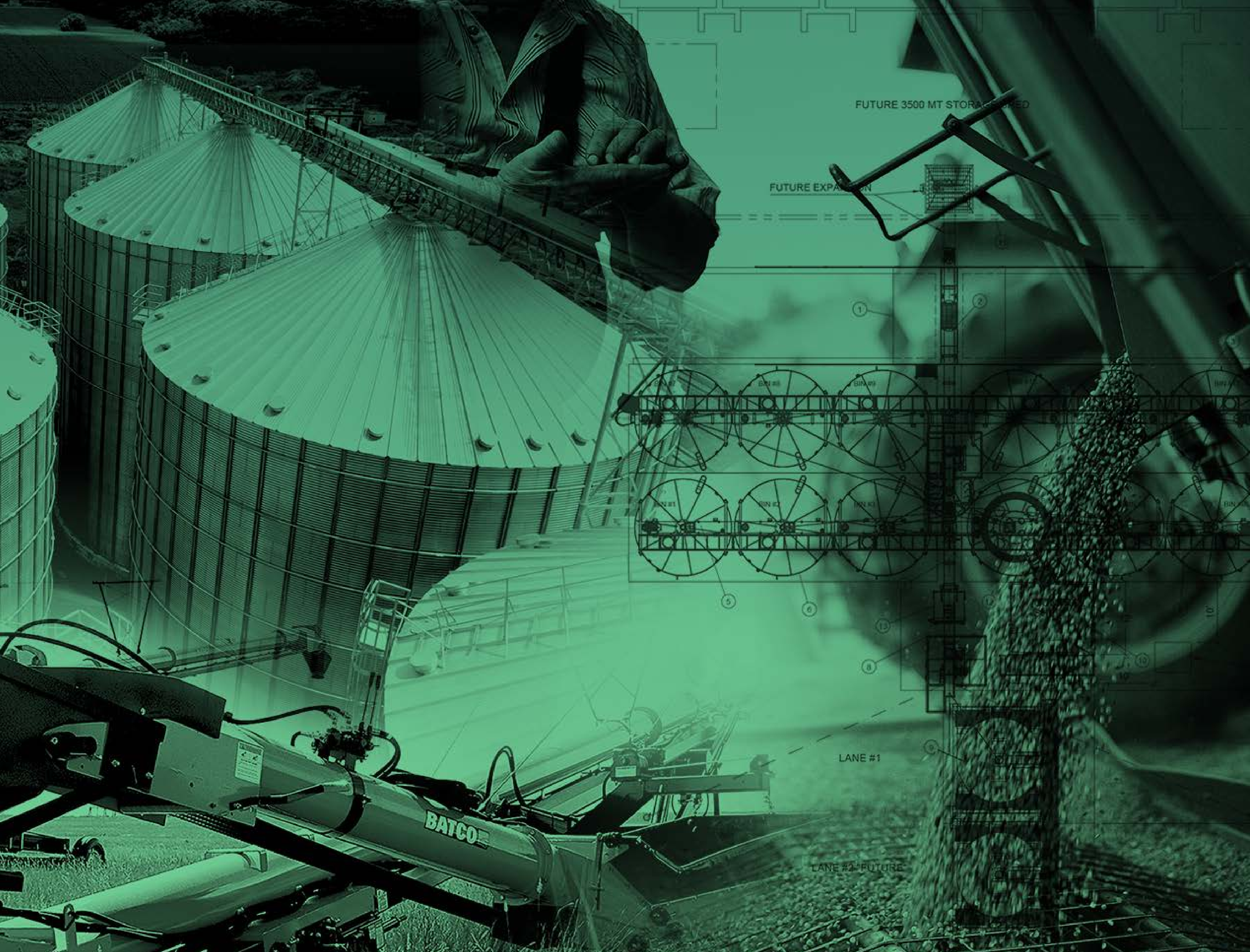
ENGINEERING GROWTH

2017 ANNUAL REPORT


LANE #1
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2017

Engineering Growth

ANNUAL REPORT

Tim Close
President & CEO

CEO's Message

2017: Engineering Growth

The global infrastructure required to transport the world's people consists of roads, rail, ships, and airports. The infrastructure required to feed the world's people consists of a global network of facilities to store, blend, mix, convey, condition, process, and protect the hundreds of millions of tons of agriculture inputs and crops that must flow around the world on a daily basis. We further refine the definition of the global food infrastructure to include the equipment and technology required to facilitate the global movement of the inputs to grow our crops, to move the crops to market, then to process the crops into feed for our animals and food for people. I would like to re-introduce you to AGI, we don't just build augers anymore, we build the world's food infrastructure.

Clarity of purpose is paramount when setting a strategy that will take years and decades to fulfill. While we build only a small percentage of the world's food infrastructure today, our simple and ambitious goal is to increase our percentage each year. As we work towards achieving our goal, we will build a stronger, more diversified, more sustainable company that delivers a unique offering to create more value for our customers. Along this path we will also create a more engaging, fulfilling company for our employees, we will achieve the required scale and diversification to balance risk, and, when these elements are combined, we produce better long-term returns for our shareholders.

Our purpose today is much broader than ever in our history. We have grown over time from a single product, single region company to a global company with a comprehensive product catalogue. We now summarize our strategy as **5-6-7**:

- We operate across **5 platforms**: Fertilizer, Seed, Grain, Feed and Food.
- We partner with customers in **6 continents**.
- We deliver systems for farm and commercial applications which include **7 components**: *Storage, Handling, Structural, Processing*, and *Controls* all based on, and brought together, with *Engineering* and *Project Management*.

We spent much of our first 22 years in Grain and over the last few years we have moved into the other 4 platforms.

We spent much of our first 22 years in North America and over the last few years we have moved into the other 5 continents.

We spent much of our first 22 years in Handling and over the past few years we have moved into the other 6 components.

These repetitive statements are meant to deliver the dual message that although we have been successfully building AGI, we are also in the early days of our growth and we are only just getting started.

The global food infrastructure shares many attributes with traditional infrastructure:

- Present in developed and emerging markets: Emerging markets must make substantial investments to not only increase crop production but also to enable the movement of agriculture commodities to support imports, exports and domestic consumption. Mature markets must continue to invest.
- Requires constant maintenance and investment: Continual investment is required to avoid degradation or loss of capacity due to wear, weather and increasingly higher rates of usage.
- Constantly evolving requirements and technology: New agriculture inputs, increased capacity requirements, and new forms of retail food and industrial feed products require retrofit, adjustment, and expansion.
- Importance of safety: Heavy equipment combined with high volumes of often combustible commodities require constant management of, and investment in, safety equipment.
- Monitoring requirements: All infrastructure must be continuously monitored to ensure safe and consistent performance.
- Regional considerations: Input and crop volumes change regionally every year, crops move to different destinations every year, consumption changes over time, and food demand changes on

a regional basis. Constant change requires continual investment in the infrastructure required to accommodate and sustain each change.

- Keeping up with growth: The global population is currently increasing by approximately 85 million people each year. We need the infrastructure to match this growth.

As you can see, the fundamental attributes of our core markets are robust, the size of our addressable market is large, and our markets are driven by the fact that the growing and changing world must eat. We have pursued a unique strategy of bringing together a market leading family of businesses to position AGI for long-term growth and success in this global food infrastructure market.

Year in Review

2017 was a successful year for AGI as we delivered on our 2016 promise of creating sustainable momentum. We group our priorities around three key pillars within AGI: People, Strategy and Capital Allocation. With focused execution across our three pillars, we grew our trade sales by 38% to $756 million, our Adjusted EBITDA grew to $123 million, an increase of 23%, while FFO grew to $74 million, a 41% increase over 2016.

People

To deliver on our 5-6-7 strategy and reach customers in 6 continents, we must be a global company. However, we must also have local relationships, with strategically placed manufacturing capabilities to deliver leading solutions in every market. We believe that all businesses are ultimately governed by their ability to attract and retain top talent. As we move into new markets around the world we continue to focus on finding the people that will lead our global and local strategies.

We were busy in 2017 working on recruitment initiatives at each of our businesses to find the people that will continually reshape and build our business going forward. We recognize that we have much work to do as we strive to build industry leading training programs, create an even more dynamic workplace and find more ways to offer continued career development opportunities within AGI. We view these as basic building blocks for any company and one of the most exciting aspects of executing on our long-term plans.

To facilitate our continued growth of AGI we added to our senior managment team, restructured sales teams, and built out our regional hubs in Brazil, Europe, and North America.

In 2017, our team members found more ways to collaborate, more often than ever, as we invested the time and capital to leverage our platform perspective to discover and create best practices. Our platform perspective advantage is based on leaders across AGI working together to identify best in class performance, for every key metric, and converging each business toward the established benchmark.

Our success in 2017 was delivered by talented and dedicated people around the world. I am very proud of the people in AGI and want to thank each of them for their outstanding contribution.

Strategy

Engineering has moved to the heart of our business as we execute on the **5-6-7** strategy. The basis for every product and service we offer is rooted in the efficient design and processes that result in the highest quality product with the least amount of wasted time and materials. Our customers have no interest in paying for waste throughout a process and we couldn't agree more.

5-6-7 summarizes a broad, global strategy; however, it's the engineering and project planning talent that provides the framework and detail required to bring this strategy to life. The 7 components within our strategy are individually just products and services but our objective has been to bring these products and services together to offer system solutions to our customers. Moving from selling individual products and services to providing solutions and full systems is an important shift as we aim to become key strategic partners with our customers.

In 2016, we embarked on an important engineering redesign, as we sought to improve the method by which we delivered the engineering expertise for our products, manufacturing, sales, service, and support. The investment in engineering continued throughout 2017, and will be an ongoing focus going forward, with new people and technologies fueling our growth.

We delivered on our business plan in 2017, substantially growing both our Farm and Commercial businesses and further integrating recent acquisitions to provide the next stage of growth. In 2017, we achieved significant organic growth while also adding seven new companies through three acquisitions which added key product lines, significantly expanded our US market presence, and established our applied technology platform.

Early in 2017, we acquired the Global Group of companies and significantly enhanced our grain bin and handling distribution reach across the U.S. and internationally. The Global Group is comprised of four unique operating divisions, MFS, Neco, Hutchison Mayrath and Sentinel Buildings Systems, each of which brings new products to AGI including our first grain dryer in North America, grain loop systems, steel buildings, grain pumps and top dry systems to name a few. This transaction also gave us the scale we needed to facilitate continued growth in this strategic market.

Late in 2017, we acquired CMC Industrial Electronics and Junge Control, two smaller but important additions that accelerate our applied technology platform as we build the Controls component in our **5-6-7** strategy. CMC brings market leading hazard and grain monitoring sensors and controls that provide the critical safety and facility operating data our customers need to ensure proper working conditions and facility productivity. Junge Control rounds out our fertilizer platform, bringing liquid fertilizer metering, measuring and blending products as well as additional controls capabilities for equipment and overall facility operations. Two outstanding additions to AGI.

As we welcome outstanding businesses and people to our team, we are strengthening and differentiating our AGI platform globally. We will continue to execute on this strategy in 2018 and going forward.

Capital Allocation

Our pace of growth reflects the broadening of our purpose and perspective, combined with an urgency to achieve the scale and diversification that strengthens AGI's foundation. We continue to see extensive organic and external opportunities to maintain our pace of growth. We encourage and expect that ideas for our growth will come from everyone in AGI. It is our responsibility to spend a good amount of time listening to colleagues, our Board of Directors, and searching externally for the technologies, process improvements, product enhancements and evolutionary changes that will become the small incremental growth initiatives as well as the transformational change opportunities.

We are biased to finding a way to act on every good idea, but we balance the timing and size of our investments with the reality of time management and capital resources. In 2017, our use of internally generated cash, senior debt, convertible debentures and equity funded a busy year of baseline maintenance investments, compelling growth based internal projects, as well as a robust year of acquisitions.

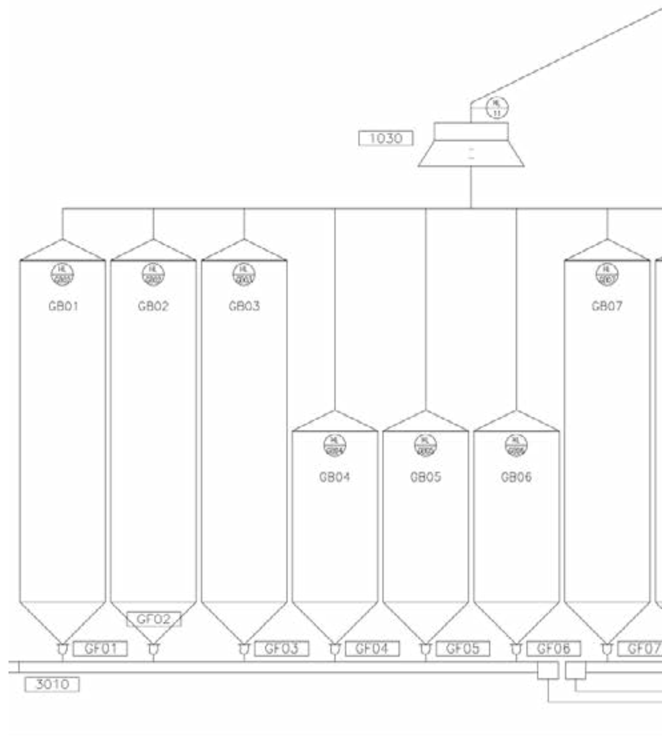
At the end of 2017, our payout ratio had dropped to 52%, from 67% at year-end 2016, as recent initiatives contributed to increased cash generation. We closed the year with a solid balance sheet position with senior debt at 2.0x adjusted EBITDA, total debt inclusive of our convertible debentures of 4.4x adjusted EBITDA, both net of our year-end cash balance of $64 million. Our balance sheet remains strong, providing AGI with the flexibility to continue to invest in the excellent ideas that come from an engaged and passionate group of people throughout the company.

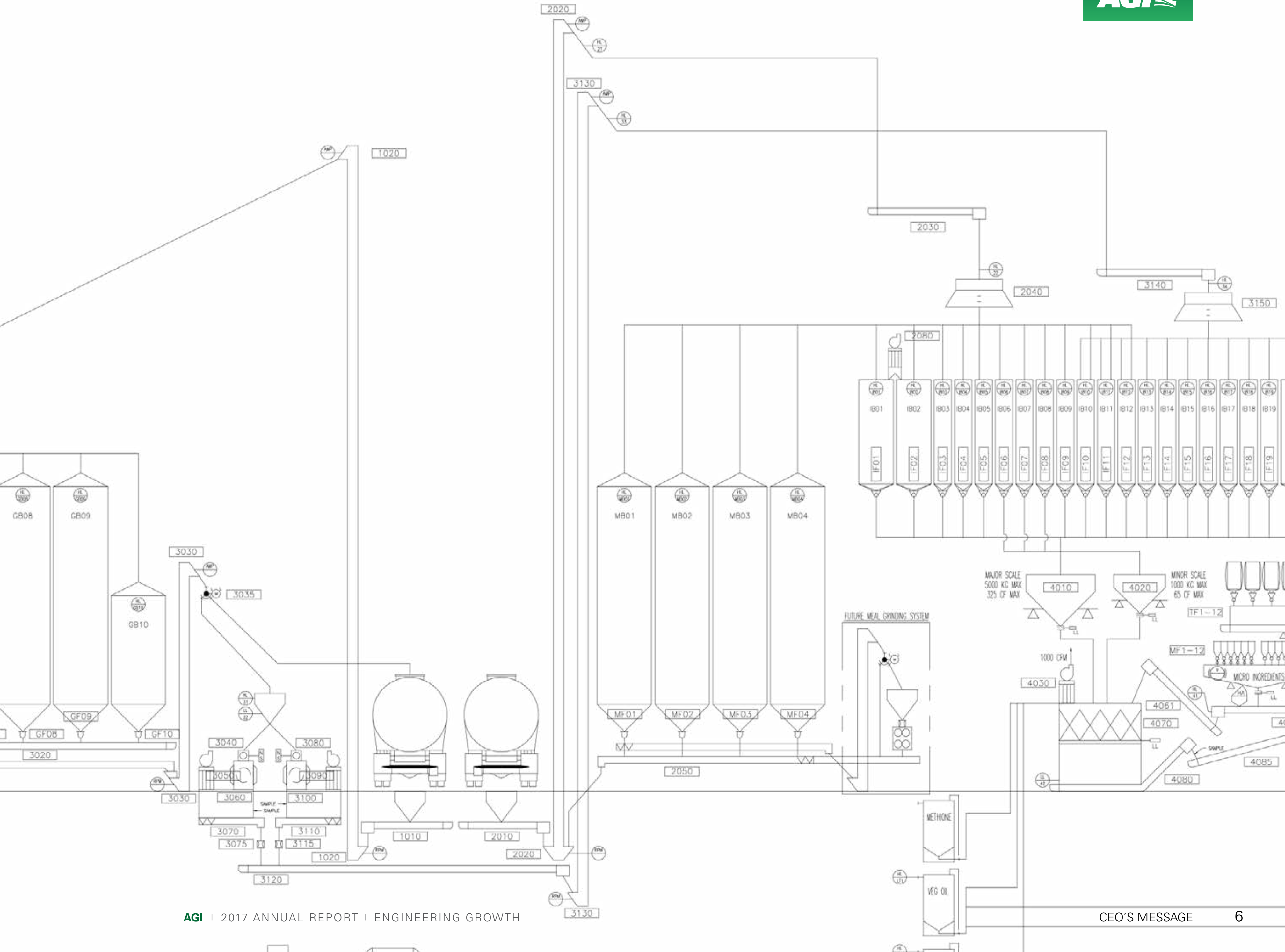
As we move into 2018, we are focused on the theme of building out the engineering talent that is so critical to our **5-6-7** strategy. In early 2018, we acquired a boutique engineering and project management business called Danmare, which is focused on food processing projects. We could not have found a better addition to this platform at this nascent stage of our food business. Danmare exemplifies our approach to partnering with our customers and we expect all of AGI to learn from the core expertise at Danmare.

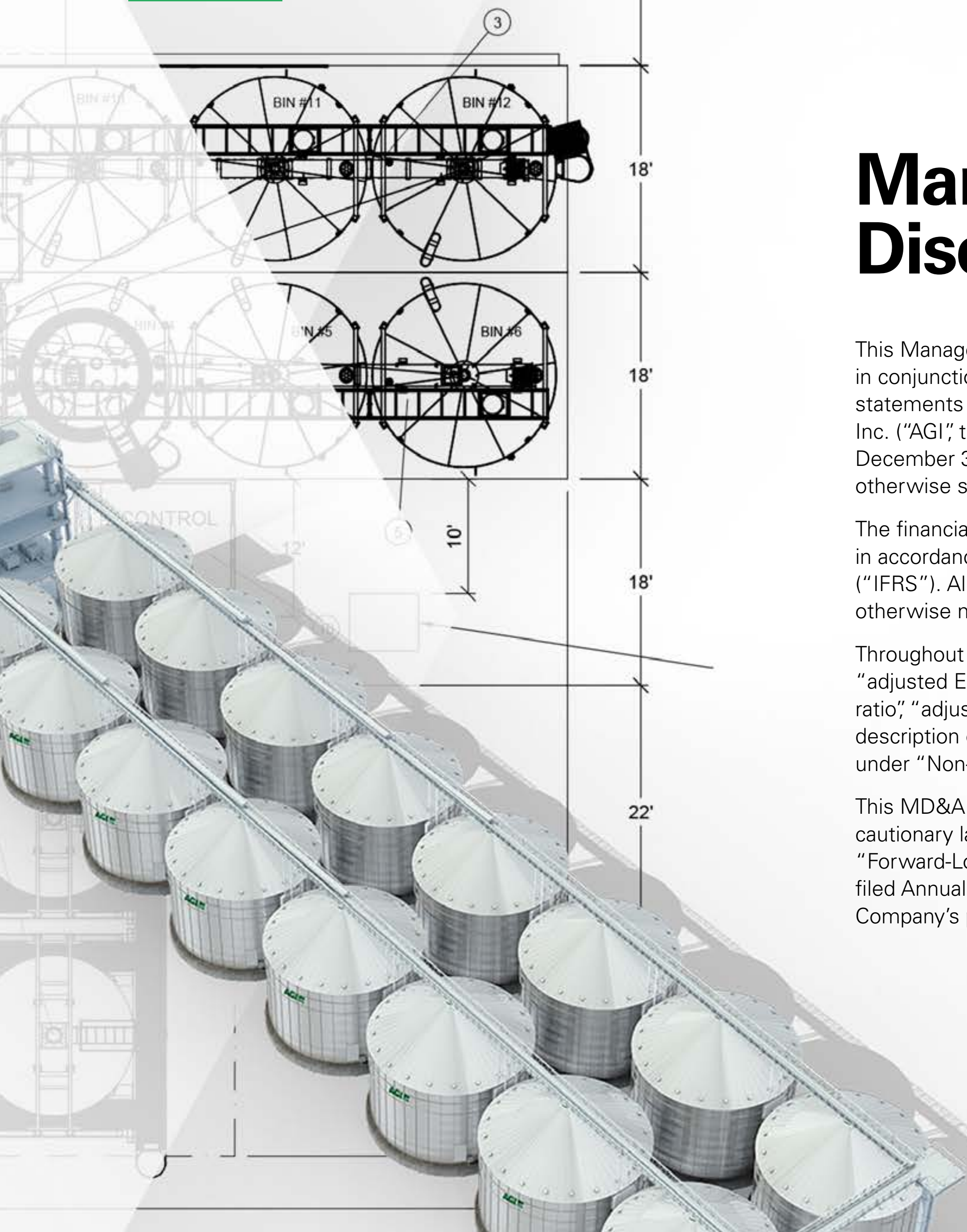
A key customer of ours has taught us the concept of mutuality, wherein you base your business on building sustainable win - win relationships with every customer, employee, shareholder and partner. What a wonderfully simple concept that should be one of the core principles of every company. At AGI we will embrace this concept across every part of our business.

On behalf of our Board, our employees and your management team we thank you for your continued support.

Tim Close
President & CEO







Management's Discussion & Analysis

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, 2017. Results are reported in Canadian dollars unless otherwise stated.

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

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

This MD&A contains forward-looking information. Please refer to the cautionary language under the heading "Risks and Uncertainties" and "Forward-Looking Information" in this MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR (www.sedar.com).

Summary of Results

[thousands of dollars except per share amounts]	Year Ended December 31	
	2017 **$**	**2016** **$**
Trade sales [1][2]	**755,605**	546,616
Adjusted EBITDA [1][3]	**123,329**	100,307
Profit	**35,196**	19,306
Diluted profit per share	**2.18**	1.29
Adjusted profit [1]	**39,449**	36,898
Diluted adjusted profit per share [1][4]	**2.44**	2.47

(1) See "Non-IFRS Measures".
(2) See "Operating Results – Trade Sales"
(3) See "Operating Results – EBITDA and Adjusted EBITDA".
(4) See "Detailed Operating Results – Diluted profit per share and diluted adjusted profit per share".

Trade sales and adjusted EBITDA were at record levels in 2017, as broad-based strength in both the Farm and Commercial segments was complemented by contributions from acquisitions made in 2016 and 2017. AGI's Farm trade sales increased by 47% as a robust Canadian Farm market was complemented by improving market conditions in the U.S. and the May 2017 acquisition of Global Industries, Inc. ("Global"). Commercial trade sales increased by 29%, the result of higher international sales and contributions from 2016 acquisitions that expanded AGI's Commercial product offering and diversified its geographic reach and customer base. Higher adjusted EBITDA and a gain on foreign exchange more than offset higher finance costs related to the Global acquisition, resulting in an increase in unadjusted profit per share compared to the prior year, while diluted adjusted profit per share declined compared to 2016.

Outlook

AGI's Farm business in 2018 is expected to benefit from increased demand in the U.S. for both portable grain handling equipment and grain storage systems. U.S. Farm sales are expected to increase due to pent-up demand, the result of under-investment in equipment over the last several years, and market expectations for another year of significant planted acreage. In addition, U.S. tax reform in 2018 may stimulate demand as many farmers will pay lower taxes and may be eligible for accelerated depreciation on equipment purchases. In Canada, demand is expected to continue to benefit from positive markets, however a dry and early harvest in certain areas has resulted in a degree of carryover in dealer inventory, and Canadian Farm sales in fiscal 2018 may not reach the record sales of 2017. Management anticipates results at recently acquired Global will benefit from increased demand for grain storage systems, synergies realized throughout 2017 and improvements in manufacturing efficiencies. Overall, Farm backlogs are significantly higher than the prior year, and based on current conditions management anticipates that Farm sales in fiscal 2018 will be above 2017 levels.

Commercial sales in Canada are expected to increase significantly in 2018 due to strong demand for both grain and fertilizer storage and handling facilities. The existing Canadian Commercial sales order backlog includes a significant portion of the total anticipated sales in 2018. In the United States, Commercial activity is expected to approximate 2017 levels due to ongoing maintenance capital expenditure programs and investments to increase capacity and productivity. In addition, U.S. tax reform in 2018 may encourage capital investment. AGI's fertilizer platform and equipment and system controls capabilities were strengthened by the acquisition of Junge Control Inc. ("Junge") in December 2017, and the continued development of these platforms is expected to increase Commercial sales in 2018. International sales will benefit from a record backlog entering fiscal 2018, as AGI delivers on a geographically diverse sales backlog, with particular strength in Eastern Europe and South America. Overall, management anticipates sales of Commercial equipment in 2018 will be higher than the prior year.

Management anticipates a positive contribution from AGI Brazil in 2018, compared to a loss in 2017. Farm sales in Brazil are expected to benefit from AGI's investment in its sales team throughout 2017, which has led to a higher opening backlog and an active quote log. Sales of Commercial equipment are expected to benefit from a higher opening backlog and product technology transferred from North America that will further enable AGI Brazil to service customers in South America with a complete Commercial solution. Access to capital and a cautious approach to capital investment continue to contribute to a competitive marketplace in Brazil, however AGI anticipates higher sales and manufacturing efficiencies will lead to a positive EBITDA contribution in 2018, particularly in the second half of the fiscal year.

On balance, management anticipates strength in both the Farm and Commercial sectors will lead to higher sales and adjusted EBITDA in 2018. Existing backlogs are high, particularly with respect to the Company's Farm business in the U.S. and its Canadian and international Commercial business. Improved results in Brazil, a higher contribution from the Global companies and the continued development of AGI's fertilizer and controls platforms are also expected to contribute to higher EBITDA in 2018.

Trade sales and adjusted EBITDA in 2018 will be influenced by, among other factors, weather patterns, crop conditions, the timing of harvest and conditions during harvest and changes in input prices, including steel. Dry soil conditions in certain regions of Canada and the United States have the potential to worsen, and may negatively impact crop yields. Steel prices have increased significantly in recent months, and market participants anticipate continued volatility in steel markets, which may be exacerbated by U.S. trade actions, including the recent announcement of import tariffs under Section 232 of the Trade Expansion Act (USA). The Company endeavors to mitigate its exposure to higher input costs through strategic procurement of steel, sales price increases and limiting the length of time commercial quotes remain valid, however the pace and volatility of input price increases may negatively impact earnings. Other factors that may impact results in 2018 include the rate of exchange between the Canadian and U.S. dollars, changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets, and the timing of Commercial customer commitments and deliveries.

Basis of Presentation – Acquisitions

When comparing current year results to 2016, we have in some cases noted the impact of acquisitions made in 2016 and 2017. When noted, both the 2016 and 2017 periods exclude results from the acquisitions of Entringer Industrial S.A. ("Entringer") (March 15, 2016), NuVision Industries Inc. ("NuVision") (April 1, 2016), Mitchell Mill Systems Canada Lt. and Mitchell Mill Systems USA, Inc. (collectively, "Mitchell") (July 18, 2016), Yargus Manufacturing, Inc. ("Yargus") (November 15, 2016), Global (April 4, 2017), CMC Industrial Electronics Ltd. And CMC Industrial Electronics USA, Inc. (collectively "CMC") (December 22, 2017) and Junge (December 28, 2017).

In the disclosure that follows, the above acquisitions are categorized as Commercial divisions, with the exception of Global which has four operating divisions, three of which are categorized as Farm divisions.

Operating Results

Trade Sales (see "Non-IFRS Measures" and "Basis of Presentation - Acquisitions")

[thousands of dollars]	Year Ended December 31		
	2017 $	**2016 $**	**Change $**
Sales	**754,715**	531,616	223,099
Foreign exchange loss [1]	**890**	15,000	(14,110)
Trade Sales	**755,605**	546,616	208,989

(1) A portion of foreign exchange gains and losses are allocated to sales.

Trade Sales by Geography

[thousands of dollars] Year Ended December 31

	2017 $	2016 $	Change $
Canada, excluding acquisitions	**228,972**	215,988	12,984
Acquisitions	**51,915**	22,163	29,752
Total Canada	**280,887**	238,151	42,736
U.S., excluding acquisitions	**202,248**	197,793	4,455
Acquisitions	**120,884**	8,849	112,035
Total U.S.	**323,132**	206,642	116,490
International, excluding acquisitions	**111,179**	93,675	17,504
Acquisitions	**40,407**	8,148	32,259
Total International	**151,586**	101,823	49,763
Total excluding acquisitions	**542,399**	507,456	34,943
Total acquisitions	**213,206**	39,160	174,046
Total Trade Sales	**755,605**	546,616	208,989

Trade Sales by Category [(1)]

[thousands of dollars] Year Ended December 31

	2017 $	2016 $	Change $
Farm	**305,258**	267,173	38,085
Farm – acquisitions	**88,578**	—	88,578
Total Farm	**393,836**	267,173	126,663
Commercial	**237,514**	240,283	(2,769)
Commercial – acquisitions	**124,255**	39,160	85,095
Total Commercial	**361,769**	279,443	82,326
Total Trade Sales	**755,605**	546,616	208,989

(1) See "Basis of Presentation – Farm and Commercial"

Canada

- Trade sales in Canada, excluding acquisitions, increased 6% compared to 2017. Farm sales increased across all product categories including storage, aeration and handling equipment as positive farmer economics and favourable crop yields more than offset the negative impact of an early and dry harvest. Commercial sales in Canada decreased compared to 2016, largely due to timing as some projects were deferred by customers into 2018. AGI's Canadian Commercial sales backlog is at record levels entering 2018.
- Sales from acquisitions were $52 million in fiscal 2017. These sales relate primarily to ongoing investment in fertilizer distribution facilities and AGI's growing Food platform and, to a lesser extent, Canadian sales related to recently acquired Global.

United States

- Excluding acquisitions, trade sales in the United States increased 2% compared to 2017, as a 21% increase in Farm sales was largely offset by lower Commercial sales. The increase in Farm sales appears to signal the beginning of a recovery for AGI in the U.S. Farm market, as strong in-season sales of portable grain handling equipment in 2017 and high levels of participation in post-harvest sales programs has resulted in a significantly higher sales order backlog entering 2018 compared to the prior year. Commercial sales decreased in 2017, in part due to a challenging profit environment for commercial grain traders and indications that capital investment priorities for multinationals may lie outside of the United States.

- Trade sales from acquisitions in the United States were $121 million, and relate almost entirely to the recent acquisitions of Yargus and Global. Domestic sales of Yargus fertilizer blending and other fertilizer related products were in line with expectations and are expected to benefit in future years from the overall AGI fertilizer platform. Demand for grain storage systems produced by the Global companies remained at cyclical lows in 2017, however signs of a recovery in this product category began to appear later in 2017, and sales order backlogs are currently well above those at the same time in 2017.

International

- International sales, excluding acquisitions, increased 19% over 2016, as AGI's sales order backlog significantly increased in the latter half of 2017 and the Company began to deliver on projects in the fourth quarter. Sales in 2017 reflect AGI's broadening geographic reach, with significant sales in EMEA, including Eastern Europe, South America and southeast Asia/Australia. AGI's international sales order backlog is currently at record levels with significant projects underway in EMEA and South America.
- International sales from acquisitions increased $32 million over 2016, largely due to $20 million of offshore sales from Global, which were concentrated in EMEA and Southeast Asia, sales of Yargus fertilizer equipment in Africa and Southeast Asia and higher sales in Brazil.

Gross Margin (see "Non-IFRS Measures" and "Basis of Presentation - Acquisitions")

[thousands of dollars]	Year Ended December 31	
	2017 $	**2016 $**
Trade sales [(1)]	**755,605**	546,616
Cost of inventories	**516,926**	356,765
Gross Margin [(1)]	**238,679**	189,851
Gross margin as a % of trade sales	**31.6%**	34.7%

(1) See "Non-IFRS measures".

Gross margin as a percentage of trade sales decreased compared to 2016 primarily due to the impact of AGI's Brazilian operations and acquisitions made in 2016 and 2017. Excluding these items, gross margin for the twelve-month period ended December 31, 2017 was 35.5% (2016 – 35.7%). Management anticipates gross margin percentages in Brazil will improve subsequent to final commissioning of the new production facility, and will benefit from higher sales volumes and improved manufacturing practices in 2018. In addition, gross margin percentages at AGI's most significant recent acquisitions, Yargus and Global, do not yet fully reflect purchasing and personnel synergies or ongoing margin improvement initiatives.

EBITDA and Adjusted EBITDA (see "Non-IFRS Measures" and "Basis of Presentation - Acquisitions")

The following table reconciles profit from continuing operations before income taxes to EBITDA and Adjusted EBITDA.

[thousands of dollars]	Year Ended December 31	
	2017 $	**2016 $**
Profit from continuing operations before income taxes	**47,200**	29,815
Finance costs	**35,708**	24,025
Depreciation and amortization	**29,474**	21,984
EBITDA [1]	**112,382**	75,824
(Gain) loss on foreign exchange	**(11,578)**	14,070
Share based compensation	**8,057**	6,891
Gain on financial instruments [2]	**(357)**	(9,210)
M&A expenses	**1,259**	1,492
Other transaction expenses [3]	**7,506**	2,833
Gain on sale of PP&E	**(909)**	(114)
Fair value of inventory from acquisitions [4]	**5,037**	—
Allowance for net receivables	—	682
Impairment [5]	**1,932**	7,839
Adjusted EBITDA [1]	**123,329**	100,307

(1) See "Non-IFRS Measures".
(2) See "Equity Compensation Hedge".
(3) Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
(4) Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost as at the date of acquisition. Amounts in 2016 were not considered material and accordingly were not added back to adjusted EBITDA.
(5) To record assets held for sale at estimated fair value.

Detailed Operating Results

[thousands of dollars]	Year Ended December 31	
	2017 $	**2016 $**
Sales		
Trade sales [1]	**755,605**	546,616
Foreign exchange loss	**(890)**	(15,000)
	754,715	531,616
Cost of goods sold		
Cost of inventories	**516,926**	356,765
Depreciation/amortization	**19,075**	13,667
	536,001	370,432
Selling, general and administrative expenses		
SG&A expenses	**131,942**	99,427
M&A expenses	**1,259**	1,492
Other transaction expenses [2]	**7,506**	2,833
Depreciation/amortization	**10,399**	8,317
	151,106	112,069
Other operating income		
Net gain on disposal of PP&E	**(909)**	(114)
Net gain on financial instruments	**(357)**	(9,210)
Other	**(3,379)**	(2,272)
	(4,645)	(11,596)
Impairment charge	**1,932**	7,839
Finance costs	**35,708**	24,025
Finance (income) expense	**(12,587)**	(968)
Profit from continuing operations before income taxes	**47,200**	29,815
Income tax expense	**12,045**	10,862
Profit for the period from continuing operations	**35,155**	18,953
Profit from discontinued operations	**41**	353
Profit for the period	**35,196**	19,306
Profit per share		
Basic	**2.21**	1.31
Diluted	**2.18**	1.29

(1) See "Non-IFRS Measures".
(2) Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

Impact of Foreign Exchange

Sales and Adjusted EBITDA

AGI's average rate of exchange in fiscal 2017 was $1.31 (2016 - $1.32). A stronger Canadian dollar relative to the U.S. dollar results in lower reported sales for AGI, as U.S. dollar denominated sales are translated into Canadian dollars at a lower rate. Similarly, a stronger Canadian dollar results in lower costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a stronger Canadian dollar may result in lower input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA decreases when the Canadian dollar strengthens relative to the U.S. dollar.

Gains and Losses on Foreign Exchange

AGI's realized loss on foreign exchange forward contracts in fiscal 2017 was $0.7 million (2016 – $14.4 million). As at December 31, 2017, AGI has no outstanding foreign exchange contracts. AGI's total gain on foreign exchange, including non-cash translation gains, was $11.6 million in fiscal 2017 (2016 - loss of $14.1), and primarily relates to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the year. See also "Financial Instruments – Foreign exchange contracts".

Selling, General and Administrative Expenses ("SG&A")

SG&A expenses in 2017, excluding M&A expenses and depreciation/amortization, were $131.9 million (17.5% of trade sales) versus $99.4 million in 2016 (18.2%). Excluding acquisitions, SG&A expenses in 2017 were $95.1 million (17.5% of trade sales) versus $93.6 million in fiscal 2016 (17.9%).

The increase, net of acquisitions, in fiscal 2017 compared to 2016 is primarily the result of the following:

- Share based compensation increased $1.1 million due to new grants and an increase in anticipated achievement levels.
- Warehouse expenses increased $1.0 million due to increased activity and because 2017 reflects a full year of operations in recently leased warehouse space.
- Travel expenses were $1.1 million higher than the prior year due to increased domestic and international travel.
- The remaining variance resulted from several offsetting factors with no individual variance larger than $1.0 million.

Finance Costs

Finance costs in 2017 were $35.7 million versus $24.0 million in 2016. The higher expense in 2017 relates primarily to financing the acquisitions of Yargus (November 2016) and Global (April 2017). Finance costs in both periods include non-cash interest related to convertible debenture accretion, the amortization of deferred finance costs related to the convertible debentures, stand-by fees and other sundry cash interest.

Finance Income

Finance income in 2017 was $12.6 million compared to $1.0 million in 2016, and in both periods relates primarily to non-cash gains on the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the year.

Other Operating Income

Other operating income in 2017 was $3.4 million (2016 - $2.3 million). The increase in 2017 is primarily the result of income related to the delivery of equipment in accordance with the share purchase agreement with NuVision. Other operating income in both periods includes gains on financial instruments (see "Equity Compensation Hedge") and gains on the sale of property plant and equipment.

Depreciation and Amortization

Depreciation of property, plant and equipment and amortization of intangible assets are categorized on the income statement in accordance with the function to which the underlying asset is related. The increase in 2017 primarily relates to acquisitions made throughout 2016 and the Global acquisition made in April 2017.

Income Tax Expense

Current income tax expense

For the year ended December 31, 2017 the Company recorded current tax expense of $6.7 million (2016 – $11.1 million). Current tax expense relates primarily to AGI's U.S. and Italian subsidiaries.

Deferred income tax expense

For the year ended December 31, 2017, the Company recorded deferred tax expense of $5.3 million (2016 – recovery ($0.3) million). Deferred tax expense in 2017 includes a recovery of $3.3 million as U.S. tax reform resulted in a change in AGI's future tax rate. The remaining $8.6 million deferred tax expense relates to the decrease of deferred tax assets plus an increase in deferred tax liabilities that related to recognition of temporary differences between the accounting and tax treatment of deferred financing costs, accruals and long-term provisions, tax loss carryforwards and Canadian exploration expenses.

Upon conversion to a corporation from an income trust in June 2009 (the "Conversion") the Company received certain tax attributes that may be used to offset tax otherwise payable in Canada. The Company's Canadian taxable income is based on the results of its divisions domiciled in Canada, including the corporate office, and realized gains or losses on foreign exchange. For the year ended December 31, 2017, the Company offset $12.8 million of Canadian tax otherwise payable (2016 – $0.5 million). Through the use of these attributes and since the date of Conversion a cumulative amount of $51.0 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company's income statement. As at December 31, 2017, the balance sheet asset related to these unused attributes was $4.0 million.

Effective tax rate

[thousands of dollars]	Year Ended December 31	
	2017 **$**	**2016** **$**
Current tax expense	**6,712**	11,122
Deferred tax expense (recovery)	**5,333**	(260)
Total tax	**12,045**	10,862
Profit before taxes	**47,200**	29,815
Total tax %	**25.5%**	36.4%

The effective tax rate in both periods was impacted by items that were expensed for accounting purposes but were not deductible for tax purposes. These include non-cash gains and losses on foreign exchange (see "Gains and Losses on Foreign Exchange"). The effective tax rate in 2017 was also impacted by tax losses not being recognized as a deferred tax asset related to the Brazilian operations. AGI's effective tax rate is expected to decrease in 2018 as a result of U.S. tax reform.

Diluted Profit Per Share and Diluted Adjusted Profit Per Share

Diluted profit per share in 2017 was $2.18 (2016 - $1.29). The increase is largely due to higher adjusted EBITDA and a gain on foreign exchange, compared to a loss in 2016, and a lower impairment charge related to the valuation of assets held for sale. These factors were offset by higher transaction costs related to acquisitions and higher finance costs related to the acquisitions of Yargus and Global. Profit per share in 2016 and 2017 has been impacted by the items enumerated in the table below, which reconciles profit to adjusted profit:

[thousands of dollars except per share amounts]	Year Ended December 31	
	2017 $	**2016 $**
Profit	**35,196**	19,306
Diluted profit per share	**2.18**	1.29
(Gain) loss on foreign exchange	**(11,578)**	14,070
Fair value of inventory from acquisition [(2)]	**5,037**	—
M&A expenses	**1,259**	3,018
Other transaction expenses [(3)]	**7,506**	1,307
Gain on financial instruments	**(357)**	(9,210)
(Gain) on sale of PP&E	**(909)**	(114)
Impairment charge [(4)]	**1,932**	7,839
Allowance for net receivables	—	682
Non-cash accretion related to early redemption of the 2013 Convertible Debentures	**1,363**	—
Adjusted profit [(1)]	**39,449**	36,898
Diluted adjusted profit per share [(1)]	**2.44**	2.47

(1) See "Non-IFRS Measures".
(2) Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost as at the date of acquisition. Amounts in 2016 were not considered material and accordingly were not added back to adjusted EBITDA.
(3) Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
(4) To record assets held for sale at estimated fair value.

Selected Annual Information

[thousands of dollars, other than per share amounts]	Twelve Months Ended December 31		
	2017 $	**2016 $**	**2015 $**
Sales	**754,715**	531,616	414,115
EBITDA [(1)]	**112,382**	75,824	28,396
Adjusted EBITDA [(1)]	**123,329**	100,307	73,337
Profit (loss) from continuing operations	**47,200**	29,815	(9,720)
Basic profit (loss) per share from continuing operations	**2.20**	1.29	(0.70)
Fully diluted profit (loss) per share from continuing operations	**2.17**	1.27	(0.70)
Profit (loss)	**35,196**	19,306	(25,229)
Basic profit (loss) per share	**2.21**	1.31	(1.81)
Fully diluted profit (loss) per share	**2.18**	1.29	(1.81)
Funds from operations [(1)]	**74,465**	52,766	37,791
Payout ratio [(1)]	**52%**	67%	89%
Dividends declared per common share	**2.40**	2.40	2.40
Total assets	**1,137,274**	850,151	745,920
Total long-term liabilities	**568,373**	480,821	358,742

(1) See "Non-IFRS Measures".

The following factors impact comparability between years in the table above:

- Acquisitions in 2016 and 2017 (see "Basis of Presentation – Acquisitions") and the 2015 acquisitions of Vis and Westeel significantly impact information in the table above.
- Sales, gain (loss) on foreign exchange, profit (loss) and profit (loss) per share are significantly impacted by the rate of exchange between the Canadian and U.S. dollars.

- Profit (loss) and profit (loss) per share were significantly impacted in 2015 by a $13.4 million impairment charge related to assets at the Company's Applegate and Mepu divisions.

Quarterly Financial Information

(thousands of dollars other than per share amounts and exchange rate):

2017

	Avg USD / CAD Exchange Rate	Sales $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.32	154,536	5,127	0.33	0.33
Q2	1.35	221,065	14,749	0.92	0.88
Q3	1.26	206,614	15,588	0.97	0.92
Q4	1.27	172,500	(268)	(0.02)	(0.02)
YTD	**1.31**	**754,715**	**35,196**	**2.21**	**2.18**

2016

		From Continuing Operations				Total (1)		
	Avg USD / CAD FX Rate	Sales $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.38	111,723	6,257	0.43	0.42	5,697	0.39	0.38
Q2	1.29	140,837	4,245	0.29	0.28	5,285	0.36	0.35
Q3	1.34	158,680	12,952	0.87	0.84	13,034	0.88	0.85
Q4	1.32	120,376	(4,501)	(0.30)	(0.30)	(4,710)	(0.32)	(0.32)
YTD	1.32	531,616	18,953	1.29	1.27	19,306	1.31	1.29

(1) Include results from Applegate and Mepu which were classified as discontinued operations in 2016.

AGI

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

- AGI's acquisitions of Entringer (Q1 2016), NuVision (Q2 2016), Mitchell (Q3 2016), Yargus (Q4 2016) and Global (Q2 2017) significantly impacts comparisons between periods of assets, liabilities and operating results. See "Basis of Presentation - Acquisitions".
- Sales, gain (loss) on foreign exchange, profit (loss), and profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial 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.

Fourth Quarter

[thousands of dollars]	Three Months Ended December 31	
	2017 $	2016 $
Trade sales [1]	**173,009**	126,430
Adjusted EBITDA [1]	**21,247**	18,226
Profit (loss)	**(268)**	(4,710)
Diluted profit (loss) per share	**(0.02)**	($0.32)
Adjusted profit [1]	**4,851**	4,231
Diluted adjusted profit per share [1]	**$0.30**	$0.30

(1) See "Non-IFRS Measures".

Trade Sales by Region

[thousands of dollars]	Three Months Ended December 31		
	2017 $	2016 $	Change $
Canada, excluding acquisitions	**44,487**	46,237	(1,750)
Acquisitions	**17,517**	8,160	9,357
Total Canada	**62,004**	54,397	7,607
U.S., excluding acquisitions	**47,059**	42,633	4,426
Acquisitions	**24,386**	7,499	16,887
Total U.S.	**71,445**	50,132	21,313
International, excluding acquisitions	**24,259**	17,397	6,862
Acquisitions	**15,301**	4,504	10,797
Total International	**39,560**	21,901	17,659
Total excluding acquisitions	**115,805**	106,267	9,538
Total acquisitions	**57,204**	20,163	37,041
Total Trade Sales	**173,009**	126,430	46,579

Sales by Category [1]

[thousands of dollars]	Three Months Ended December 31		
	2017 $	2016 $	Change $
Farm	**57,183**	58,740	(1,557)
Farm – acquisitions	**23,192**	—	23,192
Total Farm	**80,375**	58,740	21,635
Commercial	**58,623**	47,527	11,096
Commercial – acquisitions	**34,011**	20,163	13,848
Total Commercial	**92,634**	67,690	24,944
Total	**173,009**	126,430	46,579

(1) See "Basis of Presentation – Farm and Commercial"

Canada

- Trade sales in Canada, excluding acquisitions, decreased 4% against a strong 2016 comparative. Commercial sales in the quarter increased compared to 2016 as AGI began to deliver on a substantial sales order backlog. Farm sales decreased compared to 2016, due to a dry and early harvest.
- Sales from acquisitions were $17.5 million in Q4 2017. These sales relate primarily to ongoing investment in fertilizer distribution facilities and AGI's growing Food platform.

United States

- In the United States, trade sales excluding acquisitions increased 10% compared to 2016, due primarily to higher sales of portable handling equipment. Strong in-season sales and high levels of participation in post-harvest sales programs provide a further indication of a recovery in the U.S. Farm market.
- Trade sales from acquisitions in the United States were $24.4 million, and relate almost entirely to the recent acquisitions of Yargus and Global.

International

- AGI's international sales, excluding acquisitions, increased 39% over 2016, as AGI's sales order backlog significantly increased in the latter half of 2017 and the Company began to deliver on certain projects in the fourth quarter.
- International sales from acquisitions increased $10.8 million over 2016, largely due to sales from Global and higher sales in Brazil.

Gross Margin

[thousands of dollars]	Three Months Ended December 31	
	2017 $	**2016 $**
Trade sales [1]	**173,009**	126,430
Cost of inventories	**120,112**	84,358
Gross margin [1]	**52,897**	42,072
Gross margin as a % of trade sales	**30.6%**	33.3%

Historically, gross margin percentages are lower in the fourth quarter of a fiscal year due to lower sales volumes and preseason sales discounts. The decrease in margin compared to Q4 2016 is largely the result of the impact of AGI's Brazilian operations and acquisitions made in 2016 and 2017, as well as the impact of lower in-season sales at certain divisions that resulted from a dry and early harvest in western Canada. Management anticipates gross margin percentages in Brazil will improve subsequent to final commissioning of the new production facility, and will benefit from higher sales volumes and improved manufacturing practices in 2018. In addition, gross margin percentages at AGI's most significant recent acquisitions, Yargus and Global, do not yet fully reflect purchasing and personnel synergies or ongoing margin improvement initiatives.

Selling, General and Administrative Expenses

For the three months ended December 31, 2017, SG&A expenses, excluding acquisitions, were $23.5 million or 19.2% of trade sales (2016 - $24.3 million and 22.8%). As a percentage of sales, SG&A expenses in the fourth quarter of a fiscal year are generally higher than the annual percentage due to seasonally lower sales volumes. The decrease, net of acquisitions, in Q4 2017 compared to 2016 is primarily the result of the following:

- Salaries and wages increased $1.0 million due to additions to the senior management team and a higher company-wide bonus accrual.

- The fourth quarter of 2016 included a charge of $1.0 million related to changes in its distribution network. A similar charge was not present in Q4 2017.
- The remaining variance resulted from several offsetting factors with no individual variance larger than $1.0 million.

Adjusted EBITDA and Profit (loss)

[thousands of dollars]	Three Months Ended December 31	
	2017 $	**2016 $**
Profit from continuing operations before income taxes	**(2,272)**	(3,657)
Finance costs	**10,972**	6,081
Depreciation and amortization	**7,168**	5,045
EBITDA (1)	**15,868**	7,469
(Gain) loss on foreign exchange	**1,491**	6,932
Share based compensation	**1,623**	1,816
Gain on financial instruments (2)	**(11)**	(4,050)
M&A expenses	**289**	290
Other transaction expenses (3)	**644**	1,262
Gain on sale of PP&E	**57**	45
Fair value of inventory from acquisitions (4)	**(1)**	—
Allowance for Net Receivables	—	682
Impairment (5)	**1,287**	3,780
Adjusted EBITDA (1)	**21,247**	18,226

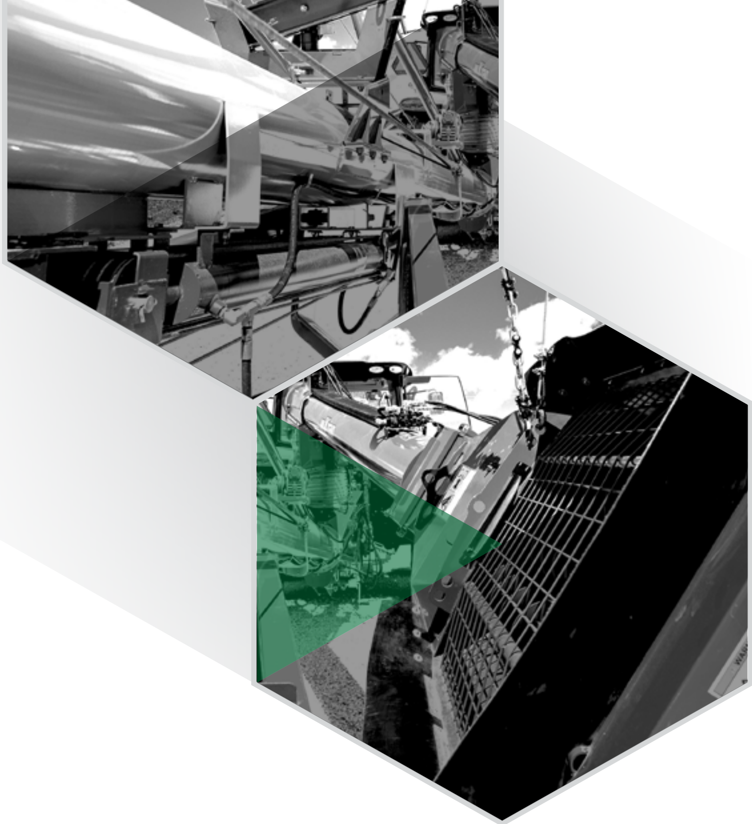
(1) See "Non-IFRS Measures".
(2) See "Equity Compensation Hedge".
(3) Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
(4) Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost as at the date of acquisition. Amounts in 2016 were not considered material and accordingly were not added back to adjusted EBITDA.
(5) To record assets held for sale at estimated fair value.

Adjusted EBITDA for the three months ended December 31, 2017 was $21.2 million (2016 - $18.2 million). The increase from 2016 was primarily the result of higher Commercial sales in Canada and offshore and EBITDA related to acquisitions made in Q4 2016 and 2017, partially offset by the impact of an early and dry harvest in western Canada.

For the three months ended December 31, 2017, the Company reported loss of $0.3 million (2016 – loss of $4.7 million), basic loss per share of $0.02 (2016 – loss of $0.32), and a fully diluted loss per share of $0.02 (2016 – loss of $0.32). Profit (Loss) per share in 2016 and 2017 has been impacted by the items below:

[thousands of dollars except per share amounts]	Three Months Ended December 31	
	2017 $	**2016 $**
Loss as reported	**($268)**	($4,710)
Diluted loss per share as reported	**(0.02)**	($0.32)
Loss on foreign exchange	**1,491**	6,932
Non-cash asset impairment	**1,287**	3,780
M&A expenses	**289**	290
Other transaction expenses (1)	**644**	1,262
Fair value of inventory from acquisition	**(1)**	—
Gain on financial instruments	**(11)**	(4,050)
(Gain) loss on sale of property, plant and equipment	**57**	45
Allowance for bad debt	—	682
Non-cash accretion related to early redemption of the 2013 Convertible Debentures	**1,363**	—
Adjusted profit (2)	**4,851**	$4,231
Diluted adjusted profit per share (2)	**$0.30**	$0.28

(1) Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
(2) See "Non-IFRS Measures".



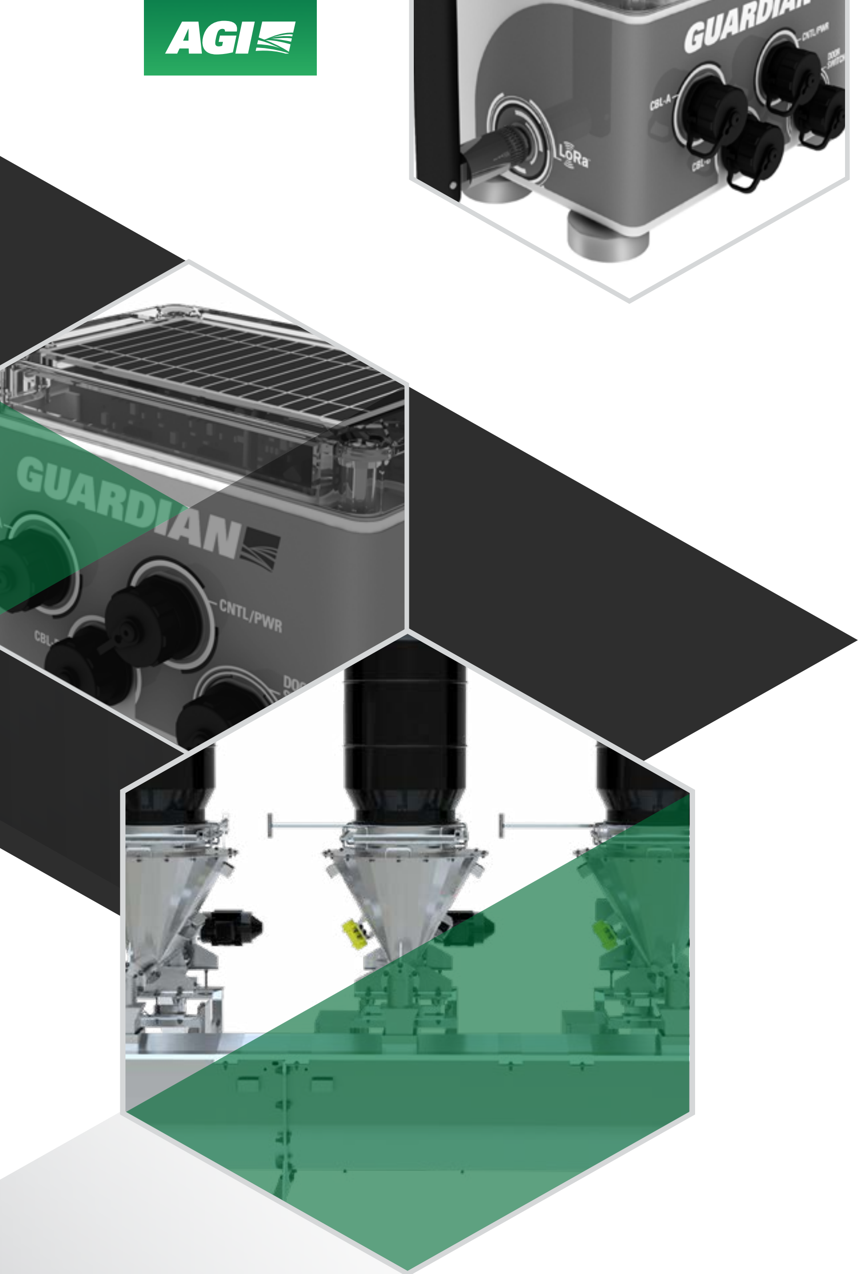
Liquidity and Capital Resources

AGI's financing requirements are subject to variations due to the seasonal and cyclical nature of its business. Our sales historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and our cash flow has been lower in the first half of each calendar year. Internally generated funds are supplemented when necessary from external sources, primarily the Credit Facility (as defined below), to fund the Company's working capital requirements, capital expenditures and dividends. The Company believes that the debt facilities and convertible 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]	Year Ended December 31	
	2017 $	**2016 $**
Profit before tax from continuing operations	**47,200**	29,815
Items not involving current cash flows	**25,419**	24,660
Cash provided by operations	**72,619**	54,475
Net change in non-cash working capital	**(9,466)**	(451)
Non-current accounts receivable and other	**(4,180)**	—
Put option costs	**(48)**	—
Income tax recovered (paid)	**(8,467)**	(9,720)
Cash flows provided by operating activities	**50,458**	44,304
Cash used in investing activities	**(213,519)**	(129,665)
Cash provided by financing activities	**224,227**	30,380
Net increase (decrease) in cash from continuing operations during the period	**61,166**	(54,981)
Net (decrease) increase in cash from discontinued operations	**41**	(479)
Cash, beginning of period	**2,774**	58,234
Cash, end of period	**63,981**	2,774

Cash provided by operating activities increased compared to 2016 as higher adjusted EBITDA was partially offset by increased inventory purchases that largely resulted in part from the procurement of steel in advance of input price increases. Cash used in investing activities includes the acquisition of Global in Q2 2017 and capital expenditures. Cash provided by financing activities includes $60 million of net proceeds from AGI's February 2017 equity offering, a portion of which were used to partially finance the acquisition of Global, and long-term debt drawn to partially finance the acquisition of Global.



Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the second and third quarters that result from seasonality, typically lead to accounts receivable levels increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. Requirements for 2017 have been generally consistent with historical patterns however recent acquisitions have had the effect of increasing working capital requirements in Q4 and Q1. Growth in international business has resulted in an increase in the number of days accounts receivable remain outstanding and result in increased usage of working capital in certain quarters. Working capital has also been deployed to secure steel supply and pricing. The acquisition of Global has not significantly impacted AGI's working capital requirements.

Capital Expenditures

Maintenance capital expenditures in the year ended December 31, 2017 were $11.2 million (1.5% of trade sales) and in 2016 were $3.8 million (0.7%). Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. Maintenance capital expenditures in 2017 relate primarily to purchases of manufacturing equipment and building repairs.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures of $40.5 million in 2017 (2016 - $36.6 million). In 2017, non-maintenance capital expenditures relate primarily to the construction of AGI's production facility in Brazil ($21.6 million) and the purchase of a previously leased manufacturing facility in Italy ($9.8 million). Capital expenditures related to the facility in Brazil are substantially complete.

Maintenance and non-maintenance capital expenditures in 2017 have been financed through bank indebtedness, cash on hand or through the Company's Credit Facility (see "Capital Resources").

Contractual Obligations

The following table shows, as at December 31, 2017, the Company's contractual obligations for the periods indicated:

[thousands of dollars]

	Total $	2018 $	2019 $	2020 $	2021 $	2022 $	2023+ $
2013 Debentures (1)	86,155	86,155	—	—	—	—	—
2014 Debentures	51,750	—	51,750	—	—	—	—
2015 Debentures	75,000	—	—	75,000	—	—	—
2017 Debentures	86,250	—	—	—	—	86,250	—
Long-term debt	304,990	117	113	117	208,185	40,095	56,363
Finance lease (2)	1,014	981	21	12	—	—	—
Operating leases	9,745	3,090	2,534	1,591	1,017	755	758
Due to vendor (3)	34,034	33,309	—	—	—	—	725
Contingent consideration	9,037	5,306	3,731	—	—	—	—
Purchase obligations (4)	12,909	12,909	—	—	—	—	—
Total obligations	**670,884**	**141,867**	**58,149**	**76,720**	**209,202**	**127,100**	**57,846**

(1) On January 8, 2018, $8,679,000 principal amount of the 2013 Debentures were converted into157,781 common shares and on January 9, 2018, the remaining principal amount of the 2013 Debentures were redeemed by the Company. Subsequent to December 31, 2017, the Company also issued a new series of debentures (the "2018 Debentures") with an aggregate principal amount of $86.25 million, a coupon of 4.50% and a maturity date of December 31, 2022. See "Capital Resources – Debentures"

(2) Includes interest.

(3) Partially settled with AGI inventory.

(4) Net of deposit.

The Debentures relate to the aggregate principal amount of the convertible debentures (see "Capital Resources - Convertible Debentures") and long-term debt is comprised of a revolver facility, term debt and non-amortizing notes (see "Capital Resources – Debt Facilities").

Capital Resources

Assets and Liabilities

[thousands of dollars]	December 31 2017 $	December 31 2016 $
Total assets	**1,137,274**	850,151
Total liabilities	**845,062**	605,587

Cash

The Company's cash balance at December 31, 2017 was $64.0 million (2016 - $2.8 million). The increase in cash is partially the result of financing activities exceeding investing requirements.

Debt Facilities

[thousands of dollars]	Currency	Maturity	Total Facility (CAD) $	Amount Drawn $	Effective Interest Rate
Operating Facility	CAD	2021	20,000	—	4.10%
Operating Facility	USD	2021	8,782	—	5.00%
Revolver (1)(2)	USD	2021		47,671	4.04%
Revolver (2)	USD	2021	165,306	25,090	6.19%
Revolver (2)	USD	2021		85,306	5.40%
Term Loan A (1)	CAD	2021	50,000	50,000	3.59%
Term Loan B (1)	CAD	2022	40,000	40,000	4.32%
Series B Notes (3)	CAD	2025	25,000	25,000	4.44%
Series C Notes (3)	USD	2026	31,363	31,363	3.70%
Equipment financing (3)	CAD	2021	560	560	0.00%
Accordion	CAD	2021	75,000	—	5.00%
Total			**416,011**	**304,990**	

(1) Interest rate fixed via interest rate swaps. See "Interest Rate Swaps".
(2) Revolver facilities have a maximum combined total of $165 million and can be drawn in CAD or USD.
(3) Fixed interest rate.

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of $165 million from which CAD or USD can be drawn and a $75 million accordion feature which is undrawn. The Company's Term Loans A and B are with the same chartered banks with which it has the Credit Facility. Amounts drawn under the Credit Facility bear interest at LIBOR plus 1.50% to LIBOR plus 3.00%, prime plus 0.2% to prime plus 1.75%, BA plus 1.50% to BA plus 3.0%, or BA plus 2.50% per annum based on covenant calculations.

The Company has issued US $25.0 million and CAD $25.0 million aggregate principal amount of secured notes through a note purchase and private shelf agreement (the "Series B and Series C Notes"). The Series B and C Notes are non-amortizing.

AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

Convertible Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures of the Company that were outstanding as at December 31, 2017:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par (1)(2)
2013 (AFN.DB.A)	86,155,000	5.25%	55.00	Dec 31, 2018	Jan 1, 2018
2014 (AFN.DB.B)	51,750,000	5.25%	65.57	Dec 31, 2019	Jan 1, 2019
2015 (AFN.DB.C)	75,000,000	5.00%	60.00	Dec 31, 2020	Jan 1, 2020
2017 (AFN.DB.D)	86,250,000	4.85%	83.45	Jun 30, 2022	Jun 30, 2021

(1) At the option of the Company, at par plus accrued and unpaid interest.
(2) In the twelve-month period prior to the date on which the Company may, at its option, redeem any series of convertible debentures at par plus accrued and unpaid interest, such convertible debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares ("Common Shares") of the Company during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price.

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

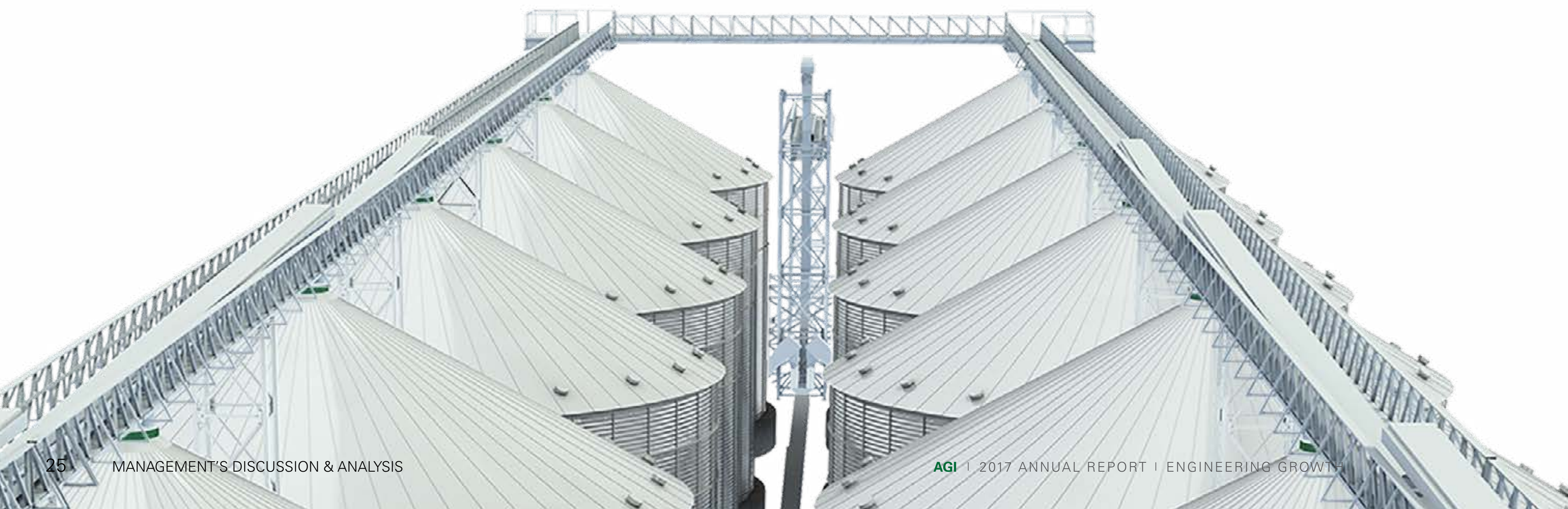
On January 8, 2018, holders of the 2013 Debentures exercised the conversion option for $8,679,000 aggregate principal amount, and were issued 157,781 common shares. On January 9, 2018, the Company redeemed the remaining 2013 Debentures.

On January 3, 2018 (and January 9, 2018, with respect to the over-allotment portion), the Company issued a new series of convertible unsecured subordinated debentures (the "2018 Debentures") (AFN.DB.E)) with an aggregate principal amount of $86.25 million, a coupon of 4.50% and a maturity date of December 31, 2022. The 2018 Debentures have substantially the same terms as the other Debentures described above including being convertible at the holder's option at a conversion price of $88.15 per common share, being redeemable at par on and after December 31, 2020 (and during the preceding twelve-month period, provided that the volume weighted average trading price of the Common Shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price, and the principal and interest thereon may be satisfied through the issue of Common Shares in certain circumstances.

Common Shares

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

	# Common Shares
December 31, 2016	14,781,643
Share issuance in February 2017	1,150,000
Shares issued under EIAP	133,570
Shares issued under DRIP	93,976
Conversion of 2013 Debentures	1,727
December 31, 2017	**16,160,916**
Shares issued under EIAP	81,097
Shares issued under DRIP	16,025
Conversion of 2013 Debentures	157,781
March 14, 2018	**16,415,819**



At March 14, 2018:

- 16,415,819 Common Shares are outstanding;
- 915,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan (the "EIAP"), 740,466 have been granted of which 367,227 remain outstanding;
- 70,332 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan and 18,436 Common Shares have been issued; and
- 4,639,239 Common Shares are issuable on conversion of the outstanding convertible debentures, of which there are an aggregate principal amount of $299.2 million outstanding.

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

Dividends

In the year ended December 31, 2017, AGI declared dividends to shareholders of $38.4 million (2016 - $35.3 million). AGI's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines, and through the DRIP. In 2017, dividends paid to shareholders were financed $33.5 million (2016 – $30.1 million) from cash on hand and $4.9 million (2016 – $5.2 million) by the DRIP.

Funds from Operations and Payout Ratio

Funds from operations ("FFO"), defined under "Non-IFRS Measures", is adjusted EBITDA less cash taxes, cash interest expense, realized losses on foreign exchange and maintenance capital expenditures. The objective of presenting this measure is to provide a measure of free cash flow. The definition excludes changes in working capital as they are necessary to drive organic growth and have historically been financed by the Company's operating facility (See "Capital Resources"). Funds from operations should not be construed as an alternative to cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows.

[thousands of dollars]	Year Ended December 31	
	2017 **$**	**2016** **$**
Adjusted EBITDA	**123,329**	100,307
Interest expense	**(35,708)**	(24,025)
Non-cash interest	**7,238**	4,363
Cash taxes	**(8,467)**	(9,720)
Maintenance CAPEX	**(11,217)**	(3,751)
Realized loss on FX contracts	**(710)**	(14,408)
Funds from operations	**74,465**	52,766
Dividends	**38,365**	35,297
Payout Ratio	**52%**	67%

The Company's payout ratio in 2016 was negatively impacted by realized losses on foreign exchange contracts. Excluding these losses, the Company's payout ratio in 2016 was 53%. See "Financial Instruments - Foreign exchange contracts".

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 foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at December 31, 2017.

Interest Rate Swaps

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

	Currency	Maturity	Amount of Swap (000's) $	Fixed Rate [2]
Term Loan A	CAD	2021	50,000	3.59%
Term Loan B	CAD	2022	40,000	4.32%
Revolver [1]	USD	2021	47,671	4.04%

(1) USD $38.0 million converted at the rate of exchange at December 31, 2017.
(2) With performance adjustments.

The change in fair value of the interest rate swap contracts in place as at December 31, 2017 was an unrealized gain of $1.8 million. The Company has elected to apply hedge accounting for these contracts and the unrealized gain has been recognized in other comprehensive income.

Equity Compensation Hedge

The Company holds 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, 2017, the equity swap agreement covered 500,000 Common Shares at a price of $34.10. The agreement matures on March 22, 2019.

2017 Acquisitions

Global Industries Inc.

On April 4, 2017, AGI acquired Global Industries Inc. ("Global") for U.S. $100 million, subject to customary closing adjustments. Global is a diversified manufacturer of grain storage bins, portable and stationary grain handling equipment, grain drying and aeration equipment, structural components, and steel buildings. Global's normalized EBITDA averaged approximately U.S. $11.5 million over the three years ended November 30, 2016, with fiscal 2016 being below the three-year average. In the four years prior to 2015, being the years before the current downturn in the U.S. farm market, Global's normalized EBITDA averaged approximately U.S. $17 million. Three of Global's four operating divisions, representing approximately 85% of sales, are categorized as Farm divisions in this MD&A. Global's sales have historically been weighted approximately 75% in the U.S. with the majority of the balance overseas, and for its year-ended November 30, 2016, total sales were U.S. $112 million.

CMC Industrial Electronics and Junge Control Inc.

In December 2017, AGI acquired CMC Industrial Electronics ("CMC") and Junge Control Inc. ("Junge"). CMC is a leading supplier of hazard monitoring sensors and systems used in agricultural material handling applications. CMC also manufactures commercial bin monitoring sensors and systems. Junge is a leading manufacturer of automation, measurement and blending systems for the agriculture and fuel industries. Combined sales and adjusted EBITDA for the two entities in their most recently completed fiscal years were approximately $15 million and $4 million, respectively.

Subsequent Event

Acquisition of Danmare

Effective February 22, 2018, AGI acquired Danmare Group Inc. and its affiliate Danmare, Inc. (collectively, "Danmare") for a maximum purchase price of $10.2 million. Danmare provides engineering solutions and project management services to the food industry, with a specialization in automated systems for pet food, rice and pasta, confectionery, ready-to-eat foods, sauce sand meat processing. Upon closing, a cash amount of $6.5 million was paid to the vendors. The contingent consideration is payable over three years based on the achievement of earnings targets in 2019, 2020 and 2021.

Basis of Presentation – Farm and Commercial

AGI is organized into Farm and Commercial segments that are broadly defined along the lines of the end-use customer. AGI's Farm business encompasses product categories where the end user is typically a farmer, while its Commercial business typically serves larger customers that require higher capacity storage and handling products. Commercial applications include port facilities, inland terminals and retail fertilizer distribution, among others.

Farm

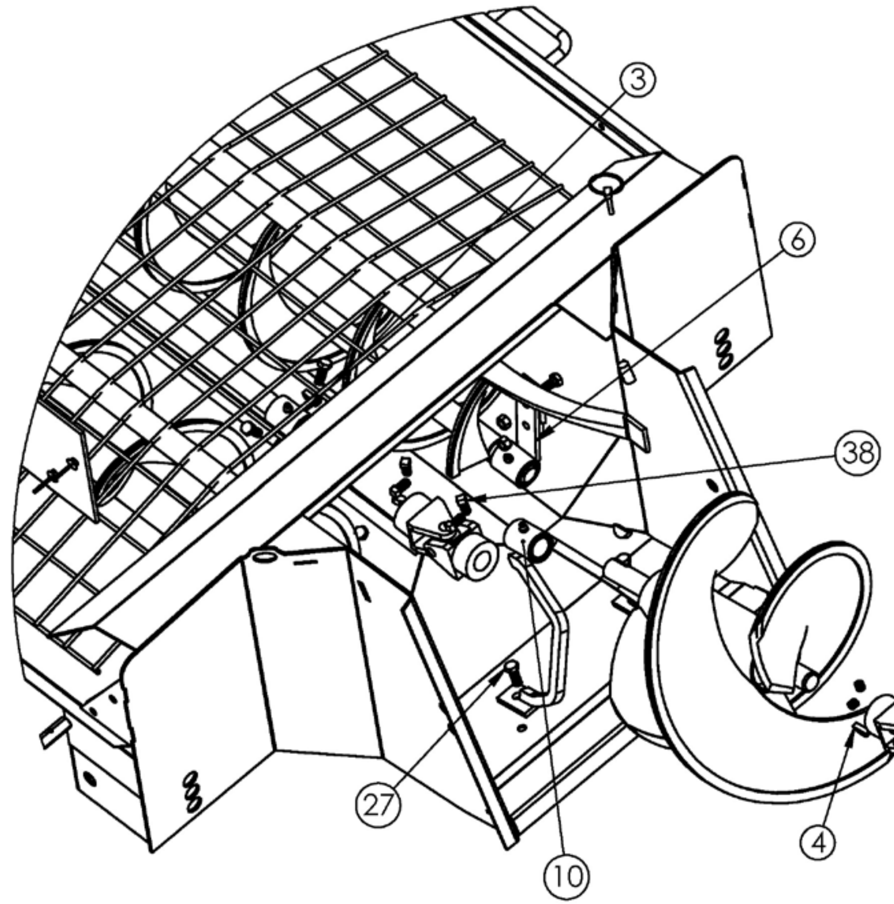
Our Farm products include on-farm storage products such as grain storage bins, portable grain handling equipment and lower capacity aeration products. The primary demand driver for AGI's Farm business is the volume of grain produced as this dictates on-farm storage requirements and drives the product replacement cycle for portable equipment. Farmer net income and weather conditions during harvest may also impact short-term demand. The majority of our Farm business is in North America, however we also sell Farm equipment overseas, primarily in Europe and Australia, and more recently in South America with our expansion into Brazil.

Commercial

AGI's Commercial business is comprised primarily of high capacity grain handling equipment, larger diameter grain storage, and equipment utilized in commercial fertilizer applications. Demand for Commercial equipment is less sensitive to a specific harvest than demand for Farm products but rather is driven primarily by macro factors including the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in mature markets and, more recently in Canada, the dissolution of the Canadian Wheat Board. Offshore, the commercial infrastructure in many grain producing and importing countries remains vastly underinvested resulting in significant global opportunities for AGI's Commercial business. AGI addresses the offshore market from its facilities in Brazil, Italy and North America.

Farm and Commercial – Gross Margin

The gross margin of individual product categories within both the Farm and Commercial businesses may vary significantly, and, as a result, quarterly margins may vary from period to period. Generally, when aggregated, gross margin in the Farm segment is slightly higher than gross margin in the Commercial segment.



Farm and Commercial trade sales – 2017

[thousands of dollars]

	Q1 $	Q2 $	Q3 $	Q4 $	YTD 2017 $
Farm	76,275	120,853	116,333	80,375	393,836
Commercial	78,414	101,388	89,333	92,634	361,769
Total	**154,689**	**222,241**	**205,666**	**173,009**	**755,605**

Farm and Commercial trade sales – 2016

[thousands of dollars]

	Q1 $	Q2 $	Q3 $	Q4 $	YTD 2016 $
Farm	63,769	67,548	77,116	58,740	267,173
Commercial	49,903	75,996	85,854	67,690	279,443
Total	113,672	143,544	162,970	126,430	546,616

Related Parties

Burnet, Duckworth & Palmer LLP provides legal services to the Company and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to an equity offering and general matters were $0.3 million during the year ended December 31, 2017 [2016 – $0.2 million], and $0.1 million is included in accounts payable and accrued liabilities as at December 31, 2017. These transactions are measured at the exchange amount and were incurred during the normal course of business.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the owner of Salthammer Inc. The total cost of these consulting services related to our international plant expansion project was $0.2 Million during the twelve-month period ended December 31, 2017 [2016 – $0.1 million], and $4,000 is included in accounts payable and accrued liabilities as at December 31, 2017.

Critical Accounting Estimates

Described in the notes to the Company's 2017 audited annual consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the audited consolidated financial statements for the year ended December 31, 2017 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 are available under the Company's profile on SEDAR (www.sedar.com). 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. Except as described under "Risks and Uncertainties" in the Company's (final) prospectus dated April 8, 2017, which is available under the Company's profile on SEDAR (www.sedar.com), no changes or additional risks and uncertainties have been identified by the Company in the current period.

Changes in Accounting Policies and Future Accounting Changes

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

Financial Instruments: Classification and Measurement ["IFRS 9"]

In July 2014, on completion of the impairment phase of the project to reform accounting for financial instruments and replace IAS 39, Financial Instruments: Recognition and Measurement, the IASB issued the final version of IFRS 9, Financial Instruments. IFRS 9 includes guidance on the classification and measurement of financial assets and financial liabilities, impairment of financial assets [i.e., recognition of credit losses], and a new hedge accounting model. Under the classification and measurement requirements for financial assets, financial assets must be classified and measured at either amortized cost or at fair value through profit or loss or through other comprehensive income, depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification requirements for financial liabilities are unchanged from IAS 39. IFRS 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in other comprehensive income, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focused on how an entity manages its risks, replaces the IAS 39 effectiveness testing requirements with the principle of an economic relationship, and eliminates the requirement for retrospective assessment of hedge effectiveness. The new requirements for impairment of financial assets introduce an expected loss impairment model that requires more timely recognition of expected credit losses. IAS 39 impairment requirements are based on an incurred loss model where credit losses are not recognized until there is evidence of a trigger event. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is finalizing its assessment of the impact on the consolidated financial statements for Q1 2018.

Revenue from Contracts with Customers ["IFRS 15"]

IFRS 15, Revenue from Contracts with Customers, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company has identified and reviewed its significant revenue contracts. The Company has determined that it will apply the modified retrospective method for adopting IFRS 15, and is finalizing its assessment of the quantitative impact on the consolidated financial statements for Q1 2018.

Leases ["IFRS 16"]

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases standard, IAS 17, Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer [lessee] and the supplier [lessor]. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating lease or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for the Company's fiscal year beginning on January 1, 2019. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Share-based Payment ["IFRS 2"]

In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Company's assessment has not identified significant classification, recognition or measurement differences.

Disclosure Controls and Procedures and Internal Controls

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

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

Subsequent to December 31, 2016 AGI acquired Global, CMC and Junge. See "Basis of Presentation - Acquisitions". Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these acquired businesses. Since the acquisitions occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of these acquisitions, as permitted under Section 3.3 of National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Global, CMC and Junge. The following is the summary financial information pertaining to Global, CMC and Junge that was included in AGI's consolidated financial statements for the year ended December 31, 2017:

[thousands of dollars]

	Global/CMC/Junge **$**
Revenue	102,356
Profit (loss)	(4,876)
Current assets[1]	60,652
Non-current assets[1]	112,104
Current liabilities[1]	40,755
Non-current liabilities[1]	3,264

Note 1 - Balance sheet as at December 31, 2017, net of intercompany

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Non-IFRS Measures

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

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

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

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to "EBITDA" are to profit from continuing operations before income taxes, finance costs, depreciation and amortization. References to "adjusted EBITDA" are to EBITDA before the Company's gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, gains or losses on financial instruments, non-cash contingent consideration expenses, expenses related to corporate acquisition activity, fair value of inventory from acquisitions and impairment. Adjusted EBITDA excludes the results of former AGI divisions Applegate and Mepu as the previously announced strategic review of these assets resulted in their sale in 2016. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company's performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. See "Operating Results - EBITDA and Adjusted EBITDA" for the reconciliation of EBITDA and Adjusted EBITDA to profit from continuing operations before income taxes.

References to "trade sales" are to sales net of the gain or loss on foreign exchange. Management cautions investors that trade sales should not replace sales as an indicator of performance. See "Operating Results - Trade Sales" for the reconciliation of trade sales to sales.

References to "gross margin" are to trade sales less cost of inventories, and thereby exclude depreciation and amortization from cost of sales. Management believes that gross margin provides a useful supplemental measure in evaluating its performance. See "Operating Results – Gross Margin" for the calculation of gross margin.

References to "funds from operations" are to adjusted EBITDA less cash taxes, cash interest expense, realized losses on foreign exchange and maintenance capital expenditures. Management believes that, in addition to cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating its performance. References to "payout ratio" are to dividends declared as a percentage of funds from operations. See "Funds from Operations and Payout Ratio" for the calculation of funds from operations and payout ratio.

References to "adjusted profit" and "diluted adjusted profit per share" are to profit for the period and diluted profit per share for the period adjusted for (gain) loss on foreign exchange, fair value of inventory from acquisitions, transaction costs, non-cash loss (profit) on discontinued operations, contingent consideration expense and gain (loss) on sale of property, plant and equipment. See "Detailed Operating Results – Diluted profit per share and Diluted adjusted profit per share" for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit as reported.

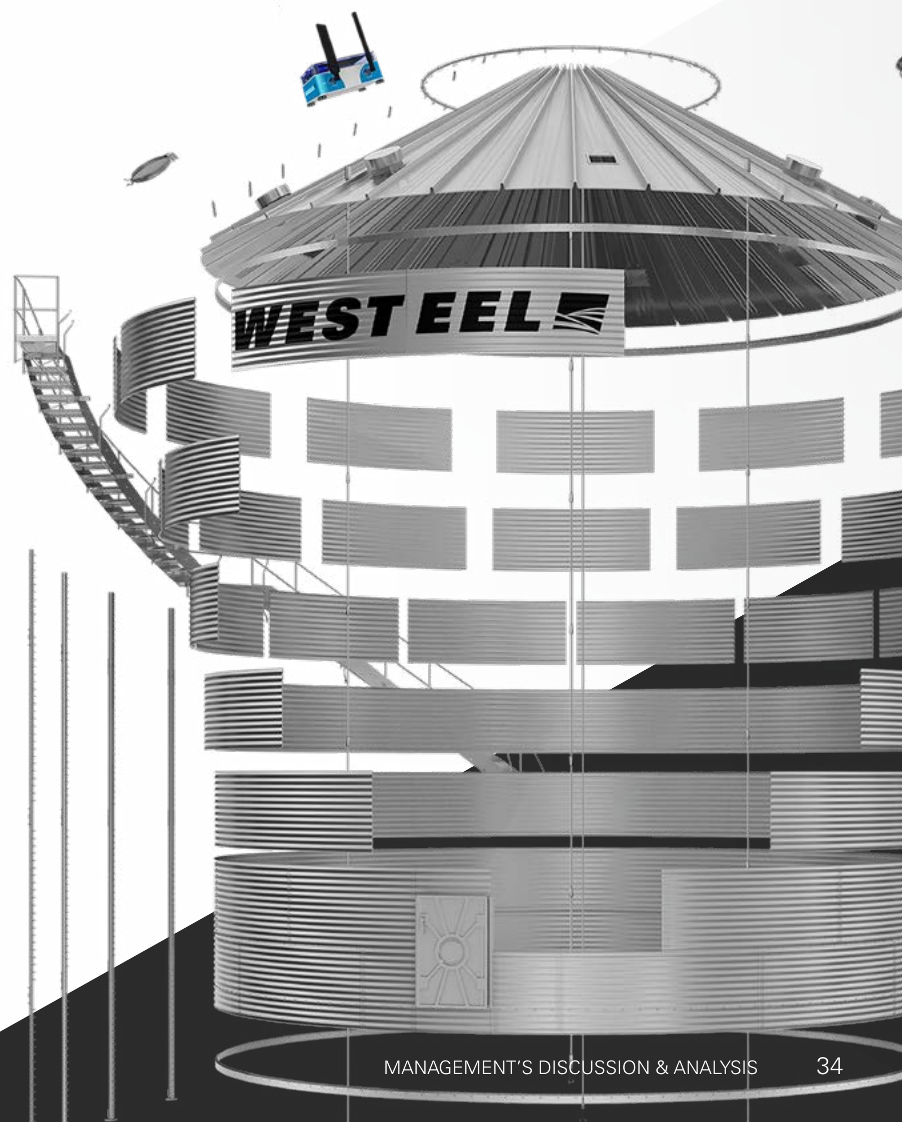
In addition, this MD&A refers to: "normalized EBITDA" of Global for certain financial periods, which is earnings of Global before income taxes, finance costs, depreciation and amortization, and one-time events, and after certain normalization adjustments including owner/manager compensation structure, related party transactions, and rationalizations. The financial information in this MD&A relating to Global including normalized EBITDA is derived from Global's financial statements, which are prepared in accordance with United States generally accepted accounting principles, which differ in some material respects from IFRS, and accordingly may not be comparable to the financial statements of AGI or other Canadian public companies.

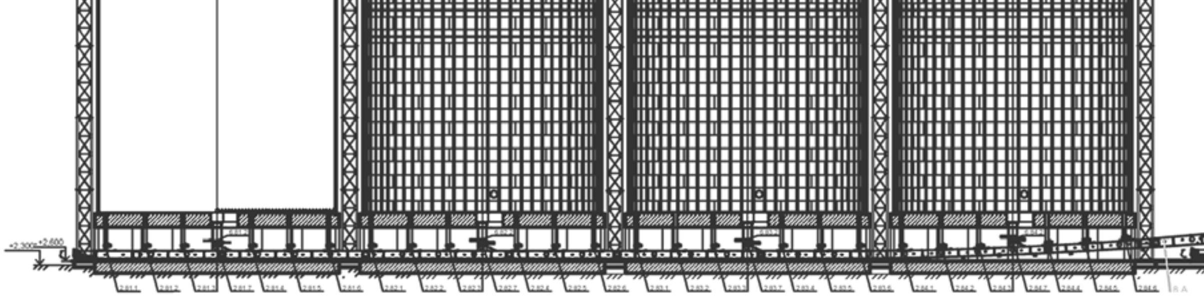
Forward-looking Information

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", "believe", "continue", "could", "expects", "intend", "plans", "postulates", "predict", "will" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for our future financial results including sales, EBITDA and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom including from purchasing and personnel synergies and margin improvement initiatives. 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 grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; 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 timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. 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, including changes in international, national and local macroeconomic and business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; and changes in trade relations between the countries in which the Company does business including between Canada and the United States. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR (www.sedar.com). These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. 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.

Additional Information

Additional information relating to AGI, including AGI's most recent Annual Information Form, is available under the Company's profile on SEDAR (www.sedar.com).





Consolidated Financial Statements

Independent Auditors' Report

To the Shareholders of
Ag Growth International Inc.

We have audited the accompanying consolidated financial statements of Ag Growth International Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

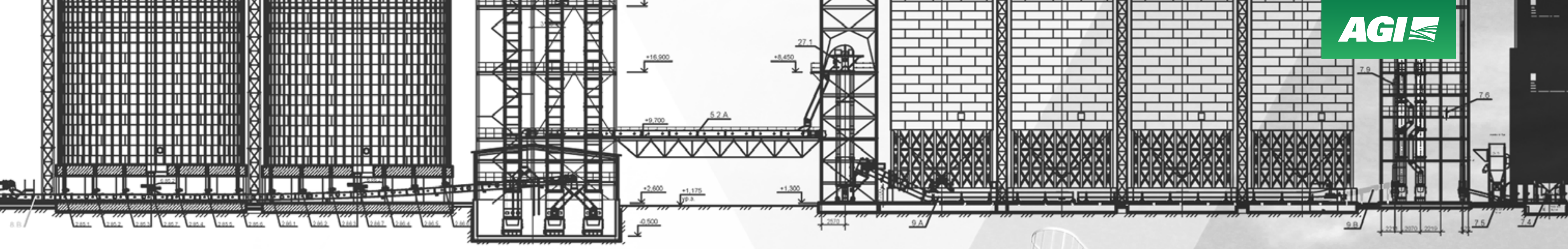
Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Ag Growth International Inc.** as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Winnipeg, Canada
March 13, 2018

Ernst & Young LLP

Chartered Professional Accountants

Consolidated Statements of Financial Position

Assets [note 21]

[in thousands of Canadian dollars]	Year Ended December 31 2017 $	2016 $
Current assets		
Cash and cash equivalents [note 29]	**63,981**	2,774
Cash held in trust and restricted cash [notes 6 and 8]	**15,182**	5,093
Accounts receivable [note 9]	**99,017**	81,033
Inventory [note 10]	**158,635**	99,479
Prepaid expenses and other assets	**17,616**	7,734
Due from vendor [note 6]	**—**	342
Current portion of note receivable [note 7]	**89**	82
Income taxes recoverable	**885**	738
	355,405	197,275
Non-current assets		
Property, plant and equipment, net [note 11]	**304,543**	209,457
Goodwill [note 12]	**234,669**	227,450
Intangible assets, net [note 13]	**218,156**	197,215
Available-for-sale investment [note 15]	**900**	900
Other assets [note 26]	**—**	382
Non-current accounts receivable [note 9]	**4,180**	—
Note receivable [note 7]	**700**	725
Income taxes recoverable	**4,230**	4,079
Derivative instruments [note 30]	**11,466**	9,289
Deferred tax asset [note 27]	**183**	231
	779,027	649,728
Assets held for sale [note 16]	**2,842**	3,148
Total assets	**1,137,274**	850,151

See accompanying notes

Liabilities and shareholders' equity

[in thousands of Canadian dollars]	Year Ended December 31 2017 $	2016 $
Current liabilities		
Accounts payable and accrued liabilities [note 17]	**96,071**	64,664
Customer deposits	**40,662**	22,428
Dividends payable	**3,232**	2,956
Current portion of contingent consideration [note 6]	**5,306**	4,023
Due from vendor [note 6]	**33,309**	16,415
Income taxes payable	**4,945**	6,411
Current portion of long-term debt [note 21]	**117**	95
Current portion of obligations under finance lease [note 20]	**983**	258
Current portion of derivative instruments [note 30]	**—**	862
Current portion of convertible unsecured subordinated debentures [note 22]	**86,155**	—
Provisions [note 19]	**5,909**	6,654
	276,689	124,766
Non-current liabilities		
Long-term debt [note 21]	**302,859**	207,253
Due to vendor [note 18]	**725**	776
Contingent consideration [note 6]	**3,731**	16,201
Other liabilities [note 26]	**3,378**	—
Convertible unsecured subordinated debentures [note 22]	**199,903**	201,210
Obligations under finance lease [note 20]	**19**	975
Derivative instruments [note 30]	**—**	715
Deferred tax liability [note 27]	**57,758**	53,691
	568,373	480,821
Total liabilities	**845,062**	605,587

Shareholders' equity [note 21]

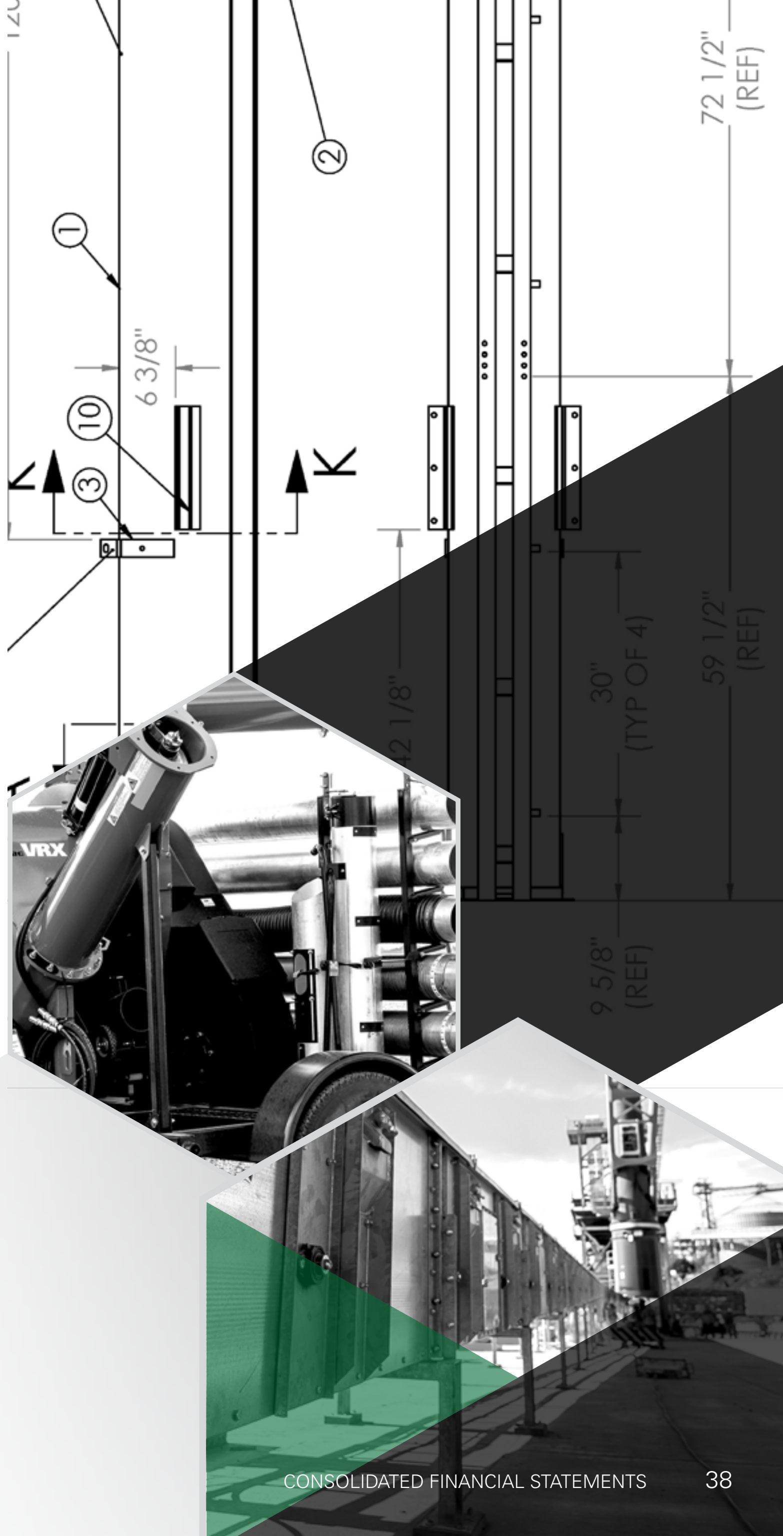
[in thousands of Canadian dollars]	Year Ended December 31	
	2017 $	**2016 $**
Shareholders' equity [note 23]		
Common shares	**323,199**	251,698
Accumulated other comprehensive income	**29,638**	56,027
Equity component of convertible debentures	**9,903**	6,912
Contributed surplus	**20,956**	16,940
Deficit	**(91,484)**	(87,013)
Total shareholders' equity	**292,212**	244,564
Total liabilities and shareholders' equity	**1,137,274**	850,151

See accompanying notes

On behalf of the Board of Directors:

Bill Lambert, Director

David A. White, CA, ICD.D, Director



Consolidated statements of income

[in thousands of Canadian dollars, except per share amounts]	Year Ended December 31	
	2017 $	**2016 $**
Sales	**754,715**	531,616
Cost of goods sold [note 25[d]]	**536,001**	370,432
Gross profit	**218,714**	161,184
Expenses		
Selling, general and administrative [note 25[e]]	**151,106**	112,069
Other operating income [note 25[a]]	**(4,645)**	(11,596)
Impairment charge [notes 13 and 16]	**1,932**	7,839
Finance costs [note 25[c]]	**35,708**	24,025
Finance income [note 25[b]]	**(12,587)**	(968)
	171,514	131,369
Profit before income taxes	**47,200**	29,815
Income tax expense (recovery) [note 27]		
Current	**6,712**	11,122
Deferred	**5,333**	(260)
	12,045	10,862
Profit from continuing operations	**35,155**	18,953
Profit from discontinued operations, net of tax [note 7]	**41**	353
Profit for the year	**35,196**	19,306
Profit per share from continuing operations [note 28]		
Basic	**2.20**	1.29
Diluted	**2.17**	1.27
Profit per share from discontinued operations [note 28]		
Basic	**0.01**	0.02
Diluted	**0.01**	0.02
Profit per share [note 28]		
Basic	**2.21**	1.31
Diluted	**2.18**	1.29

See accompanying notes

Consolidated statements of comprehensive income

[in thousands of Canadian dollars]	Year Ended December 31	
	2017 $	**2016 $**
Profit for the year	**35,196**	19,306
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	**2,435**	8,409
Losses on derivatives designated as cash flow hedges recognized in net earnings in the year	**910**	13,781
Exchange differences on translation of foreign operations	**(27,953)**	(2,849)
Income tax effect on cash flow hedges	**(902)**	(5,992)
Other comprehensive loss from discontinued operations [note 7]	**(198)**	(143)
	(25,708)	13,206
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plan	**(933)**	357
Income tax effect on defined benefit plan	**252**	(96)
	(681)	261
Other comprehensive income (loss) for the year	**(26,389)**	13,467
Total comprehensive income for the year	**8,807**	32,773

See accompanying notes

Consolidated statements of changes in shareholders' equity

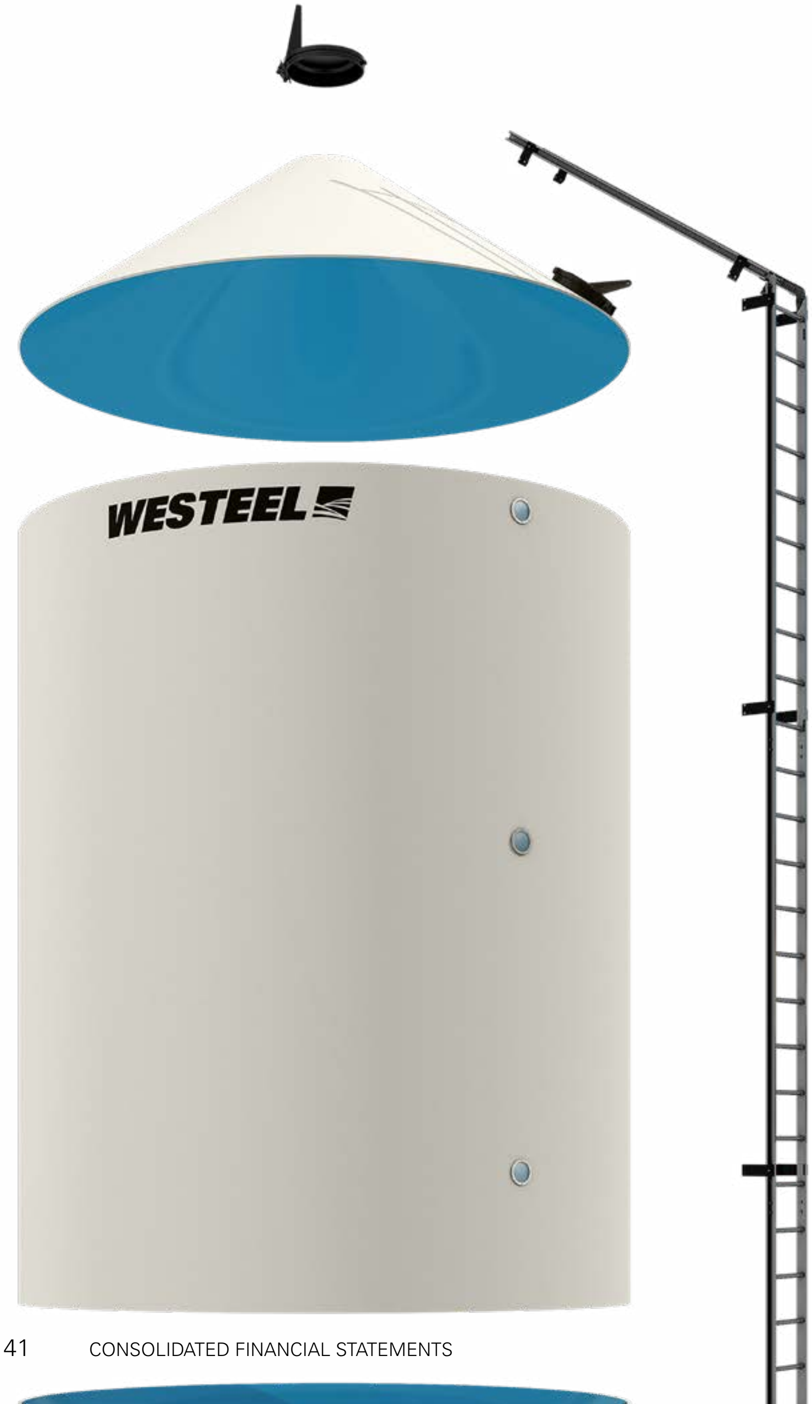
[in thousands of Canadian dollars]

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total equity $
As at January 1, 2017	251,698	6,912	16,940	(87,013)	(1,160)	56,769	418	**244,564**
Profit for the year	—	—	—	35,196	—	—	—	**35,196**
Other comprehensive income (loss)	—	—	—	—	2,443	(28,151)	(681)	**(26,389)**
Share-based payment transactions [notes 23[a]] and 23[b]]	5,300	—	4,016	—	—	—	—	**9,316**
Dividend reinvestment plan [note 23[d]]	4,909	—	—	—	—	—	—	**4,909**
Dividends to shareholders [note 23[d]]	—	—	—	(38,365)	—	—	—	**(38,365)**
Dividends on share-based compensation awards [note 23[d]]	—	—	—	(1,302)	—	—	—	**(1,302)**
Dividend reinvestment plan costs [note 23[d]]	(27)	—	—	—	—	—	—	**(27)**
Common share issuance [note 23[a]]	61,224	—	—	—	—	—	—	**61,224**
Issuance of convertible unsecured subordinated debentures [note 22]	—	2,991	—	—	—	—	—	**2,991**
Conversion of convertible unsecured subordinated debentures [note 22]	95	—	—	—	—	—	—	**95**
As at December 31, 2017	**323,199**	**9,903**	**20,956**	**(91,484)**	**1,283**	**28,618**	**(263)**	**292,212**

[in thousands of Canadian dollars]

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total equity $
As at January 1, 2016	244,840	6,912	10,193	(69,350)	(17,358)	59,761	157	235,155
Profit for the year	—	—	—	19,306	—	—	—	19,306
Other comprehensive income (loss)	—	—	—	—	16,198	(2,992)	261	13,467
Share-based payment transactions [notes 23[a] and 23[b]]	1,640	—	6,747	—	—	—	—	8,387
Dividend reinvestment plan [note 23[d]]	5,218	—	—	—	—	—	—	5,218
Dividends to shareholders [note 23[d]]	—	—	—	(35,297)	—	—	—	(35,297)
Dividends on share-based compensation awards	—	—	—	(1,672)	—	—	—	(1,672)
As at December 31, 2016	251,698	6,912	16,940	(87,013)	(1,160)	56,769	418	244,564

See accompanying notes



Consolidated Statements of Cash Flows

Operating activities

[in thousands of Canadian dollars]

	Year Ended December 31	
	2017 **$**	**2016** **$**
Profit from continuing operations before income taxes for the year	**47,200**	29,815
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	**16,471**	10,923
Amortization of intangible assets	**13,003**	11,061
Loss (gain) on sale of property, plant and equipment	**46**	(98)
Gain on disposal of asset held for sale	**(955)**	(16)
Impairment charge	**1,932**	7,839
Non-cash component of interest expense	**7,238**	4,363
Non-cash movement in derivative instruments	**(357)**	(9,210)
Non-cash investment tax credit	**—**	(68)
Share-based compensation expense	**8,057**	6,891
Dividends on share-based compensation	**—**	(55)
Dividends receivable on equity swap	**—**	(100)
Employer contribution to defined benefit plan	**(647)**	(419)
Defined benefit plan expense	**277**	627
Contingent consideration	**861**	(1,712)
Non-cash transaction costs	**2,731**	—
Equipment provided to vendor	**(2,150)**	—
Translation gain on foreign exchange	**(21,088)**	(5,366)
	72,619	54,475
Net change in non-cash working capital balances related to continuing operations [note 29]	**(9,466)**	(451)
Non-current accounts receivable	**(4,180)**	—
Put option costs	**(48)**	—
Income taxes paid	**(8,467)**	(9,720)
Cash provided by operating activities from continuing operations	**50,458**	44,304

See accompanying notes

Investing activities

[in thousands of Canadian dollars]	Year Ended December 31	
	2017 **$**	**2016** **$**
Acquisition of property, plant and equipment	**(51,299)**	(40,203)
Acquisitions, net of cash acquired [note 6]	**(136,470)**	(95,251)
Transfer to cash held in trust and restricted cash	**(10,804)**	(5,093)
Proceeds from sale of property, plant and equipment	**658**	665
Proceeds from disposal of assets held for sale [note 16]	**4,069**	1,202
Proceeds from disposal of business [note 7]	—	7,209
Development and purchase of intangible assets	**(4,910)**	(2,938)
Transaction costs paid and payable	**(14,763)**	4,744
Cash used in investing activities from continuing operations	**(213,519)**	(129,665)

See accompanying notes

Financing activities

[in thousands of Canadian dollars]	Year Ended December 31	
	2017 **$**	**2016** **$**
Repayment of long-term debt	**(32)**	(33,507)
Repayment of obligation under finance leases	**(231)**	(353)
Change in interest accrued	**7,578**	190
Issuance of long-term debt, net of issuance costs	**107,545**	94,129
Issuance of convertible unsecured subordinated debentures	**82,387**	—
Common share issuance, net of issuance costs	**60,436**	—
Dividends paid in cash [note 23[d]]	**(33,456)**	(30,079)
Cash provided by financing activities from continuing operations	**224,227**	30,380
Net increase (decrease) in cash and cash equivalents from continuing operations	**61,166**	(54,981)
Net increase (decrease) in cash and cash equivalents from discontinued operations	**41**	(479)
Net increase (decrease) in cash and cash equivalents during the year	**61,207**	(55,460)
Cash and cash equivalents, beginning of year	**2,774**	58,234
Cash and cash equivalents, end of year	**63,981**	2,774
Supplemental cash flow information		
Interest paid	**18,877**	19,903

See accompanying notes

Notes to consolidated financial statements

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

1. Organization

The consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the year ended December 31, 2017 were authorized for issuance in accordance with a resolution of the directors on March 13, 2018. Ag Growth International Inc. 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

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

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

3. Summary of significant 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 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 available-for-sale investment, 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 Inc. and its wholly owned subsidiaries, Ag Growth Industries Partnership, AGX Holdings Inc., Ag Growth Holdings Corp., AGI Alpha Holdings Corp., AGI Bravo Holdings Corp., Westfield Distributing (North Dakota) Inc., Hansen Manufacturing Corp. ["Hi Roller"], Union Iron Inc. ["Union Iron"], Airlanco Inc. ["Airlanco"], Westeel USA LLC, Tramco, Inc. ["Tramco"], Tramco Europe Limited, Euro-Tramco B.V., Ag Growth Suomi Oy, Ag Growth Scandinavia, AGI Comercio de Equipamentos E Montagens Ltda, AGI Latvia Inc., Westeel Canada Inc. ["Westeel"], G.J. Vis Holdings Inc. ["Vis"], G.J. Vis Properties Inc., G.J. Vis Enterprises Inc., Westeel EMEA S.L., Frame S.R.L., PTM S.R.L. Entringer Industrial S.A., NuVision Industries Inc., Mitchell Mill Systems Canada Ltd., Mitchell Mill Systems USA Inc., Yargus Manufacturing, Inc., Yargus International Inc., Global Industries, Inc., CMC Industrial Electronics Ltd., and Junge Control Inc. as at December 31, 2017. 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, 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. 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 or groups of cash-generating units ["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 group 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.

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. 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 are translated at the monthly rates of exchange. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of income.

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.

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 as an expense when incurred.

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

Buildings and building components	20 – 60 years
Manufacturing equipment	10 – 20 years
Computer hardware	5 years
Leasehold improvements	Over the lease period
Equipment under finance leases	10 years
Furniture and fixtures	5 – 10 years
Vehicles	4 – 16 years

An item of property, plant and equipment and any significant 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 when the asset is derecognized.

The assets' useful lives and methods of depreciation of assets 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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to AGI substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that AGI will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the consolidated statements of income 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 its 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 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. During the period of development, the asset is tested for impairment at least annually.

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

Patents	4 – 10 years
Distribution networks	8 – 25 years
Development projects	3 – 15 years
Order backlog	3 – 6 months
Non-compete agreement	7 years
Software	5 – 8 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 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 not yet available for use is estimated at least annually on December 31. 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 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, 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.

Goodwill is tested for impairment annually as at December 31 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 December 31, either individually or at the CGU group level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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 and money market funds, net of outstanding bank overdrafts.

Inventory

Inventory is comprised of raw materials and finished goods. Inventory is valued at the lower of cost and net realizable value, using a first-in, first-out basis. 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.

Inventories are written down to net realizable value when the cost of inventories 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 inventories 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.

Financial instruments

Financial assets and liabilities

AGI classifies its financial assets as [i] financial assets at fair value through profit or loss ["FVTPL"], [ii] loans and receivables or [iii] available-for-sale, and its financial liabilities as either [i] financial liabilities at FVTPL or [ii] other financial liabilities. Derivatives are designated as hedging instruments in an effective hedge, as appropriate. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the consolidated statements of financial position.

All financial instruments are recognized initially at fair value plus, in the case of investments and liabilities 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets classified as held-for-trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes cash and cash equivalents and derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

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.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of income. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include receivables. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. The effective interest amortization is included in finance income in the consolidated statements of income. The losses arising from impairment are recognized in the consolidated statements of income in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at FVTPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statements of income and removed from the available-for-sale reserve.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statements of income.

Derecognition

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

Impairment of financial assets

AGI assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset [an incurred "loss event"] and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Trade receivables and other assets that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes the Company's past experience of collecting payments as well as observable changes in national or local economic conditions.

For financial assets carried at amortized cost, AGI first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If AGI determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statements of income.

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

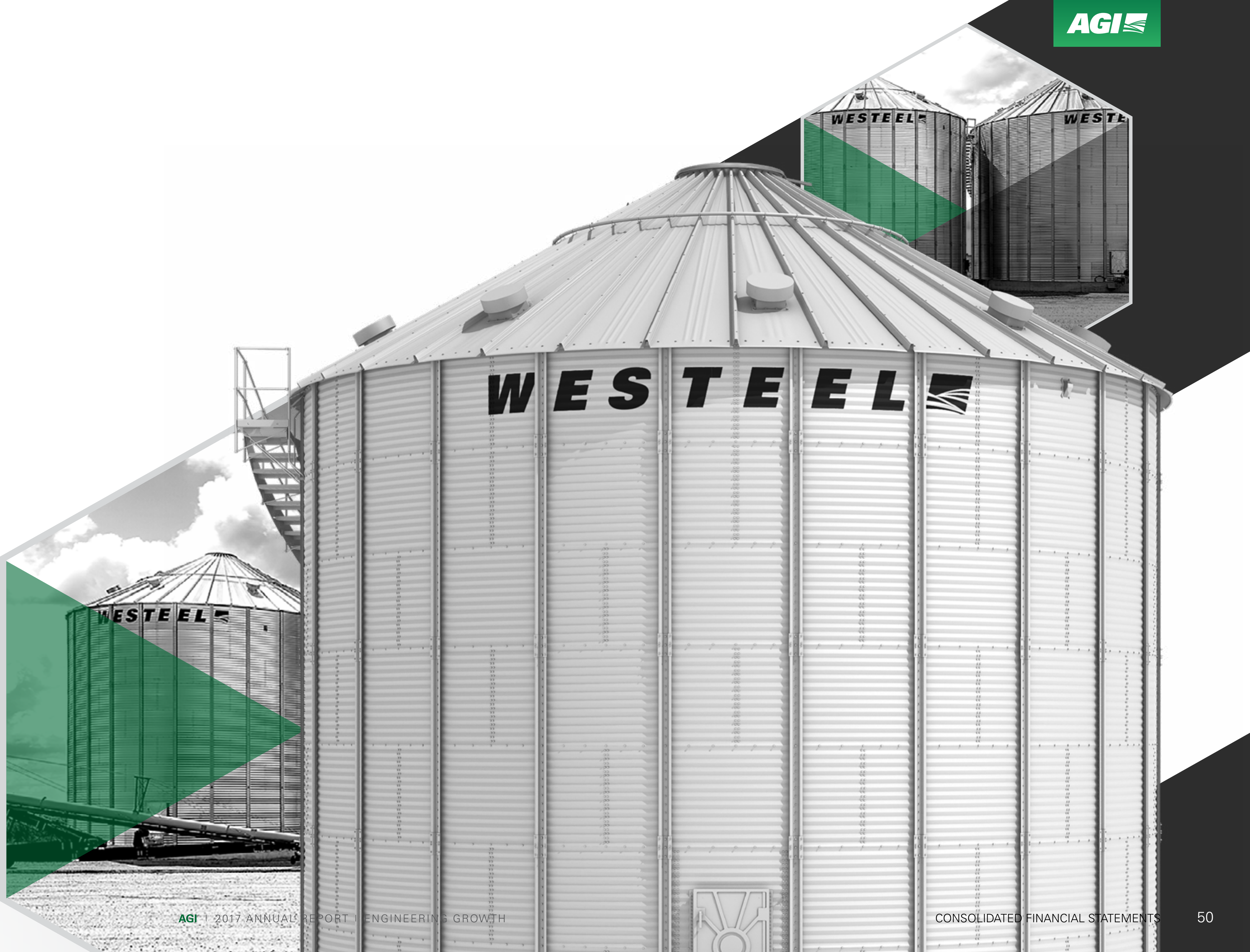
For available-for-sale financial investments, AGI assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of income – is removed from other comprehensive income and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at FVTPL. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held-for-trading are recognized in the consolidated statements of income.

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

Financial liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities include long-term debt issued, which is initially measured at fair value, which is the consideration received, net of transaction costs incurred, net of equity component. Transaction costs related to the long-term debt 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.

Derecognition

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.

Interest income

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statements of income.

Derivative 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 of its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Embedded derivatives are accounted for separately from the host contract at the inception date when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value.

Any gains or losses arising from changes in the fair value of derivatives are recorded directly in the consolidated statements of income, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

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.

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 or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they have been highly effective throughout the financial reporting periods for which they were designated.

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 other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statements of income in other operating income or expenses. Amounts recognized as other comprehensive income are transferred to the consolidated statements of income 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. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

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. 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 other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

AGI uses primarily forward currency contracts and put options as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments.

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, 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 are recognized when the product is sold or service provided. Initial recognition is based on historical experience.

Profit per share

The computation of profit per share is based on the weighted average number of shares outstanding during the period. Diluted profit per share is computed in a similar way to basic profit 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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to AGI and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. AGI assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. With the exception of third-party services, AGI has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is in general recognized when significant risks and rewards of ownership are transferred to the customer. AGI generally recognizes revenue when products are shipped, free on board shipping point; the customer takes ownership and assumes risk of loss; collection of the related receivable is probable; persuasive evidence of an arrangement exists; and the sales price is fixed or determinable. Customer deposits are recorded as a current liability when cash is received from the customer and recognized as revenue at the time product is shipped, as noted above.

AGI applies layaway sales or bill and hold sales accounting in specific situations provided all appropriate conditions are met as of the reporting date.

Third-party services

AGI from time to time enters into arrangements with third-party providers to provide services for AGI's customers. Where AGI acts as agent, the revenue and costs associated with these services are recorded on a net basis and disclosed under other operating income.

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. 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 financial statements 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, 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, 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.

The carrying amount of deferred tax assets is 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, other comprehensive income 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.

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.

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, share award incentive plan and directors' deferred compensation plan] or cash [cash-settled transactions]. 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 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 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

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes model. This fair value is expensed over the period until the vesting date, with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statements of income in the line of the function the respective employee is engaged in.

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 other comprehensive income.

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 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.

Government grants

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to an asset, the fair value is credited to the cost of the asset and is released to the consolidated statements of income over the expected useful life in a consistent manner with the depreciation method for the relevant assets.

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

IAS 12 Income taxes

In November 2016, the IFRS interpretations Committee [the "Committee"] published a summary of its meeting discussion regarding a request to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for the purposes of measuring deferred tax in accordance with IAS 12, Income Taxes. Although the Committee decided not to add this issue to its agenda, the Committee noted that an intangible asset with an indefinite useful life is not a non-depreciable asset because a non-depreciable asset has an unlimited [or infinite] life, and that indefinite does not mean infinite. Consequently, the fact that an entity does not amortize an intangible asset with an indefinite useful life does not necessarily mean that the entity will recover the carrying amount of that asset only through sale and not through use. As such, the Company changed its accounting policy retrospectively for the accounting of deferred tax on intangible assets with indefinite useful lives to be in line with the Committee discussions.

The following table summarizes the impact of adopting this change of accounting policy retrospectively on the consolidated statements of financial position. The change of accounting policy did not have an impact on the previously reported consolidated statements of income or consolidated statements of cash flows.

	2017 $	2016 $
Increase		
Goodwill	—	977
Deferred income tax liabilities	—	977

IAS 7 Statement of Cash Flows

The IASB issued amendments to IAS 7, Statement of Cash Flows, which were effective as of January 1, 2017. The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments require additional disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The adoption of these amendments has resulted in additional disclosures in the consolidated financial statements.

4. Significant 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 financial assets

Assessments about the recoverability of financial assets, including accounts receivable, require significant judgment in determining whether there is objective evidence that a loss event has occurred and estimates of the amount and timing of future cash flows. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its trade receivables. A portion of the Company's sales are generated in overseas markets, a significant portion of which are in emerging markets such as countries in Eastern Europe. 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 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. 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.

Impairment of non-financial assets

AGI's impairment test is based on value-in-use calculations that use a discounted cash flow model. 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, 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. The recoverable amount is most sensitive to the discount rate, as well as the forecasted margins and growth rate used for extrapolation purposes. A change in any of the significant 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 14.

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.

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 method 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 including the determination of the fair value of the Company's available-for-sale asset cannot be derived from active markets, it is determined using valuation techniques including the 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.

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. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield.

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.

Business combinations

For acquisition accounting purposes, all identifiable assets, liabilities and contingent liabilities acquired in a business combination are recognized at fair value at the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as at the date of acquisition. Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of

the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

5. Standards issued but not yet effective

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

Financial Instruments ["IFRS 9"]

In July 2014, on completion of the impairment phase of the project to reform accounting for financial instruments and replace IAS 39, Financial Instruments: Recognition and Measurement, the IASB issued the final version of IFRS 9, Financial Instruments. IFRS 9 includes guidance on the classification and measurement of financial assets and financial liabilities, impairment of financial assets [i.e., recognition of credit losses], and a new hedge accounting model. Under the classification and measurement requirements for financial assets, financial assets must be classified and measured at either amortized cost or at FVTPL or through other comprehensive income, depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification requirements for financial liabilities are unchanged from IAS 39. IFRS 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in other comprehensive income, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focused on how an entity manages its risks, replaces the IAS 39 effectiveness testing requirements with the principle of an economic relationship, and eliminates the requirement for retrospective assessment of hedge effectiveness. The new requirements for impairment of financial assets introduce an expected loss impairment model that requires more timely recognition of expected credit losses. IAS 39 impairment requirements are based on an incurred loss model where credit losses are not recognized until there is evidence of a trigger event. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is finalizing its assessment of the impact on the consolidated financial statements for Q1 2018.

Revenue from Contracts with Customers ["IFRS 15"]

IFRS 15, Revenue from Contracts with Customers, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company has identified and reviewed its significant revenue contracts. The Company has determined that it will apply the modified retrospective method for adopting IFRS 15, and is finalizing its assessment of the quantitative impact on the consolidated financial statements for Q1 2018.

Leases ["IFRS 16"]

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases standard, IAS 17, Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer [lessee] and the supplier [lessor]. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating lease or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for the Company's fiscal year beginning on January 1, 2019. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Share-based Payment ["IFRS 2"]

In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Company's assessment has not identified significant classification, recognition or measurement differences.

6. Business combinations

[a] Entringer Industrial S.A. ["Entringer"]

Effective March 9, 2016, the Company acquired 100% of the outstanding shares of Entringer, a Brazilian-based manufacturer of grain bins, bucket elevators, dryers and cleaners. The acquisition of Entringer provides a strategic position for AGI's entry into the expanding agricultural market in Brazil.

The purchase has been accounted for by the acquisition method, with the results of Entringer included in the Company's net earnings from the date of acquisition. The assets and liabilities of Entringer on the date of acquisition have been recorded in the consolidated financial statements at their estimated fair values:

	$
Cash and cash equivalents	—
Accounts receivable	1,246
Inventory	748
Prepaid expenses and other assets	160
Property, plant and equipment	4,123
Intangible assets	
Distribution network	443
Brand name	968
Goodwill	8,636
Accounts payable and accrued liabilities	(4,198)
Income taxes payable	(500)
Provisions	(250)
Deferred tax liability	(94)
Other liabilities	(301)
Purchase consideration	**10,981**

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

	$
Cash paid	9,342
Due to vendor	1,639
Purchase consideration	**10,981**

During the three-month period ended March 31, 2017, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the Entringer acquisition in the year ended December 31, 2017 were $186 [2016 – $372], and are included in selling, general and administrative expenses.

During the year ended December 31, 2017, the $1,639 due to vendor balance was paid in full.

[b] NuVision Industries Inc. [“NuVision”]

Effective April 1, 2016, the Company acquired 100% of the outstanding shares of NuVision, a Canadian-based designer and builder of complete turnkey fertilizer blending plants and material handling facilities. The acquisition of NuVision furthers AGI’s strategic entry into the fertilizer sector.

The purchase has been accounted for by the acquisition method, with the results of NuVision included in the Company’s net earnings from the date of acquisition. The assets and liabilities of NuVision on the date of acquisition have been recorded in the consolidated financial statements at their estimated fair values:

	$
Cash	56
Accounts receivable	3,604
Inventory	1,205
Prepaid expenses and other assets	35
Property, plant and equipment	492
Intangible assets	
Distribution network	6,408
Brand name	3,627
Order backlog	741
Goodwill	11,039
Accounts payable and accrued liabilities	(2,590)
Customer deposits	(1,476)
Income taxes payable	(327)
Provisions	(75)
Deferred tax liability	(2,915)
Purchase consideration	**19,824**

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

	$
Cash paid	6,000
Fair value of equipment to be provided to vendor	6,000
Contingent consideration	8,166
Due from vendor	(342)
Purchase consideration	**19,824**

During the three-month period ended March 31, 2017, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the NuVision acquisition in the year ended December 31, 2017 were $13 [2016 – $105], and are included in selling, general and administrative expenses.

The contingent consideration is based on NuVision's earnings in 2015, 2016, 2017 and 2018. Payments totaling $14,000 between 2017 and 2019 would be required if NuVision meets the targets. The Company believes the likelihood of the maximum payment is moderate. The present value of the contingent consideration was determined using a 5% discount rate. $1,348 was recorded in current liabilities and $6,818 was recorded in non-current liabilities as at the date of acquisition.

During the year ended December 31, 2017, the Company finalized a settlement with the vendor of NuVision that resulted in the elimination of all contingent consideration and all amounts due from vendor. As a result of the settlement, the Company eliminated the existing contingent consideration accrual of $9,466 and the amount due from vendor of $342. The settlement also resulted in the Company recording a new $3,500 due to vendor in cash and $8,650 due to vendor in equipment. The increase in the amount ultimately payable to the vendor was recorded in selling, general and administrative expenses. As a result of the settlement, the final purchase price consists of $9,500 in cash and $14,650 in equipment.

During the year ended December 31, 2017, $3,500 [2016 – $6,000] in cash was paid and $13,192 [2016 – $307] in equipment was provided to the vendor. As at December 31, 2017, $1,151 in equipment is still to be provided to the vendor. The equipment provided and to be provided is measured at fair value.

[c] Mitchell Mill Systems Canada Ltd. and Mitchell Mill Systems USA

Effective July 18, 2016, the Company acquired 100% of the outstanding shares of Mitchell Mill Systems Canada Ltd., and its U.S. affiliate Mitchell Mill Systems USA [collectively, "Mitchell"]. Based in Canada with a second facility in the U.S., Mitchell manufactures handling equipment for grain, fertilizer, animal feed, food processing and industrial applications. The acquisition expands AGI's commercial business into eastern Canada and the U.S. and also provides an expanded product offering.

The purchase has been accounted for by the acquisition method, with the results of Mitchell included in the Company's net earnings from the date of acquisition. The assets and liabilities of Mitchell on the date of acquisition have been recorded in the consolidated financial statements at their estimated fair values:

	$
Accounts receivable	6,184
Inventory	3,319
Prepaid expenses and other assets	95
Property, plant and equipment	6,923
Intangible assets	
Brand name	3,607
Distribution network	6,485
Order backlog	223
Goodwill	7,806
Accounts payable and accrued liabilities	(1,977)
Customer deposits	(1,340)
Income taxes payable	(483)
Provisions	(100)
Deferred tax liability	(4,374)
Purchase consideration	**26,368**

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

	$
Cash paid	16,300
Due to vendor	500
Contingent consideration	9,091
Working capital adjustment payable	477
Purchase consideration	**26,368**

During the three-month period ended June 30, 2017, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the Mitchell acquisition in the year ended December 31, 2017 were nil [2016 – $182], and are included in selling, general and administrative expenses.

The contingent consideration is based on Mitchell meeting predetermined earnings targets in 2017 through 2019. Future maximum payments of $4,200 in 2017, $4,200 in 2018 and $4,800 in 2019 will be required if Mitchell meets the targets. The Company believes the likelihood of the maximum payment is moderate. The present value of the contingent consideration was determined using a 5% discount rate. $3,914 was recorded in current liabilities and $5,177 was recorded in non-current liabilities as at the date of acquisition.

During the year ended December 31, 2017, Mitchell met its 2017 predetermined earnings target and a payment of $3,000 was made to the vendors. In addition, $500 due to vendor recorded at acquisition was paid in full.

[d] Yargus Manufacturing Inc.

Effective November 18, 2016, the Company acquired 100% of the outstanding shares of Yargus Manufacturing Inc. and selected assets of the real estate holding company Clark Center Properties Inc. [collectively, "Yargus"]. Based in the U.S., Yargus manufactures handling equipment for grain, fertilizer, feed, food processing and industrial applications. The acquisition continues AGI's commercial business expansion into the U.S. and also provides an expanded product offering.

The purchase has been accounted for by the acquisition method, with the results of Yargus included in the Company's net earnings from the date of acquisition. The assets and liabilities of Yargus on the date of acquisition have been recorded in the consolidated financial statements at their estimated fair values:

	$
Accounts receivable	2,901
Inventory	7,226
Prepaid expenses and other assets	443
Property, plant and equipment	13,120
Intangible assets	
Brand name	12,868
Distribution network	6,572
Order backlog	2,556
Goodwill	29,262
Bank indebtedness	(91)
Accounts payable and accrued liabilities	(8,105)
Customer deposits	(5,595)
Deferred revenue	(1,723)
Due to vendor	(1,085)
Provisions	(540)
Capital leases	(597)
Notes payable	(98)
Deferred tax asset	1,083
Purchase consideration	**58,197**

During the measurement period, commission liabilities relating to projects completed prior to acquisition were identified in the amount of $256. As well, $89 of revenue was added to accounts receivable for project billings that should have occurred prior to acquisition. These two items resulted in a net increase to goodwill of $167. In addition, estimated tax amounts included in the purchase price related to a tax adjustment clause were finalized, resulting in a $1,200 decrease to goodwill and an offsetting $1,200 decrease in due to vendor in the year ended December 31, 2017.

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

	$
Purchase consideration	58,197
Add bank indebtedness acquired	91
Less cash held in trust	(5,093)
Purchase consideration	**53,195**

During the three-month period ended December 31, 2017, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the Yargus acquisition in the year ended December 31, 2017 were $219 [2016 – $286], and are included in selling, general and administrative expenses.

[e] Global Industries, Inc.

Effective April 4, 2017, the Company acquired 100% of the outstanding shares of Global Industries, Inc. ["Global"]. Based in the U.S., Global manufactures grain storage bins, portable and stationary grain handling equipment, grain drying and aeration equipment, structural components and steel buildings. Global has four divisions located in Nebraska and Kansas, production capacity in South Africa and warehouses in the U.S., Europe, Australia and Africa. The acquisition expands AGI's North American and international grain handling, drying and storage platforms.

The purchase has been accounted for by the acquisition method, with the results of Global included in the net earnings from the date of acquisition. The assets and liabilities of Global on the date of acquisition have been recorded in the consolidated financial statements at their estimated fair values:

	$
Cash and cash equivalents	1,935
Accounts receivable	15,118
Inventory	45,776
Prepaid expenses and other assets	4,773
Property, plant and equipment	74,535
Intangible assets	
Brand name	9,296
Distribution network	11,563
Order backlog	1,406
Goodwill	1,549
Deferred tax asset	1,973
Accounts payable and accrued liabilities	(19,776)
Customer deposits	(5,240)
Purchase consideration	**142,908**

During the measurement period, appraisals on land and building were finalized, resulting in a $2,012 decrease to property, plant, and equipment, offset by a $1,605 increase to goodwill and $386 increase to intangible assets. In addition, payroll liabilities existing at acquisition were identified, resulting in a $314 increase in accounts payable and accrued liabilities. Also, improved information about acquired inventory resulted in a $1,914 increase in inventory. In addition, deferred tax asset increased by $1,154 based on tax treatment of acquired reserves. These changes resulted in a $446 decrease in goodwill in the year ended December 31, 2017.

The goodwill of $1,549 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $15,118. This consists of the gross contractual value of $15,763 less the estimated amount not expected to be collected of $645.

From the date of acquisition, Global reported a net loss of $4,803 including certain costs related to the transaction. If the acquisition had taken place as at January 1, 2017, revenue from continuing operations in 2017 would have increased by an additional $42,577 and profit from continuing operations in 2017 would have increased by an additional $2.

The components of the purchase consideration are as follows:

	$
Cash paid	135,641
Cash held in trust	6,661
Due to vendor	606
Purchase consideration	**142,908**

The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the consolidated financial statements were prepared. The final allocation of the purchase price may change when more information becomes available.

Transaction costs related to the Global acquisition in the year ended December 31, 2017 were $621 [2016 – nil], and are included in selling, general and administrative expenses.

[f] CMC Industrial Electronics Ltd.

Effective December 22, 2017, the Company acquired 100% of the outstanding shares of CMC Industrial Electronics Ltd. ["CMC"]. Based in Canada and the U.S., CMC manufactures industry-leading Hazard Monitoring Systems for industrial applications. The acquisition expands AGI's product catalogue and strengthens AGI's applied technology platform.

The purchase has been accounted for by the acquisition method, with the results of CMC included in the net earnings from the date of acquisition. The fair value of the assets acquired and the liabilities assumed have been determined on a provisional basis utilizing information available at the time the consolidated financial statements were prepared. Additional information is being gathered to finalize these provisional measurements, particularly with respect to intangible assets, working capital, and deferred taxes. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the Company's valuation and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date.

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

	$
Cash	974
Accounts receivable	947
Inventory	1,647
Prepaid expenses and other assets	201
Income taxes recoverable	127
Property, plant and equipment	142
Intangible assets	2,158
Goodwill	3,151
Deferred tax liability	(604)
Accounts payable and accrued liabilities	(926)
Customer deposits	(56)
Capital leases	(94)
Purchase consideration	**7,667**

The goodwill of $3,151 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $947. This consists of the gross contractual value of $997 less the estimated amount not expected to be collected of $50.

From the date of acquisition, CMC reported a net loss of $73. If the acquisition had taken place as at January 1, 2017, revenue from continuing operations in 2017 would have increased by an additional $7,847 and profit from continuing operations in 2017 would have increased by an additional $518.

The components of the purchase consideration are as follows:

	$
Cash paid	5,850
Cash held in trust	650
Due to vendor	1,167
Purchase consideration	**7,667**

Transaction costs related to the CMC acquisition in the year ended December 31, 2017 were $55 [2016 – nil] and are included in selling, general and administrative expenses.

[g] Junge Control Inc.

Effective December 28, 2017, the Company acquired 100% of the outstanding shares of Junge Control Inc. ["Junge"]. Based in the U.S., Junge manufactures automation, measurement and blending equipment for agriculture, fuel, and aerial applications. The acquisition expands AGI's product catalogue and strengthens AGI's applied technology platform.

The purchase has been accounted for by the acquisition method, with the results of Junge included in the Company's net earnings from the date of acquisition. The fair value of the assets acquired and the liabilities assumed have been determined on a provisional basis utilizing information available at the time the consolidated financial statements were prepared. Additional information is being gathered to finalize these provisional measurements, particularly with respect to intangible assets, working capital, and deferred taxes. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the Company's valuation and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date.

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

	$
Cash	3,994
Accounts receivable	892
Inventory	2,568
Prepaid expenses and other assets	47
Property, plant and equipment	1,901
Intangible assets	8,588
Goodwill	8,196
Deferred tax asset	85
Accounts payable and accrued liabilities	(458)
Customer deposits	(473)
Purchase consideration	**25,340**

The goodwill of $8,196 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $892. This consists of the gross contractual value of $955 less the estimated amount not expected to be collected of $63.

As the acquisition occurred just prior to the year end date, there are minimal revenues and expense contributed to the overall AGI results in 2017. If the acquisition had taken place as at January 1, 2017, revenue from continuing operations in 2017 would have increased by an additional $8,451 and profit from continuing operations in 2017 would have increased by an additional $2,147.

The components of the purchase consideration are as follows:

	$
Cash paid	1,882
Cash held in trust	1,882
Due to vendor	19,258
Contingent consideration	2,318
Purchase consideration	**25,340**

Transaction costs related to the Junge acquisition in the year ended December 31, 2017 were $131 [2016 – nil] and are included in selling, general and administrative expenses.

Subsequent to December 31, 2017, the amounts due to vendor were paid in full.

7. Discontinued operations

During the second quarter of 2016, the Company sold selected assets of its wholly owned subsidiary Mepu Oy ["Mepu"] for proceeds of $3,107, of which $1,050 is receivable in ten annual payments of $105 that commenced in June 2017.

During the third quarter of 2016, the Company sold selected assets of its wholly owned subsidiaries Applegate Livestock Equipment Inc. and Applegate Trucking Inc. [collectively, "Applegate"] for cash proceeds of $4,102.

The financial results attributable to Mepu and Applegate have been presented as discontinued operations.

The results of discontinued operations for the years ended December 31 are as follows:

Consolidated statements of income from discontinued operations

	2017 $	2016 $
Sales	—	15,509
Cost of goods sold	**22**	13,158
Gross profit	**(22)**	2,351
Expenses		
Selling, general and administrative (recovery)	**(60)**	2,938
Other operating income	**(3)**	(36)
Impairment recovery	—	(904)
	(63)	1,998
Profit from discontinued operations for the year	**41**	353

Consolidated statements of comprehensive income (loss) from discontinued operations

	2017 $	2016 $
Profit from discontinued operations for the year	**41**	353
Other comprehensive income (loss)		
Item that may be reclassified subsequently to profit (loss)		
Exchange difference on translation of foreign operations	**(198)**	(143)
Other comprehensive loss from discontinued operations for the year	**(198)**	(143)
Total comprehensive income (loss) from discontinued operations for the year	**(157)**	210

Consolidated statements of cash flows from discontinued operations for the year

	2017 $	2016 $
Cash flows provided by (used in) from operating activities	**41**	(368)
Cash flows used in investing activities	—	(111)
Cash flows provided by (used in) discontinued operations	**41**	(479)

8. Restricted cash

Restricted cash of $1,611 [2016 – nil] consists of cash on hand related to advance payment guarantees included in a sales contract with a customer.

9. Accounts receivable

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

	2017 $	**2016 $**
Total current accounts receivable	**100,863**	82,852
Less allowance for doubtful accounts	**(1,846)**	(1,819)
	99,017	81,033
Non-current accounts receivable	**4,180**	—
Total accounts receivable, net	**103,197**	81,033
Of which		
Neither impaired nor past due	**74,382**	54,790
Not impaired and past the due date as follows		
Within 30 days	**15,419**	13,844
31 to 60 days	**4,538**	3,227
61 to 90 days	**2,229**	2,312
Over 90 days	**8,475**	8,679
Less allowance for doubtful accounts	**(1,846)**	(1,819)
Total accounts receivable, net	**103,197**	81,033

Non-current accounts receivable is the present value of asset-backed receivables.

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 allowance for doubtful accounts for the years ended December 31, 2017 and December 31, 2016 was as follows:

	2017 $	**2016 $**
Balance, beginning of year	**1,819**	4,296
Additional provision recognized	**919**	1,136
Amounts written off during the year as uncollectible	**(859)**	(3,598)
Exchange differences	**(33)**	(15)
Balance, end of year	**1,846**	1,819

10. Inventory

	2017 $	**2016 $**
Raw materials	**83,121**	54,012
Finished goods	**75,514**	45,467
	158,635	99,479

Inventory is recorded at the lower of cost and net realizable value.

During the year ended December 31, 2017, no provisions [2016 – nil] were expensed through cost of goods sold and there were no write-downs of finished goods and no reversals of write-downs during the year.

11. Property, plant and equipment

[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, 2017	16,078	4,013	92,536	2,724	2,432	10,329	4,781	92,298	31,608	256,799
Additions	4,017	1,002	25,895	432	389	2,118	1,110	25,749	(9,413)	51,299
Acquisitions	3,648	—	40,861	665	487	2,720	451	26,809	937	76,578
Classification as held for sale [note 16]	(1,243)	(59)	(2,763)	—	—	—	—	—	—	(4,065)
Disposals	—	—	(3)	—	(43)	(935)	(303)	(1,149)	(33)	(2,466)
Impairment [note 16]	(276)	(64)	(480)	—	—	—	—	—	—	(820)
Exchange differences	(502)	(175)	(5,304)	(43)	(35)	(232)	(91)	(4,187)	(1,906)	(12,475)
Balance, December 31, 2017	**21,722**	**4,717**	**150,742**	**3,778**	**3,230**	**14,000**	**5,948**	**139,520**	**21,193**	**364,850**
Depreciation										
Balance, January 1, 2017	—	688	8,086	853	1,095	4,749	3,023	28,848	—	47,342
Depreciation	—	276	3,742	275	280	1,632	822	9,444	—	16,471
Classification as held for sale [note 16]	—	—	(543)	—	—	—	—	—	—	(543)
Disposals	—	—	(3)	—	(37)	(441)	(267)	(1,014)	—	(1,762)
Exchange differences	—	(32)	(223)	—	(12)	(58)	(63)	(813)	—	(1,201)
Balance, December 31, 2017	**—**	**932**	**11,059**	**1,128**	**1,326**	**5,882**	**3,515**	**36,465**	**—**	**60,307**
Net book value, January 1, 2017	16,078	3,325	84,450	1,871	1,337	5,580	1,758	63,450	31,608	209,457
Net book value, December 31, 2017	**21,722**	**3,785**	**139,683**	**2,650**	**1,904**	**8,118**	**2,433**	**103,055**	**21,193**	**304,543**

[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, 2016	13,836	3,000	82,787	2,632	2,411	7,707	4,489	91,978	92	208,932
Additions	582	365	907	89	154	1,356	780	4,208	31,762	40,203
Acquisitions	2,126	779	13,144	47	38	2,173	208	6,142	—	24,657
Disposals	(87)	—	(53)	(27)	(19)	(412)	(140)	(560)	(189)	(1,487)
Impairment	—	—	—	—	—	—	—	(2,548)	—	(2,548)
Discontinued operations	(412)	(91)	(3,082)	—	(135)	(476)	(480)	(4,567)	(52)	(9,295)
Exchange differences	33	(40)	(1,167)	(17)	(17)	(19)	(76)	(2,355)	(5)	(3,663)
Balance, December 31, 2016	16,078	4,013	92,536	2,724	2,432	10,329	4,781	92,298	31,608	256,799
Depreciation										
Balance, January 1, 2016	—	534	6,778	604	1,025	4,222	3,026	27,056	—	43,245
Depreciation	—	219	2,299	257	195	1,065	514	6,374	—	10,923
Disposals	—	—	(49)	(5)	(5)	(263)	(94)	(363)	—	(779)
Impairment	—	—	—	—	—	—	—	(109)	—	(109)
Discontinued operations	—	(56)	(866)	—	(108)	(242)	(373)	(3,610)	—	(5,255)
Exchange differences	—	(9)	(76)	(3)	(12)	(33)	(50)	(500)	—	(683)
Balance, December 31, 2016	—	688	8,086	853	1,095	4,749	3,023	28,848	—	47,342
Net book value, January 1, 2016	13,836	2,466	76,009	2,028	1,386	3,485	1,463	64,922	92	165,687
Net book value, December 31, 2016	16,078	3,325	84,450	1,871	1,337	5,580	1,758	63,450	31,608	209,457

AGI regularly assesses its long-lived assets for impairment. As at December 31, 2017 and 2016, the recoverable amount of each CGU exceeded the carrying amounts of the assets allocated to the respective units.

Capitalized borrowing costs

No borrowing costs were capitalized in 2017 or 2016.

12. Goodwill

	2017 $	2016 $
Balance, beginning of year	**227,450**	170,262
Acquisition [note 6]	**11,770**	57,472
Impairment	—	(67)
Exchange differences	**(4,551)**	(217)
Balance, end of year	**234,669**	227,450

13. Intangible assets

	Distribution networks $	Brand names $	Patents $	Software $	Order Backlog $	Non-compete agreement $	Development project $	Total $
Cost								
Balance, January 1, 2017	123,700	107,109	2,806	3,337	6,583	114	6,497	250,146
Internal development	—	—	71	925	—	—	3,914	4,910
Acquired	19,521	10,919	32	650	1,889	—	—	33,011
Impairment	—	—	—	—	—	—	(395)	(395)
Exchange differences	(2,454)	(2,176)	(81)	(121)	(202)	—	(153)	(5,187)
Balance, December 31, 2017	**140,767**	**115,852**	**2,828**	**4,791**	**8,270**	**114**	**9,863**	**282,485**
Amortization								
Balance, January 1, 2017	43,685	—	1,767	1,931	4,676	47	825	52,931
Amortization	8,517	—	172	615	3,232	16	451	13,003
Exchange differences	(1,324)	—	(24)	(95)	(157)	—	(5)	(1,605)
Balance, December 31, 2017	**50,878**	—	**1,915**	**2,451**	**7,751**	**63**	**1,271**	**64,329**
Net book value, December 31, 2017	**89,889**	**115,852**	**913**	**2,340**	**519**	**51**	**8,592**	**218,156**

	Distribution networks $	Brand names $	Patents $	Software $	Order Backlog $	Non-compete agreement $	Development project $	Total $
Cost								
Balance, January 1, 2016	104,544	86,526	2,790	3,332	3,128	114	6,947	207,381
Internal development	—	—	53	237	—	—	2,648	2,938
Acquired	19,913	21,071	—	9	3,521	—	—	44,514
Impairment	—	—	—	—	—	—	(3,007)	(3,007)
Discontinued operations	—	—	—	(151)	—	—	—	(151)
Exchange differences	(757)	(488)	(37)	(90)	(66)	—	(91)	(1,529)
Balance, December 31, 2016	123,700	107,109	2,806	3,337	6,583	114	6,497	250,146
Amortization								
Balance, January 1, 2016	37,423	—	1,550	1,509	1,859	31	1,228	43,600
Amortization	6,797	—	246	594	2,860	16	548	11,061
Impairment	—	—	—	—	—	—	(948)	(948)
Discontinued operations	—	—	—	(100)	—	—	—	(100)
Exchange differences	(535)	—	(29)	(72)	(43)	—	(3)	(682)
Balance, December 31, 2016	43,685	—	1,767	1,931	4,676	47	825	52,931
Net book value, December 31, 2016	80,015	107,109	1,039	1,406	1,907	67	5,672	197,215

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 two and nine years. All brand names with a carrying amount of $115,852 [2016 – $107,109] 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. The Company assesses the assumption of an indefinite useful life at least annually. For definite-life intangible assets, the Company assesses whether there are indicators of impairment at subsequent reporting dates as a triggering event for performing an impairment test.

Intangible assets and research and development expenses for the year ended December 31, 2017, are net of combined federal and provincial scientific research and experimental development ["SR&ED"] tax credits in the amounts of $55 and $93, 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, 2017, the Company had federal investment tax credit carryforwards in the amount of $2,324 [2016 – $2,324], federal SR&ED investment tax credit carryforwards in the amount of $1,051 [2016 – $980], provincial SR&ED investment tax credit carryforwards in the amount of $345 [2016 – $287] and provincial manufacturing or processing tax credits in the amount of $466 [2016 – $448]; these began expiring in 2015.

Other significant intangible assets are goodwill [note 12] and the distribution network of the Company. The distribution network was acquired in past business combinations and reflects the Company's dealer network in North America. The remaining amortization period for the distribution network ranges from 2 to 20 years.

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

14. Impairment testing

The Company performs its annual goodwill impairment test as at December 31. The recoverable amount of the Company's group of CGUs has been determined based on value in use for the year ended December 31, 2017, using cash flow projections covering a five-year period. The pre-tax discount rates applied to the cash flow projections are 12.7% and 12.2% [2016 – 12.8% and 13.2%] and cash flows beyond the five-year period are extrapolated using a 3% growth rate [2016 – 3%], which is management's estimate of long-term inflation and productivity growth in the industry and geographies in which it operates.

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

	2017 $	**2016 $**
Farm		
Goodwill	**131,733**	130,371
Intangible assets with indefinite lives	**77,490**	69,302
Commercial		
Goodwill	**102,936**	97,079
Intangible assets with indefinite lives	**38,362**	37,807
Total		
Goodwill	**234,669**	227,450
Intangible assets with indefinite lives	**115,852**	107,109

Key assumptions used in valuation calculations

The calculation of value in use or fair value less cost to sell for all the CGUs or group of CGUs is most sensitive to the following assumptions:

- Gross margins;
- Discount rates;
- Market share during the budget period; and
- 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.

Market share assumptions

These assumptions are important because, as well as using industry data for growth rates [as noted below], management assesses how the CGU's or group of CGUs' position, relative to its competitors, might change over the forecast period.

Growth rate estimates

Rates are based on published research and are 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.

15. Available-for-sale investment

In fiscal 2009, AGI invested in a privately held Canadian farming company ["Investco"].

16. Assets held for sale

In 2015, AGI transferred all production activities from its existing facility to a new facility, both located in Decatur, Illinois. AGI concluded that the grounds, building and selected equipment at the existing Decatur, Illinois facility met the definition of assets held for sale. In 2017, the Company sold the grounds, building and equipment in Decatur, Illinois at their carrying amount and the assets were removed from assets held for sale.

In 2017, AGI moved all production from a Winnipeg, Manitoba facility into other facilities within Canada. AGI concluded that the land and building at the Winnipeg, Manitoba facility met the definition of assets held for sale. The related carrying amount of $2,718 was recorded as assets held for sale. In September 2017, the Company sold the land and building for a gain of $955 and the assets were removed from assets held for sale.

In 2015, AGI acquired Westeel, which included land and building in Regina, Saskatchewan that met the definition of assets held for sale. The related carrying amount of $4,100 was recorded as assets held for sale. In 2016, the carrying amount of this land and building was reduced to $2,745. During 2017, the carrying amount was further reduced to $2,038. In December 2017, the Company entered into an agreement to sell the land and building in Regina, Saskatchewan.

In 2017, AGI built a new facility in Candido Mota, Sao Paolo, Brazil and transferred all production activities from its existing facility in Assis, Sao Paulo, Brazil. AGI concluded that the land, grounds, and building at the existing Assis, Sao Paulo, Brazil facility met the definition of and recorded as assets held for sale at the lower of cost and fair value of $1,624. During 2017, an impairment of $820 was recorded to reduce the carrying value of the assets held for sale to $804.

As at December 31, 2017, assets held for sale include the land carrying value of $1,895 [2016 – $1,674] and the building carrying value of $947 [2016 – $1,474] in Regina, Saskatchewan and Sao Paolo, Brazil.

17. Accounts payable and accrued liabilities

	2017 $	2016 $
Trade payables	**43,924**	34,978
Other payables	**26,043**	10,929
Personnel-related accrued liabilities	**23,507**	15,409
Accrued outstanding service invoices	**2,597**	3,348
	96,071	64,664

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 and overtime benefits. For explanations on the Company's credit risk management processes, refer to note 30.

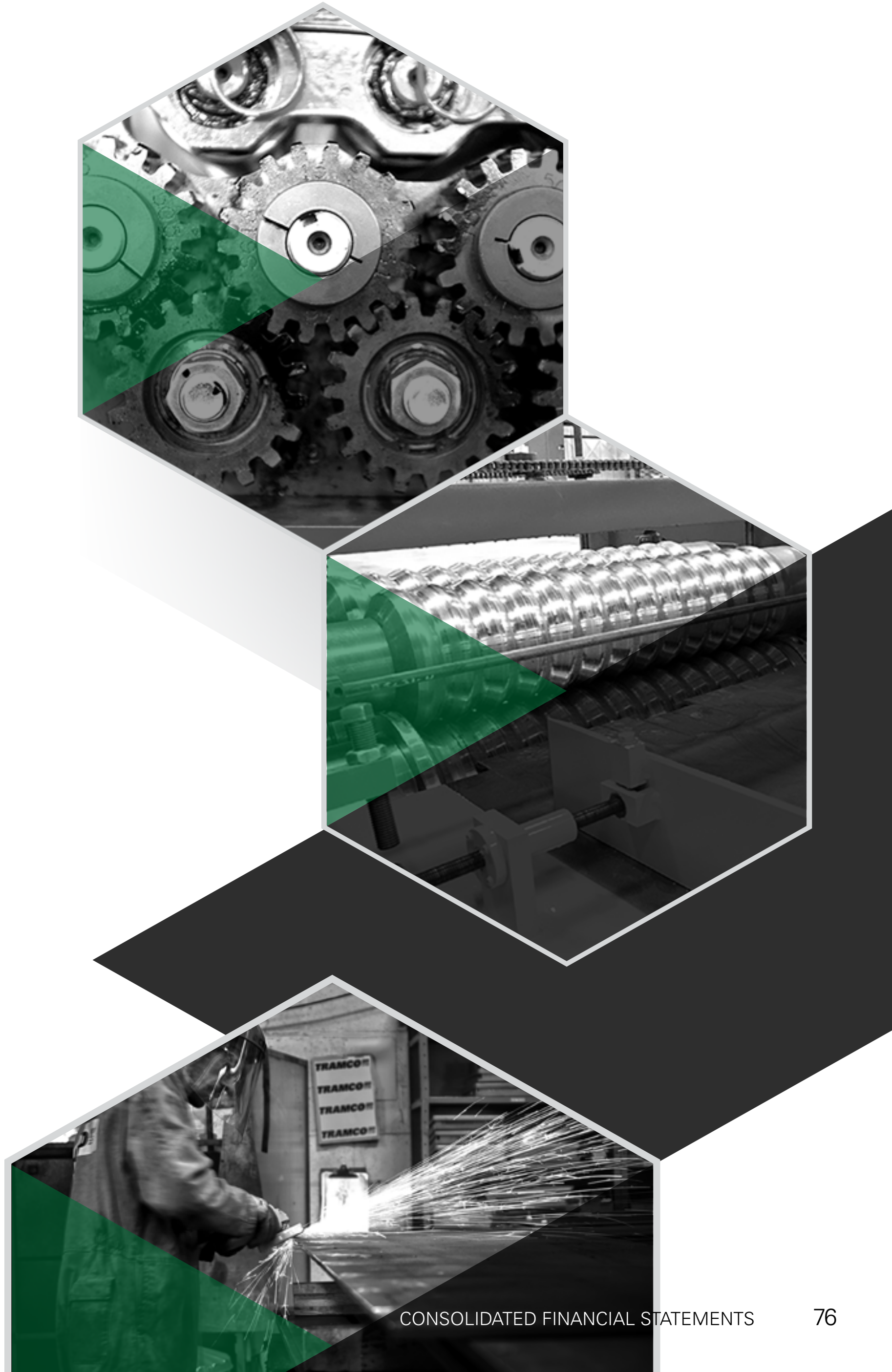
18. Due to vendor

In the year ended December 31, 2013, the Company recorded a tax deduction in regards to the write-off of a receivable outstanding as at the date of the Tramco, Inc. ["Tramco"] acquisition. Per the terms of the purchase agreement, the tax benefit related to this deduction, net of 15% which is to the benefit of the Company, is required to be paid to the vendor of Tramco once the deduction has become statute barred. The impact of this deduction from taxable income was to reduce current income tax expense by $118 and income tax payable by $780. The amount payable to the vendor upon the deduction becoming statute barred of $725 has been recorded as a long-term liability on the consolidated statements of financial position.

19. Provisions

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

	2017 **$**	**2016** **$**
Balance, beginning of year	**6,654**	6,550
Costs recognized	**5,539**	4,427
Change in reserve	**(603)**	180
Amounts charged against provision	**(5,681)**	(4,503)
Balance, end of year	**5,909**	6,654



20. Obligations under finance lease

	Interest rate %	Maturity	2017 $	2016 $
Current portion of obligations under finance lease				
Real estate lease	Euribor +2	2018	**960**	206
Equipment leases	4.7 – 6.6	2020-2021	**23**	52
Total current obligations under finance lease			**983**	258
Non-current portion of obligations under finance lease				
Real estate lease	Euribor +2	2018	**—**	904
Equipment leases	4.7 – 6.6	2020-2021	**19**	71
Total non-current obligations under finance lease			**19**	975
Obligations under finance lease			**1,002**	1,233

[a] Real estate lease

The Company has a real estate lease that matures on March 1, 2018. The lease is denominated in euros and bears interest at Euribor plus 2%.

[b] Equipment lease

The Company has leases for material handling and production equipment that mature between 2020 and 2021. The leases are denominated in U.S. dollars and Brazilian real and bear interest at rates between 4.7% and 6.6%.

21. Long-term debt

	Interest rate %	Maturity	2017 $	2016 $
Current portion of long-term debt				
Equipment financing	nil	2021	**117**	95
Non-current portion of long-term debt				
Equipment financing	nil	2021	**443**	404
Series B secured notes	4.4	2025	**25,000**	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	**31,363**	33,568
Term A secured loan	3.6	2021	**50,000**	50,000
Term B secured loan	3.9	2022	**40,000**	40,000
Revolver line	3.7 – 6.0	2021	**158,067**	60,422
			304,873	209,394
Less deferred financing costs			**2,014**	2,141
Total non-current long-term debt			**302,859**	207,253
Long-term debt			**302,976**	207,348

[a] Bank indebtedness

AGI has operating facilities of $20.0 million and U.S. $7.0 million. The facilities bear interest at prime plus 0.2% to prime plus 1.8% per annum based on performance calculations. As at December 31, 2017, there was nil [2016 – nil] outstanding under these facilities.

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

[b] Long-term debt

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

The Series C secured notes were issued on October 29, 2016. The non-amortizing notes bear interest at 3.7% payable quarterly and mature on October 29, 2026. The Series C secured notes are denominated in U.S. dollars. Collateral for the Series C secured notes and term loans ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Term A secured loan was issued on May 20, 2015 and matures on April 4, 2021. The facilities bear interest at BA plus 1.5% to BA plus

3.0% per annum based on performance calculations. Interest on the non-amortizing loan has been fixed at 3.6% through an interest rate swap contract [note 30]. Collateral for the Term A loan and secured notes ranks pari passu and includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Term B secured loan was issued on May 20, 2015 and matures on May 19, 2022. The facilities bear interest at BA plus 2.5% per annum. Interest on the non-amortizing loan has been fixed at 4.3% through an interest rate swap contract [note 30]. Collateral for the Term B loan and secured notes ranks pari passu and includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

AGI has revolver facilities of $165 million from which Canadian or U.S. funds can be drawn and a $75 million accordion feature, which is undrawn. The facilities bear interest at LIBOR plus 1.5% to LIBOR plus 3.0% and prime plus 0.2% to prime plus 1.8% per annum based on performance calculations. The combined effective interest rate for the year ended December 31, 2017 on AGI's revolver facilities was 5.1%. As at December 31, 2017, there was $158 million [2016 – $60 million] outstanding under these facilities. In April 2017, the Company amended its credit facilities to extend the maturity to April 4, 2021. Interest on the revolver line has been fixed at 3.7% through an interest rate swap contract [note 30]. Collateral for the revolving line ranks pari passu and includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements that must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.25 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at December 31, 2017 and December 31, 2016, AGI was in compliance with all financial covenants. In April 2017, the credit facilities were amended to, among other things, require AGI to maintain a debt to EBITDA ratio of less than 3.75, until January 1, 2018, when it returns to 3.25.

22. Convertible unsecured subordinated debentures

	2017 $	2016 $
Current portion of convertible unsecured subordinated debentures	**86,155**	—
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	**213,000**	213,000
Equity component	**(14,212)**	(9,922)
Accretion	**7,498**	4,039
Financing fees, net of amortization	**(6,383)**	(5,907)
Total non-current convertible unsecured subordinated debentures	**199,903**	201,210
Convertible unsecured subordinated debentures	**286,058**	201,210

2013 Debentures

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

Each 2013 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2013 Debenture, at a conversion price of $55.00 per common share being a conversion rate of approximately 18.1818 common shares per $1,000 principal amount of 2013 Debentures. During the year ended December 31, 2017, a holder of the 2013 Debentures exercised the conversion option for $95 and was issued 1,727 common shares. No conversion options were exercised during the year ended December 31, 2016. As at December 31, 2017, AGI has reserved 1,566,455 common shares for issuance upon conversion of the 2013 Debentures.

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

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

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2013 Debentures, the Company recorded a liability of $86,250, less related offering costs of $3,847. The liability component has been accreted using the effective interest rate method, and during the year ended December 31, 2017, the Company recorded accretion of $1,946 [2016 – $887], non-cash interest expense relating to financing costs of $1,674 [2016 – $761] and interest expense of $4,526 [2016 – $4,528]. The residual value assigned to the holder's option to convert the 2013 Debentures to common shares in the total amount of $4,480 has been separated from the fair value of the liability and is included in shareholders' equity, net of income taxes of $1,134 and its pro rata share of financing costs of $211.

2014 Debentures

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

Each 2014 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2014 Debenture, at a conversion price of $65.57 per common share being a conversion rate of approximately 15.2509 common shares per $1,000 principal amount of 2014 Debentures. No conversion options were exercised during the year ended December 31, 2017 [year ended December 31, 2016 – nil]. As at December 31, 2017, AGI has reserved 789,233 common shares for issuance upon conversion of the 2014 Debentures.

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

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

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2014 Debentures, the Company recorded a liability of $51,750, less related offering costs of $2,663 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the year ended December 31, 2017, the Company recorded accretion of $426 [2016 – $401], non-cash interest expense relating to financing costs of $495 [2016 – $465] and interest expense on the 5.25% coupon of $2,717 [2016 – $2,717]. The residual value assigned to the holder's option to convert the 2014 Debentures to common shares in the total amount of $2,165 has been separated from the fair value of the liability and is included in shareholders' equity, net of income taxes of $557 and its pro rata share of financing costs of $111.

2015 Debentures

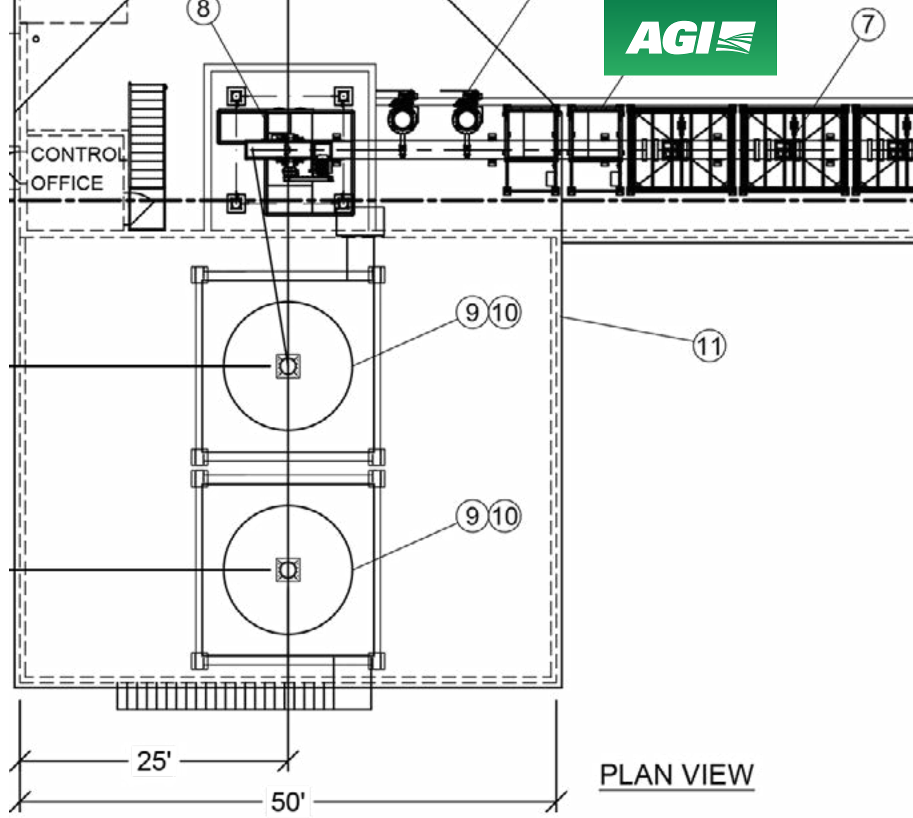
In September 2015, the Company issued $75.0 million aggregate principal amount of convertible unsecured subordinated debentures [the "2015 Debentures"] at a price of $1,000 per 2015 Debenture. The 2015 Debentures bear interest at an annual rate of 5.00% payable semi-annually on June 30 and December 31.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

Each 2015 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2015 Debenture, at a conversion price of $60.00 per common share being a conversion rate of approximately 16.6667 common shares per $1,000 principal amount of 2015 Debentures. No conversion options were exercised during the year ended December 31, 2017 [year ended December 31, 2016 – nil]. As at December 31, 2017, AGI has reserved 1,250,000 common shares for issuance upon conversion of the 2015 Debentures.

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

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

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2015 Debentures, the Company recorded a liability of $75,000, less related offering costs of $3,509 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the year ended December 31, 2017, the Company recorded accretion of $591 [2016 – $558], non-cash interest expense relating to financing costs of $604 [2016 – $568] and interest expense on the 5.00% coupon of $3,750 [2016 – $3,750]. The residual value assigned to the holder's option to convert the 2015 Debentures to common shares in the total amount of $3,277 has been separated from the fair value of



the liability and is included in shareholders' equity, net of income taxes of $835 and its pro rata share of financing costs of $162.

2017 Debentures

On April 4, 2017, the Company entered into an agreement with a syndicate of underwriters pursuant to which AGI issued, on a "bought deal" basis, $75 million aggregate principal amount of convertible unsecured subordinated debentures [the "2017 Debentures"] at a price of $1,000 per 2017 Debenture. AGI also granted 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 $11.25 million aggregate amount of 2017 Debentures at the same price. The over-allotment option was fully exercised, and accordingly, the total gross proceeds to AGI were $86.25 million. On April 25, 2017, the Company closed the offering of $75 million aggregate principal amount of convertible unsecured subordinated debentures. On April 28, 2017, the Company closed the over-allotment option.

The 2017 Debentures bear interest at 4.85% per annum, payable semi-annually in arrears on June 30 and December 31 each year, commencing June 30, 2017. The 2017 Debentures have a maturity date of June 30, 2022.

The 2017 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 2017 Debentures into fully paid and non-assessable common shares of the Company at a conversion price of $83.45 per common share, being a conversion rate of approximately 11.9832 common shares for each $1,000 principal amount of 2017 Debentures. No conversion options were exercised during the year ended December 31, 2017 [year ended December 31, 2016 – nil]. As at December 31, 2017, AGI has reserved 898,740 common shares for issuance upon conversion of the 2017 Debentures.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2017 Debentures, the Company recorded a liability of $86,250 less related offering costs of $3,673 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the year ended December 31, 2017, the Company recorded accretion of $496 [2016 – nil], non-cash interest expense relating to finance costs of $424 [2016 – nil] and interest expense on the 4.85% coupon of $2,791 [2016 – nil]. The estimated fair value of the holder's option to convert the 2017 Debentures to common shares in the total amount of $4,290 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of $1,106 and its pro rata share of financing costs of $190.

23. Equity

[a] Common shares

Authorized
Unlimited number of voting common shares without par value

Issued
16,160,916 common shares

	Shares #	Amount $
Balance, January 1, 2016	**14,590,368**	244,840
Dividend reinvestment shares issued from treasury [note 23[d]]	**144,006**	5,218
Settlement of 2012 EIAP obligation	**47,269**	1,640
Balance, December 31, 2016	**14,781,643**	251,698
Dividend reinvestment shares issued from treasury [note 23[d]]	**93,976**	4,909
Settlement of 2012 EIAP obligation	**133,570**	5,300
Issuance of common shares	**1,150,000**	61,224
Convertible unsecured subordinated debentures	**1,727**	95
Dividend reinvestment plan costs	—	(27)
Balance, December 31, 2017	**16,160,916**	323,199

On January 26, 2017, the Company entered into an agreement with a syndicate of underwriters pursuant to which AGI issued, on a "bought deal" basis, 1,100,000 common shares at a price of $55.10 per share to raise gross proceeds of approximately $60 million. Also, the Company granted the underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase an additional 165,000 common shares at the same offering price. On February 15, 2017, the Company closed the public offering for 1,150,000 common shares at a price of $55.10 per share, which includes 50,000 common shares issued pursuant to the over-allotment option, for gross proceeds of approximately $63 million. Net proceeds after fees were approximately $60 million.

[b] Contributed surplus

	2017 $	2016 $
Balance, beginning of year	**16,940**	10,193
Equity-settled director compensation [note 24[b]]	**361**	375
Dividends on 2012 EIAP	**1,302**	1,672
Obligation under 2012 EIAP [note 24[a]]	**7,698**	6,517
Settlement of 2012 EIAP obligation	**(5,345)**	(1,823)
2015 convertible unsecured subordinated debentures	—	6
Balance, end of year	**20,956**	16,940

[c] Accumulated other comprehensive income

Accumulated other comprehensive income is comprised of the following:

Cash flow hedge reserve

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

Foreign currency translation reserve

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

Defined benefit plan reserve

The defined benefit plan reserve 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, 2017, the Company declared dividends of $38,365 or $2.40 per common share [2016 – $35,297 or $2.40 per common share] and dividends on share compensation awards of $1,302

[2016 – $1,672]. In the year ended December 31, 2017, 93,976 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the "DRIP"]. In the year ended December 31, 2017, dividends paid to shareholders were financed $33,456 [2016 – $30,079] from cash on hand and $4,909 [2016 – $5,218] by the DRIP.

AGI's dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company's current monthly dividend rate is $0.20 per common share. Subsequent to December 31, 2017, the Company declared dividends of $0.20 per common share with record dates of January 31 and February 28.

[e] Dividend reinvestment plan

On March 5, 2013, the Company announced the adoption of the DRIP. Eligible shareholders who elect to reinvest dividends under the DRIP will initially receive common shares issued from treasury at a discount of 4% from the market price of the common shares, with the market price being equal to the volume-weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days preceding the applicable dividend payment date. The Company incurred costs of $27 [2016 – nil] with respect to administration of the DRIP.

[f] Shareholder protection rights plan

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

[g] Preferred shares

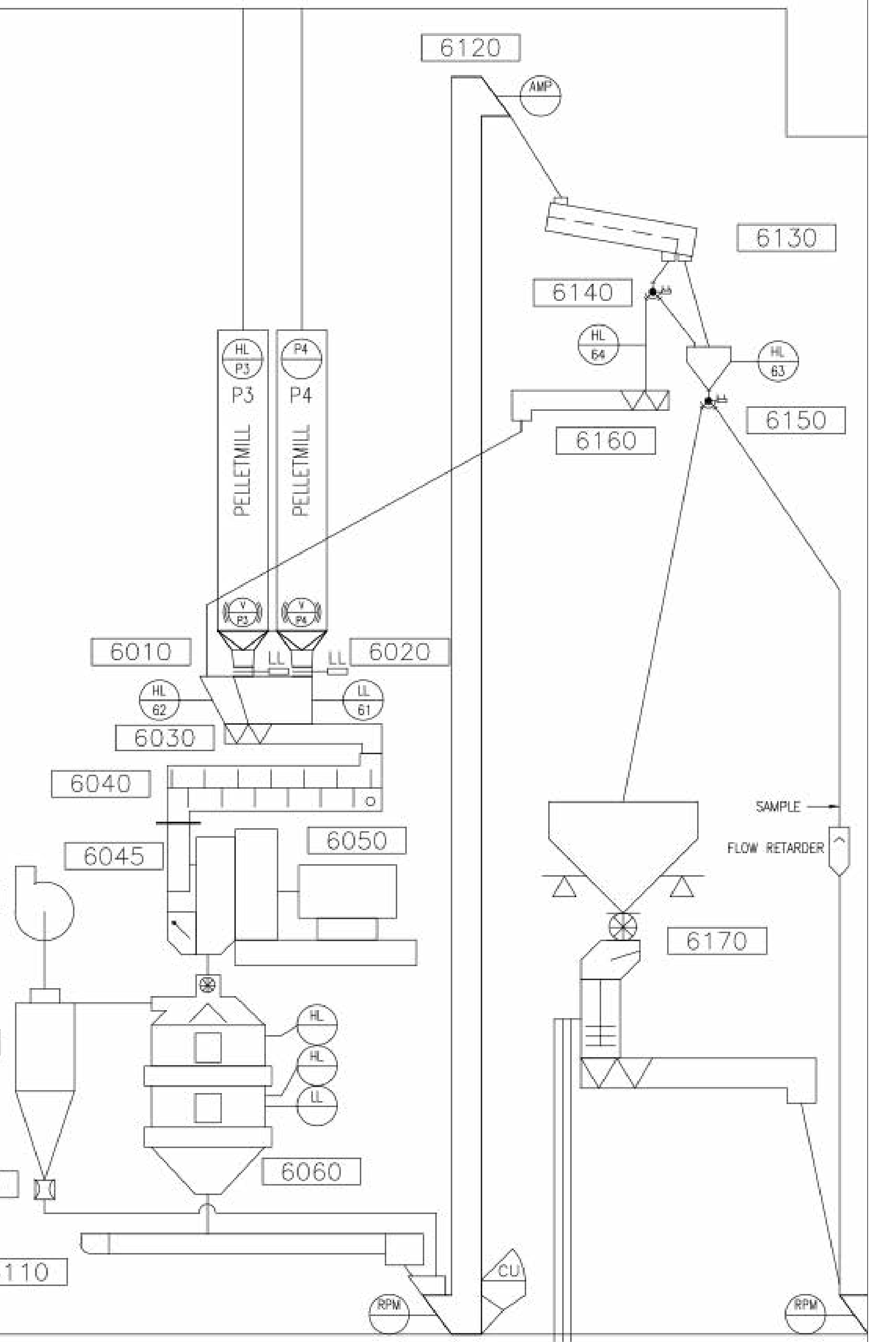
On May 14, 2014, the shareholders of AGI approved the creation of two new classes of preferred shares, each issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the Company's Board of Directors may, at any time from time to time determine,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

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

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

[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, 2017 and December 31, 2016, no preferred shares were issued or outstanding.



24. Share-based compensation plans

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

The 2012 EIAP

On May 11, 2012, the shareholders of AGI approved an Equity Incentive Award Plan [the "2012 EIAP"], which authorizes the Board to grant Restricted Awards ["Restricted Awards"] and Performance Awards ["Performance Awards"] [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.

On May 5, 2016, the shareholders of AGI approved an amendment to the 2012 EIAP to increase the number of common shares available for issuance to 915,000. At the discretion of the Board, the 2012 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 2012 EIAP provides for accelerated vesting in the event of a change in control, retirement, death or termination without cause.

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

Each Performance Award requires the Company to deliver to the holder at the Company's discretion either the number of common shares designated in the Performance Award multiplied by a Payout Multiplier or the equivalent amount in cash after the third and prior to the fourth anniversary date of the grant. The Payout Multiplier is determined based on an assessment of the achievement of pre-defined measures in respect of the applicable period. The Payout Multiplier may not exceed 200%. As at December 31, 2017, 336,421 [2016 – 321,000] Restricted Awards and 406,789 [2016 – 357,500] Performance Awards have been granted. The Company has accounted for the 2012 EIAP as an equity-settled plan. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures. During the year ended December 31, 2017, AGI expensed $7,698 for the 2012 EIAP [2016 – $6,517].

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

	2012 EIAP	
	Restricted Awards #	**Performance Awards $**
Outstanding, January 1, 2016	194,334	—
Granted	64,500	247,500
Vested	(35,848)	—
Forfeited	(4,359)	—
Balance, December 31, 2016	218,627	247,500
Granted	8,921	39,658
Vested	(69,948)	(73,983)
Forfeited	(3,530)	—
Balance, December 31, 2017	**154,070**	**213,175**

There is no exercise price on the 2012 EIAP awards.

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

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

For the year ended December 31, 2017, an expense of $361 [2016 – $375] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the year ended December 31, 2017, 6,690 [2016 – 9,070] common shares were granted under the DDCP, and as at December 31, 2017, a total of 70,332 [2016 – 63,642] common shares had been granted under the DDCP and 18,436 [2016 – 18,436] common shares had been issued.

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

For the year ended December 31, 2017, an expense of $8,057 [2016 – $6,891] was recognized for employee and Director services rendered.

25. Other expenses (income)

	2017 $	2016 $
[a] Other operating expense (income)		
Net loss (gain) on sale of property, plant and equipment	**46**	(98)
Net gain on disposal of assets held for sale	**(955)**	(16)
Gain on financial instruments [note 30]	**(357)**	(9,210)
Other	**(3,379)**	(2,272)
	(4,645)	(11,596)
[b] Finance income		
Interest income from banks	**(120)**	(38)
Gain on foreign exchange	**(12,467)**	(930)
	(12,587)	(968)
[c] Finance costs		
Interest on overdrafts and other finance costs	**762**	139
Interest, including non-cash interest, on debts and borrowings	**14,449**	9,258
Interest, including non-cash interest, on convertible debentures [note 22]	**20,497**	14,628
	35,708	24,025
[d] Cost of goods sold		
Depreciation	**14,929**	10,019
Amortization of intangible assets	**4,146**	3,648
Warranty provision (recovery)	**(745)**	104
Cost of inventory recognized as an expense	**517,671**	356,661
	536,001	370,432

	2017 $	2016 $
[e] Selling, general and administrative expenses		
Depreciation	**1,542**	904
Amortization of intangible assets	**8,857**	7,413
Minimum lease payments recognized as an operating lease expense	**2,890**	2,908
Transaction costs	**8,765**	4,325
Selling, general and administrative	**129,052**	96,519
	151,106	112,069
[f] Employee benefits expense		
Wages and salaries	**140,775**	128,802
Share-based payment transaction expense [note 24]	**8,057**	6,891
Pension costs	**4,426**	3,150
	153,258	138,843
Included in cost of goods sold	**96,717**	86,965
Included in selling general and administrative expense	**56,541**	51,878
	153,258	138,843

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, 2017 was $4,426 [2016 – $3,150]. AGI expects to contribute $4,925 for the year ending December 31, 2018.

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

The Company has a defined benefit plan providing pension benefits to certain of its union employees and former employees. The Company operates the defined benefit pension plan in Canada. The plan is a flat-dollar defined benefit pension plan, which provides clearly defined benefits to members based on negotiated benefit rates and years of credited service. Responsibility 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. In addition, effective May 17, 2017, the group of affected employees will receive 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 assists in the management of the plan.

The Company's defined benefit pension plan will measure the respective accrued benefit obligation and the fair value of plan assets at December 31 of each year. Actuarial valuations are performed annually or triennially as required. The Company's registered defined benefit plan was last valued on December 31, 2017. The present value of the defined obligation, and the related current service cost and past service cost, were measured using the Unit Credit Method.

The liabilities were revalued at December 31, 2017. We have used the same methods and assumptions used at December 31, 2016 for the purpose of estimating the liabilities at December 31, 2017. The following assumptions were used to determine the periodic pension expense and the net present value of the accrued pension obligations:

	2017 **%**	**2016** **%**
Expected long-term rate of return on plan assets	**3.40**	3.95
Discount rate on benefit costs	**3.40**	3.95
Discount rate on accrued pension and post-employment obligations	**3.40**	3.95
Rate of compensation increases	**n/a**	n/a

The weighted average duration of the defined benefit obligation as of December 31, 2017 is 16 years [December 31, 2016 – 17.0 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 2017 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	**(1,051,580)**	1,184,653
Impact of 1 year increase/decrease in life expectancy assumption	**377,863**	(386,142)

The net expense of $277 [2016 – $627] for the year is included in cost of goods sold.

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

	2017 $	2016 $
Plan assets		
Fair value of plan assets, beginning of year	**13,015**	12,446
Interest income on plan assets	**510**	499
Actual return on plan assets	**439**	378
Employer contributions	**647**	419
Benefits paid	**(817)**	(727)
Fair value of plan assets, end of year	**13,794**	13,015
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	**12,633**	12,212
Current service cost	**286**	621
Interest cost	**502**	505
Actuarial gains from changes in financial assumptions	**1,150**	105
Actuarial gains (loses) from experience adjustments	**222**	(83)
Benefits paid	**(817)**	(727)
Accrued benefit obligation, end of year	**13,976**	12,633
Net accrued benefit asset (liability)	**(182)**	382

The net accrued benefit asset (liability) of $(182) [2016 – $382] is included in non-current other assets (liabilities). The major categories of plan assets for each category are as follows:

	2017		2016	
	$	%	$	%
Canadian equity securities	**4,179**	**30.3**	3,930	30.2
U.S. equity securities	**2,373**	**17.2**	2,252	17.3
International equity securities	**2,400**	**17.4**	2,265	17.4
Fixed-income securities	**4,841**	**35.1**	4,568	35.1
	13,793	**100.0**	13,015	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 $438 [2016 – $378].

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 [2017 – $235] to the defined benefit plan in 2018. 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.

27. Income taxes

The major components of income tax expense for the years ended December 31, 2017 and 2016 are as follows:

Consolidated statements of income

	2017 $	2016 $
Current tax expense		
Current income tax expense	**6,712**	11,122
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**5,333**	(260)
Income tax expense reported in the consolidated statements of income	**12,045**	10,862

Consolidated statements of comprehensive income

	2017 $	2016 $
Deferred tax related to items charged or credited directly to other comprehensive income during the year		
Unrealized gain on derivatives	**902**	5,992
Defined benefit plan reserve	**(252)**	96
Exchange differences on translation of foreign operations	**(732)**	(268)
Income tax charged (credited) directly to other comprehensive income	**(82)**	5,820

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, 2017 and 2016 is as follows:

	2017 $	2016 $
Profit from continuing operations before income taxes	**47,200**	29,815
At the Company's statutory income tax rate of 27% [2016 – 27%]	**12,744**	8,050
Tax rate changes	**(3,350)**	(481)
Non-taxable portion of capital gains	**(132)**	—
Additional deductions allowed in a foreign jurisdiction	**(456)**	(600)
Tax losses not recognized as a deferred tax asset	**3,643**	1,477
Foreign rate differential	**416**	1,674
Non-deductible SAIP expense	**492**	536
State income tax, net of federal tax benefit	**422**	496
Unrealized foreign exchange gain	**(3,164)**	(776)
Impairment of goodwill	**—**	18
Permanent differences and others	**1,430**	468
At the effective income tax rate 25.52% [2016 – 36.43%]	**12,045**	10,862

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

	Consolidated statements of financial position		Consolidated statements of income	
	2017 $	**2016 $**	**2017 $**	**2016 $**
Inventories	**(90)**	(90)	—	—
Property, plant and equipment and other assets	**(21,428)**	(21,567)	**(157)**	(1,189)
Intangible assets	**(38,377)**	(45,638)	**(7,838)**	(1,621)
Deferred financing costs	**(213)**	(747)	**254**	136
Accruals and long-term provisions	**5,236**	4,106	**1,171**	1,057
Tax loss carryforwards expiring between 2020 to 2037	**96**	1,364	**1,268**	250
Investment tax credits	**(627)**	(627)	—	—
Canadian exploration expenses	**1,641**	13,143	**11,502**	75
Capitalized development expenditures	**(1,736)**	(1,046)	**690**	(14)
Convertible debentures	**(1,812)**	(1,588)	**(882)**	(499)
SAIP liability	**2,809**	1,223	**(1,586)**	(1,141)
Equity swap	**(2,597)**	(2,418)	**179**	2,418
Other comprehensive income	**(477)**	425	—	—
Exchange difference on translation of foreign operations	—	—	**732**	268
Deferred tax expense			**5,333**	(260)
Deferred tax liabilities, net	**(57,575)**	(53,460)		

Reflected in the consolidated statements of financial position as follows

Deferred tax asset	**183**	231
Deferred tax liability	**(57,758)**	(53,691)
Deferred tax liabilities, net	**(57,575)**	(53,460)

Reconciliation of deferred tax liabilities, net

	2017 $	2016 $
Balance, beginning of year	**(53,460)**	(41,598)
Deferred tax recovery (expense) during the year recognized in profit or loss	**(5,333)**	260
Deferred tax liability related to change in accounting policy [note 3]	—	(977)
Deferred tax asset (liability) setup on business acquisition	**1,454**	(5,325)
Deferred tax recovery during the year recognized in common shares	**788**	—
Deferred tax expense during the year recognized in shareholders' equity	**(1,106)**	—
Deferred tax recovery (expense) during the year recognized in other comprehensive income	**82**	(5,820)
Balance, end of year	**(57,575)**	(53,460)

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 temporary differences in its Finnish operations of 5,886 euros [2016 – 5,913 euros] and its Brazilian operations of 40,479 BRL [2016 – 14,179 BRL]. Accordingly, the Company has recorded a deferred tax asset for all other deductible temporary differences as at December 31, 2017 and as at December 31, 2016.

Included in the current year's income tax expense was nil [2016 – nil] withholding tax paid on the repatriation of surplus from a subsidiary. As at December 31, 2017, there was no recognized deferred tax liability [2016 – nil] for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which a deferred tax asset has not been recognized, aggregate to $622 [2016 – $622].

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

There are no income tax consequences to the Company attached to the payment of dividends in either 2017 or 2016 by the Company to its shareholders.

28. Profit per share

Profit per share is based on the consolidated profit for the year divided by the weighted average number of shares outstanding during the year. Diluted profit 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 per share computations:

	2017 $	2016 $
Profit from continuing operations	**35,155**	18,953
Profit from discontinued operations	**41**	353
Profit attributable to shareholders for basic and diluted profit per share	**35,196**	19,306
Basic weighted average number of shares	**15,932,808**	14,708,986
Dilutive effect of DDCP	**47,685**	40,105
Dilutive effect of RSU	**170,856**	211,555
Diluted weighted average number of shares	**16,151,349**	14,960,646
Profit per share from continuing operations		
Basic	**2.20**	1.29
Diluted	**2.17**	1.27
Profit per share from discontinued operations		
Basic	**0.01**	0.02
Diluted	**0.01**	0.02
Profit per share		
Basic	**2.21**	1.31
Diluted	**2.18**	1.29

The 2013, 2014, 2015 and 2017 Debentures were excluded from the calculation of diluted profit per share for the years ended December 31, 2017 and 2016 because their effect is anti-dilutive.

29. Statement 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.

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

	2017 $	2016 $
Accounts receivable	**(939)**	6,707
Inventory	**(20,206)**	6,753
Prepaid expenses and other assets	**(4,860)**	(4,211)
Accounts payable and accrued liabilities	**5,710**	(967)
Customer deposits	**11,574**	(7,871)
Provisions	**(745)**	(862)
	(9,466)	(451)

[b] Reconciliation of liabilities arising from financing activities

	December 31, 2016 $	Cash flows $	Non-cash changes Conversion $	Foreign exchange $	Accretion $	Amortization $	Fair value $	December 31,2017 $
Long-term debt	207,348	107,513	—	(12,467)	—	582	—	**302,976**
Convertible unsecured subordinated debentures	201,210	82,387	(95)	—	3,459	3,197	(4,100)	**286,058**
Finance leases	1,233	(231)	—	—	—	—	—	**1,002**
Derivatives held to hedge long-term borrowings	715	—	—	—	—	—	(2,483)	**(1,768)**
Total liabilities from financing activities	410,506	189,669	(95)	(12,467)	3,459	3,779	(6,583)	**588,268**

	December 31, 2015 $	Cash flows $	Non-cash changes Acquisitions $	Foreign exchange $	Accretion $	Amortization $	Fair value $	December 31, 2016 $
Long-term debt	146,931	60,622	—	(927)	—	722	—	**207,348**
Convertible unsecured subordinated debentures	197,585	—	(16)	—	1,846	1,795	—	**201,210**
Finance leases	1,386	(353)	200	—	—	—	—	**1,233**
Derivatives held to hedge long-term borrowings	2,001	—	—	—	—	—	(1,286)	**715**
Total liabilities from financing activities	347,903	60,269	184	(927)	1,846	2,517	(1,286)	**410,506**

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 an available-for-sale investment 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 of future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which AGI is exposed are discussed

below. Financial instruments affected by market risk include trade accounts receivable and payable, available-for-sale investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2017 and December 31, 2016.

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

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

- The consolidated statements of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant consolidated statements of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2017 and December 31, 2016, including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at December 31, 2017 for the effects of the assumed underlying changes.

Foreign currency risk

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

A significant part of the Company's sales are transacted in U.S. dollars and euros and as a result, fluctuations in the rate of exchange between the U.S. dollar, the euro and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, AGI enters into foreign exchange forward contracts and denominates a portion of its debt in U.S. dollars. As at December 31, 2017, AGI's U.S. dollar denominated debt totaled $151 million [2016 – $70 million].

AGI's sales denominated in U.S. dollars for the year ended December 31, 2017 were U.S. $314 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency was U.S. $237 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $31 million increase or decrease in sales and a total increase or decrease of $24 million in its cost of goods sold and its selling, general and administrative expenses.

The counterparties to the contracts are three multinational commercial banks and therefore credit risk of counterparty non-performance is remote. Realized gains or losses are included in profit, and for the year ended December 31, 2017, the Company realized a loss on its foreign exchange contracts of $0.7 million [2016 – loss of $14.4 million].

To mitigate exposure to fluctuating rate of exchange, during the year ended December 31, 2017 the Company entered into an agreement with financial institutions to purchase put options at a premium price of $48. Each put option gives the Company the right, but not the obligation, to sell $1.0 million U.S. dollars at a rate of $1.25. The options have maturity dates ranging between May 2017 and December 2017. The put options are derivative financial instruments designated as cash flow hedges, and changes in the fair value are recognized as a component of other comprehensive income to the extent that it has been assessed to be effective. As at December 31, 2017, there are no options outstanding. During the year ended December 31, 2017, realized losses of $52 were recognized in profit and loss.

The Company had no foreign exchange forward contract as at December 31, 2017, and the open foreign exchange forward contracts as at December 31, 2016 are as follows:

	Notional Canadian dollar equivalent			
	Notional amount of currency sold $	Contract amount $	Cdn $ equivalent $	Unrealized loss $
U.S. dollar contracts	9,000	1.2462	11,216	(862)

The terms of the foreign exchange forward contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and there was no significant element of hedge ineffectiveness requiring recognition in the consolidated statements of income.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Furthermore, as AGI regularly reviews the denomination of its borrowings, the Company is subject to changes in interest rates that are linked to the currency of denomination of the debt. AGI's Series A secured notes, Series B secured notes, Series C secured notes and convertible unsecured subordinated debentures outstanding at December 31, 2017 and December 31, 2016 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 fixed rates between 3.6% and 4.32%. The notional amounts are $141,023 in aggregate, resetting the last business day of each month. The contracts expire between May 2019 and May 2022.

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

The open interest rate swap contracts as at December 31, 2017 are as follows:

	Notional amount $	Contract rate %	Unrealized gain $
Canadian dollar contracts	**90,000**	**3.6 – 4.3**	**974**
U.S. dollar contracts	**38,000**	**3.8**	**794**

The open interest rate swap contracts as at December 31, 2016 are as follows:

	Notional amount $	Contract rate %	Unrealized gain (loss) $
Canadian dollar contracts	90,000	3.6 – 4.3	(1,078)
U.S. dollar contracts	38,000	3.8	363

The amount of gain recorded in other comprehensive income during the year ended December 31, 2017 was $1,768 [2016 – $1,286].

Equity swap

On March 18, 2016, the Company entered into 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-CDOR] plus a spread of 2.0% and any administrative fees or expenses that are incurred by the counterparty directly.

As at December 31, 2017, the equity swap agreement covered 500,000 common shares of the Company at a price of $34.10, and the agreement matures on March 22, 2019.

As at December 31, 2017, the unrealized gain on the equity swap was $9,698 and in the year ended December 31, 2017, the Company has recorded a gain in the consolidated statements of income of $409 [2016 – $9,210].

Credit risk

Credit risk is the risk that a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. A substantial portion of AGI's accounts receivable is with customers in the agriculture industry and are subject to normal industry credit risks. A portion of the Company's sales and related accounts receivable are also generated from transactions with customers in overseas markets, several of which are in emerging markets such as countries in Eastern Europe. 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. Trade receivables from international customers are often insured for events of non-payment through third-party export insurance. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit or letter of credit is received before goods are shipped.

Assessments about the recoverability of financial assets, including accounts receivable, require significant judgment in determining whether there is objective evidence that a loss event has occurred and estimates of the amount and timing of future cash flows. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its trade receivables, which is netted against the accounts receivable on the 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 on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively.

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

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.

The tables below summarize the undiscounted contractual payments of the Company's financial liabilities as at December 31, 2017 and 2016:

December 31, 2017	Total $	0 - 6 months $	6 - 12 months $	12 - 24 months $	2 - 4 years $	After 4 years $
Trade payables and provisions	101,980	101,980	—	—	—	—
Dividends payable	3,232	3,232	—	—	—	—
Due to vendor	33,309	33,309	—	—	—	—
Contingent consideration	9,342	—	5,494	3,848	—	—
Term debt	356,296	6,807	6,807	13,613	222,656	106,413
Convertible unsecured subordinated debentures [includes interest]	338,413	91,480	5,325	62,400	90,866	88,342
Total financial liability payments	**842,572**	**236,808**	**17,626**	**79,861**	**313,522**	**194,755**

December 31, 2016	Total $	0 - 6 months $	6 - 12 months $	12 - 24 months $	2 - 4 years $	After 4 years $
Trade payables and provisions	71,318	71,318	—	—	—	—
Dividends payable	2,956	2,956	—	—	—	—
Due to vendor	16,415	16,415	—	—	—	—
Contingent consideration	21,202	4,015	—	9,190	7,997	—
Term debt	249,858	4,099	4,099	8,199	120,298	113,163
Convertible unsecured subordinated debentures [includes interest]	245,208	5,498	5,498	97,245	136,967	—
Total financial liability payments	606,957	104,301	9,597	114,634	265,262	113,163

[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:

	Level	December 31, 2017 Carrying amount $	December 31, 2017 Fair value $	December 31, 2016 Carrying amount $	December 31, 2016 Fair value $
Financial assets					
Loans and receivables					
Cash and cash equivalents	1	**63,981**	**63,981**	2,774	2,774
Cash held in trust	1	**15,182**	**15,182**	5,093	5,093
Accounts receivable	2	**99,017**	**99,017**	81,033	81,033
Due from vendor	2	—	—	342	342
Derivative instruments	2	**11,466**	**11,466**	9,289	9,289
Available-for-sale investment	3	**900**	**900**	900	900
Note receivable	2	**789**	**789**	807	807
Assets held for sale	2	**2,842**	**2,842**	3,148	3,148
Financial liabilities					
Other financial liabilities Interest-bearing loans and borrowings	2	**303,978**	**304,306**	208,581	208,916
Trade payables and provisions	2	**101,980**	**101,980**	71,318	71,318
Dividends payable	2	**3,232**	**3,232**	2,956	2,956
Due to vendor	2	**33,309**	**33,309**	16,415	16,415
Contingent consideration	3	**9,037**	**9,037**	20,224	20,224
Derivative instruments	2	—	—	1,577	1,577
Convertible unsecured subordinated debentures	2	**286,058**	**314,129**	201,210	198,150

During the reporting years ended December 31, 2017 and December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

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

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

- Cash and cash equivalents, cash held in trust, restricted cash, accounts receivable, dividends payable, acquisition, transaction and financing costs payable, accounts payable and accrued liabilities, due to vendor, contingent consideration and other 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 valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and foreign exchange spot and forward rates.
- AGI includes its available-for-sale investment, which is in a private company, in Level 3 of the fair value hierarchy as it trades infrequently and has little price transparency. AGI reviews the fair value of this investment at each reporting period and when recent arm's length market transactions are not available, management's estimate of fair value is determined using a market approach based on external information and observable conditions where possible, supplemented by internal analysis as required.

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.

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

31. Capital disclosure and management

The Company's capital structure is comprised of shareholders' equity and long-term debt. AGI's objectives when managing its capital structure are to maintain and preserve 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, 2017 and December 31, 2016, all of these covenants were complied with [note 21[c]].

The Board of Directors does not establish quantitative capital structure targets for management, but rather promotes sustainable and profitable growth. Management monitors capital using non-GAAP financial metrics, primarily total debt to the trailing twelve 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.

32. Related party disclosures

Relationship between parent and subsidiaries

The main transactions between the corporate entity of the Company and its subsidiaries are the providing of cash fundings based on the equity and convertible debt funds of Ag Growth Inc. Furthermore, the corporate entity of the Company is responsible for the billing and supervision of major construction contracts with external customers and the allocation of sub-projects to the different subsidiaries of the Company. Finally, the parent company 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 Ag Growth Inc., 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. The total cost of these legal services related to general matters was $261 during the year ended December 31, 2017 [2016 – $200], and $50 is included in accounts payable and accrued liabilities as at December 31, 2017. These transactions are measured at the exchange amount and were incurred during the normal course of business.

Salthammer Inc. provides consulting services to the Company, and a Director of AGI is the owner of Salthammer Inc. The total cost of these consulting services related to international plant expansion project was $159 during the year ended December 31, 2017 [2016 – $48], and $4 is included in accounts payable and accrued liabilities as at December 31, 2017.

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.

	2017 $	**2016 $**
Short-term employee benefits	**120**	133
Contributions to defined contribution plans	**197**	205
Salaries	**7,044**	6,128
Share-based payments	**8,057**	6,891
Total compensation paid to key management personnel	**15,418**	13,357

33. Reportable business segment

The Company manufactures agricultural equipment with a focus on grain handling, storage and conditioning products. As at December 31, 2017, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included the similar long-term average gross margins and growth rates across the segments, the nature of the products manufactured by the segments all being related to the handling, storage and conditioning of agricultural commodities, and the similarity in the production processes of the segments.

The Company operates primarily within three geographical areas: Canada, United States and International. The following details the sales, property, plant and equipment, goodwill, intangible assets and available-for-sale investment by geographical area, reconciled to the Company's consolidated financial statements:

	Sales		Property, plant and equipment, goodwill, intangible assets and available-for-sale investment	
	2017 $	**2016 $**	**2017 $**	**2016 $**
Canada	**280,887**	238,151	**398,416**	393,931
United States	**322,242**	191,643	**267,667**	179,015
International	**151,586**	101,822	**92,185**	62,076
	754,715	531,616	**758,268**	635,022

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

34. 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 $12,909 [2016 – $16,442].

[b] Letters of credit

As at December 31, 2017, the Company has outstanding letters of credit in the amount of $2,474 [2016 – $2,414].

[c] Operating leases

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

	$
Within one year	3,090
After one year, but no more than five years	5,897
More than five years	758
	9,745

These leases have a life of between one and eight years.

During the year ended December 31, 2017, the Company recognized an expense of $2,890 [2016 – $2,908] for leasing contracts. This amount relates only to minimum lease payments.

[d] Legal actions

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

35. Subsequent events

On December 6, 2017, the Company entered into an agreement with a syndicate of underwriters pursuant to which AGI issued, on a "bought deal" basis, $75 million aggregate principal amount of convertible unsecured subordinated debentures [the "2018 Debentures"] at a price of $1,000 per 2018 Debenture. AGI also granted the underwriters an over-allotment option, exercisable in whole or in part for a period of 30 days following closing, to purchase up to an additional $11.25 million aggregate principal amount of Debentures. The over-allotment option was fully exercised, and accordingly, the total gross proceeds to AGI were $86.25 million. On January 3, 2018, the Company closed the offering of $75 million aggregate principal amount of convertible unsecured subordinated debentures. On January 9, 2018, the Company closed the over-allotment option.

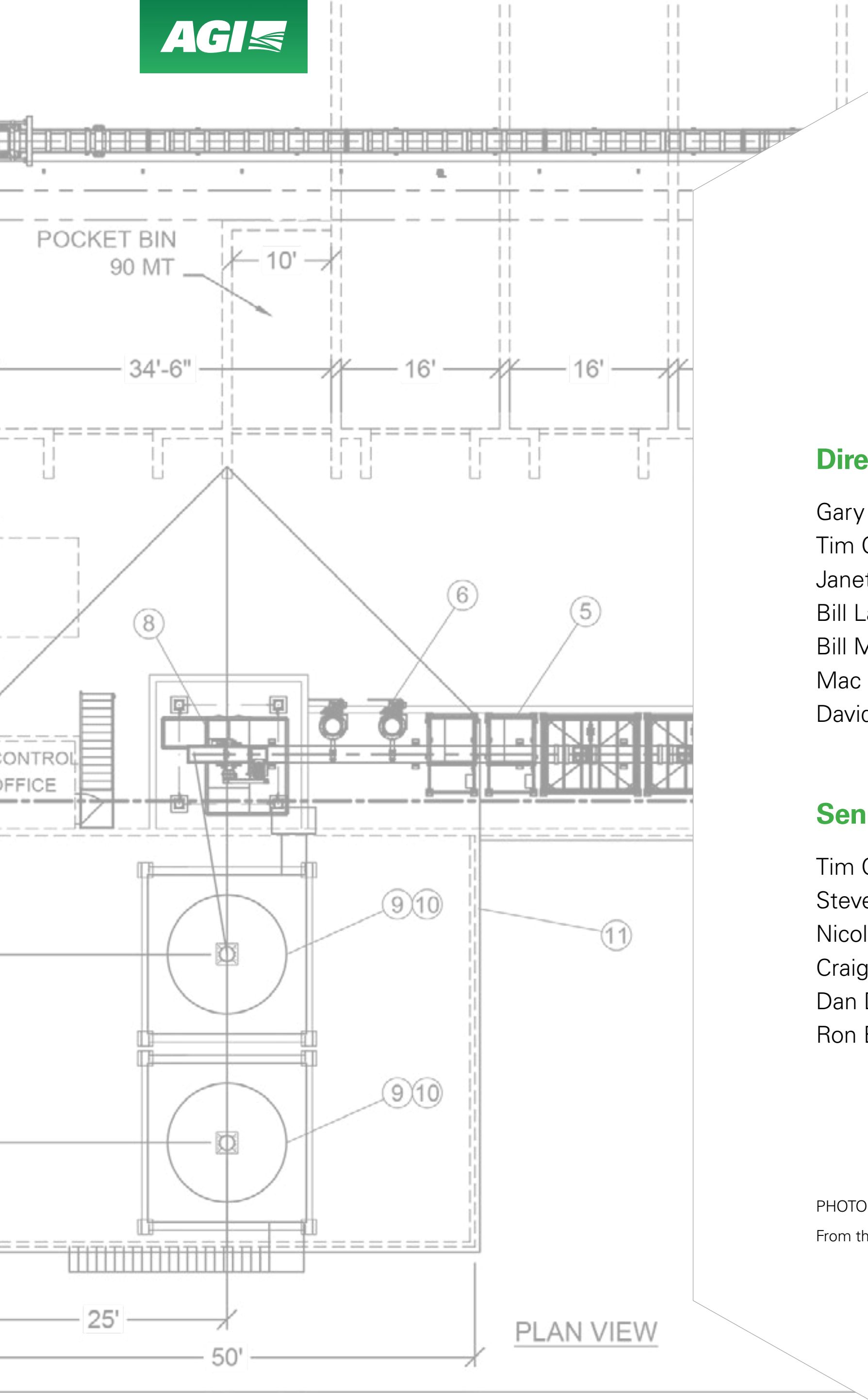
The 2018 Debentures bear interest at 4.50% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2018. The Debentures will have a maturity date of December 31, 2022.

The 2018 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 $88.15 per Common Share, being a conversion rate of approximately 11.3443 Common Shares for each $1,000 principal amount of Debentures.

The net proceeds of the offering will be used to partially fund the redemption of the Company's 5.25% convertible unsecured subordinated debentures due December 18, 2018.

On January 8, 2018, holders of the 2013 Debentures exercised the conversion option for $8,679 and were issued 157,781 common shares. On January 9, 2018, the Company redeemed its 2013 Debentures in accordance with the terms of the supplemental trust indenture dated December 17, 2013. Upon redemption, AGI paid to the holders of the 2013 Debentures the redemption price of $77,587 equal to the outstanding principal amount of the 2013 Debentures redeemed including accrued and unpaid interest up to but excluding the Redemption date, less taxes deducted or withheld.

Effective February 22, 2018, the Company acquired 100% of the shares of Danmare Group Inc. and its affiliate Danmare, Inc. [collectively, "Danmare"] for a maximum purchase price of $10.2 million. Upon acquisition, a cash amount of $6.5 million was paid to the vendors. The contingent consideration is payable over three years based on the achievement of earnings targets in 2019, 2020 and 2021.



Directors

Gary Anderson, Director
Tim Close, Director, President and Chief Executive Officer
Janet Giesselman, Director, Chair of the Human Resources Committee
Bill Lambert, Chair of the Board
Bill Maslechko, Director
Mac Moore, Director, Chair of the Governance Committee
David White, Chair of the Audit Committee

Senior Leadership Team

Tim Close, President and Chief Executive Officer
Steve Sommerfeld, Executive Vice President & Chief Financial Officer
Nicolle Parker, Senior Vice President, Finance & Information Systems
Craig Wilson, Senior Vice President, Human Resources
Dan Donner, Senior Vice President, Commercial
Ron Braun, Senior Vice President, Farm

PHOTO
From the left: Gary Anderson, Janet Giesselman, Bill Lambert, Tim Close, Mac Moore, Bill Maslechko, David White

AGI

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