AGCO CORP /DE
Form 10-K
February 26, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
For the fiscal year ended December 31, 2015
of
AGCO CORPORATION
A Delaware Corporation
IRS Employer Identification No. 58-1960019
SEC File Number 1-12930
4205 River Green Parkway
Duluth, GA 30096
(770) 813-9200

AGCO Corporation's Common Stock is registered pursuant to Section 12(b) of the Act and is listed on the New York Stock Exchange.
AGCO Corporation is a well-known seasoned issuer.
AGCO Corporation is required to file reports pursuant to Section 13 or Section 15(d) of the Act. AGCO Corporation (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K will be contained in a definitive proxy statement, portions of which are incorporated by reference into Part III of this Form 10-K.
AGCO Corporation has submitted electronically and posted on its corporate website every Interactive Data File for the periods required to be submitted and posted pursuant to Rule 405 of Regulation S-T.
The aggregate market value of AGCO Corporation's Common Stock (based upon the closing sales price quoted on the New York Stock Exchange) held by non-affiliates as of June 30, 2015 was approximately $4.2 billion. For this purpose, directors and officers and the entities that they control have been assumed to be affiliates. As of February 19, 2016, 82,449,867 shares of AGCO Corporation's Common Stock were outstanding.
AGCO Corporation is a large accelerated filer and is not a shell company.
DOCUMENTS INCORPORATED BY REFERENCE
Portions of AGCO Corporation's Proxy Statement for the 2016 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business

AGCO Corporation ("AGCO," "we," "us," or the "Company") was incorporated in Delaware in April 1991. Our executive offices are located at 4205 River Green Parkway, Duluth, Georgia 30096, and our telephone number is (770) 813-9200. Unless otherwise indicated, all references in this Form 10-K to the Company include our subsidiaries.

General

We are a leading manufacturer and distributor of agricultural equipment and related replacement parts throughout the world. We sell a full range of agricultural equipment, including tractors, combines, self-propelled sprayers, hay tools, forage equipment, seeding and tillage, implements, and grain storage and protein production systems. Our products are widely recognized in the agricultural equipment industry and are marketed under a number of well-known brands, including Challenger®, Fendt®, GSI®, Massey Ferguson® and Valtra®. We distribute most of our products through approximately 3,000 independent dealers and distributors in more than 140 countries. In addition, we also provide retail and wholesale financing through our finance joint ventures with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., which we refer to as "Rabobank."

Products

The following table sets forth a description of the Company's products and their percentage of net sales:

Product	Product Description	Percentage of Net Sales 2015	2014	2013
Tractors	• High horsepower tractors (100 to 600 horsepower); typically used on larger farms, primarily for row crop production	57 %	57 %	60 %
	• Utility tractors (40 to 100 horsepower); typically used on small- and medium-sized farms and in specialty agricultural industries, including dairy, livestock, orchards and vineyards			
	• Compact tractors (under 40 horsepower); typically used on small farms and specialty agricultural industries, as well as for landscaping and residential uses			
Combines	• Combines, sold with a variety of threshing technologies and complemented by a variety of crop-harvesting heads; typically used in harvesting grain crops such as corn, wheat, soybeans and rice	4 %	6 %	6 %
Application Equipment	• Self-propelled, three- and four-wheeled vehicles and related equipment; for use in the application of liquid and dry fertilizers and crop protection chemicals both prior to planting crops ("pre-emergence") and after crops emerge from the ground ("post-emergence")	4 %	5 %	5 %
Hay Tools and Forage Equipment, Implements & Other Equipment	• Round and rectangular balers, self-propelled windrowers, disc mowers, spreaders, rakes, tedders, and mower conditioners; used for the harvesting and packaging of vegetative feeds used in the beef cattle, dairy, horse and renewable fuel industries	9 %	9 %	9 %
	• Implements, including disc harrows, which cut through crop residue, leveling seed beds and mixing chemicals with the soils; heavy tillage, which break up soil and mix crop residue into topsoil, with or without			

		prior discing; field cultivators, which prepare a smooth seed bed and destroy weeds; and drills, which are primarily used for small grain seeding						
	•	Planters; used to apply fertilizer and plant seeds in the field, typically used in row crop seeding						
	•	Other equipment, including loaders; used for a variety of tasks, including lifting and transporting hay crops						
Grain Storage and Protein Production Systems	•	Grain storage bins and related drying and handling equipment systems; swine and poultry feed storage and delivery, ventilation and watering systems; and egg production cages and broiler production equipment	10	%	9	%	7	%
Replacement Parts	•	Replacement parts for all of the products we sell, including products no longer in production. Most of our products can be economically maintained with parts and service for a period of ten to 20 years. Our parts inventories are maintained and distributed through a network of master and regional warehouses throughout North America, South America, Europe and Australia in order to provide timely response to customer demand for replacement parts	16	%	14	%	13	%

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Marketing and Distribution

We distribute products primarily through a network of independent dealers and distributors. Our dealers are responsible for retail sales to the equipment's end user in addition to after-sales service and support of the equipment. Our distributors may sell our products through a network of dealers supported by the distributor, or our distributors also may directly market our products and provide customer service support. Our sales are not dependent on any specific dealer, distributor or group of dealers.

In some countries, we utilize associates and licensees to provide a distribution channel for our products and/or a source of low-cost production for certain Massey Ferguson and Valtra products. Associates are entities in which we have an ownership interest, most notably in India. Licensees are entities in which we have no direct ownership interest. The associate or licensee generally has the exclusive right to produce and sell Massey Ferguson or Valtra equipment in its licensed territory under such tradenames but may not sell these products in other countries. We generally license certain technology to these licensees and associates, and we may sell them certain components used in local manufacturing operations.

	Independent Dealers and Distributors	Percent of Net Sales		
Geographical region	2015	2015	2014	2013
Europe	1,010	51 %	49 %	48 %
North America	1,340	26 %	25 %	26 %
South America	290	13 %	17 %	19 %
Rest of World [(1)]	360	10 %	9 %	7 %

(1) Consists of approximately 75 countries in Africa, the Middle East, Australia and Asia.

Dealer Support and Supervision

We believe that one of the most important criteria affecting a farmer's decision to purchase a particular brand of equipment is the quality of the dealer who sells and services the equipment. We support our dealers in order to improve the quality of our dealer network. We monitor each dealer's performance and profitability and establish programs that focus on continual dealer improvement. Our dealers generally have sales territories for which they are responsible.

We believe that our ability to offer our dealers a full product line of agricultural equipment and related replacement parts, as well as our ongoing dealer training and support programs focusing on business and inventory management, sales, marketing, warranty and servicing matters and products, helps ensure the vitality and increase the competitiveness of our dealer network. We also maintain dealer advisory groups to obtain dealer feedback on our operations.

We provide our dealers with volume sales incentives, demonstration programs and other advertising support to assist sales. We design our sales programs, including retail financing incentives, and our policies for maintaining parts and service availability with extensive product warranties to enhance our dealers' competitive position.

Manufacturing and Suppliers

Manufacturing and Assembly

We manufacture and assemble our products in 39 locations worldwide, including six locations where we operate joint ventures. Our locations are intended to optimize capacity, technology or local costs. Furthermore, we continue to balance our manufacturing resources with externally-sourced machinery, components and replacement parts to enable us to better control inventory and our supply of components. We believe that our manufacturing facilities are sufficient to meet our needs for the foreseeable future. Please refer to Item 2, “Properties,” where a listing of our principal manufacturing locations is presented.

Our AGCO Power engines division produces diesel engines, gears and generating sets. The diesel engines are manufactured for use in a portion of our tractors, combines and sprayers, and are also sold to third parties. AGCO Power specializes in the manufacturing of off-road engines in the 75 to 750 horsepower range.

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Third-Party Suppliers

We externally source some of our machinery, components and replacement parts. Our production strategy is intended to optimize our research and development and capital investment requirements and to allow us greater flexibility to respond to changes in market conditions.

We purchase some of the products we distribute from third-party suppliers. We purchase some fully manufactured tractors from Tractors and Farm Equipment Limited ("TAFE"), as well as from Carraro S.p.A. and Iseki & Company, Limited. We also purchase other tractors, implements and hay and forage equipment from various third-party suppliers. Refer to "Related Parties" within Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for further discussion of our relationship with TAFE.

In addition to the purchase of machinery, third-party suppliers supply us with significant components used in our manufacturing operations. We select third-party suppliers that we believe are low cost, high quality and possess the most appropriate technology. We also assist in the development of these products or component parts based upon our own design requirements. Our past experience with outside suppliers generally has been favorable.

Seasonality

Generally, retail sales by dealers to farmers are highly seasonal and are a function of the timing of the planting and harvesting seasons. To the extent practicable, we attempt to ship products to our dealers and distributors on a level basis throughout the year to reduce the effect of seasonal retail demands on our manufacturing operations and to minimize our investment in inventory. Our financing requirements are subject to variations due to seasonal changes in working capital levels, which typically increase in the first half of the year and then decrease in the second half of the year. The fourth quarter is also typically a period for higher retail sales because of our customers' year-end tax planning considerations, the increase in availability of funds from completed harvests and the timing of dealer incentives.

Competition

The agricultural industry is highly competitive. We compete with several large national and international full-line suppliers, as well as numerous short-line and specialty manufacturers with differing manufacturing and marketing methods. Our two principal competitors on a worldwide basis are Deere & Company and CNH Industrial N.V. We have regional competitors around the world that have significant market share in a single country or a group of countries.

We believe several key factors influence a buyer's choice of farm equipment, including the strength and quality of a company's dealers, the quality and pricing of products, dealer or brand loyalty, product availability, the terms of financing and customer service. See "Marketing and Distribution" for additional information.

Engineering and Research

We make significant expenditures for engineering and applied research to improve the quality and performance of our products, to develop new products and to comply with government safety and engine emissions regulations.

In addition, we also offer a variety of precision farming technologies that provide farmers with the capability to enhance productivity and profitability on the farm. These technologies are installed in our products and include satellite-based steering, field data collection, yield mapping and telemetry-based fleet management systems.

Wholesale Financing

Primarily in the United States and Canada, we engage in the standard industry practice of providing dealers with floor plan payment terms for their inventories of farm equipment for extended periods generally through our AGCO Finance joint ventures. The terms of our wholesale finance agreements with our dealers vary by region and product line, with fixed payment schedules on all sales, generally ranging from one to 12 months. In the United States and Canada, dealers typically are not required to make an initial down payment, and our terms allow for an interest-free period generally ranging from one to 12 months, depending on the product. Amounts due from sales to dealers in the United States and Canada are immediately due upon a retail sale of the underlying equipment by the dealer, with the exception of sales of grain storage and protein production systems. If not previously paid by the dealer, installment payments generally are required beginning after the interest-free period with the remaining outstanding equipment balance generally due within 12 months after shipment. In limited circumstances, we provide sales terms, and in some cases, interest-free periods that are longer than 12 months for certain

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products. These typically are specified programs, predominantly in the United States and Canada, where interest is charged after a period of up to 24 months, depending on the year of the sale and the dealer or distributor's ordering or sales volume during the preceding year. We also provide financing to dealers on used equipment accepted in trade. We obtain a security interest in a majority of the new and used equipment we finance. Sales of grain storage and protein production systems generally are payable within 30 days of shipment.

Typically, sales terms outside the United States and Canada are of a shorter duration, generally ranging from 30 to 180 days. In many cases, we retain a security interest in the equipment sold on extended terms. In certain international markets, our sales are backed by letters of credit or credit insurance.

We have an agreement to permit transferring, on an ongoing basis, a majority of our wholesale receivables in North America and Europe to our AGCO Finance joint ventures in the United States, Canada and Europe. We also have an agreement to permit transferring, on an ongoing basis, a portion of our wholesale receivables in Brazil to our Brazilian AGCO Finance joint venture. Upon transfer, the wholesale receivables maintain standard payment terms, including required regular principal payments on amounts outstanding and interest charges at market rates. Qualified dealers may obtain additional financing through our U.S., Canadian, European and Brazilian finance joint ventures at the joint ventures' discretion. In addition, AGCO Finance joint ventures may provide wholesale financing directly to dealers in Brazil and Australia.

Retail Financing

Our end users of our products are also provided with a competitive and dedicated financing provided by our AGCO Finance joint ventures. Besides contributing to our overall profitability, the AGCO Finance joint ventures can enhance our sales efforts by tailoring retail finance programs to prevailing market conditions. Our finance joint ventures are located in the United States, Canada, Europe, Brazil, Argentina and Australia and are owned 49% by AGCO and 51% by a wholly-owned subsidiary of Rabobank. Refer to "Finance Joint Ventures" within Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for further information.

In addition, Rabobank is the primary lender with respect to our credit facility and our $4^1/2$% senior term loan, as are more fully described in "Liquidity and Capital Resources" within Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our historical relationship with Rabobank has been strong, and we anticipate its continued long-term support of our business.

Intellectual Property

We own and have licenses to the rights under a number of domestic and foreign patents, trademarks, trade names and brand names relating to our products and businesses. We defend our patent, trademark and trade and brand name rights primarily by monitoring competitors' machines and industry publications and conducting other investigative work. We consider our intellectual property rights, including our rights to use our trade and brand names, important in the operation of our businesses. However, we do not believe we are dependent on any single patent, trademark or trade name or group of patents or trademarks, trade names or brand names. We intend to maintain the separate strengths and identities of our core brand names and product lines.

Environmental Matters and Regulation

We are subject to environmental laws and regulations concerning emissions to the air, discharges of processed or other types of wastewater, and the generation, handling, storage, transportation, treatment and disposal of waste materials. These laws and regulations are constantly changing, and the effects that they may have on us in the future are impossible to predict with accuracy. It is our policy to comply with all applicable environmental, health and safety laws and regulations, and we believe that any expense or liability we may incur in connection with any noncompliance with any law or regulation or the cleanup of any of our properties will not have a materially adverse effect on us. We believe that we are in compliance in all material respects with all applicable laws and regulations.

The United States Environmental Protection Agency regulates permissible non-road and stationary diesel engine emissions. Our AGCO Power engine division, which specializes in the manufacturing of non-road engines in the 75 to 750 horsepower range, currently complies with emissions standards and related requirements set by European and U.S. regulatory authorities. We also are required to comply with other country regulations outside of the United States and Europe. We expect to meet future emissions requirements through the introduction of new technology to our engines and exhaust after-treatment systems, as necessary. In some markets (such as the United States) we must obtain governmental environmental approvals in order to import our products, and these approvals can be difficult or time consuming to obtain or may not be obtainable at all.

For example, our AGCO Power engine division and our engine suppliers are subject to air quality standards, and production at our facilities could be impaired if AGCO Power and these suppliers are unable to timely respond to any changes in environmental laws and regulations affecting engine emissions. Compliance with environmental and safety regulations has added, and will continue to add, to the cost of our products and increase the capital-intensive nature of our business.

Climate change, as a result of emissions of greenhouse gases, is a significant topic of discussion and may generate U.S. and other regulatory responses. It is impracticable to predict with any certainty the impact on our business of climate change or the regulatory responses to it, although we recognize that they could be significant. The most direct impacts are likely to be an increase in energy costs, which would increase our operating costs (through increased utility and transportation costs) and an increase in the costs of the products we purchase from others. In addition, increased energy costs for our customers could impact demand for our equipment. It is too soon for us to predict with any certainty the ultimate impact of additional regulation, either directionally or quantitatively, on our overall business, results of operations or financial condition.

Our international operations also are subject to environmental laws, as well as various other national and local laws, in the countries in which we manufacture and sell our products. We believe that we are in compliance with these laws in all material respects.

Regulation and Government Policy

Domestic and foreign political developments and government regulations and policies directly affect the agricultural industry in the United States and abroad and indirectly affect the agricultural equipment business. The application, modification or adoption of laws, regulations or policies could have an adverse effect on our business.

We have manufacturing facilities or other physical presence in approximately 33 countries and sell our products in more than 140 countries. This subjects us to a range of trade, product, foreign exchange, employment, tax and other laws and regulations, in addition to the environmental regulations discussed previously, in a significant number of jurisdictions. Many jurisdictions and a variety of laws regulate the contractual relationships with our dealers. These laws impose substantive standards on the relationships between us and our dealers, including events of default, grounds for termination, non-renewal of dealer contracts and equipment repurchase requirements. Such laws could adversely affect our ability to terminate our dealers.

In addition, each of the jurisdictions within which we operate or sell products has an important interest in the success of its agricultural industry and the consistency of the availability of reasonably priced food sources. These interests result in active political involvement in the agricultural industry, which, in turn, can impact our business in a variety of ways.

Employees

As of December 31, 2015, we employed approximately 19,600 employees, including approximately 5,000 employees in the United States and Canada. A majority of our employees at our manufacturing facilities, both domestic and international, are represented by collective bargaining agreements and union contracts with terms that expire on varying dates. We currently do not expect any significant difficulties in renewing these agreements.

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Available Information

Our Internet address is www.agcocorp.com. We make the following reports filed by us available, free of charge, on our website under the heading “SEC Filings” in our website’s “Investors” section:

- annual reports on Form 10-K;
- quarterly reports on Form 10-Q;
- current reports on Form 8-K;
- proxy statements for the annual meetings of stockholders; and
- Forms 3, 4 and 5

These reports are made available on our website as soon as practicable after they are filed with the Securities and Exchange Commission (“SEC”).

We also provide corporate governance and other information on our website. This information includes:

- charters for the committees of our board of directors, which are available under the heading “Charters of the Committees of the Board” in the “Governance, Committees, & Charters” section of the “Corporate Governance” section of our website located under “Investors,” and
- our Global Code of Conduct, which is available under the heading “Global Code of Conduct” in the “Corporate Governance” section of our website located under “Investors.”

In addition, in the event of any waivers of our Global Code of Conduct, those waivers will be available under the heading “Corporate Governance” of our website.

Financial Information on Geographical Areas

For financial information on geographical areas, see Note 15 of our Consolidated Financial Statements contained in Item 8, “Financial Statements and Supplementary Data,” under the caption “Segment Reporting,” which information is incorporated herein by reference.

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Item 1A. Risk Factors

We make forward-looking statements in this report, in other materials we file with the SEC or otherwise release to the public and on our website. In addition, our senior management might make forward-looking statements orally to analysts, investors, the media and others. Statements concerning our future operations, prospects, strategies, products, manufacturing facilities, legal proceedings, financial condition, future financial performance (including growth and earnings) and demand for our products and services, and other statements of our plans, belief or expectations, including the statements contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," regarding net sales, industry conditions, currency translation impacts, market demand, farm incomes, weather conditions, commodity prices, general economic conditions, availability of financing, working capital, capital expenditure and debt service requirements, margins, production volumes, cost reduction initiatives, investments in product development, compliance with financial covenants, support of lenders, recovery of amounts under guarantee, uncertain income tax provisions, funding of our pension and postretirement benefit plans, or realization of net deferred tax assets, are forward-looking statements. The forward-looking statements we make are not guarantees of future performance and are subject to various assumptions, risks and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. These factors include, among others, those set forth below and in the other documents that we file with the SEC. There also are other factors that we may not describe, generally because we currently do not perceive them to be material, that could cause actual results to differ materially from our expectations.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Our financial results depend entirely upon the agricultural industry, and factors that adversely affect the agricultural industry generally, including declines in the general economy, increases in farm input costs, weather conditions, lower commodity prices and changes in the availability of credit for our retail customers, will adversely affect us.

Our success depends heavily on the vitality of the agricultural industry. Historically, the agricultural industry, including the agricultural equipment business, has been cyclical and subject to a variety of economic factors, governmental regulations and legislation and weather conditions. Sales of agricultural equipment generally are related to the economic health of the agricultural industry, which is affected by farm income, farm input costs, debt levels and land values, all of which reflect levels of commodity prices, acreage planted, crop yields, agricultural product demand, including crops used as renewable energy sources, government policies and government subsidies. Sales also are influenced by economic conditions, interest rate and exchange rate levels, and the availability of retail financing. Trends in the industry, such as farm consolidations, may affect the agricultural equipment market. In addition, weather conditions, such as floods, heat waves or droughts, and pervasive livestock or crop diseases can affect farmers' buying decisions. Downturns in the agricultural industry due to these or other factors, which could vary by market, are likely to result in decreases in demand for agricultural equipment, which would adversely affect our sales, growth, results of operations and financial condition. Moreover, volatility in demand makes it difficult for us to accurately predict sales and optimize production. This, in turn, can result in higher costs, including inventory carrying costs and underutilized manufacturing capacity. During previous downturns in the farm sector, we experienced significant and prolonged declines in sales and profitability, and we expect our business to remain subject to similar market fluctuations in the future.

The agricultural equipment industry is highly seasonal, and seasonal fluctuations significantly impact results of operations and cash flows.

The agricultural equipment business is highly seasonal, which causes our quarterly results and our cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in the Spring and Fall in conjunction with the major planting and harvesting seasons. In addition, the fourth quarter typically is a significant period for retail sales because of our customers' year-end tax planning considerations, the increase in availability of funds from completed harvests and the timing of dealer incentives. Our net sales and income from operations historically have been the lowest in the first quarter and have increased in subsequent quarters as dealers anticipate increased retail sales in subsequent quarters.

Most of our sales depend on the retail customers obtaining financing, and any disruption in their ability to obtain financing, whether due to economic downturns or otherwise, will result in the sale of fewer products by us. In addition, the collectability of receivables that are created from our sales, as well as from such retail financing, is critical to our business.

Most retail sales of our products are financed, either by AGCO Finance joint ventures or by a bank or other private lender. Our AGCO Finance joint ventures, which are controlled by Rabobank and are dependent upon Rabobank for financing as well, finance approximately 40% of the retail sales of our tractors and combines in the markets where the joint ventures

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operate. Any difficulty by Rabobank in continuing to provide that financing, or any business decision by Rabobank as the controlling member not to fund the business or particular aspects of it (for example, a particular country or region) would require the joint ventures to find other sources of financing (which may be difficult to obtain), or would require us to find another source of retail financing for our customers, or our customers would be required to utilize other retail financing providers. In prior economic downturns, financing for capital equipment purchases generally became more difficult in certain regions and, in some cases, was expensive to obtain. To the extent that financing is not available, or available only at unattractive prices, our sales would be negatively impacted.

In addition, both AGCO and our AGCO Finance joint ventures have substantial accounts receivable from dealers and retail customers, and we would be adversely impacted if the collectability of these receivables was not consistent with historical experience. This collectability is dependent on the financial strength of the farm industry, which in turn is dependent upon the general economy and commodity prices, as well as several of the other factors discussed in this “Risk Factors” section.

Our success depends on the introduction of new products, which requires substantial expenditures.

Our long-term results depend upon our ability to introduce and market new products successfully. The success of our new products will depend on a number of factors, including:

- innovation;
- customer acceptance;
- the efficiency of our suppliers in providing component parts and of our manufacturing facilities in producing final products; and
- the performance and quality of our products relative to those of our competitors.

As both we and our competitors continuously introduce new products or refine versions of existing products, we cannot predict the level of market acceptance or the amount of market share our new products will achieve. We have experienced delays in the introduction of new products in the past, and we cannot provide any assurances that we will not experience delays in the future. Any delays or other problems with our new product launches will adversely affect our operating results. In addition, introducing new products can result in decreases in revenues from our existing products. Consistent with our strategy of offering new products and product refinements, we expect to continue to use a substantial amount of funding for product development and refinement. We may need more funding for product development and refinement than is readily available, which could adversely affect our business, financial condition or results of operations.

Our expansion plans in emerging markets entail significant risks.

Our strategy includes establishing a greater manufacturing and/or marketing presence in emerging markets such as China, Africa and Russia. In addition, we are expanding our use of component suppliers in these markets. As we progress with these efforts, it will involve a significant investment of capital and other resources and entail various risks. These include risks attendant to obtaining necessary governmental approvals and the construction of the facilities in a timely manner and within cost estimates, the establishment of supply channels, the commencement of efficient manufacturing operations, and, ultimately, the acceptance of the products by our customers. While we expect the expansion to be successful, should we encounter difficulties involving these or similar factors, it may not be as successful as we anticipate.

We face significant competition and if we are unable to compete successfully against other agricultural equipment manufacturers, we would lose customers and our net sales and profitability would decline.

The agricultural equipment business is highly competitive, particularly in our major markets. We compete with several large national and international companies that, like us, offer a full line of agricultural equipment. We also compete with numerous short-line and specialty manufacturers of agricultural equipment. Our two key competitors, Deere & Company and CNH Industrial N.V., are substantially larger than we are and have greater financial and other resources. In addition, in some markets, we compete with smaller regional competitors with significant market share in a single country or group of countries. Our competitors may substantially increase the resources devoted to the development and marketing, including discounting, of products that compete with our products. In addition, competitive pressures in the agricultural equipment business may affect the market prices of new and used equipment, which, in turn, may adversely affect our sales margins and results of operations.

We maintain an independent dealer and distribution network in the markets where we sell products. The financial and operational capabilities of our dealers and distributors are critical to our ability to compete in these markets. In addition, we compete with other manufacturers of agricultural equipment for dealers. If we are unable to compete successfully against other agricultural equipment manufacturers, we could lose dealers and their end customers and our net sales and profitability may decline.

Rationalization or restructuring of manufacturing facilities, and plant expansions and system upgrades at our manufacturing facilities, may cause production capacity constraints and inventory fluctuations.

The rationalization of our manufacturing facilities has at times resulted in, and similar rationalizations or restructurings in the future may result in, temporary constraints upon our ability to produce the quantity of products necessary to fill orders and thereby complete sales in a timely manner. In addition, system upgrades at our manufacturing facilities that impact ordering, production scheduling and other related manufacturing processes are complex, and could impact or delay production targets. A prolonged delay in our ability to fill orders on a timely basis could affect customer demand for our products and increase the size of our product inventories, causing future reductions in our manufacturing schedules and adversely affecting our results of operations. Moreover, our continuous development and production of new products often involves the retooling of existing manufacturing facilities. This retooling may limit our production capacity at certain times in the future, which could adversely affect our results of operations and financial condition. In addition, the expansion and reconfiguration of existing manufacturing facilities, as well as the start up of new manufacturing operations in emerging markets, such as China and Russia, could increase the risk of production delays, as well as require significant investments of capital.

We depend on suppliers for components, parts and raw materials for our products, and any failure by our suppliers to provide products as needed, or by us to promptly address supplier issues, will adversely impact our ability to timely and efficiently manufacture and sell products. We also are subject to raw material price fluctuations, which can adversely affect our manufacturing costs.

Our products include components and parts manufactured by others. As a result, our ability to timely and efficiently manufacture existing products, to introduce new products and to shift manufacturing of products from one facility to another depends on the quality of these components and parts and the timeliness of their delivery to our facilities. At any particular time, we depend on many different suppliers, and the failure by one or more of our suppliers to perform as needed will result in fewer products being manufactured, shipped and sold. If the quality of the components or parts provided by our suppliers is less than required and we do not recognize that failure prior to the shipment of our products, we will incur higher warranty costs. The timely supply of component parts for our products also depends on our ability to manage our relationships with suppliers, to identify and replace suppliers that fail to meet our schedules or quality standards, and to monitor the flow of components and accurately project our needs. The shift from our existing suppliers to new suppliers, including suppliers in emerging markets in the future, also may impact the quality and efficiency of our manufacturing capabilities, as well as impact warranty costs. A significant increase in the price of any component or raw material could adversely affect our profitability. We cannot avoid exposure to global price fluctuations, such as occurred in the past with the costs of steel and related products, and our profitability depends on, among other things, our ability to raise equipment and parts prices sufficiently enough to recover any such material or component cost increases.

A majority of our sales and manufacturing take place outside the United States, and, as a result, we are exposed to risks related to foreign laws, taxes, economic conditions, labor supply and relations, political conditions and governmental policies. These risks may delay or reduce our realization of value from our international operations.

A majority of our net sales are derived from sales outside the United States. The foreign countries in which we do the most significant amount of business are Germany, France, Brazil, the United Kingdom, Finland and Canada. In addition, we have significant manufacturing operations in France, Germany, Brazil, Italy and Finland and have established manufacturing operations in emerging markets, such as China. Our results of operations and financial condition will be adversely affected by adverse changes in the laws, taxes, economic conditions, labor supply and relations, political conditions and governmental policies of the foreign countries in which we conduct business. Our business practices in these foreign countries must comply with U.S. law, including the Foreign Corrupt Practices Act ("FCPA"). We have a compliance program in place designed to reduce the likelihood of potential violations of the FCPA, but we cannot provide assurances that future violations will not occur. If significant violations do occur, they could subject us to fines and other penalties as well as increased compliance costs. Some of our international operations also are, or might become, subject to various risks that are not present in domestic operations, including restrictions on dividends and the repatriation of funds. Foreign developing markets may present special risks, such as unavailability of financing, inflation, slow economic growth, price controls and difficulties in complying with U.S. regulations.

Domestic and foreign political developments and government regulations and policies directly affect the international agricultural industry, which affects the demand for agricultural equipment. If demand for agricultural equipment declines, our

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sales, growth, results of operations and financial condition will be adversely affected. The application, modification or adoption of laws, regulations, trade agreements or policies adversely affecting the agricultural industry, including the imposition of import and export duties and quotas, expropriation and potentially burdensome taxation, could have an adverse effect on our business. The ability of our international customers to operate their businesses and the health of the agricultural industry, in general, are affected by domestic and foreign government programs that provide economic support to farmers. As a result, farm income levels and the ability of farmers to obtain advantageous financing and other protections would be reduced to the extent that any such programs are curtailed or eliminated. Any such reductions likely would result in a decrease in demand for agricultural equipment. For example, a decrease or elimination of current price protections for commodities or of subsidy payments for farmers in the European Union, the United States, Brazil or elsewhere in South America could negatively impact the operations of farmers in those regions, and, as a result, our sales may decline if these farmers delay, reduce or cancel purchases of our products. In emerging markets, some of these (and other) risks can be greater than they might be elsewhere. In addition, in some cases, the financing provided by our joint ventures with Rabobank or by others is supported by a government subsidy or guarantee. The programs under which those subsidies and guarantees are provided generally are of limited duration and subject to renewal and contain various caps and other limitations. In some markets, for example Brazil, this support is quite significant. In the event the governments that provide this support elect not to renew these programs, and were financing not available on reasonable terms, whether through our joint ventures or otherwise, our sales would be negatively impacted.

As a result of the multinational nature of our business and the acquisitions that we have made over time, our corporate and tax structures are complex, with a significant portion of our operations being held through foreign holding companies. As a result, it can be inefficient, from a tax perspective, for us to repatriate or otherwise transfer funds, and we may be subject to a greater level of tax-related regulation and reviews by multiple governmental units than would companies with a more simplified structure. In addition, our foreign and U.S. operations routinely sell products to, and license technology to other operations of ours. The pricing of these intra-company transactions is subject to regulation and review as well. While we make every effort to comply with all applicable tax laws, audits and other reviews by governmental units could result in our being required to pay additional taxes, interest and penalties.

We can experience substantial and sustained volatility with respect to currency exchange rate and interest rate changes, which can adversely affect our reported results of operations and the competitiveness of our products.

We conduct operations in a variety of currencies. Our production costs, profit margins and competitive position are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. In addition, we are subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues and to risks associated with translating the financial statements of our foreign subsidiaries from local currencies into United States dollars. Similarly, changes in interest rates affect our results of operations by increasing or decreasing borrowing costs and finance income. Our most significant transactional foreign currency exposures are the Euro, the Brazilian real and the Canadian dollar in relation to the United States dollar, and the Euro in relation to the British pound. Where naturally offsetting currency positions do not occur, we attempt to manage these risks by economically hedging some, but not necessarily all, of our exposures through the use of foreign currency forward exchange or option contracts. As with all hedging instruments, there are risks associated with the use of foreign currency forward exchange or option contracts, interest rate swap agreements and other risk management contracts. While the use of such hedging instruments provides us with protection for a finite period of time from certain fluctuations in currency exchange and interest rates, when we hedge we forego part or all the benefits that might result from favorable fluctuations in currency exchange and interest rates. In addition, any default by the counterparties to these transactions could adversely affect us. Despite our use of economic hedging transactions, currency exchange rate or interest rate fluctuations may adversely affect our results of operations, cash flow and financial condition.

We are subject to extensive environmental laws and regulations, including increasingly stringent engine emissions standards, and our compliance with, or our failure to comply with, existing or future laws and regulations could delay production of our products or otherwise adversely affect our business.

We are subject to increasingly stringent environmental laws and regulations in the countries in which we operate. These regulations govern, among other things, emissions into the air, discharges into water, the use, handling and disposal of hazardous substances, waste disposal and the remediation of soil and groundwater contamination. Our costs of complying with these or any other current or future environmental regulations may be significant. For example, the European Union and the United States have adopted more stringent environmental regulations regarding emissions into the air, and it is possible that new emissions-related legislation or regulations will be adopted in connection with concerns regarding greenhouse gases. We may be adversely impacted by costs, liabilities or claims with respect to our operations under existing laws or those that may be adopted in the future. If we fail to comply with existing or future laws and regulations, we may be subject to governmental or

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judicial fines or sanctions, or we may not be able to sell our products and, therefore, our business and results of operations could be adversely affected.

In addition, the products that we manufacture or sell, particularly engines, are subject to increasingly stringent environmental regulations. As a result, we will incur engineering expenses and capital expenditures to modify our products to comply with these regulations. Further, we may experience production delays if we or our suppliers are unable to design and manufacture components for our products that comply with environmental standards established by regulators. For instance, as we are required to meet more stringent engine emission reduction standards that are applicable to engines we manufacture or incorporate into our products, we expect to meet these requirements through the introduction of new technology to our products, engines and exhaust after-treatment systems, as necessary. Failure to meet such requirements could materially affect our business and results of operations.

We are subject to SEC disclosure obligations relating to "conflict minerals" (columbite-tantalite, cassiterite (tin), wolframite (tungsten) and gold) that are sourced from the Democratic Republic of Congo or adjacent countries. Complying with these requirements has and will require us to incur additional costs, including the costs to determine the sources of any conflict minerals used in our products and to modify our processes or products, if required. As a result, we may choose to modify the sourcing, supply and pricing of materials in our products. In addition, we may face reputational and regulatory risks if the information that we receive from our suppliers is inaccurate or inadequate, or our process in obtaining that information does not fulfill the SEC's requirements. We have a formal policy with respect to the use of conflict minerals in our products that is intended to minimize, if not eliminate, conflict minerals sourced from the covered countries to the extent that we are unable to document that they have been obtained from conflict-free sources.

Our labor force is heavily unionized, and our contractual and legal obligations under collective bargaining agreements and labor laws subject us to the risks of work interruption or stoppage and could cause our costs to be higher.

Most of our employees, most notably at our manufacturing facilities, are subject to collective bargaining agreements and union contracts with terms that expire on varying dates. Several of our collective bargaining agreements and union contracts are of limited duration and, therefore, must be re-negotiated frequently. As a result, we incur various administrative expenses associated with union representation of our employees. Furthermore, we are at greater risk of work interruptions or stoppages than non-unionized companies, and any work interruption or stoppage could significantly impact the volume of products we have available for sale. In addition, collective bargaining agreements, union contracts and labor laws may impair our ability to reduce our labor costs by streamlining existing manufacturing facilities and in restructuring our business because of limitations on personnel and salary changes and similar restrictions.

We have significant pension obligations with respect to our employees and our available cash flow may be adversely affected in the event that payments became due under any pension plans that are unfunded or underfunded. Declines in the market value of the securities used to fund these obligations result in increased pension expense in future periods.

A portion of our active and retired employees participate in defined benefit pension plans under which we are obligated to provide prescribed levels of benefits regardless of the value of the underlying assets, if any, of the applicable pension plan. To the extent that our obligations under a plan are unfunded or underfunded, we will have to use cash flow from operations and other sources to pay our obligations either as they become due or over some shorter funding period. In addition, since the assets that we already have provided to fund these obligations are invested in debt instruments and other securities, the value of these assets varies due to market factors. Historically, these fluctuations have been significant and sometimes adverse, and there can be no assurances that they will not be significant in the future. As of December 31, 2015, we had substantial unfunded or underfunded obligations related to our pension and other postretirement health care benefits. See Note 8 of our Consolidated Financial Statements contained in Item 8 for more information regarding our unfunded or underfunded obligations.

Our business routinely is subject to claims and legal actions, some of which could be material.

We routinely are a party to claims and legal actions incidental to our business. These include claims for personal injuries by users of farm equipment, disputes with distributors, vendors and others with respect to commercial matters, and disputes with taxing and other governmental authorities regarding the conduct of our business. While these matters generally are not material, it is entirely possible that a matter will arise that is material to our business.

In addition, we use a broad range of technology in our products. We developed some of this technology, we license some of this technology from others, and some of the technology is embedded in the components that we purchase from suppliers. From time-to-time, third parties make claims that the technology that we use violates their patent rights. While to

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date none of these claims have been significant, we cannot provide any assurances that there will not be significant claims in the future or that currently existing claims will not prove to be more significant than anticipated.

We have a substantial amount of indebtedness, and, as a result, we are subject to certain restrictive covenants and payment obligations that may adversely affect our ability to operate and expand our business.

Our credit facility and certain other debt agreements have various financial and other covenants that require us to maintain certain total debt to EBITDA and interest coverage ratios. In addition, the credit facility and certain other debt agreements contain other restrictive covenants such as the incurrence of indebtedness and the making of certain payments, including dividends, and are subject to acceleration in the event of default. If we fail to comply with these covenants and are unable to obtain a waiver or amendment, an event of default would result.

If any event of default were to occur, our lenders could, among other things, declare outstanding amounts due and payable, and our cash may become restricted. In addition, an event of default or declaration of acceleration under our credit facility or certain other debt agreements could also result in an event of default under our other financing agreements.

Our substantial indebtedness could have other important adverse consequences such as:

- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of our cash flow to fund future working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restricting us from being able to introduce new products or pursuing business opportunities;
- placing us at a competitive disadvantage compared to our competitors that may have less indebtedness; and
- limiting, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds, pay cash dividends or engage in or enter into certain transactions.

Our business increasingly is subject to regulations relating to privacy and data protection, and if we violate any of those regulations or otherwise are the victim of a cyber attack, we could incur significant losses and liability.

Increasingly the United States, the European Union and other governmental entities are imposing regulations designed to protect the collection, maintenance and transfer of personal information. Other regulations govern the collection and transfer of financial data and data security generally. These regulations generally impose penalties in the event of violations. In addition, we also could be subject to cyber attacks that, if successful, could compromise our information technology systems and our ability to conduct business.

In addition, our business relies on the Internet as well as other electronic communications systems that, by their nature, may be subject to efforts by so-called “hackers” to either disrupt our business or steal data or funds. While we strive to maintain customary protections against hackers, there can be no assurance that at some point a hacker will breach those safeguards and damage our business, possibly materially.

We may encounter difficulties in integrating businesses we acquire and may not fully achieve, or achieve within a reasonable time frame, expected strategic objectives and other expected benefits of the acquisitions.

We may at times seek to expand through acquisitions of other businesses. We would expect to realize strategic and other benefits as a result of our acquisitions, including, among other things, the opportunity to extend our reach in the agricultural industry and provide our customers with an even wider range of products and services. However, it is impossible to predict with certainty whether, or to what extent, these benefits will be realized or whether we will be able to integrate acquired businesses in a timely and effective manner. For example:

- the costs of integrating acquired businesses and their operations may be higher than we expect and may require significant attention from our management;

- the businesses we acquire may have undisclosed liabilities, such as environmental liabilities or liabilities for violations of laws, such as the FCPA, that we did not expect; and

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- our ability to successfully carry out our growth strategies for acquired businesses will be affected by, among other things, our ability to maintain and enhance our relationships with their existing customers, our ability to provide additional product distribution opportunities to them through our existing distribution channels, changes in the spending patterns and preferences of customers and potential customers, fluctuating economic and competitive conditions and our ability to retain their key personnel.

Our ability to address these issues will determine the extent to which we are able to successfully integrate, develop and grow acquired businesses and to realize the expected benefits of these transactions. Our failure to do so could have a material adverse effect on our revenues, operating results and financial condition following the transactions.

Item 1B. Unresolved Staff Comments

Not applicable.

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Item 2. Properties

Our principal manufacturing locations and/or properties as of January 31, 2016, were as follows:

Location	Description of Property	Leased (Sq. Ft.)	Owned (Sq. Ft.)
United States:			
Assumption, Illinois	Manufacturing/Sales and Administrative Office		933,900
Batavia, Illinois	Parts Distribution	310,200	
Duluth, Georgia	Corporate Headquarters	166,700	
Hesston, Kansas	Manufacturing		1,461,800
Jackson, Minnesota	Manufacturing	327,000	706,000
International:			
Beauvais, France[1]	Manufacturing	14,300	1,258,700
Breganze, Italy	Manufacturing		1,548,400
Ennery, France	Parts Distribution	54,500	823,200
Linnavuori, Finland	Manufacturing		396,300
Marktoberdorf, Germany	Manufacturing	127,400	1,472,000
Suolahti, Finland	Manufacturing/Parts Distribution		550,900
Canoas, Brazil	Regional Headquarters/Manufacturing		665,200
Mogi das Cruzes, Brazil	Manufacturing		727,400
Santa Rosa, Brazil	Manufacturing		512,200
Changzhou, China	Manufacturing	248,000	767,000

(1) Includes our joint venture, GIMA, in which we own a 50% interest.

We consider each of our facilities to be in good condition and adequate for its present use. We believe that we have sufficient capacity to meet our current and anticipated manufacturing requirements.

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Item 3. Legal Proceedings

In August 2008, as part of a routine audit, the Brazilian taxing authorities disallowed deductions relating to the amortization of certain goodwill recognized in connection with a reorganization of our Brazilian operations and the related transfer of certain assets to our Brazilian subsidiaries. The amount of the tax disallowance through December 31, 2015, not including interest and penalties, was approximately 131.5 million Brazilian reais (or approximately $33.2 million). The amount ultimately in dispute will be greater because of interest and penalties. We have been advised by our legal and tax advisors that our position with respect to the deductions is allowable under the tax laws of Brazil. We are contesting the disallowance and believe that it is not likely that the assessment, interest or penalties will be required to be paid. However, the ultimate outcome will not be determined until the Brazilian tax appeal process is complete, which could take several years.

We are a party to various other legal claims and actions incidental to our business. We believe that none of these claims or actions, either individually or in the aggregate, is material to our business or financial statements as a whole, including our results of operations and financial condition.

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

Our common stock is listed on the New York Stock Exchange (“NYSE”) and trades under the symbol AGCO. As of the close of business on February 19, 2016, the closing stock price was $46.40, and there were 352 stockholders of record (this number does not include stockholders who hold their stock through brokers, banks and other nominees). The following table sets forth, for the periods indicated, the high and low sales prices for our common stock for each quarter within the last two years, as reported on the NYSE, as well as the amount of the dividend paid.

	High	Low	Dividend
2015			
First Quarter	$50.95	$42.07	$0.12
Second Quarter	57.26	46.13	0.12
Third Quarter	57.90	43.22	0.12
Fourth Quarter	51.73	41.91	0.12

	High	Low	Dividend
2014			
First Quarter	$59.02	$49.93	$0.11
Second Quarter	59.18	53.28	0.11
Third Quarter	56.61	45.07	0.11
Fourth Quarter	47.37	41.56	0.11

Dividend Policy

On January 28, 2016, our Board of Directors approved an increase in our quarterly dividend from $0.12 per share to $0.13 per share beginning in the first quarter of 2016. Future dividends will be subject to our Board of Directors’ approval. We cannot provide any assurance that we will continue to pay dividends in the future. Although we are in compliance with all provisions of our debt agreements, our credit facility, 4$^{1}/2$% senior term loan and 1.056% senior term loan contain restrictions on our ability to pay dividends in certain circumstances. Refer to Note 9 of our Consolidated Financial Statements for further information.

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Issuer Purchases of Equity Securities

The table below sets forth information with respect to purchases of our common stock made by or on behalf of us during the three months ended December 31, 2015:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)(1)(2)(3)
October 1, 2015 through October 31, 2015 (2)	342,637	$46.12	342,637	$344.2
November 1, 2015 through November 30, 2015 (3)	1,711,230	$46.75	1,711,230	$244.2
December 1, 2015 through December 31, 2015	—	$—	—	$244.2
Total	2,053,867	$46.50	2,053,867	$244.2

(1) Our Board of Directors' authorization to repurchase these shares expires in December 2016.

(2) In August 2015, we entered into an accelerated share repurchase ("ASR") agreement with a third-party financial institution to repurchase $62.5 million of our common stock. The ASR agreement resulted in the delivery of 1,012,638 shares of our common stock, representing 75% of the shares expected to be repurchased in connection with the transaction. In October 2015, the remaining 342,637 shares under the ASR agreement were delivered. As reflected in the table above, the average price paid per share for the ASR agreement was the volume-weighted average stock price of our common stock over the term of the ASR agreement. Refer to Note 9 of our Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data, "for a further discussion of this matter.

(3) In November 2015, we entered into an ASR agreement with a third-party financial institution to repurchase $100.0 million of our common stock. The ASR agreement resulted in the initial delivery of 1,711,230 shares of our common stock, representing approximately 80% of the shares expected to be repurchased in connection with the transaction. In January 2016, the remaining 407,607 shares under the ASR agreement were delivered. The average price paid per share related to the ASR agreement reflected in the table above was derived using the fair market value of the shares on the date the initial 1,711,230 shares were delivered. The amount that may yet be purchased under our share repurchase programs, as presented in the above table, was reduced by the entire $100.0 million payment related to the ASR agreement. Refer to Note 9 of our Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data," for a further discussion of this matter.

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Item 6. Selected Financial Data

The following tables present our selected consolidated financial data. The data set forth below should be read together with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our historical Consolidated Financial Statements and the related notes. The Consolidated Financial Statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 and the reports thereon are included in Item 8, “Financial Statements and Supplementary Data,” in this Form 10-K. The historical financial data may not be indicative of our future performance.

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(In millions, except per share data)				
Operating Data:					
Net sales	$7,467.3	$9,723.7	$10,786.9	$9,962.2	$8,773.2
Gross profit	1,560.6	2,066.3	2,390.6	2,123.2	1,776.1
Income from operations	361.1	646.5	900.7	693.2	610.3
Net income	264.0	404.2	592.3	516.4	585.3
Net loss (income) attributable to noncontrolling interests	2.4	6.2	4.9	5.7	(2.0)
Net income attributable to AGCO Corporation and subsidiaries	$266.4	$410.4	$597.2	$522.1	$583.3
Net income per common share — diluted	$3.06	$4.36	$6.01	$5.30	$5.95
Cash dividends declared and paid per common share	$0.48	$0.44	$0.40	$—	$—
Weighted average shares outstanding — diluted	87.1	94.2	99.4	98.6	98.1

	As of December 31,				
	2015	2014	2013	2012	2011
	(In millions, except number of employees)				
Balance Sheet Data:					
Cash and cash equivalents	$426.7	$363.7	$1,047.2	$781.3	$724.4
Total assets [(1)]	6,501.3	7,368.8	8,395.8	7,700.9	7,317.8
Total long-term debt, excluding current portion	928.8	997.6	938.5	1,035.6	1,409.7
Stockholders’ equity	2,883.3	3,496.9	4,044.8	3,481.5	3,031.2
Other Data:					
Number of employees	19,588	20,828	22,111	20,320	19,294

(1) The Company elected to early adopt Accounting Standards Update 2015-17 “Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”), which requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The requirements of ASU 2015-17 have been applied retrospectively to all periods presented. Refer to Note 1 of our Consolidated Financial Statements contained in Item 8 for a further discussion of this matter.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

We are a leading manufacturer and distributor of agricultural equipment and related replacement parts throughout the world. We sell a full range of agricultural equipment, including tractors, combines, self-propelled sprayers, hay tools, forage equipment, tillage, implements, and grain storage and protein production systems. Our products are widely recognized in the agricultural equipment industry and are marketed under a number of well-known brand names, including: Challenger®, Fendt®, GSI®, Massey Ferguson® and Valtra®. We distribute most of our products through a combination of approximately 3,000 dealers and distributors as well as associates and licensees. In addition, we provide retail financing through our finance joint ventures with Rabobank.

Financial Highlights

We sell our equipment and replacement parts to our independent dealers, distributors and other customers. A large majority of our sales are to independent dealers and distributors that sell our products to end users. To the extent practicable, we attempt to sell products to our dealers and distributors on a level basis throughout the year to reduce the effect of seasonal demands on our manufacturing operations and to minimize our investment in inventories. However, retail sales by dealers to farmers are highly seasonal and are linked to the planting and harvesting seasons. In certain markets, particularly in North America, there is often a time lag, which varies based on the timing and level of retail demand, between our sale of the equipment to the dealer and the dealer's sale to a retail customer.

The following table sets forth, for the periods indicated, the percentage relationship to net sales of certain items included in our Consolidated Statements of Operations:

	Years Ended December 31,		
	2015 (1)	2014 (1)	2013 (1)
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	79.1	78.7	77.8
Gross profit	20.9	21.3	22.2
Selling, general and administrative expenses	11.4	10.2	10.1
Engineering expenses	3.8	3.5	3.3
Restructuring and other infrequent expenses	0.3	0.5	—
Amortization of intangibles	0.6	0.4	0.4
Income from operations	4.8	6.6	8.4
Interest expense, net	0.6	0.6	0.5
Other expense, net	0.5	0.5	0.4
Income before income taxes and equity in net earnings of affiliates	3.7	5.5	7.4
Income tax provision	1.0	1.9	2.4
Income before equity in net earnings of affiliates	2.8	3.6	5.0
Equity in net earnings of affiliates	0.8	0.5	0.4
Net income	3.5	4.2	5.5
Net loss attributable to noncontrolling interests	—	0.1	—
Net income attributable to AGCO Corporation and subsidiaries	3.6 %	4.2 %	5.5 %

(1) Rounding may impact summation of amounts.

2015 Compared to 2014

Net income attributable to AGCO Corporation and subsidiaries for 2015 was $266.4 million, or $3.06 per diluted share, compared to net income for 2014 of $410.4 million, or $4.36 per diluted share.

Net sales for 2015 were approximately $7,467.3 million, or 23.2% lower than 2014, primarily due to softer global market conditions and the unfavorable impact of currency translation. Income from operations was $361.1 million in 2015 compared to $646.5 million in 2014. The decrease in income from operations during 2015 was a result of lower net sales in all of our geographical segments, decreased production volumes, a weaker sales mix and currency translation impacts.

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Regionally, income from operations in our Europe/Africa/Middle East ("EAME"), South American and North American regions decreased approximately $83.5 million, $99.6 million and $95.8 million, respectively, in 2015 compared to 2014 as a result of lower net sales and production levels, an unfavorable sales mix and the negative impact of currency translation. These adverse impacts have been partially mitigated by headcount and cost reduction initiatives. Loss from operations in the Asia/Pacific region increased approximately $16.1 million in 2015 compared to 2014 primarily due to lower net sales and increased market development costs in China.

Industry Market Conditions

Crop production reached near-record levels for a third consecutive year, contributing to elevated commodity inventories and putting pressure on global farm economics. Lower farm income weakened demand for farm equipment in all major markets during 2015 as compared to 2014. In North America, industry demand was significantly lower for high horsepower tractors, combines and sprayers, which primarily are used in row crop applications. Industry demand in South America deteriorated significantly throughout 2015. In Brazil, demand was extremely low due to weakness in the general economy, funding interruptions in the government financing program and softness in the sugarcane sector. In Western Europe, industry demand declines from 2014 levels were less pronounced. Poor economics for dairy producers and lower commodity prices in the arable farming sector pressured demand.

In the United States and Canada, industry unit retail sales of tractors and combines decreased approximately 3% and 28%, respectively, in 2015 compared to 2014. The most significant declines were experienced in the row crop sector, impacting demand for high horsepower tractors, combines and sprayers. These declines were partially offset by stable industry sales in lower horsepower tractors. In South America, industry unit retail sales of tractors and combines decreased approximately 28% and 39%, respectively, in 2015 compared to 2014. Declines were most pronounced in Brazil and other South American markets. In Western Europe, industry unit retail sales of tractors and combines decreased approximately 4% and 10%, respectively, in 2015 compared to 2014. The most significant declines were in the United Kingdom, Finland and Germany.

Results of Operations

Net sales for 2015 were $7,467.3 million compared to $9,723.7 million for 2014, primarily due to softer global market conditions and the unfavorable impact of foreign currency translation. Foreign currency translation negatively impacted net sales during 2015 as compared to 2014 by approximately $1,265.0 million, or approximately 13.0%, primarily due to the weakening of the Euro and the Brazilian real. The following table sets forth, for the year ended December 31, 2015, the impact to net sales of currency translation by geographical segment (in millions, except percentages):

			Change		Change due to Currency Translation	
	2015	2014	$	%	$	%
North America	$1,965.0	$2,414.2	$(449.2)	(18.6)%	$(54.5)	(2.3)%
South America	949.0	1,663.4	(714.4)	(42.9)%	(352.3)	(21.2)%
EAME	4,151.3	5,158.5	(1,007.2)	(19.5)%	(799.3)	(15.5)%
Asia/Pacific	402.0	487.6	(85.6)	(17.6)%	(58.9)	(12.1)%
	$7,467.3	$9,723.7	$(2,256.4)	(23.2)%	$(1,265.0)	(13.0)%

Regionally, net sales in North America decreased during 2015 compared to 2014, with the most significant decreases in high horsepower tractors, combines, sprayers and implements, partially offset by sales growth of protein production equipment. Net sales were lower in South America in 2015 compared to 2014 due to significant sales declines in Brazil, which were partially offset by modest growth in Argentina and other South American markets. Declines in net sales of tractors and combines in the region were partially offset by growth in sales of protein production and grain storage equipment. In the EAME region, net sales decreased in 2015 compared to 2014, with the largest declines in Germany, Africa and Scandinavia, partially offset by growth in France and Turkey. In the Asia/Pacific region, net sales decreased in 2015 compared to 2014, primarily due to net sales declines in Asia. We estimate that worldwide average price increases were approximately 1.8% and 1.5% in 2015 and 2014, respectively. Consolidated net sales of tractors and combines, which consisted of approximately 61% of our net sales in 2015, decreased approximately 26% in 2015 compared to 2014. Unit sales of tractors and combines decreased approximately 12% during 2015 compared to 2014. The unit sales decrease and the decrease in net sales can differ due to foreign currency translation, pricing and sales mix changes.

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The following table sets forth, for the years ended December 31, 2015 and 2014, the percentage relationship to net sales of certain items included in our Consolidated Statements of Operations (in millions, except percentages):

	2015			2014		
	$	% of Net Sales		$	% of Net Sales[(1)]	
Gross profit	$1,560.6	20.9	%	$2,066.3	21.3	%
Selling, general and administrative expenses	852.3	11.4	%	995.4	10.2	%
Engineering expenses	282.2	3.8	%	337.0	3.5	%
Restructuring and other infrequent expenses	22.3	0.3	%	46.4	0.5	%
Amortization of intangibles	42.7	0.6	%	41.0	0.4	%
Income from operations	$361.1	4.8	%	$646.5	6.6	%

(1) Rounding may impact summation of amounts.

Gross profit as a percentage of net sales decreased during 2015 compared to 2014, primarily due to lower net sales and production levels as well as a weaker product mix. Headcount and cost reduction initiatives helped to partially offset these negative impacts. Production hours decreased approximately 18% during 2015 compared to 2014. We recorded stock compensation expense of approximately $0.9 million during 2015 and a credit of approximately $0.9 million during 2014 within cost of goods sold, as is more fully explained in Note 1 of our Consolidated Financial Statements.

Selling, general and administrative expenses (“SG&A expenses”) and engineering expenses both declined in dollars but increased as a percentage of net sales during 2015 compared to 2014. The declines in SG&A and engineering expenses were the result of headcount and spending reductions as well as the impact of foreign currency translation. We recorded stock compensation expense of approximately $11.6 million during 2015 and a credit of $9.7 million during 2014 within SG&A expenses, as is more fully explained in Note 1 of our Consolidated Financial Statements. The credit recorded in 2014 included approximately $16.9 million for the reversal of previously recorded long-term stock compensation expense.

We recorded restructuring and other infrequent expenses of approximately $22.3 million and $46.4 million during 2015 and 2014, respectively. The restructuring and other infrequent expenses recorded in 2015 and 2014 primarily related to severance and other related costs associated with the rationalization of employee headcount at various manufacturing facilities and administrative offices located in Europe, China, South America and the United States.

Interest expense, net was $45.4 million for 2015 compared to $58.4 million for 2014. The decrease was primarily due to higher interest income and lower interest rates on outstanding indebtedness. See “Liquidity and Capital Resources” for further information.

Other expense, net was $36.3 million in 2015 compared to $49.1 million in 2014. The decrease was primarily due to lower foreign exchange losses and decreased losses on sales of receivables in 2015 as compared to 2014. Losses on sales of receivables, primarily related to our accounts receivable sales agreements with our finance joint ventures in North America, Europe and Brazil, were approximately $18.8 million and $24.8 million in 2015 and 2014, respectively.

We recorded an income tax provision of $72.5 million in 2015 compared to $187.7 million in 2014. Our tax provision and effective tax rate is impacted by the differing tax rates of the various tax jurisdictions in which we operate, permanent differences for items treated differently for financial accounting and income tax purposes and for losses in jurisdictions where no income tax benefit is recorded.

A valuation allowance is established when it is more likely than not that some portion or all of a company's deferred tax assets will not be realized. We assessed the likelihood that our deferred tax assets would be recovered from estimated future taxable income and available income tax planning strategies. At December 31, 2015 and 2014, we had gross deferred tax assets of $390.0 million and $430.0 million, respectively, including $74.0 million and $75.7 million, respectively, related to net operating loss carryforwards. At December 31, 2015, we had total valuation allowances as an offset to the gross deferred tax assets of $75.8 million, primarily related to net operating loss carryforwards in Brazil, China, Russia and the Netherlands. At December 31, 2014, we had total valuation allowances as an offset to the gross deferred tax assets of approximately $93.3 million, primarily related to net operating loss carryforwards in Brazil, China, Russia and the Netherlands. Realization of the remaining deferred tax assets as of December 31, 2015 will depend on generating sufficient taxable income in future periods,

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net of reversing deferred tax liabilities. We believe it is more likely than not that the remaining net deferred tax assets will be realized.

Equity in net earnings of affiliates, which is primarily comprised of income from our finance joint ventures, was $57.1 million in 2015 compared to $52.9 million in 2014. Refer to “Finance Joint Ventures” for further information regarding our finance joint ventures and their results of operations and to Note 5 of our Consolidated Financial Statements.

2014 Compared to 2013

Net income attributable to AGCO Corporation and subsidiaries for 2014 was $410.4 million, or $4.36 per diluted share, compared to net income for 2013 of $597.2 million, or $6.01 per diluted share.

Net sales for 2014 were approximately $9,723.7 million, or 9.9% lower than 2013, primarily due to softer global market conditions and the unfavorable impact of currency translation. Income from operations was $646.5 million in 2014 compared to $900.7 million in 2013. The decrease in income from operations during 2014 was a result of lower net sales in all of our geographical segments, decreased production volumes and a weaker sales mix.

Regionally, income from operations in our EAME, South American and North American regions decreased approximately $58.0 million, $78.7 million and $106.7 million, respectively, in 2014 compared to 2013 as a result of lower net sales and production levels and a weaker sales mix. Income from operations in the Asia/Pacific region decreased approximately $12.0 million in 2014 compared to 2013 primarily due to lower net sales and increased expenses associated with our new factory in China.

Industry Market Conditions

Favorable growing conditions and strong yields in 2014 resulted in record crop production that led to lower prices of all major commodities. With lower farm income impacting farmer sentiment, industry demand softened in all major agricultural equipment markets during 2014 as compared to 2013. In North America, industry demand was significantly lower for higher horsepower tractors as well as combines and sprayers, which primarily are used in row crop applications. Improved conditions in the dairy and livestock sectors in North America supported a growth in industry demand in the lower horsepower tractor categories. Weaker demand in the Brazilian sugarcane sector and funding delays in the Brazilian government financing program negatively impacted industry demand in South America. In Western Europe, industry results by country remained mixed, with a significant decline in the markets of France and Scandinavia as well as lower demand in Germany.

In the United States and Canada, industry unit retail sales of tractors and combines decreased approximately 2% and 25%, respectively, in 2014 compared to 2013. The most significant declines were experienced in the row crop sector, impacting demand for high horsepower tractors and combines. These declines were partially offset by higher industry sales in lower horsepower tractors. In South America, industry unit retail sales of tractors in 2014 decreased approximately 15% compared to 2013. Industry unit retail sales of combines in South America decreased approximately 24% during 2014 compared to 2013. In Western Europe, industry unit retail sales of tractors and combines decreased approximately 9% and 11%, respectively, in 2014 compared to 2013. The most significant decline were in the markets of France and Scandinavia, while Germany experienced a moderate decline and industry demand remained stable in the United Kingdom and parts of Southern Europe.

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Results of Operations

Net sales for 2014 were $9,723.7 million compared to $10,786.9 million for 2013, primarily due to softer global market conditions and the unfavorable impact of foreign currency translation. Foreign currency translation negatively impacted net sales during 2014 as compared to 2013 by approximately $258.7 million, or 2.4%, primarily due to the weakening of the Euro and the Brazilian real. The following table sets forth, for the year ended December 31, 2014, the impact to net sales of currency translation by geographical segment (in millions, except percentages):

			Change		Change due to Currency Translation	
	2014	2013	$	%	$	%
North America	$2,414.2	$2,757.8	$(343.6)	(12.5)%	$(25.3)	(0.9)%
South America	1,663.4	2,039.7	(376.3)	(18.4)%	(180.1)	(8.8)%
Europe/Africa/Middle East	5,158.5	5,481.5	(323.0)	(5.9)%	(40.0)	(0.7)%
Asia/Pacific	487.6	507.9	(20.3)	(4.0)%	(13.3)	(2.6)%
	$9,723.7	$10,786.9	$(1,063.2)	(9.9)%	$(258.7)	(2.4)%

Regionally, net sales in North America decreased during 2014 compared to 2013 with the most significant decreases in net sales in high horsepower tractors, sprayers and implements, partially offset by growth in net sales of low horsepower tractors, grain storage equipment and hay tools. Net sales were lower in South America in 2014 compared to 2013 for tractors, offset by increased net sales of grain storage equipment. In the EAME region, net sales decreased in 2014 compared to 2013, with the largest net sales decreases in France and Germany, partially offset by growth in Africa and Turkey. In the Asia/Pacific region, net sales decreased in 2014 compared to 2013, primarily due to net sales declines in Asia. We estimate that worldwide average price increases were approximately 1.5% and 2.0% in 2014 and 2013, respectively. Consolidated net sales of tractors and combines, which consisted of approximately 63% of our net sales in 2014, decreased approximately 14% in 2014 compared to 2013. Unit sales of tractors and combines decreased approximately 10% during 2014 compared to 2013. The unit sales decrease and the decrease in net sales can differ due to foreign currency translation, pricing and sales mix changes.

The following table sets forth, for the years ended December 31, 2014 and 2013, the percentage relationship to net sales of certain items included in our Consolidated Statements of Operations (in millions, except percentages):

	2014		2013	
	$	% of Net Sales(1)	$	% of Net Sales
Gross profit	$2,066.3	21.3 %	$2,390.6	22.2 %
Selling, general and administrative expenses	995.4	10.2 %	1,088.7	10.1 %
Engineering expenses	337.0	3.5 %	353.4	3.3 %
Restructuring and other infrequent expenses	46.4	0.5 %	—	— %
Amortization of intangibles	41.0	0.4 %	47.8	0.4 %
Income from operations	$646.5	6.6 %	$900.7	8.4 %

(1) Rounding may impact summation of amounts.

Gross profit as a percentage of net sales decreased during 2014 compared to 2013, primarily due to lower net sales and production levels as well as a weaker product mix. Pricing and cost reduction initiatives helped to partially offset these negative impacts. Unit production of tractors and combines during 2014 was approximately 15% lower than 2013. We recorded a stock compensation credit of approximately $0.9 million and an expense of approximately $2.3 million within cost of goods sold during 2014 and 2013, respectively, as is more fully explained in Note 1 of our Consolidated Financial Statements.

SG&A expenses as a percentage of net sales increased slightly during 2014 compared to 2013, primarily due to the decline in net sales. We recorded a stock compensation credit of approximately $9.7 million and an expense of approximately $32.6 million within SG&A expenses during 2014 and 2013, respectively, as is more fully explained in Note 1 of our Consolidated Financial Statements. The credit recorded in 2014 included approximately $16.9 million for the reversal of

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previously recorded long-term stock compensation expense. Engineering expenses as a percentage of net sales also increased slightly during 2014 compared to 2013, primarily due to lower net sales.

We recorded restructuring and other infrequent expenses of approximately $46.4 million during 2014. The restructuring and other infrequent expenses recorded in 2014 primarily related to severance and other related costs associated with the rationalization of employee headcount at various manufacturing facilities and administrative offices located in Europe, China, South America and the United States.

Interest expense, net was $58.4 million for 2014 compared to $58.0 million for 2013, which is more fully explained in "Liquidity and Capital Resources."

Other expense, net was $49.1 million in 2014 compared to $40.1 million in 2013. Other expense, net increased during 2014 compared to 2013 primarily due to foreign exchange losses partially offset by a decline in losses on sales of receivables. Losses on sales of receivables primarily related to our accounts receivable sales agreements with our finance joint ventures in North America and Europe were approximately $24.8 million and $25.6 million in 2014 and 2013, respectively.

We recorded an income tax provision of $187.7 million in 2014 compared to $258.5 million in 2013. Our tax provision and effective tax rate is impacted by the differing tax rates of the various tax jurisdictions in which we operate, permanent differences for items treated differently for financial accounting and income tax purposes and for losses in jurisdictions where no income tax benefit is recorded.

A valuation allowance is established when it is more likely than not that some portion or all of a company's deferred tax assets will not be realized. We assessed the likelihood that our deferred tax assets would be recovered from estimated future taxable income and available income tax planning strategies. At December 31, 2014 and 2013, we had gross deferred tax assets of $430.0 million and $423.2 million, respectively, including $75.7 million and $69.7 million, respectively, related to net operating loss carryforwards. At December 31, 2014, we had total valuation allowances as an offset to the gross deferred tax assets of $93.3 million, primarily related to net operating loss carryforwards in Brazil, China, Russia and the Netherlands. At December 31, 2013, we had total valuation allowances as an offset to the gross deferred tax assets of approximately $77.2 million, primarily related to net operating loss carryforwards in Brazil, China and Russia.

Equity in net earnings of affiliates, which is primarily comprised of income from our finance joint ventures, was $52.9 million in 2014 compared to $48.2 million in 2013. Refer to "Finance Joint Ventures" for further information regarding our finance joint ventures and their results of operations and to Note 5 of our Consolidated Financial Statements.

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Quarterly Results

The following table presents unaudited interim operating results. We believe that the following information includes all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our results of operations for the periods presented.

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In millions, except per share data)			
2015:				
Net sales	$1,702.6	$2,069.3	$1,736.4	$1,959.0
Gross profit	347.9	449.6	365.7	397.4
Income from operations	46.8	149.9	79.1	85.3
Net income	29.9	105.6	67.2	61.3
Net loss (income) attributable to noncontrolling interests	0.2	1.5	(0.1)	0.8
Net income attributable to AGCO Corporation and subsidiaries	30.1	107.1	67.1	62.1
Net income per common share attributable to AGCO Corporation and subsidiaries — diluted	0.34	1.22	0.77	0.73
2014:				
Net sales	$2,333.4	$2,750.3	$2,154.8	$2,485.2
Gross profit	514.9	631.5	421.9	498.0
Income from operations	155.7	266.7	108.7	115.4
Net income	99.2	166.0	62.5	76.5
Net loss attributable to noncontrolling interests	0.4	2.2	2.5	1.1
Net income attributable to AGCO Corporation and subsidiaries	99.6	168.2	65.0	77.6
Net income per common share attributable to AGCO Corporation and subsidiaries — diluted	1.03	1.77	0.69	0.85

Finance Joint Ventures

Our AGCO Finance joint ventures provide both retail financing and wholesale financing to our dealers in the United States, Canada, Europe, Brazil, Argentina and Australia. The joint ventures are owned 49% by AGCO and 51% by a wholly owned subsidiary of Rabobank, a financial institution based in the Netherlands. The majority of the assets of the finance joint ventures represents finance receivables. The majority of the liabilities represents notes payable and accrued interest. Under the various joint venture agreements, Rabobank or its affiliates provide financing to the joint ventures, primarily through lines of credit. We do not guarantee the debt obligations of the joint ventures. As of December 31, 2015, our capital investment in the finance joint ventures, which is included in “Investment in affiliates” on our Consolidated Balance Sheets, was approximately $359.4 million compared to $389.0 million as of December 31, 2014. The total finance portfolio in our finance joint ventures was approximately $8.0 billion and $8.9 billion as of December 31, 2015 and 2014, respectively. The total finance portfolio as of December 31, 2015 included approximately $6.7 billion of retail receivables and $1.3 billion of wholesale receivables from AGCO dealers. The total finance portfolio as of December 31, 2014 included approximately $7.4 billion of retail receivables and $1.5 billion of wholesale receivables from AGCO dealers. The wholesale receivables either were sold directly to AGCO Finance without recourse from our operating companies or AGCO Finance provided the financing directly to the dealers. During both 2015 and 2014, we did not make additional investments in our finance joint ventures. During 2013, we made a total of approximately $15.5 million of additional investments in our finance joint ventures in

Germany and the Netherlands, primarily related to additional capital required as a result of increased finance portfolios during 2013. Our share in the earnings of the finance joint ventures, included in “Equity in net earnings of affiliates” within our Consolidated Statements of Operations, was $53.8 million and $48.8 million for the years ended December 31, 2015 and 2014, respectively.

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Outlook

Our operations are subject to the cyclical nature of the agricultural industry. Sales of our equipment have been and are expected to continue to be affected by changes in net cash farm income, farm land values, weather conditions, the demand for agricultural commodities, farm industry related legislation, availability of financing and general economic conditions.

Weak worldwide industry demand is expected to continue into 2016 resulting from lower commodity prices and reduced farm income across the developed agricultural equipment markets. Our net sales in 2016 are also expected to decrease compared to 2015, primarily due to the projected industry decline and unfavorable currency translation impacts. We expect gross and operating margins to be lower than 2015 levels as a result of the reduction in net sales and production volumes, a weaker product mix and an expected increase in engineering expenses. Benefits from our cost reduction initiatives are expected to partially offset the volume-related impacts.

Recent Acquisitions

On February 2, 2016, we acquired Tecno Poultry Equipment S.p.A ("Tecno") for approximately €53.5 million (or approximately $58.4 million). Tecno, headquartered in Marsango di Campo San Martino, Italy, manufactures and supplies poultry housing and related products, including egg collection equipment and trolley feeding systems. The acquisition was financed through our credit facility (refer to Note 7 of our Consolidated Financial Statements for further information). We will allocate the purchase price to the assets acquired and liabilities assumed based on preliminary estimates of their fair values as of the acquisition date. The acquired net assets primarily consisted of accounts receivable, inventories, accounts payable and accrued expenses, property, plant and equipment, goodwill and certain identifiable intangible assets.
On April 17, 2015, we acquired Farmer Automatic GmbH & Co. KG ("Farmer Automatic") for approximately $17.9 million, net of cash acquired of approximately $0.1 million. Farmer Automatic, headquartered in Laer, Germany, manufactures and supplies poultry housing and related products, including egg production cages and broiler production equipment. The acquisition was financed with available cash on hand. We allocated the purchase price to the assets acquired and liabilities assumed based on preliminary estimates of their fair values as of the acquisition date. The acquired net assets primarily consisted of accounts receivable, inventories, accounts payable and accrued expenses, property, plant and equipment, and customer relationship, technology and trademark identifiable intangible assets. We recorded approximately $9.6 million of customer relationship, technology and trademark identifiable intangible assets and approximately $10.0 million of goodwill associated with the acquisition.

On September 11, 2014, we acquired the remaining 39% interest of Santal Equipamentos S.A. Comércio e Indústria ("Santal") for approximately R$9.0 million (or approximately $3.7 million). Santal is headquartered in Ribeirão Preto, Brazil, and manufactures and distributes sugar cane planting, harvesting, handling and transportation equipment as well as replacement parts across Brazil. Due to the fact that we and the seller each had a call option and put option, respectively, with varying dates with respect to the remaining 39% interest in Santal, the fair value of the redeemable noncontrolling interest had previously been recorded within "Temporary equity" in our Consolidated Balance Sheets. The acquisition of the remaining interest was funded with available cash on hand. The redemption and related amounts settled were reflected in "Additional paid-in capital" in our Consolidated Balance Sheets.

On August 1, 2014, we acquired Intersystems Holdings, Inc. ("Intersystems") for approximately $134.4 million, net of cash acquired of approximately $4.1 million (or approximately $130.3 million, net). Intersystems, headquartered in Omaha, Nebraska, designs and manufactures commercial material handling solutions, primarily for the agricultural, biofuels and food and feed processing industries. The acquisition was financed with available cash on hand and our credit facility (refer to Note 7 of our Consolidated Financial Statements for further information). We allocated the purchase price to the assets acquired and liabilities assumed based on preliminary estimates of their fair values as of the acquisition date. The acquired net assets primarily consisted of accounts receivable, inventories, accounts payable and accrued expenses, property, plant and equipment, and customer relationship, technology and trademark identifiable intangible assets. We recorded approximately $46.3 million of customer relationship, technology and trademark identifiable intangible assets and approximately $89.6 million of goodwill associated with the acquisition.

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Liquidity and Capital Resources

Our financing requirements are subject to variations due to seasonal changes in inventory and receivable levels. Internally generated funds are supplemented when necessary from external sources, primarily our credit facility and accounts receivable sales agreement facilities.

We believe that these facilities, together with available cash and internally generated funds, will be sufficient to support our working capital, capital expenditures and debt service requirements for the foreseeable future:

- Our €200.0 million (or approximately $217.2 million as of December 31, 2015) $4^1/2$% senior term loan, which matures in 2016 (see further discussion below).
- Our revolving credit and term loan facility, consisting of an $800.0 million multi-currency revolving credit facility and a €312.0 million (or approximately $338.9 million as of December 31, 2015) term loan facility, which expires in June 2020. As of December 31, 2015, there were no outstanding amounts under the multi-currency revolving credit facility and €312.0 million (or approximately $338.9 million) was outstanding under the term loan facility (see further discussion below).
- Our €200.0 million (or approximately $217.2 million as of December 31, 2015) 1.056% senior term loan, which matures in 2020 (see further discussion below).
- Our $297.4 million of $5^7/8$% senior notes, which mature in 2021 (see further discussion below).
- Our accounts receivable sales agreements with our finance joint ventures in the United States, Canada, Europe and Brazil. As of December 31, 2015, approximately $1.1 billion of cash had been received under these agreements (see further discussion below).

In addition, although we are in complete compliance with the financial covenants contained in these facilities and currently expect to continue to maintain such compliance, should we ever encounter difficulties, our historical relationship with our lenders has been strong and we anticipate their continued long-term support of our business.

Current Facilities

Our €200.0 million $4^1/2$% senior term loan with Rabobank is due May 2, 2016. We have the ability to prepay the term loan before its maturity date. Interest is payable on the term loan at $4^1/2$% per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The term loan contains covenants restricting, among other things, the incurrence of indebtedness and the making of certain payments, including dividends, and is subject to acceleration in the event of default. We also must fulfill financial covenants with respect to a total debt to EBITDA ratio and an interest coverage ratio.

Our revolving credit facility and term loan facility consists of an $800.0 million multi-currency revolving credit facility and a €312.0 million (or approximately $338.9 million as of December 31, 2015) term loan facility. We are not required to make quarterly payments towards the term loan facility. On June 19, 2015, we amended our current credit facility agreement, providing us with the ability to replace the current term loan facility denominated in United States dollars with an equivalent amount denominated in Euros. In August 2015, we replaced the outstanding term loan facility in the amount of $355.0 million, denominated in U.S. dollars, with an equivalent amount denominated in Euros. We also extended the maturity date of our credit facility from June 28, 2019 to June 26, 2020 and amended the interest rate margin. Under the amended credit facility agreement, interest accrues on amounts outstanding, at our option, depending on the currency borrowed, at either (1) LIBOR or EURIBOR plus a margin ranging from 1.0% to 1.75% based on our leverage ratio, or (2) the base rate, which is equal to the higher of (i) the administrative agent's base lending rate for the applicable currency, (ii) the federal funds rate plus 0.5%, and (iii) one-month LIBOR for loans denominated in U.S. dollars plus 1.0% plus a margin ranging from 0.0% to 0.25% based on our leverage ratio. Previously, interest accrued on amounts outstanding under the credit facility, at our option, at either (1) LIBOR plus a margin ranging from 1.0% to 2.0% based on our leverage ratio, or (2) the base rate, which is equal to the higher of (i) the administrative agent's base lending rate for the applicable currency, (ii) the federal funds rate plus 0.5%, and (iii) one-month LIBOR for loans denominated in U.S. dollars plus 1.0% plus a margin ranging from 0.0% to 0.5% based on our leverage ratio. As is more fully described in Note 11 to our Consolidated Financial Statements, we entered into an interest rate swap in August 2015 to convert the term loan facility's floating interest rate to a fixed interest rate of 0.33% plus the applicable margin over the remaining life of the term loan facility. The credit facility contains covenants restricting, among other things, the incurrence of indebtedness and the making of certain payments, including dividends, and is subject to acceleration in the event of a default. We also must fulfill financial covenants with respect to a total debt to EBITDA ratio and an interest coverage ratio. As of December 31, 2015, no amounts were outstanding under our multi-currency revolving credit facility, and we had the ability to borrow approximately $800.0 million under the facility. Approximately €312.0 million

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(or approximately $338.9 million) was outstanding under the term loan facility as of December 31, 2015. As of December 31, 2014, we had $404.4 million of outstanding borrowings under our former credit facility and availability to borrow approximately $750.6 million. Approximately $49.4 million was outstanding under the multi-currency revolving credit facility and $355.0 million was outstanding under the term loan facility as of December 31, 2014.

During 2015, we designated our €312.0 million ($338.9 million at December 31, 2015) term loan facility as a hedge of our net investment in foreign operations to offset foreign currency translation gains or losses on the net investment. See Note 11 to our Consolidated Financial Statements for additional information about the net investment hedge.

In December 2014, we entered into a term loan with the European Investment Bank, which provided us with the ability to borrow up to €200.0 million. The €200.0 million (or approximately $217.2 million as of December 31, 2015) of funding was received on January 15, 2015 with a maturity date of January 15, 2020. We have the ability to prepay the term loan before its maturity date. Interest is payable on the term loan at 1.056% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. The term loan contains covenants regarding, among other things, the incurrence of indebtedness and the making of certain payments, as well as commitments regarding amounts of future research and development expenses in Europe, and is subject to acceleration in the event of default. We also have to fulfill financial covenants with respect to a net leverage ratio and an interest coverage ratio.

Our $297.4 million of $5^7/8$% senior notes due December 1, 2021 constitute senior unsecured and unsubordinated indebtedness. Interest is payable on the notes semi-annually in arrears on June 1 and December 1 of each year. At any time prior to September 1, 2021, we may redeem the notes, in whole or in part from time to time, at our option, at a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest, including additional interest, if any, to but excluding, the redemption date, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) discounted to the redemption date at the treasury rate plus 0.5%, plus accrued and unpaid interest, including additional interest, if any. Beginning September 1, 2021, we may redeem the notes, in whole or in part from time to time, at our option, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, including additional interest, if any. As is more fully described in Note 11 to our Consolidated Financial Statements, we entered into an interest rate swap in August 2015 to convert the senior notes' fixed interest rate to a floating interest rate over the remaining life of the senior notes. A weighted average interest rate of 4.53% was applicable from the date of inception of the interest rate swap to December 31, 2015.

Our accounts receivable sales agreements in North America and Europe permit the sale, on an ongoing basis, of a majority of our receivables to our 49% owned U.S., Canadian and European finance joint ventures. During 2015, we entered into an accounts receivable sales agreement that permits the sale, on an ongoing basis, of a portion of our wholesale receivables in Brazil to our Brazilian finance joint venture. The sales of all receivables are without recourse to us. We do not service the receivables after the sale occurs, and we do not maintain any direct retained interest in the receivables. These agreements are accounted for as off-balance sheet transactions and have the effect of reducing accounts receivable and short-term liabilities by the same amount. As of December 31, 2015 and 2014, the cash received from receivables sold under the U.S., Canadian, European and Brazilian accounts receivable sales agreements was approximately $1.1 billion and $1.2 billion, respectively.

Our finance joint ventures in Brazil and Australia also provide wholesale financing directly to our dealers. The receivables associated with these arrangements also are without recourse to us. As of December 31, 2015 and 2014, these finance joint ventures had approximately $17.7 million and $43.3 million, respectively, of outstanding accounts receivable associated with these arrangements. These arrangements are accounted for as off-balance sheet transactions. In addition, we sell certain trade receivables under factoring arrangements to other financial institutions around the world. These arrangements also are accounted for as off-balance sheet transactions.

Former Facilities

During the first six months of 2014, holders of our former 1¼% convertible senior subordinated notes converted or we repurchased approximately $49.7 million of the aggregate principal amount of the notes. In May 2014, we announced our election to redeem the remaining $151.5 million balance of the notes with a redemption date of June 20, 2014. Substantially all of the holders of the notes elected to convert their remaining notes prior to the redemption date. The redemptions settled in July 2014. For the year ended December 31, 2014, we issued a total of 1,437,465 shares of our common stock associated with the $81.0 million excess conversion value of all notes converted. We reflected the repayment of the principal of the notes totaling $201.2 million within “Repurchase or conversion of convertible senior subordinated notes” within our Consolidated Statements of Cash Flows for the year ended December 31, 2014.

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During the year ended December 31, 2013, holders of our former 1$^{1}/4$% convertible senior subordinated notes converted less than \$0.1 million of the principal amount of the notes. We issued 286 shares of our common stock associated with the less than \$0.1 million excess conversion value of the notes. We reflected the repayment of the principal of the notes totaling less than \$0.1 million within "Repurchase or conversion of convertible senior subordinated notes" within our Consolidated Statements of Cash Flows for the year ended December 31, 2013.

The appreciation of the excess conversion value of our former 1¼% convertible senior subordinated notes impacted the diluted weighted average shares outstanding using the treasury stock method. Refer to Notes 1 and 7 of our Consolidated Financial Statements for further discussion.

Cash Flows

Cash flows provided by operating activities were \$524.2 million during 2015 compared to \$438.4 million during 2014 and \$797.0 million during 2013. The increase in cash flows provided by operating activities during 2015 was primarily due to a reduction in accounts receivable and inventories, as well as an increase in accounts payable. The decrease in cash flows provided by operating activities during 2014 was primarily due to a decrease in net income as well as a reduction in accounts payable.

Our working capital requirements are seasonal, with investments in working capital typically building in the first half of the year and then reducing in the second half of the year. We had \$712.9 million in working capital at December 31, 2015, as compared with \$1,093.8 million at December 31, 2014. Accounts receivable and inventories, combined, at December 31, 2015 were \$454.3 million lower than at December 31, 2014. The decrease in inventories as of December 31, 2015 compared to December 31, 2014 was primarily due to production cuts initiated in the second half of 2014 and the full year of 2015 as well as the negative impact of foreign currency translation.

Our debt to capitalization ratio, which is total indebtedness divided by the sum of total indebtedness and stockholders' equity, was 30.0% at December 31, 2015 compared to 23.8% at December 31, 2014.

Contractual Obligations

The future payments required under our significant contractual obligations, excluding foreign currency option and forward contracts, as of December 31, 2015 are as follows (in millions):

	Payments Due By Period				
	Total	2016	2017 to 2018	2019 to 2020	2021 and Beyond
Indebtedness(1)	$1,235.0	$306.2	$53.2	$578.2	$297.4
Interest payments related to indebtedness(2)	128.7	52.2	37.6	29.0	9.9
Capital lease obligations	3.4	2.1	1.3	—	—
Operating lease obligations	174.3	50.2	58.4	22.7	43.0
Unconditional purchase obligations	87.7	71.1	16.5	0.1	—
Other short-term and long-term obligations(3)	369.6	95.4	83.0	81.5	109.7
Total contractual cash obligations	$1,998.7	$577.2	$250.0	$711.5	$460.0

	Amount of Commitment Expiration Per Period				
	Total	2016	2017 to 2018	2019 to 2020	2021 and Beyond
Standby letters of credit and similar instruments	$17.5	$17.5	$—	$—	$—

Guarantees	68.3	63.2	4.3	0.8	—
Total commercial commitments and letters of credit	$85.8	$80.7	$4.3	$0.8	$—

(1) Indebtedness amounts reflect the principal amount of our senior term loan, senior notes and credit facility.

(2) Estimated interest payments are calculated assuming current interest rates over minimum maturity periods specified in debt agreements. Debt may be repaid sooner or later than such minimum maturity periods (unaudited).

(3) Other short-term and long-term obligations include estimates of future minimum contribution requirements under our U.S. and non-U.S. defined benefit pension and postretirement plans. These estimates are based on current legislation in the countries we operate within and are subject to change. Other short-term and long-term obligations also include income tax liabilities related to uncertain income tax positions connected with ongoing income tax audits in various jurisdictions.

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Commitments and Off-Balance Sheet Arrangements

Guarantees

We maintain a remarketing agreement with our finance joint venture in the United States, whereby we are obligated to repurchase repossessed inventory at market values. We have an agreement with our finance joint venture in the United States which limits our purchase obligations under this arrangement to $6.0 million in the aggregate per calendar year. We believe that any losses that might be incurred on the resale of this equipment will not materially impact our financial position or results of operations, due to the fact that the repurchase obligation would be equivalent to the fair value of the underlying equipment.

At December 31, 2015, we guaranteed indebtedness owed to third parties of approximately $68.3 million, primarily related to dealer and end-user financing of equipment. Such guarantees generally obligate us to repay outstanding finance obligations owed to financial institutions if dealers or end users default on such loans through 2020. We believe the credit risk associated with these guarantees is not material to our financial position or results of operations. Losses under such guarantees historically have been insignificant. In addition, we generally would expect to be able to recover a significant portion of the amounts paid under such guarantees from the sale of the underlying financed farm equipment, as the fair value of such equipment is expected to offset a substantial portion of the amounts paid.

Other

At December 31, 2015, we had outstanding non-designated foreign exchange contracts with a gross notional amount of approximately $1,533.9 million, and there were no outstanding designated foreign exchange contracts. Gains and losses on such contracts historically are substantially offset by losses and gains on the exposures being hedged. See “Foreign Currency Risk Management” for additional information.

As discussed in “Liquidity and Capital Resources,” we sell a majority of our wholesale accounts receivable in North America and Europe to our U.S., Canadian and European finance joint ventures, and during 2015, we started to sell a portion of our wholesale receivables in Brazil to our Brazilian finance joint venture. We also sell certain accounts receivable under factoring arrangements to financial institutions around the world. We have determined that these facilities should be accounted for as off-balance sheet transactions.

Contingencies

We are party to various claims and lawsuits arising in the normal course of business. We closely monitor these claims and lawsuits and frequently consult with our legal counsel to determine whether they may, when resolved, have a material adverse effect on our financial position or results of operations and accrue and/or disclose loss contingencies as appropriate (see Note 12 of our Consolidated Financial Statements and Item 3, “Legal Proceedings”).

Related Parties

Rabobank is a 51% owner in our finance joint ventures, which are located in the United States, Canada, Europe, Brazil, Argentina and Australia. Rabobank is also the principal agent and participant in our credit facility. The majority of the assets of our finance joint ventures represents finance receivables. The majority of the liabilities represents notes payable and accrued interest. Under the various joint venture agreements, Rabobank or its affiliates provide financing to the joint venture companies, primarily through lines of credit. We do not guarantee the debt obligations of the finance joint ventures. During both 2015 and 2014, we did not make additional investments in our finance joint ventures. During 2013, we made a total of approximately $15.5 million of additional investments in our finance joint ventures in Germany and the Netherlands, primarily related to additional capital required as a result of increased retail finance portfolios during 2013.

Our finance joint ventures provide retail and wholesale financing to our dealers. In addition, we transfer, on an ongoing basis, a majority of our wholesale receivables in North America and Europe to our U.S., Canadian and European finance joint ventures. During 2015, we entered into an accounts receivable sales agreement that permits the sale, on an ongoing basis, of a portion of our wholesale receivables in Brazil to our Brazilian finance joint venture. See Note 4 of our Consolidated Financial Statements for further discussion of these agreements. We maintain a remarketing agreement with our U.S. finance joint venture, AGCO Finance LLC, as discussed above under "Commitments and Off-Balance Sheet Arrangements." In addition, as part of sales incentives provided to end users, we may from time to time subsidize interest rates of retail financing provided by our finance joint ventures. The cost of those programs is recognized at the time of sale to our dealers.

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Tractors and Farm Equipment Limited, in which we hold a 23.75% interest, manufactures Massey Ferguson-branded equipment primarily in India and also supplies tractors and components to us for sale in other markets. Mallika Srinivasan, who is the Chairman and Chief Executive Officer of TAFE, is currently a member of our Board of Directors. As of December 31, 2015, TAFE owned 12,150,152 shares of our common stock. We and TAFE are parties to an agreement pursuant to which, among other things, TAFE has agreed not to purchase in excess of 12,170,290 shares of our common stock, subject to certain adjustments, and we have agreed to annually nominate a TAFE representative to our Board of Directors. During 2015, 2014 and 2013, we purchased approximately $129.2 million, $149.0 million and $90.7 million, respectively, of tractors and components from TAFE. During 2015, 2014 and 2013, we sold approximately $2.2 million, $2.1 million and $0.8 million, respectively, of parts to TAFE. We received dividends from TAFE of approximately $1.7 million, $1.8 million and $1.6 million during 2015, 2014 and 2013, respectively.

During 2015, 2014 and 2013, we paid approximately $3.0 million, $3.4 million and $3.3 million, respectively, to PPG Industries, Inc. for painting materials used in our manufacturing processes. Our Chairman, President and Chief Executive Officer is currently a member of the board of directors of PPG Industries, Inc.

Foreign Currency Risk Management

We have significant manufacturing operations in the United States, France, Germany, Finland and Brazil, and we purchase a portion of our tractors, combines and components from third-party foreign suppliers, primarily in various European countries and in Japan. We also sell products in over 140 countries throughout the world. The majority of our net sales outside the United States are denominated in the currency of the customer location, with the exception of sales in the Middle East, Africa, Asia and parts of South America, where net sales are primarily denominated in British pounds, Euros or United States dollars. See Note 15 of our Consolidated Financial Statements for net sales by customer location. Our most significant transactional foreign currency exposures are the Euro, the Brazilian real and the Canadian dollar in relation to the United States dollar, and the Euro in relation to the British pound. Fluctuations in the value of foreign currencies create exposures, which can adversely affect our results of operations.

We attempt to manage our transactional foreign currency exposure by hedging foreign currency cash flow forecasts and commitments arising from the anticipated settlement of receivables and payables and from future purchases and sales. Where naturally offsetting currency positions do not occur, we hedge certain, but not all, of our exposures through the use of foreign currency contracts. Our translation exposure resulting from translating the financial statements of foreign subsidiaries into United States dollars is not hedged. Our most significant translation exposures are the Euro, the British pound and the Brazilian real in relation to the United States dollar. When practical, this translation impact is reduced by financing local operations with local borrowings. Our hedging policy prohibits use of foreign currency contracts for speculative trading purposes.

All derivatives are recognized on our Consolidated Balance Sheets at fair value. On the date a derivative contract is entered into, we designate the derivative as either (1) a fair value hedge of a recognized liability, (2) a cash flow hedge of a forecasted transaction, (3) a hedge of a net investment in a foreign operation, or (4) a non-designated derivative instrument. We currently engage in derivatives that are cash flow hedges of forecasted transactions as well as non-designated derivative instruments. Changes in the fair value of non-designated derivative contracts are reported in current earnings. During 2015, 2014 and 2013, we designated certain foreign currency contracts as cash flow hedges of forecasted sales and purchases. The effective portion of the fair value gains or losses on these cash flow hedges are recorded in other comprehensive loss and are subsequently reclassified into cost of goods sold during the period the sales and purchases are recognized. These amounts offset the effect of the changes in foreign currency rates on the related sale and purchase transactions. The amount of the net loss recorded in other comprehensive loss that was reclassified to cost of goods sold during the years ended December 31, 2015, 2014 and 2013 was approximately $2.4

million, $1.5 million and $0.5 million, respectively, on an after-tax basis. The amount of the unrealized loss recorded to other comprehensive loss related to the outstanding cash flow hedges as of December 31, 2015, 2014 and 2013 was less than $0.1 million, and approximately $0.1 million and $0.2 million, respectively, on an after-tax basis. As of December 31, 2015, there were no outstanding foreign currency cash flow hedge contracts.

Assuming a 10% change relative to the currency of the hedge contracts, the fair value of the foreign currency instruments could be negatively impacted by approximately $5.4 million as of December 31, 2015. Due to the fact that these instruments are primarily entered into for hedging purposes, the gains or losses on the contracts would largely be offset by losses and gains on the underlying firm commitment or forecasted transaction.

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Interest Rate Risk

Our interest expense is, in part, sensitive to the general level of interest rates. We manage our exposure to interest rate risk through our mix of floating rate and fixed rate debt. From time to time, we enter into interest rate swap agreements to manage our exposure to interest rate fluctuations.

During 2015, we entered into an interest rate swap instrument with a notional amount of €312.0 million (or approximately $338.9 million at December 31, 2015) and an expiration date of June 26, 2020. The swap was designated and accounted for as a cash flow hedge. This interest rate swap agreement was undertaken to fix the interest rate on our floating rate term loan facility. Under the swap agreement, we pay a fixed interest rate of 0.33% plus the applicable margin, and the counterparty to the agreement pays a floating interest rate based on the three-month EURIBOR. Changes in the fair value of the interest rate swap are recorded in other comprehensive loss. These amounts are subsequently reclassified into “Interest expense, net” as a rate adjustment in the same period in which the related interest expense on our floating rate term loan facility affects earnings. For the year ended December 31, 2015, the effective portion of the unrealized change in fair value, net of tax, was a loss of approximately $2.0 million, which was recorded in other comprehensive loss. The amount of the net loss recorded in other comprehensive loss that was reclassified into “Interest expense, net” during the year ended December 31, 2015 was approximately $0.3 million, on an after-tax basis.

During 2015, we entered into an interest rate swap with a notional amount of $300.0 million and an expiration date of December 1, 2021 designated as a fair value hedge of our $5^7/8\%$ senior notes (Refer to Note 7 of our Consolidated Financial Statements). Under this interest rate swap, we pay a floating interest rate based on the three-month LIBOR plus a spread of 4.14% (or a weighted average interest rate of 4.53% from the date of inception of the interest rate swap to December 31, 2015) and the counterparty to the agreement pays a fixed interest rate of $5^7/8\%$. The gains and losses related to changes in the fair value of the interest rate swap are recorded to “Interest expense, net” and offset changes in the fair value of the underlying hedged $5^7/8\%$ senior notes. For the year ended December 31, 2015, we recorded unrealized gains on the hedged debt of approximately $2.6 million in “Interest expense, net” in our Consolidated Statements of Operations. The unrealized losses of approximately $2.6 million on the related interest rate swap instrument offset such unrealized gains, and were also recorded in “Interest expense, net” in our Consolidated Statements of Operations.

Based on our floating rate debt, our outstanding interest rate swap contract which contains a floating rate, and our accounts receivable sales facilities outstanding at December 31, 2015, a 10% increase in interest rates, would have increased, collectively, “Interest expense, net” and “Other expense, net” for the year ended December 31, 2015 by approximately $3.7 million.

We had no interest rate swap contracts outstanding during the years ended December 31, 2014 and 2013.

Net Investment Hedge

We use non-derivative and, from time to time, derivative instruments to hedge a portion of our net investment in foreign operations against adverse movements in exchange rates.

During 2015, we designated our €312.0 million (or approximately $338.9 million at December 31, 2015) term loan facility with a maturity date of June 26, 2020 as a hedge of our net investment in foreign operations to offset foreign currency translation gains or losses on the net investment. Refer to Note 11 of our Consolidated Financial Statements for further discussion.

Recent Accounting Pronouncements

See Note 1 of our Consolidated Financial Statements for more information regarding recent accounting pronouncements and their impact to our consolidated results of operations and financial position.

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Critical Accounting Estimates

We prepare our Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles. In the preparation of these financial statements, we make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant accounting policies followed in the preparation of the financial statements are detailed in Note 1 of our Consolidated Financial Statements. We believe that our application of the policies discussed below involves significant levels of judgment, estimates and complexity.

Due to the level of judgment, complexity and period of time over which many of these items are resolved, actual results could differ from those estimated at the time of preparation of the financial statements. Adjustments to these estimates would impact our financial position and future results of operations.

Discount and Sales Incentive Allowances

We provide various volume bonus and sales incentive programs with respect to our products. These sales incentive programs include reductions in invoice prices, reductions in retail financing rates, dealer commissions and dealer incentive allowances. In most cases, incentive programs are established and communicated to our dealers on a quarterly basis. The incentives are paid either at the time of invoice (through a reduction of invoice price), at the time of the settlement of the receivable, at the time of retail financing, at the time of warranty registration, or at a subsequent time based on dealer purchases. The incentive programs are product line specific and generally do not vary by dealer. The cost of sales incentives associated with dealer commissions and dealer incentive allowances is estimated based upon the terms of the programs and historical experience, is based on a percentage of the sales price, and is recorded at the later of (a) the date at which the related revenue is recognized, or (b) the date at which the sales incentive is offered. The related provisions and accruals are made on a product or product-line basis and are monitored for adequacy and revised at least quarterly in the event of subsequent modifications to the programs. Volume discounts are estimated and recognized based on historical experience, and related reserves are monitored and adjusted based on actual dealer purchases and the dealers' progress towards achieving specified cumulative target levels. We record the cost of interest subsidy payments, which is a reduction in the retail financing rates, at the later of (a) the date at which the related revenue is recognized, or (b) the date at which the sales incentive is offered. Estimates of these incentives are based on the terms of the programs and historical experience. All incentive programs are recorded and presented as a reduction of revenue, due to the fact that we do not receive an identifiable benefit in exchange for the consideration provided. Reserves for incentive programs that will be paid either through the reduction of future invoices or through credit memos are recorded as "accounts receivable allowances" within our Consolidated Balance Sheets. Reserves for incentive programs that will be paid in cash, as is the case with most of our volume discount programs, as well as sales incentives associated with accounts receivable sold to our U.S. and Canadian finance joint ventures, are recorded within "Accrued expenses" within our Consolidated Balance Sheets.

At December 31, 2015, we had recorded an allowance for discounts and sales incentives of approximately $254.0 million, primarily related to allowances in our North America geographical segment that will be paid either through a reduction of future invoices, through credit memos to our dealers or through reductions in retail financing rates. If we were to allow an additional 1% of sales incentives and discounts at the time of retail sale for those sales subject to such discount programs in North America, our reserve would increase by approximately $8.0 million as of December 31, 2015. Conversely, if we were to decrease our sales incentives and discounts by 1% at the time of retail sale, our reserve would decrease by approximately $8.0 million as of December 31, 2015.

Deferred Income Taxes and Uncertain Income Tax Positions

We recorded an income tax provision of $72.5 million in 2015 compared to $187.7 million in 2014. Our tax provision and effective tax rate is impacted by the differing tax rates of the various tax jurisdictions in which we operate, permanent differences for items treated differently for financial accounting and income tax purposes, and for losses in jurisdictions where no income tax benefit is recorded.

A valuation allowance is established when it is more likely than not that some portion or all of a company's deferred tax assets will not be realized. We assessed the likelihood that our deferred tax assets would be recovered from estimated future taxable income and available income tax planning strategies. At December 31, 2015 and 2014, we had gross deferred tax assets of $390.0 million and $430.0 million, respectively, including $74.0 million and $75.7 million, respectively, related to net operating loss carryforwards. At December 31, 2015 and 2014, we had total valuation allowances as an offset to the gross deferred tax assets of $75.8 million and $93.3 million, respectively, primarily related to net operating loss carryforwards in Brazil, China, Russia and the Netherlands. Realization of the remaining deferred tax assets as of December 31, 2015 will depend on generating sufficient taxable income in future periods, net of reversing deferred tax liabilities. We believe it is more likely than not that the remaining net deferred tax assets will be realized.

As of December 31, 2015 and 2014, we had approximately $133.0 million and $130.6 million, respectively, of unrecognized tax benefits, all of which would impact our effective tax rate if recognized. As of December 31, 2015 and 2014, we had approximately $61.2 million and $64.7 million, respectively, of current accrued taxes related to uncertain income tax positions connected with ongoing tax audits in various jurisdictions that we expect to settle or pay in the next 12 months. We recognize interest and penalties related to uncertain income tax positions in income tax expense. As of December 31, 2015 and 2014, we had accrued interest and penalties related to unrecognized tax benefits of approximately $18.3 million and $15.3 million, respectively. See Note 6 of our Consolidated Financial Statements for further discussion of our uncertain income tax positions.

Warranty and Additional Service Actions

Warranty coverage on our products generally covers parts, labor and other expenses. At the time of sale, we make provisions for estimated expenses related to product warranties and base these estimates on historical experience of the nature, frequency and average cost of warranty claims. Separately, we also establish reserves for known material defects, based on formal campaigns to repair such defects, when the costs are deemed to be probable and can be reasonably estimated. Due to the uncertainty and potential volatility of these estimated factors, changes in our assumptions could materially affect net income.

Our estimate of warranty obligations is re-evaluated on a quarterly basis. Experience has shown that initial data for any product series line can be volatile; therefore, our process relies upon long-term historical averages until sufficient data is available. As actual experience becomes available, it is used to modify the historical averages to ensure that the forecast is within the range of likely outcomes. Resulting balances are then compared with present spending rates to ensure that the accruals are adequate to meet expected future obligations.

See Note 1 of our Consolidated Financial Statements for more information regarding costs and assumptions for warranties.

Insurance Reserves

Under our insurance programs, coverage is obtained for significant liability limits as well as those risks required by law or contract. It is our policy to self-insure a portion of certain expected losses primarily related to workers' compensation and comprehensive general liability, product liability and vehicle liability. We provide insurance reserves for our estimates of losses due to claims for those items for which we are self-insured. We base these estimates on the expected ultimate settlement amount of claims, which often have long periods of resolution. We closely monitor the claims to maintain adequate reserves.

Pensions

We sponsor defined benefit pension plans covering certain employees, principally in the United States, the United Kingdom, Germany, Finland, Norway, France, Switzerland and Argentina. Our primary plans cover certain employees in the United States and the United Kingdom.

In the United States, we sponsor a funded, qualified defined benefit pension plan for our salaried employees, as well as a separate funded qualified defined benefit pension plan for our hourly employees. Both plans are closed to new entrants and frozen, and we fund at least the minimum contributions required under the Employee Retirement Income

Security Act of 1974 and the Internal Revenue Code to both plans. In addition, we maintain an unfunded, nonqualified defined benefit pension plan for certain U.S.-based senior executives, which is our Executive Nonqualified Pension Plan (“ENPP”). The ENPP is also closed to new entrants.

In the United Kingdom, we sponsor a funded defined benefit pension plan that provides an annuity benefit based on participants’ final average earnings and service. Participation in this plan is limited to certain older, longer service employees and existing retirees. This plan is closed to new participants.

See Note 8 of our Consolidated Financial Statements for more information regarding costs and assumptions for employee retirement benefits.

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Nature of Estimates Required. The measurement date for all of our benefit plans is December 31. The measurement of our pension obligations, costs and liabilities is dependent on a variety of assumptions provided by management and used by our actuaries. These assumptions include estimates of the present value of projected future pension payments to all plan participants, taking into consideration the likelihood of potential future events such as salary increases and demographic experience. These assumptions may have an effect on the amount and timing of future contributions.

Assumptions and Approach Used. The assumptions used in developing the required estimates include the following key factors:

- Discount rates
- Salary growth
- Retirement rates
- Inflation
- Expected return on plan assets
- Mortality rates

For the years ended December 31, 2015, 2014 and 2013, we used a globally consistent methodology to set the discount rate in the countries where our largest benefit obligations exist. In the United States, the United Kingdom and the Euro Zone, we constructed a hypothetical bond portfolio of high-quality corporate bonds and then applied the cash flows of our benefit plans to those bond yields to derive a discount rate. The bond portfolio and plan-specific cash flows vary by country, but the methodology in which the portfolio is constructed is consistent. In the United States, the bond portfolio is large enough to result in taking a “settlement approach” to derive the discount rate, in which high-quality corporate bonds are assumed to be purchased and the resulting coupon payments and maturities are used to satisfy our U.S. pension plans’ projected benefit payments. In the United Kingdom and the Euro Zone, the discount rate is derived using a “yield curve approach,” in which an individual spot rate, or zero coupon bond yield, for each future annual period is developed to discount each future benefit payment and, thereby, determine the present value of all future payments. Under the settlement and yield curve approaches, the discount rate is set to equal the single discount rate that produces the same present value of all future payments. Effective January 1, 2016, we adopted a spot yield curve to determine the discount rate in the United Kingdom to measure the plan’s service cost and interest cost for the year ended December 31, 2016. Previously, we had utilized a single weighted-average discount rate derived from the “yield curve approach” to measure the plan’s benefit obligation, service cost and interest cost. Going forward, we have elected to utilize an approach that discounts the individual expected service cost and interest cost cash flows using the applicable spot rates derived from the yield curve over the projected cash flow period.

The other key assumptions and methods were set as follows:

- Our inflation assumption is based on an evaluation of external market indicators.
- The salary growth assumptions reflect our long-term actual experience, the near-term outlook and assumed inflation.
- The expected return on plan asset assumptions reflects asset allocations, investment strategy, historical experience and the views of investment managers, and reflects a projection of the expected arithmetic returns over ten years.
- Retirement and termination rates primarily are based on actual plan experience and actuarial standards of practice.
- The mortality rates for the U.K. defined benefit pension plan was updated in 2015 to reflect expected improvements in the life expectancy of the plan participants. The mortality table for the U.S. defined benefit pension plans were updated in 2015 to reflect the Society of Actuaries’ most recent findings on the topic of mortality.
- The fair value of assets used to determine the expected return on assets does not reflect any delayed recognition of asset gains and losses.

The effects of actual results differing from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense in such periods.

Our U.S. and U.K. defined benefit pension plans, including our ENPP, comprised approximately 88% of our consolidated projected benefit obligation as of December 31, 2015. If the discount rate used to determine the 2015 projected benefit obligation for our U.S. qualified defined benefit pension plans and our ENPP was decreased by 25 basis points, our projected benefit obligation would have increased by approximately $3.4 million at December 31, 2015, and our 2016 pension expense would increase by approximately $0.3 million. If the discount rate used to determine the 2015 projected benefit obligation for our U.S. qualified defined benefit pension plans and our ENPP was increased by 25 basis points, our projected benefit obligation would have decreased by approximately $3.2 million at December 31, 2015, and our 2016 pension expense would decrease by approximately $0.3 million. If the discount rate used to determine the projected benefit obligation for our U.K. defined benefit pension plan was decreased by 25 basis points, our projected benefit obligation would have increased by approximately $23.9 million at December 31, 2015, and our 2016 pension expense would increase by approximately $0.3 million. If the discount rate used to determine the projected benefit obligation for our U.K. defined benefit pension plan was increased by 25 basis points, our projected benefit obligation would have decreased by approximately $23.0 million at

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December 31, 2015, and our 2016 pension expense would decrease by approximately $0.4 million. In addition, if the expected long-term rate of return on plan assets related to our U.K. defined benefit pension plan was increased or decreased by 25 basis points, our 2016 pension expense would decrease or increase by approximately $1.4 million each, respectively. The impact to our U.S. defined benefit pension plans for a 25-basis-point change in our expected long-term rate of return would have had an insignificant impact to our 2016 pension expense.

Unrecognized actuarial net losses related to our defined benefit pension plans and ENPP were $319.0 million as of December 31, 2015 compared to $329.7 million as of December 31, 2014. The decrease in unrecognized losses between years primarily resulted from an increase in year-end discount rates during 2015 as compared to 2014. The unrecognized actuarial losses will be impacted in future periods by actual asset returns, discount rate changes, currency exchange rate fluctuations, actual demographic experience and certain other factors. For some of our defined benefit pension plans, these losses, to the extent they exceed 10% of the greater of the plan's liabilities or the fair value of assets ("the gain/loss corridor"), will be amortized on a straight-line basis over the average remaining service period of active employees expected to receive benefits. For our U.S. salaried, U.S. hourly and U.K. defined benefit pension plans, the population covered is predominantly inactive participants, and losses related to those plans, to the extent they exceed the gain/loss corridor, will be amortized over the average remaining lives of those participants while covered by the respective plan. As of December 31, 2015, the average amortization period was 18 years for our U.S. defined benefit pension plans and 21 years for our non-U.S. defined benefit pension plans. For our ENPP, the population is predominantly active participants, and losses related to the plan will be amortized over the average future working lifetime of the active participants. As of December 31, 2015, the average amortization period was ten years for our ENPP. The estimated net actuarial loss for our defined benefit pension plans and ENPP expected to be amortized from our accumulated other comprehensive loss during the year ended December 31, 2016 is approximately $10.7 million compared to approximately $8.0 million during the year ended December 31, 2015.

As of December 31, 2015, our unfunded or underfunded obligations related to our defined benefit pension plans and ENPP were approximately $213.7 million, primarily related to our defined benefit pension plans in the United Kingdom and the United States. In 2015, we contributed approximately $34.0 million towards those obligations, and we expect to fund approximately $32.6 million in 2016. Future funding is dependent upon compliance with local laws and regulations and changes to those laws and regulations in the future, as well as the generation of operating cash flows in the future. We currently have an agreement in place with the trustees of the U.K. defined benefit plan that obligates us to fund approximately £14.9 million per year (or approximately $22.0 million) towards that obligation for the next five years. The funding arrangement is based upon the current underfunded status and could change in the future as discount rates, local laws and regulations, and other factors change.

See Note 8 of our Consolidated Financial Statements for more information regarding the investment strategy and concentration of risk.

Other Postretirement Benefits (Retiree Health Care and Life Insurance)

We provide certain postretirement health care and life insurance benefits for certain employees, principally in the United States and Brazil. Participation in these plans generally has been limited to older employees and existing retirees. See Note 8 of our Consolidated Financial Statements for more information regarding costs and assumptions for other postretirement benefits.

Nature of Estimates Required. The measurement of our obligations, costs and liabilities associated with other postretirement benefits, such as retiree health care and life insurance, requires that we make use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events such as health care cost increases and demographic experience, which may have an effect on the amount and timing of future payments.

Assumptions and Approach Used. The assumptions used in developing the required estimates include the following key factors:

- Health care cost trends
- Discount rates
- Retirement rates
- Inflation
- Medical coverage elections
- Mortality rates

Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook, efficiencies, and other cost-mitigating actions, including further employee cost sharing, administrative improvements and other efficiencies,

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as well as an assessment of likely long-term trends. For the years ended December 31, 2015, 2014 and 2013, we used a globally consistent methodology as previously discussed to set the discount rate in the countries where our largest benefit obligations exist. In the United States, we constructed a hypothetical bond portfolio of high-quality corporate bonds and then applied the cash flows of our benefit plans to those bond yields to derive a discount rate. In the United States, the bond portfolio is large enough to result in taking a "settlement approach" to derive the discount rate, in which high-quality corporate bonds are assumed to be purchased and the resulting coupon payments and maturities are used to satisfy our largest U.S. pension plan's projected benefit payments. After the bond portfolio is selected, a single discount rate is determined such that the market value of the bonds purchased equals the discounted value of the plan's benefit payments. For our Brazilian plan, we based the discount rate on government bond indices within that country. The indices used were chosen to match our expected plan obligations and related expected cash flows. Our inflation assumptions are based on an evaluation of external market indicators. Retirement and termination rates are based primarily on actual plan experience and actuarial standards of practice. The mortality rates for the U.S. plans were updated during 2015 to reflect the Society of Actuaries' most recent findings on the topic of mortality. The effects of actual results differing from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense in such future periods.

Our U.S. postretirement health care and life insurance plans represent approximately 94% of our consolidated projected benefit obligation. If the discount rate used to determine the 2015 projected benefit obligation for our U.S. postretirement benefit plans was decreased by 25 basis points, our projected benefit obligation would have increased by approximately $0.7 million at December 31, 2015, and our 2016 postretirement benefit expense would increase by a nominal amount. If the discount rate used to determine the 2015 projected benefit obligation for our U.S. postretirement benefit plans was increased by 25 basis points, our projected benefit obligation would have decreased by approximately $0.6 million, and our 2016 pension expense would decrease by a nominal amount.

Unrecognized actuarial losses related to our U.S. and Brazilian postretirement benefit plans were $1.4 million as of December 31, 2015 compared to $3.3 million as of December 31, 2014, of which $4.0 million and $6.4 million, respectively, related to our U.S. postretirement benefit plans. The unrecognized actuarial losses will be impacted in future periods by discount rate changes, actual demographic experience, actual health care inflation and certain other factors. These losses, to the extent they exceed the gain/loss corridor, will be amortized on a straight-line basis over the average remaining service period of active employees expected to receive benefits, or the average remaining lives of inactive participants, covered under the postretirement benefit plans. As of December 31, 2015, the average amortization period was 14 years for our U.S. postretirement benefit plans. The estimated net actuarial loss for postretirement health care benefits expected to be amortized from our accumulated other comprehensive loss during the year ended December 31, 2016 is less than $0.1 million, compared to approximately $0.1 million during the year ended December 31, 2015.

As of December 31, 2015, we had approximately $27.3 million in unfunded obligations related to our U.S. and Brazilian postretirement health and life insurance benefit plans. In 2015, we made benefit payments of approximately $1.2 million towards these obligations, and we expect to make benefit payments of approximately $1.5 million towards these obligations in 2016.

For measuring the expected U.S. postretirement benefit obligation at December 31, 2015, we assumed a 7.25% health care cost trend rate for 2016 decreasing to 5.0% by 2025. For measuring the expected U.S. postretirement benefit obligation at December 31, 2014, we assumed a 7.0% health care cost trend rate for 2015 decreasing to 5.0% by 2019. For measuring the Brazilian postretirement benefit plan obligation at December 31, 2015, we assumed a 12.6% health care cost trend rate for 2016, decreasing to 6.75% by 2026. For measuring the Brazilian postretirement benefit plan obligation at December 31, 2014, we assumed a 12.25% health care cost trend rate for 2015, decreasing to 6.45% by 2025. Changing the assumed health care cost trend rates by one percentage point each year and holding all other assumptions constant would have had the following effect to service and interest cost for 2015 and the accumulated postretirement benefit obligation at December 31, 2015 (in millions):

	One Percentage Point Increase	One Percentage Point Decrease
Effect on service and interest cost	$0.2	$(0.2)
Effect on accumulated benefit obligation	$3.2	$(2.7)

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Litigation

We are party to various claims and lawsuits arising in the normal course of business. We closely monitor these claims and lawsuits and frequently consult with our legal counsel to determine whether they may, when resolved, have a material adverse effect on our financial position or results of operations and accrue and/or disclose loss contingencies as appropriate.

Goodwill, Other Intangible Assets and Long-Lived Assets

We test goodwill for impairment, at the reporting unit level, annually and when events or circumstances indicate that fair value of a reporting unit may be below its carrying value. A reporting unit is an operating segment or one level below an operating segment, for example, a component. We combine and aggregate two or more components of an operating segment as a single reporting unit if the components have similar economic characteristics. Our reportable segments are not our reporting units.
Goodwill is evaluated annually as of October 1 for impairment using a qualitative assessment or a quantitative two-step assessment. If we elect to perform a qualitative assessment and determine the fair value of our reporting units more likely than not exceeds their carrying value, no further evaluation is necessary. For reporting units where we perform a two-step quantitative assessment, the first step requires us to compare the fair value of each reporting unit to its respective carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value of the reporting unit, the second step of the quantitative assessment is required to measure the amount of impairment, if any. The second step of the quantitative assessment results in a calculation of the implied fair value of the reporting unit's goodwill, which is determined as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

We utilize a combination of valuation techniques, including a discounted cash flow approach and a market multiple approach, when making quantitative goodwill assessments.

We review our long-lived assets, which include intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation for recoverability is performed at a level where independent cash flows may be attributed to either an asset or asset group. If we determine that the carrying amount of an asset or asset group is not recoverable based on the expected undiscounted future cash flows of the asset or asset group, an impairment loss is recorded equal to the excess of the carrying amounts over the estimated fair value of the long-lived assets. Estimates of future cash flows are based on many factors, including current operating results, expected market trends and competitive influences. We also evaluate the amortization periods assigned to our intangible assets to determine whether events or changes in circumstances warrant revised estimates of useful lives. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value, less estimated costs to sell.

We make various assumptions, including assumptions regarding future cash flows, market multiples, growth rates and discount rates, in our assessments of the impairment of goodwill, other indefinite-lived intangible assets and long-lived assets. The assumptions about future cash flows and growth rates are based on the current and long-term business plans of the reporting unit or related to the long-lived assets. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the reporting unit or long-lived assets. These assumptions require significant judgments on our part, and the conclusions that we reach could vary significantly based upon these judgments.

The results of our goodwill and long-lived assets impairment analyses conducted as of October 1, 2015, 2014 and 2013 indicated that no reduction in the carrying amount of goodwill and long-lived assets was required.

Our goodwill impairment analysis conducted as of October 1, 2015 indicated a decrease in the percentage of the fair value in excess of the carrying value related to our GSI EAME and GSI Asia/Pacific reporting units compared to our 2014 annual analysis and more recent analyses during 2015. The operations of these GSI reporting units include the manufacturing and distribution of grain storage and protein production equipment. As of October 1, 2015, the percentage of the reporting units' fair values in excess of their carrying values was 8% and 5% for GSI EAME and GSI Asia/Pacific, respectively. The amount of goodwill allocated to each reporting unit as of October 1, 2015 was approximately $55.2 million and $56.7 million for GSI EAME and GSI Asia/Pacific, respectively.

Numerous facts and circumstances are considered when evaluating the carrying amount of our goodwill. The fair value of a reporting unit is impacted by the reporting unit's expected financial performance, which is dependent upon the agricultural industry and other factors that could adversely affect the agricultural industry, including but not limited to, declines in the general economy, increases in farm input costs, weather conditions, lower commodity prices and changes in the

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availability of credit. The estimated fair value of the individual reporting units is assessed for reasonableness by reviewing a variety of indicators evaluated over a reasonable period of time.

As of December 31, 2015, we had approximately $1,114.5 million of goodwill. While our annual impairment testing in 2015 supported the carrying amount of this goodwill, we may be required to re-evaluate the carrying amount in future periods, thus utilizing different assumptions that reflect the then current market conditions and expectations, and, therefore, we could conclude that an impairment has occurred.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Quantitative and Qualitative Disclosures about Market Risk information required by this Item set forth under the captions “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Foreign Currency Risk Management” and “ Interest Rate Risk” on pages 31 and 32 under Item 7 of this Form 10-K are incorporated herein by reference.

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Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements of AGCO and its subsidiaries for each of the years in the three-year period ended December 31, 2015 are included in this Item:

The information under the heading "Quarterly Results" of Item 7 of this Form 10-K is incorporated herein by reference.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
AGCO Corporation:

We have audited the accompanying consolidated balance sheets of AGCO Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in Item 15(a)(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AGCO Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), AGCO Corporation's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
Atlanta, Georgia
February 26, 2016

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AGCO CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Years Ended December 31,		
	2015	2014	2013
Net sales	$7,467.3	$9,723.7	$10,786.9
Cost of goods sold	5,906.7	7,657.4	8,396.3
Gross profit	1,560.6	2,066.3	2,390.6
Selling, general and administrative expenses	852.3	995.4	1,088.7
Engineering expenses	282.2	337.0	353.4
Restructuring and other infrequent expenses	22.3	46.4	—
Amortization of intangibles	42.7	41.0	47.8
Income from operations	361.1	646.5	900.7
Interest expense, net	45.4	58.4	58.0
Other expense, net	36.3	49.1	40.1
Income before income taxes and equity in net earnings of affiliates	279.4	539.0	802.6
Income tax provision	72.5	187.7	258.5
Income before equity in net earnings of affiliates	206.9	351.3	544.1
Equity in net earnings of affiliates	57.1	52.9	48.2
Net income	264.0	404.2	592.3
Net loss attributable to noncontrolling interests	2.4	6.2	4.9
Net income attributable to AGCO Corporation and subsidiaries	$266.4	$410.4	$597.2
Net income per common share attributable to AGCO Corporation and subsidiaries:			
Basic	$3.06	$4.39	$6.14
Diluted	$3.06	$4.36	$6.01
Cash dividends declared and paid per common share	$0.48	$0.44	$0.40
Weighted average number of common and common equivalent shares outstanding:			
Basic	87.0	93.4	97.3
Diluted	87.1	94.2	99.4

See accompanying notes to Consolidated Financial Statements.

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AGCO CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Years Ended December 31,		
	2015	2014	2013
Net income	$264.0	$404.2	$592.3
Other comprehensive loss, net of reclassification adjustments:			
Defined benefit pension plans, net of taxes:			
Prior service cost arising during year	(4.7)	—	—
Net loss recognized due to settlement	0.2	0.4	—
Net gain recognized due to curtailment	—	(0.4)	—
Net actuarial gain (loss) arising during year	2.1	(54.8)	45.2
Amortization of prior service cost included in net periodic pension cost	0.4	0.6	0.6
Amortization of net actuarial losses included in net periodic pension cost	6.3	7.3	10.7
Derivative adjustments:			
Net changes in fair value of derivatives	(4.6)	(1.4)	(1.4)
Net losses reclassified from accumulated other comprehensive loss into income	2.7	1.5	0.5
Foreign currency translation adjustments	(558.2)	(349.3)	(87.2)
Other comprehensive loss, net of reclassification adjustments	(555.8)	(396.1)	(31.6)
Comprehensive (loss) income	(291.8)	8.1	560.7
Comprehensive loss attributable to noncontrolling interests	4.5	6.5	5.2
Comprehensive (loss) income attributable to AGCO Corporation and subsidiaries	$(287.3)	$14.6	$565.9

See accompanying notes to Consolidated Financial Statements.

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AGCO CORPORATION

CONSOLIDATED BALANCE SHEETS
(In millions, except share amounts)

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$426.7	$363.7
Accounts and notes receivable, net	836.8	963.8
Inventories, net	1,423.4	1,750.7
Other current assets	211.4	232.5
Total current assets	2,898.3	3,310.7
Property, plant and equipment, net	1,347.1	1,530.4
Investment in affiliates	392.9	424.1
Deferred tax assets	100.7	215.9
Other assets	140.1	141.1
Intangible assets, net	507.7	553.8
Goodwill	1,114.5	1,192.8
Total assets	$6,501.3	$7,368.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$89.0	$94.3
Senior term loan	217.2	—
Accounts payable	625.6	670.2
Accrued expenses	1,106.9	1,244.1
Other current liabilities	146.7	208.3
Total current liabilities	2,185.4	2,216.9
Long-term debt, less current portion	928.8	997.6
Pensions and postretirement health care benefits	233.9	269.0
Deferred tax liabilities	86.4	211.7
Other noncurrent liabilities	183.5	176.7
Total liabilities	3,618.0	3,871.9
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
AGCO Corporation stockholders' equity:		
Preferred stock; $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding in 2015 and 2014	—	—
Common stock; $0.01 par value, 150,000,000 shares authorized, 83,814,809 and 89,146,093 shares issued and outstanding at December 31, 2015 and 2014, respectively	0.8	0.9
Additional paid-in capital	301.7	582.5
Retained earnings	3,996.0	3,771.6
Accumulated other comprehensive loss	(1,460.2)	(906.5)
Total AGCO Corporation stockholders' equity	2,838.3	3,448.5
Noncontrolling interests	45.0	48.4
Total stockholders' equity	2,883.3	3,496.9
Total liabilities and stockholders' equity	$6,501.3	$7,368.8

See accompanying notes to Consolidated Financial Statements.

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AGCO CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss				Noncontrolling Interests	Total Stockholders' Equity	Temporary Equity
	Shares	Amount			Defined Benefit Pension Plans	Cumulative Translation Adjustment	Deferred (Losses) Gains on Derivatives	Accumulated Other Comprehensive Loss			
Balance, December 31, 2012	96,815,998	$1.0	$1,082.9	$2,843.7	$(262.9)	$(217.2)	$0.7	$(479.4)	$33.3	$3,481.5	$16.5
Net income (loss)	—	—	—	597.2	—	—	—	—	4.4	601.6	(9.3)
Payment of dividends to shareholders	—	—	—	(38.9)	—	—	—	—	—	(38.9)	
Issuance of restricted stock	12,059	—	0.6	—	—	—	—	—	—	0.6	
Issuance of performance award stock	491,692	—	(14.7)	—	—	—	—	—	—	(14.7)	
SSARs exercised	61,941	—	(2.2)	—	—	—	—	—	—	(2.2)	
Stock compensation	—	—	34.0	—	—	—	—	—	—	34.0	
Excess tax benefit of stock awards	—	—	11.4	—	—	—					