DEERE & COMPANY 2017 ANNUAL REPORT

JOHN DEERE

100 Years of John Deere Tractors

In observance of the 100th anniversary of producing tractors, John Deere is connecting the pride of the past with the promise of the future.

The Waterloo Boy tractor (shown on the cover and below) was John Deere's first tractor and a key part of the company's acquisition of the Waterloo Gasoline Engine Company in 1918. The tractor continued to be sold under the Waterloo Boy name until the John Deere Model D tractor was introduced in 1923.

The 100-year legacy of the John Deere tractor is one of evolution and innovation. Today, leading-edge products such as the 9620RX tractor (shown on the cover and below) further advance that legacy. Our largest row-crop tractors, the 9-Series boost farmers' productivity by combining high horsepower with advanced technology.

From the Waterloo Boy to the next generation of tractors, John Deere has focused on delivering products that connect directly with our customers' work and have a meaningful role in their lives.

The new C850 air seeding cart is the largest in Deere's fleet and can accurately cover 170 acres per fill. Its large 850-bushel capacity meets the needs of grain farmers with lots of ground to cover.

CHAIRMAN'S MESSAGE

YEAR'S RESULTS SHOW STRONG IMPROVEMENT

John Deere had another year of solid performance in 2017 as our financial results staged a strong improvement. Among our achievements, we launched advanced new products, maintained our record of strong execution, and made progress carrying out the ambitious strategic plan that will guide our efforts in coming years. We also made key acquisitions that are expected to play an important role in our future. On the financial front, sales and net income were the fifth-highest in company history. Meanwhile, investors cheered our success by sending the price of Deere common stock well into record territory.

Over the past few years, Deere has responded to a severe downturn in the global agricultural economy – the worst in a generation – by keeping a tight rein on costs and running the company with a lean lineup of productive assets. At the same time, we've kept our eyes on the horizon, making investments that complement our existing strengths and will drive growth in the future.

As our recent performance shows, John Deere has become a broader, more balanced company that can stay profitable even in the face of steep declines in demand. In any number of ways, our performance in 2017 validates the work we've done developing a wider range of revenue sources and a more durable business model.

In 2017 net income jumped 42 percent to $2.16 billion on net sales and revenues of $29.74 billion, up 12 percent. This reflected improved conditions for the agricultural and construction equipment markets and increasing demand for our products.

We also generated $1.25 billion in economic profit, or Shareholder Value Added (SVA*), meaning profits stayed well above the underlying cost of capital. SVA — operating profit less an implied capital charge — is the primary measure we use to manage the company and make investment decisions.

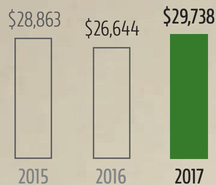
Our performance enabled us to make continued investments in advanced products, technologies, and growth-oriented projects. For the year, Deere devoted almost $2 billion to research and development and capital expenditures. In addition, we returned $764 million to investors in the form of dividends.

At the same time, the company maintained its strong financial condition. Deere's equipment operations ended the year with a healthy balance of cash and marketable securities and a relatively

**SVA, referred to throughout this report, is a non-GAAP financial measure. See page 17 for details.*

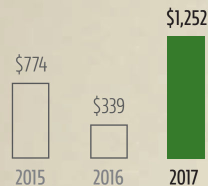
2017 IN REVIEW

Net Sales and Revenues
(MM)



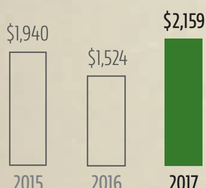
Worldwide net sales and revenues rise 12% in 2017 due mainly to improving market conditions and a favorable customer response to Deere products and services.

Shareholder Value Added (SVA)
(MM)



SVA surges for year as a result of higher operating profit and sound asset management. SVA represents operating profit less an implied charge for capital.

Net Income
attributable to Deere & Company
(MM)



Earnings improve 42% to $2.159 billion for 2017, representing the fifth-highest total in company history.

low amount of debt. Our financial-services organization remained conservatively capitalized as well.

Deere's recent performance has won high marks on Wall Street: Shareholders realized a total return of some 53 percent in 2017, more than twice the average gain of the broad U.S. equity market.

BROAD PRODUCT LINEUP MAKING IMPACT

Thanks to improving market conditions, results for Deere's Agriculture & Turf (A&T) division moved solidly higher. Operating profit climbed 46 percent, to $2.48 billion, on a 9 percent increase in sales.

Despite relatively low farm commodity prices, the division saw improvement in the sale of both large and small products with the biggest gains coming from South America. Further, Deere's largest division broadened its global customer base and brought advanced new products to market, such as the S700 combines.

Performance of the Construction & Forestry (C&F) division improved dramatically. Operating profit rose 87 percent to $337 million on a 17 percent increase in sales. Moderate global economic growth and higher demand from the North American oil and gas sector lifted sales. Customers responded well to our expanded line of productivity-boosting equipment, such as the new 950K crawler dozer.

In December 2017, Deere completed the largest acquisition in its history with the $5.3 billion purchase of the Wirtgen Group. As the world's leading manufacturer of road construction equipment, Wirtgen will add size and scale to our C&F business and strongly complement Deere-branded lines of equipment.

Deere's financial services division posted solid profits and provided competitive financing to our equipment customers. Net income rose to $477 million while the loan and lease portfolio grew by about 5 percent, exceeding $40 billion. Financial Services is a proven source of profit and a driver of equipment sales. It operates in more than 50 countries and finances about half of the new equipment Deere sells globally.

POWERFUL TRENDS HOLDING GREAT PROMISE

Our recent performance and strong financial condition are helping us capitalize on powerful global trends that we believe hold great promise for our customers and investors.

During the first half of this century, global demand for food and other kinds of agricultural production is expected to nearly double, continuing a pattern of growth that has shown remarkable consistency. Since the mid-1960s, demand has

New John Deere S700 combines deliver significant improvements in "smart" technologies, operator comfort, and data accuracy. Featuring the latest technology, the machines help farmers get the most effective harvesting performance.

Unless otherwise indicated, all capitalized names of products and services are trademarks or service marks of Deere & Company.

ACQUISITIONS SUPPORT PLANS FOR SALES AND MARKET SHARE GROWTH

Strategic acquisitions in calendar year 2017 support Deere's global growth strategy and are aimed at helping the company gain new customers and compete more effectively on a global basis.

Companies acquired included the Wirtgen Group, the world's leading manufacturer of road construction equipment (completed December 1, 2017); Blue River Technology, a developer of integrated computer-vision and machine-learning technology that helps growers reduce the use of herbicides; and Mazzotti, a specialty Italian sprayer manufacturer noted for innovation as well as product knowledge, designs, and expertise.

With the Wirtgen acquisition, Deere gained six brands across the global road-construction sector, which spans milling, processing, mixing, paving, compaction, and rehabilitation. Wirtgen's product portfolio complements Deere's existing construction-equipment lineup.

These transactions put Deere in an even better position to capitalize on the world's rising need for food and infrastructure.

declined in only two years and has risen roughly threefold over the period. What's more, with the world population growing by more than 200,000 people a day, this trend shows little sign of easing. At the same time, demand is climbing for roads, bridges, buildings, and all forms of infrastructure. These factors bolster our conviction that Deere will benefit from an increasing need for productive equipment well into the future.

FOCUSED STRATEGY MAKING PROGRESS

The company is pursuing a focused strategy to help customers and investors benefit from these favorable trends. Our goals include achieving global preeminence in agricultural equipment and a more global presence in construction equipment.

Deere's other businesses, such as financial services, forestry, parts, power systems, and turf, have an important role, too. They work in support of our equipment operations to deliver the best possible experience for our customers and highest overall returns for the enterprise.

Central to our strategy, Deere is intensifying its focus on innovation and quality. Both are essential to gaining market share and expanding our global presence. During the year, Deere's innovative equipment continued to win high marks from our customers, and we made further progress toward achieving targeted levels of product quality.

We are strengthening our commitment to technology, analytics, and precision agriculture. All are areas where we intend to be the undisputed leader. We believe the integration of our products with advanced technology – leading to smarter, more productive equipment – will shape the future of farming.

Additionally, our plans stress reinforcing our strong relationship with dealers. Their expertise and connection to customers give Deere a powerful competitive advantage. Our dealers are continuing to make investments and improve their capabilities, particularly in areas such as precision agriculture, in order to better support customers.

As well, the Deere strategy emphasizes solid financial performance under all types of market conditions. We're maintaining aggressive goals for profitability and sustainable SVA growth.

NEW PRODUCTS, ADVANCED TECHNOLOGIES DELIVERING VALUE

Innovative new products, breakthrough technologies, and a robust product portfolio helped drive our results in 2017. The company introduced dozens of products featuring improvements in power, comfort, productivity, and overall performance.

Long a Deere hallmark, product innovation earned further global recognition last year, including a gold medal and two silver medals from Europe's leading agricultural trade fair. Honored products included innovative corn-head technology, ballast wheels for tractors, and an automatic guidance system. In addition, a leading group of U.S. agricultural and biological engineers recognized ten of our new products for innovation — more than for any other company.

Highlighting our new agricultural equipment were four S700 combine models, the most advanced in the industry. Other new products included 5-Series utility tractors, round balers, an 850-bushel air-seeding cart, and a precision spraying nozzle-control system. C&F product highlights included an innovative production-class dozer, as well as a large wheel loader, articulated dump trucks, and a forestry forwarder.

In addition, 2017 was an outstanding year for global sales of our guidance systems. AutoTrac precision-guidance systems are now available in 99 countries, covering the areas where Deere does the vast majority of its business.

Using computer vision and artificial intelligence, Blue River Technology's smart machines can detect, identify, and make management decisions about individual plants in the field.

25°

44.6 in.

22.3 in.

8°

The 950K crawler dozer is the industry's largest to be equipped with a six-way blade, allowing the machine to do the work of multiple pieces of equipment.

The new 1910G forwarder gives forestry customers increased power, torque, and boom control.

Known for its power and durability, the 5310 utility tractor is a popular choice among customers in India for both agricultural and commercial applications.

BEING A RESPONSIBLE CORPORATE CITIZEN

Wherever we operate, Deere is committed to being a responsible corporate citizen that shares its success with others. In 2017, the company and its foundation made charitable contributions of approximately $33.4 million, helping improve lives throughout the world.

During the year, the Joint Initiative for Village Advancement (JIVA) was cited by the U.S. Chamber of Commerce Foundation as the best community-improvement program. Sponsored by the John Deere Foundation, JIVA bolsters agricultural productivity, infrastructure, and public education in 13 villages in India with the help of employee volunteers.

In logging a record 160,688 volunteer hours in 2017, Deere employees are off to a good start toward achieving the goal of one-million volunteer hours for the period 2017 through 2022. Last year's volunteerism efforts ranged from helping U.S. hurricane victims to repairing a school in rural India.

FOCUSING ON SUSTAINABILITY

During the year, the company made headway toward meeting its aggressive goals for limiting greenhouse gas emissions, reducing water use, and recycling waste. As an example, our parts distribution center in Milan, Illinois, replaced the polyethylene bubble wrap used to ship parts with recycled paper. This eliminated the need for 17,000 rolls of bubble wrap annually – enough to cover almost 150 football fields.

The John Deere 8400R row-crop tractor earned international recognition for its record-breaking performance in areas ranging from fluid economy to power. With improved engine efficiency, the 8400R produces lower carbon-dioxide emissions than other machines of comparable size.

Among other milestones for 2017, Deere was included in a prominent listing of the world's most-ethical enterprises for the eleventh consecutive year, named by *Fortune* magazine as one of the 50 most-admired companies, and recognized for having one of the 100 most-valuable brands. In addition, the company received top-employer awards in a number of the countries where we operate.

ON TRACK FOR LONG-TERM SUCCESS

As the recent agricultural downturn unfolded, we committed ourselves to taking the necessary, sometimes difficult, steps to stay profitable and emerge in an even stronger condition. We responded by shedding costs and assets while making disciplined investments for the future. Though our results declined from their highs reached earlier in the decade, each of the last three years ranked among the company's ten best for sales and earnings.

Deere is well-positioned to capitalize on today's improving market conditions and respond to the world's increasing need for advanced machinery and services. What's more, we're committed to doing so in a manner that produces value for our customers and investors well into the future.

I'm proud to say there has never been a better time to be associated with John Deere. Our company has enjoyed great success for 180 years, yet I'm confident its best days are still ahead!

Updated large square balers deliver technology improvements, including an integrated moisture sensor, a bale weighing system, and the ability to clear the feed system from the tractor cab.

On behalf of
the John Deere team,

Samuel R. Allen

December 18, 2017

DEERE & COMPANY ENTERPRISE & EQUIPMENT OPERATIONS

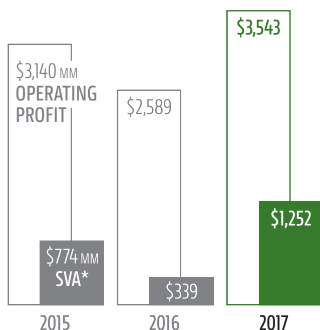
STRONGER, MORE DYNAMIC BUSINESS MODEL MAKES IMPACT

Worldwide Parts Services opened a new Regional Distribution Center (RDC) in Miami, Florida. Miami RDC serves the growing Latin American parts market, strengthening our global parts distribution system.

Deere's performance in 2017 was helped by strengthening farm and construction markets and the impact of ongoing actions to manage costs and develop a more resilient business model.

- Net sales and revenues increase to $29.74 billion, up 12%; earnings are $2.16 billion, both the fifth-highest in company history.
- Improved financial results and continued asset discipline propel SVA to $1.25 billion.
- Cash flow from operations continues to be strong, at $2.2 billion for the enterprise.
- Capital expenditures are $586 million, plus about $285 million for acquisitions. R&D spending is $1.37 billion, reflecting investment in advanced new products and technologies.
- Dividends paid to shareholders total $764 million, or $2.40 per share.
- Deere named to listings of top employers in Brazil, Canada, Germany, Spain, and the U.S.; also recognized as one of world's most ethical and admired companies.

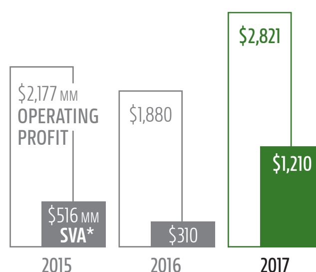
Deere & Company Enterprise



EQUIPMENT OPERATIONS

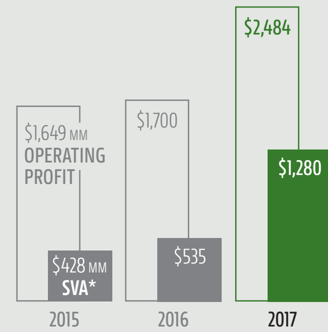
- Operating profit for equipment operations surges 50%, to $2.82 billion, helped by improving markets for A&T and C&F; results drive improvement in SVA.
- Deere acquires Blue River Technology, expanding its portfolio of precision ag solutions. Blue River specializes in technologies that help growers make management decisions about individual plants in the field. These technologies hold great potential for use in a range of crops.
- Engine business continues investing in advanced powertrain solutions, including new 13.6-liter diesel engine and inline after-treatment emissions technology. Rated at over 680 horsepower, the 13.6-liter engine will be the most powerful model in the Deere lineup.
- Divisions make progress in achieving distinctive product quality, a hallmark of our brand.

Equipment Operations



AG & TURF

INNOVATIVE PRODUCT PORTFOLIO DELIVERS



Deere's Agriculture & Turf (A&T) division improved its overall performance, making gains in key markets and experiencing a positive response to new products. A&T is focused on developing advanced products that help our customers be more productive and profitable.

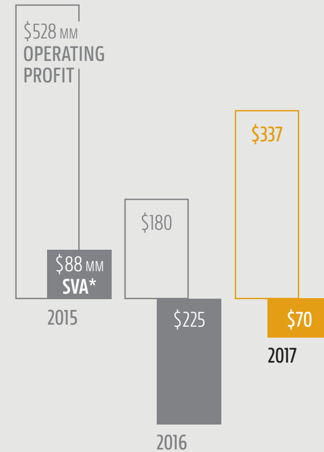
- With stabilization in the North American ag markets and higher sales abroad, A&T operating profit rises to $2.48 billion, compared with $1.70 billion a year earlier; SVA more than doubles, to $1.28 billion.
- S700 combines launch, representing the most advanced combines in Deere history. Four new models automate harvesting operations, allowing the combine to make adjustments as it moves through the field. In addition, the new 700FC folding corn head improves performance with a cross auger that provides unmatched crop-handling capacity.
- High-horsepower 9RX tractor generates strong sales in the U.S. and Europe. A four-track machine, the 9RX offers customers performance and intelligence, as well as improved flotation, traction, and stability.
- Sales of turf equipment make a solid contribution to the division's results. Demand is strong for commercial and residential mowing products, including the new line of residential ZTrak zero-turn mowers.

ExactApply is the latest precision ag solution that delivers individual nozzle control for spraying. It improves accuracy, spray quality, and drift control.

Gleneagles Estate and Golf Resort selected John Deere to supply all golf course maintenance equipment and related technology to maintain its three championship courses in Auchterarder, Scotland.

CONSTRUCTION & FORESTRY

GROWTH, ADVANCED PRODUCTS LEAD TO IMPROVED RESULTS



With recovering demand in construction markets, the Construction & Forestry (C&F) division saw increased sales and profits for 2017. Moderate economic growth and higher demand from the North American oil patch contributed to the improvement.

- Bolstered by improvements in construction markets, C&F operating profit jumps 87% to $337 million and sales increase 17%.
- Though much improved, SVA remains in negative territory.
- In company's largest-ever acquisition, Deere announces plans to buy Wirtgen Group, the world's leading producer of road construction equipment. Move gives C&F access to new customers, markets, and geographies. Based in Germany, Wirtgen sells products in more than 100 countries and is forecast to add more than $3 billion to division sales in 2018.
- Continuing to develop customer-focused machines and services, C&F launches significant new products. Included are industry's largest crawler dozer equipped with a six-way power/angle/tilt (PAT) blade, a pipelayer-ready crawler, articulated dump trucks, and motor graders.

The highly anticipated 345G reduced-tail-swing excavator attracted considerable attention within the industry and will debut in 2018. The 345G offers increased lifting and digging capacity in a compact footprint.

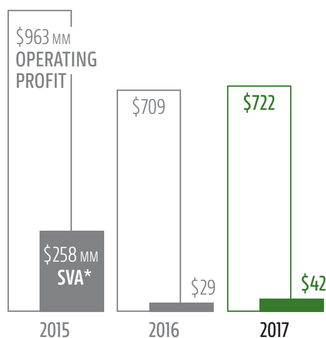
The 30G mini excavator and 332G skid steer are part of C&F's full suite of compact equipment for the commercial worksite.

John Deere Financial's global team is committed to making sure our customers' financing works as hard and reliably as their equipment. Customers in India, as shown, are taking advantage of competitive financing options. JDF expanded its footprint in India in 2017, adding locations in three states.

FINANCIAL SERVICES

DIVISION DELIVERS PROFITS, DRIVES SALES

John Deere Financial Services (JDF) experienced another solidly profitable year, with improved financial performance over 2016. Today, John Deere Financial facilitates equipment sales in 52 nations.



- Net income rises to $477 million (operating profit $722 million) as a result of improved lease portfolio performance, among other factors.
- SVA reaches $42 million, mainly due to increased profit.
- Global portfolio of financed receivables and leases increases 5% – or about $2 billion – to over $40 billion.
- Portfolio outside North America grows nearly 17%, continuing support of Deere customers worldwide.
- Revolving-charge volumes rise 8% with portfolio up 16% over 2016. These products help customers purchase turf equipment, parts, service, seed, and other inputs.
- Global capabilities added, including automatic approvals for credit requests in Germany, Brazil, Spain, and U.K., increasing accuracy and speeding process times for applications.

LEADERSHIP TEAM

Deere leadership team shown with a 2017 6155R tractor and a 1960 4010 tractor at company headquarters in Moline, Illinois

From left: James M. Field, Markwart von Pentz, John C. May, Jean H. Gilles, Samuel R. Allen, Rajesh Kalathur, Max A. Guinn, Mary K.W. Jones, Cory J. Reed, and Marc A. Howze.

Samuel R. Allen (42)
Chairman and Chief Executive Officer

Jean H. Gilles (37)
Senior Vice President, Power Systems, Worldwide Parts Services, Advanced Technology & Engineering, and Global Supply Management & Logistics

Marc A. Howze (16)
Senior Vice President and Chief Administrative Officer

Mary K.W. Jones (20)
Senior Vice President and General Counsel

Rajesh Kalathur (21)
Senior Vice President and Chief Financial Officer

Kimberly K. Beardsley (27)
Vice President, Worldwide Parts Services

Ryan D. Campbell (10)
Vice President and Comptroller

Pierre J. Guyot (19)
Vice President, Global Supply Management & Logistics

Matthew G. Haney (4)
Vice President and Deputy General Counsel, and Chief Counsel, Financial Services Division

Klaus G. Hoehn (25)
Vice President, Advanced Technology & Engineering

Ganesh Jayaram (11)
Vice President, Information Technology

Renee A. Mailhot (26)
Vice President and Chief Compliance Officer

James M. McCabe (22)
Vice President, Taxes

Bradley D. Morris (40)
Vice President, Labor Relations

Gregory R. Noe (24)
Vice President and Deputy General Counsel, International

Luann K. Rickert (38)
Vice President, Internal Audit

Thomas C. Spitzfaden (38)
Vice President and Treasurer

Charles R. Stamp, Jr. (18)
Vice President, Corporate Strategy & Business Development

Jeffrey A. Trahan (25)
Vice President, Pension Fund & Investments

Michael S. Weinert (39)
Vice President, Engineering and Manufacturing, John Deere Power Systems

Todd E. Davies (27)
Corporate Secretary and Associate General Counsel

Worldwide Agriculture & Turf Division

James M. Field (23)
President, Americas, Australia, and Global Harvesting and Turf Platforms

John C. May (20)
President, Agricultural Solutions, and Chief Information Officer

Markwart von Pentz (27)
President, Europe, Asia, Africa, and Global Tractor Platform

Bernhard E. Haas (31)
Senior Vice President, Global Tractor Platform

John D. Lagemann (35)
Senior Vice President, Sales & Marketing, Americas and Australia

Randal A. Sergesketter (37)
Senior Vice President, Global Crop Harvesting Platform

John H. Stone (15)
Senior Vice President, Intelligent Solutions Group

Worldwide Construction & Forestry Division

Max A. Guinn (37)
President

Brian J. Rauch (23)
Senior Vice President, Engineering, Manufacturing, and Supply Management

Domenic G. Ruccolo (27)
Senior Vice President, C&F Division, and Chief Executive Officer, Wirtgen Group

David F. Thorne (20)
Senior Vice President, Sales & Marketing

Martin L. Wilkinson (40)
Senior Vice President, Forestry and Strategy & Business Development

Worldwide Financial Services Division

Cory J. Reed (19)
President

David C. Gilmore (27)
Senior Vice President, Global Sales & Marketing, and South America

Michael J. Matera (9)
Senior Vice President, Global Credit, Trade Finance, and Asia

Steven N. Owenson (18)
Senior Vice President and Finance Director

Andrew C. Traeger (19)
Senior Vice President, Global Risk and Europe and Africa

Figures in parentheses represent complete years of company service through December 31, 2017.

BOARD OF DIRECTORS

Deere's Board of Directors is shown with a Waterloo Boy "N" tractor and a John Deere 8400R tractor at the John Deere Pavilion in Moline, Illinois.

From left: Gregory R. Page, Alan C. Heuberger, Dmitri L. Stockton, Sherry M. Smith, Dipak C. Jain, Michael O. Johanns, Samuel R. Allen, Vance D. Coffman, Sheila G. Talton, Brian M. Krzanich, and Clayton M. Jones. (Charles O. Holliday is not pictured.)

Samuel R. Allen (8)
Chairman and Chief Executive Officer, Deere & Company

Vance D. Coffman (13)
Retired Chairman, Lockheed Martin Corporation
Aerospace, defense, and information technology

Alan C. Heuberger (1)
Senior Manager, BMGI
Private investment management

Charles O. Holliday, Jr.* (8)
Chairman, Royal Dutch Shell plc
Oil and natural gas exploration, refining and product sales

Dipak C. Jain (15)
Co-President and Global Advisor, China Europe International Business School
International graduate business school

Michael O. Johanns (2)
Former U.S. Senator and U.S. Secretary of Agriculture

Clayton M. Jones (10)
Retired Chairman, Rockwell Collins, Inc.
Aviation electronics and communications

Brian M. Krzanich (1)
Chief Executive Officer, Intel Corporation
Advanced integrated digital technology platforms

Gregory R. Page (4)
Retired Executive Director, Cargill, Inc.
Agricultural, food, financial, and industrial products and services

Sherry M. Smith (6)
Former Executive Vice President and Chief Financial Officer, Supervalu Inc.
Retail and wholesale grocery and retail general merchandise products

Dmitri L. Stockton (2)
Retired Special Advisor to Chairman and Retired Senior Vice President, General Electric Company
Power and water, aviation, oil and gas, healthcare, appliances and lighting, energy management, transportation, and financial services

Retired Chairman, President, and Chief Executive Officer, GE Asset Management Inc.
Global investments

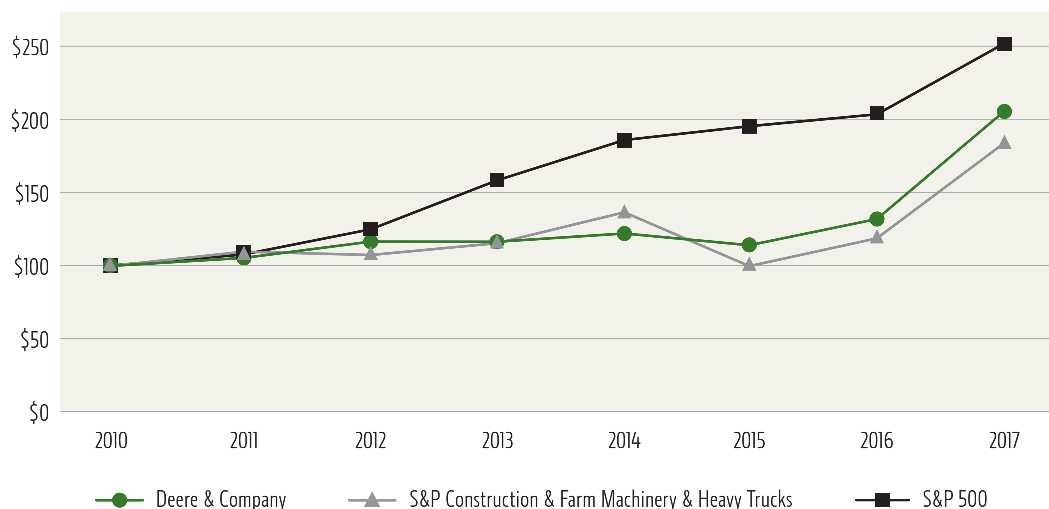
Sheila G. Talton (2)
President and Chief Executive Officer, Gray Matter Analytics
Data analytics consulting services for financial services and healthcare industries

Figures in parentheses represent complete years of board service through December 31, 2017.

**Elected to the board effective January 1, 2018. Previously served 2007 to 2016.*

7-YEAR CUMULATIVE TOTAL RETURN

Deere compared to S&P 500 Index and S&P Construction & Farm Machinery & Heavy Trucks Index



The graph compares the cumulative total returns of Deere & Company, the S&P 500 Stock Index, and the S&P Construction & Farm Machinery & Heavy Trucks Index over a seven-year period. It assumes $100 was invested on November 1, 2009, and that dividends were reinvested. Deere & Company stock price at October 27, 2017, was $133.25. The Standard & Poor's 500 Construction & Farm Machinery & Heavy Trucks Index comprises Deere (DE), Caterpillar (CAT), Cummins (CMI), and Paccar (PCAR). The stock performance shown in the graph is not intended to forecast and does not necessarily indicate future price performance

	2010	2011	2012	2013	2014	2015	2016	2017
Deere & Company	$100.00	$104.40	$116.00	$116.09	$121.89	$114.28	$131.55	$205.36
S&P Con & Farm Mach & Hvy Trks	$100.00	$109.71	$106.96	$115.87	$136.72	$101.06	$120.07	$185.51
S&P 500	$100.00	$108.09	$124.52	$158.36	$185.71	$195.37	$204.18	$252.43

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STOCKHOLDER INFORMATION

ANNUAL MEETING

The annual meeting of company stockholders will be held at 10 a.m. CT on February 28, 2018, at Deere & Company World Headquarters, One John Deere Place, Moline, Illinois.

TRANSFER AGENT & REGISTRAR

Send all correspondence, including address changes and certificates for transfer, as well as inquiries concerning lost, stolen, or destroyed stock certificates or dividend checks, to:

Deere & Company
c/o Computershare
P.O. Box 505000
Louisville, KY 40233

Phone toll-free: (800) 268-7369
From outside the U.S., call: (201) 680-6678
TDD: (800) 231-5469

Email: webqueries@computershare.com

www.computershare.com/investor

DIVIDEND REINVESTMENT & DIRECT PURCHASE PLAN

Investors may purchase initial Deere & Company shares and automatically reinvest dividends through the Computershare BuyDIRECT Plan. Optional monthly cash investments may be made automatically through electronic debits.

For inquiries about existing reinvestment accounts, call (800) 268-7369 or write to:

Deere & Company
c/o Computershare
P.O. Box 505000
Louisville, KY 40233

STOCKHOLDER RELATIONS

Deere & Company welcomes your comments:

Deere & Company
Stockholder Relations Department
One John Deere Place, Moline, IL 61265-8098
Phone: (309) 765-4491 Fax: (309) 765-4663
www.JohnDeere.com/Investors

INVESTOR RELATIONS

Securities analysts, portfolio managers, and representatives of financial institutions may contact:

Deere Investor Relations
Deere & Company
One John Deere Place, Moline, IL 61265-8098
Phone: (309) 765-4491
Email: DeereIR@JohnDeere.com
www.JohnDeere.com/Investors

STOCK EXCHANGES

Deere & Company common stock is listed on the New York Stock Exchange under the ticker symbol DE.

FORM 10-K

The annual report on Form 10-K filed with the Securities and Exchange Commission is available online or upon written request to Deere & Company Stockholder Relations.

AUDITORS

Deloitte & Touche LLP
Chicago, Illinois

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 15% pretax.

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	2015	2016	2017
Net Sales	25,755	23,387	25,855
Operating profit	2,177	1,880	2,821
Average assets			
With inventories @ std cost	13,840	13,092	13,421
With inventories @ LIFO	12,491	11,816	12,150
OROA % @ LIFO	17.4	15.9	23.2
Asset turns (std cost)	1.86	1.79	1.93
Operating margin %	x 8.45	x 8.04	x 10.91
OROA % @ standard cost	15.7	14.4	21.0

$MM	2015	2016	2017
Average assets @ std cost	13,840	13,092	13,421
Operating profit	2,177	1,880	2,821
Cost of assets	-1,661	-1,570	-1,611
SVA	516	310	1,210

CONSTRUCTION & FORESTRY

$MM unless indicated otherwise	2015	2016	2017
Net sales	5,963	4,900	5,718
Operating profit	528	180	337
Average assets			
With inventories @ std cost	3,667	3,374	3,390
With inventories @ LIFO	3,435	3,147	3,154
OROA % @ LIFO	15.4	5.7	10.7
Asset turns (std cost)	1.63	1.45	1.69
Operating margin %	x 8.85	x 3.67	x 5.89
OROA % @ standard cost	14.4	5.3	9.9

$MM	2015	2016	2017
Average assets @ std cost	3,667	3,374	3.390
Operating profit	528	180	337
Cost of assets	-440	-405	-407
SVA	88	-225	-70

AGRICULTURE & TURF

$MM unless indicated otherwise	2015	2016	2017
Net sales	19,812	18,487	20,167
Operating profit	1,649	1,700	2,484
Average assets			
With inventories @ std cost	10,173	9,718	10,031
With inventories @ LIFO	9,056	8,669	8,996
OROA % @ LIFO	18.2	19.6	27.6
Asset turns (std cost)	1.95	1.90	2.01
Operating margin %	x 8.32	x 9.20	x 12.31
OROA % @ standard cost	16.2	17.5	24.8

$MM	2015	2016	2017
Average assets @ std cost	10,173	9,718	10,031
Operating profit	1,649	1,700	2,484
Cost of assets	-1,221	-1,165	-1,204
SVA	428	535	1,280

FINANCIAL SERVICES

$MM unless indicated otherwise	2015	2016	2017
Net income attributable to Deere & Company	633	468	477
Average equity	4,655	4,488	4,497
Return on equity %	13.6	10.4	10.6

$MM	2015	2016	2017
Operating profit	963	709	722
Average equity	4,655	4,488	4,497
Operating profit	963	709	722
Cost of equity	-705	-680	-680
SVA	258	29	42

Financial Services SVA is calculated on a pretax basis.

AWARDS & RECOGNITION

World's Top 50 Most Admired Companies – *Fortune* magazine

World's Most Ethical Companies – Ethisphere Institute

Top 100 Global Brands – Interbrand

Company of the Year – Society of Hispanic Professional Engineers

U.S. President's Volunteer Service Award – Junior Achievement USA

Best Community Improvement Program Award – U.S. Chamber of Commerce Foundation

50 Best Places to Work in the U.S. – Indeed.com

Top Employer recognition in:
Brazil (Great Place to Work Institute, *Época* magazine)
Germany (*Focus* magazine)
Mexico (Great Place to Work Institute)
Spain (Top Employers Institute)
U.S. (*Forbes* magazine)

Agritechnica Innovation Awards – German Agricultural Society

SIMA Innovation Awards – Paris International Agribusiness Show

Most Innovative Companies in Brazil – *Valor Econômico* newspaper

Best Working Mother Companies Award in Mexico – Working Mothers Mexico Institute

The John Deere Foundation earned the U.S. Chamber of Commerce Foundation's Best Community Improvement Program award for JIVA, the Joint Initiative for Village Advancement. JIVA is supporting 13 villages in Rajasthan, India, by bolstering agricultural productivity and improving infrastructure and public education.

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RESULTS OF OPERATIONS FOR THE YEARS ENDED OCTOBER 29, 2017, OCTOBER 30, 2016, AND NOVEMBER 1, 2015

OVERVIEW

Organization

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

Trends and Economic Conditions

The company's agriculture and turf equipment sales increased 9 percent in 2017 and are projected to increase about 9 percent for 2018. Industry agricultural machinery sales in the U.S. and Canada for 2018 are forecast to increase 5 to 10 percent, compared to 2017. Industry sales in the European Union (EU)28 member nations are forecast to increase approximately 5 percent in 2018, while South American industry sales are projected to be about the same or increase 5 percent from 2017 levels. Asian sales are forecast to be about the same in 2018. Industry sales of turf and utility equipment in the U.S. and Canada are expected to be approximately the same for 2018. The company's construction and forestry sales increased 17 percent in 2017 and are forecast to increase about 69 percent in 2018. The Wirtgen acquisition is expected to add 54 percent to the construction and forestry annual sales forecast (see Note 30). Global forestry industry sales are expected to be about the same to 5 percent higher in 2018, compared to 2017. Net income of the company's financial services operations attributable to Deere & Company in 2018 is expected to be approximately $515 million.

Items of concern include the uncertainty of the effectiveness of governmental actions in respect to monetary and fiscal policies, the impact of sovereign debt, eurozone issues, capital market disruptions, trade agreements, changes in demand and pricing for used equipment, and geopolitical events. Significant fluctuations in foreign currency exchange rates and volatility in the price of many commodities could also impact the company's results.

The company completed a successful year as markets for farm and construction equipment improved. Sales of farm machinery in South America made especially strong gains. The Wirtgen acquisition was finalized in December, which will establish the company as a more prominent participant in the global construction equipment markets. The company is confident in the present course and believes it is positioned to deliver stronger, more consistent results in the future.

2017 COMPARED WITH 2016

CONSOLIDATED RESULTS

Worldwide net income attributable to Deere & Company in 2017 was $2,159 million, or $6.68 per share diluted ($6.76 basic), compared with $1,524 million, or $4.81 per share diluted ($4.83 basic), in 2016. Worldwide net sales and revenues increased 12 percent to $29,738 million in 2017, compared with $26,644 million in 2016. Net sales of the worldwide equipment operations rose 11 percent in 2017 to $25,885 million from $23,387 million last year. Sales included price realization of 1 percent and a favorable currency translation effect of 1 percent. Equipment net sales in the United States and Canada increased 5 percent for 2017. Outside the U.S. and Canada, net sales increased 20 percent for the year, with a favorable currency translation effect of 1 percent for 2017.

Worldwide equipment operations had an operating profit of $2,821 million in 2017, compared with $1,880 million in 2016. The operating profit increase was primarily due to higher shipment volumes, a gain on the sale of the remaining interest in SiteOne Landscape Supply, Inc. (SiteOne) (see Note 5), price realization, and a favorable product mix, partially offset by increases in production costs, selling, administrative and general expenses, and warranty related expenses.

Net income of the company's equipment operations was $1,707 million for 2017, compared with $1,058 million in 2016. The operating factors mentioned above affected the results.

The financial services operations reported net income attributable to Deere & Company in 2017 of $477 million, compared with $468 million in 2016. The increase was largely due to lower losses on lease residual values, partially offset by less favorable financing spreads and higher selling, administrative and general expenses. Additional information is presented in the following discussion of the "Worldwide Financial Services Operations."

The cost of sales to net sales ratio for 2017 was 77.0 percent, compared with 78.0 percent last year. The improvement was due primarily to price realization and a favorable product mix, partially offset by increases in production costs and warranty related expenses.

Finance and interest income increased in 2017 due to a larger average credit portfolio and higher average interest rates. Other income increased due primarily to the gain on the sale of the remaining interest in SiteOne (see Note 5). Selling, administrative and general expenses increased due primarily to higher incentive compensation expense, higher commissions paid to dealers on direct sales, and expenses related to voluntary employee-separation programs. Interest expense increased due to higher average interest rates and higher average borrowings. Other operating expenses increased primarily due to higher depreciation of equipment on operating leases, partially offset by lower losses on lease residual values.

The company has several defined benefit pension plans and defined benefit health care and life insurance plans. The company's postretirement benefit costs for these plans in 2017 were $347 million, compared with $312 million in 2016. The long-term expected return on plan assets, which is reflected in these costs, was an expected gain of 7.2 percent in 2017 and

7.3 percent in 2016, or $807 million in 2017 and $810 million in 2016. The actual return was a gain of $1,563 million in 2017 and $645 million in 2016. In 2018, the expected return will be approximately 6.8 percent. The company's postretirement costs in 2018 are expected to increase approximately $10 million. The company makes any required contributions to the plan assets under applicable regulations and voluntary contributions from time to time based on the company's liquidity and ability to make tax-deductible contributions. Total company contributions to the plans were $428 million in 2017 and $127 million in 2016, which include direct benefit payments for unfunded plans. These contributions also included voluntary contributions to plan assets of $301 million in 2017 and $3 million in 2016. Total company contributions in 2018 are expected to be approximately $137 million, which are primarily direct benefit payments for unfunded plans. The company has no significant required contributions to U.S. pension plan assets in 2018 under applicable funding regulations. See the discussion in "Critical Accounting Policies" for more information about postretirement benefit obligations.

BUSINESS SEGMENT AND GEOGRAPHIC AREA RESULTS

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

Worldwide Agriculture and Turf Operations

The agriculture and turf segment had an operating profit of $2,484 million for the year, compared with $1,700 million in 2016. Net sales increased 9 percent in 2017 due to higher shipment volumes, price realization, and the favorable effects of currency translation. Operating profit was higher due primarily to increased shipment volumes, a gain on the sale of the remaining interest in SiteOne (see Note 5), price realization, and a favorable sales mix, partially offset by increases in production costs, selling, administrative and general expenses, and warranty related expenses.

Worldwide Construction and Forestry Operations

The construction and forestry segment had an operating profit of $337 million in 2017, compared with $180 million in 2016. Net sales increased 17 percent for the year on account of higher shipment volumes, price realization, and the favorable effects of currency translation. Operating profit increased mainly attributable to improved shipment volumes and price realization, partially offset by higher warranty expenses, increased selling, administrative and general expenses, and higher production costs.

Worldwide Financial Services Operations

The operating profit of the financial services segment was $722 million in 2017, compared with $709 million in 2016. The increase was largely due to lower losses on lease residual values, partially offset by less favorable financing spreads and higher selling, administrative and general expenses. Total revenues of the financial services operations, including intercompany revenues, increased 9 percent in 2017. The average balance of receivables and leases financed was 1 percent higher in 2017, compared with 2016. Interest expense increased 25 percent in 2017 as a result of higher average borrowing rates. The financial services operations' ratio of earnings to fixed charges was 2.12 to 1 in 2017, compared with 2.35 to 1 in 2016.

Equipment Operations in U.S. and Canada

The equipment operations in the U.S. and Canada had an operating profit of $1,724 million in 2017, compared with $1,305 million in 2016. The increase was due primarily to higher shipment volumes, a gain on the sale of the remaining interest in SiteOne (see Note 5), a favorable sales mix, and price realization, partially offset by increases in production costs, selling, administrative and general expenses, and warranty related expenses. Net sales increased 5 percent due primarily to higher shipment volumes. The physical volume of sales increased 5 percent, compared with 2016.

Equipment Operations outside U.S. and Canada

The equipment operations outside the U.S. and Canada had an operating profit of $1,097 million in 2017, compared with $575 million in 2016. The increase was due primarily to higher shipment volumes and price realization, partially offset by higher production costs and increased selling, administrative and general expenses. Net sales increased 20 percent in 2017 compared to 2016. The increase was primarily the result of higher shipment volumes, price realization, and the favorable effects of foreign currency translation. The physical volume of sales increased 16 percent, compared with 2016.

MARKET CONDITIONS AND OUTLOOK

Company equipment sales are projected to increase about 22 percent for fiscal year 2018 and increase by about 38 percent for the first quarter, compared with the same periods in 2017. Included in the forecast is a positive foreign currency translation effect of about 2 percent for the year and about 3 percent for the first quarter. Net sales and revenues are projected to increase about 19 percent for fiscal 2018, with net income attributable to Deere & Company of about $2.6 billion.

The acquisition of the Wirtgen Group, which closed in December 2017, is forecast to contribute about $3.1 billion in net sales in fiscal 2018 (see Note 30). Wirtgen is expected to add about 12 percent to the company's sales for the full year and about 6 percent for the first quarter in comparison with 2017. After estimated expenses for purchase accounting and transaction costs, Wirtgen is expected to contribute about $75 million to operating profit and about $25 million to net income in fiscal 2018.

Agriculture and Turf. The company's worldwide sales of agriculture and turf equipment are forecast to increase by about 9 percent for fiscal year 2018, including a positive currency translation effect of about 2 percent. Industry sales for agricultural equipment in the U.S. and Canada are forecast to be up 5 to 10 percent for 2018, supported by higher demand for large equipment. Full year 2018 industry sales in the EU28 member nations are forecast to increase about 5 percent due to improving conditions in the dairy and livestock sectors. South American industry sales of tractors and combines are projected to be about the same to 5 percent higher as a result of continued positive conditions, particularly in Argentina. Asian sales are projected to be about the same with strength in India offsetting weakness in China. Industry sales of turf and utility equipment in the U.S. and Canada are expected to be about the

same for 2018. The company's turf sales are expected to outperform the industry owing to the success of new products.

Construction and Forestry. The company's worldwide sales of construction and forestry equipment are anticipated to increase about 69 percent for 2018, including a positive currency translation effect of about 1 percent. The Wirtgen acquisition is expected to add about 54 percent to the segment's sales forecast for the year (see Note 30). The outlook reflects moderate economic growth worldwide, including higher housing starts in the U.S. and increased activity in the oil and gas sector. In forestry, global industry sales are expected to be about the same to 5 percent higher than in 2017, mainly as a result of improved lumber prices in North America.

Financial Services. Fiscal year 2018 net income attributable to Deere & Company for the financial services operations is expected to be approximately $515 million. The outlook reflects a higher average portfolio, partially offset by increased selling, administrative and general expenses.

SAFE HARBOR STATEMENT

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements under "Overview," "Market Conditions and Outlook," and other forward-looking statements herein that relate to future events, expectations, and trends involve factors that are subject to change, and risks and uncertainties that could cause actual results to differ materially. Some of these risks and uncertainties could affect particular lines of business, while others could affect all of the company's businesses.

The company's agricultural equipment business is subject to a number of uncertainties including the factors that affect farmers' confidence and financial condition. These factors include demand for agricultural products, world grain stocks, weather conditions, soil conditions, harvest yields, prices for commodities and livestock, crop and livestock production expenses, availability of transport for crops, the growth and sustainability of non-food uses for some crops (including ethanol and biodiesel production), real estate values, available acreage for farming, the land ownership policies of governments, changes in government farm programs and policies, international reaction to such programs, changes in environmental regulations and their impact on farming practices; changes in and effects of crop insurance programs, global trade agreements, animal diseases and their effects on poultry, beef and pork consumption and prices, crop pests and diseases, and the level of farm product exports (including concerns about genetically modified organisms).

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

Consumer spending patterns, real estate and housing prices, the number of housing starts, interest rates and the levels of public and non-residential construction are important to sales and results of the company's construction and forestry equipment. Prices for pulp, paper, lumber and structural panels are important to sales of forestry equipment.

All of the company's businesses and its results are affected by general economic conditions in the global markets and industries in which the company operates; customer confidence in general economic conditions; government spending and taxing; foreign currency exchange rates and their volatility, especially fluctuations in the value of the U.S. dollar; interest rates; inflation and deflation rates; changes in weather patterns; the political and social stability of the global markets in which the company operates; the effects of, or response to, terrorism and security threats; wars and other conflicts; natural disasters; and the spread of major epidemics.

Significant changes in market liquidity conditions, changes in the company's credit ratings and any failure to comply with financial covenants in credit agreements could impact access to funding and funding costs, which could reduce the company's earnings and cash flows. Financial market conditions could also negatively impact customer access to capital for purchases of the company's products and customer confidence and purchase decisions, borrowing and repayment practices, and the number and size of customer loan delinquencies and defaults. A debt crisis, in Europe or elsewhere, could negatively impact currencies, global financial markets, social and political stability, funding sources and costs, asset and obligation values, customers, suppliers, demand for equipment, and company operations and results. The company's investment management activities could be impaired by changes in the equity, bond and other financial markets, which would negatively affect earnings.

The anticipated withdrawal of the United Kingdom from the European Union and the perceptions as to the impact of the withdrawal may adversely affect business activity, political stability and economic conditions in the United Kingdom, the European Union and elsewhere. The economic conditions and outlook could be further adversely affected by (i) the uncertainty concerning the timing and terms of the exit, (ii) new or modified trading arrangements between the United Kingdom and other countries, (iii) the risk that one or more other European Union countries could come under increasing pressure to leave the European Union, or (iv) the risk that the euro as the single currency of the Eurozone could cease to exist. Any of these developments, or the perception that any of these developments are likely to occur, could affect economic growth or business activity in the United Kingdom or the European Union, and could result in the relocation of businesses, cause business interruptions, lead to economic recession or depression, and impact the stability of the financial markets, availability of credit, currency exchange rates, interest rates, financial institutions, and political, financial and monetary systems. Any of these developments could affect our businesses, liquidity, results of operations and financial position.

Additional factors that could materially affect the company's operations, access to capital, expenses and results include changes in, uncertainty surrounding and the impact of governmental trade, banking, monetary and fiscal policies, including financial regulatory reform and its effects on the consumer finance industry, derivatives, funding costs and other areas, and governmental programs, policies, tariffs and sanctions in particular jurisdictions or for the benefit of certain industries or sectors; actions by central banks; actions by financial and securities regulators; actions by environmental, health and safety regulatory agencies, including those related to engine emissions,

carbon and other greenhouse gas emissions, noise and the effects of climate change; changes to GPS radio frequency bands or their permitted uses; changes in labor regulations; changes to accounting standards; changes in tax rates, estimates, laws, and regulations and company actions related thereto; compliance with U.S. and foreign laws when expanding to new markets and otherwise; and actions by other regulatory bodies.

Other factors that could materially affect results include production, design and technological innovations and difficulties, including capacity and supply constraints and prices; the loss of or challenges to intellectual property rights whether through theft, infringement, counterfeiting or otherwise; the availability and prices of strategically sourced materials, components and whole goods; delays or disruptions in the company's supply chain or the loss of liquidity by suppliers; disruptions of infrastructures that support communications, operations or distribution; the failure of suppliers or the company to comply with laws, regulations and company policy pertaining to employment, human rights, health, safety, the environment, anti-corruption, privacy and data protection, and other ethical business practices; events that damage the company's reputation or brand; significant investigations, claims, lawsuits or other legal proceedings; start-up of new plants and products; the success of new product initiatives; changes in customer product preferences and sales mix; gaps or limitations in rural broadband coverage, capacity and speed needed to support technology solutions; oil and energy prices, supplies and volatility; the availability and cost of freight; actions of competitors in the various industries in which the company competes, particularly price discounting; dealer practices especially as to levels of new and used field inventories; changes in demand and pricing for used equipment and resulting impacts on lease residual values; labor relations and contracts; changes in the ability to attract, train and retain qualified personnel; acquisitions and divestitures of businesses and the failure or delay in closing such transactions; greater than anticipated transaction costs; the integration of new businesses; the failure or delay in realizing anticipated benefits of acquisitions, joint ventures or divestitures; the implementation of organizational changes; the failure to realize anticipated savings or benefits of cost reduction, productivity, or efficiency efforts; difficulties related to the conversion and implementation of enterprise resource planning systems; security breaches, cybersecurity attacks, technology failures and other disruptions to the company's and suppliers' information technology infrastructure; changes in company declared dividends and common stock issuances and repurchases; changes in the level and funding of employee retirement benefits; changes in market values of investment assets, compensation, retirement, discount and mortality rates which impact retirement benefit costs; and significant changes in health care costs.

The liquidity and ongoing profitability of John Deere Capital Corporation and other credit subsidiaries depend largely on timely access to capital in order to meet future cash flow requirements, and to fund operations, costs and purchases of the company's products. If general economic conditions deteriorate or capital markets become more volatile, funding could be unavailable or insufficient. Additionally, customer confidence levels may result in declines in credit applications and increases in delinquencies and default rates, which could materially impact write-offs and provisions for credit losses.

The company's outlook is based upon assumptions relating to the factors described above, which are sometimes based upon estimates and data prepared by government agencies. Such estimates and data are often revised. The company, except as required by law, undertakes no obligation to update or revise its outlook, whether as a result of new developments or otherwise. Further information concerning the company and its businesses, including factors that could materially affect the company's financial results, is included in the company's other filings with the SEC.

2016 COMPARED WITH 2015

CONSOLIDATED RESULTS

Worldwide net income attributable to Deere & Company in 2016 was $1,524 million, or $4.81 per share diluted ($4.83 basic), compared with $1,940 million, or $5.77 per share diluted ($5.81 basic), in 2015. Worldwide net sales and revenues decreased 8 percent to $26,644 million in 2016, compared with $28,863 million in 2015. Net sales of the worldwide equipment operations declined 9 percent in 2016 to $23,387 million from $25,775 million in 2015. 2016 sales included price realization of 2 percent and an unfavorable currency translation effect of 2 percent. Equipment net sales in the United States and Canada decreased 13 percent in 2016. Outside the U.S. and Canada, net sales decreased 3 percent in 2016, with an unfavorable currency translation effect of 4 percent.

Worldwide equipment operations had an operating profit of $1,880 million in 2016, compared with $2,177 million in 2015. The operating profit decline was primarily on account of reduced shipment volumes, the unfavorable effects of foreign currency exchange, and a less favorable product mix, partially offset by price realization, lower production costs, lower selling, administrative and general expenses, and a gain on the sale of a partial interest in the unconsolidated affiliate SiteOne (see Note 5).

Net income of the company's equipment operations was $1,058 million for 2016, compared with $1,308 million in 2015. In addition to the operating factors mentioned above, a higher effective tax rate in 2016 reduced net income.

Net income of the financial services operations attributable to Deere & Company in 2016 decreased to $468 million, compared with $633 million in 2015. The decline was primarily due to less favorable financing spreads, higher losses on lease residual values (see Note 5), and a higher provision for credit losses. The results in 2015 also benefited from a gain on the sale of the crop insurance business (see Note 4). Additional information is presented in the following discussion of the "Worldwide Financial Services Operations."

The cost of sales to net sales ratio for 2016 was 78.0 percent, compared with 78.1 percent in 2015. The decrease was due primarily to price realization and lower production costs, largely offset by the unfavorable effects of foreign currency exchange and the impact of a less favorable product mix.

Finance and interest income increased in 2016 due to a larger average leasing portfolio, partially offset by a lower average financing receivables portfolio. Other income increased due primarily to a gain on the sale of a partial interest in SiteOne

(see Note 5) and was primarily offset by the gain on the sale of the crop insurance operations in 2015 (see Note 4). Research and development costs decreased largely due to a lower level of activity and the favorable effects of currency translation. Selling, administrative and general expenses decreased due primarily to lower pension and postretirement benefit expenses, lower incentive compensation expense, and the favorable effects of currency translation, partially offset by a higher provision for credit losses. Interest expense increased due to higher average interest rates, partially offset by lower average borrowings. Other operating expenses increased primarily due to higher depreciation of equipment on operating leases, and higher losses and impairments on lease residual values.

The company has several defined benefit pension plans and defined benefit health care and life insurance plans. The company's postretirement benefit costs for these plans in 2016 were $312 million, compared with $512 million in 2015. The long-term expected return on plan assets, which is reflected in these costs, was an expected gain of 7.3 percent in 2016 and 2015, or $810 million in 2016 and $824 million in 2015. The actual return was a gain of $645 million in 2016 and $606 million in 2015. Total company contributions to the plans were $127 million in 2016 and $131 million in 2015, which include direct benefit payments for unfunded plans. These contributions also included voluntary contributions to plan assets of $3 million in both 2016 and 2015.

BUSINESS SEGMENT AND GEOGRAPHIC AREA RESULTS

Worldwide Agriculture and Turf Operations

The agriculture and turf segment had an operating profit of $1,700 million in 2016, compared with $1,649 million in 2015. Net sales decreased 7 percent in 2016 due to lower shipment volumes and the unfavorable effects of currency translation, partially offset by price realization. Operating profit was higher primarily due to price realization, lower production costs, lower selling, administrative and general expenses, and a gain on the sale of a partial interest in SiteOne (see Note 5), partially offset by lower shipment volumes, unfavorable effects of foreign currency exchange, and a less favorable product mix.

Worldwide Construction and Forestry Operations

The construction and forestry segment had an operating profit of $180 million in 2016, compared with $528 million in 2015. Net sales decreased 18 percent in 2016 largely as a result of lower shipment volumes and higher sales incentive costs. Operating profit declined primarily due to lower shipment volumes and higher sales incentive costs, partially offset by a reduction in both selling, administrative and general expenses and production costs.

Worldwide Financial Services Operations

The operating profit of the financial services segment was $709 million in 2016, compared with $963 million in 2015. The decline was primarily due to less favorable financing spreads, higher losses on lease residual values, and a higher provision for credit losses. Additionally, full year results in 2015 benefited from a gain on the sale of the crop insurance business (see Note 4). Total revenues of the financial services operations, including intercompany revenues, increased 4 percent in 2016. The average balance of receivables and leases financed was 1 percent lower in 2016, compared with 2015. Interest expense increased 18 percent in 2016 as a result of higher average borrowing rates, partially offset by lower average borrowings. The financial services operations' ratio of earnings to fixed charges was 2.35 to 1 in 2016, compared with 3.29 to 1 in 2015.

Equipment Operations in U.S. and Canada

The equipment operations in the U.S. and Canada had an operating profit of $1,305 million in 2016, compared with $1,643 million in 2015. The decline was due primarily to lower shipment volumes, the unfavorable effects of foreign currency exchange, and the impact of a less favorable product mix. The decline was partially offset by price realization, lower production costs, lower selling, administrative and general expenses, and a gain on the sale of a partial interest in SiteOne (see Note 5). Net sales decreased 13 percent due primarily to lower shipment volumes, partially offset by price realization. The physical volume of sales decreased 14 percent, compared with 2015.

Equipment Operations outside U.S. and Canada

The equipment operations outside the U.S. and Canada had an operating profit of $575 million in 2016, compared with $534 million in 2015. The increase was due primarily to price realization, lower production costs, and lower selling, administrative and general expenses, partially offset by the unfavorable effects of foreign currency exchange, the impact of a less favorable product mix, and lower shipment volumes. Net sales were 3 percent lower primarily reflecting the unfavorable effects of foreign currency translation and decreased shipment volumes, partially offset by price realization. The physical volume of sales decreased 2 percent, compared with 2015.

CAPITAL RESOURCES AND LIQUIDITY

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

CONSOLIDATED

Positive cash flows from consolidated operating activities in 2017 were $2,200 million. This resulted primarily from net income adjusted for non-cash provisions and an increase in accounts payable and accrued expenses, which were partially offset by an increase in inventories including equipment transferred to operating leases (see Note 6), an increase in receivables related to sales, and a change in accrued income taxes payable/receivable. Cash outflows from investing activities were $1,644 million in 2017, due primarily to the cost of receivables (excluding receivables related to sales) and cost of equipment on operating leases exceeding the collections of receivables and the proceeds from sales of equipment on operating leases by $1,107 million, purchases of property and equipment of $595 million, and acquisitions of businesses, net of cash acquired, of $284 million, partially offset by proceeds from maturities and sales exceeding purchases of marketable securities by $286 million and sales of businesses and unconsolidated affiliates, net of cash sold, of $114 million (see Note 5). Cash inflows from financing activities were $4,287 million in 2017 due primarily to an increase in borrowings of $4,616 million and proceeds from issuance of common stock (resulting from the exercise of stock options) of $529 million, partially offset by dividends paid of $764 million. Cash and cash equivalents increased $4,999 million during 2017. The increase in cash and cash equivalents was primarily related to the

pending Wirtgen acquisition which closed on December 1, 2017 (see Note 30).

Over the last three years, operating activities have provided an aggregate of $9,728 million in cash. In addition, increases in borrowings were $4,555 million, proceeds from maturities and sales exceeded purchases of marketable securities by $990 million, proceeds from issuance of common stock (resulting from the exercise of stock options) were $737 million, and proceeds from sales of businesses and unconsolidated affiliates were $344 million. The aggregate amount of these cash flows was used mainly to repurchase common stock of $2,982 million, acquire receivables (excluding receivables related to sales) and equipment on operating leases that exceeded collections of receivables and the proceeds from sales of equipment on operating leases by $2,664 million, pay dividends of $2,342 million, purchase property and equipment of $1,933 million, and acquire businesses of $483 million. Cash and cash equivalents increased $5,548 million over the three-year period.

The company has access to most global capital markets at reasonable costs and expects to have sufficient sources of global funding and liquidity to meet its funding needs. Sources of liquidity for the company include cash and cash equivalents, marketable securities, funds from operations, the issuance of commercial paper and term debt, the securitization of retail notes (both public and private markets), and committed and uncommitted bank lines of credit. The company's commercial paper outstanding at October 29, 2017 and October 30, 2016 was $3,439 million and $1,253 million, respectively, while the total cash and cash equivalents and marketable securities position was $9,787 million and $4,789 million, respectively. The amount of the total cash and cash equivalents and marketable securities held by foreign subsidiaries, in which earnings are considered indefinitely reinvested, was $3,386 million and $2,301 million at October 29, 2017 and October 30, 2016, respectively. At October 29, 2017, foreign subsidiaries also held cash of approximately $3,624 million for the Wirtgen acquisition, which closed on December 1, 2017 (see Note 30).

Lines of Credit. The company also has access to bank lines of credit with various banks throughout the world. Worldwide lines of credit totaled $7,878 million at October 29, 2017, $4,061 million of which were unused. For the purpose of computing unused credit lines, commercial paper and short-term bank borrowings, excluding secured borrowings and the current portion of long-term borrowings, were primarily considered to constitute utilization. Included in the total credit lines at October 29, 2017 were 364-day credit facility agreements of $1,750 million, expiring in February 2018, and $750 million, expiring in October 2018. In addition, total credit lines included long-term credit facility agreements of $2,500 million, expiring in April 2021, and $2,500 million, expiring in April 2022. These credit agreements require John Deere Capital Corporation (Capital Corporation) to maintain its consolidated ratio of earnings to fixed charges at not less than 1.05 to 1 for each fiscal quarter and the ratio of senior debt, excluding securitization indebtedness, to capital base (total subordinated debt and stockholder's equity excluding accumulated other comprehensive income (loss)) at not more than 11 to 1 at the end of any fiscal quarter. The credit agreements also require the equipment operations to maintain a ratio of total debt to total capital (total debt and stockholders' equity excluding accumulated other comprehensive income (loss)) of 65 percent or less at the end of each fiscal quarter. Under this provision, the company's excess equity capacity and retained earnings balance free of restriction at October 29, 2017 was $10,965 million. Alternatively under this provision, the equipment operations had the capacity to incur additional debt of $20,364 million at October 29, 2017. All of these requirements of the credit agreements have been met during the periods included in the consolidated financial statements.

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

The senior long-term and short-term debt ratings and outlook currently assigned to unsecured company securities by the rating agencies engaged by the company are as follows:

	Senior Long-Term	Short-Term	Outlook
Fitch Ratings	A	F1	Stable
Moody's Investors Service, Inc.	A2	Prime-1	Negative
Standard & Poor's	A	A-1	Stable

Trade accounts and notes receivable primarily arise from sales of goods to independent dealers. Trade receivables increased by $914 million in 2017 due primarily to higher shipment volumes. The ratio of trade accounts and notes receivable at October 29, 2017 and October 30, 2016 to fiscal year net sales was 15 percent in 2017 and 13 percent in 2016. Total worldwide agriculture and turf receivables increased $553 million and construction and forestry receivables increased $361 million. The collection period for trade receivables averages less than 12 months. The percentage of trade receivables outstanding for a period exceeding 12 months was 1 percent at October 29, 2017 and 2 percent at October 30, 2016.

Deere & Company's stockholders' equity was $9,557 million at October 29, 2017, compared with $6,520 million at October 30, 2016. The increase of $3,037 million resulted from net income attributable to Deere & Company of $2,159 million, a change in the retirement benefits adjustment of $829 million, an increase in common stock of $369 million, a change in the cumulative translation adjustment of $230 million, and a decrease in treasury stock of $216 million, which were partially offset by dividends declared of $769 million.

EQUIPMENT OPERATIONS

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

Cash provided by operating activities of the equipment operations during 2017, including intercompany cash flows, was $2,438 million due primarily to net income adjusted for non-cash provisions and an increase in accounts payable and accrued expenses, partially offset by an increase in inventories, an increase in trade receivables, and a change in accrued income taxes payable/receivable.

Over the last three years, these operating activities, including intercompany cash flows, have provided an aggregate of $8,424 million in cash.

Trade receivables held by the equipment operations increased by $222 million during 2017. The equipment operations sell a significant portion of their trade receivables to financial services (see previous consolidated discussion).

Inventories increased by $564 million in 2017 due primarily to higher production volumes and currency translation. Most of these inventories are valued on the last-in, first-out (LIFO) method. The ratios of inventories on a first-in, first-out (FIFO) basis (see Note 15), which approximates current cost, to fiscal year cost of sales were 27 percent and 26 percent at October 29, 2017 and October 30, 2016, respectively.

Total interest-bearing debt of the equipment operations was $5,866 million at the end of 2017, compared with $4,814 million at the end of 2016 and $4,903 million at the end of 2015. The ratio of total debt to total capital (total interest-bearing debt and stockholders' equity) at the end of 2017, 2016, and 2015 was 38 percent, 42 percent, and 42 percent, respectively.

Property and equipment cash expenditures for the equipment operations in 2017 were $591 million, compared with $642 million in 2016. Capital expenditures in 2018 are estimated to be $925 million.

In September 2017, the company completed the acquisition of Blue River Technology (Blue River) for a cash purchase price of $284 million. The purchase price was financed with cash from operations (see Note 4).

On December 1, 2017, the company acquired from Wirtgen Group Holding GmbH substantially all the business operations of the Wirtgen Group. The cash purchase price was €4,475 million (or approximately $5,327 million based on the exchange rate at the closing date). The company financed the acquisition and the transaction expenses from a combination of cash, repayment of intercompany loans from the financial services operations, and €850 million of medium-term debt financing issued by the equipment operations in September 2017 (see Note 30).

FINANCIAL SERVICES

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

The cash provided by operating and financing activities was used for investing activities. Cash flows from the financial services' operating activities, including intercompany cash flows, were $1,877 million in 2017. Cash used by investing activities totaled $2,897 million in 2017 due primarily to the cost of receivables (excluding trade and wholesale) and cost of equipment on operating leases exceeding collections of these receivables and the proceeds from sales of equipment on operating leases by $2,476 million and an increase in trade receivables and wholesale notes of $380 million. Cash provided by financing activities totaled $990 million in 2017, representing primarily an increase in external borrowings of $3,511 million, partially offset by a decrease in borrowings from Deere & Company of $2,142 million and dividends paid of $365 million to Deere & Company. Cash and cash equivalents decreased $29 million.

Over the last three years, the operating activities, including intercompany cash flows, have provided $5,319 million in cash. In addition, an increase in total borrowings of $1,238 million, a decrease in trade receivables and wholesale notes of $770 million, proceeds from sales of businesses, net of cash sold, of $149 million, and a capital investment from Deere & Company of $76 million provided cash inflows. These amounts have been used mainly to fund receivables (excluding trade and wholesale) and equipment on operating lease acquisitions, which exceeded collections and the proceeds from sales of equipment on operating leases, by $5,848 million and pay dividends to Deere & Company of $1,607 million. Cash and cash equivalents decreased $51 million over the three-year period.

Receivables and equipment on operating leases increased by $1,890 million in 2017, compared with 2016. Total acquisition volumes of receivables (excluding trade and wholesale notes) and cost of equipment on operating leases increased 8 percent in 2017, compared with 2016. The volumes of financing leases, retail notes, and revolving charge accounts increased approximately 41 percent, 10 percent, and 8 percent, respectively, while operating lease volumes decreased 4 percent. During 2017, the amount of trade receivables increased 27 percent, while wholesale notes decreased 9 percent. At October 29, 2017 and October 30, 2016, net receivables and leases administered, which include receivables administered but not owned, were $40,001 million and $38,116 million, respectively.

Total external interest-bearing debt of the financial services operations was $34,179 million at the end of 2017, compared with $30,797 million at the end of 2016 and $31,882 million at the end of 2015. Total external borrowings have changed generally corresponding with the level of the receivable and lease portfolio, the level of cash and cash equivalents, the change in payables owed to Deere & Company, and the change in investment from Deere & Company. The financial services operations' ratio of total interest-bearing debt to total stockholder's equity was 7.6 to 1 at the end of 2017, 2016, and 2015.

The Capital Corporation has a revolving credit agreement to utilize bank conduit facilities to securitize retail notes (see Note 13). At October 29, 2017, the facility had a total capacity, or "financing limit," of up to $3,500 million of secured financings at any time. The facility was renewed in November 2017 with a capacity of $3,500 million. After a two-year revolving period, unless the banks and Capital Corporation agree to renew, Capital Corporation would liquidate the secured borrowings over time as payments on the retail notes are collected. At October 29, 2017, $1,549 million of short-term securitization borrowings was outstanding under the agreement.

During 2017, the financial services operations issued $1,924 million and retired $2,803 million of retail note securitization borrowings. During 2017, the financial services operations also issued $7,595 million and retired $5,331 million of long-term borrowings, which were primarily medium-term notes.

OFF-BALANCE-SHEET ARRANGEMENTS

At October 29, 2017, the company had approximately $131 million of guarantees issued primarily to banks outside the U.S. related to third-party receivables for the retail financing of John Deere equipment. The company may recover a portion of any required payments incurred under these agreements from repossession of the equipment collateralizing the receivables. The maximum remaining term of the receivables guaranteed at October 29, 2017 was approximately five years.

AGGREGATE CONTRACTUAL OBLIGATIONS

The payment schedule for the company's contractual obligations at October 29, 2017 in millions of dollars is as follows:

	Total	Less than 1 year	2&3 years	4&5 years	More than 5 years
On-balance-sheet					
Debt*					
Equipment operations	$ 5,898	$ 376	$ 1,324	$ 1,112	$ 3,086
Financial services**	34,296	11,880	12,177	6,139	4,100
Total	40,194	12,256	13,501	7,251	7,186
Interest relating to debt***	5,800	842	1,658	833	2,467
Accounts payable	2,909	2,780	94	32	3
Capital leases	26	10	11	4	1
Off-balance-sheet					
Purchase obligations	2,368	2,309	22	21	16
Operating leases	371	98	134	83	56
Total	$51,668	$18,295	$15,420	$ 8,224	$ 9,729

* Principal payments.

** Payments related to securitization borrowings of $4,123 million classified as short-term on the balance sheet related to the securitization of retail notes are included in this table based on the expected payment schedule (see Note 18).

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

The previous table does not include unrecognized tax benefit liabilities of approximately $221 million at October 29, 2017, since the timing of future payments is not reasonably estimable at this time (see Note 8). For additional information regarding pension and other postretirement employee benefit obligations, short-term borrowings, long-term borrowings, and lease obligations, see Notes 7, 18, 20, and 21, respectively.

CRITICAL ACCOUNTING POLICIES

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

Sales Incentives

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

The sales incentive accruals at October 29, 2017, October 30, 2016, and November 1, 2015 were $1,581 million, $1,391 million, and $1,463 million, respectively. The increase in 2017 was related primarily to higher sales volumes, while the decrease in 2016 was due primarily to lower sales volumes.

The estimation of the sales incentive accrual is impacted by many assumptions. One of the key assumptions is the historical percent of sales incentive costs to retail sales from dealers. Over the last five fiscal years, this percent has varied by an average of approximately plus or minus 1.4 percent, compared to the average sales incentive costs to retail sales percent during that period. Holding other assumptions constant, if this estimated cost experience percent were to increase or decrease 1.4 percent, the sales incentive accrual at October 29, 2017 would increase or decrease by approximately $93 million.

Product Warranties

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

The product warranty accruals, excluding extended warranty unamortized premiums, at October 29, 2017, October 30, 2016, and November 1, 2015 were $1,007 million, $779 million, and $807 million, respectively. The increase in 2017 was due primarily to higher sales volumes and claims experience. The decrease in 2016 was due primarily to lower sales volumes.

Estimates used to determine the product warranty accruals are significantly affected by the historical percent of warranty claims costs to sales. Over the last five fiscal years, this percent has varied by an average of approximately plus or minus .17 percent, compared to the average warranty costs to sales percent during that period. Holding other assumptions constant, if this estimated cost experience percent were to increase or decrease .17 percent, the warranty accrual at October 29, 2017 would increase or decrease by approximately $49 million.

Postretirement Benefit Obligations

Pension obligations and other postretirement employee benefit (OPEB) obligations are based on various assumptions used by the company's actuaries in calculating these amounts. These

assumptions include discount rates, health care cost trend rates, expected return on plan assets, compensation increases, retirement rates, mortality rates, and other factors. Actual results that differ from the assumptions and changes in assumptions affect future expenses and obligations.

The pension liabilities, net of pension assets, recognized on the balance sheet at October 29, 2017, October 30, 2016, and November 1, 2015 were $1,073 million, $1,949 million, and $1,022 million, respectively. The decrease in pension net liabilities in 2017 was due primarily to the return on plan assets, partially offset by interest on the liabilities and service cost. The increase in pension net liabilities in 2016 was due primarily to decreases in discount rates. The OPEB liabilities, net of OPEB assets, at October 29, 2017, October 30, 2016, and November 1, 2015 were $5,623 million, $6,065 million, and $5,395 million, respectively. The decrease in OPEB net liabilities in 2017 was due primarily to a contribution to the Voluntary Employees' Beneficiary Association trust. The increase in OPEB net liabilities in 2016 was due primarily to decreases in discount rates and interest on the liabilities (see Note 7).

In 2016, the company changed the method used to estimate the service and interest cost components of the net periodic pension and postretirement benefits cost. The new method uses the spot yield curve approach to estimate the service and interest cost by applying the specific spot rates along the yield curve used to determine the benefit plan obligations to relevant projected cash outflows. For 2015, the service and interest cost components were determined using a single weighted-average discount rate. The change did not affect the measurement of the total benefit plan obligations as the change in service and interest cost offsets in the actuarial gains and losses recorded in other comprehensive income.

The company changed to the new method to provide a more precise measure of service and interest cost by improving the correlation between the projected benefit cash flows and the discrete spot yield curve rates. The company accounted for this change as a change in estimate prospectively beginning in 2016.

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

Assumptions	Percentage Change	October 29, 2017 Increase (Decrease) PBO/APBO*	2018 Increase (Decrease) Expense
Pension			
Discount rate**	+/-.5	$ (712)/818	$ (37)/43
Expected return on assets	+/-.5		(50)/50
OPEB			
Discount rate**	+/-.5	(351)/389	(13)/14
Expected return on assets	+/-.5		(2)/2
Health care cost trend rate**	+/-1.0	769/(597)	92/(71)

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

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

Goodwill

Goodwill is not amortized and is tested for impairment annually and when events or circumstances change such that it is more likely than not that the fair value of a reporting unit is reduced below its carrying amount. The end of the fiscal third quarter is the annual measurement date. To test for goodwill impairment, the carrying value of each reporting unit is compared with its fair value. If the carrying value of the goodwill is considered impaired, a loss is measured as the excess of the reporting unit's carrying value over the fair value, with a limit of the goodwill allocated to that reporting unit.

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

Based on this testing, the company has not identified a reporting unit for which the goodwill was impaired in 2017, 2016, or 2015. A 10 percent decrease in the estimated fair value of the company's reporting units would have had no impact on the carrying value of goodwill at the annual measurement date in 2017.

Allowance for Credit Losses

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

The total allowance for credit losses at October 29, 2017, October 30, 2016, and November 1, 2015 was $243 million, $226 million, and $198 million, respectively. The allowance increased in 2017 compared to 2016 due primarily to growth in the receivable portfolio, and increased in 2016 compared to 2015 due to higher write-off experience.

The assumptions used in evaluating the company's exposure to credit losses involve estimates and significant judgment. The historical loss experience on the receivable portfolio represents one of the key assumptions involved in determining the allowance for credit losses. Over the last five fiscal years, this percent has varied by an average of approximately plus or minus .07 percent, compared to the average loss experience percent during that period. Holding other assumptions constant, if this estimated loss experience on the receivable portfolio were to increase or decrease .07 percent, the allowance for credit losses at October 29, 2017 would increase or decrease by approximately $24 million.

Operating Lease Residual Values

The carrying value of equipment on operating leases is affected by the estimated fair values of the equipment at the end of the lease (residual values). Upon termination of the lease, the equipment is either purchased by the lessee or sold to a third party, in which case the company may record a gain or a loss for the difference between the estimated residual value and the sale price. The residual values are dependent on current economic conditions and are reviewed when events or circumstances necessitate an evaluation. Changes in residual value assumptions

would affect the amount of depreciation expense and the amount of investment in equipment on operating leases.

The total operating lease residual values at October 29, 2017, October 30, 2016, and November 1, 2015 were $4,679 million, $4,347 million, and $3,603 million, respectively. The changes in 2017 and 2016 were due primarily to the increasing levels of operating leases.

Estimates used in determining end of lease market values for equipment on operating leases significantly impact the amount and timing of depreciation expense. Hypothetically, if future market values for this equipment were to decrease 10 percent from the company's present estimates, the total impact would be to increase the company's annual depreciation for equipment on operating leases by approximately $200 million.

Income Taxes

The company's income tax provision, deferred income tax assets and liabilities, and liabilities for uncertain tax benefits represent the company's best estimate of current and future income taxes to be paid. The annual tax rate is based on income tax laws, statutory tax rates, taxable income levels, and tax planning opportunities available in various jurisdictions where the company operates. These tax laws are complex, and require significant judgment to determine the consolidated provision for income taxes. Changes in tax laws, statutory tax rates, and estimates of the company's future taxable income levels could result in actual realization of deferred taxes being materially different from amounts provided for in the consolidated financial statements.

Deferred income taxes represent temporary differences between the tax and the financial reporting basis of assets and liabilities, which will result in taxable or deductible amounts in the future. Deferred tax assets also include loss carryforwards and tax credits. These assets are regularly assessed for the likelihood of recoverability from estimated future taxable income, reversal of deferred tax liabilities, and tax planning strategies. To the extent the company determines that it is more likely than not a deferred income tax asset will not be realized, a valuation allowance is established. The recoverability analysis of the deferred income tax assets and the related valuation allowances requires significant judgment and relies on estimates.

Uncertain tax positions are determined based on whether it is more likely than not the tax positions will be sustained based on the technical merits of the position. For those positions that meet the more likely than not criteria, an estimate of the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority is recognized. The ultimate resolution of the tax position could take many years and result in a payment that is significantly different from the original estimate.

A provision for U.S. income taxes or foreign withholding taxes has not been recorded on undistributed profits of the company's non-U.S. subsidiaries that are not currently taxable in the U.S. and that are determined to be indefinitely reinvested outside the U.S. If management intentions or U.S. tax law changes in the future, there may be a significant impact on the provision for income taxes in the period the change occurs. For further information on income taxes, see Note 8 to the consolidated financial statements.

FINANCIAL INSTRUMENT MARKET RISK INFORMATION

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

Interest Rate Risk

Quarterly, the company uses a combination of cash flow models to assess the sensitivity of its financial instruments with interest rate exposure to changes in market interest rates. The models calculate the effect of adjusting interest rates as follows: cash flows for financing receivables are discounted at the current prevailing rate for each receivable portfolio, cash flows for marketable securities are primarily discounted at the applicable benchmark yield curve plus market credit spreads, cash flows for unsecured borrowings are discounted at the applicable benchmark yield curve plus market credit spreads for similarly rated borrowers, cash flows for securitized borrowings are discounted at the swap yield curve plus a market credit spread for similarly rated borrowers, and cash flows for interest rate swaps are projected and discounted using forward rates from the swap yield curve at the repricing dates. The net loss in these financial instruments' fair values which would be caused by increasing the interest rates by 10 percent from the market rates at October 29, 2017 would have been approximately $4 million. The net loss from increasing the interest rates by 10 percent at October 30, 2016 would have been approximately $13 million.

Foreign Currency Risk

In the equipment operations, the company's practice is to hedge significant currency exposures. Worldwide foreign currency exposures are reviewed quarterly. Based on the equipment operations' anticipated and committed foreign currency cash inflows, outflows, and hedging policy for the next twelve months, the company estimates that a hypothetical 10 percent strengthening of the U.S. dollar relative to other currencies through 2018 would decrease the 2018 expected net cash inflows by approximately $78 million. At October 30, 2016, a hypothetical 10 percent strengthening of the U.S. dollar under similar assumptions and calculations indicated a potential $77 million adverse effect on the 2017 net cash inflows.

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of October 29, 2017, using the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes that, as of October 29, 2017, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears below.

December 18, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deere & Company:

We have audited the accompanying consolidated balance sheets of Deere & Company and subsidiaries (the ''Company'') as of October 29, 2017 and October 30, 2016, and the related statements of consolidated income, consolidated comprehensive income, changes in consolidated stockholders' equity, and consolidated cash flows for each of the three years in the period ended October 29, 2017. We also have audited the Company's internal control over financial reporting as of October 29, 2017, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 29, 2017 and October 30, 2016, and the results of their operations and their cash flows for each of the three years in the period ended October 29, 2017, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 29, 2017, based on the criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

DELOITTE & TOUCHE LLP
Chicago, Illinois

December 18, 2017

DEERE & COMPANY

STATEMENT OF CONSOLIDATED INCOME

For the Years Ended October 29, 2017, October 30, 2016, and November 1, 2015

(In millions of dollars)

	2017	2016	2015
Net Sales and Revenues			
Net sales	$25,885.1	$23,387.3	$25,775.2
Finance and interest income	2,731.5	2,511.2	2,381.1
Other income	1,121.1	745.5	706.5
Total	29,737.7	26,644.0	28,862.8
Costs and Expenses			
Cost of sales	19,933.5	18,248.9	20,143.2
Research and development expenses	1,367.7	1,389.1	1,425.1
Selling, administrative and general expenses	3,066.6	2,763.7	2,873.3
Interest expense	899.5	763.7	680.0
Other operating expenses	1,316.6	1,254.6	961.1
Total	26,583.9	24,420.0	26,082.7
Income of Consolidated Group before Income Taxes	3,153.8	2,224.0	2,780.1
Provision for income taxes	971.1	700.1	840.1
Income of Consolidated Group	2,182.7	1,523.9	1,940.0
Equity in income (loss) of unconsolidated affiliates	(23.5)	(2.4)	.9
Net Income	2,159.2	1,521.5	1,940.9
Less: Net income (loss) attributable to noncontrolling interests	.1	(2.4)	.9
Net Income Attributable to Deere & Company	$ 2,159.1	$ 1,523.9	$ 1,940.0
Per Share Data			
Basic	$ 6.76	$ 4.83	$ 5.81
Diluted	$ 6.68	$ 4.81	$ 5.77
Dividends declared	$ 2.40	$ 2.40	$ 2.40
Average Shares Outstanding			
Basic	319.5	315.2	333.6
Diluted	323.3	316.6	336.0

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

DEERE & COMPANY

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

For the Years Ended October 29, 2017, October 30, 2016, and November 1, 2015

(In millions of dollars)

	2017	2016	2015
Net Income	$ 2,159.2	$ 1,521.5	$ 1,940.9
Other Comprehensive Income (Loss), Net of Income Taxes			
Retirement benefits adjustment	828.8	(907.6)	(7.7)
Cumulative translation adjustment	230.6	9.0	(935.1)
Unrealized gain (loss) on derivatives	3.7	2.9	(2.5)
Unrealized loss on investments	(.6)	(.9)	(1.5)
Other Comprehensive Income (Loss), Net of Income Taxes	1,062.5	(896.6)	(946.8)
Comprehensive Income of Consolidated Group	3,221.7	624.9	994.1
Less: Comprehensive income (loss) attributable to noncontrolling interests	.3	(2.4)	.5
Comprehensive Income Attributable to Deere & Company	$ 3,221.4	$ 627.3	$ 993.6

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

DEERE & COMPANY

CONSOLIDATED BALANCE SHEET

As of October 29, 2017 and October 30, 2016

(In millions of dollars except per share amounts)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 9,334.9	$ 4,335.8
Marketable securities	451.6	453.5
Receivables from unconsolidated affiliates	35.9	16.5
Trade accounts and notes receivable – net	3,924.9	3,011.3
Financing receivables – net	25,104.1	23,702.3
Financing receivables securitized – net	4,158.8	5,126.5
Other receivables	1,200.0	1,018.5
Equipment on operating leases – net	6,593.7	5,901.5
Inventories	3,904.1	3,340.5
Property and equipment – net	5,067.7	5,170.6
Investments in unconsolidated affiliates	182.5	232.6
Goodwill	1,033.3	815.7
Other intangible assets – net	218.0	104.1
Retirement benefits	538.2	93.6
Deferred income taxes	2,415.0	2,964.4
Other assets	1,623.6	1,631.1
Total Assets	$ 65,786.3	$ 57,918.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Short-term borrowings	$ 10,035.3	$ 6,910.7
Short-term securitization borrowings	4,118.7	4,997.8
Payables to unconsolidated affiliates	121.9	81.6
Accounts payable and accrued expenses	8,417.0	7,240.1
Deferred income taxes	209.7	166.0
Long-term borrowings	25,891.3	23,703.0
Retirement benefits and other liabilities	7,417.9	8,274.5
Total liabilities	56,211.8	51,373.7
Commitments and contingencies (Note 22)		
Redeemable noncontrolling interest (Note 4)	14.0	14.0
STOCKHOLDERS' EQUITY		
Common stock, $1 par value (authorized – 1,200,000,000 shares; issued – 536,431,204 shares in 2017 and 2016), at paid-in amount	4,280.5	3,911.8
Common stock in treasury, 214,589,902 shares in 2017 and 221,663,380 shares in 2016, at cost	(15,460.8)	(15,677.1)
Retained earnings	25,301.3	23,911.3
Accumulated other comprehensive income (loss)	(4,563.7)	(5,626.0)
Total Deere & Company stockholders' equity	9,557.3	6,520.0
Noncontrolling interests	3.2	10.8
Total stockholders' equity	9,560.5	6,530.8
Total Liabilities and Stockholders' Equity	$ 65,786.3	$ 57,918.5

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

DEERE & COMPANY
STATEMENT OF CONSOLIDATED CASH FLOWS
For the Years Ended October 29, 2017, October 30, 2016, and November 1, 2015
(In millions of dollars)

	2017	2016	2015
Cash Flows from Operating Activities			
Net income	$ 2,159.2	$ 1,521.5	$ 1,940.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	98.3	94.3	55.4
Provision for depreciation and amortization	1,715.5	1,559.8	1,382.4
Impairment charges	39.8	85.1	34.8
Share-based compensation expense	68.1	70.6	66.1
Gain on sale of unconsolidated affiliates and investments	(375.1)	(74.5)	
Undistributed earnings of unconsolidated affiliates	(14.4)	(1.9)	(1.0)
Provision (credit) for deferred income taxes	100.1	282.7	(18.4)
Changes in assets and liabilities:			
Trade, notes and financing receivables related to sales	(838.9)	335.2	811.6
Insurance receivables			333.4
Inventories	(1,305.3)	(106.1)	(691.4)
Accounts payable and accrued expenses	968.0	(155.2)	(503.6)
Accrued income taxes payable/receivable	(84.2)	7.0	(119.1)
Retirement benefits	(31.9)	238.6	427.5
Other	(299.4)	(87.4)	40.2
Net cash provided by operating activities	2,199.8	3,769.7	3,758.8
Cash Flows from Investing Activities			
Collections of receivables (excluding receivables related to sales)	14,671.1	14,611.4	14,919.7
Proceeds from maturities and sales of marketable securities	404.2	169.4	860.7
Proceeds from sales of equipment on operating leases	1,440.8	1,256.2	1,049.4
Proceeds from sales of businesses and unconsolidated affiliates, net of cash sold	113.9	81.1	149.2
Cost of receivables acquired (excluding receivables related to sales)	(15,221.8)	(13,954.5)	(14,996.5)
Purchases of marketable securities	(118.0)	(171.2)	(154.9)
Purchases of property and equipment	(594.9)	(644.4)	(694.0)
Cost of equipment on operating leases acquired	(1,997.4)	(2,310.7)	(2,132.1)
Acquisitions of businesses, net of cash acquired	(284.2)	(198.5)	
Other	(58.0)	(16.0)	(60.2)
Net cash used for investing activities	(1,644.3)	(1,177.2)	(1,058.7)
Cash Flows from Financing Activities			
Increase (decrease) in total short-term borrowings	1,310.6	(1,213.6)	501.6
Proceeds from long-term borrowings	8,702.2	5,070.7	5,711.0
Payments of long-term borrowings	(5,397.0)	(5,267.6)	(4,863.2)
Proceeds from issuance of common stock	528.7	36.0	172.1
Repurchases of common stock	(6.2)	(205.4)	(2,770.7)
Dividends paid	(764.0)	(761.3)	(816.3)
Other	(87.8)	(64.7)	(72.1)
Net cash provided by (used for) financing activities	4,286.5	(2,405.9)	(2,137.6)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	157.1	(13.0)	(187.3)
Net Increase in Cash and Cash Equivalents	4,999.1	173.6	375.2
Cash and Cash Equivalents at Beginning of Year	4,335.8	4,162.2	3,787.0
Cash and Cash Equivalents at End of Year	$ 9,334.9	$ 4,335.8	$ 4,162.2

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

DEERE & COMPANY

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

For the Years Ended November 1, 2015, October 30, 2016, and October 29, 2017

(In millions of dollars)

	Total Stockholders' Equity						Redeemable Noncontrolling Interest
		Deere & Company Stockholders					
	Total Stockholders' Equity	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	
Balance November 2, 2014	$ 9,065.5	$3,675.4	$(12,834.2)	$22,004.4	$ (3,783.0)	$ 2.9	
Net income	1,940.9			1,940.0		.9	
Other comprehensive loss	(946.8)				(946.4)	(.4)	
Repurchases of common stock	(2,770.7)		(2,770.7)				
Treasury shares reissued	107.3		107.3				
Dividends declared	(800.8)			(799.5)		(1.3)	
Stock options and other	162.2	150.2		(.1)		12.1	
Balance November 1, 2015	6,757.6	3,825.6	(15,497.6)	23,144.8	(4,729.4)	14.2	
Net income (loss)	1,521.5			1,523.9		(2.4)	
Other comprehensive loss	(896.6)				(896.6)		
Repurchases of common stock	(205.4)		(205.4)				
Treasury shares reissued	25.9		25.9				
Dividends declared	(758.0)			(757.1)		(.9)	
Acquisition (Note 4)							$ 14.0
Stock options and other	85.8	86.2		(.3)		(.1)	
Balance October 30, 2016	6,530.8	3,911.8	(15,677.1)	23,911.3	(5,626.0)	10.8	14.0
Net income	2,159.2			2,159.1		.1	
Other comprehensive income	1,062.5				1,062.3	.2	
Repurchases of common stock	(6.2)		(6.2)				
Treasury shares reissued	222.5		222.5				
Dividends declared	(770.4)			(769.2)		(1.2)	
Stock options and other	362.1	368.7		.1		(6.7)	
Balance October 29, 2017	$ 9,560.5	$4,280.5	$(15,460.8)	$25,301.3	$ (4,563.7)	$ 3.2	$ 14.0

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

1. ORGANIZATION AND CONSOLIDATION

Structure of Operations

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

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

Financial Services – Includes primarily the company's financing operations.

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

Principles of Consolidation

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

Fiscal Year

The company uses a 52/53 week fiscal year ending on the last Sunday in the reporting period. The fiscal year ends for 2017, 2016, and 2015 were October 29, 2017, October 30, 2016, and November 1, 2015, respectively. All fiscal years contained 52 weeks.

Variable Interest Entities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates in Financial Statements

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

Revenue Recognition

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

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

Sales Incentives

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

Product Warranties

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

Sales Taxes

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

Shipping and Handling Costs

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

Advertising Costs

Advertising costs are charged to expense as incurred. This expense was $169 million in 2017, $169 million in 2016, and $157 million in 2015.

Depreciation and Amortization

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

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

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

Impairment of Long-Lived Assets, Goodwill, and Other Intangible Assets
The company evaluates the carrying value of long-lived assets (including equipment on operating leases, property and equipment, goodwill, and other intangible assets) when events or circumstances warrant such a review. Goodwill and intangible assets with indefinite lives are tested for impairment annually at the end of the third quarter of each fiscal year, and more often if events or circumstances indicate a reduction in the fair value below the carrying value. Goodwill is allocated and reviewed for impairment by reporting units, which consist primarily of the operating segments and certain other reporting units. Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. To test for goodwill impairment, the carrying value of each reporting unit is compared with its fair value. If the carrying value of the goodwill is considered impaired, the impairment is measured as the excess of the reporting unit's carrying value over the fair value, with a limit of the goodwill allocated to that reporting unit. If the carrying value of the long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset (see Notes 5 and 26).

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

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

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

Foreign Currency Translation
The functional currencies for most of the company's foreign operations are their respective local currencies. The assets and liabilities of these operations are translated into U.S. dollars at the end of the period exchange rates. The revenues and expenses are translated at weighted-average rates for the period. The gains or losses from these translations are recorded in other comprehensive income. Gains or losses from transactions denominated in a currency other than the functional currency of the subsidiary involved and foreign exchange forward contracts are included in net income. The pretax net gain (loss) for foreign exchange in 2017, 2016, and 2015 was $(62) million, $(38) million, and $22 million, respectively.

3. NEW ACCOUNTING STANDARDS

New Accounting Standards Adopted
In the first quarter of 2017, the company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which amends Accounting Standards Codification (ASC) 835-30, Interest – Imputation of Interest. This ASU requires that debt issuance costs related to borrowings be presented in the balance sheet as a direct deduction from the carrying amount of the borrowing. As required, the presentation and disclosure requirements were adopted through retrospective application with the consolidated balance sheet and related notes in prior periods adjusted for a consistent presentation. Debt issuance costs of $63 million at October 30, 2016 were reclassified from other assets to borrowings in the consolidated balance sheet.

In the third quarter of 2017, the company early adopted ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends ASC 718, Compensation – Stock Compensation. This ASU changes the treatment of share based payment transactions by recognizing the impact of excess tax benefits or deficiencies related to exercised or vested awards in income tax expense in the period of exercise or vesting, instead of common stock. As required, this change was reflected for all periods in fiscal year 2017. Net income increased in fiscal year

2017 by approximately $30 million. The ASU also modified the presentation of excess tax benefits in the statement of consolidated cash flows by including that amount with other income tax cash flows as an operating activity and no longer presented separately as a financing activity. This change was recognized through a retrospective application that increased net cash flow provided by operating activities by approximately $30 million, $5 million, and $19 million in fiscal years 2017, 2016, and 2015. The ASU also requires that cash paid by an employer when directly withholding shares for tax withholding purposes should be presented as a financing activity in the statement of consolidated cash flows, which is the company's existing presentation. The company will continue to recognize the impact of share-based payment award forfeitures as the forfeitures occur.

In the third quarter of 2017, the company early adopted ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which amends ASC 350, Intangibles – Goodwill and Other. This ASU simplifies the goodwill impairment test by removing the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value. This ASU states the impairment is measured as the excess of the reporting unit's carrying value over the fair value, with a limit of the goodwill allocated to that reporting unit. The adoption did not have a material effect on the company's consolidated financial statement.

The company also adopted the following standards in the first quarter of 2017, none of which had a material effect on the company's consolidated financial statements:

Accounting Standard Update
2014-12 – Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, which amends ASC 718, Compensation – Stock Compensation
2015-05 – Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which amends ASC 350-40, Intangibles – Goodwill and Other – Internal-Use Software
2015-11 – Simplifying the Measurement of Inventory, which amends ASC 330, Inventory
2015-15 – Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which amends ASC 835-30, Interest – Imputation of Interest

New Accounting Standards to be Adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue. In August 2015, the FASB amended the effective date to be the first quarter of fiscal year 2019 with early adoption permitted in the first quarter of fiscal year 2018. The FASB issued several amendments clarifying various aspects of the ASU, including revenue transactions that involve a third party, goods or services that are immaterial in the context of the contract, and licensing arrangements. The company plans to adopt the ASU effective the first quarter of fiscal year 2019 using a modified retrospective method. The company's evaluation of the ASU is largely complete, with the exception of the Wirtgen acquisition (see Note 30). The ASU requires that a gross asset and liability rather than a net liability be recorded for the value of estimated service parts returns and the refund liability. The gross asset will be recorded in other assets and the gross liability will be recorded in accounts payable and accrued expenses. In addition, certain revenue disclosures will be expanded. At this point of the evaluation, the company has not identified an item that will have a material effect on the company's consolidated financial statements. The company continues to evaluate the ASU's potential effects on the consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which amends ASC 825-10, Financial Instruments – Overall. This ASU changes the treatment for available-for-sale equity investments by recognizing unrealized fair value changes directly in net income and no longer in other comprehensive income. The effective date will be the first quarter of fiscal year 2019. Early adoption of the provisions affecting the company is not permitted. The ASU will be adopted with a cumulative-effect adjustment to the balance sheet in the year of adoption. The company is evaluating the potential effects on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes ASC 840, Leases. The ASU's primary change is the requirement for lessee entities to recognize a lease liability for payments and a right of use asset during the term of operating lease arrangements. The ASU does not significantly change the lessee's recognition, measurement, and presentation of expenses and cash flows from the previous accounting standard. Lessors' accounting under the ASC is largely unchanged from the previous accounting standard. Lessees and lessors will use a modified retrospective transition approach. The effective date will be the first quarter of fiscal year 2020 with early adoption permitted. The company is evaluating the potential effects on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, Simplifying the Transition to the Equity Method of Accounting, which amends ASC 323, Investments – Equity Method and Joint Ventures. This ASU eliminates the requirement to retroactively restate the investment, results of operations, and retained earnings on a step by step basis when an investment qualifies for use of the equity method as a result of an increase in ownership or degree of influence. The effective date will be the first quarter of fiscal year 2018, with early adoption permitted, and will be adopted prospectively. The adoption will not have a material effect on the company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which establishes ASC 326, Financial Instruments – Credit Losses. The ASU revises the measurement of credit losses for financial assets measured at amortized cost from an incurred loss methodology to an

expected loss methodology. The ASU affects trade receivables, debt securities, net investment in leases, and most other financial assets that represent a right to receive cash. Additional disclosures about significant estimates and credit quality are also required. The effective date will be the first quarter of fiscal year 2021, with early adoption permitted beginning in fiscal year 2020. The ASU will be adopted using a modified-retrospective approach. The company is evaluating the potential effects on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which amends ASC 230, Statement of Cash Flows. This ASU provides guidance on the statement of cash flows presentation of certain transactions where diversity in practice exists. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted. The ASU will be adopted using a retrospective transition approach. The adoption will not have a material effect on the company's consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory, which amends ASC 740, Income Taxes. This ASU requires that the income tax consequences of an intra-entity asset transfer other than inventory are recognized at the time of the transfer. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted. The ASU will be adopted using a modified-retrospective transition approach. The adoption will not have a material effect on the company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which amends ASC 230, Statement of Cash Flows. This ASU requires that a statement of cash flows explain the change during the reporting period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted, and will be adopted using a retrospective transition approach. The adoption will not have a material effect on the company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Clarifying the Definition of a Business, which amends ASC 805, Business Combinations. This ASU provides further guidance on the definition of a business to determine whether transactions should be accounted for as acquisitions of assets or businesses. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted in certain cases. The ASU will be adopted on a prospective basis and will not have a material effect on the company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which amends ASC 715, Compensation – Retirement Benefits. This ASU requires that employers report only the service cost component of the total defined benefit pension and postretirement benefit cost in the same income statement lines as compensation for the participating employees. The other components of these benefit costs are reported outside of income from operations. In addition, only the service cost component of the benefit costs is eligible for capitalization. The ASU will be adopted on a retrospective basis for the presentation of the benefit costs and on a prospective basis for the capitalization of only the service cost. The effective date is fiscal year 2019, with early adoption permitted. The company will adopt the ASU in the first quarter of fiscal year 2018. If adopted in fiscal year 2017, operating profit would have increased by approximately $31 million. The adoption is estimated to improve operating profit in fiscal year 2018 by approximately $25 million.

In March 2017, the FASB issued ASU No. 2017-08, Premium Amortization on Purchased Callable Debt Securities, which amends ASC 310-20, Receivables – Nonrefundable Fees and Other Costs. This ASU reduces the amortization period for certain callable debt securities held at a premium to the earliest call date. The treatment of securities held at a discount is unchanged. The effective date is the first quarter of fiscal year 2020, with early adoption permitted. The adoption will not have a material effect on the company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Scope of Modification Accounting, which amends ASC 718, Compensation – Stock Compensation. This ASU provides guidance about which changes to the terms of a share-based payment award should be accounted for as a modification. A change to an award should be accounted for as a modification unless the fair value of the modified award is the same as the original award, the vesting conditions do not change, and the classification as an equity or liability instrument does not change. The ASU will be adopted on a prospective basis. The effective date is the first quarter of fiscal year 2019, with early adoption permitted. The adoption will not have a material effect on the company's consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, Targeted Improvements to Accounting for Hedging Activities, which amends ASC 815, Derivatives and Hedging. The purpose of this ASU is to better align a company's risk management activities and financial reporting for hedging relationships, simplify the hedge accounting requirements, and improve the disclosures of hedging arrangements. The effective date is fiscal year 2020, with early adoption permitted. The company is evaluating the potential effects on the consolidated financial statements.

4. ACQUISITIONS AND DISPOSITIONS

In September 2017, the company acquired Blue River Technology (Blue River), which is based in Sunnyvale, California for an acquisition cost of approximately $284 million, net of cash acquired of $4 million and $21 million funded to escrow for post-acquisition expenses. Blue River has designed and integrated computer vision and machine learning technology to optimize the use of farm inputs. Machine learning technologies could eventually be applied to a wide range of the company's products. The preliminary fair values assigned to the assets and liabilities related to the acquired entity were approximately $1 million of trade receivables, $2 million of property and equipment, $193 million of goodwill, $125 million of identifiable intangible assets, $1 million of accounts payable and accrued expenses, and $36 million of deferred tax liabilities. The identifiable intangibles were primarily related to in-process research and development, which will not be amortized until the research and development efforts are complete or end. The goodwill is not expected to be deducted for tax purposes. Blue River is included in the company's agriculture and turf operating segment.

In March 2016, the company acquired an 80 percent interest in Hagie Manufacturing Company, LLC, the U.S. market leader in high-clearance sprayers located in Clarion, Iowa, for a cost of approximately $53 million, net of cash acquired of $3 million. The fair values assigned to the assets and liabilities related to the acquired entity were approximately $2 million of trade receivables, $33 million of inventories, $17 million of property and equipment, $33 million of goodwill, $22 million of identifiable intangible assets, $3 million of other assets, and $43 million of accounts payable and accrued expenses, with a $14 million redeemable noncontrolling interest. The identifiable intangibles were primarily related to technology, trade name and customer relationships, which have a weighted average amortization period of eight years. The goodwill is deductible for tax purposes. If certain events occur, the minority interest holder has the right to exercise a put option that would require the company to purchase the holder's membership interest. The company also has a call option exercisable after a certain period of time. The put and call options cannot be separated from the noncontrolling interest. Due to the redemption features, the minority interest holder's value is classified as a redeemable noncontrolling interest in the company's consolidated balance sheet.

In February 2016, the company acquired Monosem for a cost of approximately $146 million, net of cash acquired of $20 million. Monosem, with four facilities in France and two in the U.S., is the European market leader in precision planters. The fair values assigned to the assets and liabilities related to the acquired entity were approximately $5 million of trade receivables, $2 million of other receivables, $29 million of inventories, $24 million of property and equipment, $62 million of goodwill, $42 million of identifiable intangible assets, $23 million of other assets, $22 million of accounts payable and accrued expenses, and $19 million of deferred tax liabilities. The identifiable intangibles were primarily related to trade name, customer relationships and technology, which have a weighted average amortization period of nine years. The goodwill is not deductible for tax purposes.

For the 2017 and 2016 acquisitions, the entities were consolidated and the results of these operations have been included in the company's consolidated financial statements in the agriculture and turf operating segment since the dates of acquisition. The pro forma results of operations as if the acquisitions had occurred at the beginning of the current or comparative fiscal year would not differ significantly from the reported results.

In March 2015, the company closed the sale of all of the stock of its wholly-owned subsidiaries, John Deere Insurance Company and John Deere Risk Protection, Inc. to Farmers Mutual Hail Insurance Company of Iowa. These operations were included in the company's financial services operating segment. The total amount of proceeds from the sale was approximately $154 million, including $5 million of cash and cash equivalents sold, with a gain recorded in other income of $42 million pretax and $40 million after-tax. The tax expense was partially offset by a change in a valuation allowance on a capital loss carryforward. The company provided certain business services for a fee during a transition period.

5. SPECIAL ITEMS

Impairments

In the fourth quarter of 2017, the company recorded a non-cash charge of $40 million pretax in equity in loss of unconsolidated affiliates for an other than temporary decline in value of an investment in an international construction equipment manufacturer with a $14 million income tax benefit recorded in the provision for income taxes (see Note 26).

In the fourth quarter of 2016, the company recorded a non-cash charge in cost of sales for the impairment of long-lived assets of $13 million pretax and after-tax. The assets are part of the company's construction and forestry operations in China. The impairment is the result of a decline in forecasted financial performance that indicated it was probable the future cash flows would not cover the carrying amount of assets used to manufacture construction equipment in that country. In addition, the company recorded a non-cash charge of $12 million pretax and after-tax, in equity in loss of unconsolidated affiliates for an other than temporary decline in value of an investment in a construction equipment joint venture in Brazil (see Note 26).

In 2016, the company recorded non-cash charges in other operating expenses of approximately $31 million pretax for the impairment of equipment on operating leases and approximately $29 million pretax on matured operating lease inventory recorded in other assets. The impairment was the result of lower estimated values of used agriculture and construction equipment than originally estimated with the probable effect that the future cash flows would not cover the carrying amount of the net assets. The assets are part of the financial services operations (see Note 26).

Voluntary Employee-Separation Programs

During the fourth quarter of 2016, the company announced voluntary employee-separation programs as part of its effort to reduce operating costs. The programs provided for cash payments based on previous years of service. The expense was recorded in the period the employees accepted the separation offer. The programs' total pretax expenses were $113 million, of which $11 million was recorded in the fourth quarter of 2016 and $102 million in 2017. The total 2017 expenses were allocated approximately 30 percent cost of sales, 16 percent research and development, and 54 percent selling, administrative and general. In addition, the expenses were allocated 75 percent to agriculture and turf operations, 17 percent to the construction and forestry operations, and 8 percent to the financial services operations. Savings from these programs were estimated to be approximately $70 million in 2017.

Sale of Investment in Unconsolidated Affiliate

In December 2016, the company sold approximately 38 percent of its interest in SiteOne Landscape Supply, Inc. (SiteOne) resulting in gross proceeds of $114 million and a gain of $105 million pretax or $66 million after-tax. In April 2017, the company sold an additional 68 percent of its then remaining interest in SiteOne resulting in gross proceeds of $184 million and a gain of $176 million pretax or $111 million after-tax. In July 2017, the company sold its remaining interest in SiteOne resulting in gross proceeds of $98 million and a gain of $94 million pretax or $59 million after-tax. The gains were recorded in other income in the agriculture and turf operating segment.

After the December 2016 sale, the company retained approximately a 15 percent ownership interest in SiteOne and approximately a 5 percent ownership interest after the April sale. Prior to April 2017, the company's representation on the SiteOne board of directors allowed the company to exercise significant influence, and therefore, the investment in SiteOne was accounted for using the equity method. In March 2017, the company reduced its representation on the SiteOne board of directors. As a result, beginning April 2017 the investment in SiteOne was recorded as an available-for-sale security and presented in marketable securities.

In May 2016, the company received a distribution of $60 million from SiteOne that reduced the company's investment in unconsolidated affiliates. The distribution included $4 million of a return on investment, which is shown in the statement of consolidated cash flows in undistributed earnings of unconsolidated affiliates in net cash provided by operating activities and $56 million of a return of investment shown in other cash flows from investing activities. In May 2016, the company also sold approximately 30 percent of its interest in SiteOne in an initial public offering and terminated a service agreement resulting in gross proceeds of approximately $81 million with a total gain of $75 million pretax or $47 million after-tax. The gain was recorded in other income in the agriculture and turf operating segment. The company retained approximately a 24 percent ownership interest in SiteOne after the May 2016 sale.

6. CASH FLOW INFORMATION

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

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

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

The company had the following non-cash operating and investing activities that were not included in the statement of consolidated cash flows. The company transferred inventory to equipment on operating leases of $801 million, $685 million, and $674 million in 2017, 2016, and 2015, respectively. The company also had accounts payable related to purchases of property and equipment of $108 million, $114 million, and $89 million at October 29, 2017, October 30, 2016, and November 1, 2015, respectively.

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

	2017	2016	2015
Interest:			
Equipment operations	$ 506	$ 442	$ 471
Financial services	665	524	443
Intercompany eliminations	(268)	(240)	(253)
Consolidated	$ 903	$ 726	$ 661
Income taxes:			
Equipment operations	$ 898	$ 314	$ 828
Financial services	92	(26)	190
Intercompany eliminations	(9)	104	(117)
Consolidated	$ 981	$ 392	$ 901

7. PENSION AND OTHER POSTRETIREMENT BENEFITS

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

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

	2017	2016	2015
Pensions			
Service cost	$ 274	$ 254	$ 282
Interest cost	361	391	474
Expected return on plan assets	(790)	(775)	(769)
Amortization of actuarial loss	247	211	223
Amortization of prior service cost	12	16	25
Other postemployment benefits		2	1
Settlements/curtailments	2	11	11
Net cost	$ 106	$ 110	$ 247
Weighted-average assumptions			
Discount rates – service cost	3.5%	4.3%	4.0%
Discount rates – interest cost	3.0%	3.4%	4.0%
Rate of compensation increase	3.8%	3.8%	3.8%
Expected long-term rates of return	7.3%	7.3%	7.3%

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

	2017	2016	2015
Health care and life insurance			
Service cost	$ 42	$ 38	$ 46
Interest cost	194	204	259
Expected return on plan assets	(17)	(35)	(55)
Amortization of actuarial loss	99	73	91
Amortization of prior service credit	(77)	(78)	(77)
Settlements/curtailments			1
Net cost	$ 241	$ 202	$ 265
Weighted-average assumptions			
Discount rates – service cost	4.7%	5.0%	4.2%
Discount rates – interest cost	3.2%	3.5%	4.2%
Expected long-term rates of return	6.3%	6.6%	7.0%

In 2016, the company changed the method used to estimate the service and interest cost components of the net periodic pension and postretirement benefits cost. This method uses the spot yield curve approach to estimate the service and interest cost by applying the specific spot rates along the yield curve used to determine the benefit plan obligations to relevant projected cash outflows. For 2015, the service and interest cost components were determined using a single weighted-average discount rate. The change did not affect the measurement of the total benefit plan obligations as the change in service and interest cost offsets in the actuarial gains and losses recorded in other comprehensive income. The spot yield curve approach provides a more precise measure of service and interest cost by improving the correlation between the projected benefit cash flows and the discrete spot yield curve rates. The company accounted for this change as a change in estimate prospectively beginning in 2016. The decrease in the 2016 total service and interest cost was approximately $175 million compared to the previous method.

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

	2017	2016	2015
Pensions			
Net cost	$ 106	$ 110	$ 247
Retirement benefit adjustments included in other comprehensive (income) loss:			
Net actuarial (gain) loss	(702)	1,140	361
Prior service cost		1	66
Amortization of actuarial loss	(247)	(211)	(223)
Amortization of prior service cost	(12)	(16)	(25)
Settlements/curtailments	(2)	(14)	(11)
Total (gain) loss recognized in other comprehensive (income) loss	(963)	900	168
Total recognized in comprehensive (income) loss	$ (857)	$ 1,010	$ 415

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

	2017	2016	2015
Health care and life insurance			
Net cost	$ 241	$ 202	$ 265
Retirement benefit adjustments included in other comprehensive (income) loss:			
Net actuarial (gain) loss	(309)	496	(141)
Prior service credit		(3)	(3)
Amortization of actuarial loss	(99)	(73)	(91)
Amortization of prior service credit	77	78	77
Settlements/curtailments			(2)
Total (gain) loss recognized in other comprehensive (income) loss	(331)	498	(160)
Total recognized in comprehensive (income) loss	$ (90)	$ 700	$ 105

The benefit plan obligations, funded status, and the assumptions related to the obligations at October 29, 2017 and October 30, 2016, respectively, in millions of dollars follow:

	Pensions		Health Care and Life Insurance	
	2017	2016	2017	2016
Change in benefit obligations				
Beginning of year balance	$(13,086)	$(12,186)	$(6,500)	$(6,084)
Service cost	(274)	(254)	(42)	(38)
Interest cost	(361)	(391)	(194)	(204)
Actuarial gain (loss)	(35)	(1,001)	280	(478)
Amendments		(1)		3
Benefits paid	704	702	312	321
Health care subsidies			(9)	(16)
Other postemployment benefits		(2)		
Settlements/curtailments	2	6		
Foreign exchange and other	(116)	41	(9)	(4)
End of year balance	(13,166)	(13,086)	(6,162)	(6,500)
Change in plan assets (fair value)				
Beginning of year balance	11,137	11,164	435	689
Actual return on plan assets	1,517	628	46	17
Employer contribution	62	80	366	47
Benefits paid	(704)	(702)	(312)	(321)
Settlements	(2)	(3)		
Foreign exchange and other	83	(30)	4	3
End of year balance	12,093	11,137	539	435
Funded status	$ (1,073)	$ (1,949)	$(5,623)	$(6,065)
Weighted-average assumptions				
Discount rates	3.6%	3.6%	3.7%	3.8%
Rate of compensation increase	3.8%	3.8%		

In the fourth quarter of 2015, the company decided to transition Medicare eligible wage and certain Medicare eligible salaried retirees to a Medicare Advantage plan offered by a private insurance company effective in January 2016. This change did not affect the participants' level of benefits and resulted in cost savings for the company.

The mortality assumptions for the 2017 and 2016 benefit plan obligations reflect the most recent tables issued by the Society of Actuaries at that time.

The amounts recognized at October 29, 2017 and October 30, 2016, respectively, in millions of dollars consist of the following:

	Pensions		Health Care and Life Insurance	
	2017	2016	2017	2016
Amounts recognized in balance sheet				
Noncurrent asset	$ 538	$ 94		
Current liability	(40)	(33)	$ (63)	$ (32)
Noncurrent liability	(1,571)	(2,010)	(5,560)	(6,033)
Total	$(1,073)	$(1,949)	$(5,623)	$(6,065)
Amounts recognized in accumulated other comprehensive income – pretax				
Net actuarial loss	$ 4,358	$ 5,309	$ 1,457	$ 1,865
Prior service cost (credit)	55	67	(182)	(259)
Total	$ 4,413	$ 5,376	$ 1,275	$ 1,606

The total accumulated benefit obligations for all pension plans at October 29, 2017 and October 30, 2016, was $12,416 million and $12,410 million, respectively.

The accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $8,234 million and $7,345 million, respectively, at October 29, 2017 and $8,402 million and $7,016 million, respectively, at October 30, 2016. The projected benefit obligations and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $9,059 million and $7,448 million, respectively, at October 29, 2017 and $9,157 million and $7,114 million, respectively, at October 30, 2016.

The amounts in accumulated other comprehensive income that are expected to be amortized as net expense (income) and reported outside of income from operations during fiscal 2018 in millions of dollars follow:

	Pensions	Health Care and Life Insurance
Net actuarial loss	$ 225	$ 67
Prior service cost (credit)	12	(77)
Total	$ 237	$ (10)

Actuarial gains and losses are recorded in accumulated other comprehensive income (loss). To the extent unamortized gains and losses exceed 10% of the higher of the market-related value of assets or the benefit obligation, the excess is amortized as a component of net periodic cost over the remaining service period of the active participants. For plans in which all or almost all of the plan's participants are inactive, the amortization period is the remaining life expectancy of the inactive participants.

The company expects to contribute approximately $63 million to its pension plans and approximately $74 million to its health care and life insurance plans in 2018, which are primarily direct benefit payments for unfunded plans.

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

	Pensions	Health Care and Life Insurance*
2018	$ 721	$ 334
2019	726	337
2020	713	342
2021	701	346
2022	693	352
2023 to 2027	3,458	1,758

* Net of prescription drug group benefit subsidy under Medicare Part D.

The annual rates of increase in the per capita cost of covered health care benefits (the health care cost trend rates) used to determine accumulated postretirement benefit obligations were based on the trends for medical and prescription drug claims for pre- and post-65 age groups due to the effects of Medicare. For the 2017 actuarial valuation, the weighted-average composite trend rates for these obligations were assumed to be an 8.9 percent increase from 2017 to 2018, gradually decreasing to 4.8 percent from 2024 to 2025 and all future years. The 2016 obligations and the cost in 2017 assumed an 8.3 percent increase from 2016 to 2017, gradually decreasing to 4.8 percent from 2024 to 2025 and all future years. An increase of one percentage point in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligations by $791 million and the aggregate of service and interest cost component of net periodic postretirement benefits cost for the year by $36 million. A decrease of one percentage point would decrease the obligations by $615 million and the cost by $27 million.

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

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

The fair values of the pension plan assets at October 29, 2017 follow in millions of dollars:

	Total	Level 1	Level 2
Cash and short-term investments	$ 618	$ 349	$ 269
Equity:			
U.S. equity securities	1,871	1,850	21
International equity securities	1,551	1,541	10
Fixed Income:			
Government and agency securities	483	241	242
Corporate debt securities	1,285		1,285
Mortgage-backed securities	42		42
Real estate	103	101	2
Derivative contracts – assets*	159	28	131
Derivative contracts – liabilities**	(76)	(2)	(74)
Receivables, payables, and other	1	1	
Securities lending collateral	420		420
Securities lending liability	(420)		(420)
Securities sold short	(379)	(375)	(4)
Total of Level 1 and Level 2 assets	5,658	$3,734	$1,924
Investments at net asset value:			
Short-term investments	203		
U.S. equity funds	1,704		
International equity funds	921		
Corporate debt funds	28		
Fixed income funds	772		
Real estate	567		
Hedge funds	651		
Private equity/venture capital	1,560		
Other investments	29		
Total net assets	$12,093		

* Includes contracts for interest rates of $79 million, foreign currency of $49 million, equity of $27 million, and other of $4 million.

** Includes contracts for interest rates of $48 million, foreign currency of $26 million, and other of $2 million.

The fair values of the health care assets at October 29, 2017 follow in millions of dollars:

	Total	Level 1	Level 2
Cash and short-term investments	$ 30	$ 28	$ 2
Equity:			
U.S. equity securities and funds	42	42	
International equity securities	9	9	
Fixed Income:			
Government and agency securities	40	37	3
Corporate debt securities	21		21
Mortgage-backed securities	10		10
Real estate	1	1	
Interest rate derivative contracts – assets	1		1
Securities lending collateral	25		25
Securities lending liability	(25)		(25)
Securities sold short	(2)	(2)	
Total of Level 1 and Level 2 assets	152	$ 115	$ 37
Investments at net asset value:			
Short-term investments	1		
U.S. equity funds	164		
International equity funds	117		
Fixed income funds	87		
Real estate funds	4		
Hedge funds	4		
Private equity/venture capital	10		
Total net assets	$ 539		

The fair values of the pension plan assets at October 30, 2016 follow in millions of dollars:

	Total	Level 1	Level 2
Cash and short-term investments	$ 684	$ 322	$ 362
Equity:			
U.S. equity securities and funds	3,000	2,965	35
International equity securities and funds	1,711	1,697	14
Fixed Income:			
Government and agency securities	440	224	216
Corporate debt securities	1,205		1,205
Mortgage-backed securities	39		39
Fixed income funds	20	20	
Real estate	121	118	3
Derivative contracts – assets*	191	3	188
Derivative contracts – liabilities**	(59)	(14)	(45)
Receivables, payables, and other	6	5	1
Securities lending collateral	693	108	585
Securities lending liability	(693)	(108)	(585)
Securities sold short	(338)	(333)	(5)
Total of Level 1 and Level 2 assets	7,020	$5,007	$2,013
Investments at net asset value:			
Short-term investments	216		
U.S. equity funds	30		
International equity funds	595		
Corporate debt funds	25		
Fixed income funds	482		
Real estate	515		
Hedge funds	624		
Private equity/venture capital	1,603		
Other investments	27		
Total net assets	$11,137		

* Includes contracts for interest rates of $125 million, foreign currency of $59 million, equity of $4 million, and other of $3 million.

** Includes contracts for interest rates of $19 million, foreign currency of $33 million, equity of $6 million, and other of $1 million.

The fair values of the health care assets at October 30, 2016 follow in millions of dollars:

	Total	Level 1	Level 2
Cash and short-term investments	$ 32	$ 27	$ 5
Equity:			
U.S. equity securities and funds	138	138	
International equity securities and funds	25	25	
Fixed Income:			
Government and agency securities	43	40	3
Corporate debt securities	30		30
Mortgage-backed securities	11		11
Real estate	2	2	
Derivative contracts – assets*	3		3
Securities lending collateral	48	11	37
Securities lending liability	(48)	(11)	(37)
Securities sold short	(5)	(5)	
Total of Level 1 and Level 2 assets	279	$ 227	$ 52
Investments at net asset value:			
Short-term investments	3		
International equity funds	60		
Fixed income funds	20		
Real estate funds	7		
Hedge funds	44		
Private equity/venture capital	22		
Total net assets	$ 435		

* Includes contracts for interest rates of $2 million and foreign currency of $1 million.

Investments at net asset value in the preceeding tables are measured at fair value using net asset value per share, and therefore, are not classified in the fair value hierarchy.

Fair values are determined as follows:

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

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

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

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

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

The primary investment objective for the pension and health care plans assets is to maximize the growth of these assets to support the projected obligations to the beneficiaries over a long period of time, and to do so in a manner that is consistent with the company's risk tolerance. The asset allocation policy is the most important decision in managing the assets and it is reviewed regularly. The asset allocation policy considers the company's long-term asset class risk/return expectations since the obligations are long-term in nature. The current target allocations for pension assets are approximately 49 percent for equity securities, 27 percent for debt securities, 5 percent for real estate, and 19 percent for other investments. The target allocations for health care assets are approximately 59 percent for equity securities, 29 percent for debt securities, 1 percent for real estate, and 11 percent for other investments. The allocation percentages above include the effects of combining derivatives with other investments to manage asset allocations and exposures to interest rates and foreign currency exchange. The assets are well diversified and are managed by professional investment firms as well as by investment professionals who are company employees. As a result of the company's diversified investment policy, there were no significant concentrations of risk.

The expected long-term rate of return on plan assets reflects management's expectations of long-term average rates of return on funds invested to provide for benefits included in the projected benefit obligations. A market related value of plan assets is used to calculate the expected return on assets. The market related value recognizes changes in the fair value of pension plan assets systematically over a five-year period. The market related value of the health care plan assets equals fair value. The expected return is based on the outlook for inflation and for returns in multiple asset classes, while also considering historical returns, asset allocation, and investment strategy. The company's approach has emphasized the long-term nature of the return estimate such that the return assumption is not changed significantly unless there are fundamental changes in capital markets that affect the company's expectations for returns over an extended period of time (i.e., 10 to 20 years).

The average annual return of the company's U.S. pension fund was approximately 7.2 percent during the past ten years and approximately 8.3 percent during the past 20 years. Since return premiums over inflation and total returns for major asset classes vary widely even over ten-year periods, recent history is not necessarily indicative of long-term future expected returns. The company's systematic methodology for determining the long-term rate of return for the company's investment strategies supports its long-term expected return assumptions.

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

The company has defined contribution plans related to employee investment and savings plans primarily in the U.S. The company's contributions and costs under these plans were $188 million in 2017, $193 million in 2016, and $185 million in 2015. The contribution rate varies primarily based on the company's performance in the prior year and employee participation in the plans.

8. INCOME TAXES

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

	2017	2016	2015
Current:			
U.S.:			
Federal	$ 360	$ 51	$ 377
State	48	26	32
Foreign	463	340	449
Total current	871	417	858
Deferred:			
U.S.:			
Federal	59	297	21
State	7	11	4
Foreign	34	(25)	(43)
Total deferred	100	283	(18)
Provision for income taxes	$ 971	$ 700	$ 840

Based upon the location of the company's operations, the consolidated income before income taxes in the U.S. in 2017, 2016, and 2015 was $1,607 million, $967 million, and $1,838 million, respectively, and in foreign countries was $1,547 million, $1,257 million, and $942 million, respectively. Certain foreign operations are branches of Deere & Company and are subject to U.S. as well as foreign income tax regulations. The pretax income by location and the preceding analysis of the income tax provision by taxing jurisdiction are not directly related.

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

	2017	2016	2015
U.S. federal income tax provision at a statutory rate of 35 percent	$1,104	$ 778	$ 973
Increase (decrease) resulting from:			
State and local income taxes, net of federal income tax benefit	35	26	23
Differences in taxability of foreign earnings	(83)	(107)	(449)
Nondeductible impairment charges		4	
Research and business tax credits	(63)	(57)	(76)
Tax rates on foreign earnings	(86)	(27)	(36)
Valuation allowance on deferred taxes	89	79	384
Other-net	(25)	4	21
Provision for income taxes	$ 971	$ 700	$ 840

At October 29, 2017, accumulated earnings in certain subsidiaries outside the U.S. totaled $5,961 million for which no provision for U.S. income taxes or foreign withholding taxes has been made because it is expected that such earnings will be reinvested outside the U.S. indefinitely. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable. At October 29, 2017, the amount of cash and cash equivalents and marketable securities held by these foreign subsidiaries, in which earnings are considered indefinitely reinvested, was $3,386 million.

Deferred income taxes arise because there are certain items that are treated differently for financial accounting than for income tax reporting purposes. An analysis of the deferred income tax assets and liabilities at October 29, 2017 and October 30, 2016 in millions of dollars follows:

	2017		2016	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Other postretirement benefit liabilities	$2,011		$ 2,191	
Lease transactions		$ 933		$ 817
Tax loss and tax credit carryforwards	677		661	
Accrual for sales allowances	680		592	
Tax over book depreciation		569		578
Pension liability – net	420		706	
Foreign unrealized losses	7		472	
Accrual for employee benefits	141		133	
Share-based compensation	116		152	
Goodwill and other intangible assets		130		89
Allowance for credit losses	107		88	
Deferred compensation	59		50	
Undistributed foreign earnings		21		30
Other items	432	172	471	175
Less valuation allowances	(620)		(1,029)	
Deferred income tax assets and liabilities	$4,030	$1,825	$ 4,487	$1,689

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

At October 29, 2017, certain tax loss and tax credit carryforwards of $677 million were available with $209 million expiring from 2018 through 2037 and $468 million with an indefinite carryforward period.

A reconciliation of the total amounts of unrecognized tax benefits at October 29, 2017, October 30, 2016, and November 1, 2015 in millions of dollars follows:

	2017	2016	2015
Beginning of year balance	$198	$229	$213
Increases to tax positions taken during the current year	35	14	32
Increases to tax positions taken during prior years	13	11	29
Decreases to tax positions taken during prior years	(17)	(36)	(15)
Decreases due to lapse of statute of limitations	(11)	(7)	(11)
Settlements	(1)	(5)	(6)
Foreign exchange	4	(8)	(13)
End of year balance	$221	$198	$229

The amount of unrecognized tax benefits at October 29, 2017 and October 30, 2016 that would affect the effective tax rate if the tax benefits were recognized was $86 million and $81 million, respectively. The remaining liability was related to tax positions for which there are offsetting tax receivables, or the uncertainty was only related to timing. The company expects that any reasonably possible change in the amounts of unrecognized tax benefits in the next twelve months would not be significant.

The company files its tax returns according to the tax laws of the jurisdictions in which it operates, which includes the U.S. federal jurisdiction and various state and foreign jurisdictions. The U.S. Internal Revenue Service has completed the examination of the company's federal income tax returns for periods prior to 2009. The years 2009 through 2014 federal income tax returns are currently under examination. Various state and foreign income tax returns, including major tax jurisdictions in Canada and Germany, also remain subject to examination by taxing authorities.

The company's policy is to recognize interest related to income taxes in interest expense and interest income and recognize penalties in selling, administrative and general expenses. During 2017, 2016, and 2015, the total amount of expense from interest and penalties was $6 million, none, and $23 million and the interest income was $6 million, none, and $3 million, respectively. At October 29, 2017 and October 30, 2016, the liability for accrued interest and penalties totaled $66 million and $68 million, respectively, and there was no receivable for interest at either year-end.

9. OTHER INCOME AND OTHER OPERATING EXPENSES

The major components of other income and other operating expenses consisted of the following in millions of dollars:

	2017	2016	2015
Other income			
Revenues from services	$ 288	$ 270	$ 280
Insurance premiums and fees earned**	211	195	173
SiteOne investment gains*	375	75	
Investment income	17	16	26
Other	230	190	228
Total	$1,121	$ 746	$ 707
Other operating expenses			
Depreciation of equipment on operating leases	$ 853	$ 742	$ 577
Insurance claims and expenses**	187	188	183
Cost of services	168	162	160
Other	109	163	41
Total	$1,317	$1,255	$ 961

* See Note 5.
** Primarily related to extended warranties (see Note 22).

10. UNCONSOLIDATED AFFILIATED COMPANIES

Unconsolidated affiliated companies are companies in which Deere & Company generally owns 20 percent to 50 percent of the outstanding voting shares. Deere & Company does not control these companies and accounts for its investments in them on the equity basis. The investments in these companies primarily consist of Bell Equipment Limited (31 percent ownership), Deere-Hitachi Construction Machinery Corporation (50 percent ownership), and Deere-Hitachi Maquinas de Construcao do Brasil S.A. (50 percent ownership). In 2017, the company sold its interest in SiteOne (see Note 5). The unconsolidated affiliated companies primarily manufacture or market equipment. Deere & Company's share of the income or loss of these companies is reported in the consolidated income statement under ''Equity in income (loss) of unconsolidated affiliates.'' The investment in these companies is reported in the consolidated balance sheet under ''Investments in unconsolidated affiliates.''

Combined financial information of the unconsolidated affiliated companies in millions of dollars follows:

Operations	2017	2016	2015
Sales	$2,638	$3,206	$3,290
Net income	7	30	23
Deere & Company's equity in net income (loss)	(24)	(2)	1

Financial Position	2017	2016
Total assets	$1,488	$2,201
Total external borrowings	451	909
Total net assets	542	677
Deere & Company's share of the net assets	182	233

Consolidated retained earnings at October 29, 2017 include undistributed earnings of the unconsolidated affiliates of $123 million. Dividends from unconsolidated affiliates were $4 million in 2017, $64 million in 2016 (see Note 5), and $1 million in 2015.

In the ordinary course of business, the company purchases and sells components and finished goods to the unconsolidated affiliated companies. Transactions with unconsolidated affiliated companies reported in the statement of consolidated income in millions of dollars follow:

	2017	2016	2015
Net sales	$ 84	$ 45	$ 37
Purchases	1,331	1,016	1,284

11. MARKETABLE SECURITIES

All marketable securities are classified as available-for-sale, with unrealized gains and losses shown as a component of stockholders' equity. Realized gains or losses from the sales of marketable securities are based on the specific identification method.

The amortized cost and fair value of marketable securities at October 29, 2017 and October 30, 2016 in millions of dollars follow:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2017				
Equity fund	$ 37	$ 11		$ 48
Fixed income fund	15			15
U.S. government debt securities	76	1		77
Municipal debt securities	39	1	$ 1	39
Corporate debt securities	133	3	1	135
International debt securities	22		2	20
Mortgage-backed securities*	119	1	2	118
Marketable securities	$ 441	$ 17	$ 6	$ 452
2016				
Equity fund	$ 40	$ 5		$ 45
Fixed income fund	15			15
U.S. government debt securities	85	3		88
Municipal debt securities	41	2		43
Corporate debt securities	113	5		118
International debt securities	39		$ 5	34
Mortgage-backed securities*	109	2		111
Marketable securities	$ 442	$ 17	$ 5	$ 454

* Primarily issued by U.S. government sponsored enterprises.

The contractual maturities of debt securities at October 29, 2017 in millions of dollars follow:

	Amortized Cost	Fair Value
Due in one year or less	$ 26	$ 25
Due after one through five years	111	110
Due after five through 10 years	83	84
Due after 10 years	50	52
Mortgage-backed securities	119	118
Debt securities	$ 389	$ 389

Actual maturities may differ from contractual maturities because some securities may be called or prepaid. Because of the potential for prepayment on mortgage-backed securities, they are not categorized by contractual maturity. Proceeds from the sales of available-for-sale securities were $403 million in 2017, $62 million in 2016, and $120 million in 2015. Realized gains were $275 million in 2017 (see Note 5), and not significant in 2016 and 2015. Realized losses, the increase (decrease) in net unrealized gains or losses, and unrealized losses that have been continuous for over twelve months were not significant in 2017, 2016, and 2015. Unrealized losses at October 29, 2017 and October 30, 2016 were primarily the result of an increase in interest rates and were not recognized in income due to the ability and intent to hold to maturity. There were no significant impairment write-downs in the periods reported.

12. RECEIVABLES

Trade Accounts and Notes Receivable

Trade accounts and notes receivable at October 29, 2017 and October 30, 2016 in millions of dollars follows:

	2017	2016
Trade accounts and notes:		
Agriculture and turf	$2,991	$2,438
Construction and forestry	934	573
Trade accounts and notes receivable – net	$3,925	$3,011

At October 29, 2017 and October 30, 2016, dealer notes included in the previous table were $140 million and $143 million, and the allowance for credit losses was $56 million and $50 million, respectively.

The equipment operations sell a significant portion of their trade receivables to financial services and provide compensation to these operations at approximate market rates of interest.

Trade accounts and notes receivable primarily arise from sales of goods to independent dealers. Under the terms of the sales to dealers, interest is primarily charged to dealers on outstanding balances, from the earlier of the date when goods are sold to retail customers by the dealer or the expiration of certain interest-free periods granted at the time of the sale to the dealer, until payment is received by the company. Dealers cannot cancel purchases after the equipment is shipped and are responsible for payment even if the equipment is not sold to retail customers. The interest-free periods are determined based on the type of equipment sold and the time of year of the sale. These periods range from one to twelve months for most equipment. Interest-free periods may not be extended. Interest charged may not be forgiven and the past due interest rates exceed market rates. The company evaluates and assesses dealers on an ongoing basis as to their creditworthiness and generally retains a security interest in the goods associated with the trade receivables. In certain jurisdictions, the company is obligated to repurchase goods sold to a dealer upon cancellation or termination of the dealer's contract for such causes as change in ownership and closeout of the business.

Trade accounts and notes receivable have significant concentrations of credit risk in the agriculture and turf sector and construction and forestry sector as shown in the previous table. On a geographic basis, there is not a disproportionate concentration of credit risk in any area.

Financing Receivables

Financing receivables at October 29, 2017 and October 30, 2016 in millions of dollars follow:

	2017		2016	
	Unrestricted	Securitized	Unrestricted	Securitized
Retail notes:				
Agriculture and turf	$15,200	$ 3,651	$14,152	$4,615
Construction and forestry	2,297	599	2,201	620
Total	17,497	4,250	16,353	5,235
Wholesale notes	3,653		3,971	
Revolving charge accounts	3,629		3,135	
Financing leases (direct and sales-type)	1,613		1,326	
Total financing receivables	26,392	4,250	24,785	5,235
Less:				
Unearned finance income:				
Retail notes	972	78	812	94
Financing leases	142		109	
Total	1,114	78	921	94
Allowance for credit losses	174	13	162	14
Financing receivables – net	$25,104	$ 4,159	$23,702	$5,127

The residual values for investments in financing leases at October 29, 2017 and October 30, 2016 totaled $244 million and $156 million, respectively.

Financing receivables have significant concentrations of credit risk in the agriculture and turf sector and construction and forestry sector as shown in the previous table. On a geographic basis, there is not a disproportionate concentration of credit risk in any area. The company generally retains as collateral a security interest in the equipment associated with retail notes, wholesale notes, and financing leases.

Financing receivables at October 29, 2017 and October 30, 2016 related to the company's sales of equipment that were included in the table above consisted of the following in millions of dollars:

	2017	2016
	Unrestricted	Unrestricted
Retail notes*:		
Agriculture and turf	$2,099	$1,896
Construction and forestry	368	336
Total	2,467	2,232
Wholesale notes	3,653	3,971
Sales-type leases	763	648
Total	6,883	6,851
Less:		
Unearned finance income:		
Retail notes	231	202
Sales-type leases	53	42
Total	284	244
Financing receivables related to the company's sales of equipment	$6,599	$6,607

* These retail notes generally arise from sales of equipment by company-owned dealers or through direct sales.

Financing receivable installments, including unearned finance income, at October 29, 2017 and October 30, 2016 are scheduled as follows in millions of dollars:

	2017		2016	
	Unrestricted/Securitized		Unrestricted/Securitized	
Due in months:				
0 – 12	$13,237	$ 2,027	$12,835	$ 2,269
13 – 24	5,056	1,256	4,760	1,536
25 – 36	3,708	672	3,386	931
37 – 48	2,518	243	2,219	408
49 – 60	1,398	50	1,181	84
Thereafter	475	2	404	7
Total	$26,392	$ 4,250	$24,785	$ 5,235

The maximum terms for retail notes are generally seven years for agriculture and turf equipment and five years for construction and forestry equipment. The maximum term for financing leases is generally five years, while the average term for wholesale notes is less than twelve months.

At October 29, 2017 and October 30, 2016, the unpaid balances of receivables administered but not owned were $10 million and $15 million, respectively. At October 29, 2017 and October 30, 2016, worldwide financing receivables administered, which include financing receivables administered but not owned, totaled $29,273 million and $28,844 million, respectively.

Past due balances of financing receivables still accruing finance income represent the total balance held (principal plus accrued interest) with any payment amounts 30 days or more past the contractual payment due date. Non-performing financing receivables represent loans for which the company has ceased accruing finance income. These receivables are generally 120 days delinquent and the estimated uncollectible amount, after charging the dealer's withholding account, has been written off to the allowance for credit losses. Finance income for non-performing receivables is recognized on a cash basis. Accrual of finance income is generally resumed when the receivable becomes contractually current and collections are reasonably assured.

An age analysis of past due financing receivables that are still accruing interest and non-performing financing receivables at October 29, 2017 and October 30, 2016 follows in millions of dollars:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
2017				
Retail Notes:				
Agriculture and turf	$118	$ 54	$49	$221
Construction and forestry	75	33	39	147
Other:				
Agriculture and turf	27	14	7	48
Construction and forestry	11	6	2	19
Total	$231	$107	$97	$435

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$221	$173	$17,508	$17,902
Construction and forestry	147	30	2,618	2,795
Other:				
Agriculture and turf	48	12	7,610	7,670
Construction and forestry	19	5	1,059	1,083
Total	$435	$220	$28,795	29,450
Less allowance for credit losses				187
Total financing receivables – net				$29,263

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
2016				
Retail Notes:				
Agriculture and turf	$115	$ 57	$ 65	$237
Construction and forestry	78	32	25	135
Other:				
Agriculture and turf	26	11	6	43
Construction and forestry	10	5	4	19
Total	$229	$105	$100	$434

(continued)

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$237	$191	$17,526	$17,954
Construction and forestry	135	35	2,558	2,728
Other:				
Agriculture and turf	43	9	7,286	7,338
Construction and forestry	19	9	957	985
Total	$434	$244	$28,327	29,005
Less allowance for credit losses				176
Total financing receivables – net				$28,829

An analysis of the allowance for credit losses and investment in financing receivables follows in millions of dollars:

	Retail Notes	Revolving Charge Accounts	Other	Total
2017				
Allowance:				
Beginning of year balance	$ 113	$ 40	$ 23	$ 176
Provision	46	33	9	88
Write-offs	(56)	(53)	(7)	(116)
Recoveries	20	20	1	41
Translation adjustments	(2)			(2)
End of year balance*	$ 121	$ 40	$ 26	$ 187
Financing receivables:				
End of year balance	$20,697	$3,629	$5,124	$29,450
Balance individually evaluated	$ 86	$ 3	$ 20	$ 109
2016				
Allowance:				
Beginning of year balance	$ 95	$ 40	$ 22	$ 157
Provision	43	36	5	84
Write-offs	(43)	(55)	(5)	(103)
Recoveries	11	19	1	31
Translation adjustments	7			7
End of year balance*	$ 113	$ 40	$ 23	$ 176
Financing receivables:				
End of year balance	$20,682	$3,135	$5,188	$29,005
Balance individually evaluated	$ 108	$ 8	$ 20	$ 136
2015				
Allowance:				
Beginning of year balance	$ 109	$ 41	$ 25	$ 175
Provision	22	21	3	46
Write-offs	(26)	(37)	(4)	(67)
Recoveries	10	15	1	26
Translation adjustments	(20)		(3)	(23)
End of year balance*	$ 95	$ 40	$ 22	$ 157
Financing receivables:				
End of year balance	$21,567	$2,740	$5,494	$29,801
Balance individually evaluated	$ 40		$ 6	$ 46

* Individual allowances were not significant.

Past-due amounts over 30 days represented 1.48 percent and 1.50 percent of the receivables financed at October 29, 2017 and October 30, 2016, respectively. The allowance for credit losses represented .64 percent and .61 percent of financing receivables outstanding at October 29, 2017 and October 30, 2016, respectively. In addition, at October 29, 2017 and October 30, 2016, the company's financial services operations had $155 million and $162 million, respectively, of deposits primarily withheld from dealers and merchants available for potential credit losses.

Financing receivables are considered impaired when it is probable the company will be unable to collect all amounts due according to the contractual terms. Receivables reviewed for impairment generally include those that are either past due, or have provided bankruptcy notification, or require significant collection efforts. Receivables that are impaired are generally classified as non-performing.

An analysis of the impaired financing receivables at October 29, 2017 and October 30, 2016 follows in millions of dollars:

	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment
2017*				
Receivables with specific allowance**	$ 36	$ 33	$ 10	$ 30
Receivables without a specific allowance***	28	27		24
Total	$ 64	$ 60	$ 10	$ 54
Agriculture and turf	$ 49	$ 46	$ 10	$ 38
Construction and forestry	$ 15	$ 14		$ 16
2016*				
Receivables with specific allowance**	$ 31	$ 28	$ 9	$ 29
Receivables without a specific allowance***	29	27		26
Total	$ 60	$ 55	$ 9	$ 55
Agriculture and turf	$ 33	$ 30	$ 8	$ 27
Construction and forestry	$ 27	$ 25	$ 1	$ 28

* Finance income recognized was not material.
** Primarily retail notes.
*** Primarily retail notes and wholesale receivables.

A troubled debt restructuring is generally the modification of debt in which a creditor grants a concession it would not otherwise consider to a debtor that is experiencing financial difficulties. These modifications may include a reduction of the stated interest rate, an extension of the maturity dates, a reduction of the face amount or maturity amount of the debt, or a reduction of accrued interest. During 2017, 2016, and 2015, the company identified 474, 167, and 107 financing receivable contracts, primarily retail notes, as troubled debt restructurings with aggregate balances of $16 million, $19 million, and $8 million pre-modification and $15 million, $18 million, and $7 million post-modification, respectively. In 2017, there were $3 million of troubled debt restructurings that subsequently defaulted and were written off. In 2016 and 2015, there were no significant troubled debt restructurings that subsequently defaulted and were written off. At October 29, 2017, the company had commitments to lend approximately $12 million to borrowers whose accounts were modified in troubled debt restructurings.

Other Receivables

Other receivables at October 29, 2017 and October 30, 2016 consisted of the following in millions of dollars:

	2017	2016
Taxes receivable	$ 876	$ 702
Other	324	317
Other receivables	$1,200	$1,019

13. SECURITIZATION OF FINANCING RECEIVABLES

The company, as a part of its overall funding strategy, periodically transfers certain financing receivables (retail notes) into VIEs that are SPEs, or non-VIE banking operations, as part of its asset-backed securities programs (securitizations). The structure of these transactions is such that the transfer of the retail notes did not meet the accounting criteria for sales of receivables, and is, therefore, accounted for as a secured borrowing. SPEs utilized in securitizations of retail notes differ from other entities included in the company's consolidated statements because the assets they hold are legally isolated. Use of the assets held by the SPEs or the non-VIEs is restricted by terms of the documents governing the securitization transactions.

In these securitizations, the retail notes are transferred to certain SPEs or to non-VIE banking operations, which in turn issue debt to investors. The debt securities issued to the third party investors result in secured borrowings, which are recorded as ''Short-term securitization borrowings'' on the consolidated balance sheet. The securitized retail notes are recorded as ''Financing receivables securitized – net'' on the balance sheet. The total restricted assets on the balance sheet related to these securitizations include the financing receivables securitized less an allowance for credit losses, and other assets primarily representing restricted cash. For those securitizations in which retail notes are transferred into SPEs, the SPEs supporting the secured borrowings are consolidated unless the company does not have both the power to direct the activities that most significantly impact the SPEs' economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the SPEs. No additional support to these SPEs beyond what was previously contractually required has been provided during the reporting periods.

In certain securitizations, the company consolidates the SPEs since it has both the power to direct the activities that most significantly impact the SPEs' economic performance through its role as servicer of all the receivables held by the SPEs, and the obligation through variable interests in the SPEs to absorb losses or receive benefits that could potentially be significant to the SPEs. The restricted assets (retail notes securitized, allowance for credit losses, and other assets) of the consolidated SPEs totaled $2,631 million and $2,718 million at October 29, 2017 and October 30, 2016, respectively. The liabilities (short-term securitization borrowings and accrued interest) of these SPEs totaled $2,571 million and $2,655 million at October 29, 2017 and October 30, 2016, respectively. The credit holders of these SPEs do not have legal recourse to the company's general credit.

In certain securitizations, the company transfers retail notes to non-VIE banking operations, which are not consolidated since the company does not have a controlling interest in the entities. The company's carrying values and interests related to the securitizations with the unconsolidated non-VIEs were restricted assets (retail notes securitized, allowance for credit losses and other assets) of $478 million and $663 million at October 29, 2017 and October 30, 2016, respectively. The liabilities (short-term securitization borrowings and accrued interest) were $454 million and $616 million at October 29, 2017 and October 30, 2016, respectively.

In certain securitizations, the company transfers retail notes into bank-sponsored, multi-seller, commercial paper conduits, which are SPEs that are not consolidated. The company does not service a significant portion of the conduits' receivables, and therefore, does not have the power to direct the activities that most significantly impact the conduits' economic performance. These conduits provide a funding source to the company (as well as other transferors into the conduit) as they fund the retail notes through the issuance of commercial paper. The company's carrying values and variable interest related to these conduits were restricted assets (retail notes securitized, allowance for credit losses, and other assets) of $1,155 million and $1,861 million at October 29, 2017 and October 30, 2016, respectively. The liabilities (short-term securitization borrowings and accrued interest) related to these conduits were $1,096 million and $1,729 million at October 29, 2017 and October 30, 2016, respectively.

The company's carrying amount of the liabilities to the unconsolidated conduits, compared to the maximum exposure to loss related to these conduits, which would only be incurred in the event of a complete loss on the restricted assets, was as follows at October 29 in millions of dollars:

	2017
Carrying value of liabilities	$1,096
Maximum exposure to loss	1,155

The total assets of unconsolidated VIEs related to securitizations were approximately $40 billion at October 29, 2017.

The components of consolidated restricted assets related to secured borrowings in securitization transactions at October 29, 2017 and October 30, 2016 were as follows in millions of dollars:

	2017	2016
Financing receivables securitized (retail notes)	$4,172	$5,141
Allowance for credit losses	(13)	(14)
Other assets	105	115
Total restricted securitized assets	$4,264	$5,242

The components of consolidated secured borrowings and other liabilities related to securitizations at October 29, 2017 and October 30, 2016 were as follows in millions of dollars:

	2017	2016
Short-term securitization borrowings	$4,119	$4,998
Accrued interest on borrowings	2	2
Total liabilities related to restricted securitized assets	$4,121	$5,000

The secured borrowings related to these restricted securitized retail notes are obligations that are payable as the retail notes are liquidated. Repayment of the secured borrowings depends primarily on cash flows generated by the restricted assets. Due to the company's short-term credit rating, cash collections from these restricted assets are not required to be placed into a segregated collection account until immediately prior to the time payment is required to the secured creditors. At October 29, 2017, the maximum remaining term of all securitized retail notes was approximately five years.

14. EQUIPMENT ON OPERATING LEASES

Operating leases arise primarily from the leasing of John Deere equipment to retail customers. Initial lease terms generally range from 12 to 60 months. Net equipment on operating leases at October 29, 2017 and October 30, 2016 consisted of the following in millions of dollars:

	2017	2016
Equipment on operating leases:		
Agriculture and turf	$5,385	$4,758
Construction and forestry	1,209	1,144
Equipment on operating leases – net	$6,594	$5,902

The equipment is depreciated on a straight-line basis over the term of the lease. The accumulated depreciation on this equipment was $1,315 million and $1,054 million at October 29, 2017 and October 30, 2016, respectively. The corresponding depreciation expense was $853 million in 2017, $742 million in 2016, and $577 million in 2015.

Future payments to be received on operating leases totaled $2,051 million at October 29, 2017 and are scheduled in millions of dollars as follows: 2018 – $878, 2019 – $602, 2020 – $347, 2021 – $182, and 2022 – $42.

At October 29, 2017 and October 30, 2016, the company's financial services operations had $52 million and $68 million, respectively, of deposits withheld from dealers available for potential losses on residual values.

15. INVENTORIES

Most inventories owned by Deere & Company and its U.S. equipment subsidiaries are valued at cost, on the ''last-in, first-out'' (LIFO) basis. Remaining inventories are generally valued at the lower of cost, on the ''first-in, first-out'' (FIFO) basis, or net realizable value. The value of gross inventories on the LIFO basis represented 61 percent of worldwide gross inventories at FIFO value at both October 29, 2017 and October 30, 2016, respectively. The pretax favorable income effect from the liquidation of LIFO inventory during 2016 was approximately $4 million. If all inventories had been valued on a FIFO basis, estimated inventories by major classification at October 29, 2017 and October 30, 2016 in millions of dollars would have been as follows:

	2017	2016
Raw materials and supplies	$1,688	$1,369
Work-in-process	495	453
Finished goods and parts	3,182	2,976
Total FIFO value	5,365	4,798
Less adjustment to LIFO value	1,461	1,457
Inventories	$3,904	$3,341

16. PROPERTY AND DEPRECIATION

A summary of property and equipment at October 29, 2017 and October 30, 2016 in millions of dollars follows:

	Useful Lives* (Years)	2017	2016
Equipment Operations			
Land		$ 122	$ 119
Buildings and building equipment	22	3,396	3,230
Machinery and equipment	11	5,378	5,180
Dies, patterns, tools, etc.	8	1,647	1,604
All other	5	942	893
Construction in progress		358	370
Total at cost		11,843	11,396
Less accumulated depreciation		6,826	6,277
Total		5,017	5,119
Financial Services			
Land		4	4
Buildings and building equipment	26	74	73
All other	6	38	36
Total at cost		116	113
Less accumulated depreciation		65	61
Total		51	52
Property and equipment-net		$ 5,068	$ 5,171

* Weighted-averages

Total property and equipment additions in 2017, 2016, and 2015 were $602 million, $674 million, and $666 million and depreciation was $726 million, $701 million, and $692 million, respectively. Capitalized interest was $3 million, $3 million, and $6 million in the same periods, respectively. The cost of leased property and equipment under capital leases of $40 million and $33 million and accumulated depreciation of $15 million and $16 million at October 29, 2017 and October 30, 2016, respectively, is included in property and equipment.

Capitalized software has an estimated useful life of three years. The amounts of total capitalized software costs, including purchased and internally developed software, classified as ''Other Assets'' at October 29, 2017 and October 30, 2016 were $1,078 million and $1,035 million, less accumulated amortization of $826 million and $770 million, respectively. Capitalized interest on software was $1 million and $3 million at October 29, 2017 and October 30, 2016, respectively. Amortization of these software costs in 2017, 2016, and 2015 was $118 million, $102 million, and $103 million, respectively.

The cost of compliance with foreseeable environmental requirements has been accrued and did not have a material effect on the company's consolidated financial statements.

17. GOODWILL AND OTHER INTANGIBLE ASSETS – NET

The changes in amounts of goodwill by operating segments were as follows in millions of dollars:

	Agriculture and Turf	Construction and Forestry	Total
Goodwill at November 1, 2015	$ 227	$ 499	$ 726
Acquisitions*	95		95
Translation adjustments and other	1	(6)	(5)
Goodwill at October 30, 2016	323	493	816
Acquisitions*	193		193
Translation adjustments and other	5	19	24
Goodwill at October 29, 2017	$ 521	$ 512	$ 1,033

* See Note 4.

There were no accumulated impairment losses in the reported periods.

The components of other intangible assets are as follows in millions of dollars:

	Useful Lives* (Years)	2017	2016
Amortized intangible assets:			
Customer lists and relationships	11	$ 42	$ 42
Technology, patents, trademarks, and other	13	139	131
Total at cost		181	173
Less accumulated amortization**		86	69
Total		95	104
Unamortized intangible assets:			
In-process research and development***		123	
Other intangible assets – net		$218	$104

* Weighted-averages

** Accumulated amortization at 2017 and 2016 for customer lists and relationships was $17 million and $11 million and technology, patents, trademarks, and other was $69 million and $58 million, respectively.

***See Note 4.

Other intangible assets are stated at cost less accumulated amortization. The amortization of other intangible assets in 2017, 2016, and 2015 was $18 million, $15 million, and $10 million, respectively. The estimated amortization expense for the next five years is as follows in millions of dollars: 2018 – $16, 2019 – $15, 2020 – $12, 2021 – $9, and 2022 – $9.

18. TOTAL SHORT-TERM BORROWINGS

Total short-term borrowings at October 29, 2017 and October 30, 2016 consisted of the following in millions of dollars:

	2017	2016
Equipment Operations		
Notes payable to banks	$ 221	$ 164
Long-term borrowings due within one year	154	85
Total	375	249
Financial Services		
Commercial paper	3,439	1,253
Notes payable to banks	157	151
Long-term borrowings due within one year*	6,064	5,258
Total	9,660	6,662
Short-term borrowings	10,035	6,911
Financial Services		
Short-term securitization borrowings**	4,119	4,998
Total short-term borrowings	$14,154	$11,909

* Includes unamortized fair value adjustments related to interest rate swaps. Unamortized debt issuance costs were $2 million and $1 million, respectively.

** Includes unamortized debt issuance costs of $4 million and $5 million, respectively.

The short-term securitization borrowings for financial services are secured by financing receivables (retail notes) on the balance sheet (see Note 13). Although these securitization borrowings are classified as short-term since payment is required if the retail notes are liquidated early, the payment schedule for these borrowings of $4,119 million, which are net of debt acquisition costs, at October 29, 2017 based on the expected liquidation of the retail notes in millions of dollars is as follows: 2018 – $2,234, 2019 – $1,249, 2020 – $489, 2021 – $146, and 2022 – $5.

The weighted-average interest rates on total short-term borrowings, excluding current maturities of long-term borrowings, at October 29, 2017 and October 30, 2016 were 1.8 percent and 1.6 percent, respectively.

Lines of credit available from U.S. and foreign banks were $7,878 million at October 29, 2017. At October 29, 2017, $4,061 million of these worldwide lines of credit were unused. For the purpose of computing the unused credit lines, commercial paper, and short-term bank borrowings, excluding secured borrowings and the current portion of long-term borrowings, were primarily considered to constitute utilization. Included in the total credit lines at October 29, 2017 were 364-day credit facility agreements of $1,750 million, expiring in February 2018, and $750 million, expiring in October 2018. In addition, total credit lines included long-term credit facility agreements of $2,500 million, expiring in April 2021, and $2,500 million, expiring in April 2022. The agreements are mutually extendable and the annual facility fees are not significant. These credit agreements require Capital Corporation to maintain its consolidated ratio of earnings to fixed charges at not less than 1.05 to 1 for each fiscal quarter and the ratio of senior debt, excluding securitization indebtedness, to capital base (total subordinated debt and stockholder's equity excluding accumulated other comprehensive income (loss)) at not more than 11 to 1 at the end of any fiscal quarter. The credit agreements also require the equipment operations to maintain a ratio of total debt to total capital (total debt and stockholders' equity excluding accumulated

other comprehensive income (loss)) of 65 percent or less at the end of each fiscal quarter. Under this provision, the company's excess equity capacity and retained earnings balance free of restriction at October 29, 2017 was $10,965 million. Alternatively under this provision, the equipment operations had the capacity to incur additional debt of $20,364 million at October 29, 2017. All of these requirements of the credit agreements have been met during the periods included in the consolidated financial statements.

Deere & Company has an agreement with Capital Corporation pursuant to which it has agreed to continue to own, directly or through one or more wholly-owned subsidiaries, at least 51 percent of the voting shares of capital stock of Capital Corporation and to maintain Capital Corporation's consolidated tangible net worth at not less than $50 million. This agreement also obligates Deere & Company to make payments to Capital Corporation such that its consolidated ratio of earnings to fixed charges is not less than 1.05 to 1 for each fiscal quarter. Deere & Company's obligations to make payments to Capital Corporation under the agreement are independent of whether Capital Corporation is in default on its indebtedness, obligations or other liabilities. Further, Deere & Company's obligations under the agreement are not measured by the amount of Capital Corporation's indebtedness, obligations or other liabilities. Deere & Company's obligations to make payments under this agreement are expressly stated not to be a guaranty of any specific indebtedness, obligation or liability of Capital Corporation and are enforceable only by or in the name of Capital Corporation. No payments were required under this agreement during the periods included in the consolidated financial statements.

19. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at October 29, 2017 and October 30, 2016 consisted of the following in millions of dollars:

	2017	2016
Equipment Operations		
Accounts payable:		
Trade payables	$2,069	$1,598
Dividends payable	194	189
Other	164	193
Accrued expenses:		
Dealer sales discounts	1,559	1,371
Product warranties	1,007	779
Employee benefits	861	861
Unearned revenue	520	401
Other	1,344	1,269
Total	7,718	6,661
Financial Services		
Accounts payable:		
Deposits withheld from dealers and merchants	207	230
Other	275	268
Accrued expenses:		
Unearned revenue	797	735
Accrued interest	148	125
Employee benefits	55	52
Other	345	185
Total	1,827	1,595
Eliminations*	1,128	1,016
Accounts payable and accrued expenses	$8,417	$7,240

* Primarily trade receivable valuation accounts which are reclassified as accrued expenses by the equipment operations as a result of their trade receivables being sold to financial services.

20. LONG-TERM BORROWINGS

Long-term borrowings at October 29, 2017 and October 30, 2016 consisted of the following in millions of dollars:

	2017	2016
Equipment Operations		
U.S. dollar notes and debentures:		
4.375% notes due 2019	$ 750	$ 750
8-1/2% debentures due 2022	105	105
2.60% notes due 2022	1,000	1,000
6.55% debentures due 2028	200	200
5.375% notes due 2029	500	500
8.10% debentures due 2030	250	250
7.125% notes due 2031	300	300
3.90% notes due 2042	1,250	1,250
Euro notes:		
Medium-term notes due 2020 – 2023: (principal €850 - 2017) Average interest rate of .3% - 2017	990	
Other notes	166	231
Less debt issuance costs	20	21
Total	5,491	4,565
Financial Services		
Notes and debentures:		
Medium-term notes due 2018 – 2027: (principal $18,678 - 2017, $17,203 - 2016) Average interest rates of 2.0% - 2017, 1.7% - 2016	18,601*	17,434*
2.75% senior note due 2022: ($500 principal) Swapped $500 to variable interest rate of 2.0% - 2017, 1.6% - 2016	502*	519*
Other notes	1,339	1,221
Less debt issuance costs	42	36
Total	20,400	19,138
Long-term borrowings**	$25,891	$23,703

* Includes unamortized fair value adjustments related to interest rate swaps.
** All interest rates are as of year end.

The approximate principal amounts of the equipment operations' long-term borrowings maturing in each of the next five years in millions of dollars are as follows: 2018 – $154, 2019 – $873, 2020 – $451, 2021 – $4 and 2022 – $1,108. The approximate principal amounts of the financial services' long-term borrowings maturing in each of the next five years in millions of dollars are as follows: 2018 – $6,050, 2019 – $5,383, 2020 – $5,056, 2021 – $2,486, and 2022 – $3,502.

21. LEASES

At October 29, 2017, future minimum lease payments under capital leases amounted to $26 million as follows: 2018 – $10, 2019 – $6, 2020 – $5, 2021 – $3, 2022 – $1, and later years $1. Total rental expense for operating leases was $167 million in 2017, $185 million in 2016, and $200 million in 2015. At October 29, 2017, future minimum lease payments under operating leases amounted to $371 million as follows: 2018 – $98, 2019 – $76, 2020 – $58, 2021 – $44, 2022 – $39, and later years $56.

22. COMMITMENTS AND CONTINGENCIES

The company generally determines its warranty liability by applying historical claims rate experience to the estimated amount of equipment that has been sold and is still under warranty based on dealer inventories and retail sales. The

historical claims rate is primarily determined by a review of five-year claims costs and current quality developments.

The premiums for the company's extended warranties are primarily recognized in income in proportion to the costs expected to be incurred over the contract period. The unamortized extended warranty premiums (unearned revenue) included in the following table totaled $461 million and $447 million at October 29, 2017 and October 30, 2016, respectively.

A reconciliation of the changes in the warranty liability and unearned premiums in millions of dollars follows:

	Warranty Liability/ Unearned Premiums	
	2017	**2016**
Beginning of year balance	$1,226	$1,261
Payments	(743)	(783)
Amortization of premiums received	(207)	(202)
Accruals for warranties	959	758
Premiums received	224	181
Foreign exchange	9	11
End of year balance	$1,468	$1,226

At October 29, 2017, the company had approximately $131 million of guarantees issued primarily to banks outside the U.S. related to third-party receivables for the retail financing of John Deere equipment. The company may recover a portion of any required payments incurred under these agreements from repossession of the equipment collateralizing the receivables. At October 29, 2017, the company had accrued losses of approximately $4 million under these agreements. The maximum remaining term of the receivables guaranteed at October 29, 2017 was approximately five years.

At October 29, 2017, the company had commitments of approximately $170 million for the construction and acquisition of property and equipment. At October 29, 2017, the company also had pledged or restricted assets of $122 million, primarily as collateral for borrowings and restricted other assets. In addition, see Note 13 for restricted assets associated with borrowings related to securitizations.

The company also had other miscellaneous contingencies totaling approximately $70 million at October 29, 2017, for which it believes the probability for payment is substantially remote. The accrued liability for these contingencies was not material at October 29, 2017.

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

23. CAPITAL STOCK

Changes in the common stock account in millions were as follows:

	Number of Shares Issued	Amount
Balance at November 2, 2014	536.4	$ 3,675
Stock options and other		151
Balance at November 1, 2015	536.4	3,826
Stock options and other		86
Balance at October 30, 2016	536.4	3,912
Stock options and other		369
Balance at October 29, 2017	536.4	$ 4,281

The number of common shares the company is authorized to issue is 1,200 million. The number of authorized preferred shares, none of which has been issued, is nine million.

The Board of Directors at its meeting in December 2013 authorized the repurchase of up to $8,000 million of common stock (60.0 million shares based on the fiscal year end closing common stock price of $133.25 per share). At the end of the fiscal year, this repurchase program had $3,260 million (24.5 million shares at the same price) remaining to be repurchased. Repurchases of the company's common stock under this plan will be made from time to time, at the company's discretion, in the open market.

A reconciliation of basic and diluted net income per share attributable to Deere & Company follows in millions, except per share amounts:

	2017	**2016**	**2015**
Net income attributable to Deere & Company	$2,159.1	$1,523.9	$1,940.0
Less income allocable to participating securities	.6	.7	.8
Income allocable to common stock	$2,158.5	$1,523.2	$1,939.2
Average shares outstanding	319.5	315.2	333.6
Basic per share	$ 6.76	$ 4.83	$ 5.81
Average shares outstanding	319.5	315.2	333.6
Effect of dilutive stock options	3.8	1.4	2.4
Total potential shares outstanding	323.3	316.6	336.0
Diluted per share	$ 6.68	$ 4.81	$ 5.77

All stock options outstanding were included in the computation during 2017, 2016, and 2015, except .2 million in 2017 and 9.9 million in 2016 that had an antidilutive effect under the treasury stock method.

24. STOCK OPTION AND RESTRICTED STOCK AWARDS

The company issues stock options and restricted stock awards to key employees under plans approved by stockholders. Restricted stock is also issued to nonemployee directors for their services as directors under a plan approved by stockholders. Options are awarded with the exercise price equal to the market price and become exercisable in one to three years after grant. Options expire ten years after the date of grant. Restricted stock awards generally vest after three years. The compensation cost for stock options, service based restricted stock units, and market/service based restricted stock units, which is based on the fair value at

the grant date, is recognized on a straight-line basis over the requisite period the employee is required to render service. The compensation cost for performance/service based units, which is based on the fair value at the grant date, is recognized over the employees' requisite service period and periodically adjusted for the probable number of shares to be awarded. According to these plans at October 29, 2017, the company is authorized to grant an additional 11.3 million shares related to stock options or restricted stock.

The fair value of each option award was estimated on the date of grant using a binomial lattice option valuation model. Expected volatilities are based on implied volatilities from traded call options on the company's stock. The expected volatilities are constructed from the following three components: the starting implied volatility of short-term call options traded within a few days of the valuation date; the predicted implied volatility of long-term call options; and the trend in implied volatilities over the span of the call options' time to maturity. The company uses historical data to estimate option exercise behavior and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rates utilized for periods throughout the contractual life of the options are based on U.S. Treasury security yields at the time of grant.

The assumptions used for the binomial lattice model to determine the fair value of options follow:

	2017	2016	2015
Risk-free interest rate	.88% – 2.5%	.23% – 2.3%	.04% – 2.3%
Expected dividends	2.4%	2.8%	2.5%
Expected volatility	24.0% – 24.8%	25.2% – 29.0%	23.4% – 25.7%
Weighted-average volatility	24.5%	26.5%	25.6%
Expected term (in years)	7.8 – 8.6	7.0 – 8.6	7.2 – 8.2

Stock option activity at October 29, 2017 and changes during 2017 in millions of dollars and shares follow:

	Shares	Exercise Price*	Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at beginning of year	17.5	$ 78.73		
Granted	.7	100.55		
Exercised	(6.9)	76.56		
Expired or forfeited	(.1)	86.81		
Outstanding at end of year	11.2	81.39	6.17	$581.6
Exercisable at end of year	7.8	79.64	5.34	418.9

* Weighted-averages

The weighted-average grant-date fair values of options granted during 2017, 2016, and 2015 were $24.46, $16.88, and $19.67, respectively. The total intrinsic values of options exercised during 2017, 2016, and 2015 were $225 million, $23 million, and $98 million, respectively. During 2017, 2016, and 2015, cash received from stock option exercises was $529 million, $36 million, and $172 million with tax benefits of $83 million, $8 million, and $36 million, respectively.

The company granted 579 thousand, 255 thousand, and 248 thousand restricted stock units to employees and nonemployee directors in 2017, 2016, and 2015, of which 465 thousand, 113 thousand, and 122 thousand are subject to service based only conditions, 57 thousand, 71 thousand, and 63 thousand are subject to performance/service based conditions, 57 thousand, 71 thousand, and 63 thousand are subject to market/service based conditions, respectively. The service based only units award one share of common stock for each unit at the end of the vesting period and include dividend equivalent payments.

The performance/service based units are subject to a performance metric based on the company's compound annual revenue growth rate, compared to a benchmark group of companies over the vesting period. The market/service based units are subject to a market related metric based on total shareholder return, compared to the same benchmark group of companies over the vesting period. The performance/service based units and the market/service based units both award common stock in a range of zero to 200 percent for each unit granted based on the level of the metric achieved and do not include dividend equivalent payments over the vesting period. The weighted-average fair values of the service based only units at the grant dates during 2017, 2016, and 2015 were $101.03, $79.84, and $88.66 per unit, respectively, based on the market price of a share of underlying common stock. The fair value of the performance/service based units at the grant date during 2017, 2016, and 2015 were $93.86, $72.93, and $81.78 per unit, respectively, based on the market price of a share of underlying common stock excluding dividends. The fair value of the market/service based units at the grant date during 2017, 2016, and 2015 were $129.70, $103.66, and $113.97 per unit, respectively, based on a lattice valuation model excluding dividends.

The company's restricted shares at October 29, 2017 and changes during 2017 in millions of shares follow:

	Shares	Grant-Date Fair Value*
Service based only		
Nonvested at beginning of year	.3	$ 84.86
Granted	.5	101.03
Vested	(.1)	86.40
Nonvested at end of year	.7	95.90
Performance/service and market/service based		
Nonvested at beginning of year	.4	$ 94.88
Granted	.1	111.78
Performance change	(.1)	81.53
Nonvested at end of year	.4	98.46

* Weighted-averages

During 2017, 2016, and 2015, the total share-based compensation expense was $68 million, $71 million, and $66 million, respectively, with recognized income tax benefits of $25 million, $26 million, and $25 million, respectively. At October 29, 2017, there was $46 million of total unrecognized compensation cost from share-based compensation arrangements granted under the plans, which is related to restricted shares and options. This compensation is expected to be recognized over a weighted-average period of approximately two years. The total grant-date fair values of stock options and restricted shares vested during 2017, 2016, and 2015 were $72 million, $69 million, and $74 million, respectively.

The company currently uses shares that have been repurchased through its stock repurchase programs to satisfy share option exercises. At fiscal year end, the company had 215 million shares in treasury stock and 24 million shares remaining to be repurchased under its current publicly announced repurchase program (see Note 23).

25. OTHER COMPREHENSIVE INCOME ITEMS

The after-tax changes in accumulated other comprehensive income at November 2, 2014, November 1, 2015, October 30, 2016, and October 29, 2017 in millions of dollars follow:

	Retirement Benefits Adjustment	Cumulative Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Unrealized Gain (Loss) on Investments	Total Accumulated Other Comprehensive Income (Loss)
2014	$(3,493)	$ (303)		$ 13	$(3,783)
Period Change	(8)	(935)	$ (2)	(1)	(946)
2015	(3,501)	(1,238)	(2)	12	(4,729)
Period Change	(908)	9	3	(1)	(897)
2016	(4,409)	(1,229)	1	11	(5,626)
Period Change	829	230	4	(1)	1,062
2017	$(3,580)	$ (999)	$ 5	$ 10	$(4,564)

Following are amounts recorded in and reclassifications out of other comprehensive income (loss), and the income tax effects, in millions of dollars:

	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
2017			
Cumulative translation adjustment	$ 232	$ (2)	$ 230
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	3	(1)	2
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	2	(1)	1
Foreign exchange contracts – Other operating expenses	1		1
Net unrealized gain (loss) on derivatives	6	(2)	4
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	274	(101)	173
Reclassification of realized (gain) loss – Other income	(275)	101	(174)
Net unrealized gain (loss) on investments	(1)		(1)
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss)	702	(248)	454
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income:*			
Actuarial (gain) loss	247	(89)	158
Prior service (credit) cost	12	(4)	8
Settlements/curtailments	2	(1)	1
Health care and life insurance			
Net actuarial gain (loss)	309	(115)	194
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income:*			
Actuarial (gain) loss	99	(36)	63
Prior service (credit) cost	(77)	28	(49)
Net unrealized gain (loss) on retirement benefits adjustment	1,294	(465)	829
Total other comprehensive income (loss)	$ 1,531	$ (469)	$ 1,062

* These accumulated other comprehensive income amounts are included in net periodic pension and postretirement costs. See Note 7 for additional detail.

	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
2016			
Cumulative translation adjustment	$ 8	$ 1	$ 9
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(2)	1	(1)
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	7	(2)	5
Foreign exchange contracts – Other operating expenses	(1)		(1)
Net unrealized gain (loss) on derivatives	4	(1)	3
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	2		2
Reclassification of realized (gain) loss – Other income	(4)	1	(3)
Net unrealized gain (loss) on investments	(2)	1	(1)
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss) and prior service credit (cost)	(1,141)	397	(744)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income:*			
Actuarial (gain) loss	211	(77)	134
Prior service (credit) cost	16	(6)	10
Settlements/curtailments	14	(4)	10
Health care and life insurance			
Net actuarial gain (loss) and prior service credit (cost)	(493)	178	(315)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income:*			
Actuarial (gain) loss	73	(27)	46
Prior service (credit) cost	(78)	29	(49)
Net unrealized gain (loss) on retirement benefits adjustment	(1,398)	490	(908)
Total other comprehensive income (loss)	$(1,388)	$ 491	$ (897)

* These accumulated other comprehensive income amounts are included in net periodic pension and postretirement costs. See Note 7 for additional detail.

	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
2015			
Cumulative translation adjustment	$(938)	$ 3	$(935)
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(12)	4	(8)
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	12	(4)	8
Foreign exchange contracts – Other operating expenses	(4)	2	(2)
Net unrealized gain (loss) on derivatives	(4)	2	(2)
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	12	(4)	8
Reclassification of realized (gain) loss – Other income	(14)	5	(9)
Net unrealized gain (loss) on investments	(2)	1	(1)
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss) and prior service credit (cost)	(427)	151	(276)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income:*			
Actuarial (gain) loss	223	(81)	142
Prior service (credit) cost	25	(9)	16
Settlements/curtailments	11	(4)	7
Health care and life insurance			
Net actuarial gain (loss) and prior service credit (cost)	145	(52)	93
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income:*			
Actuarial (gain) loss	91	(34)	57
Prior service (credit) cost	(77)	29	(48)
Settlements/curtailments	1		1
Net unrealized gain (loss) on retirement benefits adjustment	(8)		(8)
Total other comprehensive income (loss)	$(952)	$ 6	$(946)

* These accumulated other comprehensive income amounts are included in net periodic pension and postretirement costs. See Note 7 for additional detail.

The noncontrolling interests' comprehensive income (loss) was $.3 million in 2017, $(2.4) million in 2016, and $.5 million in 2015, which consisted of net income (loss) of $.1 million in 2017, $(2.4) million in 2016, and $.9 million in 2015 and cumulative translation adjustments of $.2 million in 2017, none in 2016, and $(.4) million in 2015.

26. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine fair value, the company uses various methods including market and income approaches. The company utilizes valuation models and techniques that maximize the use of observable inputs. The models are industry-standard models that consider various assumptions including time values and yield curves as well as other economic measures. These valuation techniques are consistently applied.

Level 1 measurements consist of quoted prices in active markets for identical assets or liabilities. Level 2 measurements include significant other observable inputs such as quoted prices for similar assets or liabilities in active markets; identical assets or liabilities in inactive markets; observable inputs such as interest rates and yield curves; and other market-corroborated inputs. Level 3 measurements include significant unobservable inputs.

The fair values of financial instruments that do not approximate the carrying values at October 29, 2017 and October 30, 2016 in millions of dollars follow:

	2017		2016	
	Carrying Value	Fair Value*	Carrying Value	Fair Value*
Financing receivables – net	$25,104	$24,946	$23,702	$23,564
Financing receivables securitized – net	$ 4,159	$ 4,130	$ 5,127	$ 5,114
Short-term securitization borrowings	$ 4,119	$ 4,118	$ 4,998	$ 5,005
Long-term borrowings due within one year:				
Equipment operations	$ 154	$ 154	$ 85	$ 80
Financial services	6,064	6,079	5,258	5,259
Total	$ 6,218	$ 6,233	$ 5,343	$ 5,339
Long-term borrowings:				
Equipment operations	$ 5,491	$ 6,026	$ 4,565	$ 5,184
Financial services	20,400	20,606	19,138	19,273
Total	$25,891	$26,632	$23,703	$24,457

* Fair value measurements above were Level 3 for all financing receivables and Level 2 for all borrowings.

Fair values of the financing receivables that were issued long-term were based on the discounted values of their related cash flows at interest rates currently being offered by the company for similar financing receivables. The fair values of the remaining financing receivables approximated the carrying amounts.

Fair values of long-term borrowings and short-term securitization borrowings were based on current market quotes for identical or similar borrowings and credit risk, or on the discounted values of their related cash flows at current market interest rates. Certain long-term borrowings have been swapped to current variable interest rates. The carrying values of these long-term borrowings included adjustments related to fair value hedges.

Assets and liabilities measured at October 29, 2017 and October 30, 2016 at fair value on a recurring basis in millions of dollars follow:

	2017*	2016*
Marketable securities		
Equity fund	$ 48	$ 45
Fixed income fund	15	15
U.S. government debt securities	77	88
Municipal debt securities	39	43
Corporate debt securities	135	118
International debt securities	20	34
Mortgage-backed securities**	118	111
Total marketable securities	452	454
Other assets		
Derivatives:		
Interest rate contracts	116	294
Foreign exchange contracts	108	60
Cross-currency interest rate contracts	11	21
Total assets***	$ 687	$ 829
Accounts payable and accrued expenses		
Derivatives:		
Interest rate contracts	$ 131	$ 29
Foreign exchange contracts	26	43
Cross-currency interest rate contracts	1	
Total liabilities	$ 158	$ 72

* All measurements above were Level 2 measurements except for Level 1 measurements of the equity fund of $48 million and $45 million at October 29, 2017 and October 30, 2016, respectively, the fixed income fund of $15 million and $15 million at October 29, 2017 and October 30, 2016, respectively, and U.S. government debt securities of $44 million and $53 million at October 29, 2017 and October 30, 2016, respectively. In addition, $17 million and $28 million of the international debt securities were Level 3 measurements at October 29, 2017 and October 30, 2016, respectively. There were no transfers between Level 1 and Level 2 during 2017 and 2016.

** Primarily issued by U.S. government sponsored enterprises.

*** Excluded from this table were cash equivalents, which were carried at cost that approximates fair value. The cash equivalents consist primarily of money market funds that were Level 1 measurements.

Fair value, recurring Level 3 measurements from available-for-sale marketable securities at October 29, 2017 and October 30, 2016 in millions of dollars follow:

	2017	2016
Beginning of period balance	$ 28	$ 29
Purchases		25
Principal payments	(13)	(22)
Change in unrealized gain (loss)	2	(4)
End of period balance	$ 17	$ 28

Fair value, nonrecurring measurements from impairments at October 29, 2017 and October 30, 2016 in millions of dollars follow:

	Fair Value*		Losses*		
	2017	2016	2017	2016	2015
Equipment on operating leases – net		$ 654		$ 31	$ 10
Property and equipment – net...........		$ 31		$ 13	$ 10
Investments in unconsolidated affiliates....................................	$ 28	$ 1	$ 40	$ 12	
Other assets..................................		$ 184		$ 29	$ 15

* Fair value at October 29, 2017 was a Level 1 measurement, while fair values at October 30, 2016 were Level 3 measurements. See financing receivables with specific allowances in Note 12 that were not significant. See Note 5 for impairments.

The following is a description of the valuation methodologies the company uses to measure certain financial instruments on the balance sheet and nonmonetary assets at fair value:

Marketable Securities – The portfolio of investments, except for the Level 3 measurement international debt securities, is primarily valued on a market approach (matrix pricing model) in which all significant inputs are observable or can be derived from or corroborated by observable market data such as interest rates, yield curves, volatilities, credit risk, and prepayment speeds. Funds are primarily valued using the fund's net asset value, based on the fair value of the underlying securities. The Level 3 measurement international debt securities are primarily valued using an income approach based on discounted cash flows using yield curves derived from limited, observable market data.

Derivatives – The company's derivative financial instruments consist of interest rate swaps and caps, foreign currency futures, forwards and swaps, and cross-currency interest rate swaps. The portfolio is valued based on an income approach (discounted cash flow) using market observable inputs, including swap curves and both forward and spot exchange rates for currencies.

Financing Receivables – Specific reserve impairments are based on the fair value of the collateral, which is measured using a market approach (appraisal values or realizable values). Inputs include a selection of realizable values (see Note 12).

Equipment on Operating Leases-Net – The impairments are based on an income approach (discounted cash flow), using the contractual payments, plus an estimate of equipment sale price at lease maturity. Inputs include realized sales values (see Note 5).

Property and Equipment-Net – The impairments are measured at the lower of the carrying amount, or fair value. The valuations were based on a cost approach. The inputs include replacement cost estimates adjusted for physical deterioration and economic obsolescence (see Note 5).

Investment in Unconsolidated Affiliates – Other than temporary impairments for investments are measured as the difference between the implied fair value and the carrying value of the investments. The estimated fair value for privately held entities is determined by an income approach (discounted cash flows), which includes inputs such as interest rates and margins. The fair value for publicly traded entities is the share price multiplied by the shares owned (see Note 5).

Other Assets – The impairments are measured at the lower of the carrying amount, or fair value. The valuations were based on a market approach. The inputs include sales of comparable assets (see Note 5).

27. DERIVATIVE INSTRUMENTS

Cash Flow Hedges

Certain interest rate and cross-currency interest rate contracts (swaps) were designated as hedges of future cash flows from borrowings. The total notional amounts of the receive-variable/pay-fixed interest rate contracts at October 29, 2017 and October 30, 2016 were $1,700 million and $1,600 million, respectively. The total notional amounts of the cross-currency interest rate contracts were $22 million and $42 million at October 29, 2017 and October 30, 2016, respectively. The effective portions of the fair value gains or losses on these cash flow hedges were recorded in other comprehensive income (OCI) and subsequently reclassified into interest expense or other operating expenses (foreign exchange) in the same periods during which the hedged transactions affected earnings. These amounts offset the effects of interest rate or foreign currency exchange rate changes on the related borrowings. Any ineffective portions of the gains or losses on all cash flow interest rate contracts designated as cash flow hedges were recognized currently in interest expense or other operating expenses (foreign exchange) and were not material during any years presented. The cash flows from these contracts were recorded in operating activities in the statement of consolidated cash flows.

The amount of gain recorded in OCI at October 29, 2017 that is expected to be reclassified to interest expense or other operating expenses in the next twelve months if interest rates or exchange rates remain unchanged is approximately $2 million after-tax. These contracts mature in up to 28 months. There were no gains or losses reclassified from OCI to earnings based on the probability that the original forecasted transaction would not occur.

Fair Value Hedges

Certain interest rate contracts (swaps) were designated as fair value hedges of borrowings. The total notional amounts of the receive-fixed/pay-variable interest rate contracts at October 29, 2017 and October 30, 2016 were $8,661 million and $8,844 million, respectively. The effective portions of the fair value gains or losses on these contracts were offset by fair value gains or losses on the hedged items (fixed-rate borrowings). Any ineffective portions of the gains or losses were recognized currently in interest expense. The ineffective portions were a gain of $3 million and loss of $2 million in 2017 and 2016, respectively. The cash flows from these contracts were recorded in operating activities in the statement of consolidated cash flows.

The gains (losses) on these contracts and the underlying borrowings recorded in interest expense follow in millions of dollars:

	2017	2016
Interest rate contracts*	$ (284)	$ 7
Borrowings**	287	(9)

* Includes changes in fair values of interest rate contracts excluding net accrued interest income of $79 million and $146 million during 2017 and 2016, respectively.
** Includes adjustments for fair values of hedged borrowings excluding accrued interest expense of $243 million and $290 million during 2017 and 2016, respectively.

Derivatives Not Designated as Hedging Instruments
The company has certain interest rate contracts (swaps and caps), foreign exchange contracts (futures, forwards and swaps), and cross-currency interest rate contracts (swaps), which were not formally designated as hedges. These derivatives were held as economic hedges for underlying interest rate or foreign currency exposures primarily for certain borrowings and purchases or sales of inventory. The total notional amounts of the interest rate swaps at October 29, 2017 and October 30, 2016 were $6,757 million and $6,060 million, the foreign exchange contracts were $8,499 million and $3,919 million, and the cross-currency interest rate contracts were $66 million and $63 million, respectively. The increase in the total notional amounts of foreign exchange contracts primarily relates to the Wirtgen acquisition, which closed on December 1, 2017 (see Note 30). At October 29, 2017 and October 30, 2016, there were also $253 million and $579 million, respectively, of interest rate caps purchased and the same amounts sold at the same capped interest rate to facilitate borrowings through securitization of retail notes. The fair value gains or losses from the interest rate contracts were recognized currently in interest expense and the gains or losses from foreign exchange contracts in cost of sales or other operating expenses, generally offsetting over time the expenses on the exposures being hedged. The cash flows from these non-designated contracts were recorded in operating activities in the statement of consolidated cash flows.

Fair values of derivative instruments in the consolidated balance sheet at October 29, 2017 and October 30, 2016 in millions of dollars follow:

	2017	2016
Other Assets		
Designated as hedging instruments:		
Interest rate contracts	$ 74	$ 268
Cross-currency interest rate contracts	5	11
Total designated	79	279
Not designated as hedging instruments:		
Interest rate contracts	42	26
Foreign exchange contracts	108	60
Cross-currency interest rate contracts	6	10
Total not designated	156	96
Total derivative assets	$ 235	$ 375
Accounts Payable and Accrued Expenses		
Designated as hedging instruments:		
Interest rate contracts	$ 112	$ 10
Total designated	112	10
Not designated as hedging instruments:		
Interest rate contracts	19	19
Foreign exchange contracts	26	43
Cross-currency interest rate contracts	1	
Total not designated	46	62
Total derivative liabilities	$ 158	$ 72

The classification and gains (losses) including accrued interest expense related to derivative instruments on the statement of consolidated income consisted of the following in millions of dollars:

	2017	2016	2015
Fair Value Hedges			
Interest rate contracts – Interest expense	$ (205)	$ 153	$ 277
Cash Flow Hedges			
Recognized in OCI (Effective Portion):			
Interest rate contracts – OCI (pretax)*	4	(3)	(16)
Foreign exchange contracts – OCI (pretax)*	(1)	1	4
Reclassified from OCI (Effective Portion):			
Interest rate contracts – Interest expense*	(2)	(7)	(12)
Foreign exchange contracts – Other expense*	(1)	1	4
Recognized Directly in Income (Ineffective Portion)	**	**	**
Not Designated as Hedges			
Interest rate contracts – Interest expense*	$ 11	$ (1)	$ (17)
Foreign exchange contracts – Cost of sales	(12)	(15)	97
Foreign exchange contracts – Other expense*	(106)	74	304
Total not designated	$ (107)	$ 58	$ 384

* Includes interest and foreign exchange gains (losses) from cross-currency interest rate contracts.
** The amounts are not significant.

Counterparty Risk and Collateral
Certain of the company's derivative agreements contain credit support provisions that may require the company to post collateral based on the size of the net liability positions and

credit ratings. The aggregate fair value of all derivatives with credit-risk-related contingent features that were in a net liability position at October 29, 2017 and October 30, 2016, was $132 million and $29 million, respectively. The company, due to its credit rating and amounts of net liability position, has not posted any collateral. If the credit-risk-related contingent features were triggered, the company would be required to post collateral up to an amount equal to this liability position prior to considering applicable netting provisions.

Derivative instruments are subject to significant concentrations of credit risk to the banking sector. The company manages individual counterparty exposure by setting limits that consider the credit rating of the counterparty, the credit default swap spread of the counterparty, and other financial commitments and exposures between the company and the counterparty banks. All interest rate derivatives are transacted under International Swaps and Derivatives Association (ISDA) documentation. Some of these agreements include credit support provisions. Each master agreement permits the net settlement of amounts owed in the event of default or termination.

Derivatives are recorded without offsetting for netting arrangements or collateral. The impact on the derivative assets and liabilities related to netting arrangements and any collateral received or paid at October 29, 2017 and October 30, 2016 in millions of dollars follows:

	Gross Amounts Recognized	Netting Arrangements	Collateral Received	Net Amount
2017				
Assets	$ 235	$ (65)		$ 170
Liabilities	158	(65)		93
2016				
Assets	$ 375	$ (32)	$ (6)	$ 337
Liabilities	72	(32)		40

28. SEGMENT AND GEOGRAPHIC AREA DATA

The company's operations are presently organized and reported in three major business segments described as follows:

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

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

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

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

Because of integrated manufacturing operations and common administrative and marketing support, a substantial number of allocations must be made to determine operating segment and geographic area data. Intersegment sales and revenues represent sales of components and finance charges, which are generally based on market prices.

Information relating to operations by operating segment in millions of dollars follows for the years ended October 29, 2017, October 30, 2016, and November 1, 2015. In addition to the following unaffiliated sales and revenues by segment, intersegment sales and revenues in 2017, 2016, and 2015 were as follows: agriculture and turf net sales of $39 million, $31 million, and $49 million, construction and forestry net sales of $1 million, $1 million, and $1 million, and financial services revenues of $244 million, $225 million, and $225 million, respectively.

OPERATING SEGMENTS	**2017**	**2016**	**2015**
Net sales and revenues			
Unaffiliated customers:			
Agriculture and turf net sales...............	$20,167	$18,487	$19,812
Construction and forestry net sales	5,718	4,900	5,963
Total net sales..............................	25,885	23,387	25,775
Financial services revenues	2,935	2,694	2,591
Other revenues*..................................	918	563	497
Total..	$29,738	$26,644	$28,863

* Other revenues are primarily the equipment operations' revenues for finance and interest income, and other income as disclosed in Note 31, net of certain intercompany eliminations.

(continued)

OPERATING SEGMENTS	2017	2016	2015
Operating profit			
Agriculture and turf	$ 2,484	$ 1,700	$ 1,649
Construction and forestry	337	180	528
Financial services*	722	709	963
Total operating profit	3,543	2,589	3,140
Interest income	55	48	61
Interest expense	(264)	(251)	(273)
Foreign exchange gains (losses) from equipment operations' financing activities	(12)	(12)	13
Corporate expenses – net	(192)	(153)	(160)
Income taxes	(971)	(700)	(840)
Total	(1,384)	(1,068)	(1,199)
Net income	2,159	1,521	1,941
Less: Net income (loss) attributable to noncontrolling interests		(3)	1
Net income attributable to Deere & Company	$ 2,159	$ 1,524	$ 1,940

* Operating profit of the financial services business segment includes the effect of its interest expense and foreign exchange gains or losses.

	2017	2016	2015
Interest income*			
Agriculture and turf	$ 16	$ 12	$ 14
Construction and forestry	1	1	2
Financial services	1,771	1,650	1,687
Corporate	55	48	61
Intercompany	(268)	(240)	(253)
Total	$ 1,575	$ 1,471	$ 1,511

* Does not include finance rental income for equipment on operating leases.

	2017	2016	2015
Interest expense			
Agriculture and turf	$ 182	$ 173	$ 160
Construction and forestry	53	44	45
Financial services	669	536	455
Corporate	264	251	273
Intercompany	(268)	(240)	(253)
Total	$ 900	$ 764	$ 680

	2017	2016	2015
Depreciation* and amortization expense			
Agriculture and turf	$ 695	$ 667	$ 659
Construction and forestry	145	136	133
Financial services	876	757	590
Total	$ 1,716	$ 1,560	$ 1,382

* Includes depreciation for equipment on operating leases.

	2017	2016	2015
Equity in income (loss) of unconsolidated affiliates			
Agriculture and turf	$ 2	$ 9	$ 7
Construction and forestry	(27)	(13)	(7)
Financial services	1	2	1
Total	$ (24)	$ (2)	$ 1

(continued)

OPERATING SEGMENTS	2017	2016	2015
Identifiable operating assets			
Agriculture and turf	$ 9,359	$ 8,405	$ 8,332
Construction and forestry	3,212	3,017	3,295
Financial services	42,596	40,837	40,866
Corporate*	10,619	5,659	5,390
Total	$ 65,786	$ 57,918	$ 57,883

* Corporate assets are primarily the equipment operations' retirement benefits, deferred income tax assets, marketable securities, and cash and cash equivalents as disclosed in Note 31, net of certain intercompany eliminations.

	2017	2016	2015
Capital additions			
Agriculture and turf	$ 485	$ 556	$ 522
Construction and forestry	114	115	138
Financial services	3	3	6
Total	$ 602	$ 674	$ 666

	2017	2016	2015
Investments in unconsolidated affiliates			
Agriculture and turf	$ 25	$ 56	$ 116
Construction and forestry	143	165	177
Financial services	14	12	10
Total	$ 182	$ 233	$ 303

The company views and has historically disclosed its operations as consisting of two geographic areas, the U.S. and Canada, and outside the U.S. and Canada, shown below in millions of dollars. No individual foreign country's net sales and revenues were material for disclosure purposes.

GEOGRAPHIC AREAS	2017	2016	2015
Net sales and revenues			
Unaffiliated customers:			
U.S. and Canada:			
Equipment operations net sales (88%)*	$15,031	$14,376	$16,498
Financial services revenues (79%)*	2,526	2,366	2,252
Total	17,557	16,742	18,750
Outside U.S. and Canada:			
Equipment operations net sales	10,854	9,011	9,277
Financial services revenues	409	328	339
Total	11,263	9,339	9,616
Other revenues	918	563	497
Total	$29,738	$26,644	$28,863

* The percentages indicate the approximate proportion of each amount that relates to the U.S. only and are based upon a three-year average for 2017, 2016, and 2015.

(continued)

GEOGRAPHIC AREAS	2017	2016	2015
Operating profit			
U.S. and Canada:			
Equipment operations	$ 1,724	$ 1,305	$ 1,643
Financial services	523	551	802
Total	2,247	1,856	2,445
Outside U.S. and Canada:			
Equipment operations	1,097	575	534
Financial services	199	158	161
Total	1,296	733	695
Total	$ 3,543	$ 2,589	$ 3,140
Property and equipment			
U.S.	$ 2,976	$ 3,077	$ 3,098
Germany	598	569	568
Other countries	1,494	1,525	1,515
Total	$ 5,068	$ 5,171	$ 5,181

29. SUPPLEMENTAL INFORMATION (UNAUDITED)

Common stock per share sales prices from New York Stock Exchange composite transactions quotations follow:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017 Market price				
High	$108.06	$113.15	$128.91	$133.25
Low	$ 88.06	$107.05	$110.79	$115.44
2016 Market price				
High	$ 80.19	$ 85.68	$ 87.48	$ 88.09
Low	$ 71.78	$ 74.58	$ 77.71	$ 76.83

At October 29, 2017, there were 21,242 holders of record of the company's $1 par value common stock.

Quarterly information with respect to net sales and revenues and earnings is shown in the following schedule. The company's fiscal year ends in October and its interim periods (quarters) end in January, April, and July. Such information is shown in millions of dollars except for per share amounts.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017*				
Net sales and revenues	$ 5,625	$ 8,287	$ 7,808	$ 8,018
Net sales	4,698	7,260	6,833	7,094
Gross profit	901	1,815	1,568	1,668
Income before income taxes	328	1,169	890	767
Net income attributable to Deere & Company**	199	808	642	510
Per share data:				
Basic**	.63	2.53	2.00	1.59
Diluted**	.62	2.50	1.97	1.57
Dividends declared	.60	.60	.60	.60
Dividends paid	.60	.60	.60	.60

(continued)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016*				
Net sales and revenues	$ 5,525	$ 7,875	$ 6,724	$ 6,520
Net sales	4,769	7,107	5,861	5,650
Gross profit	929	1,575	1,367	1,267
Income before income taxes	351	733	705	435
Net income attributable to Deere & Company	254	496	489	285
Per share data:				
Basic	.80	1.57	1.55	.91
Diluted	.80	1.56	1.55	.90
Dividends declared	.60	.60	.60	.60
Dividends paid	.60	.60	.60	.60

Net income per share for each quarter must be computed independently. As a result, their sum may not equal the total net income per share for the year.

* See Note 5 for "Special Items."

** Presents restated first and second quarter values for the adoption of FASB ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. Net income attributable to Deere & Company was $194 million and $802 million, respectively. Adjustments to basic and diluted per share data were not significant.

30. SUBSEQUENT EVENTS

A quarterly dividend of $.60 per share was declared at the Board of Directors meeting on December 6, 2017, payable on February 1, 2018 to stockholders of record on December 29, 2017.

On December 1, 2017, the company acquired the stock and certain assets of substantially all of Wirtgen Group Holding GmbH's (Wirtgen) business operations. Wirtgen, which was a privately-held international company, is the leading manufacturer worldwide of road construction equipment. Headquartered in Germany, Wirtgen has six brands across the road construction sector spanning processing, mixing, paving, compaction, and rehabilitation. Wirtgen sells products in more than 100 countries and has approximately 8,200 employees. The total cash purchase price was €4,475 million (or approximately US $5,327 million based on the exchange rate at the closing date), a portion of which has been held in escrow to secure certain indemnity obligations of Wirtgen. In addition to the cash purchase price, the company assumed substantially all liabilities of Wirtgen. The company financed the acquisition and the transaction expenses from a combination of cash and new debt financing. Wirtgen will be included in the company's construction and forestry operating segment. Due to the recent closing of the acquisition, the formal process necessary to allocate the purchase price to the acquired assets and liabilities has not been completed. The purchase price allocation and proforma results of operations will be completed as soon as practicable within the measurement period.

In November 2017, the company's financial services operations entered into a retail note securitization using its bank conduit facility that resulted in securitization borrowings of approximately $985 million.

31. SUPPLEMENTAL CONSOLIDATING DATA

INCOME STATEMENT
For the Years Ended October 29, 2017, October 30, 2016, and November 1, 2015
(In millions of dollars)

	EQUIPMENT OPERATIONS*			FINANCIAL SERVICES		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Net Sales and Revenues						
Net sales	$ 25,885.1	$ 23,387.3	$ 25,775.2			
Finance and interest income	71.7	61.1	77.0	$ 2,928.2	$ 2,690.1	$ 2,557.0
Other income	1,065.0	653.7	602.7	250.9	229.0	258.9
Total	27,021.8	24,102.1	26,454.9	3,179.1	2,919.1	2,815.9
Costs and Expenses						
Cost of sales	19,935.2	18,250.8	20,145.2			
Research and development expenses	1,367.7	1,389.1	1,425.1			
Selling, administrative and general expenses	2,530.7	2,262.5	2,393.8	542.3	508.5	487.3
Interest expense	263.7	250.5	272.8	669.2	536.5	455.0
Interest compensation to Financial Services	234.5	216.6	204.8			
Other operating expenses	257.0	215.7	195.0	1,246.8	1,167.0	911.7
Total	24,588.8	22,585.2	24,636.7	2,458.3	2,212.0	1,854.0
Income of Consolidated Group before Income Taxes	2,433.0	1,516.9	1,818.2	720.8	707.1	961.9
Provision for income taxes	726.0	459.0	509.9	245.1	241.1	330.2
Income of Consolidated Group	1,707.0	1,057.9	1,308.3	475.7	466.0	631.7
Equity in Income (Loss) of Unconsolidated Subsidiaries and Affiliates						
Financial Services	476.9	467.6	632.9	1.2	1.6	1.2
Other	(24.7)	(4.0)	(.3)			
Total	452.2	463.6	632.6	1.2	1.6	1.2
Net Income	2,159.2	1,521.5	1,940.9	476.9	467.6	632.9
Less: Net income (loss) attributable to noncontrolling interests	.1	(2.4)	.9			
Net Income Attributable to Deere & Company	$ 2,159.1	$ 1,523.9	$ 1,940.0	$ 476.9	$ 467.6	$ 632.9

* Deere & Company with Financial Services on the equity basis.

The supplemental consolidating data is presented for informational purposes. The ''Equipment Operations'' reflect the basis of consolidation described in Note 1 to the consolidated financial statements. The consolidated group data in the ''Equipment Operations'' income statement reflect the results of the agriculture and turf operations and construction and forestry operations. Transactions between the ''Equipment Operations'' and ''Financial Services'' have been eliminated to arrive at the consolidated financial statements.

31. SUPPLEMENTAL CONSOLIDATING DATA (continued)

BALANCE SHEET
As of October 29, 2017 and October 30, 2016
(In millions of dollars except per share amounts)

	EQUIPMENT OPERATIONS*		FINANCIAL SERVICES	
	2017	2016	2017	2016
ASSETS				
Cash and cash equivalents	$ 8,168.4	$ 3,140.5	$ 1,166.5	$ 1,195.3
Marketable securities	20.2	34.2	431.4	419.3
Receivables from unconsolidated subsidiaries and affiliates	1,032.1	3,150.1		
Trade accounts and notes receivable – net	876.3	654.2	4,134.1	3,370.5
Financing receivables – net		.4	25,104.1	23,701.9
Financing receivables securitized – net			4,158.8	5,126.5
Other receivables	1,045.6	855.4	195.5	164.0
Equipment on operating leases – net			6,593.7	5,901.5
Inventories	3,904.1	3,340.5		
Property and equipment – net	5,017.3	5,118.5	50.4	52.1
Investments in unconsolidated subsidiaries and affiliates	4,812.3	4,697.0	13.8	11.9
Goodwill	1,033.3	815.7		
Other intangible assets – net	218.0	104.1		
Retirement benefits	538.1	93.6	16.9	20.5
Deferred income taxes	3,098.8	3,556.0	79.8	75.5
Other assets	973.9	834.9	651.4	798.1
Total Assets	$ 30,738.4	$ 26,395.1	$42,596.4	$40,837.1
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Short-term borrowings	$ 375.5	$ 249.0	$ 9,659.8	$ 6,661.7
Short-term securitization borrowings			4,118.7	4,997.8
Payables to unconsolidated subsidiaries and affiliates	121.9	81.5	996.2	3,133.6
Accounts payable and accrued expenses	7,718.1	6,661.2	1,827.1	1,595.2
Deferred income taxes	115.6	87.3	857.7	745.9
Long-term borrowings	5,490.9	4,565.3	20,400.4	19,137.7
Retirement benefits and other liabilities	7,341.9	8,206.0	92.9	89.0
Total liabilities	21,163.9	19,850.3	37,952.8	36,360.9
Commitments and contingencies (Note 22)				
Redeemable noncontrolling interest (Note 4)	14.0	14.0		
STOCKHOLDERS' EQUITY				
Common stock, $1 par value (authorized – 1,200,000,000 shares; issued – 536,431,204 shares in 2017 and 2016), at paid-in amount	4,280.5	3,911.8	2,099.1	2,079.1
Common stock in treasury, 214,589,902 shares in 2017 and 221,663,380 shares in 2016, at cost	(15,460.8)	(15,677.1)		
Retained earnings	25,301.3	23,911.3	2,782.0	2,670.3
Accumulated other comprehensive income (loss)	(4,563.7)	(5,626.0)	(237.5)	(273.2)
Total Deere & Company stockholders' equity	9,557.3	6,520.0	4,643.6	4,476.2
Noncontrolling interests	3.2	10.8		
Total stockholders' equity	9,560.5	6,530.8	4,643.6	4,476.2
Total Liabilities and Stockholders' Equity	$ 30,738.4	$ 26,395.1	$42,596.4	$40,837.1

* Deere & Company with Financial Services on the equity basis.

The supplemental consolidating data is presented for informational purposes. The "Equipment Operations" reflect the basis of consolidation described in Note 1 to the consolidated financial statements. Transactions between the "Equipment Operations" and "Financial Services" have been eliminated to arrive at the consolidated financial statements.

31. SUPPLEMENTAL CONSOLIDATING DATA (continued)

STATEMENT OF CASH FLOWS
For the Years Ended October 29, 2017, October 30, 2016, and November 1, 2015
(In millions of dollars)

	EQUIPMENT OPERATIONS*			FINANCIAL SERVICES		
	2017	2016	2015	2017	2016	2015
Cash Flows from Operating Activities						
Net income	$ 2,159.2	$ 1,521.5	$ 1,940.9	$ 476.9	$ 467.6	$ 632.9
Adjustments to reconcile net income to net cash provided by operating activities:						
Provision for credit losses	9.9	8.2	5.5	88.4	86.1	49.9
Provision for depreciation and amortization	839.3	803.4	791.8	984.3	846.7	688.5
Impairment charges	39.8	25.4	15.3		59.7	19.5
Gain on sale of unconsolidated affiliates and investments	(375.1)	(74.5)				
Undistributed earnings of unconsolidated subsidiaries and affiliates	(125.0)	94.0	46.6	(1.1)	(1.5)	(1.0)
Provision (credit) for deferred income taxes	(6.7)	13.2	(139.8)	106.8	269.5	121.4
Changes in assets and liabilities:						
Trade receivables	(243.9)	(175.3)	113.4			
Insurance receivables						333.4
Inventories	(504.3)	578.4	(17.0)			
Accounts payable and accrued expenses	946.2	(169.6)	(253.8)	93.9	40.6	(245.4)
Accrued income taxes payable/receivable	(122.7)	18.2	(114.5)	38.5	(11.2)	(4.6)
Retirement benefits	(39.2)	232.4	414.3	7.3	6.2	13.2
Other	(139.5)	36.5	271.1	81.5	97.1	(25.7)
Net cash provided by operating activities	2,438.0	2,911.8	3,073.8	1,876.5	1,860.8	1,582.1
Cash Flows from Investing Activities						
Collections of receivables (excluding trade and wholesale)				15,963.2	15,831.4	16,266.1
Proceeds from maturities and sales of marketable securities	297.9	81.9	700.1	106.3	87.5	160.6
Proceeds from sales of equipment on operating leases				1,440.8	1,256.2	1,049.4
Proceeds from sales of businesses and unconsolidated affiliates, net of cash sold	113.9	81.1				149.2
Cost of receivables acquired (excluding trade and wholesale)				(16,799.9)	(15,168.2)	(16,327.8)
Purchases of marketable securities		(59.4)	(60.0)	(118.0)	(111.8)	(94.9)
Purchases of property and equipment	(591.4)	(641.8)	(688.1)	(3.5)	(2.6)	(5.9)
Cost of equipment on operating leases acquired				(3,079.8)	(3,235.7)	(3,043.6)
Increase in investment in Financial Services	(20.0)	(28.2)	(27.4)			
Acquisitions of businesses, net of cash acquired	(284.2)	(198.5)				
Decrease (increase) in trade and wholesale receivables				(379.9)	492.5	657.0
Other	(32.7)	(55.2)	6.8	(26.5)	24.6	(45.1)
Net cash used for investing activities	(516.5)	(820.1)	(68.6)	(2,897.3)	(826.1)	(1,235.0)
Cash Flows from Financing Activities						
Increase (decrease) in total short-term borrowings	64.5	(207.2)	211.9	1,246.1	(1,006.4)	289.7
Change in intercompany receivables/payables	2,142.0	(756.0)	928.6	(2,142.0)	756.0	(928.6)
Proceeds from long-term borrowings	1,107.0	173.4	6.2	7,595.2	4,897.3	5,704.8
Payments of long-term borrowings	(66.3)	(72.8)	(214.2)	(5,330.7)	(5,194.8)	(4,649.0)
Proceeds from issuance of common stock	528.7	36.0	172.1			
Repurchases of common stock	(6.2)	(205.4)	(2,770.7)			
Capital investment from Equipment Operations				20.0	28.2	27.4
Dividends paid	(764.0)	(761.3)	(816.3)	(365.2)	(562.1)	(679.6)
Other	(54.4)	(36.7)	(45.4)	(33.4)	(28.0)	(26.7)
Net cash provided by (used for) financing activities	2,951.3	(1,830.0)	(2,527.8)	990.0	(1,109.8)	(262.0)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	155.1	(21.2)	(146.6)	2.0	8.2	(40.7)
Net Increase (Decrease) in Cash and Cash Equivalents	5,027.9	240.5	330.8	(28.8)	(66.9)	44.4
Cash and Cash Equivalents at Beginning of Year	3,140.5	2,900.0	2,569.2	1,195.3	1,262.2	1,217.8
Cash and Cash Equivalents at End of Year	$ 8,168.4	$ 3,140.5	$ 2,900.0	$ 1,166.5	$ 1,195.3	$ 1,262.2

* Deere & Company with Financial Services on the equity basis.

The supplemental consolidating data is presented for informational purposes. The "Equipment Operations" reflect the basis of consolidation described in Note 1 to the consolidated financial statements. Transactions between the "Equipment Operations" and "Financial Services" have been eliminated to arrive at the consolidated financial statements.

DEERE & COMPANY
SELECTED FINANCIAL DATA
(Dollars in millions except per share amounts)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net sales and revenues	$29,738	$26,644	$28,863	$36,067	$37,795	$36,157	$32,013	$26,005	$23,112	$28,438
Net sales	25,885	23,387	25,775	32,961	34,998	33,501	29,466	23,573	20,756	25,803
Finance and interest income	2,732	2,511	2,381	2,282	2,115	1,981	1,923	1,825	1,842	2,068
Research and development expenses	1,368	1,389	1,425	1,452	1,477	1,434	1,226	1,052	977	943
Selling, administrative and general expenses	3,067	2,764	2,873	3,284	3,606	3,417	3,169	2,969	2,781	2,960
Interest expense	900	764	680	664	741	783	759	811	1,042	1,137
Net income*	2,159	1,524	1,940	3,162	3,537	3,065	2,800	1,865	873	2,053
Return on net sales	8.3%	6.5%	7.5%	9.6%	10.1%	9.1%	9.5%	7.9%	4.2%	8.0%
Return on beginning Deere & Company stockholders' equity	33.1%	22.6%	21.4%	30.8%	51.7%	45.1%	44.5%	38.7%	13.4%	28.7%
Comprehensive income (loss)*	3,221	627	994	2,072	5,416	2,171	2,502	2,079	(1,333)	1,303
Net income per share – basic*	$ 6.76	$ 4.83	$ 5.81	$ 8.71	$ 9.18	$ 7.72	$ 6.71	$ 4.40	$ 2.07	$ 4.76
– diluted*	6.68	4.81	5.77	8.63	9.09	7.63	6.63	4.35	2.06	4.70
Dividends declared per share	2.40	2.40	2.40	2.22	1.99	1.79	1.52	1.16	1.12	1.06
Dividends paid per share	2.40	2.40	2.40	2.13	1.94	1.74	1.41	1.14	1.12	1.03
Average number of common shares outstanding (in millions) – basic	319.5	315.2	333.6	363.0	385.3	397.1	417.4	424.0	422.8	431.1
– diluted	323.3	316.6	336.0	366.1	389.2	401.5	422.4	428.6	424.4	436.3
Total assets**	$65,786	$57,918	$57,883	$61,267	$59,454	$56,193	$48,146	$43,186	$41,023	$38,696
Trade accounts and notes receivable – net	3,925	3,011	3,051	3,278	3,758	3,799	3,295	3,464	2,617	3,235
Financing receivables – net	25,104	23,702	24,809	27,422	25,633	22,159	19,924	17,682	15,255	16,017
Financing receivables securitized – net	4,159	5,127	4,835	4,602	4,153	3,618	2,905	2,238	3,108	1,645
Equipment on operating leases – net	6,594	5,902	4,970	4,016	3,152	2,528	2,150	1,936	1,733	1,639
Inventories	3,904	3,341	3,817	4,210	4,935	5,170	4,371	3,063	2,397	3,042
Property and equipment – net	5,068	5,171	5,181	5,578	5,467	5,012	4,352	3,791	4,532	4,128
Short-term borrowings:**										
Equipment operations	375	249	464	434	1,080	425	529	85	490	218
Financial services	9,660	6,662	7,961	7,584	7,707	5,966	6,307	5,239	3,535	6,619
Total	10,035	6,911	8,425	8,018	8,787	6,391	6,836	5,324	4,025	6,837
Short-term securitization borrowings:**										
Financial services	4,119	4,998	4,585	4,553	4,103	3,569	2,773	2,204	3,126	1,679
Long-term borrowings:**										
Equipment operations	5,491	4,565	4,439	4,619	4,845	5,418	3,155	3,316	3,058	1,984
Financial services	20,400	19,138	19,336	19,699	16,673	16,970	13,764	13,424	14,232	11,880
Total	25,891	23,703	23,775	24,318	21,518	22,388	16,919	16,740	17,290	13,864
Total Deere & Company stockholders' equity	9,557	6,520	6,743	9,063	10,266	6,842	6,800	6,290	4,819	6,533
Book value per share*	$ 29.70	$ 20.71	$ 21.29	$ 26.23	$ 27.46	$ 17.64	$ 16.75	$ 14.90	$ 11.39	$ 15.47
Capital expenditures	$ 586	$ 668	$ 655	$ 1,004	$ 1,132	$ 1,360	$ 1,050	$ 795	$ 767	$ 1,117
Number of employees (at year end)	60,476	56,767	57,180	59,623	67,044	66,859	61,278	55,650	51,262	56,653

* Attributable to Deere & Company.
** Restated balances for adoption of FASB ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. See Note 3.

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