 2012 due to softer economic conditions in India and China.

U.S. and Canada industry sales of turf and utility equipment are expected to increase about 5 percent for 2013, reflecting some improvement in the U.S. economy. The company s sales are expected to increase more than the industry due to the impact of new products.

Construction and Forestry. The company s worldwide sales of construction and forestry equipment are forecast to increase by about 8 percent for fiscal year 2013 due in part to modest improvement in U.S. economic conditions. Sales in world forestry markets are projected to be about the same for the year as further weakness in European markets offsets stronger demand in the U.S.

Financial Services. Fiscal year 2013 net income attributable to Deere & Company for the financial services operations is expected to be approximately $500 million. The forecast improvement is primarily due to expected growth in the credit portfolio and lower crop insurance claims. These factors are projected to be partially offset by an increase in the provision for credit losses, which is anticipated to return to a more typical level.

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, trends 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 (including low subsoil moisture from recent drought 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 Argentina, Brazil, China, the European Union, India, Russia and the U.S.), international reaction to such programs, changes in and effects of crop insurance programs, global trade agreements, animal diseases and their effects on poultry, beef and pork 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.

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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.

All of the company s businesses and its reported results are affected by general economic conditions in the global markets in which the company operates, especially material changes in economic activity in these markets; customer confidence in general economic conditions; foreign currency exchange rates and their volatility, especially fluctuations in the value of the U.S. dollar; interest rates; and inflation and deflation rates. General economic conditions can affect demand for the company s equipment as well. Uncertainty about and actual government spending and taxing could adversely affect the economy, employment, consumer and corporate spending, and company results.

Customer and company operations and results could be affected by changes in weather patterns (including the effects of drought conditions in parts of the U.S. and dryer than normal conditions in certain other markets); 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 and the threat thereof; and the spread of major epidemics.

Significant changes in market liquidity conditions 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. The sovereign 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, and company operations and results. State debt crises also could negatively impact customers, suppliers, demand for equipment, and company operations and results. The company s investment management activities could be impaired by changes in the equity and bond markets, which would negatively affect earnings.

Additional factors that could materially affect the company s operations, access to capital, expenses and results include changes in 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 and tariffs in particular jurisdictions or for the benefit of certain industries or sectors (including protectionist and expropriation policies and trade and licensing restrictions that could disrupt international commerce); actions by the U.S. Federal Reserve Board and other central banks; actions by the U.S. Securities and Exchange Commission (SEC), the U.S. Commodity Futures Trading Commission and other financial regulators; actions by environmental, health and safety regulatory agencies, including those related to engine emissions (in particular Interim Tier 4, Final Tier 4 and Stage IIIb non-road diesel emission requirements), carbon and other greenhouse gas emissions, noise and the risk of climate change; changes in labor regulations; changes to accounting standards; changes in tax rates, estimates, and regulations; compliance with U.S. and foreign laws when expanding to new markets; and actions by other regulatory bodies including changes in laws and regulations affecting the sectors in which the company operates. Customer and company operations and results also could be affected by changes to GPS radio frequency bands or their permitted uses.

Other factors that could materially affect results include production, design and technological innovations and difficulties, including capacity and supply constraints and prices; 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; the failure of suppliers to comply with laws, regulations and company policy pertaining to employment, human rights, health, safety, the environment and other ethical business practices; start-up of new plants and new products; the success of new product initiatives and customer acceptance of new products; changes in customer product preferences and sales mix whether as a result of changes in equipment design to meet government regulations or for other reasons; gaps or limitations in rural broadband coverage, capacity and speed needed to support technology solutions; oil and energy prices and supplies; 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; labor relations; acquisitions and divestitures of businesses, the integration of new businesses; the implementation of organizational changes; difficulties related to the conversion and implementation of enterprise resource planning systems that disrupt business, negatively impact supply or distribution relationships or create higher than expected costs; security breaches and other disruptions to the company s information technology infrastructure; changes in company declared dividends and common stock issuances and repurchases.

Company results are also affected by changes in the level and funding of employee retirement benefits, changes in market values of investment assets and the level of interest rates, which impact retirement benefit costs, and significant changes in health care costs including those which may result from governmental action.

The liquidity and ongoing profitability of John Deere Capital Corporation (Capital Corporation) and other credit subsidiaries depend largely on timely access to capital to meet future cash flow requirements and fund operations and the costs associated with engaging in diversified funding activities and to fund purchases of the company s products. If market uncertainty increases and general economic conditions worsen, funding

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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 failure of reinsurers of the company s insurance business also could materially affect results.

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 potentially could materially affect the company s financial results, is included in other filings with the SEC.

2011 COMPARED WITH 2010

CONSOLIDATED RESULTS

Worldwide net income attributable to Deere & Company in 2011 was $2,800 million, or $6.63 per share diluted ($6.71 basic), compared with $1,865 million, or $4.35 per share diluted ($4.40 basic), in 2010. Net sales and revenues increased 23 percent to $32,013 million in 2011, compared with $26,005 million in 2010. Net sales of the equipment operations increased 25 percent in 2011 to $29,466 million from $23,573 million in 2010. The sales increase, which was primarily due to higher shipment volumes, also included a favorable effect for foreign currency translation of 3 percent and price realization of 3 percent. Net sales in the U.S. and Canada increased 17 percent in 2011. Net sales outside the U.S. and Canada increased by 38 percent in 2011, which included a favorable effect of 7 percent for foreign currency translation.

Worldwide equipment operations had an operating profit of $3,839 million in 2011, compared with $2,909 million in 2010. The higher operating profit was primarily due to higher shipment volumes and improved price realization, partially offset by increased raw material costs, higher manufacturing overhead costs related to new products, higher selling, administrative and general expenses and increased research and development expenses.

The equipment operations net income was $2,329 million in 2011, compared with $1,492 million in 2010. The same operating factors mentioned above and a lower effective tax rate in 2011 affected these results.

Net income of the financial services operations attributable to Deere & Company in 2011 increased to $471 million, compared with $373 million in 2010. The increase was primarily a result of growth in the credit portfolio and a lower provision for credit losses. Additional information is presented in the following discussion of the Worldwide Financial Services Operations.

The cost of sales to net sales ratio for 2011 was 74.4 percent, compared with 73.8 percent in 2010. The increase was primarily due to increased raw material costs and higher manufacturing overhead costs related to new products, partially offset by improved price realization.

Finance and interest income increased in 2011 due to a larger average credit portfolio, partially offset by lower financing rates. Other income increased in 2011 primarily as a result of higher insurance premiums and fees earned on crop insurance, largely offset by lower service revenues due to the sale of the wind energy business (see Note 4). Research and development expenses increased primarily as a result of increased spending in support of new products and more stringent emission requirements. Selling, administrative and general expenses increased primarily due to growth and higher sales commissions. Interest expense decreased due to lower average borrowing rates, partially offset by higher average borrowings. Other operating expenses decreased primarily due to lower depreciation expenses in 2011 due to the sale of the wind energy business and the write-down of the related assets held for sale at the end of 2010, partially offset by higher crop insurance claims and expenses in 2011. The effective tax rate for the provision for income taxes was lower in 2011 primarily due to the effect of the tax expense related to the enactment of health care legislation in 2010 (see Note 8).

The company has several defined benefit pension plans and defined benefit health care and life insurance plans. The company s postretirement benefit costs for these plans in 2011 were $603 million, compared with $658 million in 2010. The long-term expected return on plan assets, which is reflected in these costs, was an expected gain of 8.0 percent in 2011 and 8.2 percent in 2010, or $906 million in 2011 and $883 million in 2010. The actual return was a gain of $695 million in 2011 and $1,273 million in 2010. Total company contributions to the plans were $122 million in 2011 and $836 million in 2010, which include direct benefit payments for unfunded plans. These contributions also included voluntary contributions to plan assets of $650 million in 2010.

BUSINESS SEGMENT AND GEOGRAPHIC AREA RESULTS

Worldwide Agriculture and Turf Operations

The agriculture and turf segment had an operating profit of $3,447 million in 2011, compared with $2,790 million in 2010. Net sales increased 21 percent in 2011 primarily due to higher shipment volumes. Sales also increased due to improved price realization and foreign currency translation. The increase in operating profit was largely due to increased shipment volumes and improved price realization, partially offset by increased raw material costs, higher manufacturing overhead costs related to new products, higher selling, administrative and general expenses and increased research and development expenses.

Worldwide Construction and Forestry Operations

The construction and forestry segment had an operating profit of $392 million in 2011, compared with $119 million in 2010. Net sales increased 45 percent in 2011 primarily due to higher shipment volumes. Sales also increased due to improved price realization. The operating profit improvement in 2011 was primarily due to higher shipment and production volumes and improved price realization, partially offset by increased raw material costs, higher selling, administrative and general expenses and increased research and development expenses.

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Worldwide Financial Services Operations

The operating profit of the financial services segment was $725 million in 2011, compared with $499 million in 2010. The increase in operating profit was primarily due to growth in the credit portfolio and a lower provision for credit losses, partially offset by narrower financing spreads. Results in 2010 were also affected by the write-down of wind energy assets that were held for sale (see Note 4). Total revenues of the financial services operations, including intercompany revenues, increased 3 percent in 2011, primarily reflecting the larger portfolio. The average balance of receivables and leases financed was 13 percent higher in 2011, compared with 2010. Interest expense decreased 7 percent in 2011 as a result of lower average borrowing rates, partially offset by higher average borrowings. The financial services operations ratio of earnings to fixed charges was 2.22 to 1 in 2011, compared with 1.77 to 1 in 2010.

Equipment Operations in U.S. and Canada

The equipment operations in the U.S. and Canada had an operating profit of $2,898 million in 2011, compared with $2,302 million in 2010. The increase was due to higher shipment volumes and improved price realization, partially offset by increased raw material costs, higher manufacturing overhead costs related to new products, increased selling, administrative and general expenses and higher research and development expenses. Net sales increased 17 percent primarily due to higher shipment volumes and improved price realization. The physical volume of sales increased 12 percent, compared with 2010.

Equipment Operations outside U.S. and Canada

The equipment operations outside the U.S. and Canada had an operating profit of $941 million in 2011, compared with $607 million in 2010. The increase was primarily due to the effects of higher shipment volumes and improved price realization, partially offset by higher raw material costs, higher manufacturing overhead costs related to new products, increased selling, administrative and general expenses and higher research and development costs. Net sales were 38 percent higher primarily reflecting increased volumes and the effect of foreign currency translation. The physical volume of sales increased 30 percent, compared with 2010.

CAPITAL RESOURCES AND LIQUIDITY

The discussion of capital resources and liquidity has been organized to review separately, where appropriate, the company s consolidated totals, equipment operations and financial services operations.

CONSOLIDATED

Positive cash flows from consolidated operating activities in 2012 were $1,168 million. This resulted primarily from net income adjusted for non-cash provisions and an increase in accounts payable and accrued expenses, which were partially offset by an increase in trade receivables, inventories and insurance receivables. Cash outflows from investing activities were $4,004 million in 2012, primarily due to the cost of receivables (excluding receivables related to sales) and equipment on operating leases exceeding the collections of receivables and the proceeds from sales of equipment on operating leases by $2,076 million, purchases of property and equipment of $1,319 million and purchases exceeding maturities and sales of marketable securities by $682 million. Cash inflows from financing activities were $3,880 million in 2012 primarily due to an increase in borrowings of $6,141 million, partially offset by repurchases of common stock of $1,588 million and dividends paid of $698 million. Cash and cash equivalents increased $1,005 million during 2012.

Over the last three years, operating activities have provided an aggregate of $5,776 million in cash. In addition, increases in borrowings were $8,050 million, proceeds from sales of businesses were $976 million, proceeds from issuance of common stock (resulting from the exercise of stock options) were $360 million. The aggregate amount of these cash flows was used mainly to acquire receivables (excluding receivables related to sales) and equipment on operating leases that exceeded collections of receivables and the proceeds from sales of equipment on operating leases by $5,199 million, repurchase common stock of $3,614 million, purchase property and equipment of $3,138 million, pay dividends of $1,775 million and purchase marketable securities that exceeded proceeds from maturities and sales by $1,261 million. Cash and cash equivalents remained approximately the same as three years ago.

Given the continued uncertainty in the global economy, there has been a reduction in liquidity in some global markets that continues to affect the funding activities of the company. However, the company has access to most global markets at a reasonable cost and expects to have sufficient sources of global funding and liquidity to meet its funding needs. The company s exposures to receivables from customers in European countries experiencing economic strains are not significant. Sources of liquidity for the company include cash and cash equivalents, marketable securities, funds from operations, the issuance of commercial paper and term debt, the securitization of retail notes (both public and private markets) and committed and uncommitted bank lines of credit. The company s commercial paper outstanding at October 31, 2012 and 2011 was $1,207 million and $1,279 million, respectively, while the total cash and cash equivalents and marketable securities position was $6,123 million and $4,435 million, respectively. The amount of the total cash and cash equivalents and marketable securities held by foreign subsidiaries, in which earnings are considered indefinitely reinvested, was $628 million and $720 million at October 31, 2012 and 2011, respectively.

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Lines of Credit. The company also has access to bank lines of credit with various banks throughout the world. Worldwide lines of credit totaled $5,194 million at October 31, 2012, $3,793 million of which were unused. For the purpose of computing unused credit lines, commercial paper and short-term bank borrowings, excluding secured borrowings and the current portion of long-term borrowings, were primarily considered to constitute utilization. Included in the total credit lines at October 31, 2012 was a long-term credit facility agreement of $2,750 million, expiring in April 2015, and a long-term credit facility agreement of $1,500 million, expiring in April 2017. These credit agreements require Capital Corporation to maintain its consolidated ratio of earnings to fixed charges at not less than 1.05 to 1 for each fiscal quarter and the ratio of senior debt, excluding securitization indebtedness, to capital base (total subordinated debt and stockholder s equity excluding accumulated other comprehensive income (loss)) at not more than 11 to 1 at the end of any fiscal quarter. The credit agreements also require the equipment operations to maintain a ratio of total debt to total capital (total debt and stockholders equity excluding accumulated other comprehensive income (loss)) of 65 percent or less at the end of each fiscal quarter. Under this provision, the company s excess equity capacity and retained earnings balance free of restriction at October 31, 2012 was $8,273 million. Alternatively under this provision, the equipment operations had the capacity to incur additional debt of $15,364 million at October 31, 2012. All of these requirements of the credit agreements have been met during the periods included in the consolidated financial statements.

Debt Ratings. To access public debt capital markets, the company relies on credit rating agencies to assign short-term and long-term credit ratings to the company s securities as an indicator of credit quality for fixed income investors. A security rating is not a recommendation by the rating agency to buy, sell or hold company securities. A credit rating agency may change or withdraw company ratings based on its assessment of the company s current and future ability to meet interest and principal repayment obligations. Each agency s rating should be evaluated independently of any other rating. Lower credit ratings generally result in higher borrowing costs, including costs of derivative transactions, and reduced access to debt capital markets. The senior long-term and short-term debt ratings and outlook currently assigned to unsecured company securities by the rating agencies engaged by the company are as follows:

	Senior Long-Term	**Short-Term**	**Outlook**
Moody s Investors Service, Inc.	A2	Prime-1	Stable
Standard & Poor s	A	A-1	Stable

Trade accounts and notes receivable primarily arise from sales of goods to independent dealers. Trade receivables increased by $505 million in 2012 primarily resulting from the increase in sales, partially offset by the effect of foreign currency translation. The ratio of trade accounts and notes receivable at October 31 to fiscal year net sales was 11 percent in 2012 and 2011. Total worldwide agriculture and turf receivables increased $456 million and construction and forestry receivables increased $49 million. The collection period for trade receivables averages less than 12 months. The percentage of trade receivables outstanding for a period exceeding 12 months was 2 percent and 3 percent at October 31, 2012 and 2011, respectively.

Deere & Company s stockholders equity was $6,842 million at October 31, 2012, compared with $6,800 million at October 31, 2011. The increase of $42 million resulted primarily from net income attributable to Deere & Company of $3,065 million and an increase in common stock of $100 million, which were partially offset by an increase in treasury stock of $1,521 million, dividends declared of $709 million, a change in the retirement benefits adjustment of $624 million and a change in the cumulative translation adjustment of $270 million.

EQUIPMENT OPERATIONS

The company s equipment businesses are capital intensive and are subject to seasonal variations in financing requirements for inventories and certain receivables from dealers. The equipment operations sell a significant portion of their trade receivables to financial services. To the extent

necessary, funds provided from operations are supplemented by external financing sources.

Cash provided by operating activities of the equipment operations during 2012, including intercompany cash flows, was $2,948 million primarily due to net income adjusted for non-cash provisions and an increase in accounts payable and accrued expenses, partially offset by an increase in inventories and trade receivables.

Over the last three years, these operating activities, including intercompany cash flows, have provided an aggregate of $8,491 million in cash.

Trade receivables held by the equipment operations increased by $186 million during 2012. The equipment operations sell a significant portion of their trade receivables to financial services (see previous consolidated discussion).

Inventories increased by $799 million in 2012 primarily reflecting the increase in production and sales, partially offset by the effect of foreign currency translation. Most of these inventories are valued on the last-in, first-out (LIFO) method. The ratios of inventories on a first-in, first-out (FIFO) basis (see Note 15), which approximates current cost, to fiscal year cost of sales were 26 percent and 27 percent at October 31, 2012 and 2011, respectively.

Total interest-bearing debt of the equipment operations was $5,870 million at the end of 2012, compared with $3,696 million at the end of 2011 and $3,414 million at the end of 2010. The ratio of total debt to total capital (total interest-bearing debt and stockholders equity) at the end of 2012, 2011 and 2010 was 46 percent, 35 percent and 35 percent, respectively.

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Property and equipment cash expenditures for the equipment operations in 2012 were $1,316 million, compared with $1,054 million in 2011. Capital expenditures in 2013 are estimated to be $1,300 million.

FINANCIAL SERVICES

The financial services operations rely on their ability to raise substantial amounts of funds to finance their receivable and lease portfolios. Their primary sources of funds for this purpose are a combination of commercial paper, term debt, securitization of retail notes, equity capital and from time to time borrowings from Deere & Company.

The cash provided by operating activities and financing activities was used primarily for investing activities. Cash flows from the financial services operating activities, including intercompany cash flows, were $877 million in 2012. Cash used by investing activities totaled $4,635 million in 2012, primarily due to the cost of receivables (excluding trade and wholesale) and cost of equipment on operating leases exceeding collections of these receivables and the proceeds from sales of equipment on operating leases by $3,172 million and an increase in trade receivables and wholesale notes of $1,519 million. Cash provided by financing activities totaled $4,017 million in 2012, representing primarily an increase in external borrowings of $3,876 million and capital investment from Deere & Company of $264 million. Cash and cash equivalents increased $285 million.

Over the last three years, the operating activities, including intercompany cash flows, have provided $3,217 million in cash. In addition, an increase in total borrowings of $7,368 million and capital investment from Deere & Company of $377 million provided cash inflows. These amounts have been used mainly to fund receivables (excluding trade and wholesale) and equipment on operating lease acquisitions, which exceeded collections and the proceeds from sales of equipment on operating leases by $7,622 million, fund an increase in trade receivables and wholesale notes of $2,919 million and pay dividends to Deere & Company of $601 million. Cash and cash equivalents decreased $218 million over the three-year period.

Receivables and equipment on operating leases increased by $3,855 million in 2012, compared with 2011. Total acquisition volumes of receivables (excluding trade and wholesale notes) and cost of equipment on operating leases increased 10 percent in 2012, compared with 2011. The volumes of operating leases, financing leases, retail notes and revolving charge accounts increased approximately 27 percent, 16 percent, 14 percent, and 5 percent, respectively, while operating loans decreased 95 percent due to lower market coverage. The amount of wholesale notes increased 31 percent and trade receivables increased 16 percent during 2012. At October 31, 2012 and 2011, net receivables and leases administered, which include receivables administered but not owned, were $31,746 million and $27,918 million, respectively.

Total external interest-bearing debt of the financial services operations was $26,551 million at the end of 2012, compared with $22,894 million at the end of 2011 and $20,935 million at the end of 2010. Total external borrowings have changed generally corresponding with the level of the receivable and lease portfolio, the level of cash and cash equivalents, the change in payables owed to Deere & Company and the change in investment from Deere & Company. The financial services operations ratio of total interest-bearing debt to total stockholder s equity was 7.2 to 1 at the end of 2012, 7.5 to 1 at the end of 2011 and 7.1 to 1 at the end of 2010.

The Capital Corporation has a revolving credit agreement to utilize bank conduit facilities to securitize retail notes (see Note 13). At October 31, 2012, the facility had a total capacity, or financing limit, of up to $2,750 million of secured financings at any time. The facility was renewed in

November 2012 with a capacity of $3,000 million. After a three-year revolving period, unless the banks and Capital Corporation agree to renew, Capital Corporation would liquidate the secured borrowings over time as payments on the retail notes are collected. At October 31, 2012, $1,314 million of short-term securitization borrowings was outstanding under the agreement.

During 2012, the financial services operations issued $2,775 million and retired $1,978 million of retail note securitization borrowings. During 2012, the financial services operations also issued $8,121 million and retired $5,176 million of long-term borrowings. The long-term borrowing retirements included $1,500 million of 7% Notes due in March 2012. The remaining issuances and retirements were primarily medium-term notes.

OFF-BALANCE-SHEET ARRANGEMENTS

At October 31, 2012, the company had approximately $290 million of guarantees issued primarily to banks outside the U.S. related to third-party receivables for the retail financing of John Deere equipment. The company may recover a portion of any required payments incurred under these agreements from repossession of the equipment collateralizing the receivables. The maximum remaining term of the receivables guaranteed at October 31, 2012 was approximately five years.

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AGGREGATE CONTRACTUAL OBLIGATIONS

The payment schedule for the company s contractual obligations at October 31, 2012 in millions of dollars is as follows:

	Total	Less than 1 year	2&3 years	4&5 years	More than 5 years
On-balance-sheet					
Debt*					
Equipment operations	$ 5,869	$ 425	$ 1,018	$ 48	$ 4,378
Financial services**	26,039	7,806	9,305	4,673	4,255
Total	31,908	8,231	10,323	4,721	8,633
Interest relating to debt***	5,353	716	1,046	752	2,839
Accounts payable	3,312	3,184	86	38	4
Capital leases	57	28	21	4	4
Off-balance-sheet					
Purchase obligations	4,299	4,251	38	10	
Operating leases	462	148	182	75	57
Total	$ 45,391	$ 16,558	$ 11,696	$ 5,600	$ 11,537

* Principal payments.

** Securitization borrowings of $3,575 million classified as short-term on the balance sheet related to the securitization of retail notes are included in this table based on the expected payment schedule (see Note 18).

*** Includes projected payments related to interest rate swaps.

The previous table does not include unrecognized tax benefit liabilities of approximately $265 million at October 31, 2012 since the timing of future payments is not reasonably estimable at this time (see Note 8). For additional information regarding pension and other postretirement employee benefit obligations, short-term borrowings, long-term borrowings and lease obligations, see Notes 7, 18, 20 and 21, respectively.

CRITICAL ACCOUNTING POLICIES

The preparation of the company s consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. Changes in these estimates and assumptions could have a significant effect on the financial statements. The accounting policies below are those management believes are the most critical to the preparation of the company s financial statements and require the most difficult, subjective or complex judgments. The company s other accounting policies are described in the Notes to the Consolidated Financial Statements.

Sales Incentives

At the time a sale to a dealer is recognized, the company records an estimate of the future sales incentive costs for allowances and financing programs that will be due when the dealer sells the equipment to a retail customer. The estimate is based on historical data, announced incentive programs, field inventory levels and retail sales volumes. The final cost of these programs and the amount of accrual required for a specific sale are fully determined when the dealer sells the equipment to the retail customer. This is due to numerous programs available at any particular time and new programs that may be announced after the company records the sale. Changes in the mix and types of programs affect these estimates, which are reviewed quarterly.

The sales incentive accruals at October 31, 2012, 2011 and 2010 were $1,453 million, $1,122 million and $879 million, respectively. The increases in 2012 and 2011 were primarily due to higher sales volumes.

The estimation of the sales incentive accrual is impacted by many assumptions. One of the key assumptions is the historical percent of sales incentive costs to retail sales from dealers. Over the last five fiscal years, this percent has varied by an average of approximately plus or minus .7 percent, compared to the average sales incentive costs to retail sales percent during that period. Holding other assumptions constant, if this estimated cost experience percent were to increase or decrease .7 percent, the sales incentive accrual at October 31, 2012 would increase or decrease by approximately $50 million.

Product Warranties

At the time a sale to a dealer is recognized, the company records the estimated future warranty costs. The company generally determines its total warranty liability by applying historical claims rate experience to the estimated amount of equipment that has been sold and is still under warranty based on dealer inventories and retail sales. The historical claims rate is primarily determined by a review of five-year claims costs and consideration of current quality developments. Variances in claims experience and the type of warranty programs affect these estimates, which are reviewed quarterly.

The product warranty accruals, excluding extended warranty unamortized premiums, at October 31, 2012, 2011 and 2010 were $733 million, $662 million and $559 million, respectively. The changes were primarily due to higher sales volumes in 2012 and 2011.

Estimates used to determine the product warranty accruals are significantly affected by the historical percent of warranty claims costs to sales. Over the last five fiscal years, this percent has varied by an average of approximately plus or minus .09 percent, compared to the average warranty costs to sales percent during that period. Holding other assumptions constant, if this estimated cost experience percent were to increase or decrease .09 percent, the warranty accrual at October 31, 2012 would increase or decrease by approximately $35 million.

Postretirement Benefit Obligations

Pension obligations and other postretirement employee benefit (OPEB) obligations are based on various assumptions used by the company s actuaries in calculating these amounts. These assumptions include discount rates, health care cost trend rates, expected return on plan assets, compensation increases, retirement rates, mortality rates and other factors. Actual results that differ from the assumptions and changes in assumptions affect future expenses and obligations.

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The pension liabilities, net of pension assets, recognized on the balance sheet at October 31, 2012, 2011 and 2010 were $1,817 million, $1,373 million and $693 million, respectively. The OPEB liabilities, net of OPEB assets, on these same dates were $5,736 million, $5,193 million and $4,830 million, respectively. The increases in pension net liabilities in 2012 and 2011 were primarily due to decreases in discount rates and interest on the liabilities, partially offset by the return on plan assets. The increases in the OPEB net liabilities in 2012 and 2011 were primarily due to the decreases in discount rates and interest on the liabilities.

The effect of hypothetical changes to selected assumptions on the company s major U.S. retirement benefit plans would be as follows in millions of dollars:

Assumptions	**Percentage Change**	**October 31, 2012 Increase (Decrease) PBO/APBO***	**2013 Increase (Decrease) Expense**
Pension			
Discount rate**	+/-.5	$ (598)/635	$ (28)/28
Expected return on assets	+/-.5		(45)/45
OPEB			
Discount rate**	+/-.5	(419)/465	(24)/26
Expected return on assets	+/-.5		(6)/6
Health care cost trend rate**	+/-1.0	938/(709)	124/(95)

* Projected benefit obligation (PBO) for pension plans and accumulated postretirement benefit obligation (APBO) for OPEB plans.

** Pretax impact on service cost, interest cost and amortization of gains or losses.

Goodwill

Goodwill is not amortized and is tested for impairment annually and when events or circumstances change such that it is more likely than not that the fair value of a reporting unit is reduced below its carrying amount. The end of the third quarter is the annual measurement date. To test for goodwill impairment, the carrying value of each reporting unit is compared with its fair value. If the carrying value of the goodwill is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the implied fair value of the goodwill.

An estimate of the fair value of the reporting unit is determined through a combination of comparable market values for similar businesses and discounted cash flows. These estimates can change significantly based on such factors as the reporting unit s financial performance, economic conditions, interest rates, growth rates, pricing, changes in business strategies and competition.

Based on this testing, the company identified a reporting unit in 2012 and 2010 for which the goodwill was impaired. In the fourth quarters of 2012 and 2010, the company recorded non-cash charges in cost of sales of $33 million pretax, or $31 million after-tax, and $27 million pretax, or $25 million after-tax, respectively. The charges were associated with a reporting unit included in the agriculture and turf operating segment. The key factor contributing to the impairments was a decline in the reporting unit s forecasted financial performance (see Note 5).

A 10 percent decrease in the estimated fair value of the company s other reporting units would have had no impact on the carrying value of goodwill at the annual measurement date in 2012.

Allowance for Credit Losses

The allowance for credit losses represents an estimate of the losses expected from the company s receivable portfolio. The level of the allowance is based on many quantitative and qualitative factors, including historical loss experience by product category, portfolio duration, delinquency trends, economic conditions and credit risk quality. The adequacy of the allowance is assessed quarterly. Different assumptions or changes in economic conditions would result in changes to the allowance for credit losses and the provision for credit losses.

The total allowance for credit losses at October 31, 2012, 2011 and 2010 was $243 million, $269 million and $296 million, respectively. The decreases in 2012 and 2011 were primarily due to decreases in loss experience.

The assumptions used in evaluating the company s exposure to credit losses involve estimates and significant judgment. The historical loss experience on the receivable portfolio represents one of the key assumptions involved in determining the allowance for credit losses. Over the last five fiscal years, this percent has varied by an average of approximately plus or minus .23 percent, compared to the average loss experience percent during that period. Holding other assumptions constant, if this estimated loss experience on the receivable portfolio were to increase or decrease .23 percent, the allowance for credit losses at October 31, 2012 would increase or decrease by approximately $70 million.

Operating Lease Residual Values

The carrying value of equipment on operating leases is affected by the estimated fair values of the equipment at the end of the lease (residual values). Upon termination of the lease, the equipment is either purchased by the lessee or sold to a third party, in which case the company may record a gain or a loss for the difference between the estimated residual value and the sales price. The residual values are dependent on current economic conditions and are reviewed quarterly. Changes in residual value assumptions would affect the amount of depreciation expense and the amount of investment in equipment on operating leases.

The total operating lease residual values at October 31, 2012, 2011 and 2010 were $1,676 million, $1,425 million and $1,276 million, respectively. The changes in 2012 and 2011 were primarily due to the increasing levels of operating leases.

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Estimates used in determining end of lease market values for equipment on operating leases significantly impact the amount and timing of depreciation expense. If future market values for this equipment were to decrease 10 percent from the company s present estimates, the total impact would be to increase the company s annual depreciation for equipment on operating leases by approximately $70 million.

FINANCIAL INSTRUMENT MARKET RISK INFORMATION

The company is naturally exposed to various interest rate and foreign currency risks. As a result, the company enters into derivative transactions to manage certain of these exposures that arise in the normal course of business and not for the purpose of creating speculative positions or trading. The company s financial services manage the relationship of the types and amounts of their funding sources to their receivable and lease portfolio in an effort to diminish risk due to interest rate and foreign currency fluctuations, while responding to favorable financing opportunities. Accordingly, from time to time, these operations enter into interest rate swap agreements to manage their interest rate exposure. The company also has foreign currency exposures at some of its foreign and domestic operations related to buying, selling and financing in currencies other than the functional currencies. The company has entered into agreements related to the management of these foreign currency transaction risks.

Interest Rate Risk

Quarterly, the company uses a combination of cash flow models to assess the sensitivity of its financial instruments with interest rate exposure to changes in market interest rates. The models calculate the effect of adjusting interest rates as follows. Cash flows for financing receivables are discounted at the current prevailing rate for each receivable portfolio. Cash flows for marketable securities are primarily discounted at the applicable benchmark yield curve plus market credit spreads. Cash flows for unsecured borrowings are discounted at the applicable benchmark yield curve plus market credit spreads for similarly rated borrowers. Cash flows for securitized borrowings are discounted at the swap yield curve plus a market credit spread for similarly rated borrowers. Cash flows for interest rate swaps are projected and discounted using forward rates from the swap yield curve at the repricing dates. The net loss in these financial instruments fair values which would be caused by decreasing the interest rates by 10 percent from the market rates at October 31, 2012 would have been approximately $33 million. The net loss from increasing the interest rates by 10 percent at October 31, 2011 would have been approximately $42 million.

Foreign Currency Risk

In the equipment operations, the company s practice is to hedge significant currency exposures. Worldwide foreign currency exposures are reviewed quarterly. Based on the equipment operations anticipated and committed foreign currency cash inflows, outflows and hedging policy for the next twelve months, the company estimates that a hypothetical 10 percent weakening of the U.S. dollar relative to other currencies through 2013 would decrease the 2013 expected net cash inflows by $68 million. At October 31, 2011, a hypothetical 10 percent strengthening of the U.S. dollar under similar assumptions and calculations indicated a potential $19 million adverse effect on the 2012 net cash inflows.

In the financial services operations, the company s policy is to hedge the foreign currency risk if the currency of the borrowings does not match the currency of the receivable portfolio. As a result, a hypothetical 10 percent adverse change in the value of the U.S. dollar relative to all other foreign currencies would not have a material effect on the financial services cash flows.

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DEERE & COMPANY

STATEMENT OF CONSOLIDATED INCOME

For the Years Ended October 31, 2012, 2011 and 2010

(In millions of dollars and shares except per share amounts)

	2012	2011	2010
Net Sales and Revenues			
Net sales	$ 33,500.9	$ 29,466.1	$ 23,573.2
Finance and interest income	1,981.3	1,922.6	1,825.3
Other income	674.9	623.8	606.1
Total	36,157.1	32,012.5	26,004.6
Costs and Expenses			
Cost of sales	25,007.8	21,919.4	17,398.8
Research and development expenses	1,433.6	1,226.2	1,052.4
Selling, administrative and general expenses	3,417.0	3,168.7	2,968.7
Interest expense	782.8	759.4	811.4
Other operating expenses	781.5	716.0	748.1
Total	31,422.7	27,789.7	22,979.4
Income of Consolidated Group before Income Taxes	4,734.4	4,222.8	3,025.2
Provision for income taxes	1,659.4	1,423.6	1,161.6
Income of Consolidated Group	3,075.0	2,799.2	1,863.6
Equity in income (loss) of unconsolidated affiliates	(3.4)	8.6	10.7
Net Income	3,071.6	2,807.8	1,874.3
Less: Net income attributable to noncontrolling interests	6.9	7.9	9.3
Net Income Attributable to Deere & Company	$ 3,064.7	$ 2,799.9	$ 1,865.0
Per Share Data			
Basic	$ 7.72	$ 6.71	$ 4.40
Diluted	$ 7.63	$ 6.63	$ 4.35
Dividends declared	$ 1.79	$ 1.52	$ 1.16
Average Shares Outstanding			
Basic	397.1	417.4	424.0
Diluted	401.5	422.4	428.6

The notes to consolidated financial statements are an integral part of this statement.

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DEERE & COMPANY

CONSOLIDATED BALANCE SHEET

As of October 31, 2012 and 2011

(In millions of dollars except per share amounts)

		2012		2011
ASSETS				
Cash and cash equivalents	$	4,652.2	$	3,647.2
Marketable securities		1,470.4		787.3
Receivables from unconsolidated affiliates		59.7		48.0
Trade accounts and notes receivable - net		3,799.1		3,294.5
Financing receivables - net		22,159.1		19,923.5
Financing receivables securitized - net		3,617.6		2,905.0
Other receivables		1,790.9		1,330.6
Equipment on operating leases - net		2,527.8		2,150.0
Inventories		5,170.0		4,370.6
Property and equipment - net		5,011.9		4,352.3
Investments in unconsolidated affiliates		215.0		201.7
Goodwill		921.2		999.8
Other intangible assets - net		105.0		127.4
Retirement benefits		20.2		30.4
Deferred income taxes		3,280.4		2,858.6
Other assets		1,465.3		1,180.5
Total Assets	$	56,265.8	$	48,207.4
LIABILITIES AND STOCKHOLDERS EQUITY				
LIABILITIES				
Short-term borrowings	$	6,392.5	$	6,852.3
Short-term securitization borrowings		3,574.8		2,777.4
Payables to unconsolidated affiliates		135.2		117.7
Accounts payable and accrued expenses		8,988.9		7,804.8
Deferred income taxes		164.4		168.3
Long-term borrowings		22,453.1		16,959.9
Retirement benefits and other liabilities		7,694.9		6,712.1
Total liabilities		49,403.8		41,392.5
Commitments and contingencies (Note 22)				
STOCKHOLDERS EQUITY				
Common stock, $1 par value (authorized 1,200,000,000 shares; issued 536,431,204 shares in 2012 and 2011), at paid-in amount		3,352.2		3,251.7
Common stock in treasury, 148,625,875 shares in 2012 and 130,361,345 shares in 2011, at cost		(8,813.8)		(7,292.8)
Retained earnings		16,875.2		14,519.4
Accumulated other comprehensive income (loss):				
Retirement benefits adjustment		(4,759.0)		(4,135.4)
Cumulative translation adjustment		184.1		453.8
Unrealized loss on derivatives		(13.4)		(8.3)
Unrealized gain on investments		16.8		11.9

Accumulated other comprehensive income (loss)		(4,571.5)		(3,678.0)
Total Deere & Company stockholders equity		6,842.1		6,800.3
Noncontrolling interests		19.9		14.6
Total stockholders equity		6,862.0		6,814.9
Total Liabilities and Stockholders Equity	$	56,265.8	$	48,207.4

The notes to consolidated financial statements are an integral part of this statement.

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DEERE & COMPANY

STATEMENT OF CONSOLIDATED CASH FLOWS

For the Years Ended October 31, 2012, 2011 and 2010

(In millions of dollars)

	2012	2011	2010
Cash Flows from Operating Activities			
Net income	$ 3,071.6	$ 2,807.8	$ 1,874.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for doubtful receivables	5.1	13.5	106.4
Provision for depreciation and amortization	1,004.2	914.9	914.8
Goodwill impairment charges	33.4		27.2
Share-based compensation expense	74.5	69.0	71.2
Undistributed earnings of unconsolidated affiliates	1.8	11.1	(2.2)
Provision (credit) for deferred income taxes	(91.8)	(168.0)	175.0
Changes in assets and liabilities:			
Trade, notes and financing receivables related to sales	(1,901.6)	(808.9)	(1,095.0)
Insurance receivables	(338.5)	(300.1)	
Inventories	(1,510.2)	(1,730.5)	(1,052.7)
Accounts payable and accrued expenses	1,061.8	1,287.0	1,057.7
Accrued income taxes payable/receivable	(72.3)	1.2	22.1
Retirement benefits	63.3	495.3	(154.1)
Other	(233.6)	(266.0)	337.5
Net cash provided by operating activities	1,167.7	2,326.3	2,282.2
Cash Flows from Investing Activities			
Collections of receivables (excluding receivables related to sales)	13,064.9	12,151.4	11,047.1
Proceeds from maturities and sales of marketable securities	240.3	32.4	38.4
Proceeds from sales of equipment on operating leases	799.5	683.4	621.9
Government grants related to property and equipment			92.3
Proceeds from sales of businesses, net of cash sold	30.2	911.1	34.9
Cost of receivables acquired (excluding receivables related to sales)	(15,139.0)	(13,956.8)	(12,493.9)
Purchases of marketable securities	(922.2)	(586.9)	(63.4)
Purchases of property and equipment	(1,319.2)	(1,056.6)	(761.7)
Cost of equipment on operating leases acquired	(801.8)	(624.2)	(551.1)
Acquisitions of businesses, net of cash acquired		(60.8)	(45.5)
Other	43.2	(113.7)	(28.1)
Net cash used for investing activities	(4,004.1)	(2,620.7)	(2,109.1)
Cash Flows from Financing Activities			
Increase (decrease) in total short-term borrowings	894.9	(226.1)	756.0
Proceeds from long-term borrowings	10,642.0	5,655.0	2,621.1
Payments of long-term borrowings	(5,396.0)	(3,220.8)	(3,675.7)
Proceeds from issuance of common stock	61.0	170.0	129.1
Repurchases of common stock	(1,587.7)	(1,667.0)	(358.8)
Dividends paid	(697.9)	(593.1)	(483.5)
Excess tax benefits from share-based compensation	30.1	70.1	43.5
Other	(66.2)	(48.5)	(41.4)
Net cash provided by (used for) financing activities	3,880.2	139.6	(1,009.7)

Effect of Exchange Rate Changes on Cash and Cash Equivalents	(38.8)	11.4	(24.5)
Net Increase (Decrease) in Cash and Cash Equivalents	1,005.0	(143.4)	(861.1)
Cash and Cash Equivalents at Beginning of Year	3,647.2	3,790.6	4,651.7
Cash and Cash Equivalents at End of Year	$ 4,652.2	$ 3,647.2	$ 3,790.6

The notes to consolidated financial statements are an integral part of this statement.

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DEERE & COMPANY

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS EQUITY

For the Years Ended October 31, 2010, 2011 and 2012

(In millions of dollars)

			Deere & Company Stockholders				
	Total Stockholders Equity	**Comprehensive Income**	**Common Stock**	**Treasury Stock**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Non - controlling Interests**
Balance October 31, 2009	$ 4,822.8		$ 2,996.2	$ (5,564.7)	$ 10,980.5	$ (3,593.3)	$ 4.1
Net income	1,874.3	$ 1,865.0			1,865.0		9.3
Other comprehensive income (loss)							
Retirement benefits adjustment	158.0	158.0				158.0	
Cumulative translation adjustment	35.7	35.8				35.8	(.1)
Unrealized gain on derivatives	14.9	14.9				14.9	
Unrealized gain on investments	5.0	5.0				5.0	
Total comprehensive income	2,087.9	$ 2,078.7					9.2
Repurchases of common stock	(358.8)			(358.8)			
Treasury shares reissued	134.0			134.0			
Dividends declared	(492.7)				(492.3)		(.4)
Stock options and other	110.2		110.1		(.1)		.2
Balance October 31, 2010	6,303.4		3,106.3	(5,789.5)	12,353.1	(3,379.6)	13.1
Net income	2,807.8	$ 2,799.9			2,799.9		7.9
Other comprehensive income (loss)							
Retirement benefits adjustment	(338.4)	(338.4)				(338.4)	
Cumulative translation adjustment	17.8	17.8				17.8	
Unrealized gain on derivatives	20.9	20.9				20.9	
Unrealized gain on investments	1.3	1.3				1.3	
Total comprehensive income	2,509.4	$ 2,501.5					7.9
Repurchases of common stock	(1,667.0)			(1,667.0)			
Treasury shares reissued	163.7			163.7			
Dividends declared	(638.0)				(633.5)		(4.5)
Stock options and other	143.4		145.4		(.1)		(1.9)
Balance October 31, 2011	6,814.9		3,251.7	(7,292.8)	14,519.4	(3,678.0)	14.6
Net income	3,071.6	$ 3,064.7			3,064.7		6.9
Other comprehensive income (loss)							

Retirement benefits adjustment	(623.6)	(623.6)				(623.6)	
Cumulative translation adjustment	(270.0)	(269.7)				(269.7)	(.3)
Unrealized loss on derivatives	(5.1)	(5.1)				(5.1)	
Unrealized gain on investments	4.9	4.9				4.9	
Total comprehensive income	2,177.8	$ 2,171.2					6.6
Repurchases of common stock	(1,587.7)			(1,587.7)			
Treasury shares reissued	66.7			66.7			
Dividends declared	(709.2)				(708.9)		(.3)
Stock options and other	99.5		100.5				(1.0)
Balance October 31, 2012	$ 6,862.0		$ 3,352.2	$ (8,813.8)	$ 16,875.2	$ (4,571.5)	$ 19.9

The notes to consolidated financial statements are an integral part of this statement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND CONSOLIDATION

Structure of Operations

The information in the notes and related commentary are presented in a format which includes data grouped as follows:

Equipment Operations Includes the company s agriculture and turf operations and construction and forestry operations with financial services reflected on the equity basis.

Financial Services Includes primarily the company s financing operations.

Consolidated Represents the consolidation of the equipment operations and financial services. References to Deere & Company or the company refer to the entire enterprise.

Principles of Consolidation

The consolidated financial statements represent primarily the consolidation of all companies in which Deere & Company has a controlling interest. Certain variable interest entities (VIEs) are consolidated since the company has both the power to direct the activities that most significantly impact the VIEs economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIEs. Deere & Company records its investment in each unconsolidated affiliated company (generally 20 to 50 percent ownership) at its related equity in the net assets of such affiliate (see Note 10). Other investments (less than 20 percent ownership) are recorded at cost.

Variable Interest Entities

The company is the primary beneficiary of and consolidates a VIE based on a cost sharing supply contract. The company has both the power to direct the activities that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. No additional support beyond what was previously contractually required has been provided during any periods presented. The VIE produces blended fertilizer and other lawn care products for the agriculture and turf segment.

The assets and liabilities of this supplier VIE consisted of the following at October 31 in millions of dollars:

	2012	2011
Cash and cash equivalents	$ 26	$ 11
Intercompany receivables	7	14
Inventories	25	30
Property and equipment net	2	3
Other assets	5	3
Total assets	$ 65	$ 61
Short-term borrowings	$ 5	
Accounts payable and accrued expenses	48	$ 56
Total liabilities	$ 53	$ 56

The VIE is financed primarily through its own liabilities. The assets of the VIE can only be used to settle the obligations of the VIE. The creditors of the VIE do not have recourse to the general credit of the company.

See Note 13 for VIEs related to securitization of financing receivables.

Reclassification

Certain items previously reported in the Consolidated Statement of Cash Flows have been reclassified to conform to the 2012 presentation. In the operating activities, insurance receivables were separately stated from other adjustments to net income (see Note 12). The same change was made in the Supplemental Consolidating Data in Note 31, statement of cash flows for financial services. The total cash flows for the consolidated and financial services net cash provided by operating activities did not change.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are significant accounting policies in addition to those included in other notes to the consolidated financial statements.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Revenue Recognition

Sales of equipment and service parts are recorded when the sales price is determinable and the risks and rewards of ownership are transferred to independent parties based on the sales agreements in effect. In the U.S. and most international locations, this transfer occurs primarily when goods are shipped. In Canada and some other international locations, certain goods are shipped to dealers on a consignment basis under which the risks and rewards of ownership are not transferred to the dealer. Accordingly, in these locations, sales are not recorded until a retail customer has purchased the goods. In all cases, when a sale is recorded by the company, no significant uncertainty exists surrounding the purchaser s obligation to pay. No right of return exists on sales of equipment. Service parts and certain attachments returns are estimable and accrued at the time a sale is recognized. The company makes appropriate provisions based on experience for costs such as doubtful receivables, sales incentives and product warranty.

Financing revenue is recorded over the lives of related receivables using the interest method. Insurance premiums recorded in other income are generally recognized in proportion to the costs expected to be incurred over the contract period. Deferred costs on the origination of financing receivables are recognized as a reduction in finance revenue over the expected lives of the receivables using the interest method. Income and deferred costs on the origination of operating leases are recognized on a straight-line basis over the scheduled lease terms in finance revenue.

Sales Incentives

At the time a sale is recognized, the company records an estimate of the future sales incentive costs for allowances and financing programs that will be due when a dealer sells the equipment to a retail customer. The estimate is based on historical data, announced incentive programs, field inventory levels and retail sales volumes.

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Product Warranties

At the time a sale is recognized, the company records the estimated future warranty costs. These costs are usually estimated based on historical warranty claims (see Note 22).

Sales Taxes

The company collects and remits taxes assessed by different governmental authorities that are both imposed on and concurrent with revenue producing transactions between the company and its customers. These taxes may include sales, use, value-added and some excise taxes. The company reports the collection of these taxes on a net basis (excluded from revenues).

Shipping and Handling Costs

Shipping and handling costs related to the sales of the company s equipment are included in cost of sales.

Advertising Costs

Advertising costs are charged to expense as incurred. This expense was $177 million in 2012, $163 million in 2011 and $154 million in 2010.

Depreciation and Amortization

Property and equipment, capitalized software and other intangible assets are stated at cost less accumulated depreciation or amortization. These assets are depreciated over their estimated useful lives generally using the straight-line method. Equipment on operating leases is depreciated over the terms of the leases using the straight-line method. Property and equipment expenditures for new and revised products, increased capacity and the replacement or major renewal of significant items are capitalized. Expenditures for maintenance, repairs and minor renewals are generally charged to expense as incurred.

Securitization of Receivables

Certain financing receivables are periodically transferred to special purpose entities (SPEs) in securitization transactions (see Note 13). These securitizations qualify as collateral for secured borrowings and no gains or losses are recognized at the time of securitization. The receivables remain on the balance sheet and are classified as Financing receivables securitized - net. The company recognizes finance income over the lives of these receivables using the interest method.

Receivables and Allowances

All financing and trade receivables are reported on the balance sheet at outstanding principal adjusted for any charge-offs, the allowance for credit losses and doubtful accounts, and any deferred fees or costs on originated financing receivables. Allowances for credit losses and doubtful accounts are maintained in amounts considered to be appropriate in relation to the receivables outstanding based on collection experience, economic conditions and credit risk quality. Receivables are written-off to the allowance when the account is considered uncollectible.

Impairment of Long-Lived Assets, Goodwill and Other Intangible Assets

The company evaluates the carrying value of long-lived assets (including property and equipment, goodwill and other intangible assets) when events or circumstances warrant such a review. Goodwill and intangible assets with indefinite lives are tested for impairment annually at the end of the third fiscal quarter each year, or more often if events or circumstances indicate a reduction in the fair value below the carrying value. Goodwill is allocated and reviewed for impairment by reporting units, which consist primarily of the operating segments and certain other reporting units. The goodwill is allocated to the reporting unit in which the business that created the goodwill resides. To test for goodwill impairment, the carrying value of each reporting unit is compared with its fair value. If the carrying value of the goodwill or long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset (see Note 5).

Derivative Financial Instruments

It is the company s policy that derivative transactions are executed only to manage exposures arising in the normal course of business and not for the purpose of creating speculative positions or trading. The company s financial services manage the relationship of the types and amounts of their funding sources to their receivable and lease portfolio in an effort to diminish risk due to interest rate and foreign currency fluctuations, while responding to favorable financing opportunities. The company also has foreign currency exposures at some of its foreign and domestic operations related to buying, selling and financing in currencies other than the functional currencies.

All derivatives are recorded at fair value on the balance sheet. Cash collateral received or paid is not offset against the derivative fair values on the balance sheet. Each derivative is designated as either a cash flow hedge, a fair value hedge, or remains undesignated. Changes in the fair value of derivatives that are designated and effective as cash flow hedges are recorded in other comprehensive income and reclassified to the income statement when the effects of the item being hedged are recognized in the income statement. Changes in the fair value of derivatives that are designated and effective as fair value hedges are recognized currently in net income. These changes are offset in net income to the extent the hedge was effective by fair value changes related to the risk being hedged on the hedged item. Changes in the fair value of undesignated hedges are recognized currently in the income statement. All ineffective changes in derivative fair values are recognized currently in net income.

All designated hedges are formally documented as to the relationship with the hedged item as well as the risk-management strategy. Both at inception and on an ongoing basis the hedging instrument is assessed as to its effectiveness. If and when a derivative is determined not to be highly effective as a hedge, or the underlying hedged transaction is no longer likely to occur, or the hedge designation is removed, or the derivative is terminated, the hedge accounting discussed above is discontinued (see Note 27).

Foreign Currency Translation

The functional currencies for most of the company s foreign operations are their respective local currencies. The assets and liabilities of these operations are translated into U.S. dollars at the end of the period exchange rates. The revenues and expenses are translated at weighted-average rates for the period. The gains or losses from these translations are recorded in other comprehensive income. Gains or losses from transactions

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denominated in a currency other than the functional currency of the subsidiary involved and foreign exchange forward contracts are included in net income. The pretax net losses for foreign exchange in 2012, 2011 and 2010 were $96 million, $121 million and $75 million, respectively.

3. NEW ACCOUNTING STANDARDS

New Accounting Standards Adopted

In the first quarter of 2012, the company adopted the remaining provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2010-06, Improving Disclosures about Fair Value Measurements, which amends Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. This ASU requires disclosures of transfers into and out of Levels 1 and 2, more detailed roll forward reconciliations of Level 3 recurring fair value measurements on a gross basis, fair value information by class of assets and liabilities, and descriptions of valuation techniques and inputs for Level 2 and 3 measurements. The effective date was the second quarter of fiscal year 2010 except for the roll forward reconciliations, which were required in the first quarter of fiscal year 2012. The adoption in 2010 and the adoption in the first quarter of 2012 did not have a material effect on the company s consolidated financial statements.

In the second quarter of 2012, the company adopted FASB ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which amends ASC 820, Fair Value Measurement. This ASU requires the categorization by level for items that are required to be disclosed at fair value and information about transfers between Level 1 and Level 2 and additional disclosure for Level 3 measurements. In addition, the ASU provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. The adoption did not have a material effect on the company s consolidated financial statements.

New Accounting Standards to be Adopted

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income, which amends ASC 220, Comprehensive Income. This ASU requires the presentation of total comprehensive income, total net income and the components of net income and comprehensive income either in a single continuous statement or in two separate but consecutive statements. The requirements do not change how earnings per share is calculated or presented. The effective date will be the first quarter of fiscal year 2013 and must be applied retrospectively. The adoption will not have a material effect on the company s consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment, which amends ASC 350, Intangibles - Goodwill and Other. This ASU gives an entity the option to first assess qualitative factors to determine if goodwill is impaired. The entity may first determine based on qualitative factors if it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If that assessment indicates no impairment, the first and second steps of the quantitative goodwill impairment test are not required. The effective date will be the first quarter of fiscal year 2013. The adoption will not have a material effect on the company s consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities, which amends ASC 210, Balance Sheet. This ASU requires entities to disclose gross and net information about both instruments and transactions eligible for offset in the statement of financial position and those subject to an agreement similar to a master netting arrangement. This would include derivatives and other financial securities arrangements. The effective date will be the first quarter of fiscal year 2014 and must be applied retrospectively. The adoption will not have a material effect on the company s consolidated financial statements.

In July 2012, the FASB issued ASU No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment, which amends ASC 350, Intangibles Goodwill and Other. This ASU gives an entity the option to first assess qualitative factors to determine if indefinite-lived intangible assets are impaired. The entity may first determine based on qualitative factors if it is more likely than not that the fair value of indefinite-lived intangible assets are less than their carrying amount. If that assessment indicates no impairment, the quantitative impairment test is not required. The effective date will be the first quarter of fiscal year 2013. The adoption will not have a material effect on the company s consolidated financial statements.

4. DISPOSITION

In December 2010, the company sold John Deere Renewables, LLC, its wind energy business for approximately $900 million. The company had concluded that its resources were best invested in growing its core businesses. These assets were reclassified as held for sale and written down to fair value less cost to sell at October 31, 2010 (see Note 26). The asset write-down in the fourth quarter of 2010 was $35 million pretax and included in Other operating expenses.

5. SPECIAL ITEM

Goodwill Impairment

In the fourth quarters of 2012 and 2010, the company recorded non-cash charges in cost of sales for the impairment of goodwill of $33 million pretax, or $31 million after-tax, and $27 million pretax, or $25 million after-tax, respectively. The charges were associated with the company s John Deere Water reporting unit, which is included in the agriculture and turf operating segment. The goodwill impairments in 2012 and 2010 were due to declines in the forecasted financial performance as a

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result of more complex integration activities, as well as the global economic downturn prior to 2010. At October 31, 2012, the goodwill in this reporting unit has been completely written off.

The method for determining the fair value of the reporting unit to measure the fair value of the goodwill was a discounted cash flow analysis (see Note 26).

6. CASH FLOW INFORMATION

For purposes of the statement of consolidated cash flows, the company considers investments with purchased maturities of three months or less to be cash equivalents. Substantially all of the company s short-term borrowings, excluding the current maturities of long-term borrowings, mature or may require payment within three months or less.

The equipment operations sell a significant portion of their trade receivables to financial services. These intercompany cash flows are eliminated in the consolidated cash flows.

All cash flows from the changes in trade accounts and notes receivable (see Note 12) are classified as operating activities in the statement of consolidated cash flows as these receivables arise from sales to the company s customers. Cash flows from financing receivables that are related to sales to the company s customers (see Note 12) are also included in operating activities. The remaining financing receivables are related to the financing of equipment sold by independent dealers and are included in investing activities.

The company had the following non-cash operating and investing activities that were not included in the statement of consolidated cash flows. The company transferred inventory to equipment on operating leases of $563 million, $449 million and $405 million in 2012, 2011 and 2010, respectively. The company also had accounts payable related to purchases of property and equipment of $185 million, $135 million and $135 million at October 31, 2012, 2011 and 2010, respectively.

Cash payments (receipts) for interest and income taxes consisted of the following in millions of dollars:

	2012	2011	2010
Interest:			
Equipment operations	$ 420	$ 370	$ 378
Financial services	638	616	679
Intercompany eliminations	(248)	(231)	(229)
Consolidated	$ 810	$ 755	$ 828
Income taxes:			
Equipment operations	$ 1,704	$ 1,379	$ 639
Financial services	207	336	(63)

	2012	2011	2010
Intercompany eliminations	(167)	(266)	51
Consolidated	$ 1,744	$ 1,449	$ 627

7. PENSION AND OTHER POSTRETIREMENT BENEFITS

The company has several defined benefit pension plans and postretirement health care and life insurance plans covering its U.S. employees and employees in certain foreign countries. The company uses an October 31 measurement date for these plans.

The components of net periodic pension cost and the assumptions related to the cost consisted of the following in millions of dollars and in percents:

	2012	2011	2010
Pensions			
Service cost	$ 220	$ 197	$ 176
Interest cost	465	492	510
Expected return on plan assets	(787)	(793)	(761)
Amortization of actuarial losses	202	148	113
Amortization of prior service cost	47	46	42
Early-retirement benefits	3		
Settlements/curtailments	10	1	24
Net cost	$ 160	$ 91	$ 104
Weighted-average assumptions			
Discount rates	4.4%	5.0%	5.5%
Rate of compensation increase	3.9%	3.9%	3.9%
Expected long-term rates of return	8.0%	8.1%	8.3%

The components of net periodic postretirement benefits cost and the assumptions related to the cost consisted of the following in millions of dollars and in percents:

	2012	2011	2010
Health care and life insurance			
Service cost	$ 49	$ 44	$ 44
Interest cost	281	326	337
Expected return on plan assets	(100)	(113)	(122)
Amortization of actuarial losses	136	271	311
Amortization of prior service credit	(15)	(16)	(16)
Net cost	$ 351	$ 512	$ 554
Weighted-average assumptions			
Discount rates	4.4%	5.2%	5.6%
Expected long-term rates of return	7.7%	7.7%	7.8%

For fiscal year 2012, the participants in one of the company s postretirement health care plans became almost all inactive as described by the applicable accounting standards due to additional retirements. As a result, the net actuarial loss for this plan in the table above is now being amortized over the longer period for the average remaining life expectancy of the inactive participants rather than the average remaining service period of the active participants. The amortization of actuarial loss also decreased due to lower expected costs from the prescription drug plan to provide group benefits under Medicare Part D as an alternative to collecting the retiree drug subsidy.

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The previous pension cost in net income and other changes in plan assets and benefit obligations in other comprehensive income in millions of dollars were as follows:

	2012	2011	2010
Pensions			
Net cost	$ 160	$ 91	$ 104
Retirement benefit adjustments included in other comprehensive (income) loss:			
Net actuarial losses	999	848	227
Prior service cost	5	9	14
Amortization of actuarial losses	(202)	(148)	(113)
Amortization of prior service cost	(47)	(46)	(42)
Settlements/curtailments	(10)	(1)	(24)
Total loss recognized in other comprehensive (income) loss	745	662	62
Total recognized in comprehensive (income) loss	$ 905	$ 753	$ 166

The previous postretirement benefits cost in net income and other changes in plan assets and benefit obligations in other comprehensive income in millions of dollars were as follows:

	2012	2011	2010
Health care and life insurance			
Net cost	$ 351	$ 512	$ 554
Retirement benefit adjustments included in other comprehensive (income) loss:			
Net actuarial losses (gain)	335	132	(28)
Prior service cost	2		
Amortization of actuarial losses	(136)	(271)	(311)
Amortization of prior service credit	15	16	16
Total (gain) loss recognized in other comprehensive (income) loss	216	(123)	(323)
Total recognized in comprehensive (income) loss	$ 567	$ 389	$ 231

In 2011, the company decided to participate in a prescription drug plan to provide group benefits under Medicare Part D as an alternative to collecting the retiree drug subsidy. This change, which will take effect in 2013, is expected to result in future cost savings to the company greater than the Medicare retiree drug subsidies over time. The change is included in the health care postretirement benefit obligation beginning in 2011. The participants level of benefits will not be affected.

The benefit plan obligations, funded status and the assumptions related to the obligations at October 31 in millions of dollars follow:

	Pensions		Health Care and Life Insurance	
	2012	2011	2012	2011
Change in benefit obligations				
Beginning of year balance	$ (10,925)	$ (10,197)	$ (6,652)	$ (6,467)
Service cost	(220)	(197)	(49)	(44)

Interest cost		(465)		(492)		(281)		(326)
Actuarial losses		(947)		(656)		(347)		(113)
Amendments		(5)		(9)		(2)		
Benefits paid		656		648		333		340
Health care subsidy receipts						(15)		(14)
Settlements/curtailments		10		1				
Foreign exchange and other		62		(23)		(10)		(28)
End of year balance		(11,834)		(10,925)		(7,023)		(6,652)
Change in plan assets (fair value)								
Beginning of year balance		9,552		9,504		1,459		1,637
Actual return on plan assets		736		600		113		95
Employer contribution		441		79		37		43
Benefits paid		(656)		(648)		(333)		(340)
Settlements		(10)		(1)				
Foreign exchange and other		(46)		18		11		24
End of year balance		10,017		9,552		1,287		1,459
Funded status	$	(1,817)	$	(1,373)	$	(5,736)	$	(5,193)
Weighted-average assumptions								
Discount rates		3.8%		4.4%		3.8%		4.4%
Rate of compensation increase		3.9%		3.9%				

The amounts recognized at October 31 in millions of dollars consist of the following:

	Pensions				Health Care and Life Insurance			
	2012		2011		2012		2011	
Amounts recognized in balance sheet								
Noncurrent asset	$	20	$	30				
Current liability		(53)		(60)	$	(23)	$	(23)
Noncurrent liability		(1,784)		(1,343)		(5,713)		(5,170)
Total	$	(1,817)	$	(1,373)	$	(5,736)	$	(5,193)
Amounts recognized in accumulated other comprehensive income pretax								
Net actuarial losses	$	5,260	$	4,473	$	2,266	$	2,067
Prior service cost (credit)		105		147		(47)		(64)
Total	$	5,365	$	4,620	$	2,219	$	2,003

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The total accumulated benefit obligations for all pension plans at October 31, 2012 and 2011 was $11,181 million and $10,363 million, respectively.

The accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $10,987 million and $9,787 million, respectively, at October 31, 2012 and $10,168 million and $9,321 million, respectively, at October 31, 2011. The projected benefit obligations and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $11,627 million and $9,790 million, respectively, at October 31, 2012 and $10,784 million and $9,381 million, respectively, at October 31, 2011.

The amounts in accumulated other comprehensive income that are expected to be amortized as net expense (income) during fiscal 2013 in millions of dollars follow:

	Pensions	Health Care and Life Insurance
Net actuarial losses	$ 263	$ 147
Prior service cost (credit)	33	(6)
Total	$ 296	$ 141

The company expects to contribute approximately $527 million to its pension plans and approximately $27 million to its health care and life insurance plans in 2013, which include direct benefit payments on unfunded plans.

The benefits expected to be paid from the benefit plans, which reflect expected future years of service, and the Medicare subsidy expected to be received are as follows in millions of dollars:

	Pensions	Health Care and Life Insurance	Health Care Subsidy Receipts*
2013	$ 682	$ 338	$ 4
2014	683	345	
2015	680	356	
2016	683	366	
2017	689	384	
2018 to 2022	3,490	1,947	

* Medicare Part D subsidy.

The annual rates of increase in the per capita cost of covered health care benefits (the health care cost trend rates) used to determine accumulated postretirement benefit obligations were based on the trends for medical and prescription drug claims for pre- and post-65 age groups due to the effects of Medicare. At October 31, 2012, the weighted-average composite trend rates for these obligations were assumed to be a 7.1 percent

increase from 2012 to 2013, gradually decreasing to 5.0 percent from 2018 to 2019 and all future years. The obligations at October 31, 2011 and the cost in 2012 assumed a 7.3 percent increase from 2011 to 2012, gradually decreasing to 5.0 percent from 2017 to 2018 and all future years. An increase of one percentage point in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligations by $955 million and the aggregate of service and interest cost component of net periodic postretirement benefits cost for the year by $50 million. A decrease of one percentage point would decrease the obligations by $723 million and the cost by $38 million.

The discount rate assumptions used to determine the postretirement obligations at October 31, 2012 and 2011 were based on hypothetical AA yield curves represented by a series of annualized individual discount rates. These discount rates represent the rates at which the company s benefit obligations could effectively be settled at the October 31 measurement dates.

Fair value measurement levels in the following tables are defined in Note 26.

The fair values of the pension plan assets at October 31, 2012 follow in millions of dollars:

	Total	Level 1	Level 2	Level 3
Cash and short-term investments	$ 1,166	$ 287	$ 879	
Equity:				
U.S. equity securities	2,481	2,481		
U.S. equity funds	43	8	35	
International equity securities	1,477	1,477		
International equity funds	411	49	362	
Fixed Income:				
Government and agency securities	404	379	25	
Corporate debt securities	220		220	
Mortgage-backed securities	126		126	
Fixed income funds	853	92	761	
Real estate	537	104	14	$ 419
Private equity/venture capital	1,319			1,319
Hedge funds	578	2	422	154
Other investments	508	1	507	
Derivative contracts - assets*	721	1	720	
Derivative contracts - liabilities**	(454)	(20)	(434)	
Receivables, payables and other	(41)	(41)		
Securities lending collateral	223		223	
Securities lending liability	(223)		(223)	
Securities sold short	(332)	(332)		
Total net assets	$ 10,017	$ 4,488	$ 3,637	$ 1,892

* Includes contracts for interest rates of $707 million, foreign currency of $8 million and other of $6 million.

** Includes contracts for interest rates of $418 million, foreign currency of $12 million and other of $24 million.

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The fair values of the health care assets at October 31, 2012 follow in millions of dollars:

	Total	Level 1	Level 2	Level 3
Cash and short-term investments	$ 78	$ 11	$ 67	
Equity:				
U.S. equity securities	319	319		
U.S. equity funds	67	67		
International equity securities	69	69		
International equity funds	200		200	
Fixed Income:				
Government and agency securities	218	215	3	
Corporate debt securities	35		35	
Mortgage-backed securities	15		15	
Fixed income funds	72		72	
Real estate	53	7	29	$ 17
Private equity/venture capital	54			54
Hedge funds	85		79	6
Other investments	21		21	
Derivative contracts - assets*	8		8	
Derivative contracts - liabilities**	(1)		(1)	
Receivables, payables and other	8	8		
Securities lending collateral	38		38	
Securities lending liability	(38)		(38)	
Securities sold short	(14)	(14)		
Total net assets	$ 1,287	$ 682	$ 528	$ 77

* Includes contracts for interest rates of $7 million and foreign currency of $1 million.

** Includes contracts for foreign currency of $1 million.

The fair values of the pension plan assets at October 31, 2011 follow in millions of dollars:

	Total	Level 1	Level 2	Level 3
Cash and short-term investments	$ 1,074	$ 179	$ 895	
Equity:				
U.S. equity securities	2,070	2,070		
U.S. equity funds	49	11	38	
International equity securities	1,086	1,086		
International equity funds	319	29	290	
Fixed Income:				
Government and agency securities	543	516	27	
Corporate debt securities	196		196	
Mortgage-backed securities	180		180	
Fixed income funds	1,077	54	1,023	
Real estate	505	75	14	$ 416
Private equity/venture capital	1,123			1,123
Hedge funds	608	3	462	143

	Total	Level 1	Level 2	Level 3
Other investments	448		448	
Derivative contracts - assets*	787	21	766	
Derivative contracts - liabilities**	(473)	(15)	(458)	
Receivables, payables and other	(40)	(40)		
Securities lending collateral	750		750	
Securities lending liability	(750)		(750)	
Total net assets	$ 9,552	$ 3,989	$ 3,881	$ 1,682

* Includes contracts for interest rates of $742 million, foreign currency of $19 million and other of $26 million.

** Includes contracts for interest rates of $442 million, foreign currency of $17 million and other of $14 million.

The fair values of the health care assets at October 31, 2011 follow in millions of dollars:

	Total	Level 1	Level 2	Level 3
Cash and short-term investments	$ 58	$ 7	$ 51	
Equity:				
U.S. equity securities	372	372		
U.S. equity funds	84	84		
International equity securities	64	64		
International equity funds	210		210	
Fixed Income:				
Government and agency securities	250	246	4	
Corporate debt securities	39		39	
Mortgage-backed securities	22		22	
Fixed income funds	107		107	
Real estate	57	4	32	$ 21
Private equity/venture capital	55			55
Hedge funds	110		103	7
Other investments	22		22	
Derivative contracts - assets*	12	1	11	
Derivative contracts - liabilities**	(2)	(1)	(1)	
Receivables, payables and other	(1)	(1)		
Securities lending collateral	215		215	
Securities lending liability	(215)		(215)	
Total net assets	$ 1,459	$ 776	$ 600	$ 83

* Includes contracts for interest rates of $10 million, foreign currency of $1 million and other of $1 million.

** Includes contracts for foreign currency of $1 million and other of $1 million.

A reconciliation of Level 3 pension and health care asset fair value measurements in millions of dollars follows:

	Total	Real Estate	Private Equity/ Venture Capital	Hedge Funds
October 31, 2010*	$ 1,443	$ 378	$ 912	$ 153
Realized gain	33		32	1
Change in unrealized gain	192	48	141	3

Purchases, sales and settlements - net	97	11	93	(7)
October 31, 2011*	1,765	437	1,178	150
Realized gain	18		18	
Change in unrealized gain (loss)	74	(4)	65	13
Purchases, sales and settlements - net	112	3	112	(3)
October 31, 2012*	$ 1,969	$ 436	$ 1,373	$ 160

* Health care Level 3 assets represent approximately 4 percent to 5 percent of the reconciliation amounts for 2012, 2011 and 2010.

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Fair values are determined as follows:

Cash and Short-Term Investments Includes accounts and cash funds that are valued based on the account value, which approximates fair value, or on the fund s net asset value (NAV) based on the fair value of the underlying securities. Also included are securities that are valued using a market approach (matrix pricing model) in which all significant inputs are observable or can be derived from or corroborated by observable market data.

Equity Securities and Funds The values are determined primarily by closing prices in the active market in which the equity investment trades, or the fund s NAV, based on the fair value of the underlying securities.

Fixed Income Securities and Funds The securities are valued using either a market approach (matrix pricing model) in which all significant inputs are observable or can be derived from or corroborated by observable market data such as interest rates, yield curves, volatilities, credit risk and prepayment speeds, or they are valued using the closing prices in the active market in which the fixed income investment trades. Fixed income funds are valued using the NAV, based on the fair value of the underlying securities.

Real Estate,Venture Capital and Private Equity The investments, which are structured as limited partnerships, are valued using an income approach (estimated cash flows discounted over the expected holding period), as well as a market approach (the valuation of similar securities and properties). These investments are valued at estimated fair value based on their proportionate share of the limited partnership s fair value that is determined by the general partner. Real estate investment trusts are valued at the closing prices in the active markets in which the investment trades. Real estate investment funds are valued at the NAV, based on the fair value of the underlying securities.

Hedge Funds and Other Investments The investments are valued using the NAV provided by the administrator of the fund, which is based on the fair value of the underlying securities.

Interest Rate, Foreign Currency and Other Derivative Instruments The derivatives are valued using either an income approach (discounted cash flow) using market observable inputs, including swap curves and both forward and spot exchange rates, or a market approach (closing prices in the active market in which the derivative instrument trades).

The primary investment objective for the pension plan assets is to maximize the growth of these assets to meet the projected obligations to the beneficiaries over a long period of time, and to do so in a manner that is consistent with the company s earnings strength and risk tolerance. The primary investment objective for the health care plan assets is to provide the company with the financial flexibility to pay the projected obligations to beneficiaries over a long period of time. The asset allocation policy is the most important decision in managing the assets and it is reviewed regularly. The asset allocation policy considers the company s financial strength and long-term asset class risk/return expectations since the obligations are long-term in nature. The current target allocations for pension assets are approximately 42 percent for equity securities, 31 percent for debt securities, 5 percent for real estate and 22 percent for other investments. The target allocations for health care assets are approximately 51 percent for equity securities, 31 percent for debt securities, 3 percent for real estate and 15 percent for other investments. The allocation percentages above include the effects of combining derivatives with other investments to manage asset allocations and exposures to interest rates and foreign currency exchange. The assets are well diversified and are managed by professional investment firms as well as by

investment professionals who are company employees. As a result of the company s diversified investment policy, there were no significant concentrations of risk.

The expected long-term rate of return on plan assets reflects management s expectations of long-term average rates of return on funds invested to provide for benefits included in the projected benefit obligations. The expected return is based on the outlook for inflation and for returns in multiple asset classes, while also considering historical returns, asset allocation and investment strategy. The company s approach has emphasized the long-term nature of the return estimate such that the return assumption is not changed unless there are fundamental changes in capital markets that affect the company s expectations for returns over an extended period of time (i.e., 10 to 20 years). The average annual return of the company s U.S. pension fund was approximately 9.3 percent during the past ten years and approximately 9.7 percent during the past 20 years. Since return premiums over inflation and total returns for major asset classes vary widely even over ten-year periods, recent history is not necessarily indicative of long-term future expected returns. The company s systematic methodology for determining the long-term rate of return for the company s investment strategies supports the long-term expected return assumptions.

The company has created certain Voluntary Employees Beneficiary Association trusts (VEBAs) for the funding of postretirement health care benefits. The future expected asset returns for these VEBAs are lower than the expected return on the other pension and health care plan assets due to investment in a higher proportion of liquid securities. These assets are in addition to the other postretirement health care plan assets that have been funded under Section 401(h) of the U.S. Internal Revenue Code and maintained in a separate account in the company s pension plan trust.

The company has defined contribution plans related to employee investment and savings plans primarily in the U.S. The company s contributions and costs under these plans were $155 million in 2012, $108 million in 2011 and $85 million in 2010. The contribution rate varies primarily based on the company s performance in the prior year and employee participation in the plans.

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8. INCOME TAXES

The provision for income taxes by taxing jurisdiction and by significant component consisted of the following in millions of dollars:

	2012	2011	2010
Current:			
U.S.:			
Federal	$ 1,277	$ 928	$ 574
State	119	144	50
Foreign	355	520	363
Total current	1,751	1,592	987
Deferred:			
U.S.:			
Federal	(76)	(135)	156
State	(7)	(28)	11
Foreign	(9)	(5)	8
Total deferred	(92)	(168)	175
Provision for income taxes	$ 1,659	$ 1,424	$ 1,162

Based upon the location of the company s operations, the consolidated income before income taxes in the U.S. in 2012, 2011 and 2010 was $3,582 million, $2,618 million and $2,048 million, respectively, and in foreign countries was $1,152 million, $1,605 million and $977 million, respectively. Certain foreign operations are branches of Deere & Company and are, therefore, subject to U.S. as well as foreign income tax regulations. The pretax income by location and the preceding analysis of the income tax provision by taxing jurisdiction are, therefore, not directly related.

A comparison of the statutory and effective income tax provision and reasons for related differences in millions of dollars follow:

	2012	2011	2010
U. S. federal income tax provision at a statutory rate of 35 percent	$ 1,657	$ 1,478	$ 1,059
Increase (decrease) resulting from:			
Valuation allowance on foreign deferred taxes	200	18	5
State and local income taxes, net of federal income tax benefit	73	75	40
Nondeductible health care claims*			123
Nondeductible goodwill impairment charge	6		7
Nontaxable foreign partnership earnings	(172)		
Tax rates on foreign earnings	(69)	(70)	(59)
Research and development tax credits	(10)	(38)	(5)
Wind energy production tax credits			(30)
Other-net	(26)	(39)	22
Provision for income taxes	$ 1,659	$ 1,424	$ 1,162

* Cumulative adjustment from change in law. Effect included in state taxes was $7 million.

At October 31, 2012, accumulated earnings in certain subsidiaries outside the U.S. totaled $3,209 million for which no provision for U.S. income taxes or foreign withholding taxes has been made, because it is expected that such earnings will be reinvested outside the U.S. indefinitely. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable. At October 31, 2012, the amount of cash and cash equivalents and marketable securities held by these foreign subsidiaries was $628 million.

Deferred income taxes arise because there are certain items that are treated differently for financial accounting than for income tax reporting purposes. An analysis of the deferred income tax assets and liabilities at October 31 in millions of dollars follows:

	2012		**2011**	
	Deferred Tax Assets	**Deferred Tax Liabilities**	**Deferred Tax Assets**	**Deferred Tax Liabilities**
Other postretirement benefit liabilities	$ 2,136		$ 1,944	
Tax over book depreciation		$ 606		$ 492
Accrual for sales allowances	546		438	
Pension liabilities - net	457		279	
Lease transactions		317		309
Accrual for employee benefits	249		189	
Tax loss and tax credit carryforwards	249		121	
Share-based compensation	133		113	
Inventory	131		152	
Goodwill and other intangible assets		110		123
Allowance for credit losses	92		115	
Deferred gains on distributed foreign earnings	84		83	
Deferred compensation	40		37	
Undistributed foreign earnings		11		19
Other items	443	115	348	112
Less valuation allowances	(285)		(74)	
Deferred income tax assets and liabilities	$ 4,275	$ 1,159	$ 3,745	$ 1,055

Deere & Company files a consolidated federal income tax return in the U.S., which includes the wholly-owned financial services subsidiaries. These subsidiaries account for income taxes generally as if they filed separate income tax returns.