



FROM THE  
GROUND  
UP  
**2015**  
Quarterly Report

For the three and nine-month periods ended September 30, 2015

One of the privileges of the CEO position is holding the pen for quarterly messages and annual reports. I have always taken the responsibility seriously. In the past I have honoured my co-founder Rob Stenson, shared our entrepreneurial roots, highlighted and celebrated our growth and the achievements of our teams, and paid tribute to the men and women on our shop floors. It has been customary, and respectful to open with the phrase, “on behalf of the Board of Directors and everyone at AGI”. With this being my last opportunity to speak to you in this medium I would like to take some additional editorial latitude. Indeed everything I have to say is personal.

First of all I am full of gratitude to everyone who stepped up to the plate for us and with us over the years. We never could have built AGI without you, so I hope you know that I know, and that I am very appreciative. You will remain unnamed only because of the risk of inadvertently missing someone. The list runs the spectrum from customers to shareholders, from employees to Directors, from suppliers to bankers, from founders of acquired businesses to competitors, from start up to future state. You have all contributed and hopefully many of you will continue to make your mark going forward. AGI needs you all to pull with us to create what is truly possible.

I am also full of pride. We have acquired and developed an extensive catalogue, serving customers from family farms to port facilities and everything in between. Along the way we have assembled an exceptional team with lots of caring and compete. I am so proud of them. Perhaps that is why I struggle to accept the public markets view of our current value. Shouldn't our share price reflect both performance and potential? Yes, our stock can experience oversteering from time to time, not unlike much of the market. But this level of retreat seems particularly overstated, especially given our long term performance as a market leader in our space, our yield and our growth potential. Today we are trading in the same range that we were trading in three years ago during the effects of a one-in-fifty year drought in the US corn belt. Back then we had LTM Adjusted EBITDA of approximately \$43m. Today we have LTM Adjusted EBITDA of \$73m, with only a modest increase in our share float. We have a strong, resilient and highly dedicated team that never backs down from a challenge. We have proven ourselves time and again and shown our commitment to our dividend under more difficult circumstances. We rebounded after the 2012 drought with refreshed product lines and new momentum; we bounced back from the war in Ukraine with diversified growth in international sales; and we will respond to the drought in western Canada with market synergies from our newly acquired Westeel division. International markets will continue to grow and diversify. We will continue to be acquisitive and strategic.

My retirement is the culmination of a corporate succession planning process initiated in 2011. Commencing in early 2014, when I expressed to the Board my desire to retire in 2016, the Board and the HRCC, working with me and our HR consultants, developed a CEO selection criteria that led to a thorough, robust CEO succession process. The result was the appointment of Tim Close as President in March of this year. By the time I retire it will have been five years since we initiated our succession planning and almost two years since the CEO succession process commenced in earnest. A period that has allowed for the growth and development of the team and the positioning of the business.

Tim is ready to lead. We have a strong balance sheet, upgraded manufacturing facilities, leading brands in all of our business segments, a clear path to lean as a culture, a strong base in North America and excellent growth potential internationally. This is not to minimize the challenges of today and those in the future that Tim and his team will experience from time to time. And we have some short term internal work to complete at some of our divisions to up our game. It is all identifiable, measureable and solvable. I remain a believer in the long term market opportunities that Tim and his team will pursue. AGI is ready for its next stage of development, under the next generation of leadership. My parting words come from the music of the road, during those early days of fighting our way into the market. Thank you Mr. Springsteen for the advice..."No retreat baby, no surrender". Good luck Tim and Team.

I look forward to continuing to contribute to the growth and development of AGI as a member of the Board.

Thanks everyone. Hope to see you down the road.

Gary Anderson

CEO

**AG GROWTH INTERNATIONAL INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Dated: November 13, 2015**

This Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth International Inc. (“AGI”, the "Company", "we", "our" or "us") for the year ended December 31, 2014 and the unaudited interim condensed consolidated financial statements of the Company for the three and nine month periods ended September 30, 2015. Results are reported in Canadian dollars unless otherwise stated.

The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts are expressed in Canadian currency, unless otherwise noted.

Throughout this MD&A references are made to "trade sales", "EBITDA", “adjusted EBITDA”, “gross margin”, “funds from operations”, "payout ratio", “adjusted payout ratio”, “adjusted profit” and “diluted adjusted profit per share”. A description of these measures and their limitations are discussed below under "Non-IFRS Measures".

This MD&A contains forward-looking statements. Please refer to the cautionary language under the heading "Risks and Uncertainties" and "Forward-Looking Statements" in this MD&A and in our most recently filed Annual Information Form.

**SUMMARY OF RESULTS**

A brief summary of our operating results is found below. A more detailed narrative is included later in this MD&A under “Explanation of Operating Results”.

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Trade sales <sup>(1)</sup>	\$134,242	\$118,818	\$352,121	\$317,422
Adjusted EBITDA <sup>(1)(2)</sup>	\$20,843	\$26,718	\$59,671	\$65,231
Net Profit	\$(8,638)	\$8,653	\$(3,874)	\$23,509
Adjusted profit <sup>(1)</sup>	\$8,920	\$14,851	\$28,223	\$31,654
Diluted profit per share	\$(0.60)	\$0.65	\$(0.28)	\$1.76
Diluted adjusted profit per share <sup>(1)(3)</sup>	\$0.56	\$1.11	\$1.85	\$2.37

(1) See “Non-IFRS Measures”.

(2) See “Adjusted EBITDA” below in Summary of Results.

(3) See “Diluted profit per share and Diluted adjusted profit per share” below in Summary of Results.

Adjusted EBITDA decreased compared to very strong third quarter 2014 results due primarily to lower North American sales of on-farm and commercial grain handling equipment. In the United States, the USDA corn production forecast of 13.6 billion bushels represents a relatively large crop but a decrease of 5% compared to 2014. AGI's decrease in on-farm handling equipment sales is partly attributable to this lower crop production but was also impacted by crop variability, farmer and dealer sentiment and by generally dry conditions late in the season that allowed the crop to mature quickly. The expectation of an early and dry harvest lowered in-season orders as it became less likely that a late crop or wet conditions would result in a difficult harvest or a need for farmers to dry their grain prior to storage. Commercial business in the U.S. continued at a reasonable pace however remained below the very strong demand experienced in 2014.

In Canada, crop production generally exceeded expectations however sales were well below the record levels achieved in 2014. Sales decreased significantly at newly acquired Westeel from \$49.9 million in the third quarter of 2014 to \$29.8 million in the current period. Prior to its May 20, 2015 acquisition by AGI, Westeel aggressively shipped product to its dealers in Q4 2014 and Q1 2015 and as a result high levels of inventory existed at the dealer level when dry conditions led to reduced demand early in the 2015 growing season. A fast and efficient harvest in Canada reduced in-season demand for portable grain handling and aeration products and sales in these lines were also well below the records achieved in 2014, however the decrease was not as significant as the decline experienced in the storage business.

AGI's international business continues to grow and offshore sales in the three and nine month periods ended September 30, 2015, excluding Westeel, increased 9% and 34%, respectively. Sales growth resulted from continued momentum in Latin America and projects with multinational grain handlers in Ukraine. Quoting activity remains robust and management anticipates additional growth offshore in the near-term.

On May 20, 2015, AGI completed its acquisition of the Westeel division ("Westeel") of Vicwest Inc. (see "Westeel Acquisition" below). The summary of results table above includes operating results of Westeel subsequent to the acquisition date of May 20, 2015. Trade sales and adjusted EBITDA related to Westeel for the period May 20, 2015 to September 30, 2015 are shown below:

(\$000's)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
<b>Trade Sales</b>				
AGI ex-Westeel	\$104,476	\$118,818	\$304,258	\$317,422
Westeel <sup>(1)</sup>	29,766	0	47,863	0
<b>Total</b>	<b>\$134,242</b>	<b>\$118,818</b>	<b>\$352,121</b>	<b>\$317,422</b>
<b>Adjusted EBITDA</b>				
AGI ex-Westeel	\$18,623	\$26,718	\$55,138	\$65,231
Westeel <sup>(1)</sup>	2,220	0	4,533	0
<b>Total</b>	<b>\$20,843</b>	<b>\$26,718</b>	<b>\$59,671</b>	<b>\$65,231</b>

(1) Subsequent to the acquisition date of May 20, 2015. See "Westeel Acquisition" below.

## Westeel Acquisition

AGI completed its acquisition of Westeel on May 20, 2015. Headquartered in Winnipeg, Manitoba, Westeel is Canada's leading provider of grain storage solutions offering a wide range of on-farm and commercial products for the agricultural industry. The acquisition included Westeel's foreign sales offices, its 100% interest in Italian subsidiary PTM Technology, a manufacturer of grain handling equipment, and its 51% interest in a European subsidiary.

Sales and adjusted EBITDA for Westeel decreased compared to 2014 as poor growing conditions in western Canada early in 2015 lowered crop production expectations and negatively impacted farmer sentiment. Inventory levels at Westeel dealers in Canada were generally high prior to spring planting as, prior to its May 20, 2015 acquisition by AGI, Westeel aggressively shipped product in Q4 2014 and Q1 2015 on the back of excellent 2014 sales and high levels of dealer participation in preseason programs. Reduced farmer demand and high levels of inventory at the dealer resulted in lower Westeel sales and adjusted EBITDA subsequent to its acquisition on May 20, 2015.

### *Financial Results*

The table below compares Westeel results to prior periods for the entire three and nine month periods indicated. AGI acquired Westeel on May 20, 2015. From the date of acquisition, Westeel recorded trade sales of \$47.9 million and adjusted EBITDA of \$4.5 million.

WESTEEL				
(\$000's)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Trade sales <sup>(1)</sup>	\$29,766	\$49,925	\$108,755	\$139,941
Adjusted EBITDA <sup>(1)</sup>	\$2,220	\$5,205	\$9,606	\$12,096
Gross margin	20.6%	20.4%	22.8%	20.3%

(1) For the entire three and nine month periods. AGI acquired Westeel on May 20, 2015.

### *Integration and Synergies*

Integration of the Westeel business is ahead of expectations and is well advanced in all aspects of the operation including production, coordination of North American and International sales efforts, centralization of the marketing function, information technology transfer and the human resources and finance functions. Cost synergies realized to date are higher than originally anticipated and at the time of writing synergies related to organizational restructuring along with certain supply change synergies have already reached the Company's near term goal of \$5 million in annual synergies. Management expects to realize additional sales, manufacturing and purchasing synergies in 2016 and is currently exploring product line expansion opportunities.

**Trade Sales** (see "Non-IFRS Measures")

(\$000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2015	2014	Change	2015	2014	Change
Canada	\$42,194	\$28,012	\$14,182	\$103,064	\$81,838	\$21,226
US	\$64,158	\$67,609	\$(3,451)	\$168,666	\$178,430	\$(9,764)
International	\$27,890	\$23,197	\$4,693	\$80,391	\$57,154	\$23,237
<b>Total</b>	<b>\$134,242</b>	<b>\$118,818</b>	<b>\$15,424</b>	<b>\$352,121</b>	<b>\$317,422</b>	<b>\$34,699</b>

Included in the table above are Westeel trade sales from the May 20, 2015 acquisition date to September 30, 2015, as follows:

Westeel Only – Trade Sales (May 20/15 – Sep 30/15)				
(\$000s)	Three Months Ended September 30 2015		Nine Months Ended September 30 2015	
	Canada	\$22,998		\$38,889
US	\$4,136		\$5,258	
International	\$2,632		\$3,716	
<b>Total</b>	<b>\$29,766</b>		<b>\$47,863</b>	

Sales in Canada were negatively impacted by poor growing conditions in western Canada early in 2015 that lowered crop production expectations and negatively impacted farmer sentiment. Inventory levels were generally high prior to spring planting, especially with respect to Westeel storage products, as dealer intake in Q4 2014 and Q1 2015, prior to AGI's acquisition of Westeel, was very high subsequent to strong 2014 sales. Reduced farmer demand and high dealer inventory levels resulted in lower sales for portable grain handling equipment, aeration products and storage bins and in-season demand was negatively impacted by a quick and efficient harvest. The geographic sales mix of Westeel is weighted towards western Canada and accordingly AGI's exposure to the region increased subsequent to the acquisition.

In the United States, the USDA corn production forecast of 13.6 billion bushels represents a relatively large crop but a decrease of 5% compared to 2014. AGI's decrease in on-farm handling equipment sales is partly attributable to this lower crop production but has also been impacted by crop variability, farmer and dealer sentiment and by generally dry conditions late in the season that allowed the crop to mature quickly. The expectation of an early and dry harvest lowered in-season orders as it became less likely that a late crop or wet conditions would result in a difficult harvest or a need for farmers to dry their grain prior to storing. The negative impact of the factors noted above more than offset the positive impact of a stronger U.S. dollar relative to its Canadian counterpart.

AGI's international sales for the three and nine month periods ended September 30, 2015 increased significantly due to continued momentum in Latin America, strong sales in Ukraine and the acquisition of Westeel and its Italian subsidiary PTM Technologies. In Latin America, large projects in Peru and Bolivia contributed to an increase in sales in the nine months ended September 30, 2015 from \$8.2 million in 2014 to \$18.0 million in 2015. In Russia and Ukraine sales increased from \$26.8 million in the first half of 2014 to over \$36 million in the current year largely due to business in Ukraine with multinational grain traders.

See also "Outlook".

**Gross Margin** (see "Non-IFRS Measures")

<b>Gross margin</b>				
	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
AGI ex-Westeel	34.3%	35.3%	34.9%	35.2%
Westeel <sup>(1)</sup>	20.7%	N/A	22.3%	N/A
Consolidated	31.2%	35.3%	33.2%	35.2%

(1) For the period May 20, 2015 – September 30, 2015.

Strong gross margins were achieved despite lower sales of high margin portable grain handling equipment as AGI reacted quickly to signs of changing demand patterns and due to the positive impact of a weaker Canadian dollar. Gross margin improved at the Company's Union Iron division due in part to high seasonal sales levels however operational challenges at Union Iron are expected to persist into 2016. Union Iron represents approximately 5% to 10% of annualized sales pro forma the acquisition of Westeel.

**Adjusted EBITDA** (see "Non-IFRS Measures")

Adjusted EBITDA for the quarter ended September 30, 2015 was \$20.8 million (2014 - \$26.7 million). The decrease compared to very strong results in 2014 resulted from lower North American sales of portable and commercial grain handling equipment.

(thousands of dollars)	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
<b>EBITDA<sup>(1)</sup></b>	<b>\$1,354</b>	<b>\$18,734</b>	<b>\$25,498</b>	<b>\$54,692</b>
Loss on foreign exchange <sup>(2)</sup>	11,872	5,231	22,288	6,816
Non-cash Share Based Compensation	1,931	1,786	2,076	3,494
Allowance for net receivables <sup>(3)</sup>	1,955	0	1,955	0
M&A activity	1,192	979	4,706	1,159
Loss (gain) on sale of PP&E	<u>2,539</u>	<u>(12)</u>	<u>3,148</u>	<u>(930)</u>
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b><u>\$20,843</u></b>	<b><u>\$26,718</u></b>	<b><u>\$59,671</u></b>	<b><u>\$65,231</u></b>

(1) See “Non-IFRS Measures”.

(2) See “Impact of Foreign Exchange” below.

(3) In the three months ended September 30, 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

### **Diluted profit (per share) and Diluted adjusted profit (per share)**

Diluted loss per share for the quarter ended September 30, 2015 was \$0.60 (2014 – profit of \$0.65) and for the nine months then ended diluted loss per share was \$0.28 (2014 – profit of \$1.76). The decrease was primarily the result of lower EBITDA, transaction costs related to the acquisition of Westeel and losses on foreign exchange. A reconciliation to diluted adjusted profit per share follows:

(thousands of dollars)	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Profit (loss)	<b>\$(8,638)</b>	<b>\$8,653</b>	<b>\$(3,874)</b>	<b>\$23,509</b>
Diluted profit (loss) per share	<b><u>\$(0.60)</u></b>	<b><u>\$0.65</u></b>	<b><u>\$(0.28)</u></b>	<b><u>\$1.76</u></b>
Loss on foreign exchange	11,872	5,231	22,288	6,816
M&A activity	1,192	979	4,706	1,159
Non-cash loss on available-for-sale investment	0	0	0	1,100
Loss (gain) on sale of PP&E	2,539	(12)	3,148	(930)
Allowance for net receivables <sup>(2)</sup>	<u>1,955</u>	<u>0</u>	<u>1,955</u>	<u>0</u>
Adjusted profit <sup>(1)</sup>	<b><u>\$8,920</u></b>	<b><u>\$14,851</u></b>	<b><u>\$28,223</u></b>	<b><u>\$31,654</u></b>
Diluted adjusted profit per share <sup>(1)</sup>	<b><u>\$0.56</u></b>	<b><u>\$1.11</u></b>	<b><u>\$1.85</u></b>	<b><u>\$2.37</u></b>

(1) See “Non-IFRS Measures”

(2) In the three months ended September 30, 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

## Impact of Foreign Exchange

### *Sales and Adjusted EBITDA*

AGI's average rate of exchange for the three and nine month periods ended September 30, 2015 was \$1.30 and \$1.26, respectively (2014 = CAD \$1.09 in both periods). A lower Canadian dollar results in an increase in reported trade sales as U.S. denominated sales are translated into Canadian dollars at a higher rate. Similarly, a lower Canadian dollar results in an increase in U.S. dollar denominated inputs and SG&A expenses as U.S. denominated costs are translated into Canadian dollars at a higher rate. As U.S. dollar sales exceed U.S. dollar costs, adjusted EBITDA benefits from a weaker Canadian dollar. A weaker Canadian dollar may result in higher input costs of certain Canadian dollar inputs, particular steel.

### *Gains and Losses on Foreign Exchange*

AGI enters forward foreign exchange contracts with maturity dates up to two years from the contract date with the objective of partially mitigating exposure to currency fluctuations. The table below summarizes outstanding foreign exchange contracts.

<b>Forward Foreign Exchange Contracts</b>			
<b>Settlement Dates</b>	<b>Face Amount USD (000's)</b>	<b>Average Rate CAD</b>	<b>CAD Amount (000's)</b>
2015 – Q4	27,000	\$1.11	29,940
2016 – Q1	17,500	\$1.17	20,408
2016 – Q2	23,500	\$1.18	27,660
2016 – Q3	33,500	\$1.18	39,453
2016 – Q4	26,000	\$1.18	30,773
2017 – Q1	9,000	\$1.25	11,216

In the three and nine months ended September 30, 2015, AGI realized a loss on maturing foreign exchange contracts of \$5.7 million and \$9.4 million, respectively. For the period ended September 30, 2015 a non-cash loss of \$1.3 million arising from hedge ineffectiveness was also recorded through net earnings. Based on current rates of foreign exchange the Company expects to realize significant losses on its foreign exchange contracts in the fourth quarter of 2015 and to a lesser extent in 2016. Currency fluctuations also result in non-cash gains or losses on foreign exchange. See “Financial Instruments – Foreign exchange contracts”.

## **CORPORATE OVERVIEW**

AGI is a manufacturer of agricultural equipment with a focus on grain handling, storage and conditioning products. Our products service most agricultural markets including the individual farmer, corporate farms and commercial operations. Our business is affected by regional and global trends in grain volumes, on-farm and commercial grain storage and handling practices, and to a lesser extent crop prices. Our business is seasonal, with higher sales occurring in the second and third calendar quarters compared with the first and fourth quarters. We manufacture in Canada, the U.S. and Europe and we sell products globally, with most of our sales in the U.S.

Our business is sensitive to fluctuations in the value of the Canadian and U.S. dollars as a result of our exports from Canada to the U.S. and as a result of earnings derived from our U.S. based divisions. Fluctuations in currency impact our results even though we engage in currency hedging with the objective of partially mitigating our exposure to these fluctuations. AGI's average rate of exchange for the three and nine month periods ended September 30, 2015 was \$1.30 and \$1.26, respectively (2014 = CAD \$1.09 in both periods).

Our business is also sensitive to fluctuations in input costs, especially steel, a principal raw material in our products, which, for reference, represented approximately 26% of the Company's production costs in fiscal 2014. Short-term fluctuations in the price of steel impact our financial results even though we strive to partially mitigate our exposure to such fluctuations through the use of long-term purchase contracts, bidding commercial projects based on current input costs and passing input costs on to customers through sales price increases.

## **OUTLOOK**

Management expects fourth quarter sales of on-farm portable equipment to fall below 2014 levels as a quick and efficient harvest in both Canada and the United States has contributed to slightly elevated dealer inventories. In addition, negative farmer sentiment and dealer cash flow considerations continue to impact dealer purchases. As a result, we anticipate dealer participation in preseason programs will be lower than the prior year but we expect it will be roughly in line with longer term averages. AGI's commercial business, both domestically and overseas, is expected to perform well in the fourth quarter and sales are anticipated to exceed 2014 levels. Consistent with prior periods, realized sales are subject to the timing of customer commitment and delivery considerations. Excluding Westeel, management expects adjusted EBITDA in the fourth quarter of 2015 to decrease compared to 2014 as strength in North American and international commercial business is more than offset by lower sales of portable grain handling equipment.

As noted earlier, Westeel inventory at the dealer level is higher than typical due to the rapid pace of shipping in Q4 2014 and Q1 2015, prior to AGI's acquisition of Westeel, and the subsequent weather related decline in demand in western Canada. As a result, dealer participation in preseason storage programs has decreased compared to the record set in 2014. Accordingly, management anticipates sales in Q4 2015 to be significantly below the prior year with a focus on level-loading production in order to optimize longer term margins and stabilize operations. Westeel, including its Italian PTM subsidiary, reported adjusted EBITDA of over \$6 million in the fourth quarter of 2014. However largely for the reasons noted above management expects adjusted EBITDA at Westeel to be less than \$2 million in the fourth quarter of 2015.

Management remains positively biased with respect to fiscal 2016. Although sales and adjusted EBITDA in Q1 2016 are likely to fall below 2015 levels, the result of lower participation in on-

farm preseason programs, results for the balance of the year are expected to reflect a return to more typical farmer buying patterns for on-farm equipment, steady demand for domestic commercial products and continued growth in offshore markets. Management anticipates sales of portable handling equipment will reflect the traditional demand drivers of crop production volume and harvest conditions as farmers upgrade or replace augers that are nearing the end of their useful lives. Sales of Westeel storage products are expected to reflect typical buying behavior as AGI manages dealer intake in Q4 2015 so as not to artificially increase dealer inventory levels in advance of the growing season. In 2016, demand for commercial equipment is expected to meet or exceed 2015 levels as management anticipates another year of growth in offshore markets. AGI has a geographically diverse and high quality quote log that includes projects in Eastern Europe, Ukraine and Latin America.

AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars and a weaker Canadian dollar relative to its U.S. counterpart positively impacts profit and adjusted EBITDA. However, a portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts and based on current rates of exchange the Company expects to recognize a significant loss on these contracts in the fourth quarter of 2015 and to a lesser extent in fiscal 2016.

Demand in 2016 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets, including the ongoing uncertainty and volatility in Ukraine, and the availability of credit and export credit agency support in offshore markets, also may influence sales, primarily of commercial grain handling and storage products. Results may also be impacted by changes in steel prices and other material input costs and the rate of exchange between the Canadian and U.S. dollars.

## DETAILED OPERATING RESULTS

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Trade sales <sup>(1)</sup>	\$134,242	\$118,818	\$352,121	\$317,422
Loss on FX	<u>(8,652)</u>	<u>(3,903)</u>	<u>(16,876)</u>	<u>(5,391)</u>
Sales	<u>125,590</u>	<u>114,915</u>	<u>\$335,245</u>	<u>312,031</u>
Cost of inventories	92,292	76,874	235,265	205,824
Depreciation/Amortization	<u>3,101</u>	<u>1,685</u>	<u>7,003</u>	<u>5,041</u>
Cost of sales	<u>95,393</u>	<u>78,559</u>	<u>242,268</u>	<u>210,865</u>

General and administrative	26,385	17,342	63,740	50,305
M&A activity	1,192	979	4,706	1,159
Depreciation/ amortization	1,827	1,274	4,708	3,724
Impairment of investment	0	0	0	1,100
Other operating (income) expenses	1,148	(342)	855	(1,330)
Finance costs	5,164	2,283	12,240	8,826
Finance expense	<u>3,219</u>	<u>1,328</u>	<u>5,181</u>	<u>1,381</u>
Profit (loss) before income taxes	(8,738)	13,492	1,547	36,001
Current income taxes	(236)	1,298	2,331	4,040
Deferred income taxes	<u>136</u>	<u>3,541</u>	<u>3,090</u>	<u>8,452</u>
Profit (loss) for the period	<u><u>\$(8,638)</u></u>	<u><u>\$8,653</u></u>	<u><u>\$(3,874)</u></u>	<u><u>\$23,509</u></u>
Profit (loss) per share				
Basic	<u><u>\$(0.60)</u></u>	<u><u>\$0.66</u></u>	<u><u>\$(0.28)</u></u>	<u><u>\$1.80</u></u>
Diluted	<u><u>\$(0.60)</u></u>	<u><u>\$0.65</u></u>	<u><u>\$(0.28)</u></u>	<u><u>\$1.76</u></u>

(1) See “Non-IFRS Measures”.

#### EBITDA AND ADJUSTED EBITDA RECONCILIATION

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Profit (loss) before income taxes	\$(8,738)	\$13,492	\$1,547	\$36,001
Impairment of available for sale investment	0	0	0	1,100
Finance costs	5,164	2,283	12,240	8,826
Depreciation/amortization in cost of sales	3,101	1,685	7,003	5,041
Depreciation/amortization in SG&A expenses	<u>1,827</u>	<u>1,274</u>	<u>\$4,708</u>	<u>3,724</u>
<b>EBITDA <sup>(1)</sup></b>	<b>1,354</b>	<b>18,734</b>	<b>25,498</b>	<b>54,692</b>

Loss on foreign exchange	11,872	5,231	22,288	6,816
Non-cash share based compensation	1,931	1,786	2,076	3,494
M&A activity	1,192	979	4,706	1,159
Allowance for net receivables <sup>(2)</sup>	1,955	0	1,955	0
Loss (gain) on sale of property, plant & equipment	<u>2,539</u>	<u>(12)</u>	<u>3,148</u>	<u>(930)</u>
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b><u>\$20,843</u></b>	<b><u>\$26,718</u></b>	<b><u>\$59,671</u></b>	<b><u>\$65,231</u></b>
<b>Adjusted EBITDA as a % of trade sales</b>	<b><u>16%</u></b>	<b><u>22%</u></b>	<b><u>17%</u></b>	<b><u>21%</u></b>

(1) See “Non-IFRS Measures”.

(2) In the three months ended September 30, 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

## ASSETS AND LIABILITIES

(thousands of dollars)	September 30 2015	December 31 2014	September 30 2014
Total assets	\$750,081	\$447,116	\$434,435
Total liabilities	\$492,425	\$237,390	\$204,797

## EXPLANATION OF OPERATING RESULTS

### Trade sales

(\$000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2015	2014	Change	2015	2014	Change
Canada	\$42,194	\$28,012	\$14,182	\$103,064	\$81,838	\$21,226
US	64,158	67,609	(3,451)	168,666	178,430	(9,764)
International	27,890	23,197	4,693	80,391	57,154	23,237
<b>Total</b>	<b>\$134,242</b>	<b>\$118,818</b>	<b>\$15,424</b>	<b>\$352,121</b>	<b>\$317,422</b>	<b>\$34,699</b>

Included in the table above are Westeel sales from the date of acquisition of May 20, 2015 to September 30, 2015 as follows:

<b>Westeel Only – Trade Sales (May 20/15 – Sep 30/15)</b>		
<b>(\$000s)</b>	<b>Three Months Ended September 30 2015</b>	<b>Nine Months Ended September 30 2015</b>
Canada	\$22,998	\$38,889
US	\$4,136	\$5,258
International	\$2,632	\$3,716
<b>Total</b>	<b>\$29,766</b>	<b>\$47,863</b>

### **Canada**

Sales in Canada were negatively impacted by poor growing conditions in western Canada early in 2015 that lowered crop production expectations and negatively impacted farmer sentiment. Inventory levels were generally high prior to spring planting, especially with respect to Westeel storage products, as dealer intake in Q4 2014 and Q1 2015, prior to the acquisition of Westeel by AGI, was very high subsequent to strong 2014 sales. Reduced farmer demand and high dealer inventory levels resulted in lower sales for portable grain handling equipment, aeration products and storage bins and in-season demand was negatively impacted by a quick and efficient harvest. The geographic sales mix of Westeel is weighted towards western Canada and accordingly AGI's exposure to the region increased subsequent to the acquisition.

### **United States**

In the United States, the USDA corn production forecast of 13.6 billion bushels represents a relatively large crop but a decrease of 5% compared to 2014. AGI's decrease in on-farm handling equipment sales is partly attributable to lower crop production but has also been by impacted crop variability, farmer and dealer sentiment and by generally dry conditions late in the season that allowed the crop to mature quickly. The expectation of an early and dry harvest lowered in-season orders as it became less likely that a late crop or wet conditions would result in a difficult harvest or a need for farmers to dry their grain prior to storing. The negative impact of the factors noted above more than offset the positive impact of a stronger U.S. dollar relative to its Canadian counterpart.

### **International**

AGI's international sales for the three and nine month periods ended September 30, 2015 increased significantly due to continued momentum in Latin America, strong sales in Ukraine and the acquisition of Westeel and its Italian subsidiary PTM Technologies. In Latin America, large projects in Peru and Bolivia contributed to an increase in sales in the nine months ended September 30, 2015 from \$9.5 million in 2014 to \$18.0 million in 2015. In Russia and Ukraine sales increased from \$26.8 million in the first half of 2014 to over \$36 million in the current year largely due to business in Ukraine with multinational grain traders.

See also "Outlook".

## Gross Profit and Gross Margin

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Trade sales	\$134,242	\$118,818	\$352,121	\$317,422
Cost of inventories <sup>(1)</sup>	<u>92,292</u>	<u>76,874</u>	<u>235,265</u>	<u>205,824</u>
Gross Margin	<u>\$41,950</u>	<u>\$41,944</u>	<u>\$116,856</u>	<u>\$111,598</u>
Gross Margin <sup>(1)</sup> (as a % of trade sales)	31.2%	35.3%	33.2%	35.2%
Gross Margin excluding Westeel	34.3%	35.3%	34.9%	35.2%
Westeel gross margin <sup>(3)</sup>	20.7%	20.4%	22.3%	20.3%

(1) See “Non-IFRS Measures”.

(2) Excludes depreciation and amortization included in cost of sales.

(3) For entire three and nine month periods in 2014 and 2015.

Strong gross margins were achieved despite lower sales of high margin portable grain handling equipment as AGI reacted quickly to signs of changing demand patterns and due to the positive impact of a weaker Canadian dollar. Gross margin improved at the Company’s Union Iron division due in part to high seasonal sales levels however operational challenges at Union Iron are expected to persist into 2016. Union Iron represents approximately 5% to 10% of annualized sales pro forma the acquisition of Westeel.

On an earnings basis, AGI benefits from a weaker Canadian dollar as its U.S. dollar denominated sales significantly exceed costs denominated in that currency. On a gross margin percentage basis however, the benefit of a weaker Canadian dollar relates only to AGI’s Canadian divisions that derive U.S. dollar revenues in excess of U.S. dollar costs.

## General and Administrative Expenses

For the three months ended September 30, 2015, SG&A expenses excluding Westeel were \$22.5 million (22% of sales) compared to \$17.3 million (15% of sales) in 2014. For the nine month period ended September 30, 2015, SG&A expenses excluding Westeel were \$57.6 million (19% of sales) compared to \$50.3 million (16% of sales). Significant variances from the prior year are noted below:

- Bad debt expense in the three and nine month periods includes a \$2.8 million allowance for an international customer.
- Moving costs related to moving the Hi Roller and Union Iron divisions to their new production facilities were \$0.5 million and \$1.0 million in the three and nine month periods, respectively,
- Sales and marketing expenses increased \$0.6 million and \$1.8 million in the three and nine month periods due largely to an investment of approximately \$0.2 million per quarter

- related to AGI's entry into Brazil, additional personnel at the divisional level to support growth as well as continued investment to support the Company's international sales team.
- Third party commission expense in the nine month period in 2015 increased \$1.4 million primarily due to geographic sales mix.
  - Share based compensation decreased \$1.3 million in the nine month due to a change in forecasted achievement levels.
  - The remaining variance is the result of a number of offsetting factors with no individual variance larger than \$0.4 million.

## EBITDA and Adjusted EBITDA

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
EBITDA <sup>(1)</sup>	\$1,354	\$18,734	\$25,498	\$54,692
Adjusted EBITDA <sup>(1)</sup>	\$20,843	\$26,718	\$59,671	\$65,231

(1) See the EBITDA and adjusted EBITDA reconciliation table above and "Non-IFRS Measures".

Adjusted EBITDA decreased compared to very strong results in 2014 due to lower North American sales of portable and commercial grain handling equipment. EBITDA decreased compared to 2014 for the reasons discussed above and due to losses on foreign exchange. See "EBITDA and Adjusted EBITDA Reconciliation" above for a reconciliation between these measures.

## Finance Costs

### Senior Debt

(thousands of dollars)	Currency <sup>(1)</sup>	Maturity	Total Facility	Amount Drawn	Interest Rate <sup>(2)</sup>	Interest
Series A Notes	USD	2016	33,485	33,485	6.80%	Fixed
Swing Line	CAD	2019	20,000	0	4.50%	Floating
Swing Line	USD	2019	6,697	0	5.00%	Floating
Revolver	CAD	2019	105,000	0	4.00%	Floating
Revolver	USD	2019	60,273	13,394	5.00%	Floating
Term Loan A	CAD	2019	50,000	50,000	3.84%	Fixed
Term Loan B	CAD	2022	40,000	40,000	4.32%	Fixed
Series B Notes	CAD	2025	25,000	25,000	4.44%	Fixed
<b>Total</b>			<b>340,455</b>	<b>161,879</b>		

(1) USD amounts translated to Canadian dollars at the September 30, 2015 rate of exchange of \$1.3393.

(2) As at September 30, 2015.

In addition to the above, as at September 30, 2015 the Company had outstanding \$138 million aggregate principal amount of 5.25% convertible unsecured subordinated debentures and \$75 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures. See “Capital Resources”.

Finance costs for the three and nine months ended September 30, 2015 were \$5.2 million (2014 – \$2.3 million) and \$12.2 million (2014 - \$8.8 million), respectively. The higher expense in 2015 relates to financing the acquisition of Westeel partially through a convertible debenture issuance and through an increase in amounts drawn on the Company’s credit facility. Finance costs in both periods include non-cash interest related to convertible debenture accretion, the amortization of deferred finance costs related to the convertible debentures, stand-by fees and other sundry cash interest.

### Finance Expense (Income)

Finance expense (income) in both periods relates primarily to non-cash gains and losses on the translation of the Company’s U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the quarter.

### Other Operating Income

Other operating income in both periods includes interest income charged on accounts receivable and gains and losses on the sale of property, plant & equipment. In 2015 other operating income includes the reversal of a customer rebate accrued in prior periods that is no longer payable.

### Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets are categorized on the income statement in accordance with the function to which the underlying asset is related. The increase in 2015 primarily relates to the depreciation and amortization of Westeel assets. Total depreciation and amortization is summarized below:

Depreciation (thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Depreciation in cost of sales	\$2,364	\$1,539	\$5,753	\$4,635
Depreciation in G&A	138	156	486	460
Total Depreciation	<u>\$2,502</u>	<u>\$1,695</u>	<u>\$6,239</u>	<u>\$5,095</u>

Amortization (thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Amortization in cost of sales	\$737	\$146	\$1,250	\$406
Amortization in G&A	<u>1,689</u>	<u>1,118</u>	<u>4,222</u>	<u>3,264</u>
Total Amortization	<u>\$2,426</u>	<u>\$1,264</u>	<u>\$5,472</u>	<u>\$3,670</u>

### Current income tax expense

For the three month period ended September 30, 2015 the Company recorded a current tax recovery of \$0.2 million (2014 – expense of \$1.3 million) and for the nine months then ended recorded an expense of \$2.3 million (2014 - \$4.0 million). Current tax relates primarily to AGI's U.S. subsidiaries. The net current recovery in Q3 2015 primarily stems from additional bonus depreciation deductions taken in the quarter related to new U.S. divisional assets placed into service.

### Deferred income tax expense

For the three month period ended September 30, 2015 the Company recorded a deferred tax recovery of \$0.1 million (2014 – expense of \$3.5 million) and for the nine months then ended recorded an expense of \$3.1 million (2014 - \$8.5 million). Deferred tax expense in 2015 relates to the utilization of deferred tax assets plus a decrease in deferred tax liabilities that related to the application of corporate tax rates to reversals of temporary differences between the accounting and tax treatment of depreciable assets and intangible assets.

Upon conversion to a corporation from an income trust in June 2009 (the “Conversion”) the Company received certain tax attributes that may be used to offset tax otherwise payable in Canada. The Company’s Canadian taxable income is based on the results of its divisions domiciled in Canada, including the corporate office, and realized gains or losses on foreign exchange. For the nine months ended September 30, 2015, the Company offset \$2.4 million of Canadian tax otherwise payable (2014 - \$7.1 million) through the use of these attributes and since the date of Conversion a cumulative amount of \$39.4 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company’s income statement. As at September 30, 2015, the balance sheet asset related to these unused attributes was \$14.0 million.

Effective tax rate (thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Current tax expense	\$(236)	\$1,298	\$2,331	\$4,040
Deferred tax expense	<u>136</u>	<u>3,541</u>	<u>3,090</u>	<u>8,452</u>
Total tax	<u>\$(100)</u>	<u>\$4,839</u>	<u>\$5,421</u>	<u>\$12,492</u>
Profit before taxes	<u>\$(8,738)</u>	<u>\$13,492</u>	<u>\$1,547</u>	<u>\$36,001</u>
Total tax %	1.1%	35.9%	350%	34.7%

The effective tax rate in both periods was significantly impacted by non-cash income statement items that are not deductible for tax purposes.

Effective tax rate (thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Adjusted profit <sup>(1)</sup>	\$8,920	\$14,851	\$28,223	\$31,654
Total tax	<u>\$(100)</u>	<u>\$4,839</u>	<u>\$5,421</u>	<u>\$12,492</u>
Adjusted profit before tax	<u>\$8,820</u>	<u>\$19,690</u>	<u>\$33,644</u>	<u>\$44,146</u>
Tax %	(1.1)%	24.6%	16.1%	28.3%

(1) See “Non-IFRS Measures”. A calculation of adjusted profit may be found under “Diluted profit per share and Diluted adjusted profit per share” above.

### AGI Conversion – Agreement with CRA

On February 25, 2015, AGI announced that it had entered into an agreement with Canada Revenue Agency (the “CRA”) regarding the CRA’s objection to the tax consequences of the conversion of AGI from an income trust structure into a business corporation in June 2009. The agreement did not give rise to any cash outlay by AGI and subsequent to the settlement AGI had unused tax attributes remaining of \$16.3 million. As at September 30, 2015, the balance sheet asset related to these unused attributes was \$14.0 million.

### Profit and diluted profit (per share) and diluted adjusted profit (per share)

For the three months ended September 30, 2015 the Company reported a loss of \$8.6 million (2014 – profit of \$8.7 million), a basic loss per share of \$0.60 (2014 – profit of \$0.66) and a fully diluted loss per share of \$0.60 (2014 – profit of \$0.65). For the nine months ended September 30, 2015 the Company reported a loss of \$3.9 million (2014 – profit of \$23.5 million), a basic loss per share of \$0.28 (2014 – profit of \$1.80) and a fully diluted loss per share of \$0.28 (2014 – profit of \$1.76). The loss experienced in 2015 was largely the result of realized and unrealized foreign exchange losses as well as lower adjusted EBITDA. A reconciliation of adjusted profit per share is below:

(thousands of dollars)	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Profit (loss)	\$(8,638)	\$8,653	\$(3,874)	\$23,509
Diluted profit (loss) per share	\$(0.60)	\$0.65	\$(0.28)	\$1.76
Loss on foreign exchange	11,872	5,231	22,288	6,816
Non-cash loss on available-for-sale investment	0	0	0	1,100
Loss (gain) on sale of PP&E	2,539	(12)	3,148	(930)
M&A activity	1,192	979	4,706	1,159
Allowance for bad debt <sup>(2)</sup>	<u>1,955</u>	<u>0</u>	<u>1,955</u>	<u>0</u>
Adjusted profit <sup>(1)</sup>	<b><u>\$8,920</u></b>	<b><u>\$14,851</u></b>	<b><u>\$28,223</u></b>	<b><u>\$31,654</u></b>
Diluted adjusted profit per share <sup>(1)</sup>	<b><u>\$0.56</u></b>	<b><u>\$1.11</u></b>	<b><u>\$1.85</u></b>	<b><u>\$2.37</u></b>

(1) See "Non-IFRS Measures".

(2) In the three months ended September 30, 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

## QUARTERLY FINANCIAL INFORMATION

(Thousands of dollars other than per share data and exchange rate):

2015					
	Average USD/CAD Exchange Rate	Sales	Profit / (Loss)	Basic Profit (loss) per Share	Diluted Profit (loss) per Share
Q1	1.23	87,259	(3,409)	(0.26)	(0.26)
Q2	1.24	122,396	8,173	0.60	0.58
Q3	1.30	125,590	(8,638)	(0.60)	(0.60)
<b>YTD</b>	<b>1.26</b>	<b>335,245</b>	<b>(3,874)</b>	<b>(0.28)</b>	<b>(0.28)</b>

2014					
	Average USD/CAD Exchange Rate	Sales	Profit / (Loss)	Basic Profit per Share	Diluted Profit per Share
Q1	\$1.09	\$84,278	\$1,218	\$0.09	\$0.09
Q2	\$1.10	\$112,838	\$13,638	\$1.04	\$1.02
Q3	\$1.09	\$114,915	\$8,653	\$0.66	\$0.65
Q4	\$1.13	\$88,114	\$(19,409)	\$(1.48)	\$(1.45)
<b>YTD</b>	<b>\$1.10</b>	<b>\$400,145</b>	<b>\$4,100</b>	<b>\$0.31</b>	<b>\$0.31</b>

2013					
	Average USD/CAD Exchange Rate	Sales	Profit	Basic Profit per Share	Diluted Profit per Share
Q1	\$1.01	\$59,547	\$3,399	\$0.27	\$0.26
Q2	\$1.02	\$93,320	\$5,956	\$0.47	\$0.46
Q3	\$1.04	\$116,447	\$12,718	\$1.01	\$0.95
Q4	\$1.04	\$87,473	\$518	\$0.04	\$0.04
<b>YTD</b>	<b>\$1.03</b>	<b>\$356,787</b>	<b>\$22,591</b>	<b>\$1.80</b>	<b>\$1.75</b>

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial projects and higher in-season demand at the farm level. Due to the seasonality of AGI's working capital movements, cash provided by operations will typically be highest in the fourth quarter. The seasonality of AGI's business may be impacted by a number of factors including weather and the timing and quality of harvest in North America.

The following factors impact the comparison between periods in the table above:

- AGI's acquisition of Westeel on May 20, 2015 significantly impacts comparisons to prior periods of assets, liabilities and operating results.
- The loss and loss per share in the fourth quarter of 2014 was significantly impacted by an expense of \$16,889 related to the Company's agreement with the CRA regarding its conversion to a corporation (see "AGI Conversion – Agreement with CRA").
- Sales, gain (loss) on foreign exchange, profit, and profit per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.
- A widespread drought in the U.S. in 2012 impacted sales and profit the first and second quarters of 2013.

## CASH FLOW AND LIQUIDITY

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Profit (loss) before Income taxes	\$(8,738)	\$13,492	\$1,547	\$36,001
Add charges (deduct credits) to operations not requiring a current cash payment:				
Depreciation/Amortization	4,928	2,959	11,711	8,765
Translation loss (gain) on FX	17,266	6,816	24,460	6,965
Non-cash interest expense	788	422	2,025	2,761
Share based compensation	1,931	1,786	2,076	3,494
Non-cash investment tax credit	(325)	0	(394)	0
Impairment of available-for-sale investment	0	0	0	1,100
Defined benefit pension plan	108	0	161	0
Loss (gain) on sale of assets	<u>2,539</u>	<u>(12)</u>	<u>3,148</u>	<u>(930)</u>
	<u>18,497</u>	<u>25,463</u>	<u>44,734</u>	<u>58,156</u>
Net change in non-cash working capital balances related to operations:				
Accounts receivable	2,983	(17,034)	(15,474)	(34,413)
Inventory	7,204	93	1,677	(9,657)
Prepaid expenses	666	(400)	66	(945)
Accounts payable	(10,997)	5,109	(11,285)	5,714
Customer deposits	3,566	(4,345)	2,132	(9,684)
Provisions	<u>462</u>	<u>557</u>	<u>965</u>	<u>513</u>
	<u>3,884</u>	<u>(16,020)</u>	<u>(21,919)</u>	<u>(48,472)</u>
Income tax paid	(1,823)	(3,234)	(1,982)	(5,799)
Cash provided by operations	<u>\$20,558</u>	<u>\$6,209</u>	<u>\$20,833</u>	<u>\$3,885</u>

Cash provided by operations for the three and nine months ended September 30, 2015 increased compared to 2014 largely due to higher cash flow related to collection of accounts receivable and inventory utilization.

## **Working Capital Requirements**

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the third quarter that result from seasonality, typically lead to accounts receivable levels increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. As a result of these working capital movements, historically, AGI begins to draw on its operating lines in the first or second quarter. The operating line balance typically peaks in the second or third quarter and normally begins to decline later in the third quarter as collections of accounts receivable increase. AGI has typically fully repaid its operating line balance by early in the fourth quarter. Requirements for fiscal 2015 are expected to be generally consistent with historical patterns. Growth in international business may result in an increase in the number of days accounts receivable remain outstanding and result in increased usage of working capital in certain quarters. Working capital may also be deployed to secure steel supply and pricing.

## **Capital Expenditures**

Maintenance capital expenditures in the three months ended September 30, 2015 were \$1.2 million (0.9% of trade sales) compared to \$0.3 million (0.2%) in 2014. Maintenance capital expenditures in the nine months ended September 30, 2015 were \$2.9 million (0.8% of trade sales) compared to \$3.0 million (0.9%) in 2014. Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. The acquisition of Westeel is not expected to significantly alter this estimate. Maintenance capital expenditures in 2015 relate primarily to purchases of manufacturing equipment and building repairs and were funded through cash on hand, bank indebtedness and cash from operations.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures of \$8.7 million and \$30.2 million in the three and nine months ended September 30, 2015 (2014 - \$3.1 million and \$4.7 million). In 2015, non-maintenance capital expenditures relate primarily to two new commercial grain handling production facilities in the U.S. that are substantially complete. Maintenance and non-maintenance capital expenditures are expected to be financed through bank indebtedness, cash on hand or through the Company's credit facility (see "Capital Resources").

## **Cash Balance**

The Company's cash balance at September 30, 2015 was \$33.3 million (December 31, 2014 - \$25.3 million; September 30, 2014 - \$2.4 million). The cash balance at September 30, 2015 is in part related to the Company's issuance of convertible debentures on September 29, 2015 that, after repayment of long-term debt, added approximately \$22 million to the Company's cash balance. As at September 30, 2015 the Company's outstanding long-term debt was \$159.0 million (December 31, 2014 - \$28.9 million; September 30, 2014 - \$53.0 million). The increase in long-term debt relates to the acquisition of Westeel.

**CONTRACTUAL OBLIGATIONS** (thousands of dollars)

	<b>Total</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019+</b>
2013 Debentures	86,250	0	0	0	86,250	0
2014 Debentures	51,750	0	0	0	0	51,750
2015 Debentures	75,000	0	0	0	0	75,000
Long-term debt	158,659	0	31,185	0	0	127,474
Finance lease	1,464	240	0	1,224	0	0
Operating leases	7,701	586	2,072	1,566	1,176	2,301
<b>Total obligations</b>	<b>380,824</b>	<b>826</b>	<b>33,257</b>	<b>2,790</b>	<b>87,426</b>	<b>256,525</b>

The 2013, 2014 and 2015 Debentures relate to the aggregate principal amount of the Debentures (see “Convertible Debentures” below) and long-term debt is comprised of a revolver facility, term debt and non-amortizing notes (see “Capital Resources”).

**CAPITAL RESOURCES****Cash**

Cash and cash equivalents at September 30, 2015 was \$33.3 million (December 31, 2014 - \$25.3 million; September 30, 2014 - \$2.4 million).

**Debt Facilities**

	<b>Currency</b>	<b>Maturity</b>	<b>Total Facility</b>	<b>Amount Drawn</b>	<b>Interest Rate</b>	<b>Interest</b>
Series A Notes	USD	2016	33,485	33,485	6.80%	Fixed
Swing Line	CAD	2019	20,000	0	4.50%	Floating
Swing Line	USD	2019	6,697	0	5.00%	Floating
Revolver	CAD	2019	105,000	0	4.00%	Floating
Revolver	USD	2019	60,273	13,394	5.00%	Floating
Term Loan A	CAD	2019	50,000	50,000	3.84%	Fixed
Term Loan B	CAD	2022	40,000	40,000	4.32%	Fixed
Series B Notes	CAD	2025	25,000	25,000	4.44%	Fixed
<b>Total Senior Debt</b>			<b>340,455</b>	<b>161,879</b>		

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of \$105.0 million and U.S. \$45.0 million. The Company's Term Loans A and B are with the same chartered banks with which it has the Credit

Facility. Amounts drawn under the facility bear interest BA plus 2.50% per annum based on performance calculations. The Company has also issued US \$25.0 million and CAD \$25.0 million aggregate principal amount secured notes through a note purchase and private shelf agreement (the "Series A and Series B Notes"). The Series A and B Notes are non-amortizing. AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

## **Convertible Debentures**

### Debentures (2009)

In 2009 the Company issued \$115 million aggregate principal amount of convertible unsecured subordinated debentures (the "2009 Debentures") at a price of \$1,000 per 2009 Debenture. In December 2013 the Company announced its intention to redeem the 2009 Debentures effective January 20, 2014. In January 2014, holders of \$19.0 million principal amount of the 2009 Debentures exercised the conversion option and were issued 422,897 common shares. The Company redeemed all remaining outstanding 2009 Debentures on January 20, 2014.

### Debentures (2013)

In December 2013 the Company issued \$86.2 million aggregate principal amount of convertible unsecured subordinated debentures (the "2013 Debentures") at a price of \$1,000 per 2013 Debenture. The 2013 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. Each 2013 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of \$55.00 per common share. The maturity date of the 2013 Debentures is December 31, 2018.

On and after December 31, 2016 and prior to December 31, 2017, the 2013 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2017, the 2013 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the 2013 Debentures, in whole or in part, by issuing and delivering for each \$100 due that number of freely tradeable common shares obtained by dividing \$100 by 95% of the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred, to satisfy all or part of its obligation to pay interest on the 2013 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The 2013 Debentures trade on the TSX under the symbol AFN.DB.A.

### Debentures (2014)

In December 2014 the Company issued \$51.8 million aggregate principal amount of extendible convertible unsecured subordinated debentures (the "2014 Debentures") at a price of \$1,000 per 2014 Debenture. The 2014 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. Each 2014 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of \$65.57 per common share. The maturity date of the 2014 Debentures is December 31, 2019.

On and after December 31, 2017 and prior to December 31, 2018, the 2014 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2018, the 2014 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the 2014 Debentures, in whole or in part, by issuing and delivering for each \$100 due that number of freely tradeable common shares obtained by dividing \$100 by 95% of the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred, to satisfy all or part of its obligation to pay interest on the 2014 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The 2014 Debentures trade on the TSX under the symbol AFN.DB.B.

### Debentures (2015)

In September 2015 the Company issued \$75 million aggregate principal amount of extendible convertible unsecured subordinated debentures (the "2015 Debentures") at a price of \$1,000 per 2015 Debenture. The 2015 Debentures bear interest at an annual rate of 5.00% payable semi-annually on June 30 and December 31. Each 2015 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of \$60.00 per common share. The maturity date of the 2015 Debentures is December 31, 2020.

On and after December 31, 2018 and prior to December 31, 2019, the 2015 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2019, the 2015 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the 2015 Debentures, in whole or in part, by issuing and delivering for each \$100 due that number of freely tradeable common shares obtained by dividing \$100 by 95% of the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred, to satisfy all or part of its obligation to pay interest on the 2015 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The 2015 Debentures trade on the TSX under the symbol AFN.DB.C.

## COMMON SHARES

The following number of common shares were issued and outstanding at the dates indicated:

	<b># Common Shares</b>
December 31, 2014	13,165,627
Shares issues to partially finance acquisition of Westeel <sup>(1)</sup>	1,112,050
Shares issued under Dividend Reinvestment Plan (the “DRIP”)	79,426
Shares issued under RSUs	<u>6,429</u>
September 30, 2015	14,363,532
Shares issued under DRIP in October 2015	<u>14,846</u>
November 13, 2015	<u>14,378,378</u>

(1) Subscription receipts issued in November 2014 converted into common shares upon completion of the acquisition of Westeel.

A total of 465,000 common shares are available for issuance under the Company's Share Award Incentive Plan (the “2012 SAIP”). As at September 30, 2015, a total of 242,000 restricted Share Awards (“RSUs”) and 110,000 performance Share Awards (“PSUs”) have been granted.

A total of 51,197 deferred grants of common shares have been granted under the Company’s Director’s Deferred Compensation Plan and 7,502 common shares have been issued.

A total of 3,607,415 common shares are issuable on conversion of the outstanding 2013, 2014 and 2015 Debentures.

AGI’s common shares trade on the TSX under the symbol AFN.

## DIVIDENDS

In the three and nine months ended September 30, 2015 AGI declared dividends to shareholders of \$8.6 million and \$25.8 million, respectively (2014 - \$7.9 million and \$23.6 million). AGI's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines, and through the DRIP. Dividends in the three and nine months ended September 30, 2015 were financed \$1.5 million and \$3.7 million, respectively, by the DRIP (2014 - \$1.2 million and \$3.9 million) and the remainder was financed from cash on hand and cash from operations or bank indebtedness.

## FUNDS FROM OPERATIONS AND PAYOUT RATIO

Funds from operations ("FFO"), defined under "Non-IFRS Measures", is cash provided by operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for gains or losses on the sale of property, plant & equipment. The objective of presenting this measure is to provide a measure of free cash flow. The definition excludes changes in working capital as they are necessary to drive organic growth and have historically been financed by the Company's operating facility (See "Capital Resources"). Funds from operations should not be construed as an alternative to cash provided by operating, investing, and financing activities as a measure of the Company's liquidity and cash flows.

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
EBITDA	\$1,354	\$18,734	\$25,498	\$54,692
Share based compensation	1,931	1,786	2,076	3,494
Non-cash interest expense	788	422	2,025	2,761
Non-cash investment tax credits	(325)		(394)	
Translation loss (gain) on foreign exchange	17,266	6,816	24,460	6,965
Interest expense	(5,164)	(2,283)	(12,240)	(8,826)
Income taxes paid	(1,823)	(3,234)	(1,982)	(5,799)
Maintenance CAPEX	(1,228)	(282)	(2,928)	(3,047)
Defined benefit pension plan	108	0	161	0
Funds from operations (1)	<u>\$12,907</u>	<u>\$21,959</u>	<u>\$36,676</u>	<u>\$50,240</u>

Funds from operations can be reconciled to cash provided by operating activities as follows:

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Cash provided by operating activities	\$20,558	\$6,209	\$20,833	\$3,885
Net change in non-cash working capital	(3,884)	16,020	21,919	48,472
Maintenance CAPEX	(1,228)	(282)	(2,928)	(3,047)
Gain (loss) on sale of assets	(2,539)	12	(3,148)	930
Funds from operations (1)	<u>\$12,907</u>	<u>\$21,959</u>	<u>\$36,676</u>	<u>\$50,240</u>
<b>Payout ratio</b>				
Dividends to shareholders	\$8,603	\$7,877	\$25,761	\$23,581
Payout ratio (1)	67%	36%	70%	47%

<b>Adjusted payout ratio</b>				
Dividends to shareholders	\$8,603	\$7,877	\$25,761	\$23,581
Dividends paid under DRIP	(1,451)	(1,232)	(3,652)	(3,871)
Dividends paid in cash	<u>\$7,152</u>	<u>\$6,645</u>	<u>\$22,109</u>	<u>\$19,710</u>
Adjusted payout ratio (3)	55%	30%	60%	39%

(1) See "Non-IFRS Measures".

The Company's payout ratio in the three and nine month periods ended September 30, 2015 was negatively impacted by transaction costs related to the acquisition of Westeel.

## FINANCIAL INSTRUMENTS

### Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI has entered into foreign exchange contracts with three Canadian chartered banks to partially hedge its foreign currency exposure and as at September 30, 2015, had outstanding the following foreign exchange contracts:

<b>Forward Foreign Exchange Contracts</b>			
<b>Settlement Dates</b>	<b>Face Amount USD (000's)</b>	<b>Average Rate CAD</b>	<b>CAD Amount (000's)</b>
2015 – Q4	27,000	\$1.11	29,940
2016 – Q1	17,500	\$1.17	20,408
2016 – Q2	23,500	\$1.18	27,660
2016 – Q3	33,500	\$1.18	39,453
2016 – Q4	26,000	\$1.18	30,773
2017 – Q1	9,000	\$1.25	11,216

The fair value of the outstanding forward foreign exchange contracts in place as at September 30, 2015 was a loss of \$21.5 million. Consistent with prior periods, the Company has elected to apply hedge accounting for these contracts. For the period ended September 30, 2015 a non-cash loss of \$1.3 million arising from hedge ineffectiveness was recorded through net earnings. The remainder of the unrealized loss has been recognized in other comprehensive income for the period ended September 30, 2015.

### **Interest Rate Swaps**

The Company has entered into interest rate swap contracts to manage its exposure to fluctuations in interest rates.

	<b>Currency</b>	<b>Maturity</b>	<b>Total Facility (000's)</b>	<b>Amount of Swap (000's)</b>	<b>Fixed Rate</b>
Term Loan A	CAD	2019	50,000	50,000	3.84%
Term Loan B	CAD	2022	40,000	40,000	4.32%

The fair value of the interest rate swap contracts in place as at September 30, 2015 was a loss of \$1.9 million. The Company has elected to apply hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income for the period ended September 30, 2015.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. By their nature, these estimates are subject to a degree of uncertainty and are based on historical experience and trends in the industry. Management reviews these estimates on an ongoing basis. While management has applied judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

AGI believes the accounting policies that are critical to its business relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, goodwill, convertible debentures and deferred income taxes. AGI's accounting policies are described in the notes to its December 31, 2014 audited financial statements.

#### **Allowance for Doubtful Accounts**

Due to the nature of AGI's business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of accounts receivable. AGI maintains an allowance for doubtful accounts to reflect expected credit losses. A considerable amount of judgment is required to assess the ultimate realization of accounts receivable and these judgments must be continuously evaluated and updated. AGI is not able to predict changes in the financial conditions of its customers, and the Company's judgment related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Company's customers deteriorates.

#### **Valuation of Inventory**

Assessments and judgments are inherent in the determination of the net realizable value of inventories. The cost of inventories may not be fully recoverable if they are slow moving, damaged, obsolete, or if the selling price of the inventory is less than its cost. AGI regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully recoverable. Judgment related to the determination of net realizable value may be impacted by a number of factors including market conditions.

#### **Goodwill and Intangible Assets**

Assessments and judgments are inherent in the determination of the fair value of goodwill and intangible assets. Goodwill and indefinite life intangible assets are recorded at cost and finite life intangibles are recorded at cost less accumulated amortization. Goodwill and intangible assets are tested for impairment at least annually. Assessing goodwill and intangible assets for impairment requires considerable judgment and is based in part on current expectations regarding future performance. The classification of assets into cash generating units requires significant judgment and interpretations with respect to the integration between assets, the nature of products, the way in which management allocates resources and other relevant factors. Changes in circumstances including market conditions may materially impact the assessment of the fair value of goodwill and intangible assets.

#### **Deferred Income Taxes**

Deferred income taxes are calculated based on assumptions related to the future interpretation of tax legislation, future income tax rates, and future operating results, acquisitions and dispositions of assets and liabilities. AGI periodically reviews and adjusts its estimates and assumptions of income tax assets and liabilities as circumstances warrant. A significant change in any of the Company's assumptions could materially affect AGI's estimate of deferred tax assets and liabilities. See "Risks and Uncertainties – Income Tax Matters".

#### **Future Benefit of Tax-loss Carryforwards**

AGI should only recognize the future benefit of tax-loss carryforwards where it is probable that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. We are required to make significant estimates and assumptions regarding future revenues and profit, and our ability to implement certain tax planning strategies, in order to assess the likelihood of utilizing such losses and deductions. These estimates and assumptions are subject to significant uncertainty and if changed could materially affect our assessment of the ability to fully realize the benefit of the deferred income tax assets. Deferred tax asset balances would be

reduced and additional income tax expense recorded in the applicable accounting period in the event that circumstances change and we, based on revised estimates and assumptions, determined that it was no longer probable that those deferred tax assets would be fully realized. See “Risks and Uncertainties – Income Tax Matters”.

### **Retirement Benefits**

Provisions for defined benefit post-employment obligations are calculated by independent actuaries and reviewed by management. The principal actuarial assumptions and estimates are based on independent actuarial advice and include the discount rate and other factors

## **RISKS AND UNCERTAINTIES**

The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected. See also “Risks and Uncertainties” in AGI’s most recent Annual Information Form, which is available on SEDAR ([www.sedar.com](http://www.sedar.com)).

### ***Industry Cyclical and General Economic Conditions***

Our success depends substantially on the health of the agricultural industry. The performance of the agricultural industry, including the grain handling, storage and conditioning business, is cyclical. Sales of agricultural equipment generally are related to the health of the agricultural industry, which is affected by farm income, farm input costs, debt levels and land values, all of which reflect levels of agricultural commodity prices, acreage planted, crop yields, agricultural product demand, including crops used as renewable energy sources such as ethanol, government policies and government subsidies. Sales also are influenced by economic conditions, interest rate and exchange rate levels, and the availability of distributor and customer financing. Trends in the agricultural industry, such as farm consolidations, may affect the agricultural equipment market. In addition, weather conditions, such as floods, heat waves or droughts, can affect farmers’ buying decisions. Downturns in the agricultural industry due to these or other factors could vary by market and are likely to result in decreases in demand for agricultural equipment, which would adversely affect our sales, growth, results of operations and financial condition.

To the extent that the agricultural industry declines or experiences a downturn, this is likely to have a negative impact on the grain handling, storage and conditioning business, and the business of AGI. Among other things, the agricultural sector has in recent years benefited from an increase in crop production and investment in agricultural infrastructure including outside of North America. To the extent crop production declines or economic conditions result in a decrease in agricultural investment including in offshore markets, this is likely to have a negative impact on the agricultural industry in those markets and the business of AGI. In addition, if the ethanol industry declines or experiences a downturn, due to changes in governmental policies or otherwise, this is may have a negative impact on the demand for and prices of certain crops which may have a negative impact on the grain handling, storage and conditioning industry, and the business of AGI.

Future developments in the North American and global economies may negatively impact the demand for our products. Management cannot estimate the level of growth or contraction of the economy as a whole or of the economy of any particular region or market that we serve. Adverse changes in our financial condition and results of operations may occur as a result of negative

economic conditions, declines in stock markets, contraction of credit availability, political instability or other factors affecting economic conditions generally.

#### ***Risk of Decreased Crop Yields***

Decreased crop yields due to poor or unusual weather conditions, natural disasters or other factors are a significant risk affecting AGI. Both reduced crop volumes and the accompanying decline in farm incomes can negatively affect demand for grain handling, storage and conditioning equipment.

#### ***Potential Volatility of Production Costs***

Our products include various materials and components purchased from others, some or all of which may be subject to wide price variation. Consistent with industry practice, AGI seeks to manage its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and through the alignment of material input pricing with the terms of contractual sales commitments. AGI endeavours to pass through to customers, most, if not all, material and component price volatility. There can be no assurance, however, that industry conditions will allow AGI to continue to reduce its exposure to volatility of production costs by passing through price increases to its customers. A significant increase in the price of any component or material, such as steel, could adversely affect our profitability.

#### ***Foreign Exchange Risk***

AGI's consolidated financial statements are presented in Canadian dollars. AGI generates the majority of its sales in U.S. dollars and the remainder in Canadian dollars and other currencies including Euros, but a materially smaller proportion of its expenses are denominated in U.S. dollars and currencies other than the Canadian dollar. In addition, AGI denominates a portion of its long term borrowings in U.S. dollars as part of its foreign currency hedging strategy. Accordingly, fluctuations in the rate of exchange between the Canadian dollar and principally the U.S. dollar may significantly impact the Company's financial results. If the Canadian dollar strengthens relative to the U.S. dollar, profit and EBITDA would decline whereas a weakening of the Canadian dollar relative to the U.S. dollar would increase profit and EBITDA. The Company regularly enters hedging arrangements as part of its foreign currency hedging strategy to partially mitigate the potential effect of fluctuating exchange rates. To the extent AGI enters into such hedging arrangements, it potentially foregoes the benefits that might result from a weakening of the Canadian dollar relative to the U.S. dollar or other currencies in which it generate sales and in addition may realize a loss on its forward foreign exchange contracts to the extent that the relevant exchange rates are above the contract rates at the date of maturity of the contracts. Conversely, to the extent that AGI does not fully hedge its foreign exchange exposure, it remains subject to the risk that a strengthening Canadian dollar relative to the U.S. dollar or other currencies in which it generates sales will adversely affect its financial results, which effects could be material to its business, prospects and financial condition. See "Impact of Foreign Exchange" and "Financial Instruments – Foreign exchange contracts".

#### ***Acquisition and Expansion Risk***

AGI may expand its operations by increasing the scope or changing the nature of operations at existing facilities or by acquiring or developing additional businesses, products or technologies in existing or new markets. There can be no assurance that the Company will be able to identify, acquire, develop or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business, or increase the scope or change the nature of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. The Company's ability to increase the scope or change the nature of its operations or acquire or develop additional businesses may be impacted by its cost of capital and access to credit.

Acquisitions and expansions, including the acquisition of businesses or the development of manufacturing capabilities outside of North America, may involve a number of special risks including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, unanticipated market dynamics in new agricultural markets, added political and economic risk in other jurisdictions, risks associated with new market development outside of North America, and legal liabilities, some or all of which could have a material adverse effect on AGI's performance. In emerging markets some of these (and other) risks can be greater than they might be elsewhere. In addition, there can be no assurance that an increase in the scope or a change in the nature of operations at existing facilities or that acquired or newly developed businesses, products, or technologies will achieve anticipated revenues and income. The failure of the Company to manage its acquisition or expansion strategy successfully could have a material adverse effect on AGI's results of operations and financial condition.

### ***International Sales and Operations***

A portion of AGI's sales are generated in overseas markets (approximately \$78 million or 19% in 2014) the majority of which are in emerging markets such as countries in Eastern Europe, including most significantly Ukraine and also Russia and Romania, as well as countries in Central and South America, the Middle East and Southeast Asia. An important component of AGI's strategy is to increase its offshore sales and operations in the future. Sales and operations outside of North America, particularly in emerging markets, are subject to various additional risks, including: currency exchange rate fluctuations; foreign economic conditions; trade barriers; competition with North American and international manufacturers and suppliers; exchange controls; restrictions on dividends and the repatriation of funds; national and regional labour strikes; political risks; limitations on foreign investment; sociopolitical instability; fraud; risk of trade embargoes and sanctions prohibiting sales to specific persons or countries; risks of increases in duties; taxes and changes in tax laws; expropriation of property, cancellation or modification of contract rights, unfavourable legal climate for the collection of unpaid accounts; unfavourable political or economic climate limiting or eliminating support from export credit agencies; changes in laws and policies governing operations of foreign-based companies; as well as risks of loss due to civil strife and acts of war.

There is no guarantee that one or more of these factors will not materially adversely affect AGI's offshore sales and operations in the future, which could have a material adverse effect on AGI's results of operations and financial condition.

There have also been instances of political turmoil and other instability in some of the countries in which AGI operates, including most recently in Ukraine, which has and is currently experiencing political changes, civil unrest and military action, which are contributing to significant economic uncertainty and volatility. AGI continues to closely monitor the political, economic and military situation in Ukraine, and will seek to take actions to mitigate its exposure to potential risk events. However, the situation in Ukraine is rapidly developing and AGI has no way to predict outcome of the situation. Continued unrest, military activities, or broader-based trade sanctions or embargoes, should they be implemented, could have a material adverse effect on our sales in Ukraine and Russia and other countries in the region, and a material adverse effect on our sales, growth, results of operations and financial condition.

### ***Anti-Corruption Laws***

The Company's business practices must comply with the Corruption of Public Foreign Officials Act (Canada) and other applicable similar laws. These anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value

to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. These risks can be more acute in emerging markets. Recently, there has been a substantial increase in the global enforcement of anti-corruption laws. If violations of these laws were to occur, they could subject us to fines and other penalties as well as increased compliance costs and could have an adverse effect on AGI's reputation, business and results of operations and financial condition.

#### ***Agricultural Commodity Prices, International Trade and Political Uncertainty***

Prices of agricultural commodities are influenced by a variety of unpredictable factors that are beyond the control of AGI, including weather, government (Canadian, United States and other) farm programs and policies, and changes in global demand or other economic factors. A decrease in agricultural commodity prices could negatively impact the agricultural sector, and the business of AGI. New legislation or amendments to existing legislation, including the *Energy Independence and Security Act in the U.S. of 2007* or the 2014 Farm Bill, may ultimately impact demand for the Company's products. The world grain market is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

#### ***Competition***

AGI experiences competition in the markets in which it operates. Certain of AGI's competitors have greater financial and capital resources than AGI. AGI could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus (or increase their existing focus) on AGI's primary markets. As the grain handling, storage and conditioning equipment sector is fragmented, there is also a risk that a larger, formidable competitor may be created through a combination of one or more smaller competitors. AGI may also face potential competition from the emergence of new products or technology.

#### ***Seasonality of Business***

The agricultural equipment business is highly seasonal, which causes our quarterly results and our cash flow to fluctuate during the year. Our sales historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and our cash flow has been lower in the first three quarters of each calendar year, which may impact the ability of the Company to make cash dividends to shareholders, or the quantum of such dividends, if any. No assurance can be given that AGI's credit facility will be sufficient to offset the seasonal variations in AGI's cash flow.

#### ***Business Interruption***

The operation of AGI's manufacturing facilities are subject to a number of business interruption risks, including delays in obtaining production materials, plant shutdowns, labour disruptions and weather conditions/natural disasters. AGI may suffer damages associated with such events that it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. For instance, AGI's Rosenort facility is located in an area that is often subject to widespread flooding, and insurance coverage for this type of business interruption is limited. AGI is not able to predict the occurrence of business interruptions.

#### ***Litigation***

In the ordinary course of its business, AGI may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Farming is an inherently dangerous occupation. Grain handling, storage and conditioning equipment used on farms or in commercial applications may result in product liability claims that require insuring of risk and management of the legal process.

### ***Dependence on Key Personnel***

AGI's future business, financial condition, and operating results depend on the continued contributions of certain of AGI's executive officers and other key management and personnel, certain of whom would be difficult to replace.

### ***Labour Costs and Shortages and Labour Relations***

The success of AGI's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of AGI to hire or retain staff at current wage levels. The occurrence of either of these events could have an adverse effect on the Company's results of operations. There is no assurance that some or all of the employees of AGI will not unionize in the future. If successful, such an occurrence could increase labour costs and thereby have an adverse impact on AGI's results of operations.

### ***Distribution, Sales Representative and Supply Contracts***

AGI typically does not enter into written agreements with its dealers, distributors or suppliers in North America. As a result, such parties may, without notice or penalty, terminate their relationship with AGI at any time. In addition, even if such parties should decide to continue their relationship with AGI, there can be no guarantee that the consideration or other terms of such contracts will continue on the same basis.

AGI often enters into supply agreements with customers outside of North America. These contracts may include penalties for non-performance including in relation to product quality, late delivery and in some cases project assembly services. In addition, contractual commitments negotiated with foreign customers conducted in languages other than English may increase the likelihood of disputes with respect to agreed upon commitments. In the event AGI fails to perform to the standards of its contractual commitments it could suffer a negative financial impact which in some cases could be material.

### ***Availability of Credit***

AGI's credit facility matures on May 19, 2019 and is renewable at the option of the lenders. There can be no guarantee the Company will be able to obtain alternate financing and no guarantee that future credit facilities will have the same terms and conditions as the existing facility. This may have an adverse effect on the Company, its ability to pay dividends and the market value of its Common Shares and other securities. In addition, the business of the Company may be adversely impacted in the event that the Company's customers do not have access to sufficient financing to purchase AGI's products and services. Sales related to the construction of commercial grain handling facilities, sales to developing markets, and sales to North American farmers may be negatively impacted.

### ***Interest Rates***

AGI's term and operating credit facilities bear interest at rates that are in part dependent on performance based financial ratios. The Company's cost of borrowing may be impacted to the extent that the ratio calculation results in an increase in the performance based component of the interest rate. To the extent that the Company has term and operating loans where the fluctuations in the cost of borrowing are not mitigated by interest rate swaps, the Company's cost of borrowing may be impacted by fluctuations in market interest rates.

### ***Uninsured and Underinsured Losses***

AGI uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations

at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim.

AGI obtains insurance for certain of its accounts receivables outside of North America while assuming a percentage of the risk, most often 10% of the insured amount. In the event that AGI is unable to collect on its accounts receivables outside of North America, the Company will incur financial losses related to the uninsured portion.

### ***Income Tax Matters***

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of income tax rules and regulations of the various jurisdictions in which AGI operates and judgments as to their interpretation and application to AGI's specific situation. The amount and timing of reversals of temporary differences also depends on AGI's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of AGI are complex and AGI has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history including the Conversion. The computation of income taxes payable as a result of these transactions involves many complex factors as well as AGI's interpretation of and compliance with relevant tax legislation and regulations. While AGI believes that its' existing and proposed tax filing positions are probable to be sustained, there are a number of existing and proposed tax filing positions that are or may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by AGI and the ultimate value of AGI's income tax assets and liabilities could change in the future and that changes to these amounts could have a material adverse effect on AGI and its financial results.

### ***Leverage, Restrictive Covenants***

The degree to which AGI is leveraged could have important consequences to shareholders, including: (i) the ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a material portion of AGI's cash flow from operations may need to be dedicated to payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations and to pay dividends; (iii) certain of the borrowings under the Company's credit facility may be at variable rates of interest, which exposes AGI to the risk of increased interest rates; and (iv) AGI may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. AGI's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The ability of AGI to pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing its indebtedness, including the Company's credit facility and note purchase agreement. AGI's credit facility and note purchase agreement contain restrictive covenants customary for agreements of this nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of AGI to incur additional indebtedness, to pay dividends or make certain other payments and to sell or otherwise dispose of material assets. In addition, the credit facility and note purchase agreement contain a number of financial covenants that will require AGI to meet certain financial ratios and financial tests. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and trigger financial

penalties including a make-whole provision in the note purchase agreement. If the indebtedness under the credit facility and note purchase agreement were to be accelerated, there can be no assurance that the assets of AGI would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facility or any other credit facility will be able to be refinanced.

### ***Information Systems, Privacy and Data Protection***

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

In the ordinary course of business, AGI relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including supply chain, manufacturing, distribution, invoicing and collection of payments from dealers or other purchasers of AGI equipment. AGI uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements.

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

### ***Labour Relations***

The Westeel workforce is comprised of both unionized and non-union employees. With respect to those employees that are covered by collective bargaining agreements, there can be no assurance as to the outcome of any negotiations to renew such agreements on satisfactory terms. Failure to renegotiate collective bargaining agreements could result in strikes, work stoppages or interruptions, and if any of these events were to occur, they could have a material adverse effect on AGI's reputation, operations and financial performance. If non-unionized employees, whether those of Westeel or AGI, become subject to collective agreements, the terms of any new collective agreements would have implications for the affected operations, and those implications could be material.

## CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

Standards issued but not yet effective up to the date of issuance of the Company's unaudited interim condensed consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

### **Amendments to IAS 1, Presentation of Financial Statements**

On December 18, 2014 the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports [the "Disclosure Initiative"]. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

### **Amendments to IAS 19, Defined benefit plans, employee contributions**

On November 21, 2013, the IASB issued amendments to IAS 19 to clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

These amendments are effective January 1, 2016 and the Company is currently evaluating the impact of this new pronouncement and does not anticipate it will have a significant impact on its consolidated financial statements.

### **IFRS 9 Financial Instruments**

In July 2014, on completion of the impairment phase of the project to reform accounting for financial instruments and replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 includes guidance on the classification and measurement of financial assets and financial liabilities, impairment of financial assets [i.e. recognition of credit losses], and a new hedge accounting model. Under the classification and measurement requirements for financial assets, financial assets must be classified and measured at either amortized cost or at fair value through profit or loss or through Other Comprehensive Income ["OCI"], depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification requirements for financial liabilities are unchanged from IAS 39. IFRS 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in OCI, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focus on how an entity manages its risks, replaces the IAS 39 effectiveness testing requirements with the principle of an economic relationship, and eliminates the requirement for retrospective assessment of hedge effectiveness. The new requirements for impairment of financial assets introduce an expected loss impairment model that requires more timely recognition of expected credit losses. IAS 39 impairment requirements are based on an incurred loss model where credit losses are not

recognized until there is evidence of a trigger event. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early application permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

#### **IFRS 15 Revenue with Contracts with Customers**

IFRS 15, Revenue from Contracts with Customers, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised 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 standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is currently evaluating the impact of the above standard on its consolidated financial statements.

#### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including AGI's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management of AGI is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The Company acquired Westeel on May 20, 2015 (see "Acquisitions"). Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for this newly acquired operation. Since the acquisition occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of this acquisition, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of Westeel's financial information. The following is the summary financial information pertaining to Westeel that was included in Ag Growth's consolidated financial statements for the nine months ended September 30, 2015:

<i>(thousands of dollars)</i>	<b>Westeel</b>
Revenue	\$47,863
Profit (loss)	\$1,182
Current assets <sup>1</sup>	\$55,888
Non-current assets <sup>1</sup>	\$206,671
Current liabilities <sup>1</sup>	\$27,189
Non-current liabilities <sup>1</sup>	\$21,460

Note 1 - Balance sheet as at September 30, 2015

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three month period ended September 30, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## **NON-IFRS MEASURES**

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS, with a number of non-IFRS financial measures including "EBITDA", "Adjusted EBITDA", "gross margin", "funds from operations", "payout ratio", "adjusted payout ratio", "trade sales", "adjusted profit", and "diluted adjusted profit per share". A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in the most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-IFRS financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-IFRS financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

In this MD&A, we discuss the non-IFRS financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable, and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-IFRS financial measures to the most directly comparable IFRS financial measures are contained in this MD&A.

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These

measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to “EBITDA” are to profit before income taxes, finance costs, depreciation, amortization and impairment charges related to goodwill, intangibles or available for sale assets. References to “adjusted EBITDA” are to EBITDA before the gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, certain items considered by management to be unusual and non-recurring in nature and to expenses related to corporate acquisition activity. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows.

References to “trade sales” are to sales net of the gain or loss on foreign exchange. Management cautions investors that trade sales should not replace sales as an indicator of performance.

References to “gross margin” are to trade sales less cost of sales net of the depreciation and amortization included in cost of sales.

References to “funds from operations” are to cash provided by operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for the gain or loss on the sale of property, plant & equipment. Management believes that, in addition to cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating the Company's performance.

References to “payout ratio” are to dividends declared as a percentage of funds from operations. References to “adjusted payout ratio” are to declared dividends paid in cash as a percentage of funds from operations.

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for the non-cash CRA settlement, loss on foreign exchange, transaction costs, non-cash loss on available-for-sale investment, certain items considered by management to be unusual and non-recurring in nature and gain (loss) on sale of property, plant and equipment.

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. Forward-looking statements may contain such words as “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “plan”, “will” or similar expressions suggesting future conditions or events. In particular, the forward looking statements in this MD&A include statements relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for adjusted sales and EBITDA. Such forward-looking statements reflect our current beliefs and are based on information currently available to us, including certain key expectations and assumptions concerning anticipated grain production in our market areas, financial performance, business prospects, strategies, product pricing, regulatory developments, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, currency exchange rates and the cost of materials, labour and services. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including changes in international, national and local business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange rates, and competition. These risks and uncertainties are described under “Risks and Uncertainties” in this MD&A and in our most recently filed Annual Information Form. These factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking statements. We cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

## **ADDITIONAL INFORMATION**

Additional information relating to AGI, including AGI’s most recent Annual Information Form, is available on SEDAR ([www.sedar.com](http://www.sedar.com)).

Unaudited Interim Condensed Consolidated  
Financial Statements

**Ag Growth International Inc.**  
September 30, 2015

**Ag Growth International Inc.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
STATEMENTS OF FINANCIAL POSITION**

[in thousands of Canadian dollars]

	As at September 30, 2015 \$	As at December 31, 2014 \$
<b>ASSETS [note 15]</b>		
<b>Current assets</b>		
Cash and cash equivalents	33,341	25,295
Cash held in trust [note 5]	250	250
Accounts receivable [note 12]	124,519	86,764
Inventory	96,909	71,031
Prepaid expenses and other assets [note 24[a]]	3,519	6,852
Income taxes recoverable	1,486	3,375
<b>Total current assets</b>	<b>260,024</b>	<b>193,567</b>
<b>Non-current assets</b>		
Property, plant and equipment, net [note 24[a]]	159,970	99,612
Goodwill [note 8]	160,244	71,356
Intangible assets, net [note 7]	157,034	75,618
Available-for-sale investment [note 10]	900	900
Investment in European subsidiary [notes 5[b] and 25]	1,542	—
Income taxes recoverable	3,804	3,812
Deferred tax asset [note 18]	2	—
	<b>483,496</b>	<b>251,298</b>
Assets held for sale [note 9]	<b>6,561</b>	<b>2,251</b>
<b>Total assets</b>	<b>750,081</b>	<b>447,116</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities [note 21]	46,108	35,460
Customer deposits	15,705	12,864
Dividends payable [note 13[d]]	2,873	2,633
Acquisition, transaction and financing costs payable [note 5]	1,345	2,266
Income taxes payable	2,945	93
Subscription receipts commission payable	—	1,036
Current portion of obligation under finance leases [note 15[e]]	240	—
Current portion of derivative instruments [note 19]	18,069	6,618
Short-term debt [note 15[d]]	—	49,176
Provisions	5,966	3,829
<b>Total current liabilities</b>	<b>93,251</b>	<b>113,975</b>
<b>Non-current liabilities</b>		
Long-term debt [note 15]	159,017	28,949
Due to vendor	774	671
Convertible unsecured subordinated debentures [note 16]	196,504	79,433
Other liabilities [note 17]	134	—
Other liabilities put option [note 5[b]]	200	—
Obligation under finance leases [note 15[e]]	1,224	—
Derivative instruments [note 19]	6,658	2,290
Deferred tax liability [note 18]	34,663	12,072
<b>Total non-current liabilities</b>	<b>399,174</b>	<b>123,415</b>
<b>Total liabilities</b>	<b>492,425</b>	<b>237,390</b>
<b>Shareholders' equity [note 13]</b>		
Common shares	237,763	184,771
Accumulated other comprehensive income	33,999	14,838
Equity component of convertible debentures	6,912	3,135
Contributed surplus	15,454	12,954
Deficit	(36,472)	(5,972)
<b>Total shareholders' equity</b>	<b>257,656</b>	<b>209,726</b>
<b>Total liabilities and shareholders' equity</b>	<b>750,081</b>	<b>447,116</b>
Commitments and contingencies [note 24]		

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert  
Director

(signed) David A. White, CA, ICD.D  
Director

**Ag Growth International Inc.**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED STATEMENTS OF INCOME**

[in thousands of Canadian dollars, except per share amounts]

	Three-month period ended		Nine-month period ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	\$	\$	\$	\$
<b>Sales</b>	<b>125,590</b>	114,915	<b>335,245</b>	312,031
Cost of goods sold <i>[note 6[d]]</i>	<b>95,393</b>	78,559	<b>242,268</b>	210,865
<b>Gross profit</b>	<b>30,197</b>	36,356	<b>92,977</b>	101,166
<b>Expenses</b>				
Selling, general and administrative <i>[note 6[e]]</i>	<b>29,404</b>	19,595	<b>73,154</b>	55,188
Other operating expenses (income) <i>[note 6[a]]</i>	<b>1,148</b>	(342)	<b>855</b>	(1,330)
Impairment of available-for-sale investment <i>[note 10]</i>	—	—	—	1,100
Finance costs <i>[note 6[c]]</i>	<b>5,164</b>	2,283	<b>12,240</b>	8,826
Finance expense <i>[note 6[b]]</i>	<b>3,219</b>	1,328	<b>5,181</b>	1,381
	<b>38,935</b>	22,864	<b>91,430</b>	65,165
Profit (loss) before income taxes	<b>(8,738)</b>	13,492	<b>1,547</b>	36,001
Income tax expense (recovery) <i>[note 18]</i>				
Current	<b>(236)</b>	1,298	<b>2,331</b>	4,040
Deferred	<b>136</b>	3,541	<b>3,090</b>	8,452
	<b>(100)</b>	4,839	<b>5,421</b>	12,492
<b>Profit (loss) for the period</b>	<b>(8,638)</b>	8,653	<b>(3,874)</b>	23,509
<b>Profit per share - basic</b> <i>[note 22]</i>	<b>(0.60)</b>	0.66	<b>(0.28)</b>	1.80
<b>Profit per share - diluted</b> <i>[note 22]</i>	<b>(0.60)</b>	0.65	<b>(0.28)</b>	1.76

*See accompanying notes*

**Ag Growth International Inc.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
STATEMENTS OF COMPREHENSIVE INCOME**

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2015		September 30, 2014	
	2015	2014	2015	2014
	\$	\$	\$	\$
Profit (loss) for the period	<b>(8,638)</b>	8,653	<b>(3,874)</b>	23,509
Other comprehensive income				
Items that may be reclassified				
subsequently to profit or (loss)				
Change in fair value of derivatives				
designated as cash flow hedges	<b>(12,409)</b>	(5,606)	<b>(23,596)</b>	(5,320)
Loss on derivatives designated				
as cash flow hedges recognized in				
net earnings in the current period	<b>3,995</b>	1,262	<b>7,777</b>	2,442
Hedge ineffectiveness recognized in				
net earnings in the current period	<b>1,317</b>	—	<b>1,317</b>	—
Actuarial losses on defined benefit plan	<b>(674)</b>	—	<b>(674)</b>	—
Exchange difference on translating				
foreign operations	<b>15,784</b>	8,001	<b>30,204</b>	8,470
Income tax relating to items that				
may be reclassified	<b>2,098</b>	1,155	<b>4,133</b>	767
<b>Other comprehensive income</b>				
<b>for the period</b>	<b>10,111</b>	4,812	<b>19,161</b>	6,359
<b>Total comprehensive income</b>				
<b>for the period</b>	<b>1,473</b>	13,465	<b>15,287</b>	29,868

*See accompanying notes*

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
[in thousands of Canadian dollars]

Nine-month period ended September 30, 2015

	Common shares \$	Equity component of debentures \$	Contributed surplus \$	Deficit \$	Cash flow hedge reserve \$	Foreign currency reserve \$	Defined benefit plan reserve \$	Total equity \$
<b>As at January 1, 2015</b>	184,771	3,135	12,954	(5,972)	(6,545)	21,383	—	209,726
Profit (loss) for the period	—	—	—	(3,874)	—	—	—	(3,874)
Other comprehensive income (loss)	—	—	—	—	(10,551)	30,204	(492)	19,161
Share-based payment transactions [notes 13 and 14]	202	—	2,500	—	—	—	—	2,702
Dividend reinvestment plan transactions [notes 13[d] and 13[e]]	3,652	—	—	—	—	—	—	3,652
Dividends to shareholders [note 13[d]]	—	—	—	(24,888)	—	—	—	(24,888)
Issuance of 2015 convertible unsecured subordinated debentures [note 16]	—	3,777	—	—	—	—	—	3,777
Dividends on share based compensation awards	—	—	—	(626)	—	—	—	(626)
Dividends on subscription receipts	—	—	—	(1,112)	—	—	—	(1,112)
Share issuance related to Westeel acquisition [note 5[b]]	49,138	—	—	—	—	—	—	49,138
<b>As at September 30, 2015</b>	<b>237,763</b>	<b>6,912</b>	<b>15,454</b>	<b>(36,472)</b>	<b>(17,096)</b>	<b>51,587</b>	<b>(492)</b>	<b>257,656</b>

See accompanying notes

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
[in thousands of Canadian dollars]

Nine-month period ended September 30, 2014

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Retained earnings \$	Cash flow hedge reserve \$	Foreign currency reserve \$	Total equity \$
<b>As at January 1, 2014</b>	158,542	8,240	4,984	21,847	(3,306)	6,671	196,978
Profit for the period	—	—	—	23,509	—	—	23,509
Other comprehensive income (loss)	—	—	—	—	(2,111)	8,470	6,359
Share-based payment transactions [notes 13 and 14]	749	—	3,180	—	—	—	3,929
Dividend reinvestment plan transactions [notes 13[d] and 13[e]]	3,871	—	—	—	—	—	3,871
Dividends to shareholders [note 13[d]]	—	—	—	(23,581)	—	—	(23,581)
Dividend reinvestment plan costs [note 13[e]]	(16)	—	—	—	—	—	(16)
Dividends on share based compensation awards	—	—	—	(435)	—	—	(435)
Redemption of 2009 convertible unsecured subordinated debentures [notes 13 and 16]	19,024	(3,760)	3,760	—	—	—	19,024
<b>As at September 30, 2014</b>	182,170	4,480	11,924	21,340	(5,417)	15,141	229,638

See accompanying notes

**Ag Growth International Inc.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
STATEMENTS OF CASH FLOWS**

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30,	September 30,	September 30,	September 30,
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Profit (loss) before income taxes for the period	(8,738)	13,492	1,547	36,001
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	2,502	1,695	6,239	5,095
Amortization of intangible assets	2,426	1,264	5,472	3,670
Impairment of available-for-sale investment [note 10]	—	—	—	1,100
Translation loss on foreign exchange	14,353	6,816	24,523	6,965
Non-cash component of interest expense	788	422	2,025	2,761
Share-based compensation	1,931	1,786	2,076	3,494
Loss (gain) on sale of property, plant and equipment	2,539	(12)	3,279	(930)
Gain on sale of assets held for sale	—	—	(131)	—
Employer contribution to defined benefit plan	(100)	—	(140)	—
Defined benefit plan expense	208	—	301	—
Non-cash investment tax credit	(325)	—	(394)	—
Net change in non-cash working capital balances related to operations [note 11]	3,884	(16,020)	(21,919)	(48,472)
Income taxes paid	(1,823)	(3,234)	(1,982)	(5,799)
<b>Cash provided by operating activities</b>	<b>17,645</b>	<b>6,209</b>	<b>20,896</b>	<b>3,885</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(9,526)	(3,432)	(33,104)	(7,716)
Acquisition of product line [note 5[a]]	—	—	—	(13,144)
Acquisition of Westeel, net of cash acquired [note 5[b]]	—	—	(208,459)	—
Changes to deposits related to property, plant and equipment	3,560	213	2,201	(535)
Transfer to restricted cash	—	—	—	(250)
Transaction costs payable	(1,467)	800	(921)	800
Proceeds from sale of property, plant and equipment	3,189	44	3,210	2,377
Proceeds from sale of assets held for sale	—	—	1,147	—
Development and purchase of intangible assets	(520)	(540)	(1,375)	(1,178)
<b>Cash used in investing activities</b>	<b>(4,764)</b>	<b>(2,915)</b>	<b>(237,301)</b>	<b>(19,646)</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of long-term debt	(50,000)	—	(50,000)	(3)
Repayment of obligation under finance leases	(63)	—	(63)	—
Redemption of convertible unsecured subordinated debentures, net	—	—	—	(95,861)
Issuance of long-term debt	232	—	174,721	25,000
Issuance of convertible unsecured subordinated debentures	71,300	—	71,300	—
Common share issuance	—	—	51,766	—
Subscription receipts financing costs	—	—	(123)	—
Subscription receipts commission payable	—	—	(1,036)	—
Dividends paid in cash	(7,152)	(6,645)	(22,114)	(19,710)
Dividend reinvestment plan costs incurred	—	—	—	(16)
<b>Cash provided by (used in) financing activities</b>	<b>14,317</b>	<b>(6,645)</b>	<b>224,451</b>	<b>(90,590)</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>27,198</b>	<b>(3,351)</b>	<b>8,046</b>	<b>(106,351)</b>
Cash and cash equivalents, beginning of period	6,143	5,731	25,295	108,731
<b>Cash and cash equivalents, end of period</b>	<b>33,341</b>	<b>2,380</b>	<b>33,341</b>	<b>2,380</b>
<b>Supplemental cash flow information</b>				
Interest paid	2,573	738	8,635	4,585

See accompanying notes

## **Ag Growth International Inc.**

# **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

## **1. ORGANIZATION**

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the three- and nine-month periods ended September 30, 2015, were authorized for issuance in accordance with a resolution of the directors on November 12, 2015. Ag Growth International Inc. is a listed company incorporated and domiciled in Canada, whose shares are publicly traded at the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

## **2. OPERATIONS**

Ag Growth Inc. conducts business in the grain handling, storage and conditioning market.

Included in these unaudited interim condensed consolidated financial statements are the accounts of Ag Growth Inc. and all of its subsidiary partnerships and incorporated companies; together, Ag Growth Inc. and its subsidiaries are referred to as "AGI" or the "Company".

## **3. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION**

### **[a] Statement of compliance**

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ["IAS"] 34 – *Interim Financial Reporting* on a basis consistent with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

These unaudited interim condensed consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2014, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2014, except for the following adopted subsequent to the acquisition of Westeel [note 5[b]].

## **Ag Growth International Inc.**

### **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

#### **Employee benefits**

Certain employees are covered by defined benefit pension plans and certain former employees are also entitled to other post-employment benefits such as medical and life insurance. The Company's defined benefit plan asset (obligation) is actuarially calculated by a qualified actuary at the end of each annual reporting period using the projected unit credit method and management's best estimates of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the defined benefit obligation for accounting purposes is based on the yield on a portfolio of high quality corporate bonds denominated in the same currency with cash flows that match the terms of the defined benefit plan obligations. Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in interest cost for the defined benefit plan. Actual post-employment benefit costs incurred may differ materially from management estimates.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan asset (obligation). When the plan has a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan [the "asset ceiling"]. If it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future service, the net defined benefit asset is reduced to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

Remeasurements including actuarial gains and losses and the impact of any minimum funding requirements are recognized through other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings.

Current employee wages and benefits are expensed as incurred.

## **Ag Growth International Inc.**

# **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

### **[b] Basis of preparation**

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments and available-for-sale investments, which are measured at fair value.

Accounting measurements at interim dates, rather than at year end, inherently involve a greater reliance on estimates. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly the unaudited interim condensed consolidated financial position of the Company as at September 30, 2015.

### **[c] New standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's unaudited interim condensed consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

#### **Financial instruments: classification and measurement [“IFRS 9”]**

In July 2014, on completion of the impairment phase of the project to reform accounting for financial instruments and replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 includes guidance on the classification and measurement of financial assets and financial liabilities, impairment of financial assets [i.e. recognition of credit losses], and a new hedge accounting model. Under the classification and measurement requirements for financial assets, financial assets must be classified and measured at either amortized cost or at fair value through profit or loss or through Other Comprehensive Income [“OCI”], depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification requirements for financial liabilities are unchanged from IAS 39. IFRS 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in OCI, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focus on how an entity manages its risks, replaces the IAS 39 effectiveness testing requirements with the principle of an economic relationship, and eliminates the requirement for retrospective assessment of hedge effectiveness. The new requirements for impairment of financial assets introduce an expected loss

## **Ag Growth International Inc.**

### **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

impairment model that requires more timely recognition of expected credit losses. IAS 39 impairment requirements are based on an incurred loss model where credit losses are not recognized until there is evidence of a trigger event. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early application permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

#### **Revenue from Contracts with Customers [“IFRS 15”]**

IFRS 15, *Revenue from Contracts with Customers*, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised 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 standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is currently evaluating the impact of the above standard on its consolidated financial statements.

#### **Amendments to IAS 1, *Presentation of Financial Statements***

On December 18, 2014 the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports [the “Disclosure Initiative”]. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

#### **Amendments to IAS 19, *Defined benefit plans, employee contributions***

On November 21, 2013, the IASB issued amendments to IAS 19 to clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number years of service provided by the employee.

## **Ag Growth International Inc.**

### **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

These amendments are effective January 1, 2016 and the Company is currently evaluating the impact of this new pronouncement and does not anticipate it will have a significant impact on its consolidated financial statements.

#### **4. SEASONALITY OF BUSINESS**

Interim period sales and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the third quarter, result in accounts receivable levels increasing throughout the year and normally peaking in the third quarter. As a result of these working capital movements, historically, AGI's use of its bank revolver is typically highest in the first and second quarters, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year.

#### **5. BUSINESS COMBINATIONS**

##### **[a] Rem Grain Vac product line**

Effective February 3, 2014, the Company acquired the assets related to the Rem Grain Vac product line ["Grain Vac"]. The acquisition of Grain Vac provides the Company with a complementary product line.

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

The purchase has been accounted for by the acquisition method with the results of Grain Vac included in the Company's net earnings from the date of acquisition. The assets acquired and liabilities assumed of Grain Vac on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values as follows:

	<u>\$</u>
Accounts receivable	2,257
Inventory	1,650
Property, plant and equipment	120
Intangible assets	
Distribution network	2,566
Brand name	1,838
Intellectual property	1,266
Order backlog	35
Non-compete agreements	114
Goodwill	3,811
Accounts payable and accrued liabilities	(80)
Customer deposits	(319)
Provisions	(110)
Purchase consideration	<u>13,148</u>

The goodwill of \$3,811 comprises the value of expected synergies arising from the acquisition. Goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, Grain Vac contributed to the 2014 results \$12,540 of revenue and the impacts on the cash flows as at December 31, 2014 on the acquisition of Grain Vac were as follows:

	<u>\$</u>
Purchase consideration	13,148
Local taxes	246
Cash held in trust	(250)
Purchase consideration transferred	<u>13,144</u>

The acquisition of Grain Vac was an asset purchase and as such the Company does not have access to the books and records of Grain Vac for any periods prior to the acquisition date of February 3, 2014. Therefore, the impact on revenues and profit of the Company from the acquisition of Grain Vac at the beginning of 2014 cannot be reported. The Company has also

**Ag Growth International Inc.**

**NOTES TO UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

integrated Grain Vac with one of its divisions. Therefore, the operating results of Grain Vac cannot be separately reported from the date of acquisition.

The consideration transferred of \$13,144 was paid in cash. The impact on the cash flow on the acquisition of Grain Vac is as follows:

	<u>\$</u>
Transaction costs of the acquisition paid in 2013	119
Transaction costs of the acquisition paid in 2014	32
Purchase consideration transferred	<u>13,144</u>
Net cash flow on acquisition	<u>13,295</u>

As at September 30, 2015, the Company had cash held in trust of \$250 [2014 – \$250] relating to the acquisition of Grain Vac. Transaction costs of nil [2014 – \$32] are included in selling, general and administrative costs.

**[b] Vicwest’s Westeel Division**

Effective May 20, 2015, the Company acquired substantially all of the assets of Vicwest’s Westeel Division [“Westeel”], Canada’s leading provider of grain storage solutions. The acquisition of Westeel provides the Company with an expanded growth platform within North America and around the world.

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

The purchase has been accounted for by the acquisition method with the results of Westeel included in the Company's net earnings from the date of acquisition. The assets acquired and liabilities assumed of Westeel on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values as follows:

	\$
Cash and cash equivalents	13,183
Accounts receivable	22,281
Inventory	27,555
Prepaid expenses and other assets	868
Investment in European subsidiary	1,542
Property, plant and equipment	39,179
Intangible assets	
Distribution network	37,600
Brand name	43,300
Order backlog	1,700
Goodwill	84,346
Other long term assets	702
Accounts payable and accrued liabilities	(21,932)
Customer deposits	(709)
Provisions	(1,172)
Income taxes payable	(337)
Deferred tax liability	(24,842)
Other liabilities	(200)
Obligations under finance leases	(1,422)
Purchase consideration	<u>221,642</u>

The goodwill of \$84,346 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of accounts receivable acquired is \$22,281. This consists of the gross contractual value of \$23,300, less the estimated amount not expected to be collected of \$1,019.

The investment in European subsidiary represents the Company's 51% holding of the common equity of a leading designer, manufacturer and installer of grain storage systems. The put option liability relates to a put option held by the non-controlling shareholders that provides them an option to put the remaining minority interest to the Company. The value of the put option liability is included in other liabilities. Significant judgment was required in determining whether the Company has control over this European subsidiary and as at the acquisition date and as at September 30, 2015 the Company has concluded that for the purposes of financial reporting they

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

do not exercise control over the European subsidiary despite the Company's 51% holding. Factors relevant to this assessment included the lack of Board representation from the Company. The investment in the European subsidiary has therefore been recorded at cost in these interim financial statements. The values assigned to both the investment in this subsidiary and the put option liability are preliminary and may change as the Company obtains additional information to complete the measurement process. Such changes may be material.

From the date of acquisition, Westeel has contributed to the 2015 results \$47,863 of revenue and \$1,182 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional \$60,806 and profit from continuing operations would have increased by an additional \$3,171.

The impacts on the cash flows on the acquisition of Westeel are as follows:

	<u>\$</u>
Purchase consideration	221,642
Less cash acquired	<u>(13,183)</u>
Purchase consideration transferred	<u>208,459</u>

The allocation of the purchase price to acquired assets and liabilities are preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Costs related to the Westeel acquisition in the three- and nine-month periods ended September 30, 2015 were \$219 and \$3,373, respectively [2014 – \$800 and \$800] and are included in selling, general and administrative expenses.

For the purposes of funding the purchase price, AGI issued \$51.75 million subscription receipts [the "Subscription Receipts"] and \$51.75 million aggregate principal amount extendible convertible unsecured subordinated debentures [note 16]. The remainder of the purchase price was funded by the Company through expanded credit facilities [note 15].

Upon the completion of the Westeel acquisition, the Subscription Receipt holders received one common share of AGI per Subscription Receipt [note 13].

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

#### 6. OTHER EXPENSES (INCOME)

	Three-month period ended		Nine-month period ended	
	September 30, 2015 \$	September 30, 2014 \$	September 30, 2015 \$	September 30, 2014 \$
<b>[a] Other operating expense (income)</b>				
Net loss (gain) on disposal of property, plant and equipment	2,539	(12)	3,279	(930)
Net gain on disposal of assets held for sale	—	—	(131)	—
Other	(1,391)	(330)	(2,293)	(400)
	<b>1,148</b>	<b>(342)</b>	<b>855</b>	<b>(1,330)</b>
<b>[b] Finance expense (income)</b>				
Interest income from banks	(1)	—	(231)	(44)
Loss on foreign exchange	3,220	1,328	5,412	1,425
	<b>3,219</b>	<b>1,328</b>	<b>5,181</b>	<b>1,381</b>
<b>[c] Finance costs</b>				
Interest on overdrafts and other finance costs	44	160	143	372
Interest, including non-cash interest, on debts and borrowings	2,710	624	4,908	2,022
Interest, including non-cash interest, on convertible debentures [note 16]	2,410	1,499	7,189	6,432
	<b>5,164</b>	<b>2,283</b>	<b>12,240</b>	<b>8,826</b>
<b>[d] Cost of goods sold</b>				
Depreciation	2,364	1,539	5,753	4,635
Amortization of intangible assets	737	146	1,250	406
Warranty provision	1,432	557	2,137	623
Cost of inventory recognized as an expense	90,860	76,317	233,128	205,201
	<b>95,393</b>	<b>78,559</b>	<b>242,268</b>	<b>210,865</b>
<b>[e] Selling, general and administrative expenses</b>				
Depreciation	138	156	486	460
Amortization of intangible assets	1,689	1,118	4,222	3,264
Minimum lease payments recognized as an operating lease expense	527	439	1,520	1,295
Corporate acquisition activity	1,192	979	4,706	1,159
Selling, general and administrative	25,858	16,903	62,220	49,010
	<b>29,404</b>	<b>19,595</b>	<b>73,154</b>	<b>55,188</b>
<b>[f] Employee benefits expense</b>				
Wages and salaries	29,223	24,970	86,771	73,068
Share-based payment transaction expense [note 14[c]]	1,931	1,786	2,076	3,494
Pension costs	942	551	2,219	1,742
	<b>32,096</b>	<b>27,307</b>	<b>91,066</b>	<b>78,304</b>
Included in cost of goods sold	22,783	18,272	61,255	52,260
Included in selling general and administrative expense	9,313	9,035	29,811	26,044
	<b>32,096</b>	<b>27,307</b>	<b>91,066</b>	<b>78,304</b>

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

#### 7. INTANGIBLE ASSETS

	\$
<b>Balance, January 1, 2014</b>	71,487
Internal development	1,338
Acquired	6,206
Amortization	(4,940)
Exchange differences	1,527
<b>Balance, December 31, 2014</b>	75,618
Internal development	1,375
Acquired <i>[note 5[b]]</i>	82,600
Amortization	(5,472)
Exchange differences	2,913
<b>Balance, September 30, 2015</b>	<b>157,034</b>

#### 8. GOODWILL

	September 30, 2015	December 31, 2014
	\$	\$
<b>Balance, beginning of period</b>	<b>71,356</b>	65,322
Acquisition <i>[note 5[b]]</i>	<b>84,346</b>	3,811
Exchange differences	<b>4,542</b>	2,223
<b>Balance, end of period</b>	<b>160,244</b>	71,356

#### 9. ASSETS HELD FOR SALE

In the three-month period ended March 31, 2015, AGI sold land and buildings in Lethbridge, Alberta and the related carrying amount of \$1,101 was removed from assets held for sale. In the three-month period ended June 30, 2015, AGI acquired Westeel, which included land and building in Regina, Saskatchewan that met the definition of assets held for sale. The related carrying amount of \$4,100 has been recorded as assets held for sale. In the three-month period ended September 30, 2015, AGI transferred all production activities from its existing facility to a new facility, both located in Decatur, Illinois. AGI concluded that the grounds, building and selected equipment at the existing Decatur, Illinois facility met the definition of assets held for sale. The related carrying amount of \$1,311 has been recorded as assets held for sale.

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

As at September 30, 2015, assets held for sale consist of land, grounds, buildings and selected equipment in Winnipeg, Manitoba, Regina, Saskatchewan and Decatur, Illinois.

#### 10. AVAILABLE-FOR-SALE INVESTMENT

In fiscal 2009, AGI invested \$2 million in a privately held Canadian farming company ["Investco"]. In conjunction with AGI's investment, Investco made a \$2 million deposit to AGI for future purchases of grain handling and storage equipment to support their farming operations and AGI was to become a strategic supplier to Investco. The deposit was fully utilized in 2014. AGI assesses at each reporting period whether there is any objective evidence that its investment is impaired. In 2014, AGI had concluded its investment in Investco was impaired based on external information available and observable conditions and as a result, AGI recorded a \$1.1 million charge to reflect management's estimate of the fair value of its investment in Investco.

#### 11. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in the non-cash working capital balances related to operations is calculated as follows:

	Three-month period ended		Nine-month period ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	\$	\$	\$	\$
Accounts receivable	2,983	(17,034)	(15,474)	(34,413)
Inventory	7,204	93	1,677	(9,657)
Prepaid expenses and other assets	666	(400)	66	(945)
Accounts payable and accrued liabilities	(10,997)	5,109	(11,285)	5,714
Customer deposits	3,566	(4,345)	2,132	(9,684)
Provisions	462	557	965	513
	<b>3,884</b>	<b>(16,020)</b>	<b>(21,919)</b>	<b>(48,472)</b>

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

#### 12. ACCOUNTS RECEIVABLE

As is typical in the agriculture sector, AGI may offer extended terms on its accounts receivable to match the cash flow cycle of its customer. The following table sets forth details of the age of trade accounts receivable that are not overdue, as well as an analysis of overdue amounts and the related allowance for doubtful accounts:

	September 30, 2015	December 31, 2014
	\$	\$
Total accounts receivable	128,388	87,825
Less allowance for doubtful accounts	(3,869)	(1,061)
<b>Total accounts receivable, net</b>	<b>124,519</b>	<b>86,764</b>
<b>Of which</b>		
Neither impaired nor past due	105,720	60,564
Not impaired and past the due date as follows		
Within 30 days	11,479	10,501
31 to 60 days	3,835	5,524
61 to 90 days	1,424	3,103
Over 90 days	5,930	8,133
Less allowance for doubtful accounts	(3,869)	(1,061)
<b>Total accounts receivable, net</b>	<b>124,519</b>	<b>86,764</b>

During 2014 accounts receivable owing from one customer in Ukraine that otherwise would have been past due had been renegotiated and extended to September 30, 2015. As at September 30, 2015, amounts owing under these renegotiated terms is \$28,372. The accounts receivable owing from this customer are 90% insured with Export Development Canada. During the three-month period ended September 30, 2015, the Company determined that collection of this accounts receivable was not likely to be realized and the Company has reserved in the allowance for doubtful accounts \$2,847, or 10%, that equals to the uninsured amount of the accounts receivable.

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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September 30, 2015

#### 13. EQUITY

##### [a] Common shares

###### Authorized

Unlimited number of voting common shares without par value

###### Issued

14,363,532 common shares

	Shares #	Amount \$
<b>Balance, January 1, 2014</b>	12,613,060	158,542
Settlement of LTIP – vested shares <i>[note 14[c]]</i>	15,231	749
Convertible unsecured subordinated debentures	422,897	20,369
Dividend reinvestment plan costs	—	(16)
Dividend reinvestment shares issued from treasury	114,439	5,127
<b>Balance, December 31, 2014</b>	13,165,627	184,771
Dividend reinvestment shares issued from treasury <i>[note 13[d]]</i>	79,426	3,652
Settlement of 2012 SAIP obligation	6,429	202
Share issuance related to Westeel Acquisition <i>[note 5[b]]</i>	1,112,050	49,138
<b>Balance, September 30, 2015</b>	<b>14,363,532</b>	<b>237,763</b>

##### [b] Contributed surplus

	Nine-month period ended September 30, 2015 \$	Year ended December 31, 2014 \$
<b>Balance, beginning of period</b>	<b>12,954</b>	4,984
Equity-settled director compensation <i>[note 14[b]]</i>	<b>154</b>	308
Obligation under 2012 SAIP <i>[note 14[a]]</i>	<b>1,922</b>	4,208
Settlement of LTIP obligation – vested shares	—	(749)
Dividends on 2012 SAIP	<b>626</b>	443
Settlement of 2012 SAIP obligation	<b>(202)</b>	—
Redemption of 2009 convertible unsecured subordinated debentures	—	3,760
<b>Balance, end of period</b>	<b>15,454</b>	12,954

## **Ag Growth International Inc.**

### **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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#### **[c] Accumulated other comprehensive income (loss)**

Accumulated other comprehensive income (loss) is comprised of the following:

##### **Cash flow hedge reserve**

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

##### **Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

##### **Defined benefit plan reserve**

The defined benefit plan reserve contains recognized actuarial gains and losses relating to past employment benefit obligations.

#### **[d] Dividends paid and proposed**

In the three-month period ended September 30, 2015, the Company declared dividends of \$8,610 or \$0.60 per common share [2014 – \$7,877 or \$0.60 per common share] and dividends on share compensation awards of \$233 [2014 – \$110]. In the nine-month period ended September 30, 2015, the Company declared dividends to shareholders of \$24,888 or \$1.80 per common share [2014 – \$23,581 or \$1.80 per common share] and dividends on share-based compensation awards of \$626 [2014 – \$435]. For the three- and nine- month period ended September 30, 2015, 35,822 and 79,426 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the “DRIP”]. In the three-month period ended September 30, 2015, dividends paid to shareholders were financed \$7,152 [2014 – \$6,645] from cash on hand and \$1,451 [2014 – \$1,232] by the DRIP. In the nine-month period ended September 30, 2015, dividends paid to shareholders were financed \$22,114 [2014 – \$19,710] from cash on hand and \$3,652 [2014 – \$3,871] by the DRIP.

AGI’s dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company’s current monthly dividend rate is \$0.20 per common share. Subsequent to September 30, 2015, the Company declared dividends of \$0.20 per common share payable to shareholders on record as at October 30, 2015.

## **Ag Growth International Inc.**

### **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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#### **[e] Dividend reinvestment plan**

On March 5, 2013, the Company announced the adoption of the DRIP. Eligible shareholders who elect to reinvest dividends under the DRIP will initially receive common shares issued from treasury at a discount of 4% from the market price of the common shares, with the market price being equal to the volume-weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days preceding the applicable dividend payment date. The Company incurred costs of nil [2014 – \$16] with respect to administration of the DRIP.

#### **[f] Shareholder protection rights plan**

On December 20, 2010, the Company's Board of Directors adopted a Shareholders' Protection Rights Plan [the "Rights Plan"]. Specifically, the Board of Directors has implemented the Rights Plan by authorizing the issuance of one right [a "Right"] in respect of each common share [the "Common Shares"] of the Company. If a person or a Company, acting jointly or in concert, acquires [other than pursuant to an exemption available under the Rights Plan] beneficial ownership of 20% or more of the Common Shares, Rights [other than those held by such acquiring person which will become void] will separate from the Common Shares and permit the holder thereof to purchase that number of Common Shares having an aggregate market price [as determined in accordance with the Rights Plan] on the date of consummation or occurrence of such acquisition of Common Shares equal to four times the exercise price of the Rights for an amount in cash equal to the exercise price. The exercise price of the Rights pursuant to the Rights Plan is \$150 per Right.

#### **[g] Preferred shares**

On May 14, 2014, the shareholders of AGI approved the creation of two new classes of preferred shares, each issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the Company's Board of Directors may, at any time from time to time determine, subject to an aggregate maximum number of authorized preferred shares. In particular, no preferred shares of either class may be issued if:

- [i] The aggregate number of preferred shares that would then be outstanding would exceed 50% of the aggregate number of common shares then outstanding; or
- [ii] The maximum aggregate number of common shares into which all of the preferred shares then outstanding could be converted in accordance with their terms would exceed 20% of the aggregate number of common shares then outstanding; or

## **Ag Growth International Inc.**

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[iii] The aggregate number of votes which the holders of all preferred shares then outstanding would be entitled to cast at any meeting of the shareholders of the Company [other than meetings at which only holders of preferred shares are entitled to vote] would exceed 20% of the aggregate number of votes which the holders of all common shares then outstanding would be entitled to cast at any such meeting.

As at September 30, 2015 and December 31, 2014, no preferred shares were issued or outstanding.

#### **14. SHARE-BASED COMPENSATION PLANS**

##### **[a] Share award incentive plan [“SAIP”]**

###### **The 2012 SAIP**

On May 11, 2012, the shareholders of AGI approved a Share Award Incentive Plan [the “2012 SAIP”] which authorizes the Board to grant Restricted Share Awards [“Restricted Awards”] and Performance Share Awards [“Performance Awards”] [collectively the “Share Awards”] to persons who are officers, employees or consultants of the Company and its affiliates. Share Awards may not be granted to Non-Management Directors.

A total of 465,000 common shares are available for issuance under the 2012 SAIP. At the discretion of the Board, the 2012 SAIP provides for cumulative adjustments to the number of common shares to be issued pursuant to Share Awards on each date that dividends are paid on the common shares. The 2012 SAIP provides for accelerated vesting in the event of a change in control, retirement, death or termination without cause.

Each Restricted Award will entitle the holder to be issued the number of common shares designated in the Restricted Award with such common shares to be issued as to one-third on each of the third, fourth and fifth anniversary dates of the date of grant, subject to earlier vesting in certain events. The Company has an obligation to settle any amount payable in respect of a Restricted Award by common shares issued from treasury of the Company.

Each Performance Award requires the Company to deliver to the holder at the Company’s discretion either the number of common shares designated in the Performance Award multiplied by a Payout Multiplier or the equivalent amount in cash after the third and prior to the fourth anniversary date of the grant. The Payout Multiplier is determined based on an assessment of the achievement of pre-defined measures in respect of the applicable period. The Payout Multiplier may not exceed 200%.

The Company intends to settle the Share Award by common shares.

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As at September 30, 2015, 242,000 Restricted Awards and 110,000 Performance Awards have been granted. The Company has accounted for the Share Awards as equity-settled plans. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures. In addition, the expense of the Performance Awards is based on the probability of achieving 110% of the Payout Multiplier. During the three- and nine-month periods ended September 30, 2015, AGI expensed \$1,880 and \$1,922 for the 2012 SAIP [2014 – \$1,696 and \$3,252] as the Company revised upwards its estimate of payout multiplier achievement.

#### **[b] Directors' deferred compensation plan ["DDCP"]**

Under the DDCP, every Director receives a fixed base retainer fee, an attendance fee for meetings and a committee chair fee, if applicable, and a minimum of 20% of the total compensation must be taken in common shares. A Director will not be entitled to receive the common shares he or she has been granted until a period of three years has passed since the date of grant or until the Director ceases to be a Director, whichever is earlier. The Directors' common shares are fixed based on the fees eligible to him for the respective period and his decision to elect for cash payments for dividends related to the common shares; therefore, the Directors' remuneration under the DDCP vests directly in the respective service period. The three-year period [or any shorter period until a Director ceases to be a Director] qualifies only as a waiting period to receive the vested common shares.

For the three- and nine-month periods ended September 30, 2015, an expense of \$51 and \$154 [2014 – \$90 and \$242] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 70,000, subject to adjustment in lieu of dividends, if applicable. For the three- and nine-month period ended September 30, 2015, 1,671 and 3,662 common shares were granted under the DDCP and as at September 30, 2015, a total of 51,197 common shares had been granted under the DDCP and 7,502 common shares had been issued.

#### **[c] Summary of expenses recognized under share-based payment plans**

For the three- and nine-month periods ended September 30, 2015, an expense of \$1,931 and \$2,076 [2014 – \$1,786 and \$3,494] was recognized for employee and Director services rendered.

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A summary of the status of the options under the 2012 SAIP is presented below:

	<b>2012 SAIP</b>	
	<b>Restricted awards #</b>	<b>Performance awards #</b>
<b>Outstanding, January 1, 2014</b>	214,000	110,000
Granted	28,000	—
Forfeited	(3,000)	—
<b>Balance, December 31, 2014</b>	<b>239,000</b>	<b>110,000</b>
Granted	13,000	—
Vested	(6,429)	—
Forfeited	(3,571)	—
<b>Balance, September 30, 2015</b>	<b>242,000</b>	<b>110,000</b>

There is no exercise price on the 2012 SAIP awards.

During the three- and nine-month periods ended September 30, 2015, nil and 6,429 shares of Restricted Awards vested and nil and 3,571 shares of Restricted Awards were forfeited.

A summary of the status of the rights to shares to be issued under the LTIP is presented below:

	<b>Nine-month period ended September 30, 2015</b>	<b>Year ended December 31, 2014</b>
	<b>Shares #</b>	<b>Shares #</b>
<b>Outstanding, beginning of period</b>	—	15,231
Vested	—	(15,231)
Forfeited	—	—
<b>Outstanding, end of period</b>	<b>—</b>	<b>—</b>

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**15. LONG-TERM DEBT AND OBLIGATIONS UNDER FINANCE  
LEASES**

	<b>Interest rate</b>	<b>Maturity</b>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
	<b>%</b>		<b>\$</b>	<b>\$</b>
<b>Current portion of interest-bearing loans and borrowings</b>				
Short-term debt			—	49,176
Current portion of obligations under finance leases	Euribor +2	2017	<b>240</b>	—
<b>Total current interest-bearing loans and borrowings</b>			<b>240</b>	49,176
<b>Non-current interest-bearing loans and borrowings</b>				
Series A secured notes [U.S. dollar denominated]	6.8	2016	<b>33,485</b>	29,003
Series B secured notes	4.4	2025	<b>25,000</b>	—
Term A secured loan	3.5	2019	<b>50,000</b>	—
Term B secured loan	3.5	2022	<b>40,000</b>	—
Canadian Revolver Line	4.0	2019	—	—
U.S. Dollar Revolver Line [U.S. dollar denominated]	5.0	2019	<b>13,394</b>	—
<b>Total non-current long-term debt</b>			<b>161,879</b>	29,003
Less deferred financing costs			<b>2,862</b>	54
<b>Long-term debt</b>			<b>159,017</b>	28,949
Long-term portion of obligations under finance leases	Euribor +2	2017	<b>1,224</b>	—
<b>Total interest-bearing loans and borrowings</b>			<b>160,481</b>	78,125

## Ag Growth International Inc.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### [a] Bank indebtedness

AGI has operating facilities of \$20 million and U.S. \$5 million. The facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. The effective interest rate during the nine-month period ended September 30, 2015 on AGI's Canadian dollar operating facility was 3.5% [2014 – 3.0%], and on its U.S. dollar operating facility was 3.3% [2014 – 3.3%]. As at September 30, 2015, there was nil outstanding under these facilities [December 31, 2014 – nil]. The facilities mature May 19, 2019.

Collateral for the operating facilities rank pari passu with the secured notes and term loans and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

### [b] Long-term debt

The Series A secured notes were issued on October 29, 2009. The non-amortizing notes bear interest at 6.8% payable quarterly and mature on October 29, 2016. The Series A secured notes are denominated in U.S. dollars. Collateral for the Series A secured notes and term loans rank pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Series B secured notes were issued on May 22, 2015. The non-amortizing notes bear interest at 4.4% payable quarterly and mature on May 22, 2025. Collateral for the Series B secured notes and term loans rank pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Term A secured loan was issued on May 20, 2015 and matures on May 19, 2019. The facilities bear interest at BA plus 2.5% per annum based on performance calculations. Interest on the non-amortizing loan has been fixed at 3.8% through an interest rate swap contract [note 19]. Collateral for the Term A loan and secured notes rank pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Term B secured loan was issued on May 20, 2015 and matures on May 19, 2022. The facilities bear interest at BA plus 2.5% per annum based on performance calculations. Interest on the non-amortizing loan has been fixed at 4.3% through an interest rate swap contract [note 19]. Collateral for the Term B loan and secured notes rank pari passu and include a general security

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agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

AGI has revolver facilities of \$105 million and U.S. \$45 million. The facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. The effective interest rate for the nine-month period ended September 30, 2015 on AGI's Canadian dollar revolver facility was 4.0% [2014 – 3.0%] and on its U.S. dollar revolver facility was 5.0% [2014 – 3.3%]. As at September 30, 2015, there was \$13 million [December 31, 2014 – nil] outstanding under these facilities. The facilities mature May 19, 2019.

#### **[c] Covenants**

AGI is subject to certain financial covenants in its credit facility agreements, which must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.25 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at September 30, 2015 and December 31, 2014, AGI was in compliance with all financial covenants.

#### **[d] Short-term debt**

The 2014 Debentures were recorded as short-term debt as at December 31, 2014 and March 31, 2015 as the maturity date of the 2014 Debentures was June 29, 2015 unless automatically extended upon completion of AGI's acquisition of Westeel. During the three-month period ended June 30, 2015, the acquisition of Westeel was completed, the maturity date of the 2014 Debentures automatically extended to December 31, 2019 and the 2014 Debentures were reclassified from short-term debt to convertible unsecured subordinated debentures.

#### **[e] Obligations under finance lease**

The Company has a real estate lease that matures on December 31, 2017. The lease is denominated in Euros and bears interest at Euribor plus 2%.

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### 16. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

	September 30, 2015	December 31, 2014
	\$	\$
Principal amount	213,000	86,250
Equity component	(9,922)	(4,480)
Accretion	1,748	814
Financing fees, net of amortization	(8,322)	(3,151)
<b>Convertible unsecured subordinated debentures</b>	<b>196,504</b>	<b>79,433</b>

#### 2009 Debentures

In 2009, the Company issued convertible unsecured subordinated debentures in the aggregate principal amount of \$115 million [the “2009 Debentures”]. The maturity date of the 2009 Debentures was December 31, 2014. In January 2014, holders of \$19.0 million principal amount of the 2009 Debentures exercised the conversion option and were issued 422,897 common shares. The Company fully redeemed all remaining outstanding 2009 Debentures on January 20, 2014. In 2014, the Company recorded interest expense on the 7.0% coupon of \$440 and expensed all remaining unamortized accretion and finance fee balances in the amounts of \$937 and \$588, respectively.

#### 2013 Debentures

In December 2013, the Company issued \$86.3 million aggregate principal amount of convertible unsecured subordinated debentures [the “2013 Debentures”] at a price of \$1,000 per 2013 Debentures. The net proceeds of the offering, after payment of the underwriters’ fee of \$3.5 million and expenses of the offering of \$0.6 million, were approximately \$82.2 million. The 2013 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. The maturity date of the 2013 Debentures is December 31, 2018.

Each 2013 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2013 Debenture, at a conversion price of \$55.00 per common share being a conversion rate of approximately 18.1818 common shares per \$1,000 principal amount of 2013 Debentures. No conversion options were exercised during the nine-month period ended September 30, 2015 [year ended December 31, 2014 – nil]. As at September 30, 2015, AGI has reserved 1,568,182 common shares for issuance upon conversion of the 2013 Debentures.

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The 2013 Debentures are not redeemable before December 31, 2016. On and after December 31, 2016 and prior to December 31, 2017, the 2013 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2017, the 2013 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2013 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligations to pay interest on the 2013 Debentures by delivering common shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering common shares. The number of any shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2013 Debentures, the Company recorded a liability of \$86,250, less related offering costs of \$3,847 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the nine-month period ended September 30, 2015, the Company recorded accretion of \$621 [2014 – \$584], non-cash interest expense relating to financing costs of \$532 [2014 – \$489] and interest expense on the 5.25% coupon of \$3,396 [2014 – \$3,396]. The estimated fair value of the holder's option to convert the 2013 Debentures to common shares in the total amount of \$4,480 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of \$1,134 and its pro rata share of financing costs of \$211.

#### **2014 Debentures**

In December 2014, the Company issued \$51.8 million aggregate principal amount of extendible convertible unsecured subordinated debentures [the "2014 Debentures"] at a price of \$1,000 per 2014 Debenture. The 2014 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. The maturity date of the 2014 Debentures is December 31, 2019.

Each 2014 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2014 Debenture, at a conversion price of \$65.57 per common share being a conversion rate of approximately 15.2509 common shares per \$1,000 principal amount of 2014 Debentures. No conversion options were exercised during the nine-month period ended September 30, 2015 [year

## **Ag Growth International Inc.**

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ended December 31, 2014 – nil]. As at September 30, 2015, AGI has reserved 789,233 common shares for issuance upon conversion of the 2014 Debentures.

The 2014 Debentures are not redeemable before December 31, 2017. On and after December 31, 2017 and prior to December 31, 2018, the 2014 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2018, the 2014 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2014 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the 2014 Debentures by delivering sufficient common shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering common shares. The number of shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2014 Debentures, the Company recorded a liability of \$51,750, less related offering costs of \$2,663 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the nine-month period ended September 30, 2015, the Company recorded accretion of \$281 [2014 – nil], non-cash interest expense relating to financing costs of \$325 [2014 – nil] and interest expense on the 5.25% coupon of \$2,038 [2014 – nil]. The estimated fair value of the holder's option to convert the 2014 Debentures to common shares in the total amount of \$2,165 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of \$557 and its pro rata share of financing costs of \$111.

#### **2015 Debentures**

In September 2015, the Company issued \$75.0 million aggregate principal amount of convertible unsecured subordinated debentures [the "2015 Debentures"] at a price of \$1,000 per 2015 Debenture. The 2015 Debentures bear interest at an annual rate of 5.00% payable semi-annually on June 30 and December 31. The maturity date of the 2015 Debentures is December 31, 2020.

Each 2015 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2015 Debenture, at a conversion price of \$60.00 per common share being a conversion rate of approximately 16.6667 common shares per \$1,000 principal amount of 2015 Debentures. No

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conversion options were exercised during the nine-month period ended September 30, 2015. As at September 30, 2015, AGI has reserved 1,250,000 common shares for issuance upon conversion of the 2015 Debentures.

The 2015 Debentures are not redeemable before December 31, 2018. On and after December 31, 2018 and prior to December 31, 2019, the 2015 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2018, the 2015 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2015 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the 2015 Debentures by delivering sufficient common shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering common shares. The number of shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2015 Debentures, the Company recorded a liability of \$75,000, less related offering costs of \$3,700 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the nine-month period ended September 30, 2015, the Company recorded accretion of \$3 [2014 – nil], non-cash interest expense relating to financing costs of \$3 [2014 – nil] and interest expense on the 5.00% coupon of \$22 [2014 – nil]. The estimated fair value of the holder's option to convert the 2015 Debentures to common shares in the total amount of \$3,277 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of \$835 and its pro rata share of financing costs of \$162.

#### **17. RETIREMENT BENEFIT PLANS**

On May 20, 2015, AGI acquired Westeel [note 5[b]]. Included in the acquisition is a defined benefit plan. For the purposes of the following discussion, beginning of period is defined as May 20, 2015.

The Company has a defined benefit plan providing pension benefits to certain of its union employees and former employees. The Company operates the defined benefit pension plan in Canada. The plan is a flat-dollar defined benefit pension plan, which provides clearly defined benefits to members based on negotiated benefit rates and years of credited service. Responsibility

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for the governance of the plan and overseeing the plan including investment policy and performance lie with the Pension and Investment Committee. The Company has set up a pension committee to assist in the management of the plan and has also appointed experienced, independent professional experts such as investment managers and actuaries.

The Company's defined benefit pension plan will measure the respective accrued benefit obligation and the fair value of plan assets at December 31 of each year. Actuarial valuations are performed annually or tri-annually as required. The Company's registered defined benefit plan was last valued on December 31, 2013. The present value of the defined obligation, and the related current service cost and past service cost, were measured using the Unit Credit Method.

The liabilities were not revalued at September 30, 2015. We have used the same methods and assumptions used at May 20, 2015 for the purpose of estimating the liabilities at September 30, 2015. The following assumptions were used to determine the periodic pension expense and the net present value of the accrued pension obligations:

	<b>September 30, 2015</b>	<b>May 20, 2015</b>
	%	%
Expected long-term rate of return on plan assets	<b>4.00</b>	4.00
Discount rate on benefit costs	<b>4.00</b>	4.00
Discount rate on accrued pension and post-employment obligations	<b>4.00</b>	4.00
Rate of compensation increases	<b>n/a</b>	n/a

The weighted average duration of the defined benefit obligation as of May 20, 2015 is 17.55 years. Compensation increases were not included in the valuation of the accrued pension obligation because the accrued benefit is not a function of salary. All members receive a fixed benefit rate monthly for each year of credited service. This same benefit rate is received by all plan members regardless of salary level.

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The following table outlines the key assumptions for 2014 and the sensitivity of changes in each of these assumptions on the defined benefit plan obligation. The sensitivity analysis is hypothetical and should be used with caution. The sensitivities of each key assumptions have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another which could amplify or reduce the impact of such assumptions.

	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
	\$	\$
Impact of 1% increase/decrease in discount rate assumption	(1,852)	(2,094)
Impact of 1 year increase/decrease in life expectancy assumption	293	(301)

The net expense of \$301 [2014 – nil] for the period is included in cost of sales and an expense of nil [2014 – nil] for the period is included in selling, general and administrative expense in the unaudited interim condensed consolidated statement of income.

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Information about the Company's defined benefit pension plan, in aggregate, is as follows:

	<b>September 30, 2015</b>
	<u>\$</u>
<b>Plan assets</b>	
Fair value of plan assets, beginning of period	12,562
Actual return on plan assets	(502)
Employer contributions	140
Benefits paid	(164)
<b>Fair value of plan assets, end of period</b>	<u>12,036</u>
	<b>September 30, 2015</b>
	<u>\$</u>
<b>Accrued benefit obligation</b>	
Accrued benefit obligation, beginning of period	11,860
Current service cost	301
Interest cost	173
Benefits paid	(164)
<b>Accrued benefit obligation, end of period</b>	<u>12,170</u>
<b>Net accrued benefit liability</b>	<u>(134)</u>

The net accrued benefit liability of \$134 is included in other liabilities in non-current liabilities.

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The major categories of plan assets for each category are as follows:

	September 30, 2015		May 20, 2015	
	\$	%	\$	%
Canadian equity securities	<b>3,803</b>	<b>31.6</b>	3,769	30.0
U.S. equity securities	<b>1,998</b>	<b>16.6</b>	2,261	18.0
International equity securities	<b>2,094</b>	<b>17.4</b>	2,135	17.0
Fixed income securities	<b>4,141</b>	<b>34.4</b>	4,397	35.0
	<b>12,036</b>	<b>100.0</b>	12,562	100.0

Management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation. The actual return on plan assets was a loss of \$502 [2014 – nil].

All equity and debt securities are valued based on quoted prices in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly [i.e. as prices] or indirectly [i.e. derived from prices].

The Company's asset allocation reflects a balance of fixed income investments, which are sensitive to interest rates, and equities, which are expected to provide higher returns and inflation sensitive returns over the long term. The Company's targeted asset allocations are actively monitored and adjusted to align the asset mix with the liability profile of the plan.

The Company expects to make contributions of \$386 [2014 – nil] to the defined benefit plan in 2015. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

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Through its defined benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

**Asset volatility**

The plan liability is calculated using a discount rate set with reference to corporate bond yields; if plan assets under-perform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term.

However, the Company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Company's long term strategy to manage the plan efficiently.

**Change in fixed income security yields**

A decrease in corporate fixed income security yields will increase plan liabilities although this will be partially offset by an increase in the value of the plan's fixed income security holdings.

**Life expectancy**

The plan's obligation is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liability.

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#### 18. INCOME TAXES

The major components of income tax expense for the nine-month periods ended September 30, 2015 and 2014 are as follows:

##### Unaudited interim condensed consolidated statements of income

	2015	2014
	\$	\$
<b>Current tax expense</b>		
Current income tax charge	2,331	4,040
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	3,090	8,452
<b>Income tax expense reported in the interim condensed consolidated statements of income</b>	<b>5,421</b>	<b>12,492</b>

##### Unaudited interim condensed consolidated statement of comprehensive income

	2015	2014
	\$	\$
<b>Deferred tax related to items charged or credited directly to other comprehensive income during the period</b>		
Unrealized loss on derivatives	(3,951)	(767)
Defined benefit plan reserve	(182)	—
Exchange differences on translation of foreign operations	1,894	537
<b>Income tax charged directly to other comprehensive income</b>	<b>(2,239)</b>	<b>(230)</b>

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	As at September 30, 2015 \$	As at December 31, 2014 \$
Inventories	(90)	(88)
Property, plant and equipment and other assets	(21,258)	(14,239)
Intangible assets	(31,904)	(14,943)
Deferred financing costs	(555)	(261)
Accruals and long-term provisions	3,205	2,274
Tax loss carryforwards expiring between 2020 to 2035	1,477	483
Investment tax credits	(627)	(618)
Canadian exploration expenses	10,466	13,952
Capitalized development expenditures	(965)	(905)
Convertible debentures	(2,207)	(975)
Revaluation of cash flow hedges	356	—
SAIP liability	938	878
Other comprehensive income	6,503	2,370
<b>Net deferred tax liability</b>	<b>(34,661)</b>	<b>(12,072)</b>
 <b>Reflected in the statement of unaudited interim condensed consolidated financial position as follows</b>		
Deferred tax assets	2	—
Deferred tax liabilities	(34,663)	(12,072)
<b>Deferred tax liability, net</b>	<b>(34,661)</b>	<b>(12,072)</b>

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and loss carryforwards become deductible. Based on the analysis of taxable temporary differences and future taxable income, management of the Company is of the opinion that there is convincing evidence available for the probable realization of all deductible temporary differences of the Company's tax entities incurred other than losses in its Finnish operations of 3,484 Euros [December 31, 2014 – 2,646 Euros] and its Brazilian operations of 1,837 BRL [December 31, 2014 – nil]. Accordingly, the Company has recorded a deferred tax asset for all other deductible temporary differences as at September 30, 2015 and as at December 31, 2014.

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As at September 30, 2015, there was no recognized deferred tax liability [December 31, 2014 – nil] for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which a deferred tax asset has not been recognized, aggregate to \$622 [December 31, 2014 – \$622].

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to AGI's specific situation. The amount and timing of reversals of temporary differences will also depend on AGI's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of AGI are complex and AGI has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors, as well as AGI's interpretation of and compliance with relevant tax legislation and regulations. While AGI believes that its tax filing positions are probable to be sustained, there are a number of tax filing positions that may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by AGI and the ultimate value of AGI's income tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on these unaudited interim condensed consolidated financial statements.

There are no income tax consequences to the Company attached to the payment of dividends in either 2015 or 2014 by the Company to its shareholders.

## **19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

### **[a] Management of risks arising from financial instruments**

AGI's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has deposits, trade and other receivables, and cash and short-term deposits that are derived directly from its operations. The Company also holds an available-for-sale investment and enters into derivative transactions.

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The Company's activities expose it to a variety of financial risks: market risk [including foreign exchange and interest rate], credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to mitigate certain risk exposures. The Company does not purchase any derivative financial instruments for speculative purposes. Risk management is the responsibility of the corporate finance function, which has the appropriate skills, experience and supervision. The Company's domestic and foreign operations along with the corporate finance function identify, evaluate and, where appropriate, mitigate financial risks. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors. The Audit Committee reviews and monitors the Company's financial risk-taking activities and the policies and procedures that were implemented to ensure that financial risks are identified, measured and managed in accordance with Company policies.

The risks associated with the Company's financial instruments are as follows:

### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which AGI is exposed are discussed below. Financial instruments affected by market risk include trade accounts receivable and payable, available-for-sale investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at September 30, 2015 and December 31, 2014.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The unaudited interim condensed consolidated statements of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant unaudited interim condensed consolidated statements of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at September 30, 2015 and December 31, 2014, including the effect of hedge accounting.

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- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges as at September 30, 2015 and December 31, 2014 for the effects of the assumed underlying changes.

#### Foreign currency risk

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings, subject to liquidity restrictions, by entering into foreign exchange forward contracts. Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure.

A significant part of the Company's sales are transacted in U.S. dollars and, as a result, fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, AGI enters into foreign exchange forward contracts and denominates a portion of its debt in U.S. dollars. As at September 30, 2015, AGI's U.S. dollar denominated debt totalled \$46.9 million [December 31, 2014 – \$29.0 million] and the Company has entered into the following foreign exchange forward contracts to sell U.S. dollars in order to hedge its foreign exchange risk on revenue:

Settlement dates	Face value	Average rate
	U.S. \$	Cdn \$
October – December 2015	27,000	1.1089
January – December 2016	100,500	1.1771
January – February 2017	9,000	1.2461

  

Settlement dates	Face value	Average rate
	Euro	Cdn \$
October – December 2015	403	1.4198

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The Company enters into foreign exchange forward contracts to mitigate foreign currency risk relating to certain cash flow exposures. The hedged transactions are expected to occur within a maximum 24-month period. The Company's foreign exchange forward contracts reduce the Company's risk from exchange movements because gains and losses on such contracts offset gains and losses on transactions being hedged. The Company's exposure to foreign currency changes for all other currencies is not material.

AGI's sales denominated in U.S. dollars for the nine-month period ended September 30, 2015 were U.S. \$182 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. \$117 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a \$18.2 million increase or decrease in sales and a total increase or decrease of \$11.7 million in its cost of goods sold and its selling, general and administrative expenses. In relation to AGI's foreign exchange hedging contracts, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in an \$8.8 million increase or decrease in the foreign exchange loss and a \$17.3 million increase or decrease to other comprehensive income.

The counterparty to the contracts are three multinational commercial banks and therefore credit risk of counterparty non-performance is remote. Realized gains or losses are included in net earnings, and for the three- and nine-month periods ended September 30, 2015 the Company realized a loss on its foreign exchange contracts of \$5,708 and \$9,398 [2014 – loss of \$1,262 and \$2,442].

The open foreign exchange forward contracts as at September 30, 2015 are as follows:

	Notional amount of currency sold	Notional Canadian dollar equivalent		
		Contract amount	Cdn \$ equivalent	Unrealized gain (loss)
	\$	\$	\$	\$
U.S. dollar contract	136,500	1.17	159,449	(21,496)
Euro contract	403	1.42	572	8

For the three- and nine-month periods ended September 30, 2015, a loss of \$1,317 [2014 – nil] arising from hedge ineffectiveness was recorded through net earnings in foreign exchange loss (gain). The remaining cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized loss of \$21,488 [2014 – \$7,369], with a deferred tax asset of \$6,503 [2014 – \$1,960] relating to the hedging instruments, is included in accumulated other comprehensive income.

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#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Furthermore, as AGI regularly reviews the denomination of its borrowings, the Company is subject to changes in interest rates that are linked to the currency of denomination of the debt. AGI's Series A secured notes, Series B secured notes and convertible unsecured subordinated debentures outstanding as at September 30, 2015 and December 31, 2014 are at a fixed rate of interest. As at September 30, 2015, the Company had U.S. \$10 million term debt outstanding at a floating rate of interest. Accordingly, a 10% increase or decrease in the floating rate of interest will result in an increase or decrease of interest expense of \$24.

#### **Interest rate swap contracts**

On May 22, 2015, the Company entered into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. Through these contracts, the Company agreed to receive interest on notional amounts from the counterparty and pay interest on the same notional amounts at rates between 3.84% and 4.32%. The notional amounts are \$90,000 in aggregate resetting the last business day of each month. The contracts expire in May 2019 and May 2022.

The interest rate swap contracts are derivative financial instruments designated as a cash flow hedges and changes in the fair value were recognized as a component of other comprehensive income to the extent that it has been assessed to be effective.

The amount of loss recorded in other comprehensive income during the three- and nine-month periods ended September 30, 2015 was \$849 and \$1,922 [2014 – nil and nil].

#### **Credit risk**

Credit risk is the risk that a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. A substantial portion of AGI's accounts receivable are with customers in the agriculture industry and are subject to normal industry credit risks. A portion of the Company's sales and related accounts receivable are also generated from transactions with customers in overseas markets, several of which are in emerging markets such as countries in Eastern Europe, including most significantly Ukraine and Russia. It is often common business practice for international customers to pay invoices over an extended period of time. Accounts receivable is subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. The Company regularly monitors customers for changes in credit risk. The Company's credit exposure is mitigated through the use of credit practices that limit transactions according to the customer's credit quality

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and due to the accounts receivable being spread over a large number of customers. Trade receivables from international customers are often insured for events of nonpayment through third-party export insurance. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit or letter of credit is received before goods are shipped.

Assessments about the recoverability of financial assets, including accounts receivable, require significant judgment in determining whether there is objective evidence that a loss event has occurred and estimates of the amount and timing of future cash flows. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its trade receivables which is netted against the accounts receivable on the unaudited interim condensed consolidated statements of financial position. Emerging markets are subject to various additional risks, including: currency exchange rate fluctuations; foreign economic conditions; foreign business practices; unfavourable legal climate for the collection of unpaid accounts; as well as unfavourable political or economic climate limiting or eliminating support from export credit agencies. One or more of these factors could have a material effect on the future collectability of such receivables. In assessing whether objective evidence of impairment exists at each reporting period the Company considers its past experience of collecting payments, historical loss experience, customer credit ratings and financial data as available, collateral on amounts owing including insurance coverage from export credit agencies, as well as observable changes in national or local economic conditions. As at September 30, 2015, the Company had \$37 million in trade receivables owing from customers located in Russia and Ukraine including a significant balance with one customer in Ukraine [note 12]. Future collections of accounts receivables that differ from the Company's current estimates would affect the results of the Company's operations in future periods as well as the Company's trade receivables and general and administrative expenses and amounts may be material.

As at September 30, 2015, the Company had 1 international customer [2014 – 3 international customers] that accounted for approximately 23% [2014 – 37%] of all receivables owing. The requirement for an impairment provision is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The Company does not generally hold collateral as security on its accounts receivable but has received collateral from one international customer.

As noted above, the risk of non-collection of trade receivables is currently higher in Russia and Ukraine due to the current political and economic instability. The Company believes that its credit practices and regular monitoring of customer receivables with respect to their collectability reduces the concentration of credit risk.

The Company does not believe that any single customer group represents a significant concentration of credit risk.

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#### Liquidity risk

Liquidity risk is the risk that AGI will encounter difficulties in meeting its financial liability obligations. AGI manages its liquidity risk through cash and debt management. In managing liquidity risk, AGI has access to committed short- and long-term debt facilities as well as to equity markets, the availability of which is dependent on market conditions. AGI believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

#### [b] Fair value

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the unaudited interim condensed consolidated financial statements:

	September 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
<b>Financial assets</b>				
Loans and receivables				
Cash and cash equivalents	33,341	33,341	25,295	25,295
Cash held in trust	250	250	250	250
Accounts receivable	124,519	124,519	86,764	86,764
Available-for-sale investment	900	900	900	900
<b>Financial liabilities</b>				
Other financial liabilities				
Interest-bearing loans and borrowings	160,481	160,918	78,125	82,119
Trade payables and provisions	52,074	52,074	39,289	39,289
Dividends payable	2,873	2,873	2,633	2,633
Acquisition, transaction and financing costs payable	1,345	1,345	2,266	2,266
Subscription receipts commission payable	—	—	1,036	1,036
Derivative instruments	24,727	24,727	8,908	8,908
Convertible unsecured subordinated debentures	196,504	186,981	79,433	74,900

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- Cash and cash equivalents, cash held in trust, accounts receivable, dividends payable, acquisition, transaction and financing costs payable, accounts payable and accrued liabilities, due to vendor and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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- The fair value of unquoted instruments and loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts and one option embedded in each convertible debt agreement. The most frequently applied valuation technique includes forward pricing, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties and foreign exchange spot and forward rates.
- AGI includes its available-for-sale investment which is in a private company in Level 3 of the fair value hierarchy as it trades infrequently and has little price transparency. AGI reviews the fair value of this investment at each reporting period and when recent arm's-length market transactions are not available, management's estimate of fair value is determined using a market approach based on external information and observable conditions where possible, supplemented by internal analysis as required. In 2014, AGI transferred the available-for-sale investment from Level 2 to Level 3 as direct observable market data was not available.

#### **Fair value ["FV"] hierarchy**

AGI uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

##### ***Level 1***

The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted, unadjusted market prices for identical assets or liabilities.

##### ***Level 2***

Fair value measurements that require inputs other than quoted prices in Level 1, and for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly, are classified as Level 2 in the FV hierarchy.

##### ***Level 3***

Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy.

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The FV hierarchy of financial instruments recorded on the unaudited interim condensed consolidated statements of financial position is as follows:

	September 30, 2015			December 31, 2014		
	Level 1 \$	Level 2 \$	Level 3 \$	Level 1 \$	Level 2 \$	Level 3 \$
<b>Financial assets</b>						
Available-for-sale investment	—	—	900	—	—	900
<b>Financial liabilities</b>						
Interest-bearing loans and borrowings	—	160,481	—	—	78,125	—
Derivative instruments	—	24,727	—	—	8,908	—
Convertible unsecured subordinated debentures	—	196,504	—	—	79,433	—

During the reporting periods ended September 30, 2015 and December 31, 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

Interest from financial instruments is recognized in finance costs and finance income. Foreign currency and impairment reversal impacts for loans and receivables are reflected in finance expenses (income).

## 20. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's capital structure is comprised of shareholders' equity and long-term debt. AGI's objectives when managing its capital structure are to maintain and preserve AGI's access to capital markets, continue its ability to meet its financial obligations, including the payment of dividends, and finance organic growth and acquisitions.

AGI manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities and as at September 30, 2015 and December 31, 2014, all of these covenants were complied with [note 15[c]].

The Board of Directors does not establish quantitative capital structure targets for management, but rather promotes sustainable and profitable growth. Management monitors capital using non-GAAP financial metrics, primarily total debt to the trailing 12 months EBITDA and net debt to total shareholders' equity. There may be instances where it would be acceptable for total debt to trailing EBITDA to temporarily fall outside of the normal targets set by management such as in financing an acquisition to take advantage of growth opportunities or industry cyclicality. This

## **Ag Growth International Inc.**

### **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

would be a strategic decision recommended by management and approved by the Board of Directors with steps taken in the subsequent period to restore the Company's capital structure based on its capital management objectives.

## **21. RELATED PARTY DISCLOSURES**

### **Relationship between parent and subsidiaries**

The main transactions between the corporate entity of the Company and its subsidiaries is the providing of cash fundings based on the equity and convertible debt funds of AGI International Inc. Furthermore, the corporate entity of the Company is responsible for the billing and supervision of major construction contracts with external customers and the allocation of sub-projects to the different subsidiaries of the Company. Finally, the parent company is providing management services to the Company entities. Between the subsidiaries there are limited intercompany sales of inventories and services. Because all subsidiaries are currently 100% owned by Ag Growth International Inc., these intercompany transactions are 100% eliminated on consolidation.

### **Other relationships**

Burnet, Duckworth & Palmer LLP ["BDP"] provides legal services to the Company and a Director of AGI is a partner of BDP. The total cost of these legal services in the nine-month period ended September 30, 2015 was \$2,093 [2014 – \$520] and \$100 is included in accounts payable and accrued liabilities as at September 30, 2015. These transactions were incurred during the normal course of business.

## **22. PROFIT PER SHARE**

Profit per share is based on the consolidated profit for the period divided by the weighted average number of shares outstanding during the period. Diluted profit per share are computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

The following reflects the income and share data used in the basic and diluted profit per share computations:

	Three-month period ended		Nine-month period ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	\$	\$	\$	\$
Net profit (loss) attributable to shareholders for basic and diluted profit per share	<b>(8,638)</b>	8,653	<b>(3,874)</b>	23,509
Basic weighted average number of shares	<b>14,344,802</b>	13,124,076	<b>13,751,306</b>	13,071,436
Dilutive effect of DDCP	<b>42,042</b>	38,596	<b>41,077</b>	35,635
Dilutive effect of RSU [note 13[d]]	<b>242,000</b>	239,000	<b>239,385</b>	229,147
Diluted weighted average number of shares	<b>14,628,845</b>	13,401,672	<b>14,031,768</b>	13,336,218
Profit (loss) per share – basic	<b>(0.60)</b>	0.66	<b>(0.28)</b>	1.80
Profit (loss) per share – diluted	<b>(0.60)</b>	0.65	<b>(0.28)</b>	1.76

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these unaudited interim condensed consolidated financial statements.

The 2013, 2014 and 2015 convertible unsecured subordinated debentures were excluded from the calculation of diluted net profit per share in the three- and nine- month periods ended September 30, 2015 because their effect is anti-dilutive.

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

#### 23. REPORTABLE BUSINESS SEGMENT

The Company is managed as a single business segment that manufactures and distributes grain handling, storage and conditioning equipment. The Company determines and presents business segments based on the information provided internally to the CEO, who is AGI's Chief Operating Decision Maker ["CODM"]. When making resource allocation decisions, the CODM evaluates the operating results of the consolidated entity.

All segment revenue is derived wholly from external customers and as the Company has a single reportable segment, inter-segment revenue is zero.

	Revenue				Property, plant and equipment, goodwill, intangible assets and available for sale investments	
	Three-month period ended		Nine-month period ended		As at	As at
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	December 31, 2014
	\$	\$	\$	\$	\$	\$
Canada	<b>42,194</b>	28,012	<b>103,064</b>	81,838	<b>343,364</b>	148,139
United States	<b>55,506</b>	63,706	<b>151,790</b>	173,039	<b>121,917</b>	90,315
International	<b>27,890</b>	23,197	<b>80,391</b>	57,154	<b>12,867</b>	9,032
	<b>125,590</b>	114,915	<b>335,245</b>	312,031	<b>478,148</b>	247,486

The revenue information above is based on the location of the customer. The Company has no single customer that represents 10% or more of the Company's revenue.

#### 24. COMMITMENTS AND CONTINGENCIES

##### [a] Contractual commitment for the purchase of property, plant and equipment

As at September 30, 2015, the Company has entered into commitments to purchase property, plant and equipment of \$1,432 [December 31, 2014 – \$28,101] for which deposits of \$50 [December 31, 2014 – \$10,401] were made.

## Ag Growth International Inc.

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2015

#### [b] Letters of credit

As at September 30, 2015, the Company has outstanding letters of credit in the amount of \$1,282 [December 31, 2014 – \$10,055].

#### [c] Operating leases

The Company leases office and manufacturing equipment, warehouse facilities and vehicles under operating leases with minimum aggregate rent payable in the future as follows:

	\$
Within one year	2,176
After one year but no more than five years	4,346
	<u>6,522</u>

These leases have a life of between one and nine years with no renewal options included in the contracts.

During the three- and nine-month periods ended September 30, 2015, the Company recognized an expense of \$527 and \$1,520 [2014 – \$439 and \$1,295] for leasing contracts. This amount relates only to minimum lease payments.

#### [d] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

## 25. SUBSEQUENT EVENTS

### Loan to European subsidiary

On October 8, 2015, the Company advanced Euro 1,655 to its 51% owned European subsidiary [note 5[b]], a related party. The loan bears interest at the three month average Euribor plus 1.5% payable monthly and matures on December 31, 2017.

## **DIRECTORS**

Bill Lambert, Chairman of the Board of Directors

Gary Anderson, Director & Chief Executive Officer of AGI

Janet Giesselman, Director, Compensation & Human Resources Committee Chair

Bill Maslechko, Director

Mac Moore, Director, Governance Committee Chair

David White, CA, ICD.D, Director, Audit Committee Chair

## **OFFICERS**

Gary Anderson, Chief Executive Officer & Director

Tim Close, CFA, President

Steve Sommerfeld, CA, Executive Vice President & Chief Financial Officer

Dan Donner, Senior Vice President, Sales & Marketing

Paul Franzmann, CA, Senior Vice President, Operations

Ron Braun, Vice President, Portable Grain Handling

Paul Brisebois, Vice President, Marketing

Shane Knutson, Vice President, International Sales

Gurcan Kocdag, Vice President, Storage & Conditioning

Craig Nimegeers, Vice President, Engineering

Nicolle Parker, Vice President, Finance & Integration

Eric Lister, Q.C., Counsel

Additional information relating to the Company, including all public filings, is available on SEDAR ([www.sedar.com](http://www.sedar.com)).