# AG GROWTH INTERNATIONAL INC.
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# Dated: May 8, 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-month period ended March 31, 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-month period ended March 31, 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, all of which are available under the Company's profile on SEDAR [www.sedar.com].

## SUMMARY OF RESULTS

| [thousands of dollars except per share amounts, percentages and basis points ("bps")] | Three-months ended March 31 2023 $ | 2022 $ | Change $ | Change % |
|---|---|---|---|---|
| Sales | 347,016 | 292,031 | 54,985 | 19% |
| Adjusted EBITDA [1][2] | 48,112 | 41,323 | 6,789 | 16% |
| Adjusted EBITDA Margin % [3] | 13.9% | 14.2% | (30) bps | (2%) |
| Profit before income taxes | 21,626 | 20,590 | 1,036 | 5% |
| Profit | 16,357 | 15,171 | 1,186 | 8% |
| Diluted profit per share | 0.82 | 0.72 | 0.10 | 14% |
| Adjusted profit [1][4] | 4,854 | 2,296 | 2,558 | 111% |
| Diluted adjusted profit per share [3][4] | 0.25 | 0.12 | 0.13 | 108% |

[1] 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.
[2] See "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA".
[3] 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.
[4] See "DETAILED OPERATING RESULTS – Diluted (loss) profit per share and diluted adjusted profit per share".

### Consolidated Operating Segment Results Summary

| | Three-months ended March 31 | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | Change |
| [thousands of dollars] | $ | $ | $ | % |
| **Sales** [1] | | | | |
| Farm | 182,382 | 150,828 | 31,554 | 21% |
| Commercial | 164,634 | 141,203 | 23,431 | 17% |
| **Total** | **347,016** | **292,031** | **54,985** | **19%** |

[1] The sales 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.

| | Three-months ended March 31 | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | Change |
| [thousands of dollars] | $ | $ | $ | % |
| **Adjusted EBITDA** [1] [2] [3] | | | | |
| Farm | 38,452 | 28,749 | 9,703 | 34% |
| Commercial | 21,878 | 19,844 | 2,034 | 10% |
| Other [4] | (12,218) | (7,270) | (4,948) | 68% |
| **Total** | **48,112** | **41,323** | **6,789** | **16%** |

[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 (loss) 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 March 31 | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | Change |
| | % | % | basis points | % |
| **Adjusted EBITDA Margin %** [1] [2] | | | | |
| Farm | 21.1% | 19.1% | 200 | 10% |
| Commercial | 13.3% | 14.1% | (80) | (6%) |
| Other [3] | (3.5%) | (2.5%) | (100) | 40% |
| Consolidated | 13.9% | 14.2% | (30) | (2%) |

[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 sales since it does not generate sales without the segments.

Sales and Adjusted EBITDA[1] increased 19% and 16% year-over-year ("YOY"), respectively, again setting new all-time records for both the level of sales and Adjusted EBITDA for the first quarter ("Q1"). Adjusted EBITDA margin % remained relatively consistent with prior year. Q1's Adjusted EBITDA

[1] 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.

increased by $6.8 million, driven by higher sales across all segments, including significant contributions from Canada Farm, U.S. Farm, and India. Gross margin remains consistent YOY with operational efficiencies, sales growth in the Farm segment with a sales mix that favored portable grain handling equipment, and increased volume in Canada Farm storage equipment all contributing. Increased volume in the Commercial segment, and the positive impact of lower steel prices compared to the previous year, also contributed to consistent gross margin result. The increase in the Other segment costs was related to several one-time expenses which we expect to normalize out over coming quarters. The strong sales and Adjusted EBITDA performance over last year's historic Q1 highlights the robust pace of organic growth as well as the initial impact of the several of our operational excellence initiatives aimed at growing the business.

The Farm segment delivered strong results in Q1 with sales and Adjusted EBITDA growing by 21% and 34% YOY, respectively, and continuing the strong momentum of a record performance in 2022. In Canada, the U.S., and Asia Pacific, sales increased for both portable grain handling and permanent equipment as the strengthening of demand from last year continued into 2023. Adjusted EBITDA margin increased to 21% from 19% YOY, primarily reflecting a mix tilted towards portable equipment, higher margins in permanent equipment due to lower steel prices, and overall higher volumes in North America.

For the Commercial segment, Q1 sales and Adjusted EBITDA increased 17% and 10% YOY, respectively. Sales growth was driven by significant activity in our Asia Pacific and South America markets. Adjusted EBITDA margin was impacted by the anticipated slow down in our Food platform as well as a larger than usual mix of buy-resell third-party components on a number of large commercial projects that typically have lower margins. We anticipate these trends to return to normalized levels towards the end of 2023 based on our ongoing efforts to strengthen the order book.

Internationally, Brazil and India continue to see a strong growth trajectory with sales increasing 9% and 19% YOY, respectively, supported by both domestic and export sales. Brazil continued to see strong demand in the Commercial segment and Q1 results reflected the higher mix of Commercial vs Farm sales. While Commercial volume tends to be lower margin on a percentage basis, given the higher mix of buy-resell third-party components, the gross margin dollar contributions tend to be higher. Larger and high-profile Commercial projects also help boost AGI's brand awareness and demonstrate our capabilities across the region. In India and the Southeast Asia region, the demand for rice milling equipment remains robust, providing meaningful and consistent contributions to our international growth and overall corporate performance. Our success in growing our international businesses highlights the benefits of our regional diversification strategy and the sustained demand for AGI equipment in critical growing regions.

Looking out across 2023, our quoting pipelines are highly active and we continue to see strong interest from customers within all segments and regions who continue investment in critical infrastructure equipment and solutions. Supported by an order book[2] up 7% YOY, we are raising our full year 2023 Adjusted EBITDA guidance to be at least $265 million[3], up from our previous guidance of at least $260 million.

[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 this supplementary financial measure.

[3] 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.

## 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.

### Description of Business Segments

*Farm Segment*

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

*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 [4]

### Sales by Geography [5]

| | Three-months ended March 31 | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | Change |
| [thousands of dollars] | $ | $ | $ | % |
| Canada | 87,143 | 56,713 | 30,430 | 54% |
| U.S. | 150,345 | 139,055 | 11,290 | 8% |
| International | | | | |
| EMEA | 30,439 | 28,817 | 1,622 | 6% |
| Asia Pacific | 38,914 | 31,934 | 6,980 | 22% |
| South America | 40,175 | 35,512 | 4,663 | 13% |
| Total International | 109,528 | 96,263 | 13,265 | 14% |
| **Total Sales** | **347,016** | **292,031** | **54,985** | **19%** |

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

[5] The sales 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.

## Sales by Segment and Geography [5]

### Farm Segment

| [thousands of dollars] | 2023<br>$ | 2022<br>$ | Change<br>$ | Change<br>% |
|---|---|---|---|---|
| | Three-months ended March 31 | | | |
| Canada | 67,742 | 35,982 | 31,760 | 88% |
| U.S. | 94,994 | 85,031 | 9,963 | 12% |
| International | | | | |
| EMEA | 2,172 | 3,631 | (1,459) | (40%) |
| Asia Pacific | 10,081 | 6,533 | 3,548 | 54% |
| South America | 7,393 | 19,651 | (12,258) | (62%) |
| Total International | 19,646 | 29,815 | (10,169) | (34%) |
| **Total Sales** | **182,382** | **150,828** | **31,554** | **21%** |

### Commercial Segment

| [thousands of dollars] | 2023<br>$ | 2022<br>$ | Change<br>$ | Change<br>% |
|---|---|---|---|---|
| | Three-months ended March 31 | | | |
| Canada | 19,401 | 20,731 | (1,330) | (6%) |
| U.S. | 55,351 | 54,024 | 1,327 | 2% |
| International | | | | |
| EMEA | 28,267 | 25,186 | 3,081 | 12% |
| Asia Pacific | 28,833 | 25,401 | 3,432 | 14% |
| South America | 32,782 | 15,861 | 16,921 | 107% |
| Total International | 89,882 | 66,448 | 23,434 | 35% |
| **Total Sales** | **164,634** | **141,203** | **23,431** | **17%** |

The following table presents YOY changes in the Company's order book[1]:

| | Region | | | |
|---|---|---|---|---|
| | Canada | United States | International | Overall |
| Segments | % | % | % | % |
| Farm | 66% | 11% | (11%) | 25% |
| Commercial | (50%) | 5% | (3%) | (7%) |
| **Overall** | 22% | 9% | (4%) | 7% |

[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] further segmented by region:

| Farm and Commercial Segments [1] | EMEA[2] % | Asia Pacific[3] % | South America[4] % |
|---|---|---|---|
| International by region | (23%) | 5% | 34% |

[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 Q1 sales and Adjusted EBITDA increased 21% and 34% YOY, respectively, with increases in both portable grain handling equipment and permanent grain storage equipment. In the U.S. and Canada, the trend of elevated crop prices and anticipation of an improved growing season is helping to drive grower optimism, resulting in higher sales of portable as well as permanent equipment. Adjusted EBTIDA margin increased 200 basis points to 21.1% YOY, primarily reflecting a mix tilted towards portable equipment, higher margins in permanent equipment due to lower steel prices, and overall higher sales volumes in North America.

*Canada*

Farm segment sales and order book increased by 88% and 66% YOY in Q1, respectively, as strong commodity prices and the expectation of high crop production for the 2023 season helped maintain higher overall demand in this region. We are continuing to see increased investment in permanent storage as momentum from the second half of 2022 carries through to early 2023 as the effect of the 2021 drought on customer purchasing behaviour steadily subsides.

*United States*

Farm segment sales and order book increased by 12% and 11% YOY, respectively, mainly due to higher sales of conditioning equipment, as strong commodity prices and an expectation for high production in the upcoming crop season helped to maintain higher overall demand in this region. In addition, we continue to see strength in portable equipment sales. Overall near-term customer appetite for investment in permanent storage solutions in the U.S. market remains tepid, but management anticipates demand to increase to more normalized levels in the second half of 2023.

*International*

Farm segment sales and order book decreased 34% and 11% YOY, respectively, mainly due to the seasonal shift towards Commercial projects versus Farm in South America. Farm sales and order book in South America decreased 62% and 72% YOY respectively, as the timing of demand fluctuates from season-to-season. While the macroeconomic environment in South America has impacted the demand for farm equipment in the near-term, management expects demand in Brazil to strengthen across the second half of 2023 based on the anticipation for record crop production.

Farm segment sales to the Europe, Middle East, and Africa ['EMEA'] region decreased 40% YOY as the Russia-Ukraine conflict (See "RISKS AND UNCERTAINTIES – Russia-Ukraine Conflict") continues to impact demand for grain handling equipment throughout the region. Historically, the EMEA region has been a relatively small market for our grain handling equipment and efforts to refocus on the Middle East and Africa sub-regions continues to be a priority.

Farm segment sales and order book in Asia Pacific increased 54% and 21% YOY respectively, due mostly to robust demand for portable equipment in Australia. Our ability to capture this demand is the direct result of our strong dealer network and the strategic focus over the past few years to develop regional partners with the goal of increasing our market share in this market.

The international regions represent a much smaller proportion of Farm segment sales relative to the Canadian and the U.S. markets. As a result, specific project timing and completion of larger orders create more pronounced percentage changes in results relative to the U.S. and Canada. We see ample growth prospects across these international markets in the near future and over the long-run enabled, in part, by our product transfer program which aims to bring a broader product portfolio into international geographies, particularly in India and across Asia Pacific.

## Commercial Segment

Commercial segment sales and Adjusted EBITDA increased 17% and 10% YOY respectively. Q1 sales were driven by growth across all international regions, particularly increases of 107% in South America,14% in Asia Pacific, and 12% in EMEA. As expected, the North America Commercial business was slow to start the year largely from the Food platform. In addition, a higher proportion of buy-resell third-party components on large Commercial projects in Brazil led to some margin softness in the quarter.

*Canada*

Commercial segment sales decreased 6% YOY due to lower than anticipated sales from the Food platform. A few major customers within the Food platform eased capital spending starting in the second half of 2022 and this continued early into 2023. This was expected given the long-term planning cycles employed by these types of customers. This trend is expected to reverse towards the end of 2023 as supported by a recent increase in quoting and pipeline activity. Additionally, a decrease in fertilizer equipment sales marginally contributed to the decrease in sales in this region.

*United States*

Commercial segment sales increased 2% and order book increased 5% YOY. While sales of grain handling equipment increased YOY, this was offset by a decrease in fertilizer equipment sales. As fertilizer affordability improves and export activity increases, management is already seeing an increase in the quoting and pipeline activity and anticipates a recovery in this sector during the second half of 2023.

*International*

Commercial segment sales increased 35% and order book decreased 3% YOY, respectively. Specific market drivers included:

- Commercial segment sales and order book in the South America region increased 107% and 76% YOY, respectively, highlighting our ability to capture the robust demand and execute Commercial orders in this region.
- Commercial segment sales and order book in the Asia Pacific region increased 14% and 1% YOY, respectively, continuing the momentum in sales growth and demand for commercial infrastructure throughout the region. India continues to deliver solid quarterly results with sales

increasing 19% driven by the demand for rice milling solutions and expansion of our product portfolio in the region. The Commercial order book for India also increased 6% YOY.

- Commercial sales in the EMEA region increased 12% YOY due to timing of project completions. Order book decreased 25% mainly due to timing on project completions. Activity across Africa and Middle East regions remains robust, and efforts continue to accelerate on product transfers including fertilizer equipment. A strong quoting and opportunity pipeline support the favorable outlook across this region in the near-term.

## Summary

The Company's quoting pipelines remain robust as customers across all regions continue to show strong interest in capital investments to meet the demands of increased crop production, promote efficiency across the supply chain, and to address food security concerns. Our record Q1 sales and Adjusted EBITDA mark the sixth consecutive quarter of record results and demonstrate the strength of our balanced and diversified business strategy that has enabled us to capitalize on the demands from a wide variety of products, regions, and customers. As we continue to focus on our strategic priorities which include profitable organic growth, operational excellence, and balance sheet discipline, we are excited with the long-term growth potential of our business. With a record Q1 performance and an order book up 7% YOY, we are raising full year guidance for 2023 Adjusted EBITDA to be at least $265 million[6].

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[6] 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

| | Three-months ended March 31 | |
|---|---|---|
| | 2023 | 2022 |
| [thousands of dollars] | $ | $ |
| **Sales** | 347,016 | 292,031 |
| | | |
| **Cost of goods sold** | | |
| Cost of inventories | 232,464 | 195,774 |
| Depreciation and amortization | 8,118 | 11,661 |
| | 240,582 | 207,435 |
| **Selling, general and administrative expenses** | | |
| Selling, general & administrative expenses [1] | 72,928 | 59,452 |
| Mergers and acquisitions expense [2] | 50 | 694 |
| Transaction, transitional and other costs [3] | 3,879 | 5,597 |
| Depreciation and amortization | 7,922 | 7,736 |
| | 84,779 | 73,479 |
| **Other operating expense (income)** | | |
| Net loss (gain) on disposal of property, plant and equipment [4] | 199 | (86) |
| Gain on financial instruments | (13,204) | (8,680) |
| Other | (2,135) | (1,495) |
| | (15,140) | (10,261) |
| Finance costs | 17,681 | 11,493 |
| Finance income | (2,702) | (10,728) |
| Impairment charge [5] | 190 | 23 |
| Profit before income taxes | 21,626 | 20,590 |
| Income tax expense | 5,269 | 5,419 |
| **Profit for the year** | **16,357** | **15,171** |
| | | |
| **Profit per share** | | |
| Basic | 0.86 | 0.81 |
| Diluted | 0.82 | 0.72 |

[1] Includes minimum lease payments recognized as lease expense. See “Note 10 [b] – Selling, general and administrative expenses” in our consolidated financial statements.
[2] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[3] 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 contingent consideration and amounts due to vendors.
[4] Includes assets held for sale. See “Note 5 – Assets held for sale” in our consolidated financial statements.
[5] Impairment charge related to assets held for sale. See “Note 5 – Assets held for sale” in our consolidated financial statements.

### Gross Profit and Adjusted Gross Margin

| | Three-months ended March 31 | |
|---|---|---|
| | 2023 | 2022 |
| [thousands of dollars] | $ | $ |
| Sales | 347,016 | 292,031 |
| Cost of goods sold | 240,582 | 207,435 |
| **Gross Profit** | **106,434** | **84,596** |
| Gross Profit as a % of sales [1] | 30.7% | 29.0% |
| Fair value of inventory from acquisition [2] | — | 305 |
| Depreciation and amortization | 8,118 | 11,661 |
| **Adjusted Gross Margin** [3] | **114,552** | **96,562** |
| Adjusted Gross Margin as a % of sales [4] | 33.0% | 33.1% |

[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 supplementary financial measure.
[2] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[3] 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.
[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.

AGI's gross profit as a percentage of sales increased for the three-month period ended March 31, 2023, as a result of lower depreciation and amortization expense. AGI's adjusted gross margin remains consistent YOY.

### Impact of Foreign Exchange

*Gains and Losses on Foreign Exchange*

The gain and loss on foreign exchange for the three-month period ended March 31, 2023 was a gain of $2.6 million [2022 – gain of $10.7 million]. The gain 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 at March 31, 2023. See also "Financial Instruments – Foreign exchange contracts".

*Sales and Adjusted EBITDA*

AGI's average rate of exchange for the three-month period ended March 31, 2023 was $1.35 [2022 - $1.27]. A weaker Canadian dollar relative to the U.S. dollar results in higher reported sales for AGI, as U.S. dollar denominated sales 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 have been initiated against AGI.

AGI, in consultation with its advisors, has estimated various probability weighted scenarios, including investigation and remediation costs, at the incident site. Key assumptions include the degree of liability, if any, estimated volume of materials and materials costs, estimated internal and external labour hours, equipment costs and third-party construction costs along with the risk-adjusted weight of other liabilities as a result of the customer claim. In addition, management has considered the merits of related legal claims and has taken them into consideration in assessing its exposure. The provision may be subject to revision in the future as information becomes available, the impact of which could be material.

AGI continues to believe that any financial impact will be, at least, partially offset by insurance coverage. AGI is working with insurance providers and external advisors to determine the extent of this cost offset. Insurance recoveries, if any, will be recorded when received.

As at March 31, 2023, the warranty provision for remediation costs is $40.7 million [December 31, 2022 – $41.5 million], with $0.8 million of the provision having been utilized during the period.

*Equipment rework*

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at March 31, 2023, the warranty provision for the equipment rework is $8.0 million [December 31, 2022 – $12.9 million], with $4.9 million of the provision having been utilized during the period.

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

SG&A expenses for the three-month period ended March 31, 2023 excluding merger and acquisition (recovery) expenses [“M&A”], transaction, transitional and other costs and depreciation and amortization, were $72.9 million [21.0% of sales], versus $59.5 million [20.4% of sales] in 2022. By the end of the year, we expect SG&A to be lower as a percentage of sales as the seasonality of the business normalizes over the course of the year. 2023 Q1 variances from the prior year include the following:

- $5.2 million increase in sales and marketing expenses in correlation to the increase in sales volume across segments.
- $3.0 million increase in salaries, wages, and share-based compensation related to performance-based awards. For the three-month period ended March 31, 2023, SG&A expenses excluding share-based compensation was 19.8% of sales [2022 – 19.4%].
- 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; 2) contingent consideration expected to be paid for 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 March 31, 2023 were $17.7 million versus $11.5 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 March 31, 2023, was income of $2.7 million versus income of $10.7 million in Q1 2022. The change in Finance income 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 1.3544 as at December 31, 2022 to 1.3533 at March 31, 2023.

### Other operating expense (income)

Other operating expense (income) for the three-month period ended March 31, 2023, was income of $15.1 million versus income of $10.3 million in Q1 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.

| | Three-months ended March 31 | |
|---|---|---|
| | 2023 | 2022 |
| [thousands of dollars] | $ | $ |
| **Profit before income taxes** | 21,626 | 20,590 |
| Finance costs | 17,681 | 11,493 |
| Depreciation and amortization | 16,040 | 19,397 |
| Gain on foreign exchange [1] | (2,617) | (10,728) |
| Share-based compensation [2] | 4,268 | 2,718 |
| Gain on financial instruments [3] | (13,204) | (8,680) |
| Mergers and acquisitions expense [4] | 50 | 694 |
| Transaction, transitional and other costs [5] | 3,879 | 5,597 |
| Net loss (gain) on disposal of property, plant and equipment [6] | 199 | (86) |
| Fair value of inventory from acquisition [7] | — | 305 |
| Impairment charge [8] | 190 | 23 |
| **Adjusted EBITDA [9]** | **48,112** | **41,323** |

[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 contingent consideration and amounts due to vendors.
[6] Includes assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[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 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.

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

| | Three-months ended March 31, 2023 | | | |
|---|---|---|---|---|
| [thousands of dollars] | Farm<br>$ | Commercial<br>$ | Other [10]<br>$ | Total<br>$ |
| **Profit (loss) before income taxes** | 31,646 | 14,447 | (24,467) | **21,626** |
| Finance costs | — | — | 17,681 | **17,681** |
| Depreciation and amortization [1] | 6,538 | 7,310 | 2,192 | **16,040** |
| Gain on foreign exchange [2] | — | — | (2,617) | **(2,617)** |
| Share-based compensation [3] | — | — | 4,268 | **4,268** |
| Gain on financial instruments [4] | — | — | (13,204) | **(13,204)** |
| Mergers and acquisitions expense [5] | — | — | 50 | **50** |
| Transaction, transitional and other costs [6] | — | — | 3,879 | **3,879** |
| Net loss on disposal of property, plant and equipment [1][7] | 78 | 121 | — | **199** |
| Impairment charge [9] | 190 | — | — | **190** |
| **Adjusted EBITDA [10]** | **38,452** | **21,878** | **(12,218)** | **48,112** |

| | Three-months ended March 31, 2022 | | | |
|---|---|---|---|---|
| [thousands of dollars] | Farm<br>$ | Commercial<br>$ | Other [11]<br>$ | Total<br>$ |
| **Profit (loss) before income taxes** | 19,170 | 9,786 | (8,366) | **20,590** |
| Finance costs | — | — | 11,493 | **11,493** |
| Depreciation and amortization [1] | 9,606 | 9,789 | 2 | **19,397** |
| Gain on foreign exchange [2] | — | — | (10,728) | **(10,728)** |
| Share-based compensation [3] | — | — | 2,718 | **2,718** |
| Gain on financial instruments [4] | — | — | (8,680) | **(8,680)** |
| Mergers and acquisitions expense [5] | — | — | 694 | **694** |
| Transaction, transitional and other costs [6] | — | — | 5,597 | **5,597** |
| Net gain on disposal of property, plant and equipment [1] | (50) | (36) | — | **(86)** |
| Fair value of inventory from acquisition[7] | — | 305 | — | **305** |
| Impairment charge [9] | 23 | — | — | **23** |
| **Adjusted EBITDA [10]** | **28,749** | **19,844** | **(7,270)** | **41,323** |

[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 contingent consideration and amounts due to vendors.
[7] Includes assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[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 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.
[11] 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 March 31, 2023 | | | | |
|---|---|---|---|---|---|
| [thousands of dollars] | Canada $ | US $ | International $ | Other [11] $ | Total $ |
| **Profit (loss) before income taxes** | 11,726 | 22,626 | 11,731 | (24,457) | **21,626** |
| Finance costs | — | — | — | 17,681 | 17,681 |
| Depreciation and amortization [1] | 4,864 | 5,162 | 3,832 | 2,182 | 16,040 |
| Gain on foreign exchange [2] | — | — | — | (2,617) | (2,617) |
| Share-based compensation [3] | — | — | — | 4,268 | 4,268 |
| Gain on financial instruments [4] | — | — | — | (13,204) | (13,204) |
| Mergers and acquisitions expense [5] | — | — | — | 50 | 50 |
| Transaction, transitional and other costs [6] | — | — | — | 3,879 | 3,879 |
| Net loss (gain) on disposal of property, plant and equipment [1][7] | (15) | 114 | 100 | — | 199 |
| Impairment charge [9] | — | 190 | — | — | 190 |
| **Adjusted EBITDA [10]** | **16,575** | **28,092** | **15,663** | **(12,218)** | **48,112** |

| | Three-months ended March 31, 2022 | | | | |
|---|---|---|---|---|---|
| [thousands of dollars] | Canada $ | US $ | International $ | Other[11] $ | Total $ |
| **Profit (loss) before income taxes** | 2,704 | 14,550 | 13,081 | (9,745) | 20,590 |
| Finance costs | — | — | — | 11,493 | 11,493 |
| Depreciation and amortization [1] | 6,420 | 8,064 | 3,520 | 1,393 | 19,397 |
| Gain on foreign exchange [2] | — | — | — | (10,728) | (10,728) |
| Share-based compensation [3] | — | — | — | 2,718 | 2,718 |
| Gain on financial instruments [4] | — | — | — | (8,680) | (8,680) |
| Mergers and acquisitions expense [5] | — | — | — | 694 | 694 |
| Transaction, transitional and other costs [6] | — | — | — | 5,597 | 5,597 |
| Gain on disposal of property, plant and equipment [1] | (61) | (11) | (2) | (12) | (86) |

| | | | | | |
|---|---|---|---|---|---|
| Fair value of inventory from acquisition [8] | 305 | — | — | — | 305 |
| Impairment charge [9] | 23 | — | — | — | 23 |
| **Adjusted EBITDA [10]** | **9,391** | **22,603** | **16,599** | **(7,270)** | **41,323** |

[1] Allocated based on the geographical region of sales 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 contingent consideration and amounts due to vendors.
[7] Includes assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[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 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.
[11] 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 March 31, 2023, increased 16% over Q1 2022. The Farm segment's Adjusted EBITDA for the three-month period ended March 31, 2023 increased 34% over Q1 2022, primarily reflecting a sales mix tilted towards portable equipment, higher margins in permanent equipment due to lower steel prices, and higher overall volumes in North America. The Commercial segment's 10% Adjusted EBITDA increase in Q1 2023 over Q1 2022 was due to growth across all international regions despite a higher proportion of buy-resell third-party components on large Commercial projects in Brazil. The increase in the Other segment costs was related to several one-time expenses which we expect to normalize out over coming quarters.

### 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 March 31, 2023, was $4.9 million versus $2.0 million in Q1 2022.

*Deferred income tax expense*

Deferred tax expense for the three-month period ended March 31, 2023 was $0.4 million versus $3.5 million in Q1 2022. The deferred tax expense in 2023 related to the recognition of temporary differences between the accounting and tax treatment of property, plant and equipment, intangible assets, accruals and long-term provisions, and tax loss carry forwards.

| [thousands of dollars] | Three-months ended March 31<br>2023<br>$ | <br>2022<br>$ |
|---|---|---|
| Current tax expense | 4,878 | 1,959 |
| Deferred tax expense | 391 | 3,460 |
| **Total tax** | **5,269** | **5,419** |
| | | |
| Profit before income taxes | 21,626 | 20,590 |
| Effective income tax rate | 24.4% | 26.3% |

The effective tax rate in 2023 was impacted by items that were included in the calculation of profit (loss) 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 March 31, 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 profit per share for the three-month period ended March 31, 2023, was a profit of $0.82 compared to a profit of $0.72 in Q1 2022. Profit per share in Q1 2023 and Q1 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 March 31<br>2023<br>$ | <br>2022<br>$ |
|---|---|---|
| Profit | 16,357 | 15,171 |
| Diluted profit per share | 0.82 | 0.72 |
| Gain on foreign exchange [1] | (2,617) | (10,728) |
| Gain on financial instruments [2] | (13,204) | (8,680) |
| Mergers and acquisitions expense [3] | 50 | 694 |
| Transaction, transitional and other costs [4] | 3,879 | 5,597 |
| Net loss (gain) on disposal of property, plant and equipment [5] | 199 | (86) |
| Fair value of inventory from acquisition [6] | — | 305 |
| Impairment charge [7] | 190 | 23 |
| **Adjusted profit [8]** | **4,854** | **2,296** |
| Diluted adjusted profit per share [9] | 0.25 | 0.12 |

[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 contingent consideration and amounts due to vendors.
[5] Includes assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[6] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[7] Impairment charge related to assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.

[8] 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.
[9] 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 | Sales[1] $ | Profit (Loss) $ | Basic Profit (Loss) per Share $ | Diluted Profit (Loss) per Share $ |
| Q1 | 1.35 | 347,016 | 16,357 | 0.86 | 0.82 |
| **YTD** | **1.35** | **347,016** | **16,357** | **0.86** | **0.82** |

| 2022 | | | | | |
|---|---|---|---|---|---|
| | Average USD/CAD Exchange Rate | Sales[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 | Sales[1] $ | Profit (Loss) $ | Basic Profit (Loss) per Share $ | Diluted Profit (Loss) per Share $ |
| Q2 | 1.23 | 301,592 | 14,276 | 0.76 | 0.74 |
| Q3 | 1.25 | 313,859 | (73) | — | — |
| 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:
- Sales, gain (loss) on foreign exchange, profit (loss), and diluted profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial 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. Sales 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. 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 March 31 | |
|---|---|---|
| | 2023 | 2022 |
| [thousands of dollars] | $ | $ |
| Profit before tax | 21,626 | 20,590 |
| Items not involving current cash flows | 13,297 | 22,822 |
| Cash provided by operations | 34,923 | 43,412 |
| Net change in non-cash working capital | (31,377) | (79,545) |
| Transfer from (to) restricted cash | 762 | (1,426) |
| Non-current accounts receivable and other | 1,131 | (8,981) |
| Long-term payables | 222 | 114 |
| Settlement of EIAP | (9,208) | (2,243) |
| Post-combination payments | (1,000) | (1,667) |
| Income tax paid | (8,150) | (5,394) |
| Cash flows used in operating activities | (12,697) | (55,730) |
| Cash used in investing activities | (3,599) | (35,592) |
| Cash provided by financing activities | 29,504 | 90,249 |
| Net increase (decrease) in cash during the period | 13,208 | (1,073) |
| Cash, beginning of period | 59,644 | 61,307 |
| **Cash, end of period** | **72,852** | **60,234** |

The cash flows used in operating activities for the three-month period ended March 31, 2023, as compared to Q1 2022 is due to cash provided by operations and net change in non-cash working capital. The change in non-cash working capital for the three-month period ended March 31, 2023 as compared to Q1 2022 is largely due to timing of prepaids and the decrease in inventory on-hand. The Company continues to take steps to reduce its inventory level built up in the first half of 2022 when the Company made a decision to increase its level of inventory in order to minimize the impact of supply chain disruptions and inflationary increases.

Cash used in investing activities for the three-month period ended March 31, 2023 relates primarily to capital expenditures, internally generated intangibles offset by proceeds from sale of assets held for sale of $8.8 million. In Q1 2022, cash used in investing activities primarily relates to the acquisition of Eastern Fabricators [see “2022 Acquisition – Easter Fabricators”].

Cash provided by financing activities for the three-month period ended March 31, 2023, excluding the impact of foreign exchange, relates primarily to the $28.0 million draw from our senior credit facilities. versus a draw of $90.0 million from our senior credit facilities in Q1 2022.

### 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 sales 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 sales levels exceed production offset by the seasonality of our operations in India that is opposite of that described above. In addition, AGI’s growing 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 March 31 | |
|---|---|---|
| | 2023 | 2022 |
| [thousands of dollars] | $ | $ |
| Maintenance capital expenditures [1] | 3,791 | 2,312 |
| Non-maintenance capital expenditures [1] | 2,841 | 2,171 |
| **Acquisition of property plant and equipment** | **6,632** | **4,483** |

[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 March 31, 2023 was $6.6 million as compared to $4.5 million in Q1 2022.

Maintenance capital expenditures in the three-month period ended March 31, 2023, were $3.8 million [1.1% of sales] versus $2.3 million [0.8% of sales] in Q1 2022. Maintenance capital expenditures in Q1 2023 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of sales.

AGI had non-maintenance capital expenditures in the three-month period ended March 31, 2023 of $2.8 million versus $2.2 million in Q1 2022. The Q1 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 Q1 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 March 31, 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] | 473,152 | 405 | 394 | 293 | 471,643 | 417 |
| Lease liability [2] | 54,849 | 6,579 | 9,000 | 7,994 | 6,181 | 25,095 |
| Short term and low value leases | 16 | 6 | 5 | 3 | 1 | 1 |
| Due to vendor | 9,207 | 4,266 | 2,368 | 2,573 | — | — |
| Purchase obligations [3] | 8,883 | 8,883 | — | — | — | — |
| **Total obligations** | **1,022,502** | **20,139** | **184,267** | **10,863** | **562,825** | **244,408** |

[1] During the three-month period ended March 31, 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) | March 31 2023 $ | March 31 2022 $ |
|---|---|---|
| Total assets | 1,662,897 | 1,713,831 |
| Total liabilities | 1,381,829 | 1,427,195 |

### Cash

The Company's cash balance at March 31, 2023 was $72.9 million [March 31, 2022 - $60.2 million].

### Debt Facilities

As at March 31, 2023:

| [thousands of dollars] | Currency | Maturity | Total Facility [CAD][1][2] $ | Amount Drawn[1] $ | Effective Interest Rate |
|---|---|---|---|---|---|
| Senior Credit Facilities | CAD / USD | 2026 | 722,158 | 471,426 | 6.60% |
| Equipment Financing | various | various | 1,701 | 1,701 | various |
| **Total** | | | **723,859** | **473,127** | |

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on March 31, 2023, of $1.3533.
[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 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 March 31, 2023, there was $192.9 million [2022 – $240.3 million] and U.S. $205.8 million [2022 – U.S. $179.8 million] outstanding under the facilities.

### 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 March 31, 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.
[2] During the three-month period ended March 31, 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 March 31, 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 | 51,669 |
| Conversion of 2021 Convertible Debentures | 110 |
| **March 31, and May 8, 2023** | **18,952,737** |

At May 8, 2023:

- 18,952,737 Common Shares are outstanding;
- 1,565,000 Common Shares are available for issuance under the Company's equity-settled Equity Incentive Award Plan [the "EIAP"], of which 1,053,585 Common Shares have been issued under the EIAP and, 685,998 Common Shares are issuable pursuant to outstanding

awards (174,326 of which are conditionally issuable subject to receipt of applicable regulatory and shareholder approvals);

- 500,000 Common Shares are available for issuance under the Company's Stock Option Plan, all of which, 500,000 remain unallocated;
- 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
- 4,021,278 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 $2.8 million or $0.15 per common share [2022 – $2.8 million or $0.15 per common share] in the three-month period ended March 31, 2023. The dividend declared in Q1 2023 was paid on April 14, 2023 to common shareholders of record at the close of business on March 31, 2023. Dividends paid to common shareholders of $2.8 million [2022 – $2.8 million] during the three-month period ended March 31, 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] | Three-months Ended March 31 2023 $ | 2022 $ | Last Twelve Months ended March 31 2023 $ | 2022 $ |
|---|---|---|---|---|
| Cash provided by operations | 34,923 | 43,412 | 166,106 | 107,619 |
| Items not involving current cashflows | (13,297) | (22,822) | (209,554) | (93,875) |
| **Profit (loss) before income taxes** | **21,626** | 20,590 | **(43,448)** | 13,744 |
| Combined adjustments to Adjusted EBITDA [1] | 26,486 | 20,733 | 284,919 | 164,762 |
| **Adjusted EBITDA [2]** | **48,112** | **41,323** | **241,471** | **178,506** |
| Interest expense | (17,681) | (11,493) | (67,255) | (44,772) |
| Non-cash interest | 2,294 | 2,518 | 9,497 | 7,234 |
| Cash taxes | (8,150) | (5,394) | (15,140) | (13,133) |
| Maintenance capital expenditures [3] | (3,791) | (2,312) | (15,315) | (10,353) |
| **Funds from operations [2]** | **20,784** | **24,642** | **153,258** | **117,482** |
| Dividends [5] | 2,843 | 2,831 | 11,652 | 11,284 |
| **Payout Ratio [3] from cash provided by operations** | **8%** | **7%** | **7%** | **10%** |
| **Payout Ratio [4] from funds from operations** | **14%** | **11%** | **8%** | **10%** |

[1] See "Profit (loss) 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.
[5] Dividends declared

## 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.

During the three-month period ended March 31, 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-month period ended March 31, 2023, an unrealized gain of $0.1 million was recorded in loss (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 the last business day of 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-month period ended March 31, 2023, an unrealized loss of $0.4 million was recorded in other comprehensive income (loss). As at March 31, 2023, the fair value of the interest swap was a loss of $0.7 million [2022 – loss of $0.4 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 March 31, 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-month period ended March 31, 2023, an unrealized gain of $13.0 million [2022 – gain of $8.3 million] was recorded in gain on financial instruments in other operating expense (income). As at March 31, 2023, the fair value of the equity swap was $16.3 million [2022 – $3.3 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 time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $0.8 million. During the three-month period ended March 31, 2023, the Company recorded an unrealized gain of $0.1 million [2022 – gain of $0.1 million], on financial instruments in other operating income. As at March 31, 2023, the fair value of the embedded derivative was $0.7 million [2022 – $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 $7.4 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

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-month period ended March 31, 2023, the total cost of these legal services was $0.4 million [2022 – $1.5 million], and $1.2 million is included in accounts payable and accrued liabilities as at March 31, 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 provision for remediation [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.sedar.com]. 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; 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 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 sales 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 March 31, 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 sales", "gross profit as a % of sales", "diluted adjusted profit per share" and "payout ratio"; and (iii) supplementary financial measures: "order book", "sales by geography", "sales by segment and geography", "maintenance capital expenditures" and "non-maintenance capital expenditures"; 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 on financial instruments, M&A recovery or expenses, transaction, transitional and other costs, net gain or loss on the sale of property, plant & equipment, non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and impairment. 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 (loss) before income taxes and Adjusted EBITDA” for the reconciliation of Adjusted EBITDA to profit (loss) 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 sales. 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 less non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost 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 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 sales" is defined as adjusted gross margin divided by sales. Adjusted gross margin as a % of sales is a non-IFRS ratio because one of its components, adjusted gross margin, is a non-IFRS financial measure. Management believe adjusted gross margin as a % of sales 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 on financial instruments, M&A recovery or expenses, transaction, transitional and other costs, net gain or loss on the sale of property, plant & equipment, non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and impairment. 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 (loss) profit per share and diluted adjusted profit per share" for the reconciliation of adjusted profit to profit (loss) 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 (loss) before income taxes and Adjusted EBITDA" for the "combined adjustments to Adjusted EBITDA" for the current and comparative periods.

"Gross Profit as a % of sales" is defined as gross profit divided by sales. Gross profit as a % of sales 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.

"Sales by Geography" and "Sales by Segment and Geography": The sales information presented under "Sales by Geography" and "Sales by Segment and Geography" are supplementary financial measures used to present the Company's sales 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 robust organic growth prospects; the ability of our operational excellence initiatives to create a more efficient organization; our expectations for continued growth in 2023; our expectation for certain costs to normalize over coming quarters as several one-time expenses are processed; our anticipation for certain trends to return to normalized levels towards the second half of 2023; our ability to strengthen our order book; our outlook for our financial and operating performance in fiscal 2023, 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), industry demand, market conditions, and industry and market trends; our business strategies and strategic priorities; the long-term fundamentals and growth drivers of our business; our view that there are ample growth prospects across international markets in the near future and over the long-run; our belief that our recent financial and operating results confirm our long-term growth potential and the benefits of our current strategic priorities which include profitable organic growth, operational excellence, and balance sheet discipline; the estimated costs to the Company that may result from the remediation work associated with the bin collapse incident described herein, including our belief that any financial impact will be at least partially offset by insurance coverage; the estimated costs to the Company from ongoing equipment rework; that we expect SG&A to be lower as a percentage of sales by the end of the year; 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 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, all of which are available under the Company's profile on SEDAR [www.sedar.com]. 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 provision for remediation related to the bin collapse incident 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 is an estimate of AGI’s 2023 Adjusted EBITDA, which is 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 7% YOY increase in AGI's order books at March 31, 2023. To the extent such estimate constitutes a financial outlook, it was approved by management on May 8, 2023 and is included to provide readers with an understanding of AGI's anticipated 2023 Adjusted EBITDA based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

## RECONCILIATION OF ADJSUTED 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<br>$ | 2021<br>$ |
| **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 (“EIAP”) and directors’ deferred compensation plan (“DDCP”). 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 sales concessions related to previous sales contracts.
[7] Includes legal expense, legal provision, the net impact of sales 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.sedar.com].

Unaudited interim condensed consolidated financial statements

# Ag Growth International Inc.

March 31, 2023

Ag Growth International Inc.

# Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

| | March 31, 2023 $ | December 31, 2022 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 72,852 | 59,644 |
| Restricted cash | 2,365 | 3,110 |
| Accounts receivable | 235,598 | 220,861 |
| Inventory | 267,010 | 279,318 |
| Prepaid expenses and other assets | 49,419 | 60,171 |
| Current portion of notes receivable | 5,787 | 5,791 |
| Current portion of derivative instruments | 119 | — |
| Income taxes recoverable | 15,203 | 13,951 |
| | 648,353 | 642,846 |
| **Non-current assets** | | |
| Property, plant and equipment, net | 337,445 | 336,385 |
| Right-of-use assets, net | 32,885 | 31,360 |
| Goodwill | 343,871 | 342,983 |
| Intangible assets, net | 225,315 | 225,879 |
| Non-current accounts receivable | 44,985 | 46,116 |
| Notes receivable | 264 | 264 |
| Derivative instruments *[note 14[c]]* | 16,979 | 3,901 |
| Deferred tax asset | 8,898 | 4,112 |
| | 1,010,642 | 991,000 |
| Assets held for sale *[note 5]* | 3,902 | 12,205 |
| **Total assets** | 1,662,897 | 1,646,051 |
| | | |
| **Liabilities and shareholders' equity** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 215,994 | 236,111 |
| Customer deposits | 75,879 | 80,013 |
| Dividends payable | 2,843 | 2,835 |
| Income taxes payable | 4,863 | 6,667 |
| Current portion of due to vendor | 6,634 | 5,214 |
| Current portion of lease liability | 5,842 | 5,665 |
| Current portion of long-term debt *[note 7]* | 461 | 479 |
| Provisions *[note 6]* | 68,969 | 75,233 |
| | 381,485 | 412,217 |
| **Non-current liabilities** | | |
| Other financial liabilities | 816 | 590 |
| Derivative instruments *[note 14[c]]* | 711 | 352 |
| EIAP liability | 2,088 | 1,371 |
| Due to vendor | 2,573 | 5,754 |
| Lease liability | 35,030 | 33,482 |
| Long-term debt *[note 7]* | 468,396 | 440,459 |
| Convertible unsecured subordinated debentures *[note 14]* | 185,168 | 183,481 |
| Senior unsecured subordinated debentures *[note 14]* | 253,239 | 252,750 |
| Deferred tax liability | 52,323 | 49,925 |
| | 1,000,344 | 968,164 |
| **Total liabilities** | 1,381,829 | 1,380,381 |
| | | |
| **Shareholders' equity** *[note 8]* | | |
| Common shares | 10,833 | 9,644 |
| Accumulated other comprehensive income | 21,518 | 15,116 |
| Equity component of convertible debentures | 22,868 | 22,851 |
| Contributed surplus | 496,112 | 501,741 |
| Deficit | (270,263) | (283,682) |
| **Total shareholders' equity** | 281,068 | 265,670 |
| **Total liabilities and shareholders' equity** | 1,662,897 | 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 | |
|---|---|---|
| | March 31, 2023 | March 31, 2022 |
| | $ | $ |
| Sales *[note 4]* | 347,016 | 292,031 |
| Cost of goods sold *[note 10[a]]* | 240,582 | 207,435 |
| Gross profit | 106,434 | 84,596 |
| | | |
| Expenses | | |
| Selling, general and administrative *[note 10[b]]* | 84,779 | 73,479 |
| Other operating income *[note 10[c]]* | (15,140) | (10,261) |
| Impairment charge *[note 5]* | 190 | 23 |
| Finance costs *[note 10[d]]* | 17,681 | 11,493 |
| Finance expense (income) *[note 10[e]]* | (2,702) | (10,728) |
| | 84,808 | 64,006 |
| | | |
| Profit before income taxes | 21,626 | 20,590 |
| Income tax expense *[note 11]* | | |
| Current | 4,878 | 1,959 |
| Deferred | 391 | 3,460 |
| | 5,269 | 5,419 |
| Profit for the period | 16,357 | 15,171 |
| | | |
| Profit per share *[note 12]* | | |
| Basic | 0.86 | 0.81 |
| Diluted | 0.82 | 0.72 |

*See accompanying notes*

Ag Growth International Inc.

# Unaudited interim condensed consolidated statements of comprehensive income (loss)

[in thousands of Canadian dollars]

| | Three-month period ended | |
|---|---|---|
| | March 31, 2023 | March 31, 2022 |
| | $ | $ |
| Profit for the period | 16,357 | 15,171 |
| 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 (loss) | (359) | — |
| Income tax effect on cash flow hedges | 95 | — |
| Exchange differences on translation of foreign operations | 6,488 | 4,562 |
| | 6,224 | 4,562 |
| Items that will not be reclassified to profit or loss | | |
| Actuarial gain on defined benefit plans | 242 | 1,005 |
| Income tax effect on defined benefit plans | (64) | (266) |
| | 178 | 739 |
| Other comprehensive income for the period | 6,402 | 5,301 |
| Total comprehensive profit for the period | 22,759 | 20,472 |

*See accompanying notes*

Ag Growth International Inc.

# Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 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 | — | — | — | 16,357 | — | — | — | — | 16,357 |
| Other comprehensive income (loss) | — | — | — | — | 6,488 | (264) | 178 | — | 6,402 |
| Share-based payment transactions *[notes 8[a] and [b]]* | 1,184 | — | (5,629) | — | — | — | — | — | (4,445) |
| Dividends paid and payable to shareholders *[note 8[c]]* | — | — | — | (2,843) | — | — | — | — | (2,843) |
| Dividends on share-based compensation awards *[note 8[c]]* | — | — | — | (95) | — | — | — | — | (95) |
| Conversion of 2021 convertible debentures *[note 8[a]]* | 5 | 17 | — | — | — | — | — | — | 22 |
| As at March 31, 2023 | 10,833 | 22,868 | 496,112 | (270,263) | 20,255 | (523) | 2,686 | (900) | 281,068 |

*See accompanying notes*

# Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2022

| | Common shares $ | Equity component of convertible debentures $ | Contributed surplus $ | Deficit $ | Foreign currency translation 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 | — | — | — | 15,171 | — | — | — | 15,171 |
| Other comprehensive income | — | — | — | — | 4,562 | 739 | — | 5,301 |
| Share-based payment transactions *[notes 8[a] and [b]]* | 3,301 | — | (2,870) | — | — | — | — | 431 |
| Dividends paid and payable to shareholders *[note 8[c]]* | — | — | — | (2,831) | — | — | — | (2,831) |
| Dividends on share-based compensation awards *[note 8[c]]* | — | — | — | (187) | — | — | — | (187) |
| As at March 31, 2022 | 8,534 | 12,905 | 491,814 | (209,119) | (18,709) | 2,111 | (900) | 286,636 |

*See accompanying notes*

Ag Growth International Inc.

# Unaudited interim condensed consolidated statements of cash flows

[in thousands of Canadian dollars]

| | Three-month period ended | |
|---|---|---|
| | March 31, 2023 $ | March 31, 2022 $ |
| **Operating activities** | | |
| Profit before income taxes | 21,626 | 20,590 |
| Add (deduct) items not affecting cash | | |
| Depreciation of property, plant and equipment | 7,153 | 7,106 |
| Depreciation of right-of-use assets | 1,680 | 1,598 |
| Amortization of intangible assets | 6,739 | 10,408 |
| Loss (gain) on sale of property, plant and equipment | 174 | (86) |
| Loss on sale of assets held for sale | 25 | — |
| Impairment charge | 190 | 23 |
| Non-cash component of interest expense | 2,294 | 2,518 |
| Non-cash movement in derivative instruments | (13,204) | (8,680) |
| Non-cash investment tax credits | (103) | (36) |
| Share-based compensation expense | 4,268 | 2,718 |
| Defined benefit plan expense | (6) | 20 |
| Due to vendor, optionally convertible redeemable preferred shares and transaction cost payable | 1,811 | 3,486 |
| Translation loss on foreign exchange | 2,276 | 3,747 |
| | 34,923 | 43,412 |
| Changes in non-cash working capital balances related to operations *[note 13]* | (31,377) | (79,545) |
| Transfer from (to) restricted cash | 762 | (1,426) |
| Non-current accounts receivable | 1,131 | (8,981) |
| Long-term payables | 222 | 114 |
| Settlement of EIAP obligation | (9,208) | (2,243) |
| Post-combination payments | (1,000) | (1,667) |
| Income taxes paid | (8,150) | (5,394) |
| Cash used in operating activities | (12,697) | (55,730) |
| **Investing activities** | | |
| Acquisition of property, plant and equipment | (6,632) | (4,483) |
| Acquisitions, net of cash acquired | — | (28,162) |
| Proceeds from sale of property, plant and equipment | 92 | 235 |
| Proceeds from sale of assets held for sale *[note 5]* | 8,820 | — |
| Development and purchase of intangible assets | (5,879) | (3,182) |
| Cash used in investing activities | (3,599) | (35,592) |
| **Financing activities** | | |
| Draw from senior credit facilities, net of costs | 25,726 | 60,936 |
| Repayment of long-term debt | (88) | (222) |
| Change in swing line | 2,233 | 29,027 |
| Repayment of obligation under lease liabilities | (1,554) | (1,318) |
| Change in interest accrued | 6,200 | 4,859 |
| Issuance of convertible unsecured subordinated debentures, net of costs | (178) | (214) |
| Dividends paid in cash *[note 8[c]]* | (2,835) | (2,819) |
| Cash provided by financing activities | 29,504 | 90,249 |
| Net increase (decrease) in cash during the period | 13,208 | (1,073) |
| Cash and cash equivalents, beginning of period | 59,644 | 61,307 |
| Cash and cash equivalents, end of period | 72,852 | 60,234 |
| **Supplemental cash flow information** | | |
| Interest paid | 8,979 | 4,137 |

*See accompanying notes*

# Notes to unaudited interim condensed consolidated financial statements

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

March 31, 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 ["IAS"] 34, *Interim Financial Reporting* ["IAS 34"] 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 resulting from business combinations 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.sedar.com.

The unaudited interim condensed consolidated financial statements of AGI for the three-month period ended March 31, 2023 were authorized for issuance in accordance with a resolution of the Directors on May 5, 2023.

## 3. Seasonality of business

Interim period sales 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 sales 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 sales in the second and third quarters, results in accounts receivable levels increasing throughout the year and normally peaking in the second and third quarter. 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 sales 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 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 are 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.

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 products that offer monitoring, operation, measurement and blending controls, automation, hazard monitoring, embedded electronics, farm management, grain marketing and tools for agronomy, and Enterprise Resource Planning for agriculture retailers and grain buyers.

- 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.

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

The following tables set forth information by segment:

| | Sales | |
|---|---|---|
| | 2023 | 2022 |
| | $ | $ |
| Farm | **182,382** | 150,828 |
| Commercial | **164,634** | 141,203 |
| | **347,016** | 292,031 |

| | 2023 | | | |
|---|---|---|---|---|
| | Farm | Commercial | Other[1] | Total |
| | $ | $ | $ | $ |
| **Profit (loss) before income taxes** | 31,646 | 14,447 | (24,467) | 21,626 |
| Finance costs | — | — | 17,681 | 17,681 |
| Depreciation and amortization | 6,538 | 7,310 | 2,192 | 16,040 |
| Gain on foreign exchange | — | — | (2,617) | (2,617) |
| Share-based compensation | — | — | 4,268 | 4,268 |
| Gain on financial instruments | — | — | (13,204) | (13,204) |
| Mergers and acquisitions expense | — | — | 50 | 50 |
| Transaction, transitional and other costs[2] | — | — | 3,879 | 3,879 |
| Loss on sale of property, plant and equipment[3] | 78 | 121 | — | 199 |
| Impairment charge | 190 | — | — | 190 |
| **Adjusted EBITDA[4]** | 38,452 | 21,878 | (12,218) | 48,112 |

# Notes to unaudited interim condensed consolidated financial statements

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



| | 2022[5] | | | |
|---|---|---|---|---|
| | Farm<br>$ | Commercial<br>$ | Other[1]<br>$ | Total<br>$ |
| **Profit (loss) before income taxes** | 19,170 | 9,786 | (8,366) | 20,590 |
| Finance costs | — | — | 11,493 | 11,493 |
| Depreciation and amortization | 9,606 | 9,789 | 2 | 19,397 |
| Gain on foreign exchange | — | — | (10,728) | (10,728) |
| Share-based compensation | — | — | 2,718 | 2,718 |
| Gain on financial instruments | — | — | (8,680) | (8,680) |
| Mergers and acquisitions expense | — | — | 694 | 694 |
| Transaction, transitional and other costs[2] | — | — | 5,597 | 5,597 |
| Gain on sale of property, plant and equipment | (50) | (36) | — | (86) |
| Fair value of inventory from acquisition | — | 305 | — | 305 |
| Impairment charge | 23 | — | — | 23 |
| **Adjusted EBITDA[4]** | 28,749 | 19,844 | (7,270) | 41,323 |

[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.

[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 assets held for sale [*note 5*].

[4] 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, income taxes and share of income (loss) of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

[5] Financial information for the comparative year has been restated to reflect the new presentation.

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

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

| | Sales | |
|---|---|---|
| | 2023 | 2022 |
| | $ | $ |
| Canada | **87,143** | 56,713 |
| United States | **150,345** | 139,055 |
| International | **109,528** | 96,263 |
| | **347,016** | 292,031 |

The sales 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 sales.

## 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. As at March 31, 2023, the carrying amount of the assets held for sale is $3,401.

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 three-month period ended March 31, 2023, the assets held for sale were sold for proceeds of $8,820, a net loss of $25 was recorded.

During the three-month period ended March 31, 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. As at March 31, 2023, the carrying amount of the assets held for sale is $501.

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

## 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 sales levels and current information available about returns, with the exception of the equipment rework and remediation costs.

| | March 31, 2023 $ | December 31, 2022 $ |
|---|---|---|
| **Balance, beginning of period** | **75,233** | 65,618 |
| Additional provisions recognized | **2,247** | 26,465 |
| Amounts utilized | **(8,511)** | (16,850) |
| **Balance, end of period** | **68,969** | 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 have been initiated against AGI. As at March 31, 2023, the warranty provision for remediation costs is $40.7 million [December 31, 2022 – $41.5 million], with $0.8 million of the provision having been utilized during the period.

*Equipment rework*

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at March 31, 2023, the warranty provision for the equipment rework is $8.0 million [December 31, 2022 – $12.9 million], with $4.9 million of the provision having been utilized during the period.

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

## 7. Long-term debt

| | Effective Interest rate % | Maturity | March 31, 2023 $ | December 31, 2022 $ |
|---|---|---|---|---|
| **Current portion of long-term debt** | | | | |
| Equipment financing | various | various | 461 | 479 |
| | | | 461 | 479 |
| **Non-current portion of long-term debt** | | | | |
| Equipment financing | various | various | 1,240 | 1,309 |
| Senior credit facilities | 6.1-8.6 | 2026 | 471,426 | 443,420 |
| | | | 472,666 | 444,729 |
| Less deferred financing costs | | | (4,270) | (4,270) |
| | | | 468,396 | 440,459 |
| **Long-term debt** | | | 468,857 | 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 March 31, 2023, there was $192.9 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.

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

## 8. Shareholders' equity

### [a] Common shares

| | Shares<br>\# | Amount<br>$ |
|---|---|---|
| **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 | **51,669** | **1,184** |
| Conversion of convertible unsecured subordinated debentures | **110** | **5** |
| **Balance, March 31, 2023** | **18,952,737** | **10,833** |

### [b] Contributed surplus

| | March 31,<br>2023<br>$ | December 31,<br>2022<br>$ |
|---|---|---|
| **Balance, beginning of period** | **501,741** | 494,684 |
| Dividends on EIAP | **95** | 495 |
| Obligation under EIAP *[note 9[a]]* | **2,337** | 13,132 |
| Settlement of EIAP obligation | **(8,061)** | (7,077) |
| Redemption of convertible unsecured subordinated debentures | **—** | 507 |
| **Balance, end of period** | **496,112** | 501,741 |

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

### [c] Dividends paid and declared

In the three-month period ended March 31, 2023, the Company declared dividends of $2,843 or $0.15 per common share [2022 – $2,831 or $0.15 per common share] and dividends on share-based compensation awards of $95 [2022 – $187]. In the three-month period ended March 31, 2023, dividends paid to common shareholders of $2,835 [2022 – $2,819] were financed from cash on hand.

The dividend was payable on April 14, 2023 to common shareholders of record at the close of business on March 31, 2023.

## 9. Share-based compensation plans

### [a] Equity Incentive Award Plan ["EIAP"]

During the three-month period ended March 31, 2023, 152,317 [2022 – 128,061] Restricted Awards ["RSUs"] were granted and 72,760 [2022 – 55,137] 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 March 31, 2023, 685,998 awards have been granted and outstanding under the EIAP.

During the three-month period ended March 31, 2023, AGI expensed $3,055 for the EIAP [2022 – $2,365].

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

| | EIAP | |
|---|---|---|
| | Restricted Awards<br>\# | Performance Awards<br>\# |
| **Balance, beginning of period** | 360,738 | 336,891 |
| Granted | 148,923 | 72,760 |
| Vested | (43,227) | (180,223) |
| Modified | 3,394 | (986) |
| Forfeited | (11,972) | (300) |
| **Balance, end of period** | **457,856** | **228,142** |

There is no exercise price on the EIAP awards.

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

For the three-month period ended March 31, 2023, expenses of $524 [2022 – $353] 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)

| | March 31, 2023 $ | March 31, 2022 $ |
|---|---|---|
| **[a] Cost of goods sold** | | |
| Depreciation of property, plant and equipment | 6,516 | 6,430 |
| Depreciation of right-of-use assets | 470 | 454 |
| Amortization of intangible assets | 1,132 | 4,777 |
| Warranty expense | 2,247 | 2,329 |
| Cost of inventory recognized as an expense | 230,217 | 193,445 |
| | 240,582 | 207,435 |
| **[b] Selling, general and administrative expenses** | | |
| Depreciation of property, plant and equipment | 1,105 | 961 |
| Depreciation of right-of-use assets | 1,210 | 1,144 |
| Amortization of intangible assets | 5,607 | 5,631 |
| Minimum lease payments recognized as lease expense | 3 | 2 |
| Transaction costs and post-combination expense | 3,929 | 6,291 |
| Selling, general and administrative | 72,925 | 59,450 |
| | 84,779 | 73,479 |
| **[c] Other operating income** | | |
| Net loss (gain) on sale of property, plant and equipment | 199 | (86) |
| Gain on financial instruments | (13,204) | (8,680) |
| Other | (2,135) | (1,495) |
| | (15,140) | (10,261) |
| **[d] Finance costs** | | |
| Interest on overdrafts and other finance costs | 1,075 | 221 |
| Interest, including non-cash interest, on leases | 631 | 536 |
| Interest, including non-cash interest, on debts and borrowings | 7,725 | 3,646 |
| Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures | 8,250 | 7,090 |
| | 17,681 | 11,493 |
| **[e] Finance expense (income)** | | |
| Interest income | (85) | — |
| Gain on foreign exchange | (2,617) | (10,728) |
| | (2,702) | (10,728) |

# Notes to unaudited interim condensed consolidated financial statements

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

March 31, 2023

## 11. Income taxes

The Company's effective tax rate for the three-month period ended March 31, 2023 was 24.4% [2022 – 26.3%]. The difference between the effective tax rate and the Company's domestic statutory tax rate of 26.5% [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 | |
|---|---|---|
| | March 31, 2023 $ | March 31, 2022 $ |
| Profit attributable to shareholders for basic profit per share | **16,357** | 15,171 |
| 2021 convertible debentures | **1,658** | 563 |
| Profit attributable to shareholders for diluted profit per share | **18,015** | 15,734 |
| | | |
| Basic weighted average number of shares | **18,936,934** | 18,817,381 |
| Dilutive effect of DDCP | **100,212** | 100,212 |
| Dilutive effect of RSU | **315,551** | 326,786 |
| Dilutive effect of 2021 convertible debentures | **2,547,630** | 2,547,630 |
| Diluted weighted average number of shares | **21,900,326** | 21,792,009 |
| | | |
| Profit per share | | |
| Basic | **0.86** | 0.81 |
| Diluted | **0.82** | 0.72 |

[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 three-month period ended March 31, 2023 and the 2018 convertible debentures were excluded from the calculation of diluted profit per share in the three-month period ended March 31, 2022, because their effect is 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 | |
|---|---|---|
| | March 31, 2023 $ | March 31, 2022 $ |
| Accounts receivable | (14,737) | (11,497) |
| Inventory | 8,800 | (47,833) |
| Prepaid expenses and other assets | 9,458 | (10,044) |
| Accounts payable and accrued liabilities | (24,489) | (12,323) |
| Customer deposits | (4,134) | 2,365 |
| Provisions | (6,275) | (213) |
| | (31,377) | (79,545) |

## 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 three-month period ended March 31, 2023 and 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:

| | March 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Carrying amount $ | Fair value $ | Carrying amount $ | Fair value $ |
| Interest-bearing loans and borrowings | **468,857** | **468,857** | 440,938 | 440,938 |
| Convertible unsecured subordinated debentures[1] | **185,168** | **166,561** | 183,481 | 157,930 |
| Senior unsecured subordinated debentures | **253,239** | **239,140** | 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 contractual 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 3.97%. The notional amounts are $75,000 in aggregate, resetting the last business day of 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-month period ended March 31, 2023, an unrealized loss of $359 [2022 – nil] was recorded in other comprehensive income (loss). As at March 31, 2023, the fair value of the interest rate swap was a loss of $711 [December 31, 2022 – $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 March 31, 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-month period ended March 31, 2023, an unrealized gain of $12,974 [2022 – gain of $8,303] was recorded in loss (gain) on financial instruments in other operating expense (income). As at March 31, 2023, the fair value of the equity swap was $16,309 [December 31, 2022 – $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 March 31, 2023, AGI's U.S. dollar denominated debt totaled U.S. $206 million [December 31, 2022 – U.S. $206 million].

During the three-month period ended March 31, 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-month period ended March 31, 2023, an unrealized gain of $117 was recorded in loss (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 time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $754. During the three-month period ended March 31, 2023, an unrealized gain of $113 [2022 – gain of $91] was recorded in loss (gain) on financial instruments in other operating expense (income). As at March 31, 2023, the fair value of the embedded derivative was $670 [December 31, 2022 – $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-month period ended March 31, 2023, the total cost of these legal services was $397 [2022 – $1,543], and $1,159 is included in accounts payable and accrued liabilities as at March 31, 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 March 31, 2023, the Company has commitments to purchase property, plant and equipment of $7,211 [December 31, 2022 – $8,883].

### [b] Letters of credit

As at March 31, 2023, the Company has outstanding letters of credit in the amount of $34,523 [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.