AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: March 5, 2024

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, 2023. Results are reported in Canadian dollars unless otherwise state.

This MD&A is based on the Company's audited consolidated comparative financial statements for the year ended December 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 headings "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 is available under the Company's profile on SEDAR+ [www.sedarplus.ca].

SUMMARY OF RESULTS

	Three-months ended December 31			
[thousands of dollars except per share amounts, percentages and basis points ("bps")]	2023 $	2022 $	Change $	Change %
Revenue [1]	379,317	374,034	5,283	1%
Adjusted EBITDA [2][3]	73,076	50,997	22,079	43%
Adjusted EBITDA Margin % [4]	19.3%	13.6%	563 bps	41%
Profit (loss) before income taxes	10,529	(76,526)	87,055	N/A
Profit (loss)	11,378	(67,811)	79,189	N/A
Diluted profit (loss) per share	0.58	(3.59)	4.17	N/A
Adjusted profit [2][5]	36,591	18,581	18,010	97%
Diluted adjusted profit per share [4][5]	1.70	0.92	0.78	85%

[thousands of dollars except per share amounts, percentages and basis points ("bps")]	2023	2022	Change	Change
			Year ended December 31	
	$	$	$	%
Revenue [1]	1,526,669	1,458,082	68,587	5%
Adjusted EBITDA [2][3]	293,894	234,683	59,211	25%
Adjusted EBITDA Margin % [4]	19.3%	16.1%	316 bps	20%
Profit (loss) before income taxes	86,067	(45,313)	131,380	N/A
Profit (loss)	68,889	(50,583)	119,472	N/A
Diluted profit (loss) per share	3.44	(2.68)	6.12	N/A
Adjusted profit [2][5]	125,574	75,781	49,793	66%
Diluted adjusted profit per share [4][5]	5.91	3.74	2.17	58%

[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".
[4] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.
[5] See "DETAILED OPERATING RESULTS – Diluted profit per share and diluted adjusted profit per share".

Consolidated Operating Segment Results Summary

[thousands of dollars except percentages]	2023	2022	Change	Change
			Three-months ended December 31	
	$	$	$	%
Revenue [1][2]				
Farm	188,855	180,985	7,870	4%
Commercial	190,462	193,049	(2,587)	(1%)
Total	**379,317**	**374,034**	**5,283**	**1%**

[thousands of dollars except percentages]	2023	2022	Change	Change
			Year ended December 31	
	$	$	$	%
Revenue [1][2]				
Farm	831,951	778,088	53,863	7%
Commercial	694,718	679,994	14,724	2%
Total	**1,526,669**	**1,458,082**	**68,587**	**5%**

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

[thousands of dollars except percentages]	2023 $	2022 $	Three-months ended December 31 Change $	Change %
Adjusted EBITDA [1] [2] [3]				
Farm	46,694	32,482	14,212	44%
Commercial	35,870	30,658	5,212	17%
Other [4]	(9,488)	(12,143)	2,655	N/A
Total	**73,076**	**50,997**	**22,079**	**43%**

[thousands of dollars except percentages]	2023 $	2022 $	Year ended December 31 Change $	Change %
Adjusted EBITDA [1] [2] [3]				
Farm	217,155	163,118	54,037	33%
Commercial	121,039	106,760	14,279	13%
Other [4]	(44,300)	(35,195)	(9,105)	N/A
Total	**293,894**	**234,683**	**59,211**	**25%**

[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.

	2023 %	2022 %	Three-months ended December 31 Change basis points	Change %
Adjusted EBITDA Margin % [1] [2]				
Farm	24.7%	17.9%	678 bps	38%
Commercial	18.8%	15.9%	295 bps	19%
Other [3]	(2.5%)	(3.2%)	75 bps	N/A
Consolidated	19.3%	13.6%	563 bps	41%

	2023 %	2022 %	Year ended December 31 Change basis points	Change %
Adjusted EBITDA Margin % [1] [2]				
Farm	26.1%	21.0%	514 bps	25%
Commercial	17.4%	15.7%	172 bps	11%
Other [3]	(2.9%)	(2.4%)	(49) bps	N/A
Consolidated	19.3%	16.1%	316 bps	20%

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

AGI delivered strong fourth quarter results (“Q4”) as significant margin expansion combined with a consistent revenue performance to drive a 43% increase in Adjusted EBITDA year-over-year (“YOY”). Adjusted EBITDA margin % increased 563 basis points (“bps”) YOY to 19.3%. Full year 2023 Adjusted EBITDA increased 25% with an Adjusted EBITDA margin % increase of 316 bps, also to 19.3%, and above our stated guidance of at least 18.5%. The continued contributions from our operational excellence initiatives and a favorable sales mix in our Farm segment combined to drive a strong margin result in 2023. Adjusted Gross margins benefited from the implementation of centralized procurement strategies, enhanced revenue management, upgraded manufacturing processes, and reduced warranty costs through improved product quality standards. In addition, we continue to focus on streamlining selling, general, and administrative (“SG&A”) expenses through the implementation of more consistent cost control protocols across the organization. The combination of ongoing demand for AGI's products and progress in steadily embedding greater efficiencies throughout all areas of the Company led to a marked increase in margins which we expect to sustain going forward into 2024.

Farm segment revenue and Adjusted EBITDA grew by 4% and 44% YOY, respectively, in Q4. Revenue growth was primarily driven by strong demand in the U.S. market. Adjusted EBITDA margin % increased 678 bps to 24.7% YOY, in Q4, benefiting from manufacturing efficiency initiatives, a revenue mix weighted towards higher margin portable grain handling equipment, and the impact of the Digital reorganization efforts completed throughout 2023. Looking ahead, the overall Farm order book[1] continues to trend higher YOY. This was driven mostly by Canada where we are seeing sustained levels of high demand for portable equipment and an encouraging uptick in orders for permanent handling and storage solutions.

Commercial segment revenue and Adjusted EBITDA decreased 1% and increased 17% YOY, respectively, in Q4. Strong revenue growth in the Asia Pacific region (“APAC”) was underpinned by continued success of our operations in India. This was offset by areas with challenging year-over-year comparable results, particularly Canada, and areas undergoing turnaround efforts, particularly our Food platform. Similar to the Farm segment, the Company’s operational excellence initiatives, including effective management of manufacturing expenses, contributed to the full year Adjusted EBITDA margin % increase to 17.4% from 15.7% YOY. Looking ahead, the overall Commercial segment order book increased notably YOY, anchored by a significant conversion of quoting activity to secured orders within our International regions, specifically the Europe, Middle East and Africa regions (“EMEA”). Given the project-based nature of our Commercial segment orders, we anticipate the timing and acceleration in Commercial results to be most pronounced in the second half of 2024.

Our success in implementing margin expanding operational excellence initiatives across the Company enables AGI to enter 2024 with a favourable outlook. In combination with an all-time record order book,

[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.

we anticipate full year 2024 Adjusted EBITDA to be at least $310 million[2]. Given the project-based nature of our strengthening Commercial segment order book and the timing of these orders, we anticipate a gradual ramp-up of our 2024 results, gathering momentum as the year progresses. This guidance represents yet another year of strong growth and highlights the benefits of our diversified and resilient business model, in addition to the ongoing demand for our products which are critical to the proper functioning of the global food supply chain.

BASIS OF PRESENTATION

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

During the year ended December 31, 2023, AGI replaced the term "sales" with "revenue"; however there has been no change to the underlying calculation. Revenue is the sale of goods primarily recognized at a point in time when the Company satisfies a performance obligation and control of the goods is transferred from AGI to its customer. Revenue from contracts with customers is recognized at an amount that reflects the consideration to which the Company is entitled to in exchange for those goods. Additionally, we have simplified the disclosure on revenue to Canada, U.S., and International; removing further regional breakdown. 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 include: 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

[2] See "BASIS OF PRESENTATION", "RISKS AND UNCERTAINTIES", "FORWARD-LOOKING INFORMATION", "FINANCIAL OUTLOOK" and "NON-IFRS AND OTHER FINANCIAL MEASURES.

systems and control systems; and project management services and food engineering solutions (see “BASIS OF PRESENTATION”).

OPERATING RESULTS and OUTLOOK [3]

Revenue by Geography [4]

[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
			Three-months ended December 31	
Canada	76,678	87,725	(11,047)	(13%)
U.S.	155,190	141,676	13,514	10%
International	147,449	144,633	2,816	2%
Total Revenue	**379,317**	**374,034**	**5,283**	**1%**

[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
			Year ended December 31	
Canada	352,454	333,353	19,101	6%
U.S.	661,447	649,905	11,542	2%
International	512,768	474,824	37,944	8%
Total Revenue	**1,526,669**	**1,458,082**	**68,587**	**5%**

Revenue by Segment and Geography [5]

Farm Segment

[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
			Three-months ended December 31	
Canada	60,044	64,098	(4,054)	(6%)
U.S.	98,610	85,739	12,871	15%
International	30,201	31,148	(947)	(3%)
Total Revenue	**188,855**	**180,985**	**7,870**	**4%**

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

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

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

[thousands of dollars except percentages]	2023 $	2022 $	Year ended December 31 Change $	Change %
Canada	275,758	240,850	34,908	14%
U.S.	437,530	413,450	24,080	6%
International	118,663	123,788	(5,125)	(4%)
Total Revenue	**831,951**	**778,088**	**53,863**	**7%**

Commercial Segment

[thousands of dollars except percentages]	2023 $	2022 $	Three-months ended December 31 Change $	Change %
Canada	16,634	23,627	(6,993)	(30%)
U.S.	56,580	55,937	643	1%
International	117,248	113,485	3,763	3%
Total Revenue	**190,462**	**193,049**	**(2,587)**	**(1%)**

[thousands of dollars except percentages]	2023 $	2022 $	Year ended December 31 Change $	Change %
Canada	76,696	92,503	(15,807)	(17%)
U.S.	223,917	236,455	(12,538)	(5%)
International	394,105	351,036	43,069	12%
Total Revenue	**694,718**	**679,994**	**14,724**	**2%**

The following table presents YOY changes in the Company's order book[1] as at December 31, 2023:

[thousands of dollars except percentages]	2023 $	2022 $	As at December 31, 2023 Change $	Change %
Order book	747,330	596,956	150,374	25%

[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.

Farm Segment

Farm segment's financial performance by separate geographic region is detailed below. For a summary of Farm segment's performance overall, please see page [4].

Canada

Canada Farm segment revenue decreased 6% YOY in Q4. The decrease is in part due to a very strong Q4 2022 comparable period as well as the generally drier conditions throughout the 2023 harvest season which reduced demand for grain drying products. The Canada Farm order book continues to benefit from significant demand for portable grain handling equipment, setting up Canada Farm for a strong first half of 2024.

United States

U.S. Farm segment revenue increased 15% YOY in Q4. The increase was driven by significant dealer interest in the Company's early order program, particularly for portable grain handling equipment. The U.S. Farm order book decreased YOY primarily due to the timing of order shipments. However, the usual cadence of dealer inventory replenishment is expected to provide momentum to the U.S. Farm business as we progress through 2024.

International

International Farm segment revenue decreased 3% YOY in Q4 with a strong contribution from South America offset by some weakness in the EMEA and Asia Pacific regions. In South America, we continue to see healthy demand for our products, despite challenging market conditions expected to continue into early 2024. Additionally, the recent introduction of new financing options available to Farm-level customers in Brazil is expected to provide some demand support.

Commercial Segment

Commercial segment's financial performance by separate geographic region is detailed below. For a summary of Commercial segment's performance overall, please see page [4-5].

Canada

Canada Commercial segment revenue decreased 30% YOY in Q4. Record revenue in Q4 2022, as noted by a revenue increase YOY of 122% compared to Q4 2021, resulted in a weaker comparable period for Q4 2023. Encouragingly, we are seeing increasing quoting and pipeline activity in areas that have faced challenges in recent years, particularly for oil seed processing and fertilizer equipment solutions.

United States

U.S. Commercial segment revenue increased 1% YOY in Q4. Consistent with last quarter, demand for permanent grain handling and storage equipment solutions remains stable, with some additional support by an increase in demand for Fertilizer. This increase in revenue was partially offset by a reduction in the Food platform business which continues to progress through the final phases of reorganization. While the overall order book for U.S. Commercial is consistent YOY, the Food order book within the broader overall order book is beginning to build, a clear sign that our reorganization efforts are taking hold.

International

International Commercial segment revenue increased 3% YOY in Q4, with notable strength in APAC results contributing to the growth. Within the Asia Pacific region, India continues to deliver solid quarterly results with revenue increasing 29% YOY in Q4. We will continue to maintain our focus on expanding the Company's product portfolio to this region. In 2024, we expect to launch new storage and material handling product lines to capture strong demand for this type of equipment in the region. South America Commercial segment revenue decreased slightly YOY in Q4 as challenged conditions in Brazil persist, offset by favourable results in the broader Latin America ("LATAM") region. EMEA Commercial segment revenue decreased in the quarter owing to project-specific timing. Significant Commercial project wins in EMEA led the overall growth of the International order book for Commercial. The EMEA region continues to secure meaningful long-term project work from emerging geographies and compelling macro-level growth trends, reflecting success in our strategic planning and execution.

Summary

Our record revenue and Adjusted EBITDA performance in 2023 continues to demonstrate the strength of our balanced and diversified business strategy. This strategy enables AGI to capitalize on demand from a wide variety of products, regions, and customers while also navigating some of the challenges caused by regional conflicts and climate-related impacts. In addition to our revenue and business mix diversification strategies, we have layered-in significant operational excellence initiatives to help strengthen margins across AGI, adding a critical operating lever that further strengthens our ability to consistently deliver profitable growth. With a favourable outlook across AGI, we anticipate full year 2024 Adjusted EBITDA to be at least $310 million[6].

[6] See "BASIS OF PRESENTATION", "RISKS AND UNCERTAINTIES", "FORWARD-LOOKING INFORMATION", "FINANCIAL OUTLOOK" and "NON-IFRS AND OTHER FINANCIAL MEASURES.

DETAILED OPERATING RESULTS

[thousands of dollars except per share amounts]	Three-months ended December 31		Year ended December 31	
	2023	2022	2023	2022
	$	$	$	$
Revenue [1]	379,317	374,034	1,526,669	1,458,082
Cost of goods sold				
Cost of inventories	248,209	255,560	989,085	985,073
Equipment rework [2]	3,000	6,100	7,900	6,100
Remediation [2]	600	—	16,208	—
Depreciation and amortization	9,155	11,383	34,348	46,310
	260,964	273,043	1,047,541	1,037,483
Selling, general and administrative expenses				
Selling, general & administrative expenses [3]	63,291	74,399	266,908	263,604
Mergers and acquisitions expense (recovery) [4]	—	(25)	50	(144)
Transaction, transitional and other costs [5]	10,975	15,395	27,124	44,301
Enterprise Resource Planning (“ERP”) system transformation costs [6]	14,001	—	14,001	—
Accounts receivable reserve for RUK	(82)	—	1,651	—
Depreciation and amortization	7,087	7,641	30,968	30,635
	95,272	97,410	340,702	338,396
Other operating expense (income)				
Net loss (gain) on disposal of property, plant and equipment [7]	493	(12)	768	340
Net gain on sale of assets held for sale [8]	(339)	—	(314)	—
Net loss (gain) on financial instruments [9]	1,117	(8,211)	(5,369)	(9,629)
Other	(2,367)	(1,914)	(10,663)	(8,722)
	(1,096)	(10,137)	(15,578)	(18,011)
Finance costs	18,296	17,197	73,667	61,067
Finance expense (income)	(4,786)	(2,309)	(7,967)	8,614
Impairment charge [10]	138	75,356	2,237	75,846
Profit (loss) before income taxes	10,529	(76,526)	86,067	(45,313)
Income tax expense (recovery)	(849)	(8,715)	17,178	5,270
Profit (loss) for the year	11,378	(67,811)	68,889	(50,583)
Profit (loss) per share				
Basic	0.60	(3.59)	3.63	(2.68)
Diluted	0.58	(3.59)	3.44	(2.68)

[1] See “BASIS OF PRESENTATION”.
[2] See “Remediation costs and equipment rework”; includes legal fees associated with remediation settlement.
[3] Includes minimum lease payments recognized as lease expense. See “Note 25 [b] – Selling, general and administrative expenses” in our consolidated financial statements.
[4] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[5] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[6] Expenses incurred in connection with a global multi-year ERP transformation project.
[7] Includes loss (gain) on settlement of lease liabilities. See “Note 11 – Property, plant and equipment” in our consolidated financial statements.
[8] See “Note 16 – Assets held for sale” in our consolidated financial statements.
[9] See “Equity swap”.
[10] Impairment charge related to property, plant, and equipment, right-of-use assets, goodwill, intangible assets and assets held for sale. See “Note 11 – Property, plant and equipment”, “Note 12 – Right-of-use assets”, “Note 13 – Goodwill”, “Note 14 – Intangible assets” and “Note 16 – Assets held for sale” in our consolidated financial statements.

Gross Profit and Adjusted Gross Margin

[thousands of dollars except percentages]	Three-months ended December 31		Year ended December 31	
	2023 $	2022 $	2023 $	2022 $
Revenue [1]	379,317	374,034	1,526,669	1,458,082
Cost of goods sold	260,964	273,043	1,047,541	1,037,483
Gross Profit	**118,353**	**100,991**	**479,128**	**420,599**
Gross Profit as a % of Revenue [2]	31.2%	27.0%	31.4%	28.8%
Equipment rework [3]	3,000	6,100	7,900	6,100
Remediation [3]	600	—	16,208	—
Fair value of inventory from acquisition [4]	—	—	—	609
Depreciation and amortization	9,155	11,383	34,348	46,310
Adjusted Gross Margin [5]	131,108	118,474	537,584	473,618
Adjusted Gross Margin as a % of Revenue [6]	34.6%	31.7%	35.2%	32.5%

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

AGI's adjusted gross margin as a percentage of revenue increase for the three-month period ended December 31, 2023 is largely attributable to the continued benefits of operational excellence initiatives including the effective management of input costs through centralized procurement strategies and manufacturing efficiencies as well as product mix.

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The gain and loss on foreign exchange for the three-month period ended December 31, 2023, was a gain of $4.7 million [2022 – gain of $2.2 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 of December 31, 2023. See also "Financial Instruments – Foreign exchange contracts".

Revenue and Adjusted EBITDA

The average U.S. dollar rate of exchange for the three-month period ended December 31, 2023, was $1.36 [2022 - $1.36]. A weaker Canadian dollar relative to the U.S. dollar results in higher reported revenue for AGI, as U.S. dollar denominated revenue are translated into Canadian dollars at a higher rate. Similarly, a weaker Canadian dollar results in higher costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, Adjusted EBITDA increases when the Canadian dollar weakens relative to the U.S. dollar.

Remediation costs and equipment rework

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and legal claims related to the incident were initiated against AGI. During the year ended December 31, 2023, the terms of the settlement agreement were finalized. As at December 31, 2023, the warranty provision for remediation costs is $0.1 million [December 31, 2022 – $41.5 million], with $16.2 million added in relation to the settlement agreement and $57.6 million of the provision having been utilized during the year ended December 31, 2023.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at December 31, 2023, the warranty provision for the equipment rework is $2.0 million [December 31, 2022 – $12.9 million], with $7.9 million added based on revised estimated costs of completion and $18.8 million utilized during the year ended December 31, 2023.

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

SG&A expenses for the three-months ended December 31, 2023 excluding merger and acquisition (recovery) expenses [“M&A”], transaction, transitional and other costs, ERP system transformation costs, accounts receivable reserve for the conflict between Russia and Ukraine ("RUK"), and depreciation and amortization, were $63.3 million [16.7% of revenue], versus $74.4 million [19.9% of revenue] in 2022. Q4 2023 variances from the Q4 2022 include the following:

- $4.0 million decrease in bad debt expense primarily relates to adjustment in reserves.
- $2.9 million decrease in salaries, wages, and share-based compensation related to accelerated vesting of performance-based awards.
- $2.9 million decrease in sales and marketing expense as a result of operational efficiency initiatives.
- $2.3 million increase in commissions in correlation to timing of commission-based revenue across segments and timing of project completions.
- $1.7 million decrease in IT expense as a result of the completion of infrastructure and security projects in 2022.
- No other individual variance was greater than $1.0 million.

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

Finance costs

Finance costs which represent interest incurred, including non-cash interest, on all debt for the three-month period ended December 31, 2023 were $18.3 million versus $17.2 million in 2022. Finance costs have increased in 2023 as a result of a higher effective interest rate as compared to 2022.

Finance expense (income)

Finance expense (income) which represents interest income earned and foreign exchange on long term debt for the three-month period ended December 31, 2023, was income of $4.8 million versus income of $2.3 million in 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 1.3520 at September 30, 2023 to 1.3226 at December 31, 2023.

Other operating expense (income)

Other operating expense (income) for the three-month period ended December 31, 2023, was income of $1.1 million versus income of $10.1 million in Q4 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 (loss) before income taxes and Adjusted EBITDA

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

	Three-months ended December 31		Year ended December 31	
	2023	2022	2023	2022
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	10,529	(76,526)	86,067	(45,313)
Finance costs	18,296	17,197	73,667	61,067
Depreciation and amortization	16,242	19,024	65,316	76,945
Loss (gain) on foreign exchange [1]	(4,690)	(2,211)	(7,571)	8,941
Share-based compensation [2]	2,796	4,910	12,159	15,620
Loss (gain) on financial instruments [3]	1,117	(8,211)	(5,369)	(9,629)
Mergers and acquisition expense (recovery) [4]	—	(25)	50	(144)
Transaction, transitional and other costs [5]	10,975	15,395	27,124	44,301
ERP system transformation costs [6]	14,001	—	14,001	—
Net loss (gain) on disposal of property, plant and equipment [7]	493	(12)	768	340
Net gain on assets held for sale [8]	(339)	—	(314)	—
Equipment rework [9]	3,000	6,100	7,900	6,100
Remediation [9]	600	—	16,208	—
Accounts receivable reserve for RUK	(82)	—	1,651	—
Fair value of inventory from acquisition [10]	—	—	—	609
Impairment charge [11]	138	75,356	2,237	75,846
Adjusted EBITDA [12]	**73,076**	**50,997**	**293,894**	**234,683**

[1] See "Note 25[e] – Finance 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 24 – Share-based compensation plans" in our consolidated financial statements.
[3] See "Equity swap".
[4] Transaction costs (recoveries) associated with completed and ongoing mergers and acquisitions activities.
[5] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[6] Expenses incurred in connection with a global multi-year ERP transformation project.
[7] Includes loss (gain) on settlement of lease liabilities. See "Note 11 – Property, plant and equipment" in our consolidated financial statements.
[8] See "Note 16 – Assets held for sale" in our consolidated financial statements.
[9] See "Remediation costs and equipment rework"; includes legal fees associated with remediation settlement.
[10] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[11] Impairment charge related to property, plant, and equipment, right-of-use assets, goodwill, intangible assets and assets held for sale. See "Note 11 – Property, plant and equipment", "Note 12 – Right-of-use assets", "Note 13 – Goodwill", "Note 14 – Intangible assets" and "Note 16 – Assets held for sale" in our consolidated financial statements.

[12] 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 December 31, 2023		
	Farm	Commercial	Other [14]	Total
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	39,188	28,271	(56,930)	**10,529**
Finance costs	—	—	18,296	**18,296**
Depreciation and amortization [1]	6,946	7,972	1,324	**16,242**
Gain on foreign exchange [2]	—	—	(4,690)	**(4,690)**
Share-based compensation [3]	—	—	2,796	**2,796**
Loss on financial instruments [4]	—	—	1,117	**1,117**
Transaction, transitional and other costs [6]	—	—	10,975	**10,975**
ERP system transformation costs [7]	—	—	14,001	**14,001**
Net (gain) loss on disposal of property, plant and equipment [1][8]	560	(90)	23	**493**
Net gain on assets held for sale [9]	—	(339)	—	**(339)**
Equipment rework [10]	—	—	3,000	**3,000**
Remediation [10]	—	—	600	**600**
Accounts receivable reserve for RUK	—	(82)	—	**(82)**
Impairment charge [12]	—	138	—	**138**
Adjusted EBITDA [13]	**46,694**	**35,870**	**(9,488)**	**73,076**

		Three-months ended December 31, 2022		
	Farm	Commercial	Other [14]	Total
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	(64,116)	21,194	(33,604)	**(76,526)**
Finance costs	—	—	17,197	**17,197**
Depreciation and amortization [1]	10,580	6,469	1,975	**19,024**
Gain on foreign exchange [2]	—	—	(2,211)	**(2,211)**
Share-based compensation [3]	—	—	4,910	**4,910**
Gain on financial instruments [4]	—	—	(8,211)	**(8,211)**
Mergers and acquisition expense (recovery) [5]	—	—	(25)	**(25)**
Transaction, transitional and other costs [6]	13,669	—	1,726	**15,395**
Net (gain) loss on disposal of property, plant and equipment [1][8]	(13)	1	—	**(12)**
Equipment rework [10]	—	—	6,100	**6,100**
Impairment charge [12]	72,362	2,994	—	**75,356**
Adjusted EBITDA [13]	**32,482**	**30,658**	**(12,143)**	**50,997**

[thousands of dollars]	Farm $	Commercial $	Year ended December 31, 2023 Other [14] $	Total $
Profit (loss) before income taxes	187,477	89,336	(190,746)	**86,067**
Finance costs	—	—	73,667	**73,667**
Depreciation and amortization [1]	26,867	30,219	8,230	**65,316**
Gain on foreign exchange [2]	—	—	(7,571)	**(7,571)**
Share-based compensation [3]	—	—	12,159	**12,159**
Gain on financial instruments [4]	—	—	(5,369)	**(5,369)**
Mergers and acquisition expense [5]	—	—	50	**50**
Transaction, transitional and other costs [6]	—	—	27,124	**27,124**
ERP system transformation costs [7]	—	—	14,001	**14,001**
Net loss on disposal of property, plant and equipment [1][8]	712	9	47	**768**
Net gain on assets held for sale [9]	—	(314)	—	**(314)**
Equipment rework [10]	—	—	7,900	**7,900**
Remediation [10]	—	—	16,208	**16,208**
Accounts receivable reserve for RUK	—	1,651	—	**1,651**
Impairment charge [12]	2,099	138	—	**2,237**
Adjusted EBITDA [13]	**217,155**	**121,039**	**(44,300)**	**293,894**

[thousands of dollars]	Farm $	Commercial $	Year ended December 31, 2022 Other [14] $	Total $
Profit (loss) before income taxes	36,676	72,716	(154,705)	**(45,313)**
Finance costs	—	—	61,067	**61,067**
Depreciation and amortization [1]	40,548	29,494	6,903	**76,945**
Loss on foreign exchange [2]	—	—	8,941	**8,941**
Share-based compensation [3]	—	—	15,620	**15,620**
Gain on financial instruments [4]	—	—	(9,629)	**(9,629)**
Mergers and acquisition expense [5]	—	—	(144)	**(144)**
Transaction, transitional and other costs [6]	13,669	—	30,632	**44,301**
Net (gain) loss on disposal of property, plant and equipment [1][8]	(160)	480	20	**340**
Equipment rework [10]	—	—	6,100	**6,100**
Fair value of inventory from acquisition [11]	—	609	—	**609**
Impairment charge [12]	72,385	3,461	—	**75,846**
Adjusted EBITDA [13]	**163,118**	**106,760**	**(35,195)**	**234,683**

[1] Allocated based on the segment of the underlying asset's cash generating unit ("CGU").
[2] See "Note 25[e] – Finance expenses (income)" in our consolidated financial statements.

[3] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 24 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction costs (recoveries) associated with completed and ongoing mergers and acquisitions activities.
[6] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[7] Expenses incurred in connection with a global multi-year ERP transformation project.
[8] Includes loss (gain) on settlement of lease liabilities. See "Note 11 – Property, plant and equipment" in our consolidated financial statements.
[9] See "Note 16 – Assets held for sale" in our consolidated financial statements.
[10] See "Remediation costs and equipment rework"; includes legal fees associated with remediation settlement.
[11] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[12] Impairment charge related to property, plant, and equipment, right-of-use assets, goodwill, intangible assets and assets held for sale. See "Note 11 – Property, plant and equipment", "Note 12 – Right-of-use assets", "Note 13 – Goodwill", "Note 14 – Intangible assets" and "Note 16 – Assets held for sale" in our consolidated financial statements.
[13] 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.
[14] 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 December 31, 2023				
	Canada	US	International	Other [14]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	13,076	32,598	21,775	(56,920)	**10,529**
Finance costs	—	—	—	18,296	18,296
Depreciation and amortization [1]	5,134	5,362	4,431	1,315	16,242
Gain on foreign exchange [2]	—	—	—	(4,690)	(4,690)
Share-based compensation [3]	—	—	—	2,796	2,796
Loss on financial instruments [4]	—	—	—	1,117	1,117
Transaction, transitional and other costs [6]	—	—	—	10,975	10,975
ERP system transformation costs [7]	—	—	—	14,001	14,001
Net (gain) loss on disposal of property, plant and equipment [1][8]	573	(55)	(47)	22	493
Net gain on assets held for sale [9]	—	(339)	—	—	(339)
Equipment rework	—	—	—	3,000	3,000
Remediation [10]	—	—	—	600	600
Accounts receivable reserve for RUK	—	—	(82)	—	(82)
Impairment charge [12]	138	—	—	—	138
Adjusted EBITDA [13]	**18,921**	**37,566**	**26,077**	**(9,488)**	**73,076**

					Three-months ended December 31, 2022
	Canada	US	International	Other [14]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	(292)	(63,167)	20,526	(33,593)	(76,526)
Finance costs	—	—	—	17,197	17,197
Depreciation and amortization [1]	4,193	8,878	3,987	1,966	19,024
Gain on foreign exchange [2]	—	—	—	(2,211)	(2,211)
Share-based compensation [3]	—	—	—	4,910	4,910
Gain on financial instruments [4]	—	—	—	(8,211)	(8,211)
Mergers and acquisition recovery [5]	—	—	—	(25)	(25)
Transaction, transitional and other costs [6]	1,041	12,628	—	1,726	15,395
Net (gain) loss on disposal of property, plant and equipment [1][8]	(2)	16	(24)	(2)	(12)
Equipment rework [10]	—	—	—	6,100	6,100
Impairment charge [12]	10,934	64,422	—	—	75,356
Adjusted EBITDA [13]	**15,874**	**22,777**	**24,489**	**(12,143)**	**50,997**

					Year ended December 31, 2023
	Canada	US	International	Other [14]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	65,526	144,519	66,733	(190,711)	**86,067**
Finance costs	—	—	—	73,667	73,667
Depreciation and amortization [1]	20,015	20,821	16,286	8,194	65,316
Gain on foreign exchange [2]	—	—	—	(7,571)	(7,571)
Share-based compensation [3]	—	—	—	12,159	12,159
Gain on financial instruments [4]	—	—	—	(5,369)	(5,369)
Mergers and acquisition expense [5]	—	—	—	50	50
Transaction, transitional and other costs [6]	—	—	—	27,124	27,124
ERP system transformation costs [7]	—	—	—	14,001	14,001
Net loss on disposal of property, plant and equipment [1][8]	564	110	71	23	768
Net loss (gain) on assets held for sale [9]	—	(339)	—	25	(314)
Equipment rework [10]	—	—	—	7,900	7,900
Remediation [10]	—	—	—	16,208	16,208
Accounts receivable reserve for RUK	—	—	1,651	—	1,651
Impairment charge [12]	2,047	190	—	—	2,237
Adjusted EBITDA [13]	**88,152**	**165,301**	**84,741**	**(44,300)**	**293,894**

				Year ended December 31, 2022	
	Canada	US	International	Other [14]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	31,799	11,347	66,225	(154,684)	(45,313)
Finance costs	—	—	—	61,067	61,067
Depreciation and amortization [1]	22,106	33,637	14,320	6,882	76,945
Loss on foreign exchange [2]	—	—	—	8,941	8,941
Share-based compensation [3]	—	—	—	15,620	15,620
Gain on financial instruments [4]	—	—	—	(9,629)	(9,629)
Mergers and acquisition recovery [5]	—	—	—	(144)	(144)
Transaction, transitional and other costs [6]	1,041	12,628	—	30,632	44,301
Net (gain) loss on disposal of property, plant and equipment [1][8]	(129)	459	(10)	20	340
Equipment rework [10]	—	—	—	6,100	6,100
Fair value of inventory from acquisition [11]	609	—	—	—	609
Impairment charge [12]	10,957	64,889	—	—	75,846
Adjusted EBITDA [13]	**66,383**	**122,960**	**80,535**	**(35,195)**	**234,683**

[1] Allocated based on the geographical region of the facilities with the exception of expenses noted in Other.
[2] See "Note 25[e] – Finance expenses (income)" in our consolidated financial statements.
[3] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 24 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction costs (recoveries) associated with completed and ongoing mergers and acquisitions activities.
[6] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[7] Expenses incurred in connection with a global multi-year ERP transformation project.
[8] Includes loss (gain) on settlement of lease liabilities. See "Note 11 – Property, plant and equipment" in our consolidated financial statements.
[9] See "Note 16 – Assets held for sale" in our consolidated financial statements.
[10] See "Remediation costs and equipment rework"; includes legal fees associated with remediation settlement.
[11] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[12] Impairment charge related to property, plant, and equipment, right-of-use assets, goodwill, intangible assets and assets held for sale. See "Note 11 – Property, plant and equipment", "Note 12 – Right-of-use assets", "Note 13 – Goodwill", "Note 14 – Intangible assets" and "Note 16 – Assets held for sale" in our consolidated financial statements.
[13] 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.
[14] 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-months and year ended December 31, 2023, increased 43% and 25%, respectively, over 2022. The Farm segment's Adjusted EBITDA increased 33% in 2023 over 2022, as the segment continues to benefit from initiatives targeted at manufacturing efficiencies and significant cost reductions captured through the Digital reorganization process initiated earlier this year. The Commercial segment's Adjusted EBITDA increased 13% in 2023 over 2022 as a result of the Company's operational excellence initiatives including effective management of SG&A expenses.

Depreciation and amortization

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

Income tax expense

Current income tax expense

Current tax expense for the three-months and year ended December 31, 2023, was $4.3 million and $13.5 million, respectively, versus $4.5 million and $13.3 million in 2022.

Deferred income tax expense (recovery)

Deferred tax expense (recovery) for the three-months and year ended December 31, 2023, was recovery of $5.2 million and an expense of $3.7 million, respectively, versus a recovery of $13.2 million and $8.0 million in 2022. The deferred tax expense in 2023 related to the recognition of temporary differences between the accounting and tax treatment of EIAP liability, equity swap, and accruals and long-term provisions.

[thousands of dollars except percentages]	Three-months ended December 31 2023 $	2022 $	Year ended December 31 2023 $	2022 $
Current tax expense	4,324	4,515	13,442	13,291
Deferred tax expense (recovery)	(5,173)	(13,230)	3,736	(8,021)
Total tax expense (recovery)	**(849)**	**(8,715)**	**17,178**	**5,270**
Profit (loss) before income taxes	10,529	(76,526)	86,067	(45,313)
Effective income tax rate	(8.1%)	11.4%	20.0%	(11.6%)

The effective tax rate in 2023 was impacted by items that were included in the calculation of profit before income taxes for accounting purposes but were not included or deducted for tax purposes. The decreased effective tax rate from the statutory rate of 26.8% for the year ended December 31, 2023, was specifically attributable to differences in tax rates and deductions allowed in foreign jurisdictions. The effective tax rate for the year ended December 31, 2023 was further reduced as a result of the recognition of previously unrecognized deferred tax assets for Canada.

Diluted profit (loss) per share and diluted adjusted profit per share

The Company's diluted profit per share for the three-months and year ended December 31, 2023, was a profit of $0.58 and $3.44, respectively, compared to a loss of $3.59 and $2.68 in 2022. Profit (loss) per share in 2023 and 2022 has been impacted by the items enumerated in the table below, which reconciles profit (loss) to adjusted profit.

[thousands of dollars except per share amounts]	Three-months ended December 31		Year ended December 31	
	2023	2022	2023	2022
	$	$	$	$
Profit (loss)	11,378	(67,811)	68,889	(50,583)
Diluted profit (loss) per share	0.58	(3.59)	3.44	(2.68)
Loss (gain) on foreign exchange [1]	(4,690)	(2,211)	(7,571)	8,941
Loss (gain) on financial instruments [2]	1,117	(8,211)	(5,369)	(9,629)
Mergers and acquisition expense (recovery) [3]	—	(25)	50	(144)
Transaction, transitional and other costs [4]	10,975	15,395	27,124	44,301
ERP system transformation costs [5]	14,001	—	14,001	—
Net (gain) loss on disposal of property, plant and equipment [6]	493	(12)	768	340
Net gain on sale of assets held for sale [7]	(339)	—	(314)	—
Equipment rework [8]	3,000	6,100	7,900	6,100
Remediation [8]	600	—	16,208	—
Fair value of inventory from acquisition [9]	—	—	—	609
Accounts receivable reserve for RUK	(82)	—	1,651	—
Impairment charge [10]	138	75,356	2,237	75,846
Adjusted profit [11]	36,591	18,581	125,574	75,781
Diluted adjusted profit per share [12]	1.70	0.92	5.91	3.74

[1] See “Note 25[e] – Finance expenses (income)” in our consolidated financial statements.

[2] See “Equity swap”.

[3] Transaction costs (recoveries) associated with completed and ongoing mergers and acquisitions activities.

[4] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.

[5] Expenses incurred in connection with a global multi-year ERP transformation project.

[6] Includes loss (gain) on settlement of lease liabilities. See “Note 11 – Property, plant and equipment” in our consolidated financial statements.

[7] See “Note 16 – Assets held for sale” in our consolidated financial statements.

[8] See “Remediation costs and equipment rework”; includes legal fees associated with remediation settlement.

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

[10] Impairment charge related to property, plant, and equipment, right-of-use assets, goodwill, intangible assets and assets held for sale. See “Note 11 – Property, plant and equipment”, “Note 12 – Right-of-use assets”, “Note 13 – Goodwill”, “Note 14 – Intangible assets” and “Note 16 – Assets held for sale” in our consolidated financial statements.

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

[12] This is a non-IFRS ratio and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS ratio.

QUARTERLY FINANCIAL INFORMATION

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

2023					
	Average USD/CAD Exchange Rate	Revenue [1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.37	347,016	16,357	0.86	0.82
Q2	1.36	390,269	16,095	0.85	0.81
Q3	1.35	410,067	25,059	1.32	1.21
Q4	1.36	379,317	11,378	0.60	0.58
YTD	**1.35**	**1,526,669**	**68,889**	**3.63**	**3.44**

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

[1] See "BASIS OF PRESENTATION".

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

- Revenue, gain (loss) on foreign exchange, profit (loss), and basic and diluted profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.
- Profit (loss) and basic and diluted profit (loss) per share from 2022 to 2023 were negatively impacted by the Company's estimated remediation costs [see – "Remediation costs and equipment rework"].

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

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOW AND LIQUIDITY

[thousands of dollars]	Three-months ended December 31 2023 $	Three-months ended December 31 2022 $	Year ended December 31 2023 $	Year ended December 31 2022 $
Profit (loss) before tax	10,529	(76,526)	86,067	(45,313)
Items not involving current cash flows	17,065	101,717	68,722	218,942
Cash provided by operations	27,594	25,191	154,789	173,629
Net change in non-cash working capital	58,237	84,635	(15,029)	(38,560)
Transfer from (to) restricted cash	110	(788)	417	(858)
Non-current accounts receivable and other	1,853	(2,174)	(5,647)	(11,374)
Long-term payables	(8)	(252)	300	(85)
Settlement of equity incentive award plan obligation	(158)	(157)	(14,373)	(2,736)
Post-combination payments	(350)	—	(3,040)	(5,462)
Income tax paid	(3,586)	(2,877)	(11,790)	(12,384)
Cash flows provided by operating activities	83,692	103,578	105,627	102,170
Cash used in investing activities	(19,941)	(15,166)	(43,115)	(85,768)
Cash used in financing activities	(66,061)	(71,152)	(34,114)	(18,065)
Net increase (decrease) in cash during the period	(2,310)	17,260	28,398	(1,663)
Cash, beginning of period	90,352	42,384	59,644	61,307
Cash, end of period	**88,042**	**59,644**	**88,042**	**59,644**

The decrease in cash flow provided by operating activities for the three-months ended December 31, 2023 as compared to 2022 is due to the net change in non-cash working capital and changes in items not involved with current cashflow offset by non-current accounts receivables. In addition, cash flows provided by operating activities for the year ended December 31, 2023, includes the settlement amount paid net of insurance proceeds received and the reduction of remediation provision as a result of the finalization of the terms of the settlement agreement discussed under "Remediation costs and equipment rework".

Cash used in investing activities for the three-months and year ended December 31, 2023, relates primarily to capital expenditures and internally generated intangibles.

Cash used in financing activities for the three-months and year ended December 31, 2023, excluding the impact of foreign exchange, relates primarily to a net decrease in senior credit facilities of $55.1 million and $15.5 million [December 31, 2022 – net decrease of $60.4 million and $12.3 million], net of fees, and changes in interest accrual.

Working Capital Requirements

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

Capital Expenditures

	Three-months ended December 31		Year ended December 31	
	2023	2022	2023	2022
[thousands of dollars]	$	$	$	$
Maintenance capital expenditures [1]	6,209	5,768	14,470	13,386
Non-maintenance capital expenditures [1]	18,894	8,996	28,555	19,897
Acquisition of property plant and equipment	**25,103**	**14,764**	**43,025**	**33,283**

[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-months and year ended December 31, 2023, were $25.1 million and $43.0 million, respectively, as compared to $14.8 million $33.3 million in 2022.

Maintenance capital expenditures in the three-months and year ended December 31, 2023, were $6.2 million [1.7% of revenue] and $14.5 million [0.9% of revenue], respectively, versus $5.8 million [1.5% of revenue] and $13.4 million [0.9% of revenue] in 2022. Maintenance capital expenditures in 2023 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of revenue.

AGI had non-maintenance capital expenditures in the three-months and year ended December 31, 2023, of $18.9 million and $28.6 million, respectively, versus $9.0 million and $19.9 million, respectively in 2022. The 2023 expenditures relate primarily to capital projects in India, Brazil and Canada.

The acquisition of property, plant and equipment and its components of maintenance and non-maintenance capital expenditures in 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 December 31, 2023, the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total $	2024 $	2025 $	2026 $	2027 $	2028+ $
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]	**423,494**	438	291	422,350	212	203
Lease liability [2]	**53,702**	9,837	9,235	7,635	5,969	21,026
Short term and low value leases [2]	**11**	6	3	1	1	—
Due to vendor [2]	**6,496**	4,447	2,049	—	—	—
Purchase obligations [3]	**4,245**	4,245	—	—	—	—
Total obligations	**964,343**	**191,473**	**11,578**	**514,986**	**225,077**	**21,229**

[1] During the year ended December 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]	December 31 2023 $	December 31 2022 $
Total assets	1,654,976	1,646,051
Total liabilities	1,336,992	1,380,381

Cash

The Company's cash balance at December 31, 2023 was $88.0 million [December 31, 2022 - $59.6 million].

Debt Facilities

As at December 31, 2023:

[thousands of dollars except interest rate]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Senior Credit Facilities	CAD / USD	2026	713,715	422,134	6.69%
Equipment Financing	various	various	1,346	1,346	various
Total			**715,061**	**423,480**	

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on December 31, 2023 of $1.3226.
[2] Excludes the $300 million accordion available under AGI's credit facility.

AGI's senior credit facilities of $350 million and U.S. $275 million are inclusive of amounts that may be allocated to the Company's swing-line facilities and can be drawn in Canadian or U.S. funds. AGI has swing-line facilities of $50 million and U.S. $10 million. The senior credit facilities bear interest at BA/SOFR plus 1.2% – 2.75% and prime plus 0.2% – 1.75% per annum based on performance calculations. As at December 31, 2023, there was $149.9 million [2022 – $164.7 million] and U.S. $205.8 million [2022 – U.S. $205.8 million] outstanding under the facilities. As at December 31, 2023, the portion of drawings from the senior credit facilities recorded on the swing-line was $20.1 million [December 31, 2022 - $27.9 million]. In 2023, total long-term debt, excluding deferred financing costs, decreased by $21.7 million YOY.

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 December 31, 2023:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par
2021 [AFN.DB.I]	114,995,000 [3]	5.00%	45.14	Jun 30, 2027	Jun 30, 2025[1]
2022 [AFN.DB.J]	103,900,000	5.20%	70.50	Dec 31, 2027	Dec 31, 2025[2]

[1] On and after June 30, 2025 and prior to June 30, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On and after June 30, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount, plus accrued and unpaid interest, regardless of the trading price of the Common Shares.

[2] On and after December 31, 2025 and prior to December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On and after December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the Common Shares.

[3] During the year ended December 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 2, 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 December 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. The Company's 2019 Debentures will mature in 2024, however the Company has various options available for settlement including use of its senior credit facilities.

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	104,778
Conversion of convertible unsecured subordinated debentures	110
December 31, 2023 and March 5, 2024	**19,005,846**

At March 5, 2024:

- 19,005,846 Common Shares are outstanding;
- 2,265,000 Common Shares are available for issuance under the Company's equity-settled Equity Incentive Award Plan [the "EIAP"], of which 1,106,437 Common Shares have been issued under the EIAP, 589,296 Common Shares are issuable on the settlement of

outstanding awards and 569,267 Common Shares are reserved for issuance on the settlement of awards that are available for grant;

- 120,000 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan, of which 19,788 Common Shares have been issued and;
- 4,021,279 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of $218.9 million outstanding.

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

DIVIDENDS

AGI declared dividends of $2.9 million or $0.15 per common share [2022 – $2.8 million or $0.15 per common share] in the three-month period ended December 31, 2023. The dividend declared in Q4 2023 was paid on January 15, 2024 to common shareholders of record at the close of business on December 29, 2023. Dividends paid to common shareholders of $2.9 million [2022 – $2.8 million] during the three-month period ended December 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

	Year ended December 31	
	2023	2022
[thousands of dollars except percentages]	$	$
Cash provided by operations	154,789	173,629
Items not involving current cashflows	(68,722)	(218,942)
Profit (loss) before income taxes	**86,067**	**(45,313)**
Combined adjustments to Adjusted EBITDA [1]	207,827	279,996
Adjusted EBITDA [2]	**293,894**	**234,683**
Interest expense	(73,667)	(61,067)
Non-cash interest	10,041	9,720
Cash taxes	(11,790)	(12,384)
Maintenance capital expenditures [3]	(14,470)	(13,386)
Funds from operations [2]	**204,008**	**157,566**
Dividends	11,380	11,315
Payout Ratio [3] **from cash provided by operations**	**7%**	**7%**
Payout Ratio [4] **from funds from operations**	**6%**	**7%**

[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.

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk.

In 2023, the Company entered into a series of short-term forward contracts with notional amounts of U.S. $10.8 million in aggregate, which matured on or before February 12, 2024. During the three-months and year ended December 31, 2023, an unrealized gain of $0.4 million and $0.1 million, respectively were recorded in gain on financial instruments. As at December 31, 2023, the fair value of the forward contracts was an asset of $0.1 million.

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 effective June 11, 2023 and expiring on May 11, 2026. The Company receives interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 3.972%. The notional amounts are $75 million in aggregate, resetting each month. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that it has been assessed to be effective. During the three-months and year ended December 31, 2023, an unrealized loss of $1.8 million and gain of $0.9 million, respectively [2022 – gain of $0.2 million and loss of $0.4 million] were recorded in other comprehensive income (loss) and a realized gain of $0.3 million and $0.5 million [2022 – nil and nil] were recorded in finance costs. As at December 31, 2023, the fair value of the interest rate swap was an asset of $0.06 million [2022 – liability 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 December 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-months and year ended December 31, 2023, an unrealized loss of $2.0 million and gain of $5.2 million, respectively [2022 – gain of $8.0 million and $8.4 million] were recorded in gain on financial instruments in other operating expense (income). As at December 31, 2023, the fair value of the equity swap was an asset of $8.5 million [2022 – asset of $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 the time of issuance, the Company's redemption option resulted in an embedded derivative with a fair value of $0.8 million. During the three-months and year ended December 31, 2023, the Company recorded an unrealized gain of $0.5 million and gain of $0.09 million, respectively [2022 – gain of $0.1 million and $0.3 million], on financial instruments in other operating income. As at December 31, 2023, the fair value of the embedded derivative was an asset of $0.6 million [2022 – asset of $0.6 million].

2022 ACQUISITION

Eastern Fabricators

On January 4, 2022, AGI acquired Eastern Fabricators Inc. ("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 $3.8 million in post-closing payments based on the achievement of financial targets in future years. The acquisition was funded primarily through AGI's senior debt facilities.

OTHER RELATIONSHIPS

A law firm in which a Director of AGI is a partner provides legal services to the Company. During the three-months and year ended December 31, 2023, the total cost of these legal services was $0.2 million and $0.6 million, respectively [2022 – $0.6 million and $2.5 million], and $1.1 million is included in accounts payable and accrued liabilities as at December 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 2023 consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the 2023 consolidated financial statements for a discussion of the significant accounting judgments, estimates and assumptions.

RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR+ [www.sedarplus.ca]. These risks and uncertainties include but are not limited to the following: general economic and business conditions and changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, including as a result of conflicts in the Middle East and the conflict between Russia and Ukraine and the responses 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 recent 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/or labour actions, 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 recent COVID-19 pandemic; risks inherent in marketing operations; credit risk; the availability of credit for customers; seasonality and industry cyclicality; potential delays or changes in plans with respect to capital expenditures; the cost and availability of sufficient financial resources to fund the Company's capital expenditures; failure of the Company to realize the benefits of its operational excellence initiatives; incorrect assessments of the value of acquisitions, failure of the Company to realize the anticipated benefits of acquisitions, including to realize anticipated synergies and margin improvements, and the assumption of liabilities associated with acquisitions and/or the provision of indemnities to vendors in respect of any such assumed liabilities or otherwise; volatility in the stock markets including the market price of the Common Shares and in market valuations; competition for, among other things, customers, supplies, acquisitions, capital and skilled personnel; the availability of capital on acceptable terms; dependence on suppliers; changes in labour costs and the labour market, including the risk of labour cost increases that may arise as a result of ongoing high inflation rates and/or a scarcity of labour and/or labour activities; the impact of climate change and related laws and regulations; changes in trade relations between the countries in which the Company does business, including between Canada and the United States; cyber security risks; adjustments to and delays or cancellation of one or more orders comprising our order book; the requirement to re-supply equipment or re-complete work previously supplied or completed at AGI's cost, and the risk that AGI's assumptions and estimates made in respect of such costs and underlying the provision for warranty accrual and remediation in our consolidated financial statements related thereto and insurance coverage therefor (including for the matters disclosed herein under "Remediation costs and equipment rework") will prove to be incorrect as further information becomes available to AGI; and the risk of litigation or unsuccessful defense of litigation in respect of equipment or work previously supplied or completed or in respect of other matters and the risk that AGI incurs material liabilities in connection with such litigation that are not covered by insurance in whole or in part. These risks and uncertainties are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of these risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected.

Russia-Ukraine Conflict

AGI's exposure to Russia and Ukraine varies year-to-year. Prior to 2022, the region generally contributed about 3% of AGI's consolidated revenue 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.

CHANGES IN ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES

Amendments to IAS 1, Presentation of Financial Statements ["IAS 1"] and IFRS Practice Statement ["PS"] 2, Making Materiality Judgments

In February 2021, amendments were issued to IAS 1 and IFRS PS 2, which provide guidance and examples to help entities apply materiality judgment to accounting policy disclosures. Specifically, the amendments aim to:

- Replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; and
- Add guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments are effective for annual periods beginning on or after January 1, 2023. The Company's adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ["IAS 8"]

In February 2021, amendments were issued to IAS 8, in which it introduces a new definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments are effective for annual periods beginning on or after January 1, 2023. The Company's adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

International tax reform—Pillar Two model rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the Organisation for Economic Co-operation and Development's base erosion and profit shifting Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is [substantively] enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

For example:

a) Qualitative information such as how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and
b) Quantitative information such as:
    - An indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
    - An indication of how the entity's overall effective tax rate would have changed if Pillar Two legislation had been effective.

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes. The requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023. The Company has reviewed its corporate structure in light of the introduction of Pillar Two model rules in the various jurisdictions in which it operates. The Company has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective based on the transitional safe harbour rules. Therefore, as the related Pillar Two disclosures are not required, the amendments did not have an impact on the Company's consolidated financial statements as at December 31, 2023.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including AGI's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management has concluded that disclosure controls and procedures were effective as at December 31, 2023.

Management of AGI is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS. Management has evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at December 31, 2023 and has concluded that they are effective.

There have been no changes in AGI's internal controls over financial reporting that occurred in the three-month period ended December 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 revenue", "gross profit as a % of revenue", "diluted adjusted profit per share" and "payout ratio from funds from operations"; and (iii) supplementary financial measures: "order book", "revenue by geography", "revenue by segment and geography", "maintenance capital expenditures", "non-maintenance capital expenditures" and "payout ratio from cash provided by operations"; to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS financial measures, non-IFRS ratios and supplementary financial measures in order to prepare annual operating budgets and to determine components of management compensation. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure or ratio.

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

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

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

"Adjusted EBITDA" is defined as profit (loss) before income taxes before finance costs, depreciation and amortization, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A recovery or expenses, transaction, transitional and other costs, net gain or loss on the sale of property, plant & equipment, net gain or loss on assets held for sale, net gain or loss on settlement of lease liability, equipment rework, remediation, accounts receivable reserve for RUK, non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and impairment charge. Adjusted EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit (loss) before income taxes. Management believes Adjusted EBITDA is a useful measure to assess the performance and cash flow of the Company as it excludes the effects of interest, taxes, depreciation, amortization and expenses that management believes are not reflective of the Company's underlying business performance. Management cautions investors that Adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. See "Detailed Operating Results – Profit (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 revenue. Adjusted EBITDA margin % is a non-IFRS ratio because one of its components, Adjusted EBITDA, is a non-IFRS financial measure. Management believes Adjusted EBITDA margin % is a useful measure to assess the performance and cash flow of the Company.

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

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

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

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

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

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

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

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words “anticipate”, “estimate”, “believe”, “continue”, “could”, “expects”, “intend”, "trend", “plans”, “will”, “may” or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to: that we continue to focus on streamlining SG&A expenses through the implementation of more consistent cost control protocols across the organization; that we expect to sustain increased margins going forward into 2024; that the overall Farm order book continues to trend higher; that we anticipate the timing and acceleration in Commercial results to be most pronounced in the second half of 2024; that our success in implementing margin expanding operational excellence initiatives across the Company enables AGI to enter 2024 with a favourable outlook; our expectation for full year 2024 Adjusted EBITDA; our anticipation for a gradual ramp-up of our 2024 results, gathering momentum as the year progresses; that our 2024 guidance represents yet another year of strong growth and highlights the benefits of our diversified and resilient business model, in addition to the ongoing demand for our products; that the Canada Farm order book continues to benefit from significant demand for portable grain handling equipment, which sets up Canada Farm for a strong first half of 2024; that the usual cadence of dealer inventory replenishment is expected to provide momentum to the U.S. Farm business as we progress through 2024; that challenging market conditions in South America are expected to continue into early 2024; that the recent introduction of new financing options available to Farm-level customers in Brazil is expected to provide some demand support; that we will continue to maintain our focus on expanding the Company's product portfolio to the Asia Pacific region; that in 2024, we expect to launch new storage and material handling product lines to capture strong demand for this type of equipment in the Asia Pacific region; that our record performance in 2023 continues to demonstrate the strength of our balanced and diversified business strategy; our ability to consistently deliver profitable growth; that 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; our outlook for our financial and operating performance in 2024, including by segment, product type and geographic region, and including our expectations for our future financial results, 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; the estimated costs to the Company that may result from the remediation work and/or equipment rework described herein under "Remediation costs and equipment rework"; our belief that our senior credit facilities and debentures, together with available cash and internally generated funds, are sufficient to support our working capital, capital expenditure, dividend and debt service requirements; the factors that may impact our working capital requirements; and our dividend policy and how dividend payments may be funded. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: anticipated crop yields and production in our market areas; the financial and operating attributes of acquired businesses and the anticipated future performance thereof; the value of acquired businesses and assets and the liabilities assumed (and indemnities provided) by AGI in connection therewith; anticipated financial performance; future debt levels; business prospects and strategies, including the success of our operational excellence initiatives; product and input pricing; the scope, nature, timing and cost of re-supplying certain equipment and re-completing certain work that has previously been supplied or completed pursuant to warranty obligations or otherwise; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; currency exchange rates, inflation rates and interest rates; the cost of materials, labour and services and the impact of inflation rates and/or supply chain disruptions and/or labour activity thereon; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the

Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the amount and timing of the dividends that we expect to pay; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; the ability of the Company to successfully market its products and services; and that a pandemic or other public health emergency will not have a material impact on our business, operations, and financial results going forward. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form, which is available under the Company's profile on SEDAR+ [www.sedarplus.ca]. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Further, AGI cannot guarantee that the anticipated revenue from its order book will be realized or, if realized, will result in profits or Adjusted EBITDA. Delays, cancellations and scope adjustments occur from time-to-time with respect to contracts reflected in AGI's order book, which can adversely affect the revenue and profit that AGI actually receives from its order book. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities. These estimates and related assumptions may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. Without limitation of the foregoing, the provisions for remediation and equipment rework disclosed herein required significant estimates, judgments and assumptions about the scope, nature, timing and cost of work that will be required. It is based on management's estimates, judgments and assumptions 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 2024 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 2024 in part as a result of the 25% YOY increase in AGI's order book at December 31, 2023 (which is at an all-time record) and the benefits of our successful implementation of our operational excellence initiatives with a meaningful impact on our margin profile. To the extent such estimate constitutes a financial outlook, it was approved by management on March 5, 2024 and is included to provide readers with an understanding of AGI's anticipated 2024 Adjusted EBITDA based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

ADDITIONAL INFORMATION

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

Consolidated financial statements

Ag Growth International Inc.

December 31, 2023

Independent auditor's report

To the Shareholders of
Ag Growth International Inc.

Opinion

We have audited the consolidated financial statements of **Ag Growth International Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment test for indefinite life intangible assets	
The Group has brand names that are classified as indefinite life intangible assets, with a carrying value of $117.5 million at December 31, 2023. These indefinite life intangible assets do not generate largely independent cash flows and are therefore tested as part of the cash generating units ["CGUs"] to which they belong. CGUs that contain indefinite life intangible assets are tested for impairment annually and whenever there is an indication of impairment. A value in use model was used by management to calculate the recoverable amount of each CGU. The value in use model requires the use of significant judgment and estimation in respect of management's assumptions in determining future cash flow forecasts, especially revenue growth rates, terminal growth rates, gross margins and discount rates. This matter has been considered a key audit matter due to the significant judgment and subjectivity involved in evaluating management's estimates and assumptions, specifically revenue growth rates, terminal growth rates, gross margins and discount rates, in determining the recoverable amount of each CGU. Refer to notes 3, 4, 14 and 15 in the consolidated financial statements for the Group's disclosures related to its indefinite life intangible assets impairment testing.	Our approach to testing the recoverable amount of the CGUs included the assistance of our valuation specialists to perform the following procedures, among others: • We evaluated the appropriateness of the value in use model methodology and recalculated its mathematical accuracy. • We performed a retrospective analysis and compared the 2023 actual results to the 2023 Board approved budget to assess management's ability to forecast and agreed the 2024 forecast to the Board approved budget for 2024. • We evaluated the reasonableness of the CGUs' revenue growth rates, terminal growth rates and gross margins by comparing the significant assumptions to externally available industry and economic trends data and historical results, which considered geographic location, weather conditions, crop sizes, crop prices, changing food preferences, farming trends and trade agreements. • We evaluated the discount rate by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities. • We performed sensitivity analysis on the revenue growth rates, terminal growth rates, gross margins and discount rates to evaluate changes in the recoverable amount of the CGU that would result from changes in these assumptions. • We assessed the adequacy of the disclosures included in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ashraf El-Bakri.

Ernst & Young LLP

Chartered Professional Accountants

Winnipeg, Canada
March 5, 2024

Ag Growth International Inc.

Consolidated statements of financial position

[in thousands of Canadian dollars]

As at December 31

	2023	2022
	$	$
Assets		
Current assets		
Cash and cash equivalents	88,042	59,644
Restricted cash	2,619	3,110
Accounts receivable *[note 8]*	265,604	220,861
Inventory *[note 9]*	214,763	279,318
Prepaid expenses and other assets *[note 26]*	65,584	60,171
Current portion of notes receivable *[note 10]*	5,658	5,791
Current portion of derivative instruments	8,621	—
Income taxes recoverable	11,357	13,951
	662,248	642,846
Non-current assets		
Property, plant and equipment, net *[note 11]*	344,386	336,385
Right-of-use assets, net *[note 12]*	32,810	31,360
Goodwill *[note 13]*	339,607	342,983
Intangible assets, net *[note 14]*	211,117	225,879
Non-current accounts receivable *[note 8]*	51,763	46,116
Notes receivable *[note 10]*	191	264
Derivative instruments *[note 30]*	700	3,901
Deferred income tax asset *[note 27]*	10,086	4,112
	990,660	991,000
Assets held for sale *[note 16]*	2,068	12,205
Total assets	1,654,976	1,646,051
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 17]*	252,941	236,111
Customer deposits	88,068	80,013
Dividends payable	2,851	2,835
Income taxes payable	4,371	6,667
Current portion of due to vendor	4,447	5,214
Current portion of lease liability *[note 19]*	6,711	5,665
Current portion of long-term debt *[note 20]*	549	479
Current portion of senior unsecured subordinated debentures *[note 22]*	171,249	—
Provisions *[note 18]*	16,813	75,233
	548,000	412,217
Non-current liabilities		
Other financial liabilities	863	590
Derivative instruments *[note 30]*	—	352
EIAP liability *[note 24[a]]*	1,540	1,371
Due to vendor	1,459	5,754
Lease liability *[note 19]*	34,960	33,482
Long-term debt *[note 20]*	419,908	440,459
Convertible unsecured subordinated debentures *[note 21]*	190,064	183,481
Senior unsecured subordinated debentures *[note 22]*	83,507	252,750
Deferred income tax liability *[note 27]*	56,691	49,925
	788,992	968,164
Total liabilities	1,336,992	1,380,381
Shareholders' equity *[note 23]*		
Common shares	10,303	9,644
Accumulated other comprehensive income	12,229	15,116
Equity component of convertible debentures	22,868	22,851
Contributed surplus	499,217	501,741
Deficit	(226,633)	(283,682)
Total shareholders' equity	317,984	265,670
Total liabilities and shareholders' equity	1,654,976	1,646,051

See accompanying notes

On behalf of the Board of Directors:

(signed) Janet Giesselman
Director

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

Ag Growth International Inc.

Consolidated statements of income (loss)

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

Years ended December 31

	2023	2022
	$	$
Revenue *[notes 3 and 7]*	1,526,669	1,458,082
Cost of goods sold *[note 25[a]]*	1,047,541	1,037,483
Gross profit	479,128	420,599
Expenses		
Selling, general and administrative *[note 25[b]]*	340,702	338,396
Other operating income *[note 25[c]]*	(15,578)	(18,011)
Impairment charge *[notes 11, 12, 13, 14 and 16]*	2,237	75,846
Finance costs *[note 25[d]]*	73,667	61,067
Finance expense (income) *[note 25[e]]*	(7,967)	8,614
	393,061	465,912
Profit (loss) before income taxes	86,067	(45,313)
Income tax expense (recovery) *[note 27]*		
Current	13,442	13,291
Deferred	3,736	(8,021)
	17,178	5,270
Profit (loss) for the year	68,889	(50,583)
Profit (loss) per share *[note 28]*		
Basic	3.63	(2.68)
Diluted	3.44	(2.68)

See accompanying notes

Ag Growth International Inc.

Consolidated statements of comprehensive income (loss)

[in thousands of Canadian dollars]

Years ended December 31

	2023	2022
	$	$
Profit (loss) for the year	68,889	(50,583)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of derivatives designated as cash flow hedges gain (loss) *[note 30]*	920	(352)
Realized gains on derivatives designated as cash flow hedges recognized in net earnings	(512)	—
Income tax effect on cash flow hedges	(108)	93
Exchange differences on translation of foreign operations	(3,415)	37,038
	(3,115)	36,779
Items that will not be reclassified to profit or loss		
Actuarial gain on defined benefit plans	311	1,545
Income tax effect on defined benefit plans	(83)	(409)
	228	1,136
Other comprehensive income (loss) for the year	(2,887)	37,915
Total comprehensive income (loss) for the year	66,002	(12,668)

See accompanying notes

Ag Growth International Inc.

Consolidated statements of changes in shareholders' equity

[in thousands of Canadian dollars]

Year ended December 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 year	—	—	—	68,889	—	—	—	—	68,889
Other comprehensive income (loss)	—	—	—	—	(3,415)	300	228	—	(2,887)
Share-based payment transactions *[note 23[a][b]]*	654	—	(2,524)	—	—	—	—	—	(1,870)
Dividends paid and payable to shareholders *[note 23[d]]*	—	—	—	(11,396)	—	—	—	—	(11,396)
Dividends on share-based compensation awards *[note 23[d]]*	—	—	—	(444)	—	—	—	—	(444)
Conversion of 2021 convertible debentures *[note 21]*	5	17	—	—	—	—	—	—	22
As at December 31, 2023	10,303	22,868	499,217	(226,633)	10,352	41	2,736	(900)	317,984

See accompanying notes

Ag Growth International Inc.

Consolidated statements of changes in shareholders' equity

[in thousands of Canadian dollars]

Year ended December 31, 2022

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency translation reserve $	Cash flow hedge reserve $	Defined benefit plan reserve $	Equity investment $	Total shareholders' equity $
As at January 1, 2022	5,233	12,905	494,684	(221,272)	(23,271)	—	1,372	(900)	268,751
Loss for the year	—	—	—	(50,583)	—	—	—	—	(50,583)
Other comprehensive income (loss)	—	—	—	—	37,038	(259)	1,136	—	37,915
Share-based payment transactions *[note 23[a][b]]*	4,411	—	6,550	—	—	—	—	—	10,961
Dividends paid and payable to shareholders *[note 23[d]]*	—	—	—	(11,332)	—	—	—	—	(11,332)
Dividends on share-based compensation awards *[note 23[d]]*	—	—	—	(495)	—	—	—	—	(495)
Issuance of convertible debentures *[note 21]*	—	11,379	—	—	—	—	—	—	11,379
Redemption of convertible unsecured subordinated debentures *[note 21]*	—	(1,433)	507	—	—	—	—	—	(926)
As at December 31, 2022	9,644	22,851	501,741	(283,682)	13,767	(259)	2,508	(900)	265,670

See accompanying notes

Ag Growth International Inc.

Consolidated statements of cash flows

[in thousands of Canadian dollars]

Years ended December 31

	2023	2022
	$	$
Operating activities		
Profit (loss) before income taxes	86,067	(45,313)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	28,787	28,004
Depreciation of right-of-use assets	7,424	7,192
Amortization of intangible assets	27,130	40,233
Loss on sale of property, plant and equipment	682	339
Gain on sale of assets held for sale	(314)	—
Loss on settlement of lease liability	86	1
Gain on redemption of convertible debentures *[note 21]*	—	(584)
Impairment charge	2,237	75,846
Non-cash component of interest expense	10,041	9,720
Non-cash movement in derivative instruments	(5,369)	(9,045)
Non-cash investment tax credits	(1,720)	(1,381)
Share-based compensation expense	12,159	15,620
Defined benefit plan expense (income)	(25)	81
Due to vendor, optionally convertible redeemable preferred shares and transaction cost payable	(6,754)	23,581
Translation loss (gain) on foreign exchange	(5,642)	29,335
	154,789	173,629
Net change in non-cash working capital balances related to operations *[note 29[a]]*	(15,029)	(38,560)
Transfer from (to) restricted cash	417	(858)
Non-current accounts receivable	(5,647)	(11,374)
Long-term payables	300	(85)
Settlement of EIAP obligation	(14,373)	(2,736)
Post-combination payments	(3,040)	(5,462)
Income taxes paid	(11,790)	(12,384)
Cash provided by operating activities	105,627	102,170
Investing activities		
Acquisitions, net of cash acquired *[note 6]*	—	(28,162)
Acquisition of property, plant and equipment	(43,025)	(33,283)
Proceeds from sale of property, plant and equipment	2,082	1,587
Proceeds from sale of assets held for sale	11,483	4,318
Development and acquisition of intangible assets	(13,655)	(19,017)
Optionally convertible redeemable preferred shares	—	(11,211)
Cash used in investing activities	(43,115)	(85,768)
Financing activities		
Decrease in senior credit facilities, net of costs	(15,513)	(12,251)
Repayment of obligation under lease liabilities	(7,043)	(6,143)
Non-cash change in interest accrued	—	(1,268)
Issuance of convertible unsecured subordinated debentures, net of costs	(178)	99,162
Redemption of convertible unsecured subordinated debentures	—	(86,250)
Dividends paid in cash *[note 23[d]]*	(11,380)	(11,315)
Cash used in financing activities	(34,114)	(18,065)
Net increase (decrease) in cash during the year	28,398	(1,663)
Cash and cash equivalents, beginning of year	59,644	61,307
Cash and cash equivalents, end of year	88,042	59,644
Supplemental cash flow information		
Interest paid	63,440	52,323

See accompanying notes

Notes to consolidated financial statements

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

December 31, 2023

1. Organization

The consolidated financial statements of Ag Growth International Inc. ["AGI" or the "Company"] for the year ended December 31, 2023 were authorized for issuance in accordance with a resolution of the directors on March 5, 2024. 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. Operations

AGI is a provider of equipment solutions for agriculture bulk 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.

Included in these consolidated financial statements are the accounts of AGI and all its subsidiaries and incorporated companies [together, Ag Growth International Inc. and its subsidiaries are referred to as "AGI" or the "Company"].

3. Summary of material accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

Basis of preparation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, assets held for sale, and optionally convertible redeemable preferred shares resulting from business combinations, which are measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of Ag Growth International Inc. and its subsidiaries, Ag Growth Holdings Corp.; AGI Alpha Holdings Corp.; AGI Bravo Holdings Corp.; AGI Charlie Holdings Corp.; AGI Agricultural Equipment Pty Limited; AGI Agricultural Equipment (Nigeria) Limited; Ag Growth International Australia Pty Ltd.; Westfield Distributing (North Dakota) Inc.; Hansen Manufacturing

Corp.; Airlanco Inc.; Tramco, Inc.; Tramco Europe Limited; Euro-Tramco B.V.; AGI Netherlands B.V.; AGI EMEA S.R.L.; AGI Brasil Industria e Comercio S.A.; Mitchell Mill Systems USA Inc.; Yargus Manufacturing, Inc.; Global Industries Inc.; Junge Control Inc.; Danmare Inc.; Sabe S.A.S.; Milltec Machinery Private Limited; AGI SureTrack LLC; and Ag Growth International (Thailand) Ltd. as at December 31, 2023. Subsidiaries are fully consolidated from the date of acquisition, it being the date on which AGI obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, income and expenses and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, and equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations are expensed and included in selling, general and administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over AGI's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Any negative difference is recognized directly in the consolidated statements of income (loss). If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition ["measurement period"].

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of AGI's cash-generating units ["CGUs"] or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those CGUs. Where goodwill forms part of a CGU or group of CGUs and part of the operating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. If the Company reorganizes its reporting structure in a way that changes the composition of one or more CGUs or groups of CGUs to which goodwill has been allocated, the goodwill is reallocated to the units affected. Goodwill disposed of or reallocated in these cases is measured based on the relative values of the operation disposed of and the portion of the CGU retained, or the relative fair value of the part of a CGU allocated to a new CGU compared to the part remaining in the old organizational structure.

In a business combination achieved in stages, previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss or other comprehensive income ["OCI"], as appropriate. Any previously recognized changes in the value of the equity interest recorded in OCI are recognized in the consolidated statement of income (loss) on the same basis as would be required had the Company disposed directly of the previously held equity interest.

Foreign currency translation

Each entity in AGI determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by AGI entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary items are translated at the functional currency spot rate as of the reporting date. Exchange differences from monetary items are recognized in the consolidated statements of income (loss). Non-monetary items that are not carried at fair value are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date, and their consolidated statements of income (loss) are translated at the monthly rates of exchange. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to the consolidated statements of income (loss) when the gain or loss on disposal is recognized.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the reporting date.

Cash and cash equivalents

All highly liquid temporary cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

Inventory

Inventory comprises raw materials and finished goods. Inventory is valued at the lower of cost and net realizable value, at average cost. For finished goods, costs include all direct costs incurred in production, including direct labour and materials, freight, directly attributable manufacturing overhead costs based on normal operating capacity and property, plant and equipment depreciation.

Inventory is written down to net realizable value when the cost of inventory is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventory to be written down below cost no longer exist, or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of any accumulated depreciation and any impairment losses determined. Cost includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary and, where relevant, the present value of all dismantling and removal costs. Where major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately. AGI recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, and if it is probable that the future economic benefits embodied with the item can be reliably measured. All other repair and maintenance costs are recognized in the consolidated statements of income (loss) as an expense when incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	5–60 years
Manufacturing equipment	1–20 years
Computer hardware	3–5 years
Leasehold improvements	Over the lease period
Furniture and fixtures	3–15 years
Vehicles	2–16 years

An item of property, plant and equipment, and any material part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statements of income (loss) when the asset is derecognized.

The assets' useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. No depreciation is taken on construction in progress until the asset is placed in use. Amounts representing direct costs incurred for major overhauls are capitalized and depreciated over the estimated useful lives of the different components replaced.

Assets held for sale

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To qualify as assets held for sale, the sale must be highly probable, assets must be available for immediate sale in their present condition and management must be committed to a plan to sell assets that should be expected to close within one year from the date of classification. Assets classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell and are not depreciated. The fair value measurement of assets held for sale is categorized within Level 2 of fair value hierarchy.

Leases

At inception of a contract, AGI assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the consideration in the contract is allocated to each lease component on the basis of their relative stand-alone prices. For leases of land and buildings, the lease and non-lease components are accounted for as a single lease component as permitted within IFRS 16.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rates, the amount expected to be payable under a residual value guarantee, or the Company's assessment of whether it will exercise a purchase, extension or termination option. Upon remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded the consolidated statements of income (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

For short-term leases [12 months or less] and leases of low-value assets, the Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time, which AGI considers to be 12 months or more, to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income (loss) in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives, which include brand names, are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Internally generated intangible assets are capitalized when the product or process is technically and commercially feasible and AGI has sufficient resources to complete development. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Expenditures incurred to develop new demos and prototypes are recorded at cost as internally generated intangible assets. Amortization of the internally generated intangible assets begins when the development is complete and the asset is available for use and it is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold.

Based on an IFRS Interpretation Committee's agenda decision on accounting for cloud computing costs, if the costs do not give rise to an intangible asset that is separate from the software, or if the received services are distinct from the software, the costs are expensed as incurred. Configuration, customization, and other related costs in cloud computing arrangements that fail to meet the asset recognition criteria are recognized as an expense in the period they are incurred.

Finite-life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Patents	1–20 years
Distribution networks and customer relationships	8–25 years
Development projects	2–15 years
Order backlog	3–6 months
Non-compete agreement	7 years
Software	1–10 years
Brand names (finite lives)	3 years
Technology	3 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income (loss) when the asset is derecognized.

Impairment of non-financial assets

AGI assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual testing for an asset is required, AGI estimates the asset's recoverable amount. The recoverable amount of goodwill as well as intangible assets is estimated at least annually on

September 30. The recoverable amount is the higher of an asset's or CGU group's fair value less costs to sell and its value in use.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The recoverable amount of assets that do not generate independent cash flows is determined based on the CGU group to which the asset belongs.

AGI bases its impairment calculation on detailed budgets and forecast calculations that are prepared separately for each of AGI's CGU groups to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For periods after five years, a terminal value approach is used.

An impairment loss is recognized in the consolidated statements of income (loss) if an asset's carrying amount or that of the CGU group to which it is allocated is higher than its recoverable amount. Impairment losses of a CGU group are first charged against the carrying value of the goodwill balance included in the CGU group and then against the value of the other assets, in proportion to their carrying amount. In the consolidated statements of income (loss), the impairment losses are recognized in those expense categories consistent with the function of the impaired asset.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, AGI estimates the asset's or CGU group's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset or CGU group in prior years. Such a reversal is recognized in the consolidated statements of income (loss).

Goodwill is tested for impairment annually as at September 30 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU group to which the goodwill relates. Where the recoverable amount of the CGU group is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at September 30, either individually or at the CGU group level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Financial instruments

Financial assets

AGI classifies its financial assets as [i] amortized cost, [ii] financial assets at fair value through profit or loss ["FVTPL"] or [iii] fair value through other comprehensive income ["FVTOCI"]. Appropriate classification of financial assets is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Certain derivatives are designated as hedging instruments and hedge accounting is applied, as appropriate.

All financial instruments are recognized initially at fair value plus, in the case of instruments not at FVTPL, directly attributable transaction costs. Financial instruments are recognized on the trade date, which is the date on which AGI commits to purchase or sell the asset. Accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Amortized cost

Financial assets are measured at amortized cost if [i] the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and [ii] the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Assets in this category include cash and cash equivalents, restricted cash, accounts receivable and notes receivable and are measured at amortized cost using the effective interest method less any impairment. The effective interest amortization is included in finance costs in the consolidated statements of income (loss). The losses arising from impairment are recognized in the consolidated statements of income (loss) in finance costs.

Fair value through other comprehensive income [debt securities]

Debt securities are measured at FVTOCI if [i] the financial asset is held within a business model whose object is achieved by both collecting contractual cash flows and selling financial assets and [ii] the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company does not hold any debt securities measured at FVTOCI.

Fair value through other comprehensive income [equity investments]

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32, *Financial*

Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of income (loss) when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets are measured at FVTPL unless they are measured at amortized cost or at FVTOCI. Assets in this category include financial assets designated upon initial recognition at FVTPL and derivative instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IFRS 9, *Financial Instruments* ["IFRS 9"]. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value, with changes in the fair value recognized in finance income or finance costs in the consolidated statements of income (loss).

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash of the combined instrument varies in a way similar to a stand-alone derivative. Derivatives embedded in a financial asset within the scope of IFRS 9 are assessed in their entirety, and the asset as whole is measured at FVTPL. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if the host asset is not within the scope of IFRS 9 [e.g., lease contracts]. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of income (loss). Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Impairment

The Company recognizes an allowance for expected credit losses ["ECLs"] for debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

Under the general approach, ECLs are recognized in two stages: [i] for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months; [ii] for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default [a lifetime ECL].

For accounts receivable, AGI applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are measured at amortized cost, using the effective interest rate method, except for financial liabilities designated at initial recognition at FVTPL and those required to be FVTPL. Liabilities measured at amortized cost include accounts payable and accrued liabilities, dividends payable, due to vendor, long-term debt, convertible unsecured subordinated debentures, and senior unsecured subordinated debentures. Long-term debt, convertible unsecured subordinated debentures, and senior unsecured subordinated debentures are initially measured at fair value, which is the consideration received, net of transaction costs incurred, net of the equity component, if any. Transaction costs related to those instruments are included in the value of the instruments and amortized using the effective interest rate method. The effective interest expense is included in finance costs in the consolidated statements of income (loss). Financial liabilities measured at FVTPL include contingent consideration resulting from business combinations and derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

AGI has not designated any financial liabilities upon initial recognition as FVTPL.

Derecognition

A financial asset is derecognized when the contractual rights to receive cash flows from the asset have expired or when AGI has transferred its rights to receive cash flows from the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of income (loss).

Derivative financial instruments and hedge accounting

AGI uses derivative financial instruments such as forward currency contracts, interest rate swaps and equity swaps to hedge its foreign currency risk, interest rate risk and market risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

AGI analyzes all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Any gains or losses arising from changes in the fair value of derivatives are recorded directly in the consolidated statements of income (loss), except for the effective portion of cash flow hedges, which is recognized in OCI.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

The Company applies IFRS 9 for hedge accounting, whereby at the inception of a hedge relationship, AGI formally designates and documents the hedge relationship to which AGI wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements [including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined].

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that Company actually uses to hedge that quantity of hedged item.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statements of income (loss) in other operating income or expenses. Amounts recognized as OCI are transferred to the consolidated statements of income (loss) when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statements of income (loss). If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in OCI remains in OCI until the forecast transaction or firm commitment affects profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

Fair value is the estimated amount that AGI would pay or receive to dispose of these contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Provisions

Provisions are recognized when AGI has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where AGI expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income (loss), net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs relate to assurance-type warranties and are recognized when the product is sold or service provided. Initial recognition is based on historical experience. Additional provisions for unexpected warranty events are recorded when probable and can be estimated. The initial estimate of warranty-related costs is revised at each reporting period.

Profit (loss) per share

The computation of profit (loss) per share is based on the weighted average number of shares outstanding during the period. Diluted profit (loss) per share is computed in a similar way to basic profit (loss) per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options, share appreciation rights and convertible debt options, if dilutive.

Revenue recognition

Sale of goods

Revenue from the sale of goods is primarily recognized at a point in time when the Company satisfies a performance obligation and control of the goods is transferred from seller to buyer. A performance obligation is a good or a series of goods that are distinct. A contract with various distinct goods is considered to have multiple performance obligations for which revenue is recognized as each performance obligation is satisfied. If a promised good is not distinct, the good is combined with other promised goods until a bundle of goods is distinct, resulting in accounting for all the goods promised in a contract as a single performance obligation. In determining satisfaction of the performance obligation and point of revenue recognition, the Company considers the terms of the underlying contracts including, but not limited to, shipping terms, transfer of title and risk of loss, and acceptance/performance testing. All costs incurred or to be incurred in connection with the sale, including assurance-type warranty costs and sales incentives, are charged to cost of goods sold or recorded as a deduction from revenue at the time revenue is recognized.

Revenue from contracts with customers is recognized at an amount that reflects the consideration to which the Company is entitled to in exchange for those goods. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Company applies the practical expedient for advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

AGI applies bill and hold sales accounting in specific situations provided all the following conditions are met as of the reporting date: [i] there is a substantive reason for the arrangement; [ii] the goods are separately identified as belonging to the customer; [iii] AGI is no longer able to use the goods or direct the goods to another customer; and [iv] the goods are currently ready for physical transfer to the customer.

For contracts where it has been determined that performance obligations are satisfied over time, revenue on these projects is recognized progressively based on the percentage of completion method by reference to costs incurred as a percentage of the total estimated costs. Payment terms are usually based on set milestones as outlined in the contract. Typically amounts are received in advance of work performed and are recorded as customer deposits. Contract assets representing revenue recognized prior to being invoiced are not material. Any foreseeable losses on such projects are recognized immediately in profit or loss as identified.

Contract liabilities include customer deposits, which represent cash received from the customer in advance of the delivery of goods or work being performed. Contract liabilities are subsequently recognized in revenue when AGI performs under contracts, which typically occurs within 12 months or less. AGI has elected to use the practical expedient to not disclose the Company’s remaining performance obligations as those obligations are part of contracts that have an original expected duration of less than one year.

The Company has also elected to apply the practical expedient of expensing the incremental costs of obtaining a contract when incurred as the amortization period of the asset that would be recognized is one year or less.

Income taxes

AGI and its subsidiaries are generally taxable under the statutes of their country of incorporation.

Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where AGI operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income (loss). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

AGI follows the liability method of accounting for deferred taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the consolidated statements of financial position and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognized in correlation to the underlying transaction either in the consolidated statements of income (loss), OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill if it occurred during the measurement period or in profit or loss, when it occurs subsequent to the measurement period.

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

There are no income tax consequences to the Company attached to the payment of dividends in either 2023 or 2022 by the Company to its shareholders.

Sales tax

Revenue, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable and where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

Organisation for Economic Co-operation and Development's base erosion and profit shifting Pillar Two rules

The Company is within the scope of the Organisation for Economic Co-operation and Development's base erosion and profit shifting Pillar Two rules. Pillar Two legislation was drafted in Canada, the jurisdiction in which the Company is incorporated, and will come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the Company has no related current tax exposure.

The Company applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12, *Income Taxes* issued in May 2023.

Under the legislation, the Company is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. The Company has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective based on the transitional safe harbour rules.

Share-based compensation plans

Employees of AGI may receive remuneration in the form of share-based payment transactions, whereby employees render services and receive consideration in the form of equity instruments [equity-settled transactions or share award incentive plan and directors' deferred compensation plan]. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date and are capitalized or expensed as appropriate.

Equity-settled transactions

The cost of equity-settled transactions is determined using the grant date fair value and is recognized, together with a corresponding increase in other capital reserves, in equity, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting period reflects the extent to which the vesting period has expired and AGI's best estimate of the number of the shares that will ultimately vest. The expense or credit recognized for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in the consolidated statements of income (loss) in the respective function line. When options and other share-based compensation awards are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to shareholders' equity. The amount of cash, if any, received from participants is also credited to shareholders' equity.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation and any expense not yet recognized for the award [being the total expense as calculated at the grant date] is recognized immediately. This includes any award where vesting conditions within the control of either the Company or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The cost of cash-settled transactions is determined using the grant date fair value and is recognized, together with a corresponding increase in liabilities, over the period in which the performance and/or service conditions are fulfilled. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Employee benefits

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

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

Re-measurements including actuarial gains and losses and the impact of any minimum funding requirements are recognized through OCI.

Current employee wages and benefits are expensed as incurred.

Post-retirement benefit plans

AGI contributes to retirement savings plans subject to maximum limits per employee. AGI accounts for such defined contributions as an expense in the period in which the contributions are required to be made.

Research and development expenses

Research expenses, net of related tax credits, are charged to the consolidated statements of income (loss) in the period they are incurred. Development costs are charged to operations in the period of the expenditure unless they satisfy the condition for recognition as an internally generated intangible asset.

Investment tax credits

Federal and provincial investment tax credits are accounted for as a reduction of the cost of the related assets or expenditures in the year in which the credits are earned and when there is reasonable assurance that the credits can be used to recover taxes.

Adoption of new accounting policies

Amendments to IAS 1, Presentation of Financial Statements ["IAS 1"] and IFRS Practice Statement ["PS"] 2, Making Materiality Judgments

In February 2021, amendments were issued to IAS 1 and IFRS PS 2, which provide guidance and examples to help entities apply materiality judgment to accounting policy disclosures. Specifically, the amendments aim to:

- Replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; and
- Add guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments are effective for annual periods beginning on or after January 1, 2023. The Company's adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ["IAS 8"]

In February 2021, amendments were issued to IAS 8, in which it introduces a new definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments are effective for annual periods beginning on or after January 1, 2023. The Company's adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

International tax reform—Pillar Two model rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the Organisation for Economic Co-operation and Development's base erosion and profit shifting Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is [substantively] enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

For example:

[a] Qualitative information such as how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and
[b] Quantitative information such as:
  - An indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
  - An indication of how the entity's overall effective tax rate would have changed if Pillar Two legislation had been effective.

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes. The requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023. The Company has reviewed its corporate structure in light of the introduction of Pillar Two model rules in the various jurisdictions in which it operates. The Company has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective based on the transitional safe harbour rules. Therefore, as the related Pillar Two disclosures are not required, the amendments did not have an impact on the Company's consolidated financial statements as at December 31, 2023.

4. Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making the assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of non-financial assets

AGI's impairment test is based on the higher of value-in-use calculations that use a discounted cash flow model or fair value less cost to sell. The cash flows are derived from the forecast for the next five years and do not include restructuring activities to which AGI has not yet committed or significant future investments that will enhance the asset's performance of the CGU being tested. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market presence and trends, obsolescence factors, strength of customer relationships, strength of local management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. Obsolescence factors include both economic and functional obsolescence including development costs, maintenance costs and amortization rate. The recoverable amount is most sensitive to the discount rate, as well as the forecasted adjusted gross margins and revenue growth rate used for extrapolation purposes. A change in any of the critical assumptions or estimates used to evaluate goodwill and other non-financial assets could result in a material change to the results of operations. The key assumptions used to determine the recoverable amount for the different CGUs are further explained in note 15.

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the nature of products, the way in which management allocates resources and other relevant factors.

Impairment of financial assets

Assessments about the recoverability of financial assets, including accounts receivable, require critical judgment in determining whether there is objective evidence that a loss event has occurred and estimates of the amount and timing of future cash flows. The Company estimates expected credit losses resulting from any inability to collect on its trade receivables. A portion of the Company's revenues are generated in overseas markets, including in emerging markets such as countries in Eastern Europe, South America, Africa, and Asia. Emerging markets are subject to various additional risks, including currency exchange rate fluctuations, economic conditions and foreign business practices. One or more of these factors could have a material effect on the future collectability of such receivables.

In assessing whether objective evidence of impairment exists at each reporting date, the Company uses a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns [i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance]. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 30[b]. The letters of credit and other forms of credit insurance are considered an integral part of trade receivables and considered in the calculation of impairment. The Company evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and operate in largely independent markets.

Future collections of accounts receivable that differ from the Company's current estimates would affect the results of the Company's operations in future periods as well as the Company's trade receivables and general and administrative expenses, and amounts may be material.

Development costs

Development costs are capitalized in accordance with the accounting policy described in note 3. Initial capitalization of costs is based on management's judgment that technical and economic feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model.

Useful lives of key property, plant and equipment and intangible assets

The depreciation and amortization methods and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by AGI. Refer to note 3 for the estimated useful lives.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, it is determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Contingent considerations resulting from business combinations are valued at fair value at the acquisition date as part of the business combination and subsequently fair valued.

Share-based payments

AGI measures the cost of equity-settled share-based payment transactions with employees by reference to the fair value of equity instruments at the grant date, whereas the fair value of cash-settled share-based payments is remeasured at every reporting date. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of these instruments, which is dependent on the terms and conditions of the grant.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. AGI establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective company's domicile. As AGI assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in leases; therefore, it uses its incremental borrowing rate ["IBR"] to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available [such as subsidiaries that do not enter into financing transactions] or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs, such as market interest rates, when available and is required to make certain entity-specific estimates [such as a subsidiary's stand-alone credit rating].

5. Standards issued but not yet effective

Amendments to IAS 1

In January 2020 and October 2022, amendments were issued to IAS 1, which provide requirements for classifying liabilities as current or non-current. Specifically, the amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification; and
- Disclosures.

The amendments must be applied retrospectively for annual periods beginning after January 1, 2024. The Company will assess the impact, if any, of adoption of the amendment.

6. Business combinations

[a] Eastern Fabricators Inc.

On January 4, 2022, AGI completed the acquisition of 100% of Eastern Fabricators Inc. ["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's market-leading products, services, manufacturing capacity and customer relationships will provide strong revenue synergies as Eastern is integrated into AGI's commercial segment.

Consideration for the transaction includes an upfront purchase price of $29.25 million paid upon closing plus the potential for additional earn-out payments based on the achievement of financial targets in future years and other considerations.

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

The transaction was funded primarily through AGI's senior debt facilities.

	$
Purchase price	36,640
Cash acquired	1,088
Working capital adjustment	1,951
Due from vendor	(133)
Total purchase price	39,546
Post-combination expense	(7,390)
Purchase consideration	32,156

The post-combination expense of $7.4 million is payable based on meeting earnings targets in 2022, 2023 and 2024. During the year ended December 31, 2023, an adjustment of $(2,405) was recorded related to certain terms of the purchase agreement and $2,040 was paid.

The purchase has been accounted for by the acquisition method, with the results of Eastern included in the Company's net profit (loss) from the date of acquisition. In 2022, the allocation of the purchase price to acquired assets and liabilities was finalized.

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

The following table summarizes the fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	1,088
Accounts receivable	5,083
Inventory	3,186
Prepaid expenses and other assets	25
Property, plant and equipment	1,094
Right-of-use assets	908
Intangible assets	
Trade name	1,000
Customer backlog	1,200
Customer relationships	14,300
Goodwill	14,421
Accounts payable and accrued liabilities	(1,933)
Customer deposits	(2,229)
Income taxes payable	(137)
Lease liability	(908)
Deferred income tax liability	(4,942)
Purchase consideration	32,156

Goodwill of $14,421 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $5,083. This consists of the gross contractual value of $6,149 less the estimated amount not expected to be collected of $1,066.

The components of the purchase consideration are as follows:

	$
Cash paid	29,250
Due to vendor	2,906
Purchase consideration	32,156

During the year ended December 31, 2022, the due to vendor amount of $2,906 was paid.

Transaction costs related to the Eastern acquisition in the year ended December 31, 2023 were nil [2022 – $55] and are included in selling, general and administrative expenses.

7. Reportable business segment

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

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

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

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

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

The following tables set forth information by segment:

	2023 $	2022 $
Farm	831,951	778,088
Commercial	694,718	679,994
Revenue	1,526,669	1,458,082

	2023			
	Farm $	Commercial $	Other[1] $	Total $
Profit (loss) before income taxes	187,477	89,336	(190,746)	86,067
Finance costs	—	—	73,667	73,667
Depreciation and amortization	26,867	30,219	8,230	65,316
Gain on foreign exchange *[note 25 [e]]*	—	—	(7,571)	(7,571)
Share-based compensation *[note 24]*	—	—	12,159	12,159
Gain on financial instruments *[note 30 [a]]*	—	—	(5,369)	(5,369)
Mergers and acquisitions expense	—	—	50	50
Transaction, transitional and other costs[2]	—	—	27,124	27,124
Enterprise Resource Planning ("ERP") system transformation costs	—	—	14,001	14,001
Net loss on disposal of property, plant and equipment[3]	712	9	47	768
Net gain on disposal of assets held for sale *[note 16]*	—	(314)	—	(314)
Equipment rework *[note 18]*	—	—	7,900	7,900
Remediation *[note 18]*	—	—	16,208	16,208
Accounts receivable reserve for Russia and Ukraine	—	1,651	—	1,651
Impairment charge *[notes 12 and 16]*	2,099	138	—	2,237
Adjusted EBITDA[4]	217,155	121,039	(44,300)	293,894

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

	2022			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	36,676	72,716	(154,705)	(45,313)
Finance costs	—	—	61,067	61,067
Depreciation and amortization	40,548	29,494	6,903	76,945
Loss on foreign exchange *[note 25 [e]]*	—	—	8,941	8,941
Share-based compensation *[note 24]*	—	—	15,620	15,620
Gain on financial instruments *[note 30 [a]]*	—	—	(9,629)	(9,629)
Mergers and acquisitions recovery	—	—	(144)	(144)
Transaction, transitional and other costs[2]	13,669	—	30,632	44,301
Net loss (gain) on disposal of property, plant and equipment[3]	(160)	480	20	340
Fair value of inventory from acquisition	—	609	—	609
Equipment rework *[note 18]*	—	—	6,100	6,100
Impairment charge *[notes 11 to 16]*	72,385	3,461	—	75,846
Adjusted EBITDA[4]	163,118	106,760	(35,195)	234,683

[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 loss (gain) on settlement of lease liabilities.

[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, and income taxes. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

[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 revenues, property, plant and equipment, right-of-use assets, goodwill, and intangible assets by geographical area, reconciled to the Company's consolidated financial statements:

	Revenues		Property, plant and equipment, right-of-use assets, goodwill, intangible assets	
	2023	2022	2023	2022
	$	$	$	$
Canada	352,454	333,353	433,331	435,131
United States	661,447	649,905	234,661	258,311
International	512,768	474,824	259,928	243,165
	1,526,669	1,458,082	927,920	936,607

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

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

8. Accounts receivable

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

	2023 $	2022 $
Total current accounts receivable	272,159	226,413
Less expected credit loss	(6,555)	(5,552)
	265,604	220,861
Non-current accounts receivable	51,763	46,116
Total accounts receivable, net	317,367	266,977
Of which		
Neither impaired nor past due	276,833	227,569
Not impaired and past the due date as follows		
Within 30 days	22,073	16,303
31 to 60 days	7,626	7,406
61 to 90 days	2,318	3,764
Over 90 days	15,072	17,487
Expected credit loss	(6,555)	(5,552)
Total accounts receivable, net	317,367	266,977

Non-current accounts receivable consist of the present value of asset-backed receivables. These receivables are backed by customers' crop pledge and/or property, plant and equipment.

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

Trade receivables assessed to be impaired are included as an allowance in selling, general and administrative expenses in the period of the assessment. The movement in the Company's expected credit loss for the years ended December 31, 2023 and December 31, 2022 was as follows:

	2023 $	2022 $
Balance, beginning of year	5,552	5,238
Additional provision recognized	1,500	2,286
Amounts written off during the year as uncollectible	(734)	(2,073)
Exchange differences	237	101
Balance, end of year	6,555	5,552

9. Inventory

	2023 $	2022 $
Raw materials	106,262	147,825
Finished goods	108,501	131,493
	214,763	279,318

10. Notes receivable

Included in notes receivable is a promissory note in the amount of $5.6 million due from a third party. The note receivable bears interest at 5% per annum payable quarterly.

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

11. Property, plant and equipment

	Land	Grounds	Buildings	Leasehold improvements	Furniture and fixtures	Vehicles	Computer hardware	Manufacturing equipment	Construction in progress	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
Balance, January 1, 2023	32,096	5,655	162,514	13,345	8,392	19,082	16,674	229,313	8,658	495,729
Additions	12,787	1,611	7,060	844	427	395	1,571	16,316	2,014	43,025
Transfer to assets held for sale	(496)	(11)	(3,343)	(13)	—	—	—	—	—	(3,863)
Disposals	—	—	—	(6)	(45)	(1,418)	(404)	(3,780)	—	(5,653)
Exchange differences	(1,365)	60	711	4	(76)	(189)	(18)	(273)	123	(1,023)
Balance, December 31, 2023	43,022	7,315	166,942	14,174	8,698	17,870	17,823	241,576	10,795	528,215
Depreciation										
Balance, January 1, 2023	—	2,387	31,141	4,944	3,395	11,273	9,827	96,372	5	159,344
Depreciation	—	727	4,860	1,350	762	1,715	2,390	16,974	9	28,787
Transfer to assets held for sale	—	(1)	(645)	(13)	—	—	—	—	—	(659)
Disposals	—	—	—	—	(31)	(967)	(373)	(1,518)	—	(2,889)
Exchange differences	—	8	(222)	3	(20)	(110)	(39)	(374)	—	(754)
Balance, December 31, 2023	—	3,121	35,134	6,284	4,106	11,911	11,805	111,454	14	183,829
Net book value, January 1, 2023	32,096	3,268	131,373	8,401	4,997	7,809	6,847	132,941	8,653	336,385
Net book value, December 31, 2023	43,022	4,194	131,808	7,890	4,592	5,959	6,018	130,122	10,781	344,386

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

	Land $	Grounds $	Buildings $	Leasehold improvements $	Furniture and fixtures $	Vehicles $	Computer hardware $	Manufacturing equipment $	Construction in progress $	Total $
Cost										
Balance, January 1, 2022	34,354	7,012	167,627	16,081	6,520	19,457	14,298	219,008	7,178	491,535
Additions	520	258	4,804	3,463	2,770	369	3,759	10,538	6,802	33,283
Acquisitions	—	—	—	—	—	272	116	706	—	1,094
Transfer to assets held for sale	(2,502)	(271)	(15,788)	—	(38)	—	(9)	(1,123)	—	(19,731)
Transfer from (to) other assets	—	164	1,199	—	46	33	15	3,390	(5,860)	(1,013)
Disposals	—	(98)	(348)	(273)	(119)	(1,551)	(358)	(4,111)	(6)	(6,864)
Impairment	(473)	(1,646)	(2,583)	(6,515)	(989)	—	(1,560)	(6,739)	—	(20,505)
Exchange differences	197	236	7,603	589	202	502	413	7,644	544	17,930
Balance, December 31, 2022	32,096	5,655	162,514	13,345	8,392	19,082	16,674	229,313	8,658	495,729
Depreciation										
Balance, January 1, 2022	—	2,807	28,682	4,754	2,972	10,217	8,480	84,313	—	142,225
Depreciation	—	570	4,820	1,885	727	1,866	2,300	15,836	—	28,004
Transfer to assets held for sale	—	(185)	(1,589)	—	(29)	—	(6)	(754)	—	(2,563)
Transfer from (to) other assets	—	—	(1)	—	—	—	5	1	—	5
Disposals	—	(61)	(22)	(266)	(75)	(1,109)	(301)	(3,104)	—	(4,938)
Impairment	—	(840)	(1,819)	(1,567)	(279)	—	(894)	(3,114)	—	(8,513)
Exchange differences	—	96	1,070	138	79	299	243	3,194	5	5,124
Balance, December 31, 2022	—	2,387	31,141	4,944	3,395	11,273	9,827	96,372	5	159,344
Net book value, January 1, 2022	34,354	4,205	138,945	11,327	3,548	9,240	5,818	134,695	7,178	349,310
Net book value, December 31, 2022	32,096	3,268	131,373	8,401	4,997	7,809	6,847	132,941	8,653	336,385

In 2022, in relation to the Digital reorganization *[note 15]*, impairment charge includes $8,998 against property, plant and equipment.

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

Capitalized borrowing costs

No borrowing costs were capitalized in 2023 or 2022.

12. Right-of-use assets

	Buildings $	Furniture and fixtures $	Vehicles $	Manufacturing equipment $	Total $
Balance, January 1, 2022	15,343	360	2,495	1,013	19,211
Additions	13,481	305	6,132	696	20,614
Acquisitions	756	—	152	—	908
Termination	(48)	—	—	(56)	(104)
Impairment	(3,108)	(29)	—	—	(3,137)
Depreciation	(4,629)	(375)	(1,532)	(656)	(7,192)
Exchange differences	734	9	225	92	1,060
Balance, December 31, 2022	22,529	270	7,472	1,089	31,360
Additions	1,876	361	4,085	3,568	9,890
Transfer to sublease	(541)	—	—	—	(541)
Impairment	(138)	—	—	—	(138)
Depreciation	(3,583)	(191)	(2,475)	(1,175)	(7,424)
Exchange differences	(279)	(25)	209	(242)	(337)
Balance, December 31, 2023	19,864	415	9,291	3,240	32,810

In 2022, in relation to the Digital reorganization *[note 15]*, impairment charge includes $3,136 against right-of-use assets.

13. Goodwill

	2023 $	2022 $
Balance, beginning of year	342,983	358,610
Acquisitions *[note 6]*	—	14,421
Impairment *[note 15]*	—	(33,983)
Exchange differences	(3,376)	3,935
Balance, end of year	339,607	342,983

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

14. Intangible assets

	Distribution networks and customer relationships	Brand names	Patents	Software	Order backlog	Non-compete agreement	Development projects	Technology	CIP intangibles	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
Balance, January 1, 2023	179,376	128,156	3,628	12,075	14,070	114	52,324	1	46	389,790
Internal development	—	—	158	715	—	—	9,911	—	2,871	13,655
Disposals	(7,209)	—	—	(458)	—	—	—	—	—	(7,667)
Retirements	—	—	—	(700)	(556)	—	—	—	—	(1,256)
Exchange differences	(1,371)	(970)	(33)	(3)	(172)	—	49	—	(3)	(2,503)
Balance, December 31, 2023	170,796	127,186	3,753	11,629	13,342	114	62,284	1	2,914	392,019
Amortization										
Balance, January 1, 2023	111,766	3,644	2,755	8,278	14,070	114	23,284	—	—	163,911
Amortization	14,330	2,612	165	1,280	—	—	8,743	—	—	27,130
Disposals	(7,209)	—	—	(389)	—	—	—	—	—	(7,598)
Retirements	—	—	—	(700)	(556)	—	—	—	—	(1,256)
Exchange differences	(1,112)	67	(29)	(7)	(172)	—	(32)	—	—	(1,285)
Balance, December 31, 2023	117,775	6,323	2,891	8,462	13,342	114	31,995	—	—	180,902
Net book value, January 1, 2023	67,610	124,512	873	3,797	—	—	29,040	1	46	225,879
Net book value, December 31, 2023	53,021	120,863	862	3,167	—	—	30,289	1	2,914	211,117

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

	Distribution networks and customer relationships $	Brand names $	Patents $	Software $	Order backlog $	Non-compete agreement $	Development projects $	Technology $	CIP intangibles $	Total $
Cost										
Balance, January 1, 2022	166,117	127,478	6,246	17,438	13,056	114	49,468	24,418	84	404,419
Internal development	(98)	—	902	2,245	—	—	16,052	—	(84)	19,017
Acquisitions *[note 6]*	14,300	1,000	—	—	1,200	—	—	—	—	16,500
Reclassification	—	—	(2,649)	457	—	—	2,146	—	46	—
Impairment	(3,328)	(2,242)	(979)	(7,027)	(385)	—	(16,123)	(26,016)	—	(56,100)
Disposals	—	—	—	(1,652)	—	—	(32)	—	—	(1,684)
Exchange differences	2,385	1,920	108	614	199	—	813	1,599	—	7,638
Balance, December 31, 2022	179,376	128,156	3,628	12,075	14,070	114	52,324	1	46	389,790
Amortization										
Balance, January 1, 2022	96,335	898	2,519	12,701	13,056	114	19,989	5,765	—	151,377
Amortization	14,392	2,603	176	4,048	1,200	—	9,483	8,331	—	40,233
Reclassification	—	—	—	28	—	—	(28)	—	—	—
Impairment	(1,838)	—	(20)	(6,676)	(385)	—	(6,587)	(14,815)	—	(30,321)
Disposals	—	—	—	(1,616)	—	—	(29)	—	—	(1,645)
Exchange differences	2,877	143	80	(207)	199	—	456	719	—	4,267
Balance, December 31, 2022	111,766	3,644	2,755	8,278	14,070	114	23,284	—	—	163,911
Net book value, January 1, 2022	69,782	126,580	3,727	4,737	—	—	29,479	18,653	84	253,042
Net book value, December 31, 2022	67,610	124,512	873	3,797	—	—	29,040	1	46	225,879

The Company is continuously working on research and development projects. Development costs capitalized include the development of new products and the development of new applications of existing products and prototypes. Research costs and development costs that are not eligible for capitalization have been expensed and are recognized in selling, general and administrative expenses.

Intangible assets include patents acquired through business combinations, which have a remaining life between 2 and 7 years. Included within intangible assets are brand names with a carrying amount of $117,522 [2022 – $122,362] that have been classified as indefinite-life intangible assets, as the Company expects to maintain these brand names and currently no end point of the useful lives of these brand names can be determined. Additionally, during the years ended December 31, 2023 and December 31, 2022, the Company identified brand names in which an end point of useful life could be determined. As at December 31, 2023, definite-life intangible assets with a carrying amount of $3,341 [2022 – $2,150] and remaining life of 1 to 2 years are included within intangible assets. The Company assesses the assumption of an indefinite useful life at least annually.

For intangible assets, the Company assesses whether there are indicators of impairment at each reporting date as a triggering event for performing an impairment test. In 2022, in relation to the Digital reorganization *[note 15]*, impairment charge includes $25,756 against intangible assets.

Intangible assets and research and development expenses for the year ended December 31, 2023, are net of combined federal and provincial scientific research and experimental development ["SR&ED"] tax credits in the amounts of $(104) and $81, respectively. A number of specific criteria must be met in order to qualify for federal and provincial SR&ED investment tax credits. As at December 31, 2023, the Company had federal investment tax credit carryforwards in the amount of $309 [2022 – $309], federal SR&ED investment tax credit carryforwards in the amount of $2,543 [2022 – $2,813], provincial SR&ED investment tax credit carryforwards in the amount of $979 [2022 – $1,139] and provincial manufacturing or processing tax credits in the amount of $170 [2022 – $157]; these begin expiring in 2026.

Other material intangible assets are the distribution network and customer relationships of the Company. The distribution network and customer relationships were acquired in past business combinations and reflect the Company's dealer network in North America and its international customer base. The remaining amortization period for the distribution network and customer relationships ranges from 1 to 11 years.

The Company had no contractual commitments for the acquisition of intangible assets as of the reporting date.

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

15. Impairment testing

On December 29, 2022, the Company announced a strategic plan to reorganize AGI's Digital business segment to focus on core markets and products, reduce operating costs, and improve financial performance. The reorganization plan was prompted by lower-than-expected results from the Digital segment. In addition to the reorganization, the Digital segment and its CGUs were subject to an annual impairment test as of December 31, 2022. As at December 31, 2022, the recoverable amount of the Digital segment's CGUs was less than their carrying value. The following impairment charge was taken in the year ended December 31, 2022, financial statements:

	2022 $
Property, plant and equipment *[note 11]*	8,998
Right-of-use assets *[note 12]*	3,136
Intangible assets *[note 14]*	25,756
Goodwill *[note 13]*	33,983

In 2023, the Company moved its annual goodwill impairment test from December 31 to September 30. The recoverable amount of the Company's group of CGUs has been determined based on value in use for the last-12-month period ended September 30, 2023, using cash flow projections covering a five-year period. The Company performs its indefinite-life intangible assets impairment test as at September 30; the indefinite-life intangible assets are tested at the individual CGU level.

The pre-tax discount rates applied to the cash flow projections for Farm and Commercial were 13.1% and 13.2%, respectively [2022 – 13.3% and 13.2%], and cash flows beyond the five-year period are extrapolated using a 3% growth rate [2022 – 3%], which is management's estimate of long-term inflation and productivity growth in the industry and geographies in which it operates.

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

The Company's group of CGUs, goodwill and indefinite-life intangible assets allocated thereto are as follows, which represents how goodwill is monitored by management.

	2023 $	2022 $
Farm		
Goodwill	132,411	132,456
Intangible assets with indefinite lives	77,934	78,142
Commercial		
Goodwill	207,196	210,527
Intangible assets with indefinite lives	39,588	44,220
Total		
Goodwill	339,607	342,983
Intangible assets with indefinite lives	117,522	122,362

The values of material indefinite-life intangible assets are held by the Westfield and Westeel CGUs, the values of which are $19,000 and $43,300, respectively.

Key assumptions used in valuation calculations

The calculation of value in use for all the CGUs or groups of CGUs is most sensitive to the following assumptions:

- Gross margins;
- Discount rates; and
- Revenue growth rate used to extrapolate cash flows beyond the budget period.

Gross margins

Forecasted gross margins are based on actual gross margins achieved in the years preceding the forecast period. Margins are kept constant over the forecast period and the terminal period unless management has started an efficiency improvement process.

Discount rates

Discount rates reflect the current market assessment of the risks specific to each CGU or group of CGUs. The discount rate was estimated based on the weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the CGU or group of CGUs for which future estimates of cash flows have not been adjusted.

Revenue and terminal growth rate estimates

Revenue and terminal growth rates are based on approved budgets, published research and the terminal growth rate primarily derived from the long-term Consumer Price Index expectations for the markets in which AGI operates. Management considers the Consumer Price Index to be a conservative indicator of the long-term growth expectations for the agricultural industry.

16. Assets held for sale

In 2022, in the Farm segment, buildings, land, grounds, and equipment in Saskatchewan relating to a facility that closed in 2022 met the definition of assets held for sale and were recorded at the lower of cost and fair value less cost to sell. An impairment charge of $488 was recorded and the carrying amount of $3,401 was recorded as assets held for sale. During the year ended December 31, 2023, an impairment charge of $1,909 was recorded. As at December 31, 2023, the carrying amount of the assets held for sale is $1,615.

In 2022, in the Commercial segment, a building in Illinois relating to a facility closed in 2020 met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. An impairment charge of $2,994 was recorded and the carrying amount of $8,804 was recorded as assets held for sale. During the year ended December 31, 2023, the assets held for sale were sold for proceeds of $8,820; a net loss of $25 was recorded.

In 2023, in the Farm segment, a building in Illinois met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. An impairment charge of $190 was recorded and the carrying amount of $501 was recorded as assets held for sale. During the year ended December 31, 2023, the asset held for sale was sold for proceeds of $501.

In 2023, in the Farm segment, a building in Nebraska met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. The carrying amount of $453 was recorded as assets held for sale. As at December 31, 2023, the carrying amount of the assets held for sale is $453. Subsequent to December 31, 2023, the building was sold, resulting in a gain of $325.

In 2023, in the Commercial segment, a building in Iowa met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. The carrying amount of $1,873 was recorded as assets held for sale. During the year ended December 31, 2023, the building was sold, resulting in a gain of $339.

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

17. Accounts payable and accrued liabilities

	2023 $	2022 $
Trade payables	121,608	112,504
Other payables	55,348	63,657
Personnel-related accrued liabilities	68,864	57,867
Accrued outstanding service invoices	7,121	2,083
	252,941	236,111

Trade payables and other payables are non-interest bearing and are normally settled on 30- or 60-day terms. Personnel-related accrued liabilities include primarily vacation accruals, bonus accruals, payroll accruals and overtime benefits. Accrued outstanding services invoices include primarily accounting and legal accruals for services provided by third-party consultants. For explanations on the Company's liquidity risk management processes, refer to note 30.

18. Provisions

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

	2023 $	2022 $
Balance, beginning of year	75,233	65,618
Additional provisions recognized	32,163	26,465
Amounts utilized	(90,583)	(16,850)
Balance, end of year	16,813	75,233

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and legal claims related to the incident were initiated against AGI. On July 27, 2023, the Company reached a settlement agreement with the customer at the site where the bin collapsed for its claims related to the incident. During the year ended December 31, 2023, the terms of the settlement agreement were finalized and as at December 31, 2023, the warranty provision for remediation costs is

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

$0.1 million [December 31, 2022 – $41.5 million], with $16.2 million added in relation to the settlement agreement and $57.6 million of the provision having been utilized during the year ended December 31, 2023.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at December 31, 2023, the warranty provision for the equipment rework is $2.0 million [December 31, 2022 – $12.9 million], with $7.9 million added based on revised estimated costs of completion and $18.8 million utilized during the year ended December 31, 2023.

19. Lease liability

	Incremental borrowing rate %	Maturity	2023 $	2022 $
Current	2.2–51.2	2024	6,711	5,665
Non-current	2.2–51.2	2025–2038	34,960	33,482
Lease liability			41,671	39,147

The Company has various lease contracts that have not yet commenced as at December 31, 2023. The future lease payments for the non-cancellable lease contracts are $12 within one year and $35 within five years.

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

20. Long-term debt

	Interest rate %	Maturity	2023 $	2022 $
Current portion of long-term debt				
Equipment financing	Nil	various	549	479
			549	479
Non-current portion of long-term debt				
Equipment financing	Nil	various	797	1,309
Senior credit facilities	6.0–9.0	2026	422,134	443,420
			422,931	444,729
Less deferred financing costs			(3,023)	(4,270)
			419,908	440,459
Long-term debt			420,457	440,938

[a] Long-term debt

On May 9, 2022, AGI amended its senior credit facilities to increase availabilities from $275 million to $350 million and U.S. $215 million to U.S. $275 million. AGI's senior credit facilities 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. Subsequent to the amendment, 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 December 31, 2023, there was $149.9 million [2022 – $164.7 million] and U.S. $205.8 million [2022 – $205.8 million] outstanding under the facilities. As at December 31, 2023, the portion of drawings from the senior credit facilities recorded on the swing-line was $20.1 million [December 31, 2022 – $27.9 million].

[b] Covenants

AGI is subject to certain financial covenants in its senior credit facilities that must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to Consolidated EBITDA ratio, as defined in the senior credit facilities, of less than 3.75, the calculation of which excludes the convertible unsecured subordinated debentures and the senior unsecured subordinated debentures from debt, and to provide debt service coverage of a minimum of 1.0. In the event of an acquisition in respect of which the aggregate consideration is $75,000 or greater, the debt to Consolidated EBITDA ratio requirement increases to 4.25 or less for the financial quarter in which the acquisition occurred and the immediately succeeding three financial quarters, and to 4.0 for the immediately succeeding financial quarter.

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

As at December 31, 2023 and December 31, 2022, AGI was in compliance with all financial covenants.

21. Convertible unsecured subordinated debentures

	2023 $	2022 $
Current portion of convertible unsecured subordinated debentures	—	—
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	218,895	218,900
Equity component	(32,537)	(32,537)
Accretion	9,563	4,450
Financing fees, net of amortization	(5,857)	(7,332)
	190,064	183,481
Convertible unsecured subordinated debentures	190,064	183,481

Year issued	Aggregate principal amount $	Coupon	Conversion price $	Conversion rate	Number of common shares reserved for issuance upon conversion	Maturity date	Redeemable at par [1]
2021	114,995[4]	5.00%	45.14	22.1533	2,547,520	30-Jun-27	30-Jun-25[2]
2022	103,900	5.20%	70.50	14.1844	1,473,759	31-Dec-27	31-Dec-25[3]

[1] At the option of the Company, at par plus accrued and unpaid interest.

[2] On and after June 30, 2025 and prior to June 30, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On and after June 30, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount, plus accrued and unpaid interest, regardless of the trading price of the Common Shares.

[3] On and after December 31, 2025 and prior to December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On and after December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the Common Shares.

[4] During the year ended December 31, 2023, a holder of the 2021 Convertible Debentures converted $5 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 debentures by issuing and delivering Common Shares. The Company may also elect to satisfy its obligation to pay interest on the debentures by delivering sufficient Common Shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering Common Shares. The number of shares issued will be determined based on market prices at the time of issuance.

Issuance of 2021 convertible unsecured subordinated debentures

On October 14, 2021, AGI entered into an agreement with a syndicate of underwriters pursuant to which AGI issued on November 3, 2021 on a "bought deal" basis $100 million aggregate principal amount of convertible unsecured subordinated debentures [the "Debentures"] at a price of $1,000 per Debenture [the "Offering"]. On November 9, 2021, AGI issued an additional $15 million aggregate principal amount of Debentures at the same price pursuant to the exercise of the over-allotment option granted by AGI to the underwriters. With the full exercise of the over-allotment option, the total gross proceeds from the Offering to AGI were $115 million.

The Debentures bear interest from the date of issue at 5.00% per annum, payable semi-annually in arrears on June 30 and December 31 each year, commencing June 30, 2022. The Debentures will have a maturity date of June 30, 2027 [the "Maturity Date"].

The Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and the date specified by AGI for redemption of the Debentures into fully paid and non-assessable Common Shares of the Company at a conversion price of $45.14 per Common Share [the "Conversion Price"], being a conversion rate of approximately 22.1533 Common Shares for each $1,000 principal amount of Debentures.

The Debentures are not redeemable by the Company before June 30, 2025. On and after June 30, 2025 and prior to June 30, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On and after June 30, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount, plus accrued and unpaid interest, regardless of the trading price of the Common Shares.

The net proceeds of the Offering were used to partially repay outstanding indebtedness under the Company's revolving credit facilities, a portion of which will then be redrawn to fund the redemption of the Company's 4.85% convertible unsecured subordinated debentures due June 30, 2022 and for general corporate purposes.

Issuance of 2022 convertible unsecured subordinated debentures

On April 19, 2022, AGI closed the offering of $100 million aggregate principal amount of convertible unsecured subordinated debentures [the "Debentures"] at a price of $1,000 per Debenture [the "Offering"]. In addition, AGI granted to the underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase up to an additional $15 million aggregate principal amount of Debentures at the same price. On May 6, 2022, the underwriters exercised the over-allotment option in part for additional proceeds of $3.9 million for total gross proceeds from the Offering to AGI of $103.9 million.

The Debentures bear interest from the date of issue at 5.20% per annum and are payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2022. The Debentures have a maturity date of December 31, 2027 [the "Maturity Date"].

The Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and the date specified by AGI for redemption of the Debentures into fully paid and non-assessable Common Shares of the Company at a conversion price of $70.50 per Common Share [the "Conversion Price"], being a conversion rate of approximately 14.1844 Common Shares for each $1,000 principal amount of Debentures.

The Debentures are not redeemable by the Company before December 31, 2025. On and after December 31, 2025 and prior to December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On and after December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the Common Shares.

The net proceeds of the Offering were used to redeem AGI's outstanding 4.50% convertible unsecured subordinated debentures due December 31, 2022 [the "2018 Debentures"] and for general corporate purposes.

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

Redemption of 2018 Debentures

On May 2, 2022, the Company redeemed the 2018 Debentures in accordance with the terms of the supplemental trust indenture. Upon redemption, AGI paid to the holders of the 2018 Debentures the redemption price of $87,547 equal to the outstanding principal amount of the 2018 Debentures redeemed including accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. A gain of $584 was recorded to gain on financial instruments, and the equity component of the 2018 Debentures was reclassified to contributed surplus. The Company expensed the remaining unamortized balance of $666 of deferred fees related to the 2018 Debentures. The expense was recorded to finance costs in the consolidated statements of income (loss).

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the Debentures, the Company recorded the liability, which is the aggregate principal amount less related offering costs, and the estimated fair value of the holder's conversion option as follows:

Year issued	Aggregate principal amount $	Offering costs $	Equity component $
2021	115,000	4,548	16,318
2022	103,900	4,098	16,220

The liability component is accreted using the effective interest rate method. The equity component of $22,868 [2022 – $22,851] on the consolidated statements of financial position is net of income taxes of $8,198 [2022 – $8,191] and its pro rata share of financing costs of $1,472 [2022 – $1,495].

During the year ended December 31, 2023, the Company recorded accretion, non-cash interest expense relating to financing costs, and interest expense on the coupon as follows:

	2023		
Year issued	Accretion $	Non-cash interest expense $	Interest expense $
2021	2,628	732	5,750
2022	2,485	613	5,403

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

During the year ended December 31, 2022, the Company recorded accretion, non-cash interest expense relating to financing costs, and interest expense on the coupon as follows:

	2022		
Year issued	Accretion $	Non-cash interest expense $	Interest expense $
2018	112	883	1,297
2021	2,443	688	6,672
2022	1,631	429	3,767

22. Senior unsecured subordinated debentures

	2023 $	2022 $
Current portion of senior unsecured subordinated debentures	171,249	—
Non-current portion of senior unsecured subordinated debentures		
Principal amount	85,000	257,500
Debenture put options, net of amortization	326	437
Financing fees, net of amortization	(1,819)	(5,187)
	83,507	252,750
Senior unsecured subordinated debentures	254,756	252,750

Year issued	Aggregate principal amount $	Coupon %	Maturity date	Redeemable
2019 March	86,250	5.40%	30-Jun-24	30-Jun-22[1][4]
2019 November	86,250	5.25%	31-Dec-24	31-Dec-22[2][4]
2020 March	85,000	5.25%	31-Dec 26	31-Dec-22[3][4]

[1] On and after June 30, 2022 and prior to June 30, 2023, the 2019 March Debentures may be redeemed at the Company's option at a price equal to 102.70% of their principal amount plus accrued and unpaid interest. On or after June 30, 2023, the 2019 March Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest.

[2] On and after December 31, 2022 and prior to December 31, 2023, the 2019 November Debentures may be redeemed at the Company's option at a price equal to 102.625% of their principal amount plus accrued and unpaid interest. On or after December 31, 2023, the 2019 November Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest.

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

[3] On and after December 31, 2022 and prior to December 31, 2023, the 2020 Debentures may be redeemed at the Company's option at a price equal to 103.9375% of their principal amount plus accrued and unpaid interest. On and after December 31, 2023 and prior to December 31, 2024, the 2020 Debentures may be redeemed at the Company's option at a price equal to 102.625% of their principal amount plus accrued and unpaid interest. On and after December 31, 2024 and prior to December 31, 2025, the 2020 Debentures may be redeemed at the Company's option at a price equal to 101.3125% of their principal amount plus accrued and unpaid interest. On and after December 31, 2025 and prior to maturity, the 2020 Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest. The 2020 Debentures will not be convertible into Common Shares of the Company at the option of the holders at any time.

[4] The Company will have the option to satisfy its obligation to repay the principal amount of the Debentures due at redemption or maturity by issuing and delivering that number of freely tradeable Common Shares in accordance with the terms of the Indenture.

The Company's redemption option for the 2020 Debentures resulted in recognition of an embedded derivative with a fair value of $754 at time of issuance *[note 30[a]]*. An offsetting and equal amount was recorded to senior unsecured subordinated debentures and will be amortized over the term of the 2020 Debentures.

During the year ended December 31, 2023, the Company recorded non-cash interest expense of $2,117 [2022 – $1,990] relating to financing costs and interest expense on the coupon of $13,648 [2022 – $13,648], offset by amortization of the embedded derivative of $112 [2022 – $112].

23. Shareholders' equity

[a] Common shares

Authorized

Unlimited number of voting Common Shares without par value

Issued

19,005,846 Common Shares

	Shares #	Amount $
Balance, January 1, 2022	18,793,570	5,233
Settlement of EIAP obligation	107,388	4,411
Balance, December 31, 2022	18,900,958	9,644
Settlement of EIAP obligation	104,778	654
Conversion of convertible unsecured subordinated debentures	110	5
Balance, December 31, 2023	19,005,846	10,303

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

[b] Contributed surplus

	2023 $	2022 $
Balance, beginning of year	501,741	494,684
Dividends on EIAP	444	495
Obligation under EIAP *[note 24[a]]*	9,969	13,132
Settlement of EIAP obligation	(12,937)	(7,077)
Redemption of convertible unsecured subordinated debentures	—	507
Balance, end of year	499,217	501,741

[c] Accumulated other comprehensive income

Accumulated other comprehensive income comprises the following:

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Cash flow hedge reserve

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

Defined benefit plan reserve

The defined benefit plan reserve is used to record changes in the pension liability including actuarial gains and losses and the impact of any minimum funding requirements.

[d] Dividends paid and proposed

In the year ended December 31, 2023, the Company declared dividends of $11,396 or $0.60 per common share [2022 – $11,332 or $0.60 per common share] and dividends on share compensation awards of $444 [2022 – $495]. In the year ended December 31, 2023, dividends paid to shareholders were financed $11,380 [2022 – $11,315] from cash on hand.

AGI's dividend policy is to pay cash dividends on or about the 15th of the month following each quarter end to shareholders of record on the last business day of the quarter-end month. The Company's current quarterly dividend rate is $0.15 per common share, and accordingly the dividend of $0.15 per share relates to the months of October, November, and December 2023. The dividend is payable on January 15, 2024 to common shareholders of record at the close of business on December 29, 2023.

[e] Shareholder protection rights plan

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

[f] Preferred shares

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

[i] The aggregate number of preferred shares that would then be outstanding would exceed 50% of the aggregate number of common shares then outstanding; or

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

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

As at December 31, 2023 and December 31, 2022, no preferred shares were issued or outstanding.

24. Share-based compensation plans

[a] Equity incentive award plan [the "EIAP"]

On May 11, 2012, the shareholders of AGI approved an EIAP, which authorizes the Board to grant Restricted Awards ["RSUs"] and Performance Awards ["PSUs"] [collectively, the "Awards"] to persons who are officers, employees or consultants of the Company and its affiliates. Awards may not be granted to non-management Directors.

As at December 31, 2023, 2,265,000 shares are reserved for issuance under the EIAP [December 31, 2022 – 1,565,000 shares]. At the discretion of the Board, the EIAP provides for cumulative adjustments to the number of Common Shares to be issued pursuant to, or the value of, Awards on each date that dividends are paid on the Common Shares. The EIAP provides for accelerated vesting in the event of a change in control, retirement, death or termination without cause.

Each equity-settled RSU will entitle the holder to be issued the number of Common Shares designated in the RSU. The Company has an obligation to settle any amount payable in respect of a RSU by Common Shares issued from treasury of the Company.

Each cash-settled RSU will entitle the holder to receive cash payment equal to the amount of the share price on the date of the settlement. The Company has accounted for the cash-settled RSUs as a cash-settled plan. The fair values on grant date of the cash-settled RSUs were based on the share price as at the grant date and the assumption that there will be no forfeitures. The Company remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

Each PSU requires the Company to deliver to the holder at the Company's discretion either the number of Common Shares designated in the PSU multiplied by a Payout Multiplier or the equivalent amount in cash. The Payout Multiplier is determined based on an assessment of the achievement of pre-defined measures in respect of the applicable period. The Payout Multiplier may not exceed 200%.

As at December 31, 2023, 2,265,000 Common Shares are available for issuance under the Company's equity-settled Equity Incentive Award Plan [the "EIAP"], of which 1,106,437 Common Shares have been issued under the EIAP, 589,296 Common Shares are issuable on the settlement of outstanding awards and 569,267 Common Shares are reserved for issuance on the settlement of awards that are available for grant. The Company has accounted for the equity-settled RSUs and PSUs as an equity-settled plan. The fair values on grant date 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.

During the year ended December 31, 2023, AGI expensed $10,138 for the EIAP [2022 – $13,840].

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

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

	EIAP	
	Restricted Awards #	Performance Awards #
Balance, January 1, 2022	385,434	70,439
Granted	137,194	297,205
Vested	(86,472)	(22,847)
Modified	(41,609)	—
Forfeited	(33,809)	(7,906)
Balance, December 31, 2022	360,738	336,891
Granted	174,471	124,762
Vested	(135,818)	(193,909)
Modified	3,394	346
Forfeited	(54,116)	(27,463)
Balance, December 31, 2023	348,669	240,627

There is no exercise price on the EIAP awards.

[b] Deferred Share Unit Plan [the "DSU Plan"]

Effective January 1, 2022, the Company adopted a cash-settled DSU Plan for non-employee directors. Under the DSU Plan, each non-management Director [other than the prior Board Chair] shall be paid U.S. $90,000 of the base annual retainer payable to such Director in respect of a calendar year in the form of deferred share units ["DSUs"]. In addition, a non-management Director has the right, but not obligation, to elect to receive greater than the Minimum Deferred Compensation in the form of DSUs. The Company will redeem all DSUs held by a Director on the Director's "Redemption Date", which is: [1] for a Director who is not a U.S. Director, the date elected by the Director that shall not be earlier than the date the Director ceases to be a director and that shall not be later than December 15 of the year following the year in which the Director ceases to be a Director; and [2] for a U.S. Director, the 30th day following the day on which the U.S. Director ceases to be a Director. Upon the death of a Director, AGI will redeem all the DSUs held by such Director.

During the year ended December 31, 2023, $2,021 [2022 – $1,780] was recorded for the share grants in selling, general, and administrative expense and accounts payable and accrued liabilities related to the DSU Plan. The share grants were measured with the contractual agreed amount of service fees for the respective period.

[c] Directors' deferred compensation plan ["DDCP"]

Under the DDCP, every Director receives a fixed base retainer fee, a committee chair fee and a board member fee, if applicable. Each non-management Director has the right to elect to receive any portion of his or her cash compensation in the form of DSUs. A Director will not be entitled to receive the Common Shares he or she has been granted until a period of three years has passed since the date of grant or until the Director ceases to be a Director, whichever is earlier. The Directors' Common Shares are fixed based on the fees eligible to him or her for the respective period and his or her decision to elect for cash payments for dividends related to the Common Shares; therefore, the Director's remuneration under the DDCP vests directly in the respective service period. The period until a Director ceases to be a Director qualifies only as a waiting period to receive the vested Common Shares.

The total number of Common Shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. As at December 31, 2023, a total of 120,000 [2022 – 120,000] Common Shares had been granted under the DDCP and 19,788 [2022 – 19,788] Common Shares had been issued.

The Company ceased making grants of DSUs under its DDCP to non-management Directors effective December 31, 2021.

[d] Summary of expenses recognized under share-based payment plans

For the year ended December 31, 2023, an expense of $12,159 [2022 – $15,620] was recognized for employee and Director services rendered.

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

25. Other expenses (income)

		2023 $	2022 $
[a]	Cost of goods sold		
	Depreciation of property, plant and equipment	26,604	24,159
	Depreciation of right-of-use assets	2,613	2,242
	Amortization of intangible assets	5,131	18,393
	Warranty expense	32,163	22,565
	Cost of inventory recognized as an expense	981,030	970,124
		1,047,541	1,037,483
[b]	Selling, general and administrative expenses		
	Depreciation of property, plant and equipment	4,158	3,845
	Depreciation of right-of-use assets	4,811	4,950
	Amortization of intangible assets	21,999	21,840
	Minimum lease payments recognized as lease expense	9	9
	Transaction costs and post-combination expense	27,174	40,257
	ERP system transformation costs	14,001	—
	Selling, general and administrative	268,550	267,495
		340,702	338,396
[c]	Other operating expense (income)		
	Net loss on disposal of property, plant and equipment[1]	768	340
	Net gain on sale of assets held for sale	(314)	—
	Gain on financial instruments	(5,369)	(9,629)
	Other income	(10,663)	(8,722)
		(15,578)	(18,011)
[d]	Finance costs		
	Interest on overdrafts and other finance costs	3,506	2,256
	Interest, including non-cash interest, on leases	2,938	2,228
	Interest, including non-cash interest, on debts and borrowings	33,954	24,083
	Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures *[notes 21 and 22]*	33,269	32,500
		73,667	61,067
[e]	Finance expense (income)		
	Interest income	(396)	(327)
	Loss (gain) on foreign exchange	(7,571)	8,941
		(7,967)	8,614
[f]	Employee benefits expense		
	Wages and salaries	349,511	331,160
	Share-based compensation expense *[note 24]*	12,159	15,620
	Pension costs	9,831	8,605
		371,501	355,385
	Included in cost of goods sold	219,255	199,724
	Included in selling, general and administrative expense	152,246	155,661
		371,501	355,385

[1] Includes loss (gain) on settlement of lease liabilities.

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

26. Retirement benefit plans

AGI contributes to group retirement savings plans subject to maximum limits per employee. The expense recorded during the year ended December 31, 2023 was $9,831 [2022 – $8,605]. AGI expects to contribute $10,224 for the year ending December 31, 2024.

The Company has a defined benefit plan providing pension benefits to certain of its union employees and former employees. The Company operates the defined benefit pension plan in Canada. The plan is a flat-dollar defined benefit pension plan, which provides clearly defined benefits to members based on negotiated benefit rates and years of credited service. Responsibility for the governance of the plan and overseeing the plan including investment policy and performance lies with the Pension and Investment Committee. Effective May 16, 2017, new enrolments in the defined benefit pension plan were closed. All benefits earned by employees up to that date remain in place. As such, the Company continues to manage any residual obligation for past service consistent with the plan text and applicable legislation and will continue to account for the residual obligations based on IAS 19, *Employee Benefits*. In addition, effective May 17, 2017, the group of affected employees receives retirement contributions from the Company on a defined contribution basis when they qualify as enrollees in the new plan.

The Company's pension committee and appointed and experienced, independent professional experts such as investment managers and actuaries assist in the management of the plan.

The Company's defined benefit pension plan measures the respective accrued benefit obligation and the fair value of plan assets at December 31 of each year. Actuarial valuations are performed annually or triennially as required. The Company's registered defined benefit plan was last valued on December 31, 2021. The present value of the defined obligation, and the related current service cost and past service cost, was measured using the unit credit method.

The liabilities were revalued at December 31, 2023. The Company has used the same methodology used at December 31, 2022 for the purpose of estimating the liabilities at December 31, 2023. The following assumptions were used to determine the periodic pension expense and the net present value of the accrued pension obligations:

	2023 %	2022 %
Expected long-term rate of return on plan assets	5.10	3.00
Discount rate on benefit costs	5.10	3.00
Discount rate on accrued pension and post-employment obligations	4.60	5.10
Rate of compensation increases	n/a	n/a

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

The weighted average duration of the defined benefit obligation as of December 31, 2023 is 12.7 years [2022 – 11.6 years]. Compensation increases were not included in the valuation of the accrued pension obligation because the accrued benefit is not a function of salary. All members receive a fixed benefit rate monthly for each year of credited service. This same benefit rate is received by all plan members regardless of salary level.

The following table outlines the key assumptions for 2023 and the sensitivity of changes in each of these assumptions on the defined benefit plan obligation. The sensitivity analysis is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Increase in assumption $	Decrease in assumption $
Impact of 0.5% increase/decrease in discount rate assumption	(579,880)	638,785
Impact of one-year increase/decrease in life expectancy assumption	307,951	(314,767)

The net income of $25 [2022 – expense of $81] for the year is included in other income.

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

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

	2023 $	2022 $
Plan assets		
Fair value of plan assets, beginning of year	13,103	15,608
Interest income on plan assets	650	458
Actual return on plan assets	891	(2,081)
Benefits paid	(715)	(882)
Fair value of plan assets, end of year	13,929	13,103
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	10,103	14,072
Current service cost	125	125
Interest cost	500	414
Actuarial gains from changes in demographic assumptions	—	(629)
Actuarial losses (gains) from changes in financial assumptions	580	(2,990)
Actuarial gains from experience adjustments	—	(7)
Benefits paid	(715)	(882)
Accrued benefit obligation, end of year	10,593	10,103
Net accrued benefit asset	3,336	3,000

The net accrued benefit asset of $3,336 [2022 – $3,000] is included in other assets.

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

	2023		2022	
	$	%	$	%
Canadian equity securities	4,179	30.0	3,931	30.0
U.S. equity securities	2,424	17.4	2,293	17.5
International equity securities	2,437	17.5	2,280	17.4
Fixed-income securities	4,889	35.1	4,599	35.1
	13,929	100.0	13,103	100.0

Management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation. The actual return on plan assets was a gain of $891 [2022 – loss of $2,081].

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

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

The Company expects to make contributions of nil [2023 – nil] to the defined benefit plan in 2024. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

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

Asset volatility

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

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

Change in fixed-income security yields

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

Life expectancy

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

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

27. Income taxes

The major components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

Consolidated statements of income (loss)

	2023 $	2022 $
Current income tax expense		
Current income tax expense	13,442	13,291
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	3,736	(8,021)
Income tax expense reported in the consolidated statements of income (loss)	17,178	5,270

The reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2023 and 2022 is as follows:

	2023 $	2022 $
Profit (loss) before income taxes	86,067	(45,313)
At the Company's statutory income tax rate of 26.8% [2022 – 26.5%]	23,066	(12,008)
Tax rate changes	1,081	(3,421)
Additional deductions allowed in a foreign jurisdiction	(1,629)	(1,083)
Tax losses (recognized) not recognized as a deferred tax asset	(3,126)	1,005
Foreign rate differential	(2,009)	5,330
State income tax, net of federal tax benefit	426	139
Deferred payout	(261)	1,737
Goodwill impairment	153	6,962
Unrealized foreign exchange loss	62	5,389
Permanent differences and others	(585)	1,220
At the effective income tax rate of 20.0% [2022 – (11.6%)]	17,178	5,270

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

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

	Consolidated statements of financial position		Consolidated statements of income (loss)	
	2023	2022	2023	2022
	$	$	$	$
Other assets	(2,516)	(2,643)	(127)	2,643
Property, plant and equipment	(35,005)	(36,255)	(1,250)	(4,965)
Intangible assets	(38,833)	(43,100)	(4,267)	(8,166)
Deferred financing costs	(1,177)	(1,032)	145	565
Accruals and long-term provisions	12,912	25,644	12,649	2,022
Tax loss carryforwards starting to expire in 2039	24,025	16,465	(7,560)	2,382
Capitalized development expenditures	(4,820)	(4,499)	321	(178)
Convertible debentures	(6,070)	(7,327)	(1,263)	(969)
Derivative instruments	—	—	—	89
EIAP liability	5,009	5,826	2,906	(2,528)
Right-of-use assets	(8,857)	(8,308)	549	3,239
Lease liability	11,190	10,348	(842)	(4,479)
Equity swap	(2,448)	(1,025)	1,423	2,308
Other comprehensive income	(15)	93	—	—
Other items	—	—	1,052	16
Deferred income tax expense (recovery)			3,736	(8,021)
Deferred income tax liabilities, net	(46,605)	(45,813)		
Reflected in the consolidated statements of financial position as follows				
Deferred income tax asset	10,086	4,112		
Deferred income tax liability	(56,691)	(49,925)		
Deferred income tax liabilities, net	(46,605)	(45,813)		

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

Reconciliation of deferred income tax liabilities, net

	2023 $	2022 $
Balance, beginning of year	(45,813)	(45,229)
Deferred tax (expense) recovery during the year recognized in profit or loss	(3,736)	8,021
Deferred tax liability set up on business acquisition	—	(4,942)
Deferred tax expense during the year recognized in equity component of convertible debentures	(6)	(4,097)
Deferred tax recovery during the year recognized in contributed surplus	2,089	734
Deferred tax recovery (expense) during the year recognized in other comprehensive income (loss)	861	(300)
Balance, end of year	(46,605)	(45,813)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and loss carryforwards become deductible. Based on the analysis of taxable temporary differences and future taxable income, management of the Company is of the opinion that there is convincing evidence available for the probable realization of all deductible temporary differences of the Company's tax entities incurred, other than the following temporary differences:

- Canadian operations of nil in non-capital loss carryforwards [2022 – $11,850] and $17,767 in capital loss carryforwards [2022 – $17,524], no expiry;
- US operations of U.S. $35,905 [2022 – U.S. $35,905], no expiry; and
- UK operations of £1,043 GBP [2022 – £917 GBP], no expiry.

Accordingly, the Company has recorded a deferred tax asset for all other deductible temporary differences as at December 31, 2023 and as at December 31, 2022.

The temporary differences associated with investments in subsidiaries and associate, for which a deferred tax asset has not been recognized, aggregate to nil [2022 – nil].

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

28. Profit (loss) per share

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

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

	2023 $	2022 $
Profit (loss) attributable to shareholders for basic profit (loss) per share	68,889	(50,583)
Convertible debentures	6,696	—
Profit (loss) attributable to shareholders for diluted profit (loss) per share	75,585	(50,583)
Basic weighted average number of shares	18,982,319	18,870,453
Dilutive effect of DDCP	100,212	—
Dilutive effect of RSUs	336,708	—
Dilutive effect of 2021 Debentures	2,547,630	—
Diluted weighted average number of shares	21,966,869	18,870,453
Profit (loss) per share		
Basic	3.63	(2.68)
Diluted	3.44	(2.68)

The 2022 Debentures were excluded from the calculation of diluted profit (loss) per share in the year ended December 31, 2023, because their effect is anti-dilutive.

The DDCP, RSUs, and Debentures were excluded from the calculation of diluted profit (loss) per share in the year ended December 31, 2022, because their effect is anti-dilutive.

29. Consolidated statements of cash flows

[a] Net change in non-cash working capital

Cash and cash equivalents as at the date of the consolidated statements of financial position and for the purpose of the consolidated statements of cash flows relate to cash at banks and cash on hand. Cash at banks earns interest at floating rates based on daily bank deposit rates.

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

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

	2023 $	2022 $
Accounts receivable	(44,743)	(9,507)
Inventory	63,366	(40,411)
Prepaid expenses and other assets	(3,551)	(9,443)
Accounts payable and accrued liabilities	20,313	20,170
Customer deposits	8,055	(8,673)
Provisions	(58,469)	9,304
	(15,029)	(38,560)

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

[b] Reconciliation of liabilities arising from financing activities

			Non-cash changes						
	December 31, 2022 $	Cash flows $	Additions $	Conversion $	Foreign exchange $	Accretion $	Amortization $	Other $	December 31, 2023 $
Long-term debt	440,938	(15,513)	—	—	(6,544)	—	1,308	268	420,457
Convertible unsecured subordinated debentures	183,481	(178)	—	(4)	—	5,113	1,345	307	190,064
Senior unsecured subordinated debentures	252,750	—	—	—	—	(112)	2,118	—	254,756
Lease liability	39,147	(7,043)	9,890	—	(587)	—	—	264	41,671
Total liabilities from financing activities	916,316	(22,734)	9,890	(4)	(7,131)	5,001	4,771	839	906,948

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

	December 31, 2021 $	Cash flows $	Non-cash changes Acquisitions $	Additions $	Foreign exchange $	Accretion $	Amortization $	Equity component $	Other $	December 31, 2022 $
Long-term debt	434,541	(12,251)	—	—	17,810	—	1,104	—	(266)	440,938
Convertible unsecured subordinated debentures	179,533	12,912	—	—	—	4,185	1,999	(16,220)	1,072	183,481
Senior unsecured subordinated debentures	250,872	—	—	—	—	(112)	1,990	—	—	252,750
Lease liability	22,279	(6,143)	908	20,614	983	—	—	—	506	39,147
Total liabilities from financing activities	887,225	(5,482)	908	20,614	18,793	4,073	5,093	(16,220)	1,312	916,316

30. Financial instruments and financial risk management

[a] Management of risks arising from financial instruments

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

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

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which AGI is exposed are discussed below. Financial instruments affected by market risk include investments and derivative financial instruments.

Foreign currency risk

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

During the year ended December 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 year ended December 31, 2023, an unrealized gain of $105 was recorded in gain on financial instruments. As at December 31, 2023, the fair value of the forward contract was an asset of $104.

A material part of the Company's revenues is transacted in U.S. dollars and euros and, as a result, fluctuations in the rate of exchange between the U.S. dollar, the euro and the Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, AGI denominates a portion of its debt in U.S. dollars. As at December 31, 2023, AGI's U.S. dollar denominated debt totalled U.S. $206 million [2022 – U.S. $206 million].

AGI's revenues denominated in U.S. dollars for the year ended December 31, 2023 were U.S. $577 million [2022 – U.S. $565 million], and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency was U.S. $364 million [2022 – U.S. $404 million]. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $57.7 million increase or decrease in revenues and a total increase or decrease of $36.4 million in its cost of goods sold and its selling, general and administrative expenses.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Furthermore, as AGI regularly reviews the denomination of its borrowings, the Company is subject to changes in interest rates that are linked to the currency of denomination of the debt. AGI's convertible unsecured subordinated debentures and senior unsecured subordinated debentures outstanding at December 31, 2023 and December 31, 2022 are at a fixed rate of interest.

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. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 4.1%. The notional amounts were $40,000 in aggregate, resetting each month. The contract matured in May 2022. During the year ended December 31, 2023, an unrealized gain of nil [2022 – $199] was recorded in gain on financial instruments in other operating expense (income). As at December 31, 2023, the fair value of the interest rate swap was nil [December 31, 2022 – nil].

On June 16, 2022, the Company entered into a forward interest rate swap contract effective June 11, 2023 and expiring on May 11, 2026. The Company receives interest based on the variable rates from the counterparty and pays interest based on a fixed rate of 3.972%. The notional amounts are $75,000 in aggregate, resetting each month. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that it has been assessed to be effective. During the year ended December 31, 2023, an unrealized gain of $920 [2022 – loss of $352] was recorded in other comprehensive income (loss) and a realized gain of $512 [2022 – nil] was recorded in finance costs. As at December 31, 2023, the fair value of the interest rate swap was an asset of $56 [December 31, 2022 – liability of $352].

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

The open interest rate swap contracts as at December 31, 2023 are as follows, for which hedge accounting is applied:

	Maturity date	Contract rate %	Notional amount $	Fair value $
Canadian dollar contracts	May 2026	3.972%	75,000	56

The open interest rate swap contracts as at December 31, 2022 are as follows, for which hedge accounting is applied:

	Maturity date	Contract rate %	Notional amount $	Fair value $
Canadian dollar contracts	May 2026	3.972%	75,000	(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. Pursuant to this agreement, the counterparty has agreed to pay the Company the total return of the defined underlying common shares, which includes both the dividend income they may generate and any capital appreciation. In return, the Company has agreed to pay the counterparty a funding cost calculated daily based on floating rate option [CAD-BA-COOR] plus a spread of 2.0% and any administrative fees or expenses that are incurred by the counterparty directly.

As at December 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 year ended December 31, 2023, an unrealized gain of $5,177 [2022 – $8,425] was recorded in gain on financial instruments in other operating expense (income). As at December 31, 2023, the fair value of the equity swap was an asset of $8,517 [December 31, 2022 – asset of $3,344].

Debenture put options

On March 5, 2020, the Company issued the 2020 Debentures. Beginning on and after December 31, 2022, the Company has the option of early redemption. At time of issuance, the Company's redemption option resulted in an embedded derivative with a fair value of $754. During the year ended December 31, 2023, an unrealized gain of $87 [2022 – $283] was recorded in gain on financial instruments in other operating expense (income). As at December 31, 2023, the fair value of the embedded derivative was an asset of $644 [2022 – $557].

Credit risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due, causing a financial loss.

A substantial portion of AGI's accounts receivable is with customers in the agriculture industry and is subject to normal industry credit risks. A portion of the Company's revenues and related accounts receivable are also generated from transactions with customers in overseas markets, several of which are in emerging markets such as countries in South America, Eastern Europe and Asia. It is often common business practice for international customers to pay invoices over an extended period of time. Accounts receivable are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. The Company regularly monitors customers for changes in credit risk. The Company's credit exposure is mitigated through the use of credit practices that limit transactions according to the customer's credit quality and due to the accounts receivable being spread over a large number of customers. Certain trade receivables from international customers are insured for events of non-payment through third-party export insurance, or the Company secures asset-backed receivables to mitigate against credit risk. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit or letter of credit is received before goods are shipped.

Assessments about the recoverability of financial assets, including accounts receivable, require critical judgment in determining whether there is objective evidence that a loss event has occurred and estimates of the amount and timing of future cash flows. The Company estimates expected credit losses resulting from any inability to collect on its trade receivables, which is netted against the accounts receivable on the consolidated statements of financial position. Emerging markets are subject to various additional risks including currency exchange rate fluctuations, foreign economic conditions and foreign business practices. One or more of these factors could have a material effect on the future collectability of such receivables. In assessing whether objective evidence of impairment exists at each reporting period, the Company considers its past experience of collecting payments, historical loss experience, customer credit ratings and financial data as available, collateral on amounts owing including insurance coverage from export credit agencies, as well as observable changes in national or local economic conditions.

The requirement for an impairment provision is analyzed at each reporting date based on the expected credit loss model. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

The Company's interest rate swap contract, equity swap agreement and foreign exchange forward contracts are also exposed to the credit risk of its counterparties. The Company only enters into agreements with major financial institutions that meet or exceed its credit rating requirements, and the Company regularly monitors for changes in the credit risk of its counterparties.

As at December 31, 2023, the Company's credit risk exposure consists of the carrying amounts in cash and cash equivalents, accounts receivable and derivative instruments. Cash and cash equivalents are deposited with major financial institutions or may be invested in highly liquid short-term investments with major financial institutions.

Liquidity risk

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

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

The tables below summarize the undiscounted contractual payments of the Company's financial liabilities as at December 31, 2023 and 2022:

December 31, 2023	Total $	2024 $	2025 $	2026 $	2027 $	2028+ $
Accounts payable and accrued liabilities	252,941	252,941	—	—	—	—
Dividends payable	2,851	2,851	—	—	—	—
Due to vendor	6,496	4,447	2,049	—	—	—
Lease liability	53,702	9,837	9,235	7,635	5,969	21,026
Long-term debt	423,494	438	291	422,350	212	203
Convertible unsecured subordinated debentures [includes interest]	263,507	11,153	11,153	11,153	230,048	—
Senior unsecured subordinated debentures [includes interest]	289,259	186,148	13,648	89,463	—	—
Total financial liability payments	1,292,250	467,815	36,376	530,601	236,229	21,229

December 31, 2022	Total $	2023 $	2024 $	2025 $	2026 $	2027+ $
Accounts payable and accrued liabilities	236,111	236,111	—	—	—	—
Dividends payable	2,835	2,835	—	—	—	—
Due to vendor	10,968	5,214	779	3,225	1,750	—
Lease liability	51,205	6,915	6,853	6,748	5,842	24,847
Long-term debt	445,207	28,338	428	287	211	415,943
Convertible unsecured subordinated debentures [includes interest]	274,665	11,153	11,153	11,153	11,153	230,053
Senior unsecured subordinated debentures [includes interest]	302,907	13,648	186,148	13,648	89,463	—
Total financial liability payments	1,323,898	304,214	205,361	35,061	108,419	670,843

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

[b] Fair value

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial instruments that are carried in the consolidated financial statements, as well as their level on the fair value hierarchy:

		December 31, 2023		December 31, 2022	
	Level	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets					
Amortized cost:					
Cash and cash equivalents	1	88,042	88,042	59,644	59,644
Restricted cash	1	2,619	2,619	3,110	3,110
Accounts receivable	2	265,604	265,604	220,861	220,861
Notes receivable	2	5,849	5,849	6,055	6,055
Fair value through profit or loss:					
Derivative instruments	2	9,265	9,265	3,901	3,901
Fair value through other comprehensive income:					
Derivative instruments	2	56	56	—	—
Financial liabilities					
Amortized cost:					
Interest-bearing loans and borrowings	2	420,457	420,457	440,938	440,938
Accounts payable and accrued liabilities	2	252,941	252,941	236,111	236,111
Dividends payable	2	2,851	2,851	2,835	2,835
Due to vendor	2	5,906	5,906	10,968	10,968
Convertible unsecured subordinated debentures	2	190,064	187,513	183,481	157,930
Senior unsecured subordinated debentures	2	254,756	247,548	252,750	235,934
Fair value through other comprehensive income:					
Derivative instruments	2	—	—	352	352

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

During the reporting years ended December 31, 2023 and December 31, 2022, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, restricted cash, accounts receivable, dividends payable, accounts payable and accrued liabilities, due to vendor, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these 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 Company enters into derivative financial instruments with financial institutions with investment-grade credit ratings. Derivatives include interest rate swaps, equity swaps and foreign exchange forward contracts that are marked-to-market at each reporting period. The fair values of derivatives are determined by the derivative counterparty using a discounted cash flow technique, which incorporates various inputs including the related interest rate swap curves and/or the Company's stock price for the equity swaps.

- The fair value of the optionally convertible redeemable preferred shares ["OCRPS"] arising from business combinations is estimated by discounting future cash flows based on the probability of meeting set performance targets.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	2023 $	2022 $
OCRPS:		
Balance, beginning of year	—	11,690
Fair value change	—	229
Payments	—	(11,312)
Exchange differences	—	(607)
Balance, end of year	—	—

Fair value ["FV"] hierarchy

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

Level 1

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

Level 2

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

Level 3

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

31. Capital disclosure and management

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

AGI manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities, and as at December 31, 2023 and December 31, 2022, all of these covenants were complied with *[note 20[b]]*.

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

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

32. Related party disclosures

Relationship between parent and subsidiaries

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

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 year ended December 31, 2023, the total cost of these legal services related to general matters was $678 [2022 – $2,451], and $1,102 [2022 – $686] is included in accounts payable and accrued liabilities and provisions as at December 31, 2023.

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

Compensation of key management personnel of AGI

AGI's key management consists of 25 individuals including its CEO, CFO, its Officers and other senior management, divisional general managers and its Directors.

	2023 $	2022 $
Salaries	14,058	13,776
Short-term employee benefits	167	174
Contributions to defined contribution plans	305	255
Share-based payments	5,864	5,058
Termination benefits	—	4,212
Total compensation paid to key management personnel	20,394	23,475

33. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of $4,245 [2022 – $8,883].

[b] Letters of credit

As at December 31, 2023, the Company has outstanding letters of credit in the amount of $35,027 [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 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.