

SVA: FOCUSING ON GROWTH AND SUSTAINABLE PERFORMANCE

Shareholder Value Added (SVA) — essentially, the difference between operating profit and the pretax cost of capital — is a metric used by John Deere to evaluate business results and measure sustainable performance. To arrive at SVA, each equipment segment is assessed a pretax cost of assets — generally 12% of average identifiable operating assets with inventory at standard cost (believed to more closely approximate the current cost of inventory and the company's related investment). The financial services segment is assessed a cost of average equity — approximately 13% pretax (15% in 2017 and 2018). The amount of SVA is determined by deducting the asset or equity charge from operating profit.

Additional information on these metrics and their relationship to amounts presented in accordance with U.S. GAAP can be found at our website, www.JohnDeere.com/Investors. **Note:** Some totals may vary due to rounding.

To create and grow SVA, Deere equipment operations are targeting an operating return on average operating assets (OROA) of 20% at mid-cycle sales volumes and equally ambitious returns at other points in the cycle. (For purposes of this calculation, operating assets are average identifiable assets during the year with inventories valued at standard cost.)

DEERE EQUIPMENT OPERATIONS*

\$MM unless indicated otherwise	2017	2018	2019
Net sales		33,351	34,886
Net sales – excluding Wirtgen	25,885	30,324	31,693
Operating profit		3,684	3,721
Operating profit – excluding Wirtgen	2,859	3,568	3,378
Average Assets			
With inventories at standard cost		20,959	22,139
With inventories at standard cost – excluding Wirtgen	13,421	14,825	15,838
With inventories at LIFO		19,701	20,761
With inventories at LIFO – excluding Wirtgen	12,150	13,566	14,460
Operating Return on Assets (OROA)			
OROA % @ LIFO	23.5%	26.3%	23.4%
Asset turns (std cost – excluding Wirtgen)	1.93	2.05	2.00
Operating margin % – excluding Wirtgen	11.05%	11.77%	10.67%
OROA % @ standard cost – excluding Wirtgen	21.3%	24.1%	21.3%
Average assets @ std cost – excluding Wirtgen	13,421	14,825	15,838
Operating profit – excluding Wirtgen	2,859	3,568	3,378
Cost of assets	-1,611	-1,778	-1,900
SVA	1,248	1,790	1,478

AG & TURF

\$MM unless indicated otherwise	2017	2018	2019
Net sales	20,167	23,191	23,666
Operating profit	2,513	2,816	2,506
Average Assets			
With inventories at standard cost	10,031	11,233	11,860
With inventories at LIFO	8,996	10,219	10,748
Operating Return on Assets (OROA)			
OROA % @ LIFO	27.9%	27.6%	23.3%
Asset turns (standard cost)	2.01	2.06	2.00
Operating margin %	12.46%	12.14%	10.59%
OROA % @ standard cost	25.1%	25.1%	21.1%
Average assets @ standard cost	10,031	11,233	11,860
Operating profit	2,513	2,816	2,506
Cost of assets	-1,204	-1,347	-1,423
SVA	1,309	1,469	1,083

CONSTRUCTION & FORESTRY*

\$MM unless indicated otherwise	2017	2018	2019
Net sales		10,160	11,220
Net sales – excluding Wirtgen	5,718	7,133	8,027
Operating profit		868	1,215
Operating profit – excluding Wirtgen	346	752	872
Average Assets			
With inventories at standard cost		9,726	10,279
With inventories at standard cost – excluding Wirtgen	3,390	3,592	3,978
With inventories at LIFO		9,482	10,013
With inventories at LIFO – excluding Wirtgen	3,154	3,347	3,712
Operating Return on Assets (OROA)			
OROA % @ LIFO	11.0%	22.5%	23.5%
Asset turns (std cost – excluding Wirtgen)	1.69	1.99	2.02
Operating margin % – excluding Wirtgen	6.05%	10.54%	10.86%
OROA % @ standard cost – excluding Wirtgen	10.2%	20.9%	21.9%
Average assets @ std cost – excluding Wirtgen	3,390	3,592	3,978
Operating profit – excluding Wirtgen	346	752	872
Cost of assets	-407	-431	-477
SVA	-61	321	395

FINANCIAL SERVICES**

\$MM unless indicated otherwise	2017	2018	2019
Net income attributable to Deere & Company	477	942	539
Net income attributable to Deere & Company – tax adjusted		530	
Average equity	4,497	4,832	5,040
Average equity – tax adjusted		4,793	
Return on equity %	10.6%		10.7%
Return on equity % – tax adjusted		11.1%	
Operating profit**	715	792	694
Average equity	4,497	4,793	5,040
Cost of equity	-680	-722	-657
SVA	35	70	37

Financial Services SVA is calculated on a pretax basis.

* On December 1, 2017, the Company acquired the stock and certain assets of substantially all of Wirtgen Group Holding GmbH's operations (Wirtgen), the leading manufacturer worldwide of roadbuilding equipment. Wirtgen is included in the construction and forestry segment. Wirtgen is excluded from the metrics above.

** The 2018 SVA was adjusted for certain effects of U.S. Tax Reform legislation enacted on December 22, 2017, due to the significant discrete income tax benefit in 2018. 2019 SVA is calculated with unadjusted U.S. GAAP information.