

GROWING

A BUSINESS AS GREEN AS OUR PRODUCTS

DEERE & COMPANY ENVIRONMENTAL, HEALTH & SAFETY 2005 ANNUAL REPORT



JOHN DEERE

Deere & Company Environment, Health and Safety
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CHAIRMAN'S MESSAGE

Environment, Health and Safety 2005 Annual Review

During this past year, John Deere accomplished a number of prominent environmental and safety achievements. In February, we announced that a blend of biodiesel would be the factory fill of choice for all diesel-powered equipment manufactured at our U.S. facilities. Using a fuel blend that contains a renewable form of energy is expected to help both the environment and our agricultural customers.



That same month, we introduced the industry's first hybrid greens mower. It's a product that offers reduced fuel consumption, quieter operation, and virtually no possibility of a hydraulic leak that could contaminate pristine greens.

In July, we announced a new initiative that will help our customers harness wind power. Through John Deere's financing of wind energy projects across the country, our customers can harvest a different type of crop and increase their productivity and profitability. Our new wind energy business unit, managed by John Deere Credit, will oversee the company's wind harvesting investments.

And recently, seven of our facilities were named as winners of the U. S. National Safety Council's (NSC) 2005 Industry Leader Award. This recognition is given to companies that achieve the best safety performance in their industries. John Deere units comprise more than 10 percent of the NSC's list of 63 safety industry leaders.

However, while these achievements are all noteworthy, they are only a small part of John Deere's environmental, health and safety (EHS) story. Quietly each day, without fanfare, a myriad of activities take place around the company. These everyday actions, performed by thousands of employees, have helped to build and enhance the company's reputation as a responsible corporate citizen.

For example, in the Netherlands, a new energy-efficient building at John Deere Enschede, B.V. is unassumingly helping the factory be a good neighbor. The recently completed structure houses welding areas and a state-of-the-art paint system. It was built in a way that would please nearby residents and enhance the area. Delivery trucks have been rerouted to the rear of the building, reducing traffic on residential streets. At the same time, some of the building's features have allowed the factory to reduce its natural gas and electricity consumption by more than 20% each, while providing a cleaner work environment for employees.

During the year, 27 John Deere facilities throughout Canada, Europe and the United States reached at least one million hours without a lost-time injury. One of those facilities, the John Deere Cylinder Division in Moline, Illinois, has not incurred a lost-time injury since September 1995. That's pretty remarkable for a manufacturing facility.

At another manufacturing site, John Deere Turf Care in Fuquay-Varina, North Carolina, safety and ergonomics programs have reduced hand and finger injuries by more than 90 percent since 2002. This initiative is representative of focused employee safety efforts throughout the company. These efforts have steadily helped John Deere establish injury rates that are near our lowest levels.

At the John Deere Davenport Works in Iowa, a new paint system went into operation in 2005. This wasn't something that received a lot of publicity. However, the impact for the Davenport Works is significant. The new system allowed the factory to convert to paints that are even lower in emissions than previous products, as well as reduce other process waste.

All these accomplishments are important everyday pieces of John Deere's corporate social responsibility efforts. One of the company's primary roles as a responsible corporate citizen is to provide good jobs. We believe that means also providing them with a safe workplace – one where they feel comfortable and productive – every day. And in turn, these employees make the company successful.

As a responsible corporate citizen, we strive to safeguard our customers as well. Each day our employees design products that protect the people who operate them, create communications that educate our customers about product safety, and serve as active members of organizations that create safety standards for our industry.

We also try to help our customers be better stewards of the land. We continue to build products that are less disruptive to the environment, allowing the people who use them to be more productive while reducing their impact on the land. A great example from 2005 is our energy-efficient PowerTech™ Plus 9.0L engine. In December, *DIESEL* magazine awarded it the Diesel of the Year award on behalf of industry specialists from 16 European countries.

We strive to manage our resources in ways that are environmentally responsible. Not only does this create a safer and healthier workplace for our employees, it also creates safer and healthier communities. We also believe it gives our employees another reason to be proud of John Deere, as a company that endeavors to do the right thing.

These are some of the environmental, health and safety activities that take place at John Deere facilities worldwide each and every day. We're very proud of the newsworthy activities that gain public attention. But those are just part of our story. It's those activities and thousands more that create the EHS programs that help us to grow a business as green and as safe as many of our products.

Robert W. Lane, Chairman and CEO

John Deere Chooses Biodiesel for Factory Fill

(February 1, 2005) – Soon, when many John Deere customers purchase a new piece of equipment, they'll receive a bonus: environmentally friendly biodiesel fuel in the fuel tank.

Today John Deere announced that it plans to use a two percent biodiesel blend, or B2, as the preferred factory fill in its U.S. factories that make diesel-powered equipment. Some of the products that will be fueled by B2 include tractors, combines, and self-propelled sprayers.

The change is expected to benefit the environment and the company's agricultural customers, said John Gordon, manager, engine technology and test lab operations, John Deere Power Systems.

Biodiesel is a renewable energy source made from vegetable oils, like soybean oils, recycled cooking greases or oils, or animal fats. Energy-rich biodiesel produces 3.2 units of fuel energy for every unit of fossil energy used to produce the fuel. When biodiesel is used in place of petroleum, it reduces global warming gas emissions such as carbon dioxide.

The John Deere Waterloo (Iowa) Works, one of the company's tractor assembly facilities, and the John Deere Harvester Works, in East Moline, Illinois, a combine manufacturing factory, are expected to be the first two facilities to implement the new fuel.

"The other factories will begin using B2 before the end of the year," Gordon said. "We will publicize our fuel specs and actively encourage our customers to use the B2 formula in their own operations."

[Read the press release.](#)

A Greener Alternative for Golf Course Maintenance

New Hybrid Greens Mower Eliminates Hydraulic Leaks, Reduces Noise and Fuel Usage

February 18, 2005 – It's the dream of any golf course superintendent: a greens mower with lower noise levels, better fuel efficiency, and virtually no possibility of environmentally unfriendly hydraulic leaks.

Well, the dream has come true with the introduction of the new John Deere 2500E Hybrid Tri-Plex Greens Mower, the industry's first hybrid greens mower. On golf courses, where a hydraulic leak can contaminate pristine greens and disrupt weeks of hard work, the 2500E offers security and peace of mind. Electric reel motors replace multiple hydraulic components, eliminating more than 100 potential leak points.

The reel system offers additional environmental advantages. Unlike mowers with hydraulic reel circuits, the 2500E's electrical reel system can be operated independently of traction speed. In sound-sensitive areas, this allows users to reduce engine speed – and noise level – without slowing cutting speed. This ensures cut quality and productivity. It also delivers an additional bonus: improved fuel efficiency. This type of operation can reduce fuel consumption by an average of 10 percent.



Both golf course superintendents and the environment benefit from features of the new 2500E Hybrid Greens Mower.

"The 2500 E is an evolutionary piece of equipment," said Tracy Lanier, Product Manager, Golf & Turf Equipment. "We're very proud of the fact this machine allows golf course superintendents to maintain an excellent quality of cut while eliminating most of the chances of hydraulic leaks on the greens."

[Read the press release.](#)

New Brazilian Factory To Showcase Design for the Environment

(March 11, 2005) – From groundbreaking to operation, John Deere's new tractor factory in Montenegro, Brazil, will be as green as the background of the country's flag.

The 61,000-square meter (658,190-square foot) factory and surrounding site are being planned with careful respect for the environment. Located about 50 kilometers (31 miles) northwest of Porto Alegre in the state of Rio Grand do Sul, the facility will occupy a 961,233-square meter (265-acre) site.



An environmentally conscious building process was already in place when construction began in February. The contractor for the site is required to segregate waste, dispose of materials properly, and control soil erosion and runoff during construction. All construction workers on the site have been trained to protect the environment.

About 25 percent of the building site will be maintained as an undisturbed nature habitat. Marshlands, native trees and wildlife habitat will be preserved. Trees on a list of protected flora will be identified by an on-site botanist, and carefully relocated. The remaining undeveloped portions of the site will be planted with trees, replacing those that are removed to make way for the building. "We are going to reforest approximately three trees for every tree we cut," said Guenter Knies, John Deere Brasil construction manager. An on-site biologist will protect local animals, supervising their capture and relocation when necessary.



In this artist's rendering of an aerial view of the new Montenegro factory, the dark green area around the building indicates the extensive amount of reforested trees.

Natural native materials like stone will be incorporated in the design of the factory's office area. Roof skylights and windows will increase natural light. Minimal energy use principles have been used to select energy-efficient motors, lighting design and energy management systems. Non-ozone depleting refrigerants, like R-134, will be used for cooling systems, Knies said. Construction materials such as adhesives and paints are being carefully selected with the environment in mind.

Outside the factory, a retention pond will control all storm water runoff. Mass transit buses can easily pick up and drop off commuters at designated loading/unloading areas, and parking areas for buses are included in the design. A bike path to the site will accommodate employees who opt for healthier, energy-efficient transportation.

When it begins operations in mid-2006, the factory's green ways will continue. All wastewater will be treated on site, and recycled to water vegetation on the site, minimizing the use of potable water for irrigation. In the wash system that prepares parts for paint, an alkaline cleaner will replace a less environmentally friendly iron phosphate solution. This allows the paint system, the factory's major source of industrial wastewater, to purify its wastewater through an ultrafiltration unit, rather than sending it to the local treatment facility.

The coolant from machining operations will also be closely managed to extend its life. All metal filings and particles will be removed and recycled. When the coolant is spent, it will be returned to the manufacturer for reclamation. "We expect no wastewater discharges from the factory site except for infrequent batches of spent machine coolant and ultrafiltration concentrate – truckloads every six months," said Liping Zhang, Deere & Company environmental engineer.

Other metal scrap, paper, wood, and plastics will be transported to another building on site, where they will be sorted and shipped to recyclers, Zhang said.

Warren Fierce, Deere & Company project manager for facilities said the new facility is the result of trans-continental teamwork. "It's a joint effort between John Deere Brasil employees, our Brazilian designers, and engineers from corporate engineering staff in Moline (Illinois)," he said.

John Deere Enschede: Just Part of Being a 'Goede Buur'

(April 18, 2005) – To have good neighbors, you must be one. That's the philosophy of John Deere Enschede, B.V. in Enschede, the Netherlands.

The factory knows what good neighbors, or *goede buren*, are. That's because they're just across the street. The factory is located at the edge of a small industrial area with a residential neighborhood within 20 meters (66 feet) of its front door. So, several years ago, when it decided to make some improvements, it only made sense to do them in a way that would please its neighbors and enhance the area.

"*Good noaberschap*, an expression in the local dialect, means good neighborliness, and is one of the great values of the people in this part of the Netherlands," said Wim van Ofwegen, ICT and facility manager at Enschede. "We just practiced it. It brings obligations, but in return, it brings you help in times of trouble."

To create more space for production, the factory first demolished an outdated building, and replaced it with a larger, more energy-efficient one. The improvement had immediate impact. "We now save 25 percent on the natural gas bill for all John Deere Enschede, and 20 percent on the total electricity bill," said van Ofwegen.



With the erection of the new building, process changes allowed the factory to move its receiving dock from the front of the premises to the back. Now delivery trucks and other vehicles can access the factory through the industrial area, reducing traffic for nearby homeowners.

A new paint system provides a high-quality finish for the commercial riding mowers and compact utility tractors that the factory manufactures. An incinerator burns fumes from the system, providing heat for chemical baths in the paint pre-treatment system and eliminating solvent emissions to neighboring homes.

In the paint pre-treatment system, a special water spray device on a chemical bath reduces the volume of chemicals and water used, as well as sludge and residual compounds from the system's discharge water.

The changes have also improved working conditions inside the factory. The new building was designed to let in more natural light, and higher ceilings improve the work environment. New fume ventilation systems filter out welding particles and recycle cleaner air for employees. "Therefore we do not exhaust the welding fumes to the outside, reducing emissions to the atmosphere and saving on heating costs," van Ofwegen said.

The factory reduced its energy consumption even more with the installation of a new compressor. During the winter, cooling air from the compressor is used to heat the areas adjacent to the compressor room.

"The Netherlands is one of the most populated countries in the world," said van Ofwegen. "With so many people living so close to each other, you have to be careful with the environment – and every little bit helps."

New DVD Delivers Safety Message

(August 12, 2005) – Purchasers of John Deere riding lawn equipment will soon receive an additional accessory with each new vehicle: a DVD packed with lawn care safety tips for the whole family.

The 14-minute video offers operators valuable information on maintaining a beautiful lawn, while ensuring that family members – especially children – stay free from injuries.

"Children tend to see riding lawn equipment as fun," said Gary Mills, John Deere project manager, product safety. "Many accidents originate when adults give children rides on lawn mowers. The DVD emphasizes that children should never ride on a mower, even when the blade is disengaged."



The DVD also stresses the need to keep children at a distance when mowing. "We want to make sure that families understand that these products are working vehicles," Mills said. "Children should never be near while an adult is operating a mower."

The motivation for this video, Mills said, is to ensure that customers operate machines correctly. There are nearly 90,000 incidents annually with all brands of mowing equipment in the United States, according to the Consumer Product Safety Commission

"Mowing equipment should always be operated with all shields and guards in place," Mills said. "When they come in contact with a lawn mower, rocks and other debris can become projectiles that travel up to 200 miles per hour." The DVD was produced by the company's Commercial & Consumer Equipment Division.

Another Safe Year for John Deere Facilities

John Deere employees continued to work safely during 2005, as 27 company facilities each marked more than one million hours without a lost-time injury.

John Deere Cylinder Division in Moline, Illinois, was the manufacturing facility that posted the longest time since an employee suffered a lost-time injury. The factory has worked since September 20, 1995 – more than 10 years – since its last lost-time incident. As of October 31, the facility had amassed more than 5,447,520 hours without a lost-time injury. The Southeast Engineering Center (SEEC) in Charlotte, North Carolina, posted 4,903,680 hours, which the facility began accumulating in December 1994. Both the Cylinder Division and SEEC continue to add to their records in 2006.

The company's corporate offices posted the highest number of hours for a non-manufacturing facility, accumulating 14,000,000 hours without a lost-time injury. The Deere & Company facilities began their record in October, 2003, and continue to accumulate hours in 2006.

According to Ellen Blanshan, John Deere Occupational Safety Specialist, the number of hours is a total of the hours actually worked by all employees at each unit. A smaller unit, such as the Cylinder Division (236 employees) requires a longer time to accumulate the same number of hours as larger units, such as Deere & Company offices (3,000 employees), she said.

TimberLink System Boosts Productivity, Decreases Fuel Consumption

A tool that analyzes machine performance is helping the operators of John Deere forestry equipment increase their productivity while decreasing fuel consumption. Currently available on the company's tree harvesters, the TimberLink™ system monitors machines as they perform a variety of functions.

TimberLink allows the operator to view a machine's total fuel consumption, as well as the amount of fuel consumed during sawing, feeding, driving and boom operation phases. By comparing a machine's current fuel consumption to that of a reference machine working in similar conditions, an operator can quickly pinpoint significant differences in performance. This enables early detection of malfunctions, eliminating catastrophic failures and lengthy downtime.

The TimberLink system can also identify ways to improve timber handling, which increases productivity. An operator in Sweden noticed that his machine took more time – 1.2 seconds per short log – to feed logs and position them to be cut than the reference machine did. By adjusting his machine, the operator reduced the machine's operating time by three hours each week, saving more than 50 liters (13 gallons) of fuel.

John Deere Facilities Honored as Safety Industry Leaders

Seven John Deere facilities have been named as winners of the 2005 Industry Leader Award, presented by the National Safety Council. The awards are given to those companies that achieve the best safety performance in their industries. The John Deere facilities comprised more than 10 percent of the 63 companies receiving awards.

The John Deere facilities honored as industry leaders, and their industry, are:

- n John Deere Harvester Works, East Moline, Illinois (manufacturing)
- n John Deere Construction & Forestry Equipment Company, Moline, Illinois (wholesale trade)
- n John Deere Parts Distribution Center, Dallas, Texas (transportation & warehousing)
- n Sunbelt Outdoor Products, Macon, Georgia (transportation & warehousing)
- n John Deere Credit, Madison, Wisconsin (finance & insurance)
- n Deere & Company Worldwide Headquarters, Moline, Illinois (management of companies & enterprises)
- n John Deere Landscapes, Alpharetta, Georgia (management of companies & enterprises)

John Deere Engine Garners Industry Awards

PowerTech Plus™ 9.0L engine offers fuel economy and superior performance

December 22, 2005 – A fuel-efficient John Deere engine has grabbed the attention of the diesel industry – and several awards as well.

The PowerTech Plus 9.0L engine recently received the Diesel of the Year 2006 award from DIESEL magazine, a European publication dedicated to diesel engines. The annual award – given to the engine deemed the year's most innovative – was presented by the staff of the publication on behalf of a group of industry specialists from 16 countries.

The second award, presented by Construction Equipment magazine, gave the engine a Top 100 Product of the Year Award. The PowerTech Plus engine was one of 700 new products introduced in 2005 that was considered for the award list.

While the 9.0L and the entire PowerTech Plus family of diesel engines boast best-in-class fuel economy, they also offer outstanding performance – all the while meeting strict Tier 3/Stage III emission requirements. In fact, the PowerTech Plus 9.0L engine offers increased performance and power density, and higher levels of peak and low-speed torque than its Tier 2/Stage II predecessor.

[Read the press release.](#)



John Deere Brazil Earns Social Responsibility Award

(December 14, 2005) – John Deere Brazil has been awarded the "Excellence in Social Management" prize by *Editoria Expressao* magazine.

The award recognizes John Deere for having achieved excellent social management standards that are even embodied in the strategic planning process of the company.

It was based on a survey conducted in Southern Brazil covering aspects of corporate social responsibility, including the treatment of key stakeholder groups, environmental aspects, and openness.

This type of survey is becoming increasingly important in the rapidly growing economy of Southern Brazil, said Luis Eduardo Mariath, executive manager of the Brazilian John Deere Foundation.

John Deere Employees Win Recognition for Bio-Based Plastic Support

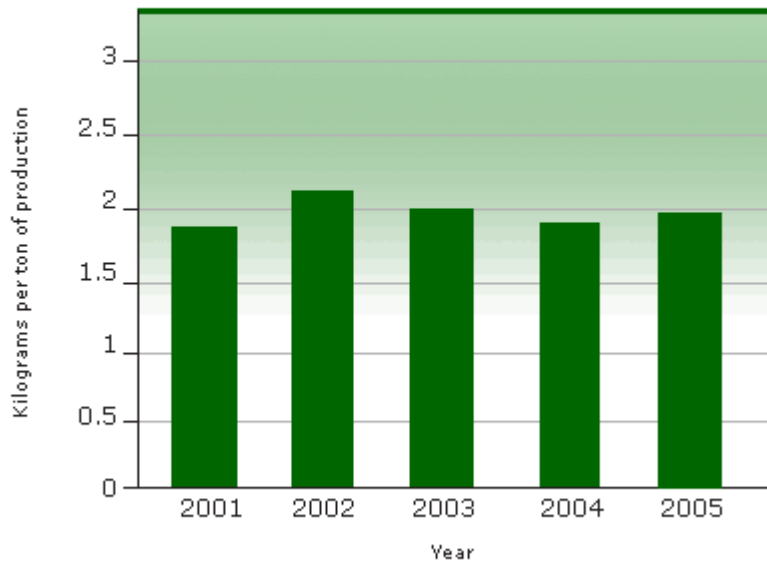
(July 27, 2005) – Two John Deere employees were recently honored for their efforts to develop and promote the use of plastics made from soybeans and corn.

Brian Maas, an engineer at the John Deere Harvester Works in East Moline, Illinois, received the Sunkist Young Designer Award from the American Society of Agricultural Engineers (ASAE). Maas was presented the award, one of the organization's most prestigious honors, in recognition of his contributions to the development and promotion of bio-based polymers in the production of agricultural machinery equipment.



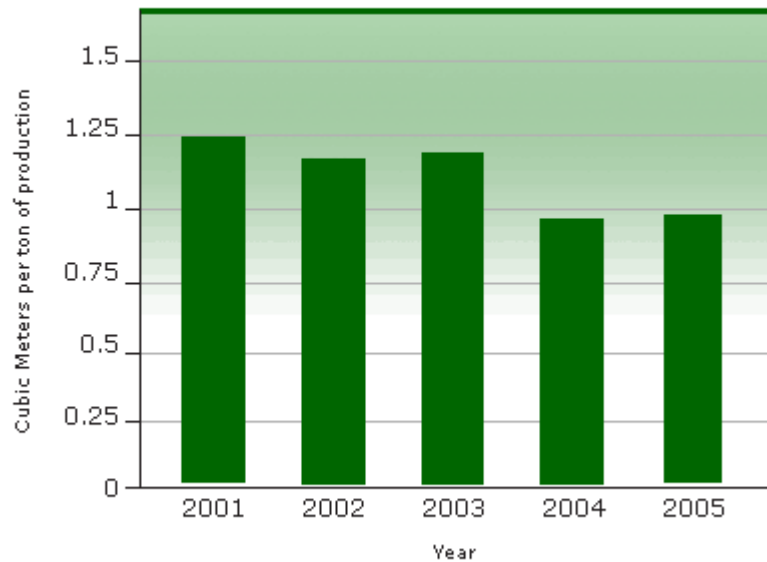
Maas and Greg McCunn, a supply base manager for composites in Deere's agricultural equipment division, are co-recipients of the 2005 ASAE Rain Bird Engineering Concept of the Year Award. Maas and McCunn provided leadership toward the development and implementation of soybean- and corn-based composite materials under the Deere trademark HarvestForm™. These materials are used in exterior panels and other components on the company's combine harvesting equipment.

Hazardous Waste Generated



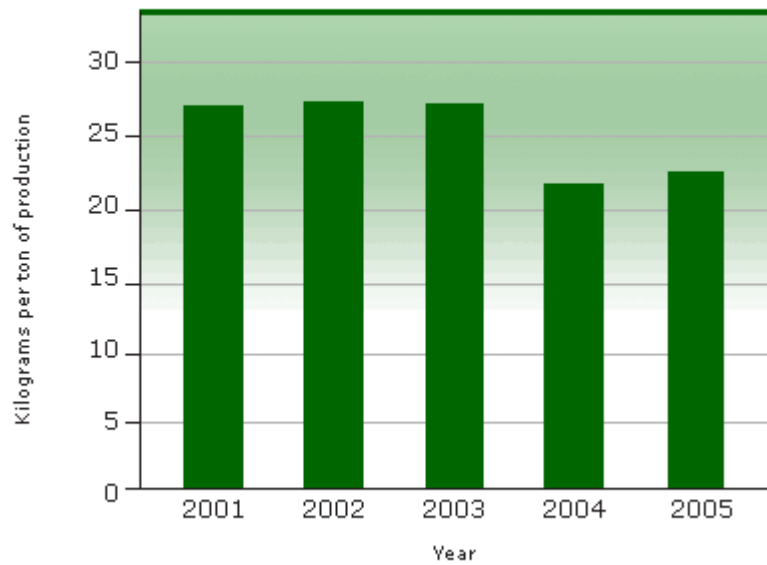
Hazardous waste - includes waste classified as hazardous per the U.S. Environmental Protection Agency RCRA hazardous waste definition.

Process Wastewater



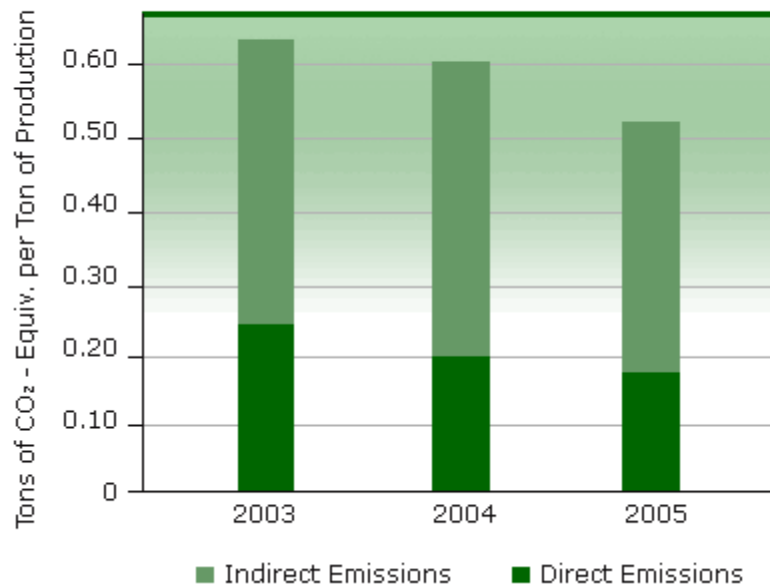
Process Wastewater - includes wastewater used in the manufacturing process that becomes contaminated and sanitary wastewater from offices and cafeterias. For purposes of the John Deere environmental metrics program, wastewater excludes non-contact cooling water that can be discharged without treatment.

Total Waste

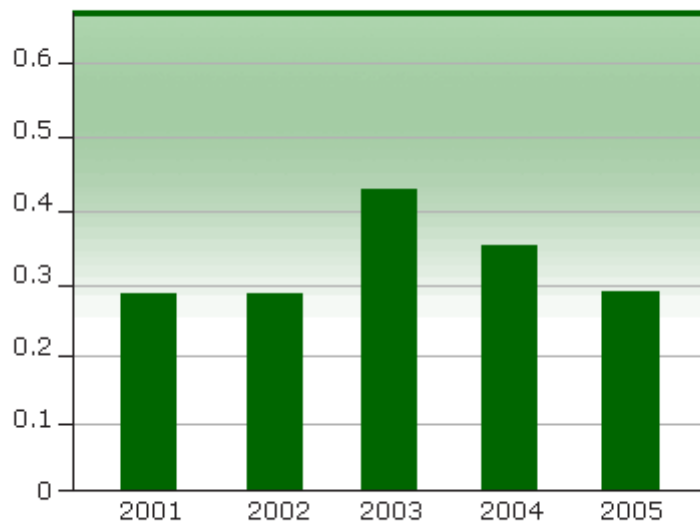


Total Waste Generated - includes all solid waste and sludges generated, both hazardous and nonhazardous, except for powerhouse bottom ash from coal combustion and waste foundry sand. It does not include wastewater sent off site for treatment, wastewater discharged to sewer systems, or emissions into the air.

Normalized CO₂ Emissions

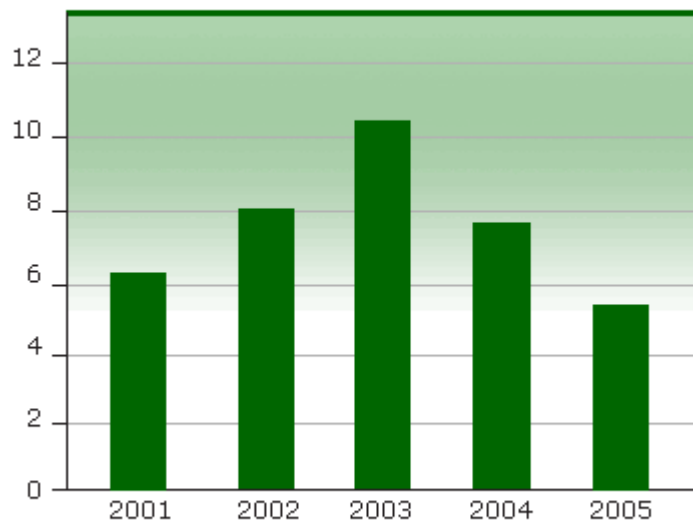


Lost-Time Case Frequency Rate*



*Cases involving one or more days away from work per 200,000 employee hours worked

Lost-Time Case Severity Rate*



*Days lost per 200,000 employee hours worked



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