Ag Growth Announces First Quarter 2016 Results; Declares Dividends

Winnipeg, MB, May 5, 2016 – Ag Growth International Inc. (TSX: AFN) ("AGI" or the "Company") today announced its financial results for the three-month period ended March 31, 2016, and declared dividends for June, July and August 2016.

Overview of Results

(thousands of dollars)	**Three Months Ended March 31**	
	2016	**2015**
Trade sales (1)(2)	113,672	86,627
Adjusted EBITDA (1)(2)(3)	19,800	17,271
Net profit (loss)	5,697	(3,409)
Diluted profit (loss) per share	$0.38	$(0.26)
Adjusted net profit (1)	5,760	7,404
Diluted adjusted profit per share (1)(4)	$0.39	$0.56

(1) See "Non-IFRS Measures".
(2) See "Basis of Presentation".
(3) See "Adjusted EBITDA".
(4) See "Diluted profit per share and Diluted adjusted profit per share" below in Summary of Results.

Trade sales increased over 2015 as contributions from recent acquisitions and higher sales of Commercial handling equipment in North America more than offset the anticipated low level of demand for Farm equipment and lower first quarter international sales. Adjusted EBITDA increased as higher trade sales were complemented by strong gross margins at recently acquired Westeel and VIS and higher margins at legacy AGI divisions that were achieved despite a less favourable product sales mix. An increase in acquisition related non-cash depreciation and amortization and higher debt service costs were more than offset by higher adjusted EBITDA and a small gain on foreign exchange, resulting in an increase in net profit and net profit per share.

"We achieved record sales and adjusted EBITDA in the quarter delivered by mixed results from our Farm and Commercial businesses along with rebounding results from Westeel," said Tim Close, President and CEO of AGI. "The expected weakness in our Farm business was offset by domestic results in our Commercial business demonstrating the benefits of diversification across these markets. Margins were strong at our Westeel business as we start to see the impact of the synergies we achieved post acquisition and we are very proud of the team and their progress. For the remainder of the year we see the Commercial business weighted toward the second half given timing of projects in our pipeline, some continued weakness into Q2 on the Farm but also expect to see positive contribution from our recent acquisitions including VIS, NuVision and Frame."

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

A reconciliation of net profit (loss) and diluted profit (loss) per share to adjusted profit (loss) and adjusted diluted profit (loss) per share is below.

(thousands of dollars)	Three Months Ended March 31	
	2016	2015
Profit (loss) as reported Diluted profit per share as reported	\$5,697 \$0.38	\$(3,409) \$(0.26)
(Gain) loss on foreign exchange	(229)	9,866
M&A Activity	282	1,077
Loss (gain) on sale of PP&E	10	(130)
Adjusted profit [(1)] Diluted adjusted profit per share [(1)]	\$5,760 \$0.39	\$7,404 \$0.56

(1) See "Non-IFRS Measures".

OUTLOOK

AGI's Farm business represents approximately one-half of AGI's total revenue profile and is comprised primarily of portable grain handling equipment and Westeel's North American storage business. The primary demand driver for portable handling equipment is the amount of grain handled as this dictates farmer capacity requirements and the product replacement cycle. In its March 31, 2016 Prospective Plantings report, the USDA estimates 93.6 million acres of corn will be planted, up 6% from 2015 and the third highest planted acreage in the United States since 1944. Planting intentions in Canada are similarly strong and are more heavily weighted towards specialty crops, including lentils. Accordingly, existing indicators point towards higher demand for Farm equipment in fiscal 2016 compared to 2015. Cautious buying behavior at the dealer and consumer levels negatively impacted demand in the first quarter of 2016 and this trend is continuing into Q2. However, while we continue to monitor the dry conditions in western Canada, based on current conditions management anticipates demand to improve with the new crop season.

Westeel's domestic storage business is comprised of corrugated storage bins, smoothwall bins and liquid storage tanks. Demand drivers for storage include volume of grains grown, crop trends, fertilizer storage and handling practices and the consolidation of farms. While the macro environment in Canada is supportive of these trends, demand in the first quarter of 2016 was negatively impacted by higher than normal dealer inventories entering the fiscal year. However, based on current conditions, sales in the second quarter and for the balance of 2016 are expected to return to more typical levels. Management anticipates higher gross margins on Westeel product compared to the prior year will result from favourable steel prices and previously achieved cost synergies.

AGI's Commercial business is comprised primarily of high capacity grain handling and conditioning equipment and storage in offshore markets. In North America, demand for Commercial equipment is less sensitive to a specific harvest but rather is driven primarily by macro factors including the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in a mature market and, more recently, the dissolution of the Canadian Wheat Board, and current activity in North America is reflective of these trends.

Offshore, the commercial infrastructure in many grain producing and importing countries remains vastly underinvested resulting in significant global opportunities for AGI's Commercial business. Our international business expanded significantly in 2015 due to increasing brand presence, continued momentum in Eastern Europe and Latin America and the acquisition of Westeel's international businesses. Management expects a strong contribution from its Italian subsidiaries in 2016 as Frame delivers on a significant backlog and AGI further consolidates its sales structure. Excluding recent acquisitions, our international backlog is lower than the prior year as AGI had secured several large projects early in 2015 and similar projects are not in the current backlog. However, we have a large and high quality quote log and management expects to secure a number of larger projects for delivery commencing in the second half of 2016.

AGI completed a number of acquisitions in recent months including VIS (November 2015), Entringer (March 2016) and NuVision (April 2016). These acquisitions were funded with cash and include earn-out provisions. While management does not anticipate a positive EBITDA contribution from Brazilian based Entringer in 2016, the additions of VIS and NuVision and their synergies with Westeel Smoothwall bins in the fertilizer space are expected to generate significant adjusted EBITDA in the current year. On a pro-forma basis, adjusted EBITDA at VIS and NuVision in the first quarter of 2016 exceeded $2 million.

Demand in 2016 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets and the availability of credit and export credit agency support in offshore markets also may influence sales, primarily of commercial grain handling and storage products. Consistent with prior periods, Commercial sales are subject to the timing of customer commitment and delivery considerations. AGI's results may also be impacted by changes in steel prices and other material input costs. AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars and a weaker Canadian dollar relative to its U.S. counterpart positively impacts profit and adjusted EBITDA. However, a portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts and based on current rates of exchange the Company expects to recognize a significant loss on these contracts in fiscal 2016.

Management anticipates second quarter results to reflect a significant contribution from recent acquisitions and strong Commercial business in the United States. However, results are expected to be negatively impacted by low demand for Farm products in the U.S. and the timing of commitments from international customers. On balance, management anticipates adjusted EBITDA in the second quarter of 2016 will approximate 2015 results. Management remains positively biased with respect to fiscal 2016 and anticipates results for the balance of the year will reflect the impact of recent acquisitions, a return to more typical buying patterns for Farm equipment, steady demand for domestic Commercial products and increased activity in offshore markets.

Dividends

AGI today announced the declaration of cash dividends of $0.20 per common share for the months of June 2016, July 2016 and August 2016. The dividends are eligible dividends for Canadian income tax purposes. AGI's current annualized cash dividend rate is $2.40 per share.

The table below sets forth the scheduled payable and record dates:

Monthly dividend	Payable date	Record date
June 2016	July 15. 2016	June 30, 2016
July 2016	August 15, 2016	July 29, 2016
August 2016	September 15, 2016	August 31, 2016

MD&A and Financial Statements

AGI's financial statements and MD&A for the three month period ended March 31, 2016 can be obtained at http://file.marketwire.com/release/AFN0505Q13.pdf and will also be available electronically on SEDAR (www.sedar.com) and on AGI's website (www.aggrowth.com).

Conference Call

Management will host a conference call at 8:00 am (ET) on Thursday, May 5, 2016 to review the Company's results for the three-month period ended March 31, 2016. To participate in the conference call, please dial 1-866-225-6564 or for local access dial 416-340-2220. An audio replay of the call will be available for seven days. To access the audio replay, please dial 1-800-408-3053 or for local access dial 905-694-9451. Please quote passcode 4296735.

Company Profile

Ag Growth International Inc. is a leading manufacturer of portable and stationary grain handling, storage and conditioning equipment, including augers, belt conveyors, grain storage bins, grain handling accessories, grain aeration equipment and grain drying systems. AGI has manufacturing facilities in Canada, the United States, Italy, Brazil, the United Kingdom and Finland, and distributes its products globally.

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NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with International Financial Reporting Standards ("IFRS"), with a number of non-IFRS financial measures including "EBITDA", "Adjusted EBITDA", "gross margin", "funds from operations", "payout ratio", "adjusted payout ratio", "trade sales", "adjusted profit", and "diluted adjusted profit per share". A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in the most directly comparable measures calculated and presented in accordance with

IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

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

In this press release, we discuss certain of 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 press release.

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

References to “EBITDA” are to profit before income taxes, finance costs, depreciation, amortization and impairment charges related to goodwill, intangibles or available for sale assets. References to “adjusted EBITDA” are to EBITDA before the gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, certain items considered by management to be unusual and non-recurring in nature and to expenses related to corporate acquisition activity. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows. EBITDA and adjusted EBITDA exclude the results of AGI divisions Applegate and Mepu as the previously announced strategic review of these assets is anticipated to result in their sale or closure in 2016.

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. Trade sales exclude the results of AGI divisions Applegate and Mepu as the previously announced strategic review of these assets is anticipated to result in their sale or closure in 2016.

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 losses on foreign exchange, transaction costs, certain items considered by management to be unusual and non-recurring in nature and the gain (loss) on sale of property, plant and equipment**.**

FORWARD-LOOKING STATEMENTS

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

AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: May 5, 2016

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, 2015 and the unaudited interim condensed consolidated comparative financial statements of the Company for the three-month period ended March 31, 2016. Results are reported in Canadian dollars unless otherwise stated.

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

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

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

SUMMARY OF RESULTS

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

(thousands of dollars)	**Three Months Ended March 31**	
	2016	**2015**
Trade sales (1)(2)	113,672	86,627
Adjusted EBITDA (1)(2)(3)	19,800	17,271
Net profit (loss)	5,697	(3,409)
Diluted profit (loss) per share	$0.38	$(0.26)
Adjusted net profit (1)	5,760	7,404
Diluted adjusted profit per share (1)(4)	$0.39	$0.56

(1) See "Non-IFRS Measures".
(2) See "Basis of Presentation".
(3) See "Adjusted EBITDA".
(4) See "Diluted profit per share and Diluted adjusted profit per share" below in Summary of Results.

Trade sales increased over 2015 as contributions from recent acquisitions and higher sales of Commercial handling equipment in North America more than offset the anticipated low level of demand for Farm equipment and lower first quarter international sales. Adjusted EBITDA increased as higher trade sales were complemented by strong gross margins at recently acquired Westeel and VIS and higher margins at legacy AGI divisions that were achieved despite a less favourable product sales mix. An increase in acquisition related non-cash depreciation and amortization and higher debt service costs were more than offset by higher adjusted EBITDA and a small gain on foreign exchange, resulting in an increase in net profit and net profit per share.

Basis of Presentation

Trade sales and adjusted EBITDA in both 2015 and 2016 exclude the results of Applegate and Mepu as the previously announced strategic review of these assets is anticipated to result in their sale or closure in 2016. To allow for improved comparability between 2016 and 2015, certain metrics including trade sales and adjusted EBITDA have been presented both before and after results from the recent acquisitions of Westeel, PTM, Frame, VIS and Entringer. See “Recent Acquisitions”.

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

($000s)	**Three Months Ended March 31**		
	2016	**2015**	**Change**
Excluding acquisitions			
Canada	20,973	21,766	(793)
US	44,782	43,493	1,289
International	9,846	21,368	(11,522)
Subtotal excluding acquisitions	**75,601**	**86,627**	**(11,026)**
Acquisitions			
Canada	30,226	0	30,226
US	569	0	569
International	7,276	0	7,276
Subtotal Acquisitions	**38,071**	**0**	**38,071**
Total Trade Sales	**$113,672**	**$86,627**	**$27,045**

Trade sales in Canada, excluding acquisitions, decreased slightly compared to the prior year as lower sales of storage equipment were mostly offset by strength in Farm handling equipment. Strong Farm handling sales in 2016 reflect the positive sentiment in the Canadian sector that relates largely to higher expected farmer returns, particularly on speciality crops including lentils. Robust demand for Commercial equipment in Canada continues as the competitive landscape in the commercial space evolves subsequent to the dissolution of the Canadian Wheat Board. Total trade sales in Canada increased significantly due to the recent acquisitions of Westeel and VIS. As anticipated, sales of Westeel storage equipment were constrained by higher than typical dealer inventory levels entering 2016. Sales of VIS fertilizer equipment were very strong and reflect the build-out underway in the commercial fertilizer infrastructure.

In the Unites States, sales of Farm equipment decreased significantly against a very strong 2015 comparative. U.S. farmers are expected to increase the number of corn acres planted in 2016, however as anticipated farmer and dealer buying behaviour early in the year remained muted due to cautious sentiment and slightly elevated dealer inventory levels. Lower Farm sales were more than offset by increased sales of Commercial equipment as continued momentum in the commercial space resulted in strong opening backlogs and higher first quarter U.S. sales at most AGI Commercial divisions. Trade sales in the U.S. were not significantly affected by recent acquisitions.

AGI's international sales, excluding acquisitions, decreased against a very strong first quarter in 2015 largely because offshore sales in the current quarter did not include large projects similar to those included in the first quarter of 2015. The timing of international sales is very much dependent on the timing of customer commitments which in 2016, not unlike certain other years, have been slower to materialize. AGI's international quote log remains very strong however sales in 2016 are expected to be weighted towards the second half of the fiscal year. International sales related to acquisitions largely reflect Commercial sales of storage and handling equipment at Italian subsidiaries PTM and Frame. AGI acquired a 51% interest in Frame along with its acquisition of Westeel in May 2015 and on April 22, 2016, AGI purchased the remaining 49% interest from the minority shareholders.

See also "Outlook"

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

Gross margin		
	Three Months Ended March 31	
	2016	2015
AGI excluding acquisitions	39.6%	38.4%
Acquisitions	31.4%	N/A
Consolidated	36.8%	38.4%

Strong gross margins were achieved in the first quarter of 2016 despite a decrease in sales of higher margin Farm equipment. Efficient labour utilization, low steel costs, the positive impact of a weaker Canadian dollar and a favourable sales mix of Commercial equipment all contributed to the increase in gross margin. Gross margin percentages related to recent acquisitions benefited from low steel costs and from organizational synergies achieved at Westeel subsequent to its acquisition by AGI.

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

	Three Months Ended March 31			
	2016		**2015**	
	$	**%**	**$**	**%**
AGI excluding acquisitions	13,256	17.5%	17,271	19.9%
Acquisitions	6,544	17.2%	0	N/A
Consolidated	19,800	17.4%	17,271	19.9%

Adjusted EBITDA in the first quarter of 2016, excluding acquisitions, decreased $4.0 million compared to 2015 due to lower sales of Farm handling equipment and lower first quarter international sales. Adjusted EBITDA as a percentage of sales remained very strong however decreased compared to 2015 primarily due to sales mix.

(thousands of dollars)	**Three Months Ended March 31**	
	2016	**2015**
EBITDA[1]	**$18,881**	**$4,548**
(Gain) loss on foreign exchange [2]	(229)	9,866
Non-cash Share Based Compensation	616	1,080
Assets under review [3]	560	830
(Gain) loss on Financial Instruments	(320)	0
M&A activity	282	1,077
Loss (gain) on sale of PP&E	10	(130)
Adjusted EBITDA[1]	**$19,800**	**$17,271**

(1) See “Non-IFRS Measures”.
(2) See “Impact of Foreign Exchange”.
(3) See “Strategic Review of Applegate and Mepu Operations”.

Diluted profit per share and Diluted adjusted profit per share

Diluted loss per share for the year ended March 31, 2016 was $0.38 (2015 – loss of $0.26). The decrease was primarily the result of lower EBITDA, an asset impairment charge, transaction costs related to the acquisition of Westeel and losses on foreign exchange. A reconciliation to diluted adjusted profit per share follows:

(thousands of dollars)	Three Months Ended March 31	
	2016	**2015**
Profit (loss) as reported Diluted per share as reported	$5,697 $0.38	$(3,409) $(0.26)
(Gain) loss on foreign exchange	(229)	9,866
M&A Activity	282	1,077
Loss (gain) on sale of PP&E	10	(130)
Adjusted profit [(1)] Diluted adjusted profit per share [(1)]	$5,760 $0.39	$7,404 $0.56

(1) See “Non-IFRS Measures”

Acquisitions

NuVision (April 1, 2016)

NuVision designs, manufactures, installs, and maintains fertilizer blending and handling facilities throughout Western Canada. NuVision sales and adjusted EBITDA, normalized primarily for related party items, averaged approximately $18 million and $3.4 million respectively over the previous four years. For the year ended December 31, 2015, NuVision sales and normalized EBITDA were approximately $32 million and $6.6 million, respectively.

The final purchase price will be based on five times NuVision's average EBITDA for the financial years 2015, 2016, 2017 and 2018, with a maximum purchase price of $26 million. The maximum purchase price represents a multiple of approximately 4.0x 2015 normalized EBITDA. Terms of the transaction included payment of $12 million upon closing with additional amounts payable annually based on achieved EBITDA in 2016, 2017 and 2018. All payments under the agreement are payable 50% in cash and 50% in AGI equipment and the cash amount payable upon closing was funded from AGI’s cash balance.

Entringer (March 9, 2016)

Entringer is a Brazilian based manufacturer of grain bins, bucket elevators, dryers and cleaners. Founded in 1988 and strategically located in Brazil’s Sao Paulo province, Entringer provides AGI with a measured entry into the rapidly expanding agricultural sector in Brazil. Entringer sales in 2015 were R$38 million and EBITDA over the previous six years has averaged approximately R$5.6 million, with peak EBITDA of R$9.9 million in 2013 and negative EBITDA of approximately R$2.1 million in 2015.

The Company acquired Entringer for cash consideration of R$30 million and contingent consideration of R$15 million based on specified earnings targets.

VIS (November 30, 2015)

VIS is a Winnipeg-based manufacturer of material handling equipment used in the fertilizer, feed and grain sectors. VIS provides AGI with new capability and experience in the planning, design and manufacture of high throughput industrial fertilizer handling equipment. The purchase price of $15 million represents a valuation of approximately 4.5 times VIS' trailing twelve month normalized EBITDA.

AGI acquired VIS for cash consideration of $10.0 million and contingent consideration of $5.0 million based on specified earnings targets. The amount payable upon closing was funded from AGI's cash balance.

Westeel (May 20, 2015)

Westeel is Canada's leading provider of grain storage solutions offering a wide range of on-farm and commercial products for the agricultural industry. The acquisition included Westeel's foreign sales offices, its 100% interest in Italian subsidiary PTM Technology, a manufacturer of grain handling equipment, and its 51% interest in Frame, an Italian manufacturer of storage bins. Westeel generated adjusted EBITDA of approximately $20 million in 2014, net of an adjustment for corporate costs, and subsequent to acquisition AGI realized additional cost synergies at Westeel of approximately $5 million.

The purchase price for Westeel was $205 million, net of cash acquired and a redundant manufacturing plant. The acquisition was financed through the issuance of common shares, convertible unsecured subordinated debentures and long-term debt.

Impact of Foreign Exchange

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three months ended March 31, 2016 was $1.38 (2015 = $1.23). A lower Canadian dollar results in an increase in reported trade sales as U.S. dollar denominated sales are translated into Canadian dollars at a higher rate. Similarly, a lower Canadian dollar results in an increase in U.S. dollar denominated inputs and SG&A expenses. As U.S. dollar sales exceed U.S. dollar costs, adjusted EBITDA benefits from a weaker Canadian dollar. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel.

Gains and Losses on Foreign Exchange

AGI has entered forward foreign exchange contracts with the objective of partially mitigating exposure to currency fluctuations. The table below summarizes outstanding foreign exchange contracts.

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD (000's)**	**Average Rate CAD**	**CAD Amount (000's)**
2016 – Q2	23,500	$1.18	27,660
2016 – Q3	33,500	$1.18	39,453
2016 – Q4	26,000	$1.18	30,773
2017 – Q1	9,000	$1.25	11,216

In the quarter ended March 31, 2016, AGI realized a loss on maturing foreign exchange contracts of approximately $3.6 million. Based on current rates of foreign exchange the Company expects to realize significant losses on its foreign exchange contracts in 2016. Currency fluctuations also result in non-cash gains or losses on foreign exchange. See "Financial Instruments – Foreign exchange contracts".

CORPORATE OVERVIEW

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

OUTLOOK

AGI's Farm business represents approximately one-half of AGI's total revenue profile and is comprised primarily of portable grain handling equipment and Westeel's North American storage business. The primary demand driver for portable handling equipment is the amount of grain handled as this dictates farmer capacity requirements and the product replacement cycle. In its March 31, 2016 Prospective Plantings report, the USDA estimates 93.6 million acres of corn will be planted, up 6% from 2015 and the third highest planted acreage in the United States since 1944. Planting intentions in Canada are similarly strong and are more heavily weighted towards specialty crops, including lentils. Accordingly, existing indicators point towards higher demand for Farm equipment in fiscal 2016 compared to 2015. Cautious buying behavior at the dealer and consumer levels negatively impacted demand in the first quarter of 2016 and this trend is continuing into Q2. However, while we continue to monitor the dry conditions in western Canada, based on current conditions management anticipates demand to improve with the new crop season.

Westeel's domestic storage business is comprised of corrugated storage bins, smoothwall bins and liquid storage tanks. Demand drivers for storage include volume of grains grown, crop trends, fertilizer storage and handling practices and the consolidation of farms. While the macro environment in Canada is supportive of these trends, demand in the first quarter of 2016 was negatively impacted by higher than normal dealer inventories entering the fiscal year. However, based on current conditions, sales in the second quarter and for the balance of 2016 are expected to return to more typical levels. Management anticipates higher gross margins on Westeel product compared to the prior year will result from favourable steel prices and previously achieved cost synergies.

AGI's Commercial business is comprised primarily of high capacity grain handling and conditioning equipment and storage in offshore markets. In North America, demand for Commercial equipment is less sensitive to a specific harvest but rather is driven primarily by macro factors including the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in a mature market and, more recently, the dissolution of the Canadian Wheat Board, and current activity in North America is reflective of these trends.

Offshore, the commercial infrastructure in many grain producing and importing countries remains vastly underinvested resulting in significant global opportunities for AGI's Commercial business. Our international business expanded significantly in 2015 due to increasing brand presence, continued momentum in Eastern Europe and Latin America and the acquisition of Westeel's international businesses. Management expects a strong contribution from its Italian subsidiaries in 2016 as Frame delivers on a significant backlog and AGI further consolidates its sales structure. Excluding recent acquisitions, our international backlog is lower than the prior year as AGI had secured several large projects early in 2015 and similar projects are not in the current backlog. However, we have a large and high quality quote log and management expects to secure a number of larger projects for delivery commencing in the second half of 2016.

AGI completed a number of acquisitions in recent months including VIS (November 2015), Entringer (March 2016) and NuVision (April 2016). These acquisitions were funded with cash and include earn-out provisions. While management does not anticipate a positive EBITDA contribution from Brazilian based Entringer in 2016, the additions of VIS and NuVision and their synergies with Westeel Smoothwall bins in the fertilizer space are expected to generate significant adjusted EBITDA in the current year. On a pro-forma basis, adjusted EBITDA at VIS and NuVision in the first quarter of 2016 exceeded $2 million.

Demand in 2016 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets and the availability of credit and export credit agency support in offshore markets also may influence sales, primarily of commercial grain handling and storage products. Consistent with prior periods, Commercial sales are subject to the timing of customer commitment and delivery considerations. AGI's results may also be impacted by changes in steel prices and other material input costs. AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars and a weaker Canadian dollar relative to its U.S. counterpart positively impacts profit and adjusted EBITDA. However, a portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts and based on current rates of exchange the Company expects to recognize a significant loss on these contracts in fiscal 2016.

Management anticipates second quarter results to reflect a significant contribution from recent acquisitions and strong Commercial business in the United States. However, results are expected to be negatively impacted by low demand for Farm products in the U.S. and the timing of commitments from international customers. On balance, management anticipates adjusted EBITDA in the second quarter of 2016 will approximate 2015 results. Management remains positively biased with respect to fiscal 2016 and anticipates results for the balance of the year will reflect the impact of recent acquisitions, a return to more typical buying patterns for Farm equipment, steady demand for domestic Commercial products and increased activity in offshore markets.

DETAILED OPERATING RESULTS

(thousands of dollars)	Three Months Ended March 31	
	2016	**2015**
Trade sales [1][2]	$113,672	$86,627
Loss on FX	(1,944)	(7,161)
Sales[2]	111,728	79,466
Cost of inventories[2]	71,803	53,357
Depreciation / amortization[2]	3,783	1,567
Cost of sales[2]	75,586	54,924
General and administrative[2]	22,977	17,824
M&A activity	282	1,077
Depreciation/ amortization[2]	1,972	1,257
Other operating income	(487)	(569)
Finance costs	5,959	3,100
Finance (income) expenses	(2,201)	2,690
Assets under review[3]	560	830
Profit (loss) before income taxes	7,081	(1,667)
Current income taxes	1,449	870
Deferred income taxes	(65)	872
Profit (loss) for the period	$5,697	$(3,409)
Profit (loss) per share		
Basic	$0.39	$(0.26)
Diluted	$0.38	$(0.26)

(1) See “Non-IFRS Measures”.
(2) See “Basis of Presentation”
(3) See Strategic Review of Applegate and Mepu Operations

Strategic Review of Applegate and Mepu Operations

A strategic review of Applegate and Mepu operations commenced in 2015 and management anticipates the review will be completed in Q2 2016. As noted under “Basis of Presentation”, results from Mepu and Applegate have been removed from our calculation of Trade Sales and Adjusted EBITDA in both 2015 and 2016. For the three months ended March 31, 2016, Trade Sales related to these operations was $6.0 million (2015 - $7.8 million) and combined they reported negative adjusted EBITDA of $0.5 million (2015 – negative $0.5 million).

EBITDA AND ADJUSTED EBITDA RECONCILIATION

(thousands of dollars)	Three Months Ended March 31	
	2016	**2015**
Profit (loss) before income taxes	$7,081	$(1,667)
Finance costs	5,959	3,100
Depreciation/amortization in cost of sales	3,855	1,761
Depreciation/ amortization in SG&A expenses	1,986	1,354
EBITDA (1)	**18,881**	**4,548**
(Gain) loss on foreign exchange	(229)	9,866
Non-cash share based compensation	616	1,080
M&A activity	282	1,077
(Gain) loss on Financial Instruments	(320)	0
Loss (gain) on sale of property, plant & equipment	10	(130)
Assets under review(2)	560	830
Adjusted EBITDA (1)(3)	**$19,800**	**$17,271**
Adjusted EBITDA as a % of trade sales	17.4%	19.9%

(1) See “Non-IFRS Measures”.
(2) See Strategic Review of Applegate and Mepu Operations
(3) See “Basis of Presentation”

ASSETS AND LIABILITIES

(thousands of dollars)	**March 31 2016**	**March 31 2015**
Total assets	$737,604	$472,030
Total liabilities	$504,687	$262,451

EXPLANATION OF OPERATING RESULTS

Trade sales (see "Non-IFRS Measures" and “Basis of Presentation”)

($000s)	Three Months Ended March 31		
	2016	**2015**	**Change**
Excluding acquisitions			
Canada	20,973	21,766	(793)
US	44,782	43,493	1,289
International	9,846	21,368	(11,522)
Subtotal excluding acquisitions	**75,601**	**86,627**	**(11,026)**
Acquisitions			
Canada	30,226	0	30,226
US	569	0	569
International	7,276	0	7,276
Subtotal Acquisitions	**38,071**	**0**	**38,071**
Total Trade Sales	**$113,672**	**$86,627**	**$27,045**

Canada

Trade sales in Canada, excluding acquisitions, decreased slightly compared to the prior year as lower sales of storage equipment were mostly offset by strength in Farm handling equipment. Strong Farm handling sales in 2016 reflect the positive sentiment in the Canadian sector that relates largely to higher expected farmer returns, particularly on speciality crops including lentils. Robust demand for Commercial equipment in Canada continues as the competitive landscape in the commercial space evolves subsequent to the dissolution of the Canadian Wheat Board. Total trade sales in Canada increased significantly due to the recent acquisitions of Westeel and VIS. As anticipated, sales of Westeel storage equipment were constrained by higher than typical dealer inventory levels entering 2016. Sales of VIS fertilizer equipment were very strong and reflect the build-out underway in the commercial fertilizer infrastructure.

United States

In the Unites States, sales of Farm equipment decreased significantly against a very strong 2015 comparative. U.S. farmers are expected to increase the number of corn acres planted in 2016, however as anticipated farmer and dealer buying behaviour early in the year remained muted due to cautious sentiment and slightly elevated dealer inventory levels. Lower Farm sales were more than offset by increased sales of Commercial equipment as continued momentum in the commercial space resulted in strong opening backlogs and higher first quarter U.S. sales at most AGI Commercial divisions. Trade sales in the U.S. were not significantly affected by recent acquisitions.

International

AGI’s international sales, excluding acquisitions, decreased against a very strong first quarter in 2015 largely because offshore sales in the current quarter did not include large projects similar to those included in the first quarter of 2015. The timing of international sales is very much dependent on the timing of customer commitments which in 2016, not unlike certain other years, have been slower to materialize. AGI’s international quote log remains very strong however sales in 2016 are expected to be weighted towards the second half of the fiscal year. International sales related to acquisitions largely reflect Commercial sales of storage and handling equipment at Italian subsidiaries PTM and Frame. AGI acquired a 51% interest in Frame along with its acquisition of Westeel in May 2015 and on April 22, 2016, AGI purchased the remaining 49% interest from the minority shareholders.

Gross Profit and Gross Margin

Gross margin (1)(2)		
	Three Months Ended March 31	
	2016	2015
AGI excluding acquisitions(3)	39.6%	38.4%
Acquisitions	31.4%	N/A
Consolidated(3)	36.8%	38.4%

(1) See “Non-IFRS Measures”.
(2) Excludes depreciation and amortization included in cost of sales.
(3) See “Basis of Presentation”

Strong gross margins were achieved in the first quarter of 2016 despite a decrease in sales of higher margin Farm equipment. Efficient labour utilization, low steel costs, the positive impact of a weaker Canadian dollar and a favourable sales mix of Commercial equipment all contributed to the increase in gross margin. Gross margin percentages related to recent acquisitions benefited from low steel costs and from organizational synergies achieved at Westeel subsequent to its acquisition by AGI.

General and Administrative Expenses

For the quarter ended March 31, 2016, SG&A expenses excluding acquisitions was $17.5 million compared to $18.0 million in 2015. The decrease of $0.5 million is largely related to the items below:

- Third party commission expense decreased $0.6 million primarily due to sales mix.
- Share based compensation decreased $0.5 million as a tranche of the Company’s share award plan vested in 2015 and has not yet been replaced. In the event a replacement plan is implemented in 2016, a future quarter may include an expense for the service period January 1, 2016 – March 31, 2016.
- The remaining variance is the result of a number of offsetting factors with no individual variance larger than $0.5 million.

EBITDA and Adjusted EBITDA

(thousands of dollars)	**Three Months Ended March 31**	
	2016	**2015**
EBITDA (1)	$18,881	$4,548
Adjusted EBITDA (1)	$19,800	$17,271

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

Adjusted EBITDA in the first quarter of 2016, excluding acquisitions, decreased $4.0 million compared to 2015 due to lower sales of Farm handling equipment and lower first quarter international sales. Adjusted EBITDA as a percentage of sales remained very strong however decreased compared to 2015 primarily due to sales mix. See "EBITDA and Adjusted EBITDA Reconciliation" above for a reconciliation between these measures.

Finance Costs

Senior Debt

(thousands of dollars)	**Currency(1)**	**Maturity**	**Total Facility**	**Amount Drawn**	**Interest Rate(2)**	**Interest**
Series A Notes	USD	2016	32,428	32,428	6.80%	Fixed
Swing Line	CAD	2019	20,000	0	4.10%	Floating
Swing Line	USD	2019	6,486	0	5.00%	Floating
Revolver	CAD	2019	105,000	0	4.50%	Floating
Revolver	USD	2019	58,370	0	5.00%	Floating
Term Loan A	CAD	2019	50,000	50,000	3.84%	Fixed
Term Loan B	CAD	2022	40,000	40,000	4.32%	Fixed
Series B Notes	CAD	2025	25,000	25,000	4.44%	Fixed
Total			**337,284**	**147,428**		

(1) USD amounts translated to Canadian dollars at the March 31, 2016 rate of exchange of $1.2971.
(2) As at March 31, 2016.

In addition to the above, as at March 31, 2016 the Company had outstanding $138 million aggregate principal amount of 5.25% convertible unsecured subordinated debentures and $75 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures. See "Capital Resources".

Finance costs for the quarter ended March 31, 2016 were $6.0 million (2015 – $3.1 million). The higher expense in 2016 relates to financing the acquisition of Westeel partially through a convertible debenture issuance and through an increase in amounts drawn on the Company's credit facility as well as a debenture issuance in September 2015. Finance costs in both periods include non-cash interest related to convertible debenture accretion, the amortization of deferred finance costs related to the convertible debentures, stand-by fees and other sundry cash interest.

Finance Expense

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

Other Operating Income

Other operating income in both periods includes interest income charged on accounts receivable and gains and losses on the sale of property, plant & equipment.

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 2016 primarily relates to the depreciation and amortization of Westeel assets. Total depreciation and amortization is summarized below:

Depreciation (thousands of dollars)	**Three Months Ended March 31**	
	2016	**2015**
Depreciation in cost of sales	$2,530	$1,599
Depreciation in G&A	211	167
Total Depreciation	$2,741	$1,766

Amortization (thousands of dollars)	**Three Months Ended March 31**	
	2016	**2015**
Amortization in cost of sales	$1,325	$162
Amortization in G&A	1,775	1,187
Total Amortization	$3,100	$1,349

Current income tax expense

For the quarter ended March 31, 2016 the Company recorded a current tax expense of $1.4 million (2015 – $0.9 million). Current tax relates primarily to AGI's U.S. subsidiaries.

Deferred income tax expense

For the quarter ended March 31, 2016 the Company recorded a deferred tax recovery of $0.1 million (2015 – expense of $0.9 million). The deferred tax recovery in 2015 relates to the increase of deferred tax assets plus a decrease in deferred tax liabilities that related to recognition of temporary differences between the accounting and tax treatment of depreciable assets, intangible assets, and convertible debentures.

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 quarter ended March 31, 2016, the Company offset $0.3 million of Canadian tax otherwise payable (2015 – $1.1 million). Through the use of these attributes and since the date of Conversion a cumulative amount of $36.6 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company's income statement. As at March 31, 2016, the balance sheet asset related to these unused attributes was $16.8 million.

Effective tax rate (thousands of dollars)	**Three Months Ended March 31**	
	2016	**2015**
Current tax expense	$1,449	$870
Deferred tax expense	(65)	872
Total tax	$1,384	$1,742
Profit (loss) before taxes	$7,081	$(1,667)
Total tax %	20%	(105)%

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

Effective tax rate (thousands of dollars)	**Three Months Ended March 31**	
	2016	**2015**
Adjusted profit (1)	$5,760	$7,404
Total tax	$1,384	$1,742
Adjusted profit before tax	$7,144	$9,146
Tax %	33%	19%

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

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

For the quarter ended March 31, 2016 the Company reported profit of $5.7 million (2015 – loss of $3.4 million), basic profit per share of $0.39 (2015 – loss of $0.26) and a fully diluted profit per share of $0.38 (2015 – loss of $0.26). A reconciliation of adjusted profit per share is below:

	Three Months Ended March 31	
(thousands of dollars)	**2016**	**2015**
Profit (loss) as reported Diluted per share as reported	$5,697 $0.38	$(3,409) $(0.26)
(Gain) loss on foreign exchange	(229)	9,866
Loss (gain) on sale of PP&E	10	(130)
M&A Activity	282	1,077
Adjusted profit [(1)] Diluted adjusted profit per share [(1)]	$5,760 $0.39	$7,404 $0.56

(1) See "Non-IFRS Measures".

QUARTERLY FINANCIAL INFORMATION

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

2016					
	Average USD/CAD Exchange Rate	**Sales**	**Profit**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	1.38	117,760	5,697	$0.39	$0.38
YTD	1.38	117,760	5,697	$0.39	$0.38

2015					
	Average USD/CAD Exchange Rate	**Sales**	**Profit / (Loss)**	**Basic Profit (loss) per Share**	**Diluted Profit (loss) per Share**
Q1	1.23	87,259	(3,409)	(0.26)	(0.26)
Q2	1.24	122,396	8,173	0.60	0.58
Q3	1.30	125,590	(8,638)	(0.60)	(0.60)
Q4	1.33	114,239	(21,355)	(1.48)	(1.48)
YTD	**1.27**	**449,484**	**(25,229)**	**(1.81)**	**(1.81)**

2014					
	Average USD/CAD Exchange Rate	**Sales**	**Profit / (Loss)**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	$1.09	$84,278	$1,218	$0.09	$0.09
Q2	$1.10	$112,838	$13,638	$1.04	$0.98
Q3	$1.09	$114,915	$8,653	$0.66	$0.65
Q4	$1.13	$88,114	$(19,409)	$(1.48)	($1.45)
YTD	**$1.10**	**$400,145**	**$4,100**	**$0.31**	**$0.31**

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

- AGI's acquisition of Westeel (Q2 2015), VIS (Q4 2015) and Entringer (Q1 2016) significantly impacts comparisons to prior periods of assets, liabilities and operating results.
- The loss and loss per share in the fourth quarter of 2015 was significantly impacted by an asset impairment charge of $13.4 million at the Mepu and Applegate divisions.
- The loss and loss per share in the fourth quarter of 2014 was significantly impacted by an expense of $16.9 million related to the Company's agreement with the CRA regarding its conversion to a corporation (see "AGI Conversion – Agreement with CRA").
- Sales, gain (loss) on foreign exchange, profit, and profit per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.

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

CASH FLOW AND LIQUIDITY

(thousands of dollars)	**Three Months Ended March 31**	
	2016	**2015**
Profit (loss) before income taxes	$7,081	$(1,667)
Add charges (deduct credits) to operations not requiring a current cash payment:		
Depreciation/Amortization	5,841	3,115
Translation (gain) loss on FX	(5,845)	13,143
Non-cash interest expense	1,069	584
Share based compensation	616	1,080
Defined benefit pension plan	54	0
Non-cash Investment tax credit	(51)	(76)

Equity Swap	(420)	0
Dividends on share based compensation	(55)	0
Loss (gain) on sale of assets	10	(130)
	8,300	16,049

Net change in non-cash working capital balances related to operations:		
Accounts receivable	(3,968)	(15,996)
Inventory	(6,007)	(15,824)
Prepaid expenses	(754)	(195)
Accounts payable	7,025	5,698
Customer deposits	(1,310)	(1,820)
Provisions	(160)	336
	(5,174)	(27,801)
Income tax paid	(132)	(40)
Cash provided by (used in) operations	$2,994	$(11,792)

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the third quarter that result from seasonality, typically lead to accounts receivable levels increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. As a result of these working capital movements, historically, AGI begins to draw on its operating lines in the first or second quarter. The operating line balance typically peaks in the second or third quarter and normally begins to decline later in the third quarter as collections of accounts receivable increase. AGI has typically fully repaid its operating line balance by early in the fourth quarter. Requirements for fiscal 2016 are expected to be generally consistent with historical patterns. Growth in international business may result in an increase in the number of days accounts receivable remain outstanding and result in increased usage of working capital in certain quarters. Working capital may also be deployed to secure steel supply and pricing.

Capital Expenditures

Maintenance capital expenditures in the quarter ended March 31, 2016 were $0.9 million (0.8% of trade sales) compared to $0.4 million (0.4%) in 2015. Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. Maintenance capital expenditures in 2016 relate primarily to purchases of manufacturing equipment and building repairs and were funded through cash on hand, bank indebtedness and cash from operations.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures of $0.2 million in the quarter ended March 31, 2016 (2015 - $10.1 million). In 2016, non-maintenance capital expenditures relate primarily to equipment purchases. Maintenance and non-maintenance capital expenditures are expected to be financed through bank indebtedness, cash on hand or through the Company's credit facility (see "Capital Resources").

Cash Balance

The Company's cash balance at March 31, 2016 was $35.5 million (March 31, 2015 – nil; December 31, 2015 - $58.2 million).

CONTRACTUAL OBLIGATIONS (thousands of dollars)

	Total	**2016**	**2017**	**2018**	**2019**	**2020+**
2013 Debentures	86,250	0	0	86,250	0	0
2014 Debentures	51,750	0	0	0	51,750	0
2015 Debentures	75,000	0	0	0	0	75,000
Long-term debt	147,428	32,428	0	0	50,000	65,000
Finance lease	1,352	248	1,104	0	0	0
Operating leases	9,339	1,826	1,986	1,534	1,062	2,931
Total obligations	**371,119**	**34,502**	**3,090**	**87,784**	**102,812**	**142,931**

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

CAPITAL RESOURCES

Cash

Cash and cash equivalents at March 31, 2016 were $35.5 million (March 31, 2015 – nil; December 31, 2015 - $58.2 million).

Debt Facilities

	Currency	Maturity	Total Facility	Amount Drawn	Interest Rate	Interest
Series A Notes	USD	2016	32,428	32,428	6.80%	Fixed
Swing Line	CAD	2019	20,000	0	4.10%	Floating
Swing Line	USD	2019	6,486	0	5.00%	Floating
Revolver	CAD	2019	105,000	0	4.10%	Floating
Revolver	USD	2019	58,370	0	5.00%	Floating
Term Loan A	CAD	2019	50,000	50,000	3.84%	Fixed
Term Loan B	CAD	2022	40,000	40,000	4.32%	Fixed
Series B Notes	CAD	2025	25,000	25,000	4.44%	Fixed
Total Senior Debt			**337,284**	**147,428**		

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of $105.0 million and U.S. $45.0 million. The Company's Term Loans A and B are with the same chartered banks with which it has the Credit Facility. Amounts drawn under the facility bear interest at BA plus 2.50% per annum based on performance calculations. The Company has also issued US $25.0 million and CAD $25.0 million aggregate principal amount secured notes through a note purchase and private shelf agreement (the "Series A and Series B Notes"). The Series A and B Notes are non-amortizing. AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

Convertible Debentures

<u>Debentures (2013)</u>

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 2013 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. Each 2013 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of $55.00 per common share. The maturity date of the 2013 Debentures is December 31, 2018.

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

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

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

Debentures (2014)

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

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

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

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

Debentures (2015)

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

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

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

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

COMMON SHARES

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

	# Common Shares
December 31, 2014	13,165,627
Shares issues to partially finance acquisition of Westeel (1)	1,112,050
Shares issued under DRIP	132,165
Shares issued under EAIP	169,592
Shares issued on exercise of DDCP grants	10,934
December 31, 2015	14,590,368
Shares issued under EAIP	10,993
Shares issued under DRIP	52,241
March 31, 2016	14,653,602
Shares issued under DRIP in April 2016	12,519
May 5, 2016	14,666,121

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

A total of 465,000 common shares are available for issuance under the Company's Equity Award Incentive Plan (the “EAIP”). As at March 31, 2016, a total of 296,000 restricted Share Awards (“RSUs”) and 110,000 performance Share Awards (“PSUs”) have been granted.

A total of 57,422 deferred grants of common shares have been granted under the Company's Directors' Deferred Compensation Plan and 18,436 common shares have been issued.

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

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

DIVIDENDS

In the quarter ended March 31, 2016 AGI declared dividends to shareholders of $8.8 million (2015 - $7.9 million). AGI's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines, and through the DRIP. Dividends in the quarter ended March 31, 2016 were financed $1.5 million by the DRIP (2015 – $1.2 million) and the remainder was financed from cash on hand and cash from operations or bank indebtedness.

FUNDS FROM OPERATIONS AND PAYOUT RATIO

Management has adjusted its calculation of funds from operations as described below. The change was made to simplify the calculation and provide readers with a more clear measure of FFO. The comparative percentages in the table below have been restated to reflect the change in definition.

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.

(000s)	Three Months Ended March 31		Last Twelve Months March 31	
	2016	**2015**	**2016**	**2015**
Adjusted EBITDA	$19,800	$16,441	$76,001	$80,199
Interest expense	(5,959)	(3,100)	(21,349)	(10,294)
Non-cash interest	1,069	584	3,576	1,873
Cash taxes	(132)	(40)	(2,705)	(5,991)
Maintenance CAPEX	(935)	(374)	(2,813)	(3,777)
Realized loss on FX	(3,583)	(1,931)	(16,933)	(6,970)
Funds from operation	**$10,260**	**$11,580**	**$35,777**	**$55,040**
Dividends	$8,778	$7,908	$34,463	$31,541
Payout Ratio	**86%**	**68%**	**96%**	**57%**

The Company’s payout ratio has been negatively impacted by realized losses on foreign exchange contracts. Excluding these losses, the Company’s payout ratio in Q1 2016 was 63% (2015 – 59%) and for the twelve-month period ended March 31, 2016 was 65% (2015 – 51%). The Company expects to realize additional foreign exchange losses in 2016 however based on current rates of exchange these losses are expected to be lower than those recoded in the same quarters in 2015. See “Foreign exchange contracts” below.

The Company’s payout ratio calculated under the previous methodology for the twelve-months ended March 31, 2015 and 2016 was 52% and 105% respectively.

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI has entered into foreign exchange contracts with three Canadian chartered banks to partially hedge its foreign currency exposure and as at March 31, 2016, had outstanding the following foreign exchange contracts:

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD (000's)**	**Average Rate CAD**	**CAD Amount (000's)**
2016 – Q2	23,500	$1.18	27,660
2016 – Q3	33,500	$1.18	39,453
2016 – Q4	26,000	$1.18	30,773
2017 – Q1	9,000	$1.25	11,216

The fair value of the outstanding forward foreign exchange contracts in place as at March 31, 2016 was a loss of $10.3 million. Consistent with prior periods, the Company has elected to apply hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income.

Interest Rate Swaps

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

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

The fair value of the interest rate swap contracts in place as at December 31, 2016 was a loss of $2.8 million. The Company has elected to apply hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income.

CRITICAL ACCOUNTING ESTIMATES

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

AGI believes the accounting policies that are critical to its business relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, goodwill, convertible debentures and deferred income taxes. AGI's accounting policies are described in the notes to its December 31, 2015 audited financial statements.

Allowance for Doubtful Accounts

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

Valuation of Inventory

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

Goodwill and Intangible Assets

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

Deferred Income Taxes

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

Future Benefit of Tax-loss Carryforwards

AGI should only recognize the future benefit of tax-loss carryforwards where it is probable that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. We are required to make significant estimates and assumptions regarding future revenues and profit, and our ability to implement certain tax planning strategies, in order to assess the likelihood of utilizing such losses and deductions. These estimates and assumptions are subject to significant uncertainty and if changed could materially affect our assessment of the ability to fully realize the benefit of the deferred income tax assets. Deferred tax asset balances would be reduced and additional income tax expense recorded in the applicable accounting period in the event that circumstances change and we, based on revised estimates and assumptions, determined that it was no longer probable that those deferred tax assets would be fully realized. See "Risks and Uncertainties – Income Tax Matters".

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

RISKS AND UNCERTAINTIES

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

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

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

Future developments in the North American and global economies may negatively affect the demand for our products. Management cannot estimate the level of growth or contraction of the economy as a whole or of the economy of any particular region or market that we serve. Adverse changes in our financial condition and results of operations may occur as a result of negative economic conditions, declines in stock markets, contraction of credit availability, political instability or other factors affecting economic conditions generally.

Risk of Decreased Crop Yields
Decreased crop yields due to poor or unusual weather conditions, natural disasters or other factors are a significant risk affecting AGI. Both reduced crop volumes and the accompanying decline in

farm incomes can negatively affect demand for grain handling, storage and conditioning equipment.

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

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

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

Acquisitions and expansions, including the acquisition of businesses or the development of manufacturing capabilities outside of North America, may involve a number of special risks including diversion of management’s attention, failure to retain key personnel, unanticipated events or circumstances, unanticipated market dynamics in new agricultural markets, added political and economic risk in other jurisdictions, risks associated with new market development outside of

North America, and legal liabilities, some or all of which could have a material adverse effect on AGI's performance. In emerging markets, some of these (and other) risks can be greater than they might be elsewhere. In addition, there can be no assurance that an increase in the scope or a change in the nature of operations at existing facilities or that acquired or newly developed businesses, products, or technologies will achieve anticipated revenues and income. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, many of which are beyond the control of AGI.

The challenges involved in the integration of acquired businesses may include, among other things, the following:

- the necessity of coordinating both geographically disparate and geographically overlapping organizations;
- integration of information technology systems and resources;
- integrating the acquired business into AGI's accounting system and adjusting AGI's internal control environment to cover the operations of the acquired business;
- performance shortfalls relative to expectations at one or both of the businesses as a result of the diversion of management's attention to the acquisition; and
- unplanned costs required to integrate the businesses and achieve synergies.

Further, actual cost synergies, the expenses required to realize the cost synergies and the sources of the cost synergies anticipated in connection with acquisitions could differ materially from management's estimates. In light of these significant uncertainties, an investor should not place undue reliance on the estimated cost synergies.

The failure of the Company to manage its acquisition or expansion strategy successfully could have a material adverse effect on AGI's results of operations and financial condition.

International Sales and Operations

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

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

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

Anti-Corruption Laws

The Company's business practices must comply with the *Corruption of Public Foreign Officials Act* (Canada) and other applicable similar laws. These anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. These risks can be more acute in emerging markets. Recently, there has been a substantial increase in the global enforcement of anti-corruption laws. If violations of these laws were to occur, they could subject us to fines and other penalties as well as increased compliance costs and could have an adverse effect on AGI's reputation, business and results of operations and financial condition.

Agricultural Commodity Prices, International Trade and Political Uncertainty

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

Competition

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

Seasonality of Business

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

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

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

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

Labour Costs and Shortages
The success of AGI's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of AGI to hire or retain staff at current wage levels. The occurrence of either of these events could have an adverse effect on the Company's results of operations.

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

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

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

handling facilities, sales to developing markets, and sales to North American farmers may be negatively impacted.

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

Operating Hazards
AGI’s revenue is dependent on the continued operation of its facilities. The operation of facilities involves risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. AGI's operations are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials. These hazards can cause fatal personal injury, severe damage to and destruction of property and equipment and environmental damage. There can be no assurance that as a result of past or future operations, there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials. There can be no assurance as to the actual amount of these liabilities or their timing.

Uninsured and Underinsured Losses
AGI uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim.

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

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

Leverage, Restrictive Covenants

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

The ability of AGI to pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing its indebtedness, including the Company's credit facility and note purchase agreement. AGI's credit facility and note purchase agreements contain restrictive covenants customary for agreements of this nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of AGI to incur additional indebtedness, to pay dividends or make certain other payments and to sell or otherwise dispose of material assets. In addition, the credit facility and note purchase agreements contain a number of financial covenants that will require AGI to meet certain financial ratios and financial tests. A failure to comply with these obligations could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness and trigger financial penalties including a make-whole provision in the note purchase agreement. If the indebtedness under the credit facility and/or note purchase agreements were to be accelerated, there can be no assurance that the assets of AGI would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facility or any other indebtedness of the Company will be able to be refinanced.

Information Systems, Privacy and Data Protection

Security breaches and other disruptions to AGI's information technology infrastructure could interfere with AGI's operations and could compromise AGI's and its customers' and suppliers' information, exposing AGI to liability that would cause AGI's business and reputation to suffer.
In the ordinary course of business, AGI relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including supply chain, manufacturing, distribution, invoicing and collection of payments from dealers or other purchasers of AGI equipment. AGI uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements.

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

Labour Relations

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

Environmental

Due to the nature of its operations, AGI is subject to environmental laws relating to, among other things, air emissions, the management of contaminants and wastes (including the generation, handling, storage, transportation, treatment and disposal of contaminants and wastes), discharges to water and the remediation of environmental impacts. No assurance can be given that all environmental liabilities have been determined or accurately quantified, that AGI is not responsible for a material environmental condition not known to it, or that environmental laws and regulations will not change or be enforced in the future in a manner that will have an adverse effect on the business, financial condition or results of operations of AGI.

Climate Change

AGI recognizes climate change as an important environmental issue facing society. Accordingly, AGI is committed to responsibly managing the regulatory and physical impacts of climate change on its business. AGI believes that it is unlikely that changes to regulations would result in direct material changes to AGI's operations and/or costs; however, AGI recognizes that environmental risks are important from the perspective of corporate social responsibility. Poorly executed environmental performance could have negative legal or community relations impacts. In addition, AGI recognizes that many of its customers and suppliers operate businesses that will face new regulations in the near future. Changes to suppliers' operations to comply with new regulations could result in higher material costs to AGI. Physical changes of climate change could cause variations in agricultural yields and growing seasons, which may reduce demand from agricultural customers.

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 OCI, depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification requirements for financial liabilities are unchanged from IAS 39. IFRS 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in OCI, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focus on how an entity manages its risks, replaces the IAS 39 effectiveness testing requirements with the principle of an economic relationship, and eliminates the requirement for retrospective assessment of hedge effectiveness. The new requirements for impairment of financial assets introduce an expected loss impairment model that requires more timely recognition of expected credit losses. IAS 39 impairment requirements are based on an incurred loss model where credit losses are not recognized until there is evidence of a trigger event. IFRS 9 is effective for annual periods beginning on or after January l, 2018 with early application permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

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

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, with earlier application permitted only if the Company applies IFRS 15, Revenue from contracts with customers. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

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

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

The Company acquired Westeel on May 20, 2015 (see “Acquisitions - Westeel (May 20, 2015)”), VIS (see “Acquisitions - VIS (November 30, 2015)”) on November 30, 2015 and Entringer (see “Acquisitions – Entringer (March 9, 2016)”) on March 9, 2016. Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these newly acquired operations. Since the acquisition occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of this acquisition, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer’s Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of Westeel’s, VIS’ and Entringer financial information. The following is the summary financial information pertaining to Westeel, VIS and Entringer that were included in AGI’s consolidated financial statements for the year ended March 31, 2016:

(thousands of dollars)	**Westeel**	**VIS**	**Entringer**
Revenue	$32,452	$5,571	$43
Profit (loss)	$3,593	$958	$(300)
Current assets[1]	$59,728	$8,044	$3,058
Non-current assets[1]	$212,943	$12,798	$13,555
Current liabilities[1]	$259,026	$18,014	$16,736
Non-current liabilities[1]	$22,426	$1,674	$200

Note 1 - Balance sheet as at March 31, 2016

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

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

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

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

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

References to “EBITDA” are to profit before income taxes, finance costs, depreciation, amortization and asset impairment charges. 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 and expenses related to corporate acquisition activity. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows.

References to “trade sales” are to sales net of the gain or loss on foreign exchange. Management cautions investors that trade sales should not replace sales as an indicator of performance. References to “gross margin” are to trade sales less cost of sales net of the depreciation and amortization included in cost of sales.

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

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for the non-cash CRA settlement, losses on foreign exchange, transaction costs, non-cash loss on available-for-sale investment and gain on sale of property, plant and equipment.

In addition, this MD&A includes certain financial information relating to Entringer, which is prepared in accordance with Brazilian generally accepted accounting principles ("Brazilian GAAP"), 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. In the case of the Entringer financial information, references to “normalized EBITDA” are to Entringer’s unaudited earnings before income taxes, finance costs, depreciation and amortization and include certain normalization adjustments including owner/manager compensation structure and related party transactions. Management believes that, in addition to sales, profit or loss and cash flows from operating, investing, and financing activities, normalized EBITDA is a useful supplemental measure in evaluating a company's performance. Normalized EBITDA is not a financial measure recognized by IFRS or Brazilian GAAP and does not have standardized meanings prescribed by IFRS or Brazilian GAAP. Management cautions investors that normalized EBITDA should not replace sales or profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of a company’s liquidity and cash flows. AGI’s method of calculating normalized EBITDA may differ from the methods used by other issuers.

FORWARD-LOOKING STATEMENTS

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

ADDITIONAL INFORMATION

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

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

March 31, 2016

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	March 31, 2016 $	December 31, 2015 $
Assets *[note 16]*		
Current assets		
Cash and cash equivalents	**35,516**	58,234
Cash held in trust *[note 5]*	**6,250**	250
Accounts receivable *[note 13]*	**78,763**	73,524
Inventory	**105,850**	98,722
Prepaid expenses and other assets *[note 25]*	**3,704**	2,790
Derivative instruments *[note 20]*	**409**	—
Due from vendor *[note 5]*	**1,411**	—
Income taxes recoverable	**188**	916
	232,091	234,436
Non-current assets		
Property, plant and equipment, net *[note 25]*	**163,822**	165,687
Goodwill *[note 8]*	**169,062**	164,081
Intangible assets, net *[note 7]*	**161,225**	163,781
Available-for-sale investment *[note 10]*	**900**	900
Other assets *[note 18]*	**2**	234
Income taxes recoverable	**3,981**	3,930
Deferred tax asset *[note 19]*	**—**	84
	498,992	498,697
Assets held for sale *[note 9]*	**6,521**	6,606
Total assets	**737,604**	739,739
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 22]*	**58,438**	47,721
Customer deposits	**20,577**	21,461
Dividends payable *[note 14[d]]*	**2,931**	2,883
Current portion of contingent consideration *[note 5[c]]*	**2,754**	2,687
Acquisition, transaction and financing costs payable *[notes 5 and 26]*	**941**	1,846
Other financial liabilities *[note 5[b]]*	**8,865**	9,017
Income taxes payable	**4,929**	4,472
Current portion of long-term debt *[note 16]*	**32,428**	34,600
Current portion of obligations under finance lease *[note 16[d]]*	**248**	209
Current portion of derivative instruments *[note 20]*	**10,321**	20,577
Provisions	**6,640**	6,550
	149,072	152,023
Non-current liabilities		
Long-term debt *[note 16]*	**112,501**	112,331
Due to vendor	**950**	800
Contingent consideration *[note 5]*	**4,720**	1,976
Convertible unsecured subordinated debentures *[note 17]*	**198,459**	197,585
Obligations under finance lease *[note 16[d]]*	**1,104**	1,177
Derivative instruments *[note 20]*	**2,769**	3,191
Deferred tax liability *[note 19]*	**35,112**	32,938
	355,615	349,998
Total liabilities	**504,687**	502,021
Shareholders' equity *[note 14]*		
Common shares	**246,640**	244,840
Accumulated other comprehensive income	**38,764**	42,560
Equity component of convertible debentures	**6,912**	6,912
Contributed surplus	**11,385**	10,193
Deficit	**(70,784)**	(66,787)
Total shareholders' equity	**232,917**	237,718
Total liabilities and shareholders' equity	**737,604**	739,739

Commitments and contingencies *[note 25]*

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income

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

	Three-month period ended	
	March 31, 2016 $	**March 31, 2015** $
Sales	**117,760**	87,259
Cost of goods sold *[note 6[d]]*	**80,757**	61,679
Gross profit	**37,003**	25,580
Expenses		
Selling, general and administrative *[note 6[e]]*	**26,651**	22,026
Other operating income *[note 6[a]]*	**(487)**	(569)
Finance costs *[note 6[c]]*	**5,959**	3,100
Finance expense (income) *[note 6[b]]*	**(2,201)**	2,690
	29,922	27,247
Profit (loss) before income taxes	**7,081**	(1,667)
Income tax expense (recovery) *[note 19]*		
Current	**1,449**	870
Deferred	**(65)**	872
	1,384	1,742
Profit (loss) for the period	**5,697**	(3,409)
Profit (loss) per share – basic *[note 23]*	**0.39**	(0.26)
Profit (loss) per share – diluted *[note 23]*	**0.38**	(0.26)

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income

[in thousands of Canadian dollars]

	Three-month period ended	
	March 31, 2016	**March 31, 2015**
	$	$
Profit (loss) for the period	**5,697**	(3,409)
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	**6,872**	(13,142)
Losses on derivatives designated as cash flow hedges recognized in net earnings in the current period	**3,805**	1,337
Actuarial gains on defined benefit plans	**(177)**	—
Exchange differences on translation of foreign operations	**(11,413)**	17,515
Income tax effect on cash flow hedges	**(2,883)**	3,140
Other comprehensive income (loss) for the period	**(3,796)**	8,850
Total comprehensive income for the period	**1,901**	5,441

See accompanying notes

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2016

	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**	**(66,787)**	**(17,358)**	**59,761**	**157**	**237,718**
Profit for the period	**—**	**—**	**—**	**5,697**	**—**	**—**	**—**	**5,697**
Other comprehensive income (loss)	**—**	**—**	**—**	**—**	**7,794**	**(11,413)**	**(177)**	**(3,796)**
Share-based payment transactions *[notes 14 and 15]*	**342**	**—**	**1,192**	**—**	**—**	**—**	**—**	**1,534**
Dividend reinvestment plan *[notes 14[d] and 14[e]]*	**1,458**	**—**	**—**	**—**	**—**	**—**	**—**	**1,458**
Dividends to shareholders *[note 14[d]]*	**—**	**—**	**—**	**(8,778)**	**—**	**—**	**—**	**(8,778)**
Dividends on share-based compensation awards *[note 14[d]]*	**—**	**—**	**—**	**(916)**	**—**	**—**	**—**	**(916)**
As at March 31, 2016	**246,640**	**6,912**	**11,385**	**(70,784)**	**(9,564)**	**48,348**	**(20)**	**232,917**

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2015

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Total equity $
As at January 1, 2015	184,771	3,135	12,954	(5,972)	(6,545)	21,383	209,726
Loss for the period	—	—	—	(3,409)	—	—	(3,409)
Other comprehensive income (loss)	—	—	—	—	(8,665)	17,515	8,850
Share-based payment transactions *[notes 14 and 15]*	—	—	1,285	—	—	—	1,285
Dividend reinvestment plan transactions *[notes 14[d] and 14[e]]*	1,246	—	—	—	—	—	1,246
Dividends to shareholders *[note 14[d]]*	—	—	—	(7,908)	—	—	(7,908)
Dividends on share-based compensation awards *[note 14[d]]*	—	—	—	(205)	—	—	(205)
Equity component of convertible debentures	—	—	(6)	—	—	—	(6)
As at March 31, 2015	186,017	3,135	14,233	(17,494)	(15,210)	38,898	209,579

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

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

	Three-month period ended	
	March 31, 2016	**March 31, 2015**
	$	$
Operating activities		
Profit (loss) before income taxes for the period	**7,081**	(1,667)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	**2,741**	1,766
Amortization of intangible assets	**3,100**	1,349
Non-cash investment tax credit	**(51)**	(76)
Translation loss (gain) on foreign exchange	**(5,845)**	13,143
Non-cash component of interest expense	**1,069**	584
Share-based compensation expense	**616**	1,080
Loss on sale of property, plant and equipment	**10**	1
Gain on sale of assets held for sale	**—**	(131)
Employer contribution to defined benefit plan	**(103)**	—
Defined benefit plan expense	**157**	—
Non-cash movement in derivative instruments	**(320)**	—
Dividend receivable on equity swap	**(100)**	—
Dividends on share based compensation	**(55)**	—
	8,300	16,049
Net change in non-cash working capital balances related to operations *[note 11]*	**(5,174)**	(27,801)
Income tax paid	**(132)**	(40)
Cash provided by (used in) operating activities	**2,994**	(11,792)
Investing activities		
Acquisition of property, plant and equipment	**(1,156)**	(10,481)
Acquisition of Entringer, net of cash acquired *[note 5[d]]*	**(9,711)**	—
Changes to deposits related to property, plant and equipment	**—**	(2,578)
Transfer to cash held in trust	**(6,000)**	—
Proceeds from sale of property, plant and equipment	**26**	7
Proceeds from sale of assets held for sale	**—**	1,147
Development and purchase of intangible assets	**(567)**	(377)
Transaction costs paid and payable	**(839)**	469
Cash used in investing activities	**(18,247)**	(11,813)
Financing activities		
Repayment of obligation under finance leases	**(135)**	—
Costs related to issuance of long-term debt	**(10)**	—
Increase in bank indebtedness	**—**	5,095
Subscription receipts financing costs	**—**	(123)
Dividends paid in cash *[note 14[d]]*	**(7,320)**	(6,662)
Cash used in financing activities	**(7,465)**	(1,690)
Net decrease in cash and cash equivalents during the period	**(22,718)**	(25,295)
Cash and cash equivalents, beginning of period	**58,234**	25,295
Cash and cash equivalents, end of period	**35,516**	—
Supplemental cash flow information		
Interest paid	**2,139**	956

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

March 31, 2016

1. Organization

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the three-month period ended March 31, 2016 were authorized for issuance in accordance with a resolution of the directors on May 4, 2016. Ag Growth International Inc. is a listed company incorporated and domiciled in Canada, whose shares are publicly traded at the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Operations

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

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

3. Statement of compliance and basis of presentation

[a] Statement of compliance

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

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016. As required by IAS 34, the nature and effect of those changes are disclosed below.

Amendments to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 are part of the IASB's initiative to improve presentation and disclosure in financial reports [the "Disclosure Initiative"]. The application of IAS 1 has not materially impacted the unaudited interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2015, which are available on SEDAR at www.sedar.com.

[b] Basis of preparation

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

Accounting measurements at interim dates, rather than at year end, inherently involve a greater reliance on estimates. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly the unaudited interim condensed consolidated financial position of the Company as at March 31, 2016.

[c] Standards issued but not yet effective

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

Financial instruments: classification and measurement ["IFRS 9"]

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

Revenue from Contracts with Customers ["IFRS 15"]

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

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, with earlier application permitted only if the Company applies IFRS 15, Revenue from contracts with customers. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

4. Seasonality of business

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

5. Business combinations

[a] Rem Grain Vac product line

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

During 2015, the allocation of the purchase price to acquired assets and liabilities was finalized. As at March 31, 2016, the Company had cash held in trust of $250 [2015 – $250] relating to the acquisition of Grain Vac.

[b] Vicwest's Westeel Division

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

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

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

	$
Cash and cash equivalents	13,183
Accounts receivable	22,281
Inventory	27,555
Prepaid expenses and other assets	868
Investment in European subsidiary	5,481
Property, plant and equipment	43,371
Intangible assets	
Distribution network	37,600
Brand name	43,300
Order backlog	1,700
Goodwill	80,311
Other long term assets	702
Accounts payable and accrued liabilities	(21,932)
Customer deposits	(709)
Provisions	(1,172)
Income taxes payable	(4,825)
Deferred tax liability	(21,478)
Other liabilities	(3,172)
Obligations under finance leases	(1,422)
Purchase consideration	221,642

The goodwill of $80,311 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

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

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

Included in other liabilities is a put option liability which relates to Westeel's European subsidiary. The put option held by the European subsidiary's non-controlling shareholders provides them an option to put the remaining minority interest to the Company. Significant judgment was required to assess the date when the Company gained control over the European subsidiary and the Company determined that for the purposes of financial reporting such control was effective as at October 1, 2015. Factors relevant to this assessment included Board representation from the Company.

From the date of acquisition, Westeel contributed to the 2015 results $73,214 of revenue and $1,058 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional $60,806 and profit from continuing operations in 2015 would have increased by an additional $3,171.

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

	$
Purchase consideration	221,642
Less cash acquired	(13,183)
Less cash acquired with European subsidiary	(2,466)
Purchase consideration transferred	205,993

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

Transaction costs related to the Westeel acquisition in the three-month period ended March 31, 2016 were nil [2015 – $1,065] and are included in selling, general and administrative expenses.

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

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

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

The assets and liabilities of the European subsidiary on the date of control have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

	$
Cash and cash equivalents	2,466
Accounts receivable	3,417
Inventory	8,803
Prepaids expenses and other assets	1,243
Deferred tax asset	48
Property, plant and equipment	228
Intangible assets	
Distribution networks	1,780
Brand name	1,929
Order backlog	806
Goodwill	2,579
Accounts payable and accrued liabilities	(12,109)
Purchase consideration	11,190

The goodwill of $2,579 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $3,417. This consists of the gross contractual value of $3,517, less the estimated amount not expected to be collected of $100.

In the three-month period ended March 31, 2016, the Company identified certain non-refundable customer deposits recorded in the purchase price allocation These deposits related to projects that were terminated prior to acquisition, and should not have been included in the allocation of the purchase price. This has resulted in a decrease in accounts payable and a decrease in goodwill, each in the amount of $1,129 from the period previously reported.

From the date of acquisition, the European subsidiary contributed to the 2015 results $14,098 of revenue and $1,217 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional $17,223 and profit from continuing operations in 2015 would have increased by an additional $157.

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

There was no cash consideration exchanged at the date of control. The consideration given up or assumed consisted of the fair value of the previously held 51% interest in the European subsidiary and the recognition of a financial liability to acquire the remaining non-controlling interest based on the expected cash outflow which has been recorded as an other financial liability in the statement of financial position.

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

Transaction costs related to the European subsidiary acquisition in the three-month period ended March 31, 2016 were $60 [2015 – nil] and are included in selling, general and administrative expenses.

[c] GJ Vis Holdings Inc. [“Vis”]

Effective November 30, 2015, the Company acquired 100% of the outstanding shares of Vis, a manufacturer of commercial fertilizer and feed handling equipment. The acquisition of Vis provides the Company with a new capability and experience in the planning, design and manufacture of high throughput industrial fertilizer handling equipment.

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

	$
Accounts receivable	1,073
Inventory	2,770
Prepaids expenses and other assets	89
Income taxes receivable	46
Property, plant and equipment	4,080
Intangible assets	
Distribution network	2,643
Brand name	2,473
Order backlog	583
Goodwill	3,545
Accounts payable and accrued liabilities	(847)
Customer deposits	(832)
Deferred tax liability	(1,674)
Purchase consideration	13,949

The goodwill of $3,545 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,073. This consists of the gross contractual value of $1,123, less the estimated amount not expected to be collected of $50.

From the date of acquisition, Vis contributed to the 2015 results $1,353 of revenue and $196 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional $13,854, and profit from continuing operations in 2015 would have increased by an additional $451.

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

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

	$
Cash paid	10,000
Contingent consideration	4,663
Working capital adjustment receivable	(714)
Purchase consideration	13,949

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

Transaction costs related to the Vis acquisition in the three-month period ended March 31, 2016 were $24 [2015 – nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on Vis meeting predetermined earnings targets in 2016 and 2017. A maximum payment of $3,000 in 2016 and $2,000 in 2017 would be required if Vis meets the targets. The Company believes the likelihood of the maximum payment is very high. The present value of the contingent consideration has been determined using a 5% discount rate. $2,754 has been recorded in current liabilities and $1,976 has been recorded in non-current liabilities.

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

[d] Entringer Industrial S.A. [“Entringer”]

Effective March 9, 2016, the Company acquired 100% of the outstanding shares of Entringer S.A. [“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 unaudited interim condensed consolidated financial statements at their estimated fair values:

	$
Cash and cash equivalents	1,215
Accounts receivable	1,271
Inventory	1,121
Prepaids expenses and other assets	160
Property, plant and equipment	4,123
Intangible assets	
Distribution network	1,000
Brand name	300
Goodwill	8,030
Accounts payable and accrued liabilities	(4,660)
Other liabilities	(301)
Purchase consideration	12,259

The goodwill of $8,030 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,271. This consists of the gross contractual value of $1,521 less the estimated amount not expected to be collected of $250.

From the date of acquisition, Entringer contributed to the 2016 results $43 of revenue and $300 of net loss. If the acquisition had taken place as at January 1, 2016, revenue from continuing operations in 2016 would have increased by an additional $1,096 and profit from continuing operations in 2016 would have decreased by an additional $1,819.

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

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

	$
Cash paid	10,926
Contingent consideration	2,744
Due from Vendor	(1,411)
Purchase consideration	12,259

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

Transaction costs related to the Entringer acquisition in the period ended March 31, 2016 were $116 [2015 – nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on Entringer meeting predetermined earnings targets in 2016, 2017 and 2018. A maximum payment of $1,800 in each of 2017, 2018 and 2019 would be required if Entringer meets the targets. The Company believes the likelihood of the maximum payment is low. The present value of the contingent consideration has been determined using a 5% discount rate. $2,744 has been recorded in non-current liabilities.

Notes to unaudited interim condensed consolidated financial statements

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

March 31, 2016

6. Other expenses (income)

	Three-month period ended	
	March 31, 2016	**March 31, 2015**
	$	$
[a] Other operating income		
Net loss on disposal of property, plant and equipment	**10**	1
Net gain on disposal of assets held for sale	**—**	(131)
Other	**(497)**	(439)
	(487)	(569)
[b] Finance expense (income)		
Interest income from banks	**(28)**	(15)
Loss (gain) on foreign exchange	**(2,173)**	2,705
	(2,201)	2,690
[c] Finance costs		
Interest on overdrafts and other finance costs	**33**	64
Interest, including non-cash interest, on debts and borrowings	**2,248**	646
Interest, including non-cash interest, on convertible debentures *[note 16]*	**3,678**	2,390
	5,959	3,100
[d] Cost of goods sold		
Depreciation	**2,530**	1,599
Amortization of intangible assets	**1,325**	162
Warranty provision	**90**	336
Cost of inventory recognized as an expense	**76,812**	59,582
	80,757	61,679
[e] Selling, general and administrative expenses		
Depreciation	**211**	167
Amortization of intangible assets	**1,775**	1,187
Minimum lease payments recognized as an operating lease expense	**698**	417
Selling, general and administrative	**23,685**	19,178
Transaction costs	**282**	1,077
	26,651	22,026
[f] Employee benefits expense		
Wages and salaries	**33,853**	25,861
Share-based payment transaction expense *[note 14[d]]*	**616**	1,080
Pension costs	**932**	607
	35,401	27,548
Included in cost of goods sold	**22,854**	17,978
Included in selling general and administrative expense	**12,547**	9,570
	35,401	27,548

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

7. Intangible assets

	$
Balance, January 1, 2015	75,618
Internal development	1,760
Acquired	93,565
Amortization	(8,610)
Impairment	(2,185)
Exchange differences	3,633
Balance, December 31, 2015	163,781
Internal development	567
Acquired	1,300
Amortization	(3,100)
Exchange differences	(1,323)
Balance, March 31, 2016	**161,225**

8. Goodwill

	March 31, 2016 $	**December 31, 2015** $
Balance, beginning of period	**164,081**	71,356
Acquisition *[note 5]*	**6,901**	87,564
Impairment *[note 12]*	**—**	(414)
Exchange differences	**(1,920)**	5,575
Balance, end of period	**169,062**	164,081

9. Assets held for sale

In the three-month period ended March 31, 2015, AGI sold land and buildings in Lethbridge, Alberta and the related carrying amount of $1,101 was removed from assets held for sale. In the three-month period ended June 30, 2015, AGI acquired Westeel, which included land and building in Regina, Saskatchewan that met the definition of assets held for sale. The related carrying amount of $4,100 has been recorded as assets held for sale. In the three-month period ended September 30, 2015, AGI transferred all production activities from an existing facility to a new facility, both located in Decatur, Illinois. AGI concluded that the grounds, building and selected equipment at the existing Decatur, Illinois facility met the definition of assets held for sale. The related carrying amount of $1,271 has been recorded as assets held for sale.

As at March 31, 2016, assets held for sale consist of land, grounds, buildings and selected equipment in Winnipeg, Manitoba, Regina, Saskatchewan and Decatur, Illinois.

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

10. Available-for-sale investment

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

11. Net change in non-cash working capital

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

	March 31, 2016	**March 31, 2015**
	$	$
Accounts receivable	**(3,968)**	(15,996)
Inventory	**(6,007)**	(15,824)
Prepaid expenses and other assets	**(754)**	(195)
Accounts payable and accrued liabilities	**7,025**	5,698
Customer deposits	**(1,310)**	(1,820)
Provisions	**(160)**	336
	(5,174)	(27,801)

12. Impairment of Mepu and Applegate

During 2015, AGI conducted a strategic review regarding operations in Union City, USA and Yläne, Finland. Management concluded that these operations were no longer strategically aligned with the business objectives of AGI and accordingly determined to exit the businesses by way of divestiture or disposal. As a result, the Company concluded that certain of the assets of these CGU’s were impaired and incurred impairment charges of $13,439 during the fourth quarter of 2015 to reflect the FVLCS of these assets. These non-cash impairment charges have been recorded to income.

Management’s estimate of the recoverable amount of these assets was based on external information and observable conditions where possible, supplemented by internal analysis as required, which falls within Level 3 of the fair value hierarchy – refer to note 20[c] for further details related to the determination of fair value.

As at March 31, 2016, Mepu and Applegate are continuing operations.

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

13. 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:

	March 31, 2016	**December 31, 2015**
	$	$
Total accounts receivable	**80,138**	77,820
Less allowance for doubtful accounts	**(1,375)**	(4,296)
Total accounts receivable, net	**78,763**	73,524
Of which		
Neither impaired nor past due	**61,441**	44,624
Not impaired and past the due date as follows		
Within 30 days	**8,385**	18,745
31 to 60 days	**2,151**	5,046
61 to 90 days	**700**	2,835
Over 90 days	**7,461**	6,570
Less allowance for doubtful accounts	**(1,375)**	(4,296)
Total accounts receivable, net	**78,763**	73,524

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

14. Equity

[a] Common shares

Authorized
Unlimited number of voting common shares without par value

Issued
14,653,602 common shares

	Shares	Amount
	#	$
Balance, January 1, 2015	13,165,627	184,771
Dividend reinvestment plan costs	—	(16)
Dividend reinvestment shares issued from treasury	132,165	5,252
Exercise of grants under DDCP *[note 15[b]]*	10,934	396
Settlement of 2012 SAIP obligation	163,678	5,162
Dividends on 2012 SAIP	5,914	137
Share issuance related to Westeel acquisition *[note 5[b]]*	1,112,050	49,138
Balance, December 31, 2015	14,590,368	244,840
Dividend reinvestment shares issued from treasury *[note 14[e]]*	52,241	1,458
Settlement of 2012 SAIP obligation	10,993	342
Balance, March 31, 2016	**14,653,602**	**246,640**

[b] Contributed surplus

	Three-month period ended March 31, 2016	Year ended December 31, 2015
	$	$
Balance, beginning of period	**10,193**	12,954
Equity-settled director compensation *[note 15[b]]*	**108**	268
Exercise of grants under DDCP	**—**	(396)
Dividends on 2012 SAIP	**916**	881
Settlement of 2012 SAIP dividends	**(43)**	(1,066)
Obligation under 2012 SAIP *[note 15[a]]*	**508**	2,736
Settlement of 2012 SAIP obligation	**(303)**	(5,184)
2015 convertible unsecured subordinated debentures	**6**	—
Balance, end of period	**11,385**	10,193

[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.

[d] Dividends paid and proposed

In the three-month period ended March 31, 2016, the Company declared dividends of $8,778 or $0.60 per common share [2015 – $7,908 or $0.60 per common share] and dividends on share compensation awards of $916 [2015 – $205]. For the three-month period ended March 31, 2016, 52,241 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the “DRIP”]. In the three-month period ended March 31, 2016, dividends paid to shareholders were financed $7,320 [2015 – $6,662] from cash on hand and $1,458 [2015 – $1,246] 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 March 31, 2016, the Company declared dividends of $0.20 per common share on April 30, 2016.

[e] Dividend reinvestment plan

On March 5, 2013, the Company announced the adoption of the DRIP. Eligible shareholders who elect to reinvest dividends under the DRIP will initially receive common shares issued from treasury at a discount of 4% from the market price of the common shares, with the market price being equal to the volume-weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days preceding the applicable dividend payment date. The Company incurred costs of nil [2015 – 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 March 31, 2016 and December 31, 2015, no preferred shares were issued or outstanding.

15. Share-based compensation plans

[a] Share award incentive plan ["SAIP"]

The 2012 SAIP

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

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

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

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

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

As at March 31, 2016, 296,000 Restricted Awards and 110,000 Performance Awards have been granted. The Company has accounted for the Share Awards as equity-settled plans. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures. All Performance Awards vested in 2015 and there is no expense related to Performance Awards in the three-month period ended March 31, 2016. During the three-month period ended March 31, 2016, AGI expensed $508 for the 2012 SAIP [2015 – $1,023].

[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 three-month period ended March 31, 2016, an expense of $108 [2015 – $57] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 70,000, subject to adjustment in lieu of dividends, if applicable. For the three-month period ended March 31, 2016, 2,850 [2015 – 1,079] common shares were granted under the DDCP and as at March 31, 2016, a total of 57,422 [2015 – 48,614] common shares had been granted under the DDCP and 18,436 [2015 – 7,502] common shares had been issued.

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

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

For the three-month period ended March 31, 2016, an expense of $616 [2015 - $1,080] was recognized for employee and Director services rendered.

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

	2012 SAIP	
	Restricted awards	**Performance awards**
	#	#
Outstanding, January 1, 2015	241,000	110,000
Granted	16,000	—
Vested	(54,383)	(110,000)
Forfeited	(8,283)	—
Balance, December 31, 2015	194,334	—
Granted	33,000	—
Vested	(1,223)	—
Forfeited	(1,777)	
Balance, March 31, 2016	**224,334**	**—**

There is no exercise price on the 2012 SAIP awards.

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

16. Long-term debt and obligations under finance leases

	Interest rate %	Maturity	March 31, 2016 $	December 31, 2015 $
Current portion of long-term debt				
Series A secured notes [U.S. dollar denominated]	6.8	2016	**32,428**	34,600
Total current long-term debt			**32,428**	34,600
Non-current portion of long-term debt				
Series B secured notes	4.4	2025	**25,000**	25,000
Term A secured loan	3.4	2019	**50,000**	50,000
Term B secured loan	3.4	2022	**40,000**	40,000
Total non-current long-term debt			**115,000**	115,000
Less deferred financing costs			**2,499**	2,669
Long-term debt			**112,501**	112,331
Current portion of obligations under finance leases	Euribor +2	2017	**248**	209
Non-current portion of obligations under finance leases	Euribor +2	2017	**1,104**	1,177
Obligations under finance leases			**1,352**	1,386
Total interest-bearing loans and borrowings			**146,281**	148,317

[a] Bank indebtedness

AGI has operating facilities of $20.0 million and U.S. $5.0 million. The facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. The effective interest rate during the three-month period ended March 31, 2016 on AGI's Canadian dollar operating facility was 4.0% [2015 – 3.0%] and on its U.S. dollar operating facility was 3.5% [2015 – 3.3%]. As at March 31, 2016, there was nil [December 31, 2015 – nil] outstanding under these facilities. The facilities mature March 19, 2019.

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

[b] Long-term debt

The Series A secured notes were issued on October 29, 2009. The non-amortizing notes bear interest at 6.8% payable quarterly and mature on October 29, 2016. The Series A secured notes are denominated in U.S. dollars. Collateral for the Series A secured notes and term loans 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 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 Term A secured loan was issued on May 20, 2015 and matures on May 19, 2019. The facilities bear interest at BA plus 2.5% per annum based on performance calculations. Interest on the non-amortizing loan has been fixed at 3.8% through an interest rate swap contract *[note 20].* Collateral for the Term A loan and secured notes 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 B secured loan was issued on May 20, 2015 and matures on May 19, 2022. The facilities bear interest at BA plus 2.5% per annum based on performance calculations. Interest on the non-amortizing loan has been fixed at 4.3% through an interest rate swap contract *[note 20].* Collateral for the Term B loan and secured notes 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.

AGI has revolver facilities of $105 million and U.S. $45 million. The facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. As at March 31, 2016, there was nil [December 31, 2015 – nil] outstanding under these facilities. The facilities mature May 19, 2019.

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements which must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.25 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at March 31, 2016 and December 31, 2015, AGI was in compliance with all financial covenants.

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

[d] Obligations under finance lease

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

17. Convertible unsecured subordinated debentures

	March 31, 2016 $	December 31, 2015 $
Principal amount	**213,000**	213,000
Equity component	**(9,922)**	(9,922)
Accretion	**2,644**	2,193
Financing fees, net of amortization	**(7,263)**	(7,686)
Convertible unsecured subordinated debentures	**198,459**	197,585

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. No conversion options were exercised during the three-month period ended March 31, 2016 [year ended December 31, 2014 – nil]. As at March 31, 2016, AGI has reserved 1,568,182 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 three-month period ended March 31, 2016, the Company recorded accretion of $217 [2015 – $203], non-cash interest expense relating to financing costs of $186 [2015 – $175] and interest expense of $1,132 [2015 – $1,132]. The estimated fair value of the holder's option to convert the 2013 Debentures to common shares in the total amount of $4,480 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of $1,134 and its pro rata share of financing costs of $211.

2014 Debentures

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

Each 2014 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2014 Debenture, at a conversion price of $65.57 per common share being a conversion rate of approximately 15.2509 common shares per $1,000 principal amount of 2014 Debentures. No conversion options were exercised during the three-month period ended March 31, 2016 [2015 – nil]. As at March 31, 2016, 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 three-month period ended March 31, 2016, the Company recorded accretion of $98 [2015 – nil], non-cash interest expense relating to financing costs of $113 [2015 – nil] and interest expense on the 5.25% coupon of $679 [2015 – nil]. The estimated fair value of the holder's option to convert the 2014 Debentures to common shares in the total amount of $2,165 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of $557 and its pro rata share of financing costs of $111.

2015 Debentures

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

Each 2015 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2015 Debenture, at a conversion price of $60.00 per common share being a conversion rate of approximately 16.6667 common shares per $1,000 principal amount of 2015 Debentures. No conversion options were exercised during the three-month period ended March 31, 2016. As at March 31, 2016, 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.

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

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 three-month period ended March 31, 2016, the Company recorded accretion of $136 [2015 – nil], non-cash interest expense relating to financing costs of $139 [2015 – nil] and interest expense on the 5.00% coupon of $938 [2015 – nil]. The estimated fair value of the holder's option to convert the 2015 Debentures to common shares in the total amount of $3,277 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of $835 and its pro rata share of financing costs of $162.

18. Retirement benefit plans

During the three-month period ended March 31, 2016, the expenses associated with the Company's defined pension benefit was $157 [2015 – nil]. At March 31, 2016, the accrued pension benefit was $2 [December 31, 2015 – $234] which is included in other assets on the unaudited interim condensed consolidated statements of financial position.

19. Income taxes

The major components of income tax expense for the three-month periods ended March 31, 2016 and 2015 are as follows:

Unaudited interim condensed consolidated statements of income

	2016 $	**2015** $
Current tax expense		
Current income tax charge	**1,449**	870
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(65)**	872
Income tax expense reported in the unaudited interim condensed consolidated statement of income	**1,384**	1,742

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

Unaudited interim condensed consolidated statement of comprehensive income

	2016 $	2015 $
Deferred tax related to items charged or credited directly to other comprehensive income during the period		
Unrealized gain (loss) on derivatives	**2,883**	(3,140)
Exchange differences on translation of foreign operations	**(759)**	1,012
Income tax charged (credited) directly to other comprehensive income	**2,124**	(2,128)

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

	As at March 31, 2016 $	As at December 31, 2015 $
Inventories	**(90)**	(90)
Property, plant and equipment and other assets	**(20,453)**	(21,115)
Intangible assets	**(32,427)**	(32,833)
Deferred financing costs	**(600)**	(611)
Accruals and long-term provisions	**3,978**	4,238
Tax loss carryforwards expiring between 2020 to 2036	**1,804**	1,614
Investment tax credits	**(627)**	(627)
Canadian exploration expenses	**12,941**	13,218
Capitalized development expenditures	**(1,120)**	(1,060)
Convertible debentures	**(1,965)**	(2,087)
SAIP liability	**—**	82
Derivative instruments	**(87)**	—
Other comprehensive income	**3,534**	6,417
Net deferred tax liability	**(35,112)**	(32,854)
Reflected in the statement of unaudited interim condensed consolidated financial position as follows		
Deferred tax assets	**—**	84
Deferred tax liabilities	**(35,112)**	(32,938)
Deferred tax liability, net	**(35,112)**	(32,854)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and loss carryforwards become deductible. Based on the analysis of taxable temporary differences and future taxable income, management of the Company is of the opinion that there is convincing evidence available for the probable realization of all deductible temporary differences of the Company's tax entities incurred other than losses in its Finnish operations of 6,826 Euros [December 31, 2015 – 6,283 Euros] and its Brazilian operations of 3,757 BRL [December 31, 2015 – 2,764 BRL]. Accordingly, the Company has recorded a deferred tax asset for all other deductible temporary differences as at March 31, 2016 and as at December 31, 2015.

Included in the current year's income tax expense was nil [December 31, 2015 – $1,652] withholding tax paid on the repatriation of surplus from a subsidiary. As at March 31, 2016, there was no recognized deferred tax liability [December 31, 2015 – nil] for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which a deferred tax asset has not been recognized, aggregate to $622 [December 31, 2015 – $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 unaudited interim condensed consolidated financial statements.

There are no income tax consequences to the Company attached to the payment of dividends in either 2016 or 2015 by the Company to its shareholders.

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

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

Market risk

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2016 and December 31, 2015.

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

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

- The unaudited interim condensed consolidated statements of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant unaudited interim condensed consolidated statements of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at March 31, 2016 and December 31, 2015, including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges as at March 31, 2016 and December 31, 2015 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.

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

A significant part of the Company's sales are transacted in U.S. dollars and, as a result, fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, AGI enters into foreign exchange forward contracts and denominates a portion of its debt in U.S. dollars. As at March 31, 2016, AGI's U.S. dollar denominated debt totalled $32.4 million [December 31, 2015 – $34.6 million] and the Company has entered into the following foreign exchange forward contracts to sell U.S. dollars in order to hedge its foreign exchange risk on revenue:

Settlement dates	**Face value** U.S. $	**Average rate** Cdn $
April – December 2016	83,000	1.18
January – February 2017	9,000	1.25

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

AGI's sales denominated in U.S. dollars for the three-month period ended March 31, 2016 were U.S. $43.9 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. $30.0 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $4.4 million increase or decrease in sales and a total increase or decrease of $3.0 million in its cost of goods sold and its selling, general and administrative expenses. In relation to AGI's foreign exchange hedging contracts, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $2.4 million increase or decrease in the foreign exchange gain and a $11.9 million increase or decrease to other comprehensive income.

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 net earnings, and for the three-month period ended March 31, 2016, the Company realized a loss on its foreign exchange contracts of $3,583 [2015 – $1,931].

The open foreign exchange forward contracts as at March 31, 2016 are as follows:

		Notional Canadian dollar equivalent		
	Notional amount of currency sold $	**Contract amount** $	**Cdn $ equivalent** $	**Unrealized loss** $
U.S. dollar contract	**92,000**	**1.19**	**109,101**	**(10,321)**

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 no significant element of hedge ineffectiveness requiring recognition in the unaudited interim condensed consolidated statements of income.

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized loss of $10,321 [2015 – $20,713], with a deferred tax asset of $3,534 [2015 – $5,510] relating to the hedging instruments, is included in accumulated other comprehensive 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 and convertible unsecured subordinated debentures outstanding at March 31, 2016 and December 31, 2015 are at a fixed rate of interest.

Interest rate swap contracts

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

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

The amount of loss recorded in other comprehensive income during the three-month period ended March 31, 2016 was $768 [2015 – nil].

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 SAIP.

Pursuant to this agreement, the Counterparty has agreed to pay the Company the total return of the defined underlying common shares which includes both the dividend income they may generate and any capital appreciation. In return, the Company has agreed to pay the Counterparty a funding cost calculated daily based on floating rate option [CAD-BA-COOR] plus a spread of 2.0% and any administrative fees or expenses which are incurred by the Counterparty directly.

As at March 31, 2016, 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.

Credit risk

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

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

[b] Fair value

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

	March 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Loans and receivables				
Cash and cash equivalents	**35,516**	**35,516**	58,234	58,234
Cash held in trust	**6,250**	**6,250**	250	250
Accounts receivable	**78,763**	**78,763**	73,524	73,524
Derivative instruments	**409**	**409**	—	—
Available-for-sale investment	**900**	**900**	900	900
Financial liabilities				
Other financial liabilities				
Interest-bearing loans and borrowings	**146,281**	**147,899**	148,317	148,531
Trade payables and provisions	**65,078**	**65,078**	54,271	54,271
Dividends payable	**2,931**	**2,931**	2,883	2,883
Acquisition, transaction and financing costs payable	**941**	**941**	1,846	1,846
Contingent consideration	**7,474**	**7,474**	4,663	4,663
Other financial liabilities	**8,865**	**8,865**	9,017	9,017
Derivative instruments	**13,090**	**13,090**	23,768	23,768
Convertible unsecured subordinated debentures	**198,459**	**177,382**	197,585	185,414

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, 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 and one option embedded in each convertible debt agreement. 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. In 2015, AGI transferred the available-for-sale investment from Level 2 to Level 3 as direct observable market data was not available.

[c] Fair value ["FV"] hierarchy

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

Level I

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.

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

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

	March 31, 2016			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	$	$	$	$	$	$
Financial assets						
Derivative instruments	**—**	**409**	**—**	—	—	—
Available-for-sale investment	**—**	**—**	**900**	—	—	900
Financial liabilities						
Interest-bearing loans and borrowings	**—**	**146,281**	**—**	—	148,317	—
Contingent consideration	**—**	**—**	**7,474**	—	—	4,663
Other financial liabilities	**—**	**—**	**8,865**	—	—	9,017
Derivative instruments	**—**	**13,090**	**—**	—	23,768	—
Convertible unsecured subordinated debentures	**—**	**198,459**	**—**	—	197,585	—

During the reporting periods ended March 31, 2016 and December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

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

21. Capital disclosure and management

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

AGI manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities and as at March 31, 2016 and December 31, 2015, all of these covenants were complied with *[note 16[c]]*.

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

22. Related party disclosures

Relationship between parent and subsidiaries

The main transactions between the corporate entity of the Company and its subsidiaries is the providing of cash fundings based on the equity and convertible debt funds of 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 inter-company sales of inventories and services. Because all subsidiaries are currently 100% owned by Ag Growth Inc., these inter-company transactions are 100% eliminated on consolidation.

Other relationships

Burnet, Duckworth & Palmer LLP ["BDP"] provides legal services to the Company and a Director of AGI is a partner of BDP. The total cost of these legal services in the three-month period ended March 31, 2016 was $10 [2015 – $394] and this amount is included in accounts payable and accrued liabilities as at March 31, 2016. These transactions were incurred during the normal course of business.

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

23. Profit (loss) per share

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

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

	March 31, 2016 $	**March 31, 2015** $
Net profit (loss) attributable to shareholders for basic and diluted profit per share	**5,697**	(3,409)
Basic weighted average number of shares	**14,619,580**	13,177,308
Dilutive effect of DDCP	**36,167**	—
Dilutive effect of RSU *[note 14[d]]*	**220,844**	—
Diluted weighted average number of shares	**14,876,591**	13,177,308
Profit (loss) per share – basic	**0.39**	(0.26)
Profit (loss) per share – diluted	**0.38**	(0.26)

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

The 2013, 2014 and 2015 convertible unsecured subordinated debentures were excluded from the calculation of diluted net profit per share in the three-month period ended March 31, 2016 because their effect is anti-dilutive.

24. Reportable business segment

The company manufactures agricultural equipment with a focus on grain handling, storage and conditioning products. As at March 31, 2016, 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.

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

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

	Revenue		Property, plant and equipment, goodwill, intangible assets and available-for-sale investment	
	Three-month period ended March 31, 2016	Three-month period ended March 31, 2015	As at March 31, 2016	As at December 31, 2015
	$	$	$	$
Canada	**51,200**	21,767	**349,624**	352,741
United States	**48,004**	42,621	**112,581**	120,479
International	**18,556**	22,871	**32,804**	21,229
	117,760	87,259	**495,009**	494,449

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

25. Commitments and contingencies

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

As of the reporting date, the Company has entered into commitments to purchase property, plant and equipment of $513 [2015 – $30,392] for which deposits of nil [2015 – $23,131] were made as at March 31, 2016.

[b] Letters of credit

As at March 31, 2016, the Company has outstanding letters of credit in the amount of $630 [December 31, 2015 – $4,802].

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

[c] Operating leases

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

	$
Within one year	2,376
After one year but no more than five years	4,976
After five years	1,987
	9,339

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

During the three-month period ended March 31, 2016, the Company recognized an expense of $698 [2015 – $417] 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.

26. Subsequent events

[a] Acquisition of NuVision Industries Inc.

Effective April 1, 2016, the Company acquired 100% of the outstanding shares of NuVision Industries Inc. ["NuVision"] for a maximum purchase price of $26.0 million which will be determined based on average earnings over the period 2015 – 2018. Upon acquisition, a cash amount of $6.0 million was paid to the vendors from cash held in trust and an additional $6.0 million became payable to the vendors through the issuance of a credit note for future purchases of AGI equipment. Payment of the contingent consideration is based on NuVision achieving specified earnings targets.

[b] Sales of assets held for sale

Effective April 9, 2016, the Company sold the land and building in Winnipeg, Manitoba which were classified as assets held for sale with a carrying amount of $1,150.

[c] Acquisition of remaining 49% of investment in European subsidiary

Effective April 22, 2016, the Company acquired the remaining 49% of Frame SRL for consideration of 6.0 million Euros.