AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: November 7, 2023

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated comparative financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2022, the MD&A of the Company for the year ended December 31, 2022 and the unaudited interim condensed consolidated financial statements of the Company and accompanying notes for the three- and nine-month periods ended September 30, 2023. Results are reported in Canadian dollars unless otherwise stated.

This MD&A is based on the Company's unaudited interim condensed consolidated financial statements for the three- and nine-month periods ended September 30, 2023 ("consolidated financial statements") based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), unless otherwise noted.

This MD&A makes reference to certain specified financial measures, including non-IFRS financial measures, non-IFRS ratios and supplementary financial measures. These specified financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement our financial information reported under IFRS by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Please refer to the "NON-IFRS AND OTHER FINANCIAL MEASURES" section of this MD&A for more information on each specified financial measure.

This MD&A contains forward-looking information. Please refer to the cautionary language under the heading "Risks and Uncertainties", "Forward-Looking Information" and "Financial Outlook" in this MD&A and in our most recently filed Annual Information Form, which is available under the Company's profile on SEDAR+ [www.sedarplus.ca].

SUMMARY OF RESULTS

[thousands of dollars except per share amounts, percentages and basis points ("bps")]	Three-months ended September 30 2023 $	2022 $	Change $	Change %
Revenue [1]	410,067	402,074	7,993	2%
Adjusted EBITDA [2][3]	84,532	76,287	8,245	11%
Adjusted EBITDA Margin % [4]	20.6%	19.0%	164 bps	9%
Profit before income taxes	35,844	12,885	22,959	178%
Profit	25,059	6,972	18,087	259%
Diluted profit per share	1.21	0.36	0.85	236%
Adjusted profit [2][5]	34,734	29,746	4,988	17%
Diluted adjusted profit per share [4][5]	1.62	1.41	0.21	15%

[thousands of dollars except per share amounts, percentages and basis points ("bps")]	Nine-months ended September 30 2023 $	2022 $	Change $	Change %
Revenue [1]	1,147,352	1,084,048	63,304	6%
Adjusted EBITDA [2][3]	220,818	183,686	37,132	20%
Adjusted EBITDA Margin % [4]	19.2%	16.9%	230 bps	14%
Profit before income taxes	75,538	31,213	44,325	142%
Profit	57,511	17,228	40,283	234%
Diluted profit per share	2.85	0.89	1.96	220%
Adjusted profit [2][5]	88,983	57,200	31,783	56%
Diluted adjusted profit per share [4][5]	4.21	2.81	1.40	50%

[1] See "BASIS OF PRESENTATION".
[2] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[3] See "DETAILED OPERATING RESULTS – Profit before income taxes and Adjusted EBITDA".
[4] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.
[5] See "DETAILED OPERATING RESULTS – Diluted profit per share and diluted adjusted profit per share".

Consolidated Operating Segment Results Summary

[thousands of dollars except percentages]	Three-months ended September 30 2023 $	2022 $	Change $	Change %
Revenue [1][2]				
Farm	227,276	219,663	7,613	3%
Commercial	182,791	182,411	380	0%
Total	**410,067**	**402,074**	**7,993**	**2%**

[1] See "BASIS OF PRESENTATION".
[2] The revenue information in this table are supplementary financial measures and are used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on these supplementary financial measures.

[thousands of dollars except percentages]	Three-months ended September 30 2023 $	2022 $	Change $	Change %
Adjusted EBITDA [1] [2] [3]				
Farm	61,923	50,637	11,286	22%
Commercial	34,352	32,473	1,879	6%
Other [4]	(11,743)	(6,823)	(4,920)	72%
Total	**84,532**	**76,287**	**8,245**	**11%**

[1] See "BASIS OF PRESENTATION".
[2] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[3] See "DETAILED OPERATING RESULTS – Profit before income taxes and Adjusted EBITDA" and "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA by Segment".

[4] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

	Three-months ended September 30			
	2023	2022	Change	Change
	%	%	basis points	%
Adjusted EBITDA Margin % [1] [2]				
Farm	27.2%	23.1%	419 bps	18%
Commercial	18.8%	17.8%	99 bps	6%
Other [3]	(2.9%)	(1.7%)	(117) bps	69%
Consolidated	**20.6%**	**19.0%**	**164 bps**	**9%**

[1] See "BASIS OF PRESENTATION".
[2] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.
[3] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments. The Adjusted EBITDA Margin % for Other is calculated based on total revenue since it does not generate revenue without the segments.

AGI continued our strong performance in the third quarter ("Q3") with record revenues and Adjusted EBITDA increasing 2% and 11% year-over-year ("YOY"), respectively, building on our momentum from a strong first half ("H1"). Adjusted EBITDA margin % increased 164 basis points ("bps") YOY to 20.6% as a result of the positive impact of various operational excellence initiatives. Year-to-date Adjusted EBITDA margin % was 19.2%, an increase of 230 bps over prior year-to-date results. Our operational excellence program continues to improve adjusted gross margins with the effective management of input costs through centralized procurement strategies, third-party outsourcing, manufacturing efficiencies, and improved product quality. In addition, operational excellence activities that create more discipline in selling, general, and administrative ("SG&A") expenses as well as the impact of workforce optimization initiatives have also benefited adjusted EBITDA margins. The combination of high demand for AGI's products and progress in embedding greater efficiencies throughout the organization has led to an increase in margins which we expect to be sustained going forward.

Farm segment revenues and Adjusted EBITDA grew by 3% and 22% YOY, respectively, in Q3. Activity in North America was stable with resilient portable equipment demand in Canada and higher permanent equipment demand in the U.S.. International Farm revenues grew 29% with increases across all regions, particularly owing to increased demand for our products in Brazil which supported an overall record financial performance for the region. Farm segment Adjusted EBITDA margin % increased to 27.2% from 23.1% YOY, as the segment continues to benefit from initiatives targeted at manufacturing efficiency and significant cost reductions captured through the Digital reorganization process initiated earlier this year. Looking ahead, the overall Farm order book[1] increased 22% driven by a very strong order book in Canada up 129% due to product differentiation and pent-up demand. In the U.S. and Internationally the order book decreased 6% and 50%, respectively, largely due to the timing of orders and dry conditions in Australia.

Commercial segment revenues remained flat and Adjusted EBITDA increased 6% YOY in Q3. In North America, the cyclical nature of large commercial projects, ongoing turnaround of our Food platform, and record revenues in Q3 2022 resulted in a weaker comparable result in 2023. Internationally, Commercial revenues increased 6% driven by South America, in particular the Brazil region which experienced revenue growth of 81% YOY. The India region remains a strong contributor with consistently increasing revenues up 8% and a robust order book up 15%. Similar to the Farm segment, the Company's operational excellence initiatives across all operating areas including effective

[1] This is a supplementary financial measure and is used throughout this MD&A. See "Non-IFRS AND OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.

management of manufacturing expenses contributed to the Adjusted EBITDA margin % increase to 18.8% from 17.8% YOY. Looking ahead, the overall Commercial segment order book decreased 4%, as the Food platform continues to reset in the U.S. and there is a general slow down in large commercial work in Canada. This is partially offset by large commercial projects in India and Brazil which will kick-off in the fourth quarter ("Q4") of 2023, combined with an extensive pipeline in EMEA that will add momentum into 2024.

As we move towards the end of 2023, we expect the Farm segment to continue its growth trajectory as the sizable order book is further supported by high levels of demand for our portable equipment. We remain optimistic on the outlook of the Commercial segment, as our balanced and well-diversified business model provides stability to our results. With the ongoing progress of our key operational excellence initiatives and an increased focus on building our order book, we see continued momentum heading into Q4 2023 and early 2024. We are anticipating a strong finish to 2023 and we reiterate our previously disclosed guidance for full year 2023 Adjusted EBITDA of at least $290 million[2] and a slightly higher Adjusted EBITDA margin % of at least 18.5%, an increase of 50 basis points from 18.0% previously.

BASIS OF PRESENTATION

On December 29, 2022, the Company announced that it would be reorganizing its Digital business to better reflect changes in its operations and management structure. As a result of this change, the Company has identified its reportable segments as Farm and Commercial, each of which are supported by the corporate office. The previously identified Digital segment is now included within the Farm segment, and the Food platform which was a sub-segment of the Commercial segment is now amalgamated into the Commercial segment. These segments are strategic business units that offer specific products and services to their respective markets. Certain corporate overheads are allocated to each segment based on revenue as well as applicable cost drivers. Taxes and certain other expenses are managed at a consolidated level and are not allocated to the reportable operating segments. Financial information for the comparative period has been restated to reflect the new presentation.

During the three-month period ended September 30, 2023, AGI replaced the term "sales" with "revenue"; however there has been no change to the underlying calculation. Revenue is the sale of goods primarily recognized at a point in time when the Company satisfies a performance obligation and control of the goods is transferred from AGI to its customer. Revenue from contracts with customers is recognized at an amount that reflects the consideration to which the Company is entitled to in exchange for those goods.

Description of Business Segments

Farm Segment

AGI's Farm segment focuses on the needs of on-farm customers, and its product offerings include: grain, seed, and fertilizer handling equipment; aeration products; grain and fuel storage solutions; and grain management technologies (see "BASIS OF PRESENTATION").

[2] Adjusted EBITDA for the year ended December 31, 2022 was $234.7 million. See "Reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the years ended December 31, 2022 and 2021", "BASIS OF PRESENTATION", "RISKS AND UNCERTAINTIES", "FORWARD-LOOKING INFORMATION", "FINANCIAL OUTLOOK" and "NON-IFRS AND OTHER FINANCIAL MEASURES.

Commercial Segment

AGI's Commercial segment focuses on commercial entities such as port facility operators, food processors and elevators. Its product offerings include: larger diameter grain storage bins and high-capacity grain handling equipment; high-capacity seed and fertilizer storage and handling systems; food and feed handling storage and processing equipment; aeration products; automated blending systems and control systems; and project management services and food engineering solutions (see "BASIS OF PRESENTATION").

OPERATING RESULTS and OUTLOOK [3]

Revenue by Geography [4]

	Three-months ended September 30			
[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
Canada	85,797	88,585	(2,788)	(3%)
U.S.	184,481	187,815	(3,334)	(2%)
International				
EMEA	26,838	27,673	(835)	(3%)
Asia Pacific	44,195	43,981	214	0%
South America	68,756	54,020	14,736	27%
Total International	139,789	125,674	14,115	11%
Total Revenue	**410,067**	**402,074**	**7,993**	**2%**

	Nine-months ended September 30			
[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
Canada	275,776	245,628	30,148	12%
U.S.	506,257	508,229	(1,972)	(0%)
International				
EMEA	85,747	86,768	(1,021)	(1%)
Asia Pacific	117,122	107,873	9,249	9%
South America	162,450	135,550	26,900	20%
Total International	365,319	330,191	35,128	11%
Total Revenue	**1,147,352**	**1,084,048**	**63,304**	**6%**

[3] See "BASIS OF PRESENTATION", "RISKS AND UNCERTAINTIES", "FORWARD-LOOKING INFORMATION" and "FINANCIAL OUTLOOK".

[4] The revenue information in this section are supplementary financial measures and are used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on these supplementary financial measures.

Revenue by Segment and Geography [5]

Farm Segment

[thousands of dollars except percentages]	2023 $	2022 $	Three-months ended September 30 Change $	Change %
Canada	65,184	65,910	(726)	(1%)
U.S.	123,764	123,940	(176)	(0%)
International				
EMEA	2,585	1,438	1,147	80%
Asia Pacific	6,781	6,099	682	11%
South America	28,962	22,276	6,686	30%
Total International	38,328	29,813	8,515	29%
Total Revenue	**227,276**	**219,663**	**7,613**	**3%**

[thousands of dollars except percentages]	2023 $	2022 $	Nine-months ended September 30 Change $	Change %
Canada	215,714	176,752	38,962	22%
U.S.	338,920	327,711	11,209	3%
International				
EMEA	7,082	6,352	730	11%
Asia Pacific	28,195	20,779	7,416	36%
South America	53,185	65,509	(12,324)	(19%)
Total International	88,462	92,640	(4,178)	(5%)
Total Revenue	**643,096**	**597,103**	**45,993**	**8%**

Commercial Segment

[thousands of dollars except percentages]	2023 $	2022 $	Three-months ended September 30 Change $	Change %
Canada	20,613	22,675	(2,062)	(9%)
U.S.	60,717	63,875	(3,158)	(5%)
International				
EMEA	24,253	26,235	(1,982)	(8%)
Asia Pacific	37,414	37,882	(468)	(1%)
South America	39,794	31,744	8,050	25%
Total International	101,461	95,861	5,600	6%
Total Revenue	**182,791**	**182,411**	**380**	**0%**

[5] The revenue information in this section are supplementary financial measures and are used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on these supplementary financial measures.

[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
	Nine-months ended September 30			
Canada	60,062	68,876	(8,814)	(13%)
U.S.	167,337	180,518	(13,181)	(7%)
International				
EMEA	78,665	80,416	(1,751)	(2%)
Asia Pacific	88,927	87,094	1,833	2%
South America	109,265	70,041	39,224	56%
Total International	276,857	237,551	39,306	17%
Total Revenue	**504,256**	**486,945**	**17,311**	**4%**

The following table presents YOY changes in the Company's order book[1] as at September 30, 2023:

	Region			
	Canada	United States	International	Overall
Segments	%	%	%	%
Farm	129%	(6%)	(50%)	22%
Commercial	(30%)	(14%)	4%	(4%)
Overall	**63%**	**(11%)**	**(3%)**	**3%**

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.

The following table presents YOY changes in the Company's international order book[1] as at September 30, 2023 further segmented by region:

Farm and Commercial Segments [1]	EMEA [2] %	Asia Pacific [3] %	South America [4] %
International by region	17%	(1%)	(21%)

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.
[2] "EMEA" is composed of Europe, Middle East and Africa.
[3] "Asia Pacific" is composed of Southeast Asia, Australia, India and the rest of the world (other than Canada, the United States, EMEA and South America).
[4] "South America" is composed of Brazil and the rest of Latin America.

Farm Segment

Farm segment Q3 revenues and Adjusted EBITDA increased 3% and 22% YOY, respectively, with strong results from International regions led by EMEA and South America. In North America, we saw a shift in portable equipment revenue from the U.S. to Canada as pent-up demand in Canada resulted in a 59% increase of portable equipment revenue. Meanwhile, permanent grain storage equipment revenue in the U.S. remained strong with an 8% increase YOY in Q3 as growers continually invest in equipment to accommodate rising crop sizes. In EMEA, revenues to our dealer network across Europe drove Farm revenue growth. In South America, the momentum from the second quarter ("Q2") continued to carry through Q3 and, as anticipated, resulted in strong revenue increase of 30% YOY. Adjusted EBTIDA margin % increased 419 basis points to 27.2% YOY, benefiting from manufacturing efficiency initiatives, the impact of the Digital reorganization, and a revenue mix favouring higher margin portable grain handling equipment.

Canada

Canada Farm segment revenues in the quarter were on par with the strong Q3 2022 results while the order book increased 129% YOY in Q3 given the pent-up demand for portable equipment. Portable equipment showed strong revenue growth with an increase of 59% YOY and the momentum is expected to continue to early 2024. Meanwhile, revenues from permanent grain storage equipment decreased YOY as customers navigated an overall drier 2023 crop season.

United States

U.S. Farm segment revenues in the quarter were also on par with the strong Q3 2022 results, though the mix of revenues was more balanced between portable and permanent grain handling in this quarter relative to Q3 2022. While the order book in the U.S. decreased 6% due to timing of orders, we are seeing significant interest in our early order program for dealers, which is driving our expectation for a strong Q4 2023.

International

Farm segment revenues increased 29% and order book decreased 50% YOY. Specific market drivers included:

- South America Farm revenues increased 30% and the Farm order book decreased 16% YOY in Q3 as a result of the strong Q3 shipments of goods sold, timing between sales orders, and project start dates. Nevertheless, the positive momentum is expected to continue in Q4 2023 as supported by a strong quoting and opportunity pipeline.

- EMEA Farm revenues increased 80% YOY in Q3 due to timing of orders to our dealer partners. Management will continue to pursue opportunities in these markets to grow our order book and establish our brands.

- Asia Pacific Farm revenues increased 11% as the Company's diversification strategies with regional production transitioning to Asia supported increased revenue YOY despite facing headwinds with the prevailing drought conditions.

Commercial Segment

Commercial segment revenues were flat and Adjusted EBITDA increased 6% YOY. In North America, record revenues in 2022 resulted in a weaker comparable result for Q3 2023. However, revenue continued to increase on a sequential basis, up 17% from Q2 2023, supported largely by strong demand for grain related products. International Commercial revenues increased 6% YOY driven by strong results in the South America region which benefitted from the completion of some large projects for key customers within Brazil. Commercial segment Adjusted EBTIDA margin % improved to 18.8% through manufacturing efficiencies gained as part of the Company's operational excellence initiatives.

Canada

Canada Commercial segment revenues and order book decreased 9% and 30% YOY, respectively, in Q3. In addition to the cyclical nature of large commercial projects and a slower start to the second half of 2023, as anticipated, record revenues in 2022 resulted in a weaker comparable result for Q3 2023.

Revenues in the Food platform continued to grow quarter over quarter with the focus on building the order book and nurturing customer relationships.

United States

U.S. Commercial segment revenues and order book decreased 5% and 14% YOY in Q3. Revenues remained strong for grain handling and storage equipment but a reduction in the Food platform business resulted in an overall decrease in revenues in Q3 YOY. Similar to Canada, record U.S. Commercial revenues in 2022, particularly across Foods, resulted in a weaker comparable result for Q3 2023. The order book for the Commercial platform remains strong and building the Food platform remains a high focus priority.

International

Commercial segment revenues and order book increased 6% and 4% YOY, respectively. Specific market drivers included:

- South America Commercial segment revenues increased 25% and order book decreased 22% YOY in Q3. The revenue increase is mainly attributable to the Brazil region as work on larger projects with strategically important customers continues to be completed and delivered. The order book decreased by 22% YOY due to longer close time on orders. The revenue pipeline remains strong, and the order book continues to increase quarter-over-quarter as the Brazilian business ramps-up towards harvest at the start of calendar 2024.

- Asia Pacific Commercial segment revenues remained flat in the quarter and the order book increased 13% YOY in Q3. India continues to deliver solid quarterly results with revenues and order book increasing 8% and 15% YOY, respectively. The Company continues to expand its product portfolio in this region in order to keep up with the demand for our equipment and solutions.

- EMEA Commercial segment revenues decreased 8% while order book increased 23% YOY in Q3. The revenue decrease is due to timing of large commercial projects while continued strong quoting and pipeline activity drove the increase in order book.

Summary

Our revenue and Adjusted EBITDA performance continues to demonstrate the strength of our balanced and diversified business strategy. This strategy enabled us to capitalize on demand from a wide variety of products, regions, and customers. In addition to our revenue and business mix diversification strategies, we have layered-in significant operational excellence initiatives to help strengthen margins across AGI, adding a critical operating lever that further strengthens our ability to consistently deliver profitable growth. We are anticipating a strong finish to 2023 and we reiterate our previously disclosed guidance for full year 2023 Adjusted EBITDA to be at least $290 million[6] and with a slightly higher Adjusted EBITDA margin % of at least 18.5%, an increase of 50 basis points from 18.0% previously.

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[6] Adjusted EBITDA for the year ended December 31, 2022 was $234.7 million. See "Reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the years ended December 31, 2022 and 2021", “BASIS OF PRESENTATION”, “RISKS AND UNCERTAINTIES”, “FORWARD-LOOKING INFORMATION”, "FINANCIAL OUTLOOK" and “NON-IFRS AND OTHER FINANCIAL MEASURES.

DETAILED OPERATING RESULTS

[thousands of dollars except per share amounts]	Three-months ended September 30 2023 $	2022 $	Nine-months ended September 30 2023 $	2022 $
Revenue [1]	410,067	402,074	1,147,352	1,084,048
Cost of goods sold				
Cost of inventories	265,148	266,478	740,876	729,513
Equipment rework [2]	—	—	4,900	—
Remediation [2]	—	—	15,608	—
Depreciation and amortization	8,540	11,689	25,193	34,927
	273,688	278,167	786,577	764,440
Selling, general and administrative expenses				
Selling, general & administrative expenses [3]	66,711	68,306	203,617	189,205
Mergers and acquisitions (recovery) expense [4]	—	(786)	50	(119)
Transaction, transitional and other costs [5]	3,475	15,695	16,149	28,906
Accounts receivable reserve for RUK	—	—	1,733	—
Depreciation and amortization	8,063	7,649	23,881	22,994
	78,249	90,864	245,430	240,986
Other operating expense (income)				
Net loss on disposal of property, plant and equipment [6]	89	56	300	352
Net gain on financial instruments	(1,466)	(2,173)	(6,486)	(1,418)
Other income	(3,141)	(3,814)	(8,296)	(6,808)
	(4,518)	(5,931)	(14,482)	(7,874)
Finance costs	19,353	16,195	55,371	43,870
Finance expense (income)	6,143	9,427	(3,181)	10,923
Impairment charge [7]	1,308	467	2,099	490
Profit before income taxes	35,844	12,885	75,538	31,213
Income tax expense	10,785	5,913	18,027	13,985
Profit for the year	**25,059**	**6,972**	**57,511**	**17,228**
Profit per share				
Basic	1.32	0.37	3.03	0.91
Diluted	1.21	0.36	2.85	0.89

[1] See “BASIS OF PRESENTATION”.
[2] See “Remediation costs and equipment rework”.
[3] Includes minimum lease payments recognized as lease expense. See “Note 10 [b] – Selling, general and administrative expenses” in our consolidated financial statements.
[4] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[5] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[6] Includes loss (gain) on settlement of lease liabilities and assets held for sale. See “Note 5 – Assets held for sale” in our consolidated financial statements.
[7] Impairment charge related to property, plant, and equipment, intangible assets, and assets held for sale. See “Note 5 – Assets held for sale” in our consolidated financial statements.

Gross Profit and Adjusted Gross Margin

[thousands of dollars except percentages]	Three-months ended September 30 2023 $	2022 $	Nine-months ended September 30 2023 $	2022 $
Revenue [1]	410,067	402,074	1,147,352	1,084,048
Cost of goods sold	273,688	278,167	786,577	764,440
Gross Profit	**136,379**	**123,907**	**360,775**	**319,608**
Gross Profit as a % of revenue [2]	33.3%	30.8%	31.4%	29.5%
Equipment rework [3]	—	—	4,900	—
Remediation [3]	—	—	15,608	—
Fair value of inventory from acquisition [4]	—	—	—	609
Depreciation and amortization	8,540	11,689	25,193	34,927
Adjusted Gross Margin [5]	**144,919**	**135,596**	**406,476**	**355,144**
Adjusted Gross Margin as a % of revenue [6]	35.3%	33.7%	35.4%	32.8%

[1] See “BASIS OF PRESENTATION”.
[2] This is a supplementary financial measure and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each supplementary financial measure.
[3] See “Remediation costs and equipment rework”.
[4] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[5] This is a non-IFRS measure and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS measure.
[6] This is a non-IFRS ratio and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS ratio.

AGI’s adjusted gross margin as a percentage of revenue increase for the three-month period ended September 30, 2023 is largely attributable to the benefits of operational excellence initiatives including the effective management of input costs through centralized procurement strategies and manufacturing efficiencies.

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The gain and loss on foreign exchange for the three-month period ended September 30, 2023, was a loss of $6.3 million [2022 – loss of $9.5 million]. The loss is primarily comprised of non-cash items related to the translation of the Company’s U.S. dollar denominated long-term debt at the rate of exchange in effect as of September 30, 2023. See also “Financial Instruments – Foreign exchange contracts”.

Revenue and Adjusted EBITDA

The average U.S. dollar rate of exchange for the three-month period ended September 30, 2023, was $1.35 [2022 - $1.29]. A weaker Canadian dollar relative to the U.S. dollar results in higher reported revenues for AGI, as U.S. dollar denominated revenues are translated into Canadian dollars at a higher rate. Similarly, a weaker Canadian dollar results in higher costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, Adjusted EBITDA increases when the Canadian dollar weakens relative to the U.S. dollar.

Remediation costs and equipment rework

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and legal claims related to the incident were initiated against AGI. On July 27, 2023, the Company reached a settlement agreement with the customer at the site where the bin collapsed for its claims related to the incident. As a result, an increase to expense of $15.6 million was recorded in Q2. During the three-months ended September 30, 2023, the terms of the settlement agreement were finalized and as at September 30, 2023, the warranty provision for remediation costs is nil [December 31, 2022 – $41.5 million], with $57.1 million of the provision having been utilized during the nine-month period ended September 30, 2023.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at September 30, 2023, the warranty provision for the equipment rework is $2.1 million [December 31, 2022 – $12.9 million], with $4.9 million added based on revised estimated costs of completion and $15.7 million utilized during the nine-month period ended September 30, 2023.

Selling, General and Administrative Expenses [“SG&A”]

SG&A expenses for the three-months ended September 30, 2023 excluding merger and acquisition (recovery) expenses [“M&A”], transaction, transitional and other costs, accounts receivable reserve for the conflict between Russia and Ukraine ("RUK"), and depreciation and amortization, were $66.7 million [16.3% of revenue], versus $68.3 million [17.0% of revenue] in 2022. 2023 Q3 variances from the prior year include the following:

- $1.7 million decrease in commissions in correlation to timing of commission-based revenues across segments and timing of project completions.
- $1.6 million increase in bad debt expense related to overall general provision increases.
- $1.4 million increase in consulting fees for projects related to operational efficiency initiatives.
- $1.6 million decrease in research and development related to U.S. research and development tax credits.
- $4.1 million decrease in salaries, wages, and share-based compensation related to accelerated vesting of performance-based awards in the prior year.
- No other individual variance was greater than $1.0 million.

Transaction, transitional and other expense is comprised of 1) legal costs related to our defense of our Farmobile PUC patent and other litigation; 2) accretion and other movement in amounts due to vendors related to past acquisitions; and 3) transitional costs related to reorganizations.

Finance costs

Finance costs which represent interest incurred on all debt for the three-month period ended September 30, 2023 were $19.4 million versus $16.2 million in 2022. Finance costs have increased in 2023 as a result of a higher effective interest rate as compared to 2022.

Finance expense (income)

Finance expense (income) which represents interest income earned and foreign exchange on long term debt for the three-month period ended September 30, 2023, was expense of $6.1 million versus expense of $9.4 million in Q3 2022. The change in finance expense relates primarily to the effect of non-cash translation of the Company's U.S. dollar denominated long-term debt as the exchange rate decreased from 1.3240 as at June 30, 2023 to 1.3520 at September 30, 2023.

Other operating expense (income)

Other operating expense (income) for the three-month period ended September 30, 2023, was income of $4.5 million versus income of $5.9 million in Q3 2022. Other operating expense (income) includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity swap"], and interest income from customer financing arrangements. A significant portion of the increase relates to the unrealized change in fair value of the equity swap.

Profit before income taxes and Adjusted EBITDA

The following table reconciles profit before income taxes to Adjusted EBITDA.

[thousands of dollars]	Three-months ended September 30 2023 $	2022 $	Nine-months ended September 30 2023 $	2022 $
Profit before income taxes	35,844	12,885	75,538	31,213
Finance costs	19,353	16,195	55,371	43,870
Depreciation and amortization	16,603	19,338	49,074	57,921
Loss (gain) on foreign exchange [1]	6,269	9,515	(2,881)	11,152
Share-based compensation [2]	3,057	5,095	9,363	10,710
Gain on financial instruments [3]	(1,466)	(2,173)	(6,486)	(1,418)
Mergers and acquisition expense (recovery) [4]	—	(786)	50	(119)
Transaction, transitional and other costs [5]	3,475	15,695	16,149	28,906
Net loss on disposal of property, plant and equipment [6]	89	56	300	352
Equipment rework [7]	—	—	4,900	—
Remediation [7]	—	—	15,608	—
Accounts receivable reserve for RUK	—	—	1,733	—
Fair value of inventory from acquisition [8]	—	—	—	609
Impairment charge [9]	1,308	467	2,099	490
Adjusted EBITDA [10]	**84,532**	**76,287**	**220,818**	**183,686**

[1] See "Note 10[e] – Other expenses (income)" in our consolidated financial statements.
[2] The Company's share-based compensation expense pertains to our equity incentive award plan ("EIAP") and directors' deferred compensation plan ("DDCP"). See "Note 9 – Share-based compensation plans" in our consolidated financial statements.
[3] See "Equity swap".
[4] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[5] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[6] Includes loss (gain) on settlement of lease liabilities and assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[7] See "Remediation costs and equipment rework".
[8] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[9] Impairment charge related to property, plant, and equipment, intangible assets, and assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[10] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

Profit (loss) before income taxes and Adjusted EBITDA by Segment

[thousands of dollars]	Farm $	Commercial $	Other [12] $	Three-months ended September 30, 2023 Total $
Profit (loss) before income taxes	53,879	26,841	(44,876)	35,844
Finance costs	—	—	19,353	19,353
Depreciation and amortization [1]	6,659	7,512	2,432	16,603
Loss on foreign exchange [2]	—	—	6,269	6,269
Share-based compensation [3]	—	—	3,057	3,057
Gain on financial instruments [4]	—	—	(1,466)	(1,466)
Transaction, transitional and other costs [6]	—	—	3,475	3,475
Net loss on disposal of property, plant and equipment [1][7]	75	1	13	89
Impairment charge [10]	1,310	(2)	—	1,308
Adjusted EBITDA [11]	61,923	34,352	(11,743)	84,532

[thousands of dollars]	Farm $	Commercial $	Other [12] $	Three-months ended September 30, 2022 Total $
Profit (loss) before income taxes	39,980	23,274	(50,369)	12,885
Finance costs	—	—	16,195	16,195
Depreciation and amortization [1]	10,692	8,641	5	19,338
Loss on foreign exchange [2]	—	—	9,515	9,515
Share-based compensation [3]	—	—	5,095	5,095
Gain on financial instruments [4]	—	—	(2,173)	(2,173)
Mergers and acquisition recovery [5]	—	—	(786)	(786)
Transaction, transitional and other costs [6]	—	—	15,695	15,695
Net loss (gain) on disposal of property, plant and equipment [1]	(35)	91	—	56
Impairment charge [10]	—	467	—	467
Adjusted EBITDA [11]	50,637	32,473	(6,823)	76,287

[thousands of dollars]	Farm $	Commercial $	Other [12] $	Nine-months ended September 30, 2023 Total $
Profit (loss) before income taxes	148,289	61,065	(133,816)	75,538
Finance costs	—	—	55,371	55,371
Depreciation and amortization [1]	19,921	22,247	6,906	49,074
Gain on foreign exchange [2]	—	—	(2,881)	(2,881)
Share-based compensation [3]	—	—	9,363	9,363
Gain on financial instruments [4]	—	—	(6,486)	(6,486)
Mergers and acquisition expense [5]	—	—	50	50
Transaction, transitional and other costs [6]	—	—	16,149	16,149
Net loss on disposal of property, plant and equipment [1][7]	152	124	24	300
Equipment rework [8]	—	—	4,900	4,900
Remediation [8]	—	—	15,608	15,608
Accounts receivable reserve for RUK	—	1,733	—	1,733
Impairment charge [10]	2,099	—	—	2,099
Adjusted EBITDA [11]	170,461	85,169	(34,812)	220,818

[thousands of dollars]	Nine-months ended September 30, 2022 Farm $	Commercial $	Other [12] $	Total $
Profit (loss) before income taxes	100,792	46,584	(116,163)	**31,213**
Finance costs	—	—	43,870	**43,870**
Depreciation and amortization [1]	29,968	27,943	10	**57,921**
Loss on foreign exchange [2]	—	—	11,152	**11,152**
Share-based compensation [3]	—	—	10,710	**10,710**
Gain on financial instruments [4]	—	—	(1,418)	**(1,418)**
Mergers and acquisition recovery [5]	—	—	(119)	**(119)**
Transaction, transitional and other costs [6]	—	—	28,906	**28,906**
Net loss (gain) on disposal of property, plant and equipment [1]	(147)	499	—	**352**
Fair value of inventory from acquisition [9]	—	609	—	**609**
Impairment charge [10]	23	467	—	**490**
Adjusted EBITDA [11]	**130,636**	**76,102**	**(23,052)**	**183,686**

[1] Allocated based on the segment of the underlying asset's cash generating unit ("CGU").
[2] See "Note 10 [e] – Other expenses (income)" in our consolidated financial statements.
[3] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 9 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[6] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[7] Includes loss (gain) on settlement of lease liabilities and assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[8] See "Remediation costs and equipment rework".
[9] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[10] Impairment charge related to property, plant, and equipment, intangible assets, and assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[11] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[12] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

Profit (loss) before income taxes and Adjusted EBITDA by Geography

					Three-months ended September 30, 2023
	Canada	US	International	Other [12]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	15,209	45,617	19,886	(44,868)	**35,844**
Finance costs	—	—	—	19,353	**19,353**
Depreciation and amortization [1]	5,011	5,119	4,051	2,422	**16,603**
Loss on foreign exchange [2]	—	—	—	6,269	**6,269**
Share-based compensation [3]	—	—	—	3,057	**3,057**
Gain on financial instruments [4]	—	—	—	(1,466)	**(1,466)**
Transaction, transitional and other costs [6]	—	—	—	3,475	**3,475**
Net loss on disposal of property, plant and equipment [1][7]	45	14	15	15	**89**
Impairment charge [10]	1,310	—	(2)	—	**1,308**
Adjusted EBITDA [11]	**21,575**	**50,750**	**23,950**	**(11,743)**	**84,532**

					Three-months ended September 30, 2022
	Canada	US	International	Other [12]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	14,583	31,920	18,465	(52,083)	**12,885**
Finance costs	—	—	—	16,195	**16,195**
Depreciation and amortization [1]	5,258	8,939	3,423	1,718	**19,338**
Loss on foreign exchange [2]	—	—	—	9,515	**9,515**
Share-based compensation [3]	—	—	—	5,095	**5,095**
Gain on financial instruments [4]	—	—	—	(2,173)	**(2,173)**
Mergers and acquisition recovery [5]	—	—	—	(786)	**(786)**
Transaction, transitional and other costs [6]	—	—	—	15,695	**15,695**
Net loss (gain) on disposal of property, plant and equipment [1]	(33)	56	32	1	**56**
Impairment charge [10]	—	467	—	—	**467**
Adjusted EBITDA [11]	**19,808**	**41,382**	**21,920**	**(6,823)**	**76,287**

					Nine-months ended September 30, 2023
	Canada	US	International	Other [12]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	52,450	111,921	44,958	(133,791)	**75,538**
Finance costs	—	—	—	55,371	**55,371**
Depreciation and amortization [1]	14,881	15,459	11,855	6,879	**49,074**
Gain on foreign exchange [2]	—	—	—	(2,881)	**(2,881)**
Share-based compensation [3]	—	—	—	9,363	**9,363**
Gain on financial instruments [4]	—	—	—	(6,486)	**(6,486)**
Mergers and acquisition expense [5]	—	—	—	50	**50**
Transaction, transitional and other costs [6]	—	—	—	16,149	**16,149**
Net loss (gain) on disposal of property, plant and equipment [1][7]	(9)	165	118	26	**300**
Equipment rework [8]	—	—	—	4,900	**4,900**
Remediation [8]	—	—	—	15,608	**15,608**
Accounts receivable reserve for RUK	—	—	1,733	—	**1,733**
Impairment charge [10]	1,909	190	—	—	**2,099**
Adjusted EBITDA [11]	**69,231**	**127,735**	**58,664**	**(34,812)**	**220,818**

[thousands of dollars]	Canada $	US $	International $	Other [12] $	Nine-months ended September 30, 2022 Total $
Profit (loss) before income taxes	32,091	74,514	45,699	(121,091)	**31,213**
Finance costs	—	—	—	43,870	**43,870**
Depreciation and amortization [1]	17,913	24,759	10,333	4,916	**57,921**
Loss on foreign exchange [2]	—	—	—	11,152	**11,152**
Share-based compensation [3]	—	—	—	10,710	**10,710**
Gain on financial instruments [4]	—	—	—	(1,418)	**(1,418)**
Mergers and acquisition recovery [5]	—	—	—	(119)	**(119)**
Transaction, transitional and other costs [6]	—	—	—	28,906	**28,906**
Net loss (gain) on disposal of property, plant and equipment [1]	(127)	443	14	22	**352**
Fair value of inventory from acquisition [9]	609	—	—	—	**609**
Impairment charge [10]	23	467	—	—	**490**
Adjusted EBITDA [11]	**50,509**	**100,183**	**56,046**	**(23,052)**	**183,686**

[1] Allocated based on the geographical region of the facilities with the exception of expenses noted in Other.
[2] See "Note 10 [e] – Other expenses (income)" in our consolidated financial statements.
[3] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 9 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[6] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[7] Includes loss (gain) on settlement of lease liabilities and assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[8] See "Remediation costs and equipment rework".
[9] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[10] Impairment charge related to property, plant, and equipment, intangible assets, and assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[11] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[12] Included in Other is the corporate office which provides finance, treasury, legal, human resources and other administrative support to the geographical regions.

AGI's Adjusted EBITDA for the three-month period ended September 30, 2023, increased 11% over Q3 2022. The Farm segment's Adjusted EBITDA increased 22% over Q3 2022, as the segment continues to benefit from initiatives targeted at manufacturing efficiencies and significant cost reductions captured through the Digital reorganization process initiated earlier this year. The Commercial segment's Adjusted EBITDA increased 6% over Q3 2022 as a result of the Company's operational excellence initiatives including effective management of SG&A expenses.

Depreciation and amortization

Depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets are categorized in the income statement in accordance with the function to which the underlying asset is related. The underlying assets were less than the prior period resulting in a decrease in depreciation and amortization expense.

Income tax expense

Current income tax expense

Current tax expense for the three-month period ended September 30, 2023, was $3.1 million versus $0.04 million in Q3 2022.

Deferred income tax expense

Deferred tax expense for the three-month period ended September 30, 2023, was $7.7 million versus $5.9 million in Q3 2022. The deferred tax expense in 2023 related to the recognition of temporary differences between the accounting and tax treatment of EIAP liability, equity swap, and accruals and long-term provisions.

[thousands of dollars except percentages]	Three-months ended September 30 2023 $	2022 $	Nine-months ended September 30 2023 $	2022 $
Current tax expense	3,055	44	9,118	8,776
Deferred tax expense	7,730	5,869	8,909	5,209
Total tax	**10,785**	**5,913**	**18,027**	**13,985**
Profit before income taxes	35,844	12,885	75,538	31,213
Effective income tax rate	30.1%	45.9%	23.9%	44.8%

The effective tax rate in 2023 was impacted by items that were included in the calculation of profit before income taxes for accounting purposes but were not included or deducted for tax purposes. The decreased effective tax rate for the three-month period ended September 30, 2023, was specifically attributable to unrealized foreign exchange gains and (losses), as well as differences in tax rates and deductions allowed in foreign jurisdictions.

Diluted profit per share and diluted adjusted profit per share

The Company's diluted adjusted profit per share for the three-month period ended September 30, 2023, was a profit of $1.62 compared to a profit of $1.41 in Q3 2022. Profit per share in Q3 2023 and Q3 2022 has been impacted by the items enumerated in the table below, which reconciles profit to adjusted profit.

[thousands of dollars except per share amounts]	Three-months ended September 30 2023 $	 2022 $	Nine-months ended September 30 2023 $	 2022 $
Profit	25,059	6,972	57,511	17,228
Diluted profit per share	1.21	0.36	2.85	0.89
Loss (gain) on foreign exchange [1]	6,269	9,515	(2,881)	11,152
Gain on financial instruments [2]	(1,466)	(2,173)	(6,486)	(1,418)
Mergers and acquisition expense (recovery) [3]	—	(786)	50	(119)
Transaction, transitional and other costs [4]	3,475	15,695	16,149	28,906
Net loss on disposal of property, plant and equipment [5]	89	56	300	352
Equipment rework [6]	—	—	4,900	—
Remediation [6]	—	—	15,608	—
Accounts receivable reserve for RUK	—	—	1,733	—
Fair value of inventory from acquisition [7]	—	—	—	609
Impairment charge [8]	1,308	467	2,099	490
Adjusted profit [9]	**34,734**	**29,746**	**88,983**	**57,200**
Diluted adjusted profit per share [10]	1.62	1.41	4.21	2.81

[1] See “Note 10 [e] – Other expenses (income)” in our consolidated financial statements.
[2] See “Equity swap”.
[3] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[4] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[5] Includes loss (gain) on settlement of lease liabilities and assets held for sale. See “Note 5 – Assets held for sale” in our consolidated financial statements.
[6] See “Remediation costs and equipment rework”.
[7] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[8] Impairment charge related to property, plant, and equipment, intangible assets, and assets held for sale. See “Note 5 – Assets held for sale” in our consolidated financial statements.
[9] This is a non-IFRS measure and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS measure.
[10] This is a non-IFRS ratio and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS ratio.

QUARTERLY FINANCIAL INFORMATION

[thousands of dollars other than per share amounts and exchange rate]:

2023	Average USD/CAD Exchange Rate	Revenue [1] $	Profit $	Basic Profit per Share $	Diluted Profit per Share $
Q1	1.37	347,016	16,357	0.86	0.82
Q2	1.36	390,269	16,095	0.85	0.81
Q3	1.35	410,067	25,059	1.32	1.21
YTD	**1.35**	**1,147,352**	**57,511**	**3.03**	**2.85**

2022	Average USD/CAD Exchange Rate	Revenue [1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.27	292,031	15,171	0.81	0.72
Q2	1.27	389,943	(4,915)	(0.26)	(0.26)
Q3	1.29	402,074	6,972	0.37	0.36
Q4	1.36	374,034	(67,811)	(3.59)	(3.59)
YTD	**1.30**	**1,458,082**	**(50,583)**	**(2.68)**	**(2.68)**

2021	Average USD/CAD Exchange Rate	Revenue [1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q4	1.27	327,095	(16,349)	(0.87)	(0.87)
FY2021	**1.25**	**1,198,523**	**10,558**	**0.56**	**0.50**

[1] See “BASIS OF PRESENTATION”.

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

- Revenue, gain (loss) on foreign exchange, profit (loss), and basic and diluted profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.
- Profit (loss) and basic and diluted profit (loss) per share from 2021 to 2023 were negatively impacted by the Company’s estimated remediation costs [see – “Remediation costs and equipment rework”].

Interim period revenue and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial grain and fertilizer projects and higher in-season demand at the farm level. The seasonality of AGI’s business may be impacted by several factors including weather and the timing and quality of harvest in North America. In the longer-term, AGI’s continued expansion into the seed, fertilizer, feed and food verticals should lessen the seasonality related to annual grain volumes and harvest conditions.

LIQUIDITY AND CAPITAL RESOURCES

AGI's financing requirements are subject to variations due to the seasonal and cyclical nature of its business. Revenues historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and cash flow has been lower in the first half of each calendar year. However, the Company's geographic diversity has increased over time, leading to a more balanced distribution of revenues and corresponding collections throughout the year. Internally generated funds are supplemented, when necessary, from external sources, primarily the Company's senior credit facilities, to fund the Company's working capital requirements, capital expenditures, acquisitions and dividends. The Company believes that the senior credit facilities and debentures described under "Capital Resources", together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditure, dividend and debt service requirements.

CASH FLOW AND LIQUIDITY

	Three-months ended September 30		Nine-months ended September 30	
	2023	2022	2023	2022
[thousands of dollars]	$	$	$	$
Profit before tax	35,844	12,885	75,538	31,213
Items not involving current cash flows	27,737	53,279	51,657	117,225
Cash provided by operations	63,581	66,164	127,195	148,438
Net change in non-cash working capital	(37,913)	614	(73,266)	(123,195)
Transfer from (to) restricted cash	(621)	—	307	(70)
Non-current accounts receivable and other	(2,768)	(1,747)	(7,500)	(9,200)
Long-term payables	34	26	308	167
Settlement of equity incentive award plan obligation	(206)	(234)	(14,215)	(2,579)
Post-combination payments	(291)	(3,795)	(2,690)	(5,462)
Income tax paid	(1,149)	(2,787)	(8,204)	(9,507)
Cash flows provided by (used in) operating activities	20,667	58,241	21,935	(1,408)
Cash used in investing activities	(14,060)	(25,130)	(23,174)	(70,602)
Cash provided by (used in) financing activities	13,062	(45,928)	31,947	53,087
Net increase (decrease) in cash during the period	19,669	(12,817)	30,708	(18,923)
Cash, beginning of period	70,683	55,201	59,644	61,307
Cash, end of period	**90,352**	**42,384**	**90,352**	**42,384**

Cash flows provided by (used in) operating activities for the three- and nine-month periods ended September 30, 2023, includes the settlement amount paid net of insurance proceeds received and the reduction of remediation provision as a result of the finalization of the terms of the settlement agreement discussed under "Remediation costs and equipment rework".

Cash used in investing activities for the three- and nine-month period ended September 30, 2023, relates primarily to capital expenditures and internally generated intangibles.

Cash provided by (used in) financing activities for the three- and nine-month period ended September 30, 2023, excluding the impact of foreign exchange, relates primarily to a net increase in senior credit facilities of $11.5 million and $39.6 million [September 30, 2022 – decrease of $47.9 million and increase of $48.1 million], net of fees, and changes in interest accrual.

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable in North America are weighted towards the third and fourth quarters. This collection pattern, combined with historically high revenues in the second and third quarters that result from seasonality, typically lead to accounts receivable levels in North America increasing throughout the year and peaking in the third quarter. Inventory levels in North America typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as revenue levels exceed production offset by the seasonality of our operations in India that is opposite of that described above. In addition, our business in Brazil is less seasonal due to the existence of two growing seasons in the country and the increasing importance of Commercial business in the region. Growth in overall international business which typically has longer payment terms than North America may result in an increase in the number of days accounts receivable remain outstanding and may result in increased usage of working capital in certain quarters.

Capital Expenditures

	Three-months ended September 30		Nine-months ended September 30	
	2023	2022	2023	2022
[thousands of dollars]	$	$	$	$
Maintenance capital expenditures [1]	2,515	3,344	8,261	7,618
Non-maintenance capital expenditures [1]	5,887	4,642	9,661	10,901
Acquisition of property plant and equipment	**8,402**	**7,986**	**17,922**	**18,519**

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

The acquisition of property, plant and equipment in the three-month period ended September 30, 2023, was $8.4 million as compared to $8.0 million in Q3 2022.

Maintenance capital expenditures in the three-month period ended September 30, 2023, were $2.5 million [0.6% of revenue] versus $3.3 million [0.8% of revenue] in Q3 2022. Maintenance capital expenditures in Q3 2023 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of revenue.

AGI had non-maintenance capital expenditures in the three-month period ended September 30, 2023, of $5.9 million versus $4.6 million in Q3 2022. The Q3 2023 expenditures relate primarily to capital projects in Brazil.

The acquisition of property, plant and equipment and its components of maintenance and non-maintenance capital expenditures in Q3 2023 were financed through bank indebtedness, cash on hand or through the Company's senior credit facilities [see "Capital Resources"].

CONTRACTUAL OBLIGATIONS

The following table shows, as at September 30, 2023, the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total $	2023 $	2024 $	2025 $	2026 $	2027+ $
2019 Debentures – 1	**86,250**	—	86,250	—	—	—
2019 Debentures – 2	**86,250**	—	86,250	—	—	—
2020 Debentures	**85,000**	—	—	—	85,000	—
2021 Convertible Debentures [1]	**114,995**	—	—	—	—	114,995
2022 Convertible Debentures	**103,900**	—	—	—	—	103,900
Long-term Debt [2]	**484,656**	116	431	286	483,418	405
Lease liability [2]	**55,947**	2,744	10,549	9,079	7,185	26,390
Short term and low value leases [2]	**13**	2	6	3	1	1
Due to vendor [2]	**7,203**	—	5,154	2,049	—	—
Purchase obligations [3]	**11,928**	11,928	—	—	—	—
Total obligations	**1,036,142**	**14,790**	**188,640**	**11,417**	**575,604**	**245,691**

[1] During the nine-month period ended September 30, 2023, a holder of the 2021 Convertible Debentures converted $0.005 million of the principal amount outstanding into common shares of AGI.
[2] Undiscounted.
[3] Net of deposit.

The debentures relate to the aggregate principal amount of the debentures [see "Capital Resources - Debentures"] and long-term debt is comprised of the Company's senior credit facilities [see "Capital Resources – Debt Facilities"].

CAPITAL RESOURCES

Assets and Liabilities

[thousands of dollars]	September 30 2023 $	September 30 2022 $
Total assets	1,711,119	1,768,688
Total liabilities	1,395,074	1,435,957

Cash

The Company's cash balance at September 30, 2023 was $90.4 million [September 30, 2022 - $42.4 million].

Debt Facilities

As at September 30, 2023:

[thousands of dollars except interest rate]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Senior Credit Facilities	CAD / USD	2026	721,800	483,207	6.78%
Equipment Financing	various	various	1,434	1,434	various
Total			**723,234**	**484,641**	

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on September 30, 2023 of $1.3520.
[2] Excludes the $300 million accordion available under AGI's credit facility.

AGI's senior credit facilities of $350 million and U.S. $275 million are inclusive of amounts that may be allocated to the Company's swing-line facilities and can be drawn in Canadian or U.S. funds. AGI has swing-line facilities of $50 million and U.S. $10 million. The senior credit facilities bear interest at BA/SOFR plus 1.2% – 2.75% and prime plus 0.2% – 1.75% per annum based on performance calculations. As at September 30, 2023, there was $205 million [2022 – $224.9 million] and U.S. $205.8 million [2022 – U.S. $205.8 million] outstanding under the facilities. As at September 30, 2023, the portion of drawings from the senior credit facilities recorded on the swing-line was $18.2 million [September 30, 2022 - $10 million].

Debentures

Convertible Unsecured Subordinated Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the "Convertible Debentures"] of the Company that were outstanding as at September 30, 2023:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par [1]
2021 [AFN.DB.I]	114,995,000 [2]	5.00%	45.14	Jun 30, 2027	Jun 30, 2026
2022 [AFN.DB.J]	103,900,000	5.20%	70.50	Dec 31, 2027	Dec 31, 2026

[1] In the twelve-month period prior to the date on which the Company may, at its option, redeem any series of Convertible Debentures at par plus accrued and unpaid interest, such Convertible Debentures may be redeemed, in whole or in part, at the option of the Company at a redemption price equal to the principal amount plus accrued and unpaid interest provided that the volume weighted average trading price of AGI's common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price.
[2] During the nine-month period ended September 30, 2023, a holder of the 2021 Convertible Debentures converted $0.005 million of the principal amount outstanding into common shares of AGI.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Convertible Debentures by issuing and delivering common shares of the Company ("Common Shares"). The Company may also elect to satisfy its obligation to pay interest on the Convertible Debentures by delivering sufficient Common Shares to the trustee of the Convertible Debentures to be sold, with the proceeds used to satisfy the obligation to pay interest. 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 Common Shares issued would be determined based on market prices at the time of issuance.

Issuance of 2022 Convertible Debentures

On April 19, 2022, AGI closed the offering of $100 million aggregate principal amount of convertible unsecured subordinated debentures [the “2022 Convertible Debentures”] at a price of $1,000 per 2022 Convertible Debenture. On May 6, 2022, pursuant to the exercise of the underwriter’s over-allotment option, AGI issued an additional $3.9 million of 2022 Convertible Debentures for total gross proceeds from the offering to AGI of $103.9 million.

Redemption of 2018 Convertible Debentures

Concurrent with the announcement of the offering of the 2022 Convertible Debentures, AGI gave notice of its intention to redeem its 4.50% convertible unsecured subordinated debentures due December 31, 2022 [the “2018 Convertible Debentures”]. Upon redemption on May 22, 2022, AGI paid to the holders of the 2018 Convertible Debentures the redemption price equal to the outstanding principal amount, together with all accrued and unpaid interest thereon.

Senior Unsecured Subordinated Debentures

The following table summarizes the key terms of the Senior Unsecured Subordinated Debentures [the “Senior Debentures”] that were outstanding as at September 30, 2023:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Maturity Date
2019 March [AFN.DB.F]	86,250,000	5.40 %	June 30, 2024
2019 November [AFN.DB.G]	86,250,000	5.25 %	December 31, 2024
2020 March [AFN.DB.H]	85,000,000	5.25 %	December 31, 2026

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Senior Debentures by issuing and delivering Common Shares. The Company may also elect to satisfy its obligation to pay interest on the Senior Debentures by delivering sufficient Common Shares to the trustee of the Senior Debentures to be sold, with the proceeds used to satisfy the obligation to pay interest. The number of Common Shares issued would be determined based on market prices at the time of issuance.

COMMON SHARES

The following number of Common Shares were issued and outstanding at the dates indicated:

	# Common Shares
December 31, 2022	**18,900,958**
Settlement of EIAP obligations	102,805
Conversion of 2021 Convertible Debentures	110
September 30, and November 7, 2023	**19,003,873**

At November 7, 2023:

- 19,003,873 Common Shares are outstanding;
- 2,265,000 Common Shares are available for issuance under the Company's equity-settled Equity Incentive Award Plan [the "EIAP"], of which 1,104,464 Common Shares have been issued under the EIAP, 522,286 Common Shares are issuable on the settlement of outstanding awards and 638,250 Common Shares are reserved for issuance on the settlement of awards that are available for grant;
- 120,000 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan, of which 19,788 Common Shares have been issued and;
- 4,021,279 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of $218.9 million outstanding.

AGI's Common Shares trade on the TSX under the symbol AFN.

DIVIDENDS

AGI declared dividends of $2.9 million or $0.15 per common share [2022 – $2.8 million or $0.15 per common share] in the three-month period ended September 30, 2023. The dividend declared in Q3 2023 was paid on October 16, 2023 to common shareholders of record at the close of business on September 29, 2023. Dividends paid to common shareholders of $2.9 million [2022 – $2.8 million] during the three-month period ended September 30, 2023 were financed from cash on hand.

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 senior credit facilities.

CASH PROVIDED BY OPERATIONS, FUNDS FROM OPERATIONS AND PAYOUT RATIOS

[thousands of dollars except percentages]	Nine-months ended September 30		Last Twelve-months ended September 30	
	2023 $	2022 $	2023 $	2022 $
Cash provided by operations	127,195	148,438	152,386	145,793
Items not involving current cashflows	(51,657)	(117,225)	(153,374)	(136,281)
Profit (loss) before income taxes	**75,538**	**31,213**	**(988)**	**9,512**
Combined adjustments to Adjusted EBITDA [1]	145,280	152,473	272,803	218,827
Adjusted EBITDA [2]	**220,818**	**183,686**	**271,815**	**228,339**
Interest expense	(55,371)	(43,870)	(72,569)	(55,818)
Non-cash interest	7,557	7,385	9,892	9,262
Cash taxes	(8,204)	(9,507)	(11,081)	(15,433)
Maintenance capital expenditures [3]	(8,261)	(7,618)	(14,479)	(10,107)
Funds from operations [2]	**156,539**	**130,076**	**183,578**	**156,243**
Dividends	8,529	8,482	11,362	14,118
Payout Ratio [3] from cash provided by operations	**7%**	**6%**	**7%**	**10%**
Payout Ratio [4] from funds from operations	**5%**	**7%**	**6%**	**9%**

[1] See “Profit before income taxes and Adjusted EBITDA”.
[2] This is a non-IFRS measure and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS measure.
[3] This is a supplementary financial measure and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each supplementary financial measure.
[4] This is a non-IFRS ratio and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS ratio.

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 may enter into foreign exchange contracts to partially mitigate its foreign exchange risk.

In 2023, the Company entered into a series of short-term forward contracts with notional amounts of U.S. $10.8 million in aggregate, which mature on or before February 12, 2024. During the three- and nine-month periods ended September 30, 2023, an unrealized loss of $0.4 million and $0.3 million were recorded in gain on financial instruments.

Interest Rate Swaps

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

	Currency	Effective	Maturity	Amount of Swap [000’s] $	Fixed Rate [1]
Canadian dollar contracts	CAD	June 11, 2023	2026	75,000	3.972 %

[1] Excludes performance adjustment.

On June 16, 2022, the Company entered into a forward interest rate swap contract starting June 11, 2023 and expiring on May 11, 2026. The Company will receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 3.972%. The notional amounts are $75 million in aggregate, resetting each month. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that it has been assessed to be effective. During the three- and nine-month periods ended September 30, 2023, an unrealized gain of $0.9 million and $2.7 million [2022 – gain of $0.4 million and loss of $0.6 million] were recorded in other comprehensive income (loss) and a realized gain of $0.2 million and $0.2 million [2022 – nil and nil] were recorded in finance costs. As at September 30, 2023, the fair value of the interest rate swap was an asset of $2.1 million [2022 – liability of $0.6 million].

Equity swap

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at September 30, 2023, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on May 7, 2024. During the three- and nine-month periods ended September 30, 2023, an unrealized gain of $1.9 million and $7.1 million [2022 – gain of $1.8 million and $0.4

million] were recorded in gain on financial instruments in other operating expense (income). As at September 30, 2023, the fair value of the equity swap was an asset of $10.5 million [2022 – liability of $4.7 million].

Debenture put options

In March 2020, the Company issued $85 million of senior unsecured subordinated debentures with an option of early redemption beginning December 31, 2022. At the time of issuance, the Company's redemption option resulted in an embedded derivative with a fair value of $0.8 million. During the three- and nine-month periods ended September 30, 2023, the Company recorded an unrealized gain of $0.04 million and loss of $0.4 million [2022 – gain of $0.4 million and $0.1 million], on financial instruments in other operating income. As at September 30, 2023, the fair value of the embedded derivative was an asset of $0.2 million [2022 – asset of $0.4 million].

2022 ACQUISITION

Eastern Fabricators

On January 4, 2022, AGI acquired Eastern Fabricators ("Eastern"). Eastern specializes in the engineering, design, fabrication, and installation of high-quality stainless-steel equipment and systems for food processors. Eastern operates three facilities in Canada with two in Prince Edward Island and one in Ontario. Eastern serves a range of customers across North America and has developed strong relationships with some of the world's largest multinational food processors. Consideration for the acquisition included an upfront purchase price of $29.3 million paid on closing plus working capital adjustments of $2.9 million and the potential for an additional $4.1 million in post-closing payments based on the achievement of financial targets in future years. The acquisition was funded primarily through AGI's senior debt facilities.

OTHER RELATIONSHIPS

A law firm in which a Director of AGI is a partner provides legal services to the Company. During the three- and nine-month periods ended September 30, 2023, the total cost of these legal services were $0.03 million and $0.4 million [2022 – $0.3 million and $1.9 million], and $0.3 million is included in accounts payable and accrued liabilities as at September 30, 2023.

These transactions are measured at the exchange amount and were incurred during the normal course of business.

CRITICAL ACCOUNTING ESTIMATES

Described in the notes to the Company's 2022 consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the 2022 consolidated financial statements for a discussion of the significant accounting judgments, estimates and assumptions. In addition, the provisions for remediation and equipment rework [see – "Remediation costs and equipment rework"] required significant estimates and judgments about the scope, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company.

RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR+ [www.sedarplus.ca]. These risks and uncertainties include but are not limited to the following: general economic and business conditions and changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, including as a result of the conflict between Russia and Ukraine and the response thereto from other countries and institutions (including trade sanctions and financial controls), which has created volatility in the global economy and could continue to adversely impact economic and trade activity; the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the coronavirus (COVID-19) pandemic, including on our operations, our personnel, our supply chain, the demand for our products and services, our ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels; the ability of management to execute the Company's business plan; fluctuations in agricultural and other commodity prices, interest rates, inflation rates and currency exchange rates; crop planting, crop conditions and crop yields; weather patterns, the timing of harvest and conditions during harvest; volatility of production costs, including the risk of production cost increases that may arise as a result of ongoing high inflation rates and/or supply chain disruptions, and the risk that we may not be able to pass along all or any portion of increased costs to customers; governmental regulation of the agriculture and manufacturing industries, including environmental and climate change regulation; actions taken by governmental authorities, including increases in taxes, changes in government regulations and incentive programs, and actions taken in connection with local or global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the COVID-19 pandemic; risks inherent in marketing operations; credit risk; the availability of credit for customers; seasonality and industry cyclicality; potential delays or changes in plans with respect to capital expenditures; the cost and availability of sufficient financial resources to fund the Company's capital expenditures; failure of the Company to realize the benefits of its operational excellence initiatives; incorrect assessments of the value of acquisitions, failure of the Company to realize the anticipated benefits of acquisitions, including to realize anticipated synergies and margin improvements, and the assumption of liabilities associated with acquisitions and/or the provision of indemnities to vendors in respect of any such assumed liabilities or otherwise; volatility in the stock markets including the market price of the Common Shares and in market valuations; competition for, among other things, customers, supplies, acquisitions, capital and skilled personnel; the availability of capital on acceptable terms; dependence on suppliers; changes in labour costs and the labour market, including the risk of labour cost increases that may arise as a result of ongoing high inflation rates and/or a scarcity of labour and/or labour activities; the impact of climate change and related laws and regulations; changes in trade relations between the countries in which the Company does business, including between Canada and the United States; cyber security risks; adjustments to and delays or cancellation of our order book; the requirement to re-supply equipment or re-complete work previously supplied or completed at AGI's cost, and the risk that AGI's assumptions and estimates made in respect of such costs and underlying the provision for warranty accrual and remediation in our consolidated financial statements related thereto and insurance coverage therefor (including for the matters disclosed herein under "Remediation costs and equipment rework") will prove to be incorrect as further information becomes available to AGI; and the risk of litigation or unsuccessful defense of litigation in respect of equipment or work previously supplied or completed or in respect of other matters and the risk that AGI incurs material liabilities in connection with such litigation that are not covered by insurance in whole or in part. These risks and uncertainties 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 these risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected.

Russia-Ukraine Conflict

AGI's exposure to Russia and Ukraine varies year-to-year. Prior to 2022, the region generally contributed about 3% of AGI's consolidated revenues annually. AGI has no production facilities in either country. Given the contributions of Brazil, India, and the rest of the EMEA region, AGI is more diversified from the region than we were in years past. While the region is important to AGI, any negative impacts have not been material to AGI overall.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in AGI's internal controls over financial reporting that occurred in the three-month period ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A makes reference to certain specified financial measures, including non-IFRS financial measures, non-IFRS ratios and supplementary financial measures. Management uses these financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These specified financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement our financial information reported under IFRS by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use the following (i) non-IFRS financial measures: "adjusted earnings before interest, taxes, depreciation, and amortization ("Adjusted EBITDA")", "adjusted gross margin", "funds from operations", and "adjusted profit"; (ii) non-IFRS ratios: "Adjusted EBITDA margin %", "adjusted gross margin as a % of revenue", "gross profit as a % of revenue", "diluted adjusted profit per share" and "payout ratio from funds from operations"; and (iii) supplementary financial measures: "order book", "revenue by geography", "revenue by segment and geography", "maintenance capital expenditures", "non-maintenance capital expenditures" and "payout ratio from cash provided by operations"; to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS financial measures, non-IFRS ratios and supplementary financial measures in order to prepare annual operating budgets and to determine components of management compensation. 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 or ratio.

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

In this MD&A, we discuss the specified 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.

The following is a list of non-IFRS financial measures, non-IFRS ratios and supplementary financial measures that are referenced throughout this MD&A:

“Adjusted EBITDA” is defined as profit (loss) before income taxes before finance costs, depreciation and amortization, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A recovery or expenses, transaction, transitional and other costs, net gain or loss on the sale of property, plant & equipment, equipment rework, remediation, accounts receivable reserve for RUK, non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and impairment charge. Adjusted EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit (loss) before income taxes. Management believes Adjusted EBITDA is a useful measure to assess the performance and cash flow of the Company as it excludes the effects of interest, taxes, depreciation, amortization and expenses that management believes are not reflective of the Company’s underlying business performance. Management cautions investors that 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. See “Detailed Operating Results – Profit before income taxes and Adjusted EBITDA” for the reconciliation of Adjusted EBITDA to profit before income taxes for the current and comparative periods. Adjusted EBITDA guidance is a forward-looking non-IFRS financial measure. We do not provide a reconciliation of such forward-looking measure to the most directly comparable financial measure calculated and presented in accordance with IFRS due to unknown variables and the uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value that may be inherently difficult to determine without unreasonable efforts. Guidance for Adjusted EBITDA is calculated in the same manner as described above for historical Adjusted EBITDA, as applicable.

“Adjusted EBITDA margin %” is defined as Adjusted EBITDA divided by revenue. Adjusted EBITDA margin % is a non-IFRS ratio because one of its components, Adjusted EBITDA, is a non-IFRS financial measure. Management believes Adjusted EBITDA margin % is a useful measure to assess the performance and cash flow of the Company.

“Adjusted gross margin” is defined as gross profit before equipment rework, remediation, fair value of inventory from acquisitions and depreciation and amortization. Adjusted gross margin is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is gross profit. Management believes that adjusted gross margin is a useful measure to assess the performance of the Company as it excludes the effects of non-cash expenses related to equipment rework and remediation, the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and depreciation and amortization. See "Detailed Operating Results – Gross Profit and Adjusted Gross Margin" for the reconciliation of adjusted gross margin to gross profit for the current and comparative periods.

"Adjusted Gross Margin as a % of revenue" is defined as adjusted gross margin divided by revenue. Adjusted gross margin as a % of revenue is a non-IFRS ratio because one of its components, adjusted gross margin, is a non-IFRS financial measure. Management believes adjusted gross margin as a % of revenue is a useful measure to assess the performance of the Company.

“Adjusted profit” is defined as profit or loss adjusted for gain or loss on foreign exchange, gain or loss on financial instruments, M&A recovery or expenses, transaction, transitional and other costs, net gain or loss on the sale of property, plant & equipment, equipment rework, remediation, accounts receivable reserve for RUK, non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and impairment charge. Adjusted profit is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit or loss. Management believes adjusted profit is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performances. See "Detailed Operating Results – Diluted profit per share and diluted adjusted profit per share" for the reconciliation of adjusted profit to profit for the current and comparative periods.

"Diluted adjusted profit per share" is defined as adjusted profit divided by the total weighted average number of outstanding diluted shares of AGI at the end of the most recently completed quarter for the relevant period. Diluted adjusted profit per share is a non-IFRS ratio because one of its components, adjusted profit, is a non-IFRS financial measure. Management believes diluted adjusted profit per share is a useful measure to assess the performance of the Company.

"Funds from operations" is defined as cash provided by operations adjusted for items not involving current cashflows, combined adjustments to Adjusted EBITDA, interest expense, non-cash interest, cash taxes and maintenance capital expenditures. Funds from operations is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is cash provided by operations. Management believes that, in addition to cash provided by operations, funds from operations provides a useful supplemental measure in evaluating the Company's performance and liquidity. 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 flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. See "CASH PROVIDED BY OPERATIONS, FUNDS FROM OPERATIONS AND PAYOUT RATIOS" for the reconciliation of funds from operations to cash provided by operations for the current and comparative periods and see also "Adjusted EBITDA" above and "Detailed Operating results – Profit before income taxes and Adjusted EBITDA" for the "combined adjustments to Adjusted EBITDA" for the current and comparative periods.

"Gross Profit as a % of revenue" is defined as gross profit divided by revenue. Gross profit as a % of revenue is a supplementary financial measure.

"Maintenance capital expenditures" and "non-maintenance capital expenditures" are both components of the Company's "Acquisition of property, plant and equipment". Management defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels and non-maintenance capital expenditures as other investments, including cash outlays required to increase operating capacity or improve operating efficiency. Both "maintenance capital expenditures" and "non-maintenance capital expenditures" are supplementary financial measures. Management believes that in addition to acquisition of property, plant and equipment, maintenance capital expenditures and non-maintenance capital expenditures provide a useful supplemental measure in evaluating the Company's performance. See "Cash Flow and Liquidity - Capital Expenditures" for the reconciliation of maintenance capital expenditures and non-maintenance capital expenditures to acquisition of property plant and equipment for the current and comparative periods.

"Order book" is defined as the total value of committed sales orders that have not yet been fulfilled that: (a) have a high certainty of being performed as a result of the existence of a purchase order, an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to the Company or its divisions, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Order book is a supplementary financial measure. AGI previously used the term 'backlogs' instead of 'order book", however there has been no change to the definition or underlying calculation.

"Payout ratio" is defined as either cash provided by operations or funds from operations for the relevant period divided into the dividends declared during such period. "Payout ratio from cash provided by operations" is a supplementary financial measure. "Payout ratio from funds from operations" is a non-IFRS ratio because one of its components, funds from operations, is a non-IFRS financial measure. Management believes payout ratio is a useful measure to assess the performance and liquidity of the Company and as an indicator of the sustainability of AGI's dividend.

"Revenue by Geography" and "Revenue by Segment and Geography": The revenue information presented under "Revenue by Geography" and "Revenue by Segment and Geography" are supplementary financial measures used to present the Company's revenue by geography and by segment and geography.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "anticipate", "estimate", "believe", "continue", "could", "expects", "intend", "trend", "plans", "will", "may" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to: our belief that our operational excellence program continues to improve gross margins; our expectation that the increase in margins will be sustained going forward; our belief that the Farm segment continues to benefit from initiatives targeted at manufacturing efficiency and significant cost reductions captured through the Digital reorganization process; our belief that large commercial projects in India and Brazil which will kick-off in Q4 2023, combined with an extensive pipeline in EMEA, will add momentum into 2024 for our Commercial segment; our expectation that the Farm segment will continue its growth trajectory; that we remain optimistic on the outlook of the Commercial segment; that with the ongoing progress of our key operational excellence initiatives and an increased focus on building our order book, we see continued momentum heading into Q4 2023 and early 2024; our expectation for a strong finish to 2023; our outlook for our financial and operating performance in fiscal 2023 and 2024, including by segment, product type and geographic region, and including our expectations for our future financial results (including our forecast for full year 2023 Adjusted EBITDA and Adjusted EBITDA margin %), industry demand, market conditions, and industry and market trends; our expectation for portable equipment revenues momentum in Canada to continue to early 2024; our expectation for a strong Q4 2023 in U.S. Farm segment revenues; our expectation for the positive momentum in South America Farm revenues to continue in Q4 2023; that management will continue to pursue opportunities in the EMEA Farm revenues markets to grow our order book and establish our brands; that building the Food platform remains a high focus priority; and our belief in our ability to consistently deliver profitable growth; our business strategies and strategic priorities; the long-term fundamentals and growth drivers of our business; the estimated costs to the Company that may result from the remediation work and/or equipment rework described herein under "Remediation costs and equipment rework"; that in the longer-term we will be able to lessen the seasonality of our business; our belief that our debt facilities and debentures, together with available cash and internally generated funds, are sufficient to support our working capital, capital expenditure, dividend and debt service requirements; the factors that may impact our working capital requirements; and our dividend policy and how dividend payments may be funded. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: anticipated crop yields and production in our market areas; the financial and operating attributes of acquired businesses and the anticipated future performance thereof; the value of acquired businesses and assets and the liabilities assumed (and indemnities provided) by AGI in connection therewith; anticipated financial performance; future debt levels; business prospects and strategies, including the success of our operational excellence initiatives; product and input pricing; the scope, nature, timing and cost of re-supplying certain equipment and re-completing certain work that has previously been supplied or completed pursuant to warranty obligations or otherwise; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; currency exchange rates, inflation rates and interest rates; the cost of materials, labour and services and the impact of inflation rates and/or supply chain disruptions and/or labour activity thereon; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the amount and timing of the dividends that we expect to pay; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; the ability of the Company to successfully market its products and services; and that the COVID-19 pandemic will not have a material impact on our business, operations, and financial results going forward. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information. These risks and uncertainties are described under “Risks and Uncertainties” in this MD&A and in our most recently filed Annual Information Form, which is available under the Company's profile on SEDAR+ [www.sedarplus.ca]. These factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Further, AGI cannot guarantee that the anticipated revenue from its order book will be realized or, if realized, will result in profits or Adjusted EBITDA. Delays, cancellations and scope adjustments occur from time-to-time with respect to contracts reflected in AGI’s order book, which can adversely affect the revenue and profit that AGI actually receives from its order book. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. Without limitation of the foregoing, the provisions for remediation and equipment rework disclosed herein required significant estimates and judgments about the scope, nature, timing and cost of work that will be required. It is based on management’s assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

FINANCIAL OUTLOOK

Also included in this MD&A are estimates of AGI’s 2023 Adjusted EBITDA and Adjusted EBITDA margin %, which are based on, among other things, the various assumptions disclosed in this MD&A including under "Forward-Looking Information" and including our assumptions regarding the Adjusted EBITDA contribution that AGI anticipates receiving from revenue growth in 2023 in part as a result of the 3%

YOY increase in AGI's order books at September 30, 2023 and the benefits of operational excellence initiatives including the effective management of input costs through centralized procurement strategies, third-party outsourcing, manufacturing efficiencies and improved product quality as well as SG&A reduction initiatives and workforce optimization initiatives. To the extent such estimates constitute financial outlooks, they were approved by management on November 7, 2023 and are included to provide readers with an understanding of AGI's anticipated 2023 Adjusted EBITDA and Adjusted EBITDA margin % based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

RECONCILIATION OF ADJUSTED EBITDA TO PROFIT (LOSS) BEFORE INCOME TAXES FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

The following table reconciles profit (loss) before income taxes to Adjusted EBITDA for the years ended December 31, 2022 and 2021:

	Year ended December 31	
[thousands of dollars]	2022 $	2021 $
Profit (loss) before income taxes	**(45,313)**	**9,383**
Finance costs	61,067	43,599
Depreciation and amortization	76,945	62,049
Share of associate's net loss [1]	—	1,077
Revaluation gains [1]	—	(6,778)
Loss on foreign exchange [2]	8,941	2,992
Share-based compensation [3]	15,620	8,551
Gain on financial instruments [4]	(9,629)	(1,382)
Mergers and acquisition expense (recovery) [5]	(144)	3,035
Change in estimate on variable considerations [6]	—	11,400
Transaction, transitional and other costs [7]	44,301	12,058
Net loss on disposal of property, plant and equipment	339	23
Loss (gain) on settlement of lease liability	1	(17)
Equipment rework [8]	6,100	10,000
Remediation [8]	—	16,100
Foreign exchange reclassification on disposal of foreign operation	—	(898)
Fair value of inventory from acquisition [9]	609	—
Impairment charge [10]	75,846	5,074
Adjusted EBITDA [11]	**234,683**	**176,266**

[1] See “Share of associate's net loss and revaluation gains” in our MD&A and consolidated financial statements for the year ended December 31, 2022 (“2022 Statements”).
[2] See “Note 26 [e] - Other expenses (income)” in our 2022 Statements.
[3] The Company’s share-based compensation expense pertains to our equity incentive award plan and directors’ deferred compensation plan. See “Note 25 – Share-based compensation plans” in our 2022 Statements.
[4] See “Equity swap” in our 2022 Statements.
[5] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[6] The result of a change in management estimate on variable considerations for a one-time revenue concessions related to previous revenue contracts.
[7] Includes legal expense, legal provision, the net impact of revenue reversal as a result of the Russia-Ukraine conflict, transitional costs related to the Digital segment reorganization, restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[8] See “Remediation costs and equipment rework” in our 2022 Statements.

[9] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.

[10] Impairment charge is a result of impairment charges related to the reorganization of the Company's Digital segment and write-down in property, plant and equipment. See "Note 12 - Property, plant and equipment", "Note 13 - Right-of-use assets", "Note 14 – Goodwill", "Note 15 – Intangible assets" and "Note 16 – Impairment testing" in our 2022 Statements.

[11] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

ADDITIONAL INFORMATION

Additional information relating to AGI, including AGI's most recent Annual Information Form, is available under the Company's profile on SEDAR+ [www.sedarplus.ca].

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

September 30, 2023

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	September 30, 2023 $	December 31, 2022 $
Assets		
Current assets		
Cash and cash equivalents	90,352	59,644
Restricted cash	2,792	3,110
Accounts receivable	300,161	220,861
Inventory	237,026	279,318
Prepaid expenses and other assets	58,225	60,171
Current portion of notes receivable	5,780	5,791
Current portion of derivative instruments *[note 14]*	10,215	—
Income taxes recoverable	13,358	13,951
	717,909	642,846
Non-current assets		
Property, plant and equipment, net	330,483	336,385
Right-of-use assets, net	34,059	31,360
Goodwill	342,535	342,983
Intangible assets, net	219,876	225,879
Non-current accounts receivable	53,616	46,116
Notes receivable	190	264
Derivative instruments *[note 14]*	2,281	3,901
Deferred tax asset	6,179	4,112
	989,219	991,000
Assets held for sale *[note 5]*	3,991	12,205
Total assets	1,711,119	1,646,051
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	250,474	236,111
Customer deposits	82,866	80,013
Dividends payable	2,851	2,835
Income taxes payable	5,574	6,667
Current portion of due to vendor	4,921	5,214
Current portion of lease liability	6,193	5,665
Current portion of long-term debt *[note 7]*	438	479
Current portion of senior unsecured subordinated debentures *[note 14]*	85,427	—
Provisions *[note 6]*	19,173	75,233
	457,917	412,217
Non-current liabilities		
Other financial liabilities	891	590
Derivative instruments *[note 14]*	—	352
EIAP liability	1,485	1,371
Due to vendor	1,320	5,754
Lease liability	36,151	33,482
Long-term debt *[note 7]*	480,872	440,459
Convertible unsecured subordinated debentures *[note 14]*	188,403	183,481
Senior unsecured subordinated debentures *[note 14]*	168,815	252,750
Deferred income tax liability	59,220	49,925
	937,157	968,164
Total liabilities	1,395,074	1,380,381
Shareholders' equity *[note 8]*		
Common shares	10,196	9,644
Accumulated other comprehensive income	21,267	15,116
Equity component of convertible debentures	22,868	22,851
Contributed surplus	496,829	501,741
Deficit	(235,115)	(283,682)
Total shareholders' equity	316,045	265,670
Total liabilities and shareholders' equity	1,711,119	1,646,051

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, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Revenue *[note 4]*	410,067	402,074	1,147,352	1,084,048
Cost of goods sold *[note 10[a]]*	273,688	278,167	786,577	764,440
Gross profit	136,379	123,907	360,775	319,608
Expenses				
Selling, general and administrative *[note 10[b]]*	78,249	90,864	245,430	240,986
Other operating income *[note 10[c]]*	(4,518)	(5,931)	(14,482)	(7,874)
Impairment charge	1,308	467	2,099	490
Finance costs *[note 10[d]]*	19,353	16,195	55,371	43,870
Finance expense (income) *[note 10[e]]*	6,143	9,427	(3,181)	10,923
	100,535	111,022	285,237	288,395
Profit before income taxes	35,844	12,885	75,538	31,213
Income tax expense *[note 11]*				
Current	3,055	44	9,118	8,776
Deferred	7,730	5,869	8,909	5,209
	10,785	5,913	18,027	13,985
Profit for the period	25,059	6,972	57,511	17,228
Profit per share *[note 12]*				
Basic	1.32	0.37	3.03	0.91
Diluted	1.21	0.36	2.85	0.89

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, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Profit for the period	25,059	6,972	57,511	17,228
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss				
Change in fair value of derivatives designated as cash flow hedges gain (loss)	900	445	2,702	(566)
Realized gains on derivatives designated as cash flow hedges recognized in net earnings	(247)	—	(247)	—
Income tax effect on cash flow hedges	(175)	(118)	(658)	150
Exchange differences on translation of foreign operations	4,766	31,362	3,959	38,434
	5,244	31,689	5,756	38,018
Items that will not be reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plans	264	(209)	540	423
Income tax effect on defined benefit plans	(71)	55	(145)	(112)
	193	(154)	395	311
Other comprehensive income for the period	5,437	31,535	6,151	38,329
Total comprehensive income for the period	30,496	38,507	63,662	55,557

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, 2023

	Common shares	Equity component of convertible debentures	Contributed surplus	Deficit	Foreign currency translation reserve	Cash flow hedge reserve	Defined benefit plan reserve	Equity investment	Total shareholders' equity
	$	$	$	$	$	$	$	$	$
As at January 1, 2023	9,644	22,851	501,741	(283,682)	13,767	(259)	2,508	(900)	265,670
Profit for the period	—	—	—	57,511	—	—	—	—	57,511
Other comprehensive income	—	—	—	—	3,959	1,797	395	—	6,151
Share-based payment transactions *[notes 8[a] and [b]]*	547	—	(4,912)	—	—	—	—	—	(4,365)
Dividends paid and payable to shareholders *[note 8[c]]*	—	—	—	(8,545)	—	—	—	—	(8,545)
Dividends on share-based compensation awards *[note 8[c]]*	—	—	—	(399)	—	—	—	—	(399)
Conversion of 2021 convertible debentures *[note 8[a]]*	5	17	—	—	—	—	—	—	22
As at September 30, 2023	10,196	22,868	496,829	(235,115)	17,726	1,538	2,903	(900)	316,045

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, 2022

	Common shares	Equity component of convertible debentures	Contributed surplus	Deficit	Foreign currency translation reserve	Cash flow hedge reserve	Defined benefit plan reserve	Equity investment	Total shareholders' equity
	$	$	$	$	$	$	$	$	$
As at January 1, 2022	5,233	12,905	494,684	(221,272)	(23,271)	—	1,372	(900)	268,751
Profit for the period	—	—	—	17,228	—	—	—	—	17,228
Other comprehensive income (loss)	—	—	—	—	38,434	(416)	311	—	38,329
Share-based payment transactions *[notes 8[a] and [b]]*	3,505	—	3,407	—	—	—	—	—	6,912
Dividends paid and payable to shareholders *[note 8[c]]*	—	—	—	(8,497)	—	—	—	—	(8,497)
Dividends on share-based compensation awards *[note 8[c]]*	—	—	—	(445)	—	—	—	—	(445)
Issuance of convertible debentures	—	11,379	—	—	—	—	—	—	11,379
Redemption of convertible unsecured subordinated debentures *[note 8[b]]*	—	(1,433)	507	—	—	—	—	—	(926)
As at September 30, 2022	8,738	22,851	498,598	(212,986)	15,163	(416)	1,683	(900)	332,731

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, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Operating activities				
Profit before income taxes	35,844	12,885	75,538	31,213
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	6,996	6,806	21,205	20,770
Depreciation of right-of-use assets	1,905	1,667	5,440	4,967
Amortization of intangible assets	7,208	10,473	20,979	31,201
Loss on sale of property, plant and equipment	94	56	287	352
Loss on sale of assets held for sale	—	—	25	—
Gain on settlement of lease liability	(5)	—	(12)	—
Gain on redemption of convertible debentures	—	—	—	(584)
Impairment charge	1,308	467	2,099	490
Non-cash component of interest expense	2,889	2,456	7,557	7,385
Non-cash movement in derivative instruments	(1,466)	(2,173)	(6,486)	(834)
Non-cash investment tax credits	(1,596)	(138)	(1,709)	(1,381)
Share-based compensation expense	3,057	5,095	9,363	10,710
Defined benefit plan expense (income)	(7)	20	(19)	60
Due to vendor, optionally convertible redeemable preferred shares and transaction cost payable	849	5,897	(9,552)	11,954
Translation loss on foreign exchange	6,505	22,653	2,480	32,135
	63,581	66,164	127,195	148,438
Net change in non-cash working capital balances related to operations *[note 13]*	(37,913)	614	(73,266)	(123,195)
Transfer from (to) restricted cash	(621)	—	307	(70)
Non-current accounts receivable	(2,768)	(1,747)	(7,500)	(9,200)
Long-term payables	34	26	308	167
Settlement of EIAP obligation	(206)	(234)	(14,215)	(2,579)
Post-combination payments	(291)	(3,795)	(2,690)	(5,462)
Income taxes paid	(1,149)	(2,787)	(8,204)	(9,507)
Cash provided by (used in) operating activities	20,667	58,241	21,935	(1,408)
Investing activities				
Acquisitions, net of cash acquired	—	—	—	(28,162)
Acquisition of property, plant and equipment	(8,402)	(7,986)	(17,922)	(18,519)
Proceeds from sale of property, plant and equipment	134	60	449	1,373
Proceeds from sale of assets held for sale	—	—	9,321	—
Development and purchase of intangible assets	(5,792)	(5,892)	(15,022)	(13,982)
Optionally convertible redeemable preferred shares	—	(11,312)	—	(11,312)
Cash used in investing activities	(14,060)	(25,130)	(23,174)	(70,602)
Financing activities				
Increase (decrease) from senior credit facilities, net of costs *[note 7]*	11,470	(47,864)	39,598	48,125
Repayment of obligation under lease liabilities	(1,757)	(1,432)	(5,144)	(4,400)
Non-cash change in interest accrued	6,200	6,200	6,200	4,932
Issuance of convertible unsecured subordinated debentures, net of costs	—	—	(178)	99,162
Redemption of convertible unsecured subordinated debentures	—	—	—	(86,250)
Dividends paid in cash *[note 8[c]]*	(2,851)	(2,832)	(8,529)	(8,482)
Cash provided by (used in) financing activities	13,062	(45,928)	31,947	53,087
Net increase (decrease) in cash during the period	19,669	(12,817)	30,708	(18,923)
Cash and cash equivalents, beginning of period	70,683	55,201	59,644	61,307
Cash and cash equivalents, end of period	90,352	42,384	90,352	42,384
Supplemental cash flow information				
Interest paid	10,507	7,227	41,596	32,099

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2023

1. Organization

Ag Growth International Inc. ["AGI" or the "Company"] and its subsidiaries are providers of equipment solutions for bulk agriculture commodities, including seed, fertilizer, grain, rice, feed and food processing systems. AGI has manufacturing facilities in Canada, the United States, Brazil, Italy, France and India, and distributes its product globally. AGI is a listed company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Statement of compliance and basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board and using the same accounting policies and methods as were used for the Company's consolidated financial statements and the notes thereto for the year ended December 31, 2022.

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

These unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year-end and do not include all the information and notes required by International Financial Reporting Standards ["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, 2022, which are available on SEDAR+ at www.sedarplus.ca.

The unaudited interim condensed consolidated financial statements of AGI for the three- and nine-month periods ended September 30, 2023 were authorized for issuance in accordance with a resolution of the Directors on November 7, 2023.

3. Seasonality of business

Interim period revenues and earnings historically reflect some seasonality as the agricultural equipment business is highly seasonal, which causes the Company's quarterly results and its cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in the spring and fall in conjunction with the major planting and harvesting seasons; as a result, the second and third quarters are typically the strongest for revenues primarily due to the timing of construction projects and higher in-season demand at the farm level. The Company's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high revenues in the second and third quarters, results in accounts receivable levels increasing throughout the year and normally peaking in the second and third quarter. However, the Company's geographic diversity has increased over time, leading to a more balanced distribution of revenues and corresponding collections throughout the year. In addition, the Company's 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, the Company 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 revenue commitments resulting in significant working capital requirements in the first and second quarters. Historically, the Company's use of its operating facilities is typically highest in the first and second quarters, and declines in the third and fourth quarters as collections of accounts receivable increase.

Conflict between Russia and Ukraine

The conflict between Russia and Ukraine ["RUK"] and the resulting imposition of sanctions and counter-sanctions have caused instability in the global economy. AGI has no production facilities in either country and its exposure to Russia and Ukraine varies year to year. The Company continues to monitor potential impacts of the conflict, including financial impacts, heightened cyber risks and risks of supply chain disruption.

4. Reportable business segment

The Company has identified its reportable segments as Farm and Commercial, each of which is supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ["CODM"] in monitoring segment performance and allocating resources between segments. Discrete financial information, which includes revenue, operating expenses, and assets, is only available at the segments level to the CODM for the purpose of reviewing performance and in determining how resources should be allocated. Certain corporate overheads are included in the segments based on revenue. Taxes and certain other expenses are managed at a consolidated level and are not allocated to the reportable operating segments. The CODM assesses segment performance based on adjusted earnings before income tax, depreciation, and amortization ["Adjusted EBITDA"], which is measured differently than profit (loss) from operations in the unaudited interim condensed consolidated financial statements. Financial information for the comparative period has been restated to reflect the new presentation.

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

The Company's reportable segments can be described as follows:

- Farm: AGI's Farm business includes the sale of grain and fertilizer handling equipment, aeration products and storage bins, primarily to farmers where on-farm storage practices are conducive to the sale of portable handling equipment and smaller diameter storage bins for grain and fertilizer. Included in Farm are grain, seed, and fertilizer handling equipment; aeration products; grain and fuel storage solutions; and grain management technologies.

- Commercial: AGI's Commercial business includes the sale of larger diameter storage bins, high-capacity stationary grain handling equipment, fertilizer storage and handling systems, feed handling and storage equipment, aeration products, hazard monitoring systems, automated blending systems, control systems and food processing solutions. AGI's Commercial customers include large multi-national agri-businesses, grain handlers, regional cooperatives, contractors, food and animal feed manufacturers, and fertilizer blenders and distributors. Commercial equipment is used at port facilities for both the import and export of grains and other agricultural commodities, inland grain terminals, corporate farms, fertilizer distribution sites, ethanol production, oilseed crushing, commercial feed mills, rice mills and flour mills.

The following tables set forth information by segment:

	Three-month period ended		Nine-month period ended	
	September 30, 2023 $	September 30, 2022 $	September 30, 2023 $	September 30, 2022 $
Farm	227,276	219,663	643,096	597,103
Commercial	182,791	182,411	504,256	486,945
Revenue	410,067	402,074	1,147,352	1,084,048

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

	Three-month period ended September 30, 2023			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	53,879	26,841	(44,876)	35,844
Finance costs	—	—	19,353	19,353
Depreciation and amortization	6,659	7,512	2,432	16,603
Loss on foreign exchange	—	—	6,269	6,269
Share-based compensation	—	—	3,057	3,057
Gain on financial instruments	—	—	(1,466)	(1,466)
Transaction, transitional and other costs[2]	—	—	3,475	3,475
Net loss on disposal of property, plant and equipment[3]	75	1	13	89
Impairment charge	1,310	(2)	—	1,308
Adjusted EBITDA[5]	61,923	34,352	(11,743)	84,532

	Three-month period ended September 30, 2022[6]			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	39,980	23,274	(50,369)	12,885
Finance costs	—	—	16,195	16,195
Depreciation and amortization	10,692	8,641	5	19,338
Loss on foreign exchange	—	—	9,515	9,515
Share-based compensation	—	—	5,095	5,095
Gain on financial instruments	—	—	(2,173)	(2,173)
Mergers and acquisitions recovery	—	—	(786)	(786)
Transaction, transitional and other costs[2]	—	—	15,695	15,695
Net loss (gain) on disposal of property, plant and equipment	(35)	91	—	56
Impairment charge	—	467	—	467
Adjusted EBITDA[5]	50,637	32,473	(6,823)	76,287

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

September 30, 2023

	Nine-month period ended September 30, 2023			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	148,289	61,065	(133,816)	75,538
Finance costs	—	—	55,371	55,371
Depreciation and amortization	19,921	22,247	6,906	49,074
Gain on foreign exchange	—	—	(2,881)	(2,881)
Share-based compensation	—	—	9,363	9,363
Gain on financial instruments	—	—	(6,486)	(6,486)
Mergers and acquisitions expense	—	—	50	50
Transaction, transitional and other costs[2]	—	—	16,149	16,149
Net loss on disposal of property, plant and equipment[3]	152	124	24	300
Equipment rework[4]	—	—	4,900	4,900
Remediation[4]	—	—	15,608	15,608
Accounts receivable reserve for RUK	—	1,733	—	1,733
Impairment charge	2,099	—	—	2,099
Adjusted EBITDA[5]	170,461	85,169	(34,812)	220,818

	Nine-month period ended September 30, 2022[6]			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	100,792	46,584	(116,163)	31,213
Finance costs	—	—	43,870	43,870
Depreciation and amortization	29,968	27,943	10	57,921
Loss on foreign exchange	—	—	11,152	11,152
Share-based compensation	—	—	10,710	10,710
Gain on financial instruments	—	—	(1,418)	(1,418)
Mergers and acquisitions recovery	—	—	(119)	(119)
Transaction, transitional and other costs[2]	—	—	28,906	28,906
Net loss (gain) on disposal of property, plant and equipment	(147)	499	—	352
Fair value of inventory from acquisition	—	609	—	609
Impairment charge	23	467	—	490
Adjusted EBITDA[5]	130,636	76,102	(23,052)	183,686

[1] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

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

[2] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition-related transition costs, as well as the accretion and other movement in amounts due to vendors.
[3] Includes loss (gain) on settlement of lease liabilities and assets held for sale *[see note 5 – Assets held for sale]*.
[4] See note 6 – Provisions.
[5] The CODM uses Adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Company's segments. Adjusted EBITDA is defined as net income before depreciation and amortization, financial expenses, operational restructuring costs and other and income taxes. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.
[6] Financial information for the comparative period has been restated to reflect the new presentation.

The Company operates within three geographical areas: Canada, the United States and International. The following table details the revenues by geographical area, reconciled to the Company's unaudited interim condensed consolidated financial statements:

	Three-month period ended		Nine-month period ended	
	September 30, 2023 $	September 30, 2022 $	September 30, 2023 $	September 30, 2022 $
Canada	85,797	88,585	275,776	245,628
United States	184,481	187,815	506,257	508,229
International	139,789	125,674	365,319	330,191
Total revenue	410,067	402,074	1,147,352	1,084,048

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 revenues.

5. Assets held for sale

In 2022, in the Farm segment, buildings, land, grounds and equipment in Saskatchewan relating to a facility that closed in 2022 met the definition of assets held for sale and were recorded at the lower of cost and fair value less cost to sell. An impairment charge of $488 was recorded and the carrying amount of $3,401 was recorded as assets held for sale. During the three- and nine-month periods ended September 30, 2023, an impairment charge of $1,310 and $1,909 were recorded. As at September 30, 2023, the carrying amount of the assets held for sale is $1,615.

In 2022, in the Commercial segment, a building in Illinois relating to a facility closed in 2020 met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. An impairment charge of $2,994 was recorded and the carrying amount of $8,804 was recorded as assets held for sale. During the nine-month period ended September 30, 2023, the assets held for sale were sold for proceeds of $8,820; a net loss of $25 was recorded.

In 2023, in the Farm segment, a building in Illinois met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. An impairment charge of $190 was recorded and the carrying amount of $501 was recorded as assets held for sale. During the nine-month period ended September 30, 2023, the asset held for sale was sold for proceeds of $501.

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

In 2023, in the Farm segment, a building in Nebraska met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. As at September 30, 2023, the carrying amount of the assets held for sale is $463.

In 2023, in the Commercial segment, a building in Iowa met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. As at September 30, 2023, the carrying amount of the assets held for sale is $1,913. Subsequent to September 30, 2023, the building was sold, resulting in a gain of $249.

6. Provisions

Provisions consist of the Company's warranty provision. A provision is recognized for expected claims on products sold based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current revenue levels and current information available about returns, with the exception of the equipment rework and remediation costs.

	September 30, 2023 $	December 31, 2022 $
Balance, beginning of period	**75,233**	65,618
Additional provisions recognized	**27,370**	26,465
Amounts utilized	**(83,430)**	(16,850)
Balance, end of period	**19,173**	75,233

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and legal claims related to the incident were initiated against AGI. On July 27, 2023, the Company reached a settlement agreement with the customer at the site where the bin collapsed for its claims related to the incident. As a result, an increase to expense of $15.6 million was recorded in the nine-month period ended September 30, 2023. During the three-months ended September 30, 2023, the terms of the settlement agreement were finalized and as at September 30, 2023, the warranty provision for remediation costs is nil [December 31, 2022 – $41.5 million], with $57.1 million of the provision having been utilized during the nine-month period ended September 30, 2023.

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

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at September 30, 2023, the warranty provision for the equipment rework is $2.1 million [December 31, 2022 – $12.9 million], with $4.9 million added based on revised estimated costs of completion and $15.7 million utilized during the nine-month period ended September 30, 2023.

7. Long-term debt

	Effective interest rate %	Maturity	September 30, 2023 $	December 31, 2022 $
Current portion of long-term debt				
Equipment financing	various	various	438	479
			438	479
Non-current portion of long-term debt				
Equipment financing	various	various	996	1,309
Senior credit facilities	6.1-8.6	2026	483,207	443,420
			484,203	444,729
Less deferred financing costs			(3,331)	(4,270)
			480,872	440,459
Long-term debt			481,310	440,938

AGI's senior credit facilities of $350 million and U.S. $275 million are inclusive of amounts that may be allocated to the Company's swing-line facilities and can be drawn in Canadian or U.S. funds. AGI has swing-line facilities of $50 million and U.S. $10 million. The senior credit facilities bear interest at BA/SOFR plus 1.2% – 2.75% and prime plus 0.2% – 1.75% per annum based on performance calculations. As at September 30, 2023, there was $205.0 million [December 31, 2022 – $164.7 million] and U.S. $205.8 million [December 31, 2022 – U.S. $205.8 million] outstanding under the facilities. As at September 30, 2023, the portion of drawings from the senior credit facilities recorded on the swing-line was $18.2 million [December 31, 2022 – $27.9 million].

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

8. Shareholders' equity

[a] Common shares

	Shares #	Amount $
Balance, January 1, 2022	18,793,570	5,233
Settlement of EIAP obligation	107,388	4,411
Balance, December 31, 2022	18,900,958	9,644
Settlement of EIAP obligation	102,805	547
Conversion of convertible unsecured subordinated debentures	110	5
Balance, September 30, 2023	19,003,873	10,196

[b] Contributed surplus

	September 30, 2023 $	December 31, 2022 $
Balance, beginning of period	501,741	494,684
Dividends on EIAP	399	495
Obligation under EIAP *[note 9[a]]*	7,424	13,132
Settlement of EIAP obligation	(12,735)	(7,077)
Redemption of convertible unsecured subordinated debentures	—	507
Balance, end of period	496,829	501,741

[c] Dividends paid and declared

In the three-month period ended September 30, 2023, the Company declared dividends of $2,851 or $0.15 per common share [2022 – $2,834 or $0.15 per common share] and dividends on share-based compensation awards of $116 [2022 – $128]. In the nine-month period ended September 30, 2023, the Company declared dividends of $8,545 or $0.45 per common share [2022 – $8,497 or $0.45 per common share] and dividends on share-based compensation awards of $399 [2022 – $445]. In the three- and nine-month periods ended September 30, 2023, dividends paid to common shareholders of $2,851 and $8,529 [2022 – $2,832 and $8,482] were financed from cash on hand.

The dividend was payable on October 16, 2023 to common shareholders of record at the close of business on September 29, 2023.

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

9. Share-based compensation plans

[a] Equity Incentive Award Plan [“EIAP”]

During the nine-month period ended September 30, 2023, 153,038 [2022 – 132,616] Restricted Awards [“RSUs”] were granted and 72,760 [2022 – 252,001] Performance Awards [“PSUs”] were granted. The fair values of the RSUs and the PSUs were based on the share price as at the grant date and the assumption that there will be no forfeitures associated with employee terminations, resignations or retirements. As at September 30, 2023, 522,286 awards have been granted and are outstanding under the EIAP.

During the three- and nine-month periods ended September 30, 2023, AGI expensed $2,312 and $7,538 for the EIAP [2022 – $4,647 and $9,666].

A summary of the status of the awards under the EIAP is presented below:

	EIAP	
	Restricted Awards #	Performance Awards #
Balance, December 31, 2022	360,738	336,891
Granted	153,038	72,760
Vested	(132,818)	(193,909)
Modified	3,394	346
Forfeited	(51,015)	(27,139)
Balance, September 30, 2023	333,337	188,949

There is no exercise price on the EIAP awards.

[b] Directors’ deferred compensation plan [“DDCP”]

For the three- and nine-month periods ended September 30, 2023, expense of $745 and $1,825 [2022 – $448 and $1,044] were recorded for the cash-settled DDCP for non-employee directors in selling, general and administrative expenses and accounts payable and accrued liabilities. The share grants were measured with the contractual agreed amount of service fees for the respective period.

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

10. Other expenses (income)

	Three-month period ended		Nine-month period ended	
	September 30, 2023 $	September 30, 2022 $	September 30, 2023 $	September 30, 2022 $
[a] Cost of goods sold				
Depreciation of property, plant and equipment	6,484	6,259	19,511	18,969
Depreciation of right-of-use assets	731	473	1,927	1,401
Amortization of intangible assets	1,325	4,957	3,755	14,557
Warranty expense	2,901	3,163	27,370	9,897
Cost of inventory recognized as an expense	262,247	263,315	734,014	719,616
	273,688	278,167	786,577	764,440
[b] Selling, general and administrative expenses				
Depreciation of property, plant and equipment	1,006	939	3,144	2,784
Depreciation of right-of-use assets	1,174	1,194	3,513	3,566
Amortization of intangible assets	5,883	5,516	17,224	16,644
Minimum lease payments recognized as lease expense	2	1	7	4
Transaction costs and post-combination expense	3,475	11,009	16,199	24,887
Selling, general and administrative	66,709	72,205	205,343	193,101
	78,249	90,864	245,430	240,986
[c] Other operating expense (income)				
Net loss on disposal of property, plant and equipment [1]	89	56	300	352
Gain on financial instruments	(1,466)	(2,173)	(6,486)	(1,418)
Other income	(3,141)	(3,814)	(8,296)	(6,808)
	(4,518)	(5,931)	(14,482)	(7,874)
[d] Finance costs				
Interest on overdrafts and other finance costs	772	630	2,721	1,452
Interest, including non-cash interest, on leases	772	535	2,135	1,585
Interest, including non-cash interest, on debts and borrowings	9,472	6,832	25,622	16,565
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures	8,337	8,198	24,893	24,268
	19,353	16,195	55,371	43,870
[e] Finance expense (income)				
Interest income	(126)	(88)	(300)	(229)
Loss (gain) on foreign exchange	6,269	9,515	(2,881)	11,152
	6,143	9,427	(3,181)	10,923

[1] Includes loss (gain) on settlement of lease liabilities and assets held for sale *[see note 5 – Assets held for sale]*.

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

11. Income taxes

The Company's effective tax rate for the nine-month period ended September 30, 2023 was 23.9% [2022 – 44.8%]. The difference between the effective tax rate and the Company's domestic statutory tax rate of 26.8% [2022 – 26.5%] is attributable to unrealized foreign exchange gains (losses), as well as differences in tax rates and deductions allowed in foreign tax jurisdictions.

12. Profit per share

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

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Profit attributable to shareholders for basic profit per share	25,059	6,972	57,511	17,228
Convertible Debentures – 2021	1,679	—	5,005	—
Convertible Debentures – 2022	1,570	—	—	—
Profit attributable to shareholders for diluted profit per share	28,308	6,972	62,516	17,228
Basic weighted average number of shares	19,003,873	18,887,306	18,974,875	18,862,184
Dilutive effect of DDCP	100,212	100,212	100,212	100,212
Dilutive effect of RSUs	333,336	374,995	332,750	351,148
Dilutive effect of 2021 convertible unsecured subordinated debentures	2,547,630	—	2,547,630	—
Dilutive effect of 2022 convertible unsecured subordinated debentures	1,473,759	—	—	—
Diluted weighted average number of shares	23,458,810	19,362,513	21,955,467	19,313,544
Profit per share				
Basic	1.32	0.37	3.03	0.91
Diluted	1.21	0.36	2.85	0.89

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

The 2022 convertible debentures were excluded from the calculation of diluted profit per share in the nine-month period ended September 30, 2023 and the three- and nine-month periods ended September 30, 2022 because their effect is anti-dilutive. The 2021 convertible debentures were excluded from the calculation of diluted profit per share in the three- and nine-month periods ended September 30, 2022 because their effect was anti-dilutive.

13. Statement of cash flows

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, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Accounts receivable	(14,171)	(7,452)	(79,300)	(56,236)
Inventory	14,599	8,208	41,295	(53,040)
Prepaid expenses and other assets	(4,245)	(1,703)	3,586	(16,296)
Accounts payable and accrued liabilities	29,546	(7,632)	14,409	(1,127)
Customer deposits	(2,242)	5,426	2,853	859
Provisions	(61,400)	3,767	(56,109)	2,645
	(37,913)	614	(73,266)	(123,195)

14. Financial instruments and financial risk management

The Company's financial assets and liabilities recorded at fair value in the unaudited interim condensed consolidated financial statements have been categorized into three categories based on a fair value hierarchy. Financial assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. During the nine-month period ended September 30, 2023 and the year ended December 31, 2022, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

The following methods and assumptions were used to estimate the fair value of financial instruments:

[a] Short-term financial instruments

Cash and cash equivalents, restricted cash, accounts receivable, notes receivable, dividends payable, accounts payable and accrued liabilities and due to vendor approximate their carrying amounts largely due to the short-term maturities of these instruments.

[b] Long-term financial instruments

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 valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the liability. The carrying amount and fair value of the Company's long-term debt are as follows:

	September 30, 2023		December 31, 2022	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Interest-bearing loans and borrowings	481,310	481,310	440,938	440,938
Convertible unsecured subordinated debentures[1]	188,403	169,783	183,481	157,930
Senior unsecured subordinated debentures	254,242	242,077	252,750	235,934

[1] Convertible unsecured subordinated debentures, net of deferred fees and equity component.

[c] Derivative financial instruments

Derivatives are marked-to-market at each reporting period and changes in fair value are recognized as a loss (gain) on financial instruments in other operating expense (income). The fair values of interest rate swaps, equity swaps and foreign exchange contracts are determined using discounted cash flow techniques, using Level 2 inputs, including interest rate swap curves, the Company's stock price and foreign exchange rates, respectively. The fair value of the embedded derivative related to the senior unsecured subordinated debentures is determined by the Company's consultants using valuations models, which incorporate various Level 2 inputs including the contract terms, market interest rates and volatility.

Interest rate swap contracts

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. On June 16, 2022, the Company entered into a forward interest rate swap contract starting June 11, 2023 and expiring on May 11, 2026. The Company will receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 3.972%. The notional amounts are $75,000 in aggregate, resetting each month. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that it has been assessed to be effective. During the three- and nine-month periods ended September 30, 2023, an unrealized gain of $900 and $2,702 [2022 – gain of $445 and loss of $566] were recorded in other comprehensive income (loss) and a realized gain of $247 and $247 [2022 – nil and nil] were recorded in finance costs. As at September 30, 2023, the fair value of the interest rate swap was an asset of $2,103 [December 31, 2022 – liability of $352].

Equity swap

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at September 30, 2023, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on May 7, 2024. During the three- and nine-month periods ended September 30, 2023, an unrealized gain of $1,856 and $7,141 [2022 – gain of $1,812 and $375] were recorded in gain on financial instruments in other operating expense (income). As at September 30, 2023, the fair value of the equity swap was an asset of $10,481 [December 31, 2022 – asset of $3,344].

Foreign exchange

To mitigate exposure to the fluctuating rate of exchange, AGI may enter into foreign exchange forward contracts and denominate a portion of its debt in U.S. dollars. As at September 30, 2023, AGI's U.S. dollar denominated debt totaled U.S. $206 million [December 31, 2022 – U.S. $206 million].

During the nine-month period ended September 30, 2023, the Company entered into a series of short-term forward contracts with notional amounts of U.S. $10,832 in aggregate, which mature on or before February 12, 2024. During the three- and nine-month periods ended September 30, 2023, an unrealized loss of $427 and $276 were recorded in gain on financial instruments.

Debenture put options

On March 5, 2020, the Company issued the 2020 Debentures with an option of early redemption beginning on and after December 31, 2022. At the time of issuance, the Company's redemption option resulted in an embedded derivative with a fair value of $754. During the three- and nine-month periods ended September 30, 2023, an unrealized gain of $37 and loss of $379 [2022 – gain of $361 and $122] were recorded in gain on financial instruments in other operating expense (income). As at September 30, 2023, the fair value of the embedded derivative was an asset of $178 [December 31, 2022 – asset of $557].

15. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and nine-month periods ended September 30, 2023, the total cost of these legal services were $33 and $448 [2022 – $297 and $1,892], and $334 is included in accounts payable and accrued liabilities as at September 30, 2023.

These transactions are measured at the exchange amount and were incurred during the normal course of business.

16. Commitments and contingencies

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

As at September 30, 2023, the Company has commitments to purchase property, plant and equipment of $11,928 [December 31, 2022 – $8,883].

[b] Letters of credit

As at September 30, 2023, the Company has outstanding letters of credit in the amount of $38,562 [December 31, 2022 – $30,591].

[c] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. Except as otherwise disclosed in these unaudited interim condensed consolidated financial statements, 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.