AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: March 15, 2017

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, 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 profit" and "diluted adjusted profit per share". A description of these measures and their limitations are discussed below under "Non-IFRS Measures".

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

SUMMARY OF RESULTS

A 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)	**Year Ended December 31**	
	2016	**2015**
Trade sales (1)(2)	546,616	438,910
Adjusted EBITDA (1)(2)(3)	100,429	73,337
Adjusted EBITDA % (1)(4)	18.4%	16.7%
Profit (loss)	19,306	(25,229)
Diluted profit (loss) per share	$1.29	$(1.81)
Adjusted profit (1)	36,545	32,490
Diluted adjusted profit per share (1)(5)	$2.44	$2.33

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

Trade sales and adjusted EBITDA were at record levels in 2016 as AGI continued to diversify its geographic and end market exposure through strategic acquisitions in Canada, the U.S., Brazil and Europe. AGI's increased market presence in North America and offshore allowed the Company to benefit from an active Canadian Farm market, robust North American demand for Commercial grain handling equipment and strong demand for grain storage in Europe, Middle East and Africa ("EMEA"). Adjusted EBITDA from divisions acquired in 2015 and 2016 was $39.1 million (2015 - $8.4 million). Excluding acquisitions, AGI's adjusted EBITDA decreased 6% as strength in the North American Commercial market was offset by a soft U.S. Farm market and lower international Commercial project sales. Profit and profit per share increased significantly over 2015 due largely to the higher adjusted EBITDA, a smaller loss on foreign exchange and a $9.2 million unrealized gain on the Company's equity compensation swap.

Basis of Presentation

Trade sales and adjusted EBITDA in both 2015 and 2016 exclude the results of former AGI divisions Applegate and Mepu as a strategic review of these assets resulted in their sale in 2016. See "Disposition of Applegate and Mepu Operations".

To allow for improved comparability between 2015 and 2016, certain metrics including trade sales and adjusted EBITDA have been presented both before and after results from acquisitions made in 2015 and 2016. See "Acquisitions".

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

(thousands of dollars)	**Year Ended December 31**	
	2016	**2015**
Excluding acquisitions		
Canada	87,708	77,112
US	187,925	188,154
International	35,034	84,979
Subtotal excluding acquisitions	**310,667**	**350,245**
Acquisitions		
Canada	150,443	60,834
US	18,718	6,087
International	66,788	21,744
Subtotal Acquisitions	**235,949**	**88,665**
Total Trade Sales	**546,616**	**438,910**

Trade sales in Canada, excluding acquisitions, increased over 2015 as a strong Canadian Farm market resulted in higher sales of grain handling and aeration equipment while sales of Commercial handling equipment benefited from an expanding commercial infrastructure in Canada. Total trade sales in Canada increased significantly over the prior year as demand for Westeel storage equipment returned to more traditional levels following the 2015 drought. In addition, AGI significantly increased its presence in the fertilizer sector in 2016 and trade sales reflect strong demand for the design, equipment fabrication and installation of fertilizer handling and storage facilities.

In the United States, trade sales excluding acquisitions were flat compared to 2015 as strong demand for Commercial grain handling equipment offset the impact of a soft U.S. Farm market. Sales of grain handling equipment into the U.S. Farm market declined for the second consecutive year however the pace of decline appears to be slowing and new orders in recent months may indicate a modest return in demand. The increase in U.S. sales from acquisitions primarily relate to higher sales of grain storage bins as well as sales of handling equipment and installation services in the food and fertilizer sectors.

AGI's international sales, excluding acquisitions, decreased significantly against a strong 2015 comparative. Large project sales declined due to a lower backlog entering 2016 and because several customer commitments failed to materialize early enough to impact 2016 results. AGI's international project backlog is currently well above that of the prior year due to recent project commitments. Total international sales in 2016 were roughly flat compared to the prior year as Frame product sales in EMEA and elsewhere offset lower revenue derived from large project sales.

See also "Outlook".

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

Gross margin		
	Year Ended December 31	
	2016	2015
AGI excluding acquisitions	39.7%	36.5%
Acquisitions	28.2%	24.2%
Consolidated	**34.7%**	**34.0%**

Strong gross margins in 2016 were achieved despite a decrease in sales of higher margin Farm equipment. Efficient labour utilization, the procurement of steel in advance of steel price increases, the positive impact of a weaker Canadian dollar and strong Commercial operating margins all contributed. Gross margins from divisions acquired in 2015 and 2016 were slightly below longer term expectations due in part to compressed gross margins at Brazilian-based Entringer in the months following its acquisition that were subsequently addressed through improved pricing discipline and an increased focus on labour costs.

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

(thousands of dollars)	Year Ended December 31	
	2016	**2015**
Excluding Acquisitions	61,323	64,927
Acquisitions	39,106	8,410
Consolidated	**100,429**	**73,337**

Adjusted EBITDA increased significantly compared to 2015 due largely to strategic acquisitions in the grain and fertilizer equipment sectors in North America and overseas. Adjusted EBITDA benefited from a strong Canadian Farm market and robust North American demand for Commercial equipment, offset by weakness in the U.S. Farm market and a decrease in large international project sales. As a percentage of sales, adjusted EBITDA increased compared to 2015 as strong Commercial margins and results from acquisitions more than offset the impact of lower sales of high margin Farm handling equipment.

(thousands of dollars)	Year Ended December 31	
	2016	**2015**
EBITDA (1)	**83,663**	**28,396**
Loss on foreign exchange (2)	14,070	31,322
Share Based Compensation	6,891	3,004
Cost (recovery) for related Assets under review (3)	122	(273)
Allowance for net Receivables (4)	682	2,280
Gain on Financial Instruments (5)	(9,210)	0
M&A expenses	3,018	5,405
Contingent consideration (6)	1,307	0
(Gain) loss on sale of PP&E	(114)	3,203
Adjusted EBITDA (1)	**100,429**	**73,337**

(1) See "Non-IFRS Measures".
(2) See "Impact of Foreign Exchange".
(3) See "Disposition of Applegate and Mepu Operations".
(4) In 2016 AGI cancelled a U.S. based distributor and recorded a net expense related to the fair value of inventory returned. In 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.
(5) See "Equity Compensation Hedge".
(6) Non-cash expense related to the present value amortization of contingent consideration liabilities.

Diluted profit per share and Diluted adjusted profit per share

Diluted profit per share in 2016 was $1.29 (2015 – loss of $1.81). The significant increase is largely due to higher adjusted EBITDA, a smaller loss on foreign exchange and a $9.2 million unrealized gain on the Company's equity compensation swap. Profit per share in 2015 and 2016 has been significantly impacted by the items below:

(thousands of dollars)	**Year Ended December 31**	
	2016	**2015**
Profit (loss) as reported Diluted per share as reported	19,306 1.29	(25,229) (1.81)
Loss on foreign exchange	14,070	31,322
Assets under review	(353)	15,509
Asset Impairment	7,839	0
Allowance for net Receivables	682	2,280
M&A expenses	3,018	5,405
Contingent consideration expense	1,307	0
Gain on financial instruments	(9,210)	0
Loss on sale of PP&E	(114)	3,203
Adjusted profit [(1)] Diluted adjusted profit per share [(1)]	36,545 2.44	32,490 2.33

(1) See "Non-IFRS Measures"

Acquisitions

Yargus (November 21, 2016)

Yargus is a manufacturer of material handling equipment used primarily in commercial fertilizer applications. The acquisition of Yargus substantially expanded AGI's North American fertilizer handling platform, both geographically and in terms of service offering. Yargus has a substantial presence in the U.S., as well as a growing international presence, both of which are highly complementary to AGI's current material handling footprint. Yargus recently made substantial investments in plant, equipment, personnel, and product development, and when combined with AGI's existing divisions, is very well positioned to compete in both local and international markets. The purchase price for Yargus was U.S. $43.2 million, which included U.S. $5.2 million of debt related to its recent building expansion and investment in equipment that was required to drive Yargus' next phase of growth. The transaction was completed at similar metrics to AGI's recent North American acquisitions.

Mitchell Mill Systems (July 18, 2016)

Mitchell is a manufacturer of material handling equipment used in grain, fertilizer, animal feed, food processing, and industrial applications. Mitchell is recognized for its extensive design, fabrication and installation expertise and the company's product offering includes conveyor systems, bucket elevators, screw conveyors, and drag conveyors. The transaction was completed at similar metrics to AGI's recent North American acquisitions. The financial consideration is comprised of a fixed amount payable upon closing, and a contingent amount payable over three years based on the achievement of EBITDA targets. The amount payable upon close was funded from cash on hand and AGI's revolving credit facility.

NuVision (April 1, 2016)

NuVision designs, manufactures, installs, and maintains fertilizer blending and handling facilities throughout Western Canada. 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. 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. As expected, Last Twelve Months' ("LTM") EBITDA continues to be negative in part due to low gross margins in the months following acquisition that were subsequently addressed through improved pricing discipline and an increased focus on labour costs. The Company acquired Entringer for cash consideration of R$30 million. Subsequent to year-end, an agreement in principle has been reached with the vendors of Entringer that will modify the provisions of the share purchase agreement and, among other conditions, will eliminate the potential for an earn-out.

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. AGI acquired VIS for cash consideration of $10.0 million and contingent consideration of $5.0 million. In the third quarter of 2016 the vendors of VIS joined AGI's senior management team and the contingent consideration amount was guaranteed, and as at March 15, 2017 the balance has been paid in full. The purchase price 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-. AGI acquired the 49% minority interest in Frame in the second quarter of 2016 for cash consideration €6.0 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 2016 was $1.32 (2015 = $1.27). 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 increased costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA benefits from a weaker Canadian dollar.

Gains and Losses on Foreign Exchange

AGI has entered into forward foreign exchange contracts with the objective of partially mitigating exposure to currency fluctuations. In 2016, AGI realized losses on maturing foreign exchange contracts of $14.4 million (2015 - $15.3 million). Based on foreign exchange contracts outstanding at January 1, 2017, the Company does not expect to realize losses of a similar magnitude in 2017. The table below summarizes outstanding foreign exchange contracts. Currency fluctuations also result in non-cash gains or losses on foreign exchange. See "Financial Instruments – Foreign exchange contracts".

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD (000's)**	**Average Rate CAD**	**CAD Amount (000's)**
2017 – Q1	9,000	$1.25	11,216

CORPORATE OVERVIEW

AGI is a manufacturer of agricultural equipment with a focus on grain and fertilizer 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., Brazil and Europe and we sell products globally.

OUTLOOK

AGI's North American Farm business is comprised primarily of portable grain handling equipment and Westeel's storage business. The Farm market in Canada was very strong in 2016, as Canadian farmers benefited from a favourable crop mix, the positive economics of a weak Canadian dollar and a large crop. In general, market participants expect strength in the Canadian Farm market to continue in 2017. The Farm market in the U.S., however, has experienced weakness in 2015 and 2016 as a significant drop in corn and soybean prices, without an immediate corresponding decrease in input costs, resulted in a severe reduction in farmer net income. In total, AGI's North American Farm sales decreased for the second consecutive year in 2016. However, early signs of a recovery in demand appear to be forming. In the first two months of fiscal 2017 new orders have increased over 30% compared to the prior year and current order backlogs are significantly higher than at the same time in 2016. While it is too early in the crop year to confidently predict higher demand for Farm equipment in 2017, management is cautiously optimistic that recent activity is an indicator of a modest improvement in the North American Farm sector.

AGI's Commercial business is comprised primarily of high capacity grain handling and conditioning equipment, larger diameter storage bins and the design, supply and installation of fertilizer distribution sites. The demand environment for AGI's North American Commercial business remains positive due to the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in a mature market, the dissolution of the Canadian Wheat Board and the evolution of retail fertilizer distribution. Entering 2017, AGI's North American backlog for Commercial equipment was higher than at the same time in 2016, however it is expected first quarter sales may be constrained due to project timing. In general, management anticipates continued strong demand for North American Commercial equipment in 2017.

Offshore, the commercial infrastructure in many grain producing and importing countries remains vastly underinvested resulting in significant global opportunities for AGI's Commercial business. In 2017 management anticipates an increase in large international project sales compared to the prior year as delayed customer commitments come to fruition. In addition, management expects another strong contribution from its Italian subsidiaries Frame and PTM as backlogs remain high and quoting activity in EMEA and elsewhere remains robust. Our international project backlog is well above 2016 levels and we anticipate that variance will grow as customers commit to larger project sales. Overall, management anticipates a significant increase in international sales compared to the prior year.

AGI completed several acquisitions in 2016 and the inclusion of a full twelve months of results from NuVision (acquired April 2016), Mitchell (July 2016) and Yargus (November 2016) in 2017 is expected to increase EBITDA compared to the prior year. In addition, management believes the combination of these entities has created a market leading fertilizer platform and accordingly expects to organically grow sales for each of these businesses.

AGI also acquired Brazilian-based Entringer in March 2016 and soon after commenced construction of a new production facility to house both Entringer products and many of AGI's North American product lines. Management anticipates the new facility will be in limited production in the second quarter of 2017 and will be fully commissioned in the second half of the year. In 2017, the Company will continue to focus on growing its Farm and Commercial business in Brazil while at the same time transferring product knowledge from North America to Brazil and investing in people to prepare for future growth. On balance, management anticipates adjusted EBITDA in Brazil will be slightly positive in 2017.

Demand in 2017 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 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. The Company has mitigated its exposure to higher input costs though procurement of steel at lower prices, sales price increases and limiting the length of time commercial quotes remain valid. However, AGI's results in 2017 may be impacted by higher steel prices.

On balance, based on current conditions, management anticipates sales and adjusted EBITDA in 2017 will exceed 2016 results. Inclusion of a full twelve months of results from the 2016 acquisitions of NuVision, Mitchell and Yargus, and anticipated synergies derived from the creation of a market leading fertilizer platform, are expected to significantly contribute to sales and EBITDA in 2017. Positive conditions in Canada are expected to lead to robust demand for portable handling, aeration and storage equipment. In the U.S., management anticipates a modest increase in demand for Farm equipment as market conditions incrementally improve and farmers replace older equipment. Finally, international sales are expected to benefit from a higher opening backlog and increased large project sales.

DETAILED OPERATING RESULTS

(thousands of dollars)	**Year Ended December 31**	
	2016	**2015**
Trade sales [1][2]	546,616	438,910
Loss on FX	(15,000)	(24,795)
Sales [2]	531,616	414,115
Cost of inventories [2]	356,765	289,683
Depreciation / amortization [2]	13,667	10,166
Cost of sales [2]	370,432	299,849
General and administrative [2]	99,427	84,011
M&A expenses	3,018	5,405
Contingent consideration expense	1,307	0
Depreciation/ amortization [2]	8,317	6,351
Other operating (income) expenses	(11,596)	308
Asset Impairment	7,839	0
Finance costs	24,025	18,490
Finance (income) expenses	(968)	6,312
Profit (loss) before income taxes	29,815	(6,611)
Current income taxes	11,122	4,722
Deferred income taxes	(260)	(1,613)
Profit (loss) for the period from Continuing operations	18,953	(9,720)

Profit (loss) from discontinued Operations	353	(15,509)
Profit (loss) for the period	19,306	(25,229)
Profit per share		
Basic	1.31	(1.81)
Diluted	1.29	(1.81)

(1) See "Non-IFRS Measures".
(2) See "Basis of Presentation"
(3) See Disposition of Applegate and Mepu Operations

Disposition of Applegate and Mepu Operations

A strategic review of the Applegate and Mepu operations commenced in 2015. 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. In 2016, trade sales related to these operations totaled $15.5 million (2015 - $35.4 million) and adjusted EBITDA was negative $0.5 million (2015 – negative $0.7 million).

The sale of Mepu in June 2016 resulted in cash proceeds on closing of $3.1 million and receipt of an additional $3.1 million in the second half of 2016 upon collection of accounts receivable and receipt of the second and final payment for inventory. Terms of the sale included a note receivable of $0.8 million from the purchaser related to the building, repayable over ten years.

The sale of Applegate in August 2016 resulted in cash proceeds on closing of $4.1 million and receipt of an additional $1.4 million in the second half of 2016 upon collection of accounts receivable.

EBITDA AND ADJUSTED EBITDA RECONCILIATION

(thousands of dollars)	**Year Ended December 31**	
	2016	**2015**
Profit (loss) from continuing operations before income taxes	29,815	(6,611)
Finance costs	24,025	18,490
Impairment of assets	7,839	0
Depr/amort in cost of sales	13,667	10,166
Depr/amort in SG&A expenses	8,317	6,351
EBITDA (1)	**83,663**	**28,396**
Loss on foreign exchange	14,070	31,322
Share based compensation	6,891	3,004
M&A expenses	3,018	5,405
Contingent consideration	1,307	0

Gain on financial instruments	(9,210)	0
(Gain) loss on sale of property, plant & equipment	(114)	3,203
Allowance for net Receivables	682	2,280
Recovery (cost) of related Assets under review	122	(273)
Adjusted EBITDA [(1)]	**100,429**	**73,337**
Adjusted EBITDA as a % of trade sales	18.4%	16.7%

(1) See "Non-IFRS Measures".

ASSETS AND LIABILITIES

(thousands of dollars)	**December 31 2016**	**December 31 2015**
Total assets	850,151	745,920
Total liabilities	605,587	510,765

EXPLANATION OF OPERATING RESULTS

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

(thousands of dollars)	**Year Ended December 31**	
	2016	**2015**
Excluding acquisitions		
Canada	87,708	77,112
US	187,925	188,154
International	35,034	84,979
Subtotal excluding acquisitions	**310,667**	**350,245**
Acquisitions		
Canada	150,443	60,834
US	18,718	6,087
International	66,788	21,744
Subtotal Acquisitions	**235,949**	**88,665**
Total Trade Sales	**546,616**	**438,910**

Canada

Trade sales in Canada, excluding acquisitions, increased over 2015 as a strong Canadian Farm market resulted in higher sales of grain handling and aeration equipment while sales of Commercial handling equipment benefited from an expanding commercial infrastructure in Canada. Total trade sales in Canada increased significantly over the prior year as demand for Westeel storage equipment returned to more traditional levels following the 2015 drought. In addition, AGI significantly increased its presence in the fertilizer sector in 2016 and trade sales reflect strong demand for the design, equipment fabrication and installation of fertilizer handling and storage facilities.

United States

In the United States, trade sales excluding acquisitions were flat compared to 2015 as strong demand for Commercial grain handling equipment offset the impact of a soft U.S. Farm market. Sales of grain handling equipment into the U.S. Farm market declined for the second consecutive year however the pace of decline appears to be slowing and new orders in recent months may indicate a modest return in demand. The increase in U.S. sales from acquisitions primarily relate to higher sales of grain storage bins as well as sales of handling equipment and installation services in the food and fertilizer sectors.

International

AGI’s international sales, excluding acquisitions, decreased significantly against a strong 2015 comparative. Large project sales declined due to a lower backlog entering 2016 and because several customer commitments failed to materialize early enough to impact 2016 results. AGI’s international project backlog is currently well above that of the prior year due to recent project commitments. Total international sales in 2016 were roughly flat compared to the prior year as Frame product sales in Europe, the Middle East and Africa (“EMEA”) and elsewhere offset lower revenue derived from large project sales.

Gross Margin

Gross margin		
	Year Ended December 31	
	2016	**2015**
AGI excluding acquisitions	39.7%	36.5%
Acquisitions	28.2%	24.2%
Consolidated	**34.7%**	**34.0%**

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

Strong gross margins in 2016 were achieved despite a decrease in sales of higher margin Farm equipment. Efficient labour utilization, the procurement of steel in advance of steel price increases, the positive impact of a weaker Canadian dollar and strong Commercial operating margins all contributed. Gross margins from divisions acquired in 2015 and 2016 were slightly below longer term expectations due in part to compressed gross margins at Brazilian-based Entringer in the months following its acquisition that were subsequently addressed through improved pricing discipline and an increased focus on labour costs.

General and Administrative Expenses

SG&A expenses in 2016 were $112.1 million (2015 - $95.8 million). Excluding acquisitions made in 2015 and 2016, SG&A expenses were $72.8 million (2015 - $74.1 million). The decrease compared to 2015 is largely related to the items below:

- Third party commissions decreased $4.1 million compared to 2015 due to sales mix.
- Bad debt expense decreased $2.5 million largely because results in 2015 included a $2.9 million bad debt allowance for an international customer.
- Salaries and wages in 2016 increased $1.6 million due largely to the achievement of performance based bonuses.
- Share based compensation in 2016 increased $3.8 million due to the implementation of a new performance based plan that included a higher number of participants compared to the plan that expired at the end of 2015.
- The remaining variance resulted from several offsetting factors with no individual variance larger than $1.0 million.

EBITDA and Adjusted EBITDA

(thousands of dollars)	**Year Ended December 31**	
	2016	**2015**
EBITDA [(1)]	83,663	28,396
Adjusted EBITDA [(1)]	100,429	73,337

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

Adjusted EBITDA increased significantly compared to 2015 due largely to strategic acquisitions in the grain and fertilizer equipment sectors both in North America and overseas. Adjusted EBITDA benefited from a strong Canadian Farm market and robust North American demand for Commercial equipment, offset by continued weakness in the U.S. Farm market and a decrease in large international project sales. As a percentage of sales, adjusted EBITDA increased compared to 2015 as strong Commercial margins and results from acquisitions more than offset the impact of lower sales of high margin Farm handling equipment. The increase in EBITDA over 2015 was more significant due to a smaller loss on foreign exchange and a gain on an equity compensation derivative in 2016.

Finance Costs

Finance costs in 2016 were $24.0 million (2015 – $18.5 million). The higher expense in 2016 relates primarily to financing the acquisition of Westeel in May 2015, 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 Expense (Income)

Other operating income in 2016 includes a gain on financial instruments of $9.2 million that was entered in 2016 (see "Equity Compensation Hedge") and in 2016 the Company recorded a gain on the sale of property, plant & equipment and assets held for sale of $0.1 million (2015 – loss of $3.2 million).

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 acquisitions made in 2015 and 2016. Total depreciation and amortization is summarized below:

Depreciation (thousands of dollars)	**Year Ended December 31**	
	2016	**2015**
Depreciation in cost of sales	10,019	7,621
Depreciation in G&A	904	567
Total Depreciation	10,923	8,188

Amortization (thousands of dollars)	**Year Ended December 31**	
	2016	**2015**
Amortization in cost of sales	3,648	2,545
Amortization in G&A	7,413	5,784
Total Amortization	11,061	8,329

Current income tax expense

For the year ended December 31, 2016 the Company recorded current tax expense of $11.1 million (2015 – $4.7 million). Current tax expense relates primarily to Ag Growth U.S. and Italy subsidiaries.

Deferred income tax expense

For the year ended December 31, 2016, the Company recorded deferred tax recovery of ($0.3) million (2015 –$1.6 million). Deferred tax recovery in 2016 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 year ended December 31, 2016, the Company offset $0.5 million of Canadian tax otherwise payable (2015 - generated new net Canadian tax losses of ($0.7) million). Through the use of these attributes and since the date of Conversion a cumulative amount of $38.2 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company's income statement. As at December 31, 2016, the balance sheet asset related to these unused attributes was $16.8 million.

Effective tax rate (thousands of dollars)	**Year Ended December 31**	
	2016	**2015**
Current tax expense	$ 11,122	$ 4,722
Deferred tax expense	(260)	(1,613)
Total tax	$ 10,862	$ 3,109
Profit (loss) before taxes	$30,168	($22,120)
Total tax %	36.0%	(14.1%)

The total tax percentage in 2015 and to a much lesser extent in 2016 was impacted by items that were expensed for accounting purposes but were not deductible for tax purposes. These include non-cash losses on foreign exchange. See "Diluted profit per share and Diluted adjusted profit per share".

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

In 2016 the Company reported profit of $19.3 million (2015 – loss of $25.2 million), basic profit per share of $1.31 (2015 – loss of $1.81) and a fully diluted profit per share of $1.29 (2015 – loss of $1.81).

A reconciliation of adjusted profit per share is below:

(thousands of dollars)	Year Ended December 31	
	2016	**2015**
Profit as reported Diluted profit per share as reported	19,306 1.29	(25,229) (1.81)
Loss on foreign exchange	14,070	31,322
Assets under review	(353)	15,509
Asset Impairment	7,839	0
M&A expenses	3,018	5,405
Contingent consideration expense	1,307	0
Gain on financial instruments	(9,210)	0
Loss on sale of PP&E	(114)	3,203
Allowance for net Receivables	682	2,280
Adjusted profit [(1)] Diluted adjusted profit per share [(1)]	36,545 2.44	32,490 2.33

(1) See "Non-IFRS Measures".

Selected Annual Information (thousands of dollars, other than per share data)

	Twelve Months Ended December 31		
	2016 **$**	**2015** **$**	**2014[(2)]** **$**
Sales	531,616	414,115	400,145
EBITDA [(1)]	83,663	28,396	60,470
Adjusted EBITDA [(1)]	100,429	73,337	78,228
Profit (loss) from continuing operations	18,953	(9,720)	35,278
Basic profit (loss) per share from continuing operations	1.29	(0.70)	2.69
Fully diluted profit (loss) per share from continuing operations	1.27	(0.70)	2.64
Profit (loss)	19,306	(25,229)	4,100
Basic profit (loss) per share	1.31	(1.81)	0.31
Fully diluted profit (loss) per share	1.29	(1.81)	0.31

Funds from operations [1]	52,888	37,791	55,549
Payout ratio [1]	67%	89%	57%
Dividends declared per common share	2.40	2.40	2.40
Total assets	850,151	745,920	447,116
Total long-term liabilities	480,821	358,742	123,415

(1) See "Non-IFRS Measures".
(2) As reported other than items specifically noted with results from continuing operations.

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

- The acquisitions of Vis, Westeel, Entringer, NuVision, Mitchell and Yargus significantly impact information in the table above. See "Acquisitions".
- Profit and profit per share were significantly impacted in 2015 by a $13.4 million impairment charge related to assets at the Company's Applegate and Mepu divisions.
- Profit and profit per share in 2014 were significantly impacted by an expense of $16.9 million related to the Company's agreement with the CRA regarding its conversion to a corporation.
- Sales, gain (loss) on foreign exchange, profit and profit per share are significantly impacted by the rate of exchange between the Canadian and U.S. dollars. The impact was most significant in 2015 and the second half of 2014 due to a rapid weakening of the Canadian dollar relative to its U.S. counterpart.

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

2016								
			From Continuing Operations			**Total**		
	Avg USD / CAD FX Rate	**Sales**	**Profit**	**Basic Profit per Share**	**Diluted Profit per Share**	**Profit**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	1.38	111,723	6,257	$0.43	$0.42	5,697	$0.39	$0.38
Q2	1.29	140,837	4,245	$0.29	$0.28	5,285	$0.36	$0.35
Q3	1.34	158,680	12,952	$0.87	$0.84	13,034	$0.88	$0.85
Q4	1.32	120,376	(4,501)	($0.30)	($0.30)	(4,710)	($0.32)	($0.32)
YTD	**1.32**	**531,616**	**18,953**	**$1.29**	**$1.27**	**19,306**	**$1.31**	**$1.29**

2015[1]					
	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)**

(1) As reported.

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

- AGI's acquisition of Westeel (Q2 2015), VIS (Q4 2015), Entringer (Q1 2016), NuVision (Q2 2016), Mitchell (Q3 2016) and Yargus (Q4 2016) significantly impacts comparisons to prior periods of assets, liabilities and operating results. See "Acquisitions".
- 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.
- 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.

FOURTH QUARTER

	Three Months Ended December 31	
(thousands of dollars)	**2016**	**2015**
Trade sales[1]	126,430	114,768
Adjusted EBITDA [1]	18,226	14,068
Profit (loss)	(4,710)	(21,355)
Diluted profit (loss) per share	($0.32)	($1.48)
Adjusted profit [1]	4,440	3,546
Diluted adjusted profit per share [1]	$0.30	$0.25

(1) See "Non-IFRS Measures".

Trade sales

($000s)	Three Months Ended December 31	
	2016	**2015**
Excluding acquisitions		
Canada	17,592	13,039
US	40,840	41,789
International	5,925	19,139
Subtotal excluding acquisitions	**64,357**	**73,967**
Acquisitions		
Canada	36,805	21,944
US	9,293	829
International	15,975	18,028
Subtotal acquisitions	**62,073**	**40,801**
Total Trade Sales	**126,430**	**114,768**

Trade sales in Canada, excluding acquisitions, increased over 2015 as a strong Canadian Farm market resulted in higher sales of grain handling and aeration equipment. Total trade sales in Canada increased significantly over the prior year as demand for Westeel storage equipment returned to more traditional levels following the 2015 drought. In addition, AGI significantly increased its presence in the fertilizer sector in 2016.

In the United States, trade sales excluding acquisitions were flat compared to 2015 as strong demand for Commercial grain handling equipment offset the impact of a soft U.S. Farm market. The increase in U.S. sales from acquisitions are primarily the result of higher sales of grain storage bins as well as sales of handling equipment and installation services into the food and fertilizer sectors.

AGI's international sales, excluding acquisitions, decreased significantly against a strong 2015 comparative. Large project sales declined as several customer commitments failed to materialize early enough to impact 2016 results. International trade sales from acquisitions decreased against a very strong 2015 comparative due largely to timing of Frame shipments.

Gross Margin

Gross margin as a percentage of sales for the three months ended December 31, 2016 was 34.0%, (2015 – 34.2%) and excluding acquisitions was 32.2% (2015 – 31.1%). Gross margin percentages remained healthy despite a decrease in sales of higher margin Farm equipment due to production efficiencies and Commercial product mix. Historically, gross margin percentages are lower in the fourth quarter of a fiscal year due to lower sales volumes and preseason sales discounts.

General and Administrative Expenses

For the three months ended December 31, 2016, general and administrative expenses, excluding acquisitions, were $20.0 million (2015 - $21.2 million). As a percentage of sales, general and administrative expenses in the fourth quarter of a fiscal year are generally higher than the annual percentage due to seasonally lower sales volumes. The decrease from 2015 is largely due to a $2.8 million decrease in third party commissions, primarily the result of sales mix, and a $0.9 million increase in share based compensation expense. The remaining variance resulted from several offsetting factors with no individual variance larger than $0.5 million.

Adjusted EBITDA and Profit (loss)

($000's)	**Three months Ended December 31**	
	2016	**2015**
Adjusted EBITDA		
AGI, excluding acquisitions	10,541	10,191
Acquisitions	7,685	3,877
Total	**$18,226**	**$14,068**

Adjusted EBITDA for the three months ended December 31, 2016 was $18.2 million (2015 - $14.1 million). The increase from 2015 was primarily the result of contributions from acquisitions made in 2015 and 2016.

For the three months ended December 31, 2016, the Company reported a net loss of $4.7 million (2015 - $21.4 million), a basic net loss per share of $0.32 (2015 - $1.48), and a fully diluted net loss per share of $0.32 (2015 – $1.48). Profit per share in 2015 and 2016 has been significantly impacted by the items below:

	Three Months Ended December 31	
(thousands of dollars)	**2016**	**2015**
Profit (loss) as reported Diluted profit (loss) per share as reported	($4,710) ($0.32)	($21,355) ($1.48)
Assets under Review	209	14,837
Loss on foreign exchange	6,932	9,034
Non- cash Asset impairment	5,526	0
M&A Activity	1,185	699
Contingent Consideration expense	367	0
Gain on financial Instruments	(4,050)	0
(Gain) loss on sale of property, plant and equipment	(1,701)	6
Allowance for bad debt	682	325
Adjusted profit (1) Diluted adjusted profit per share (1)	$4,440 $0.30	$3,546 $0.25

(1) See "Non-IFRS Measures".

LIQUIDITY AND CAPITAL RESOURCES

AGI's financing requirements are subject to variations due to the seasonal and cyclical nature of its business. Our sales historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and our cash flow has been lower in the first three quarters of each calendar year. Internally generated funds are supplemented when necessary from external sources, primarily the Credit Facility, to fund the Company's working capital requirements, capital expenditures and dividends. The Company believes that the debt facilities and debentures described under "Capital Resources", together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditures, dividends and debt service requirements.

CASH FLOW AND LIQUIDITY

(thousands of dollars)	Year Ended December 31	
	2016	**2015**
Profit before income taxes from continuing operations	29,815	(6,611)
Add charges (deduct credits) to operations not requiring a current cash payment:		
Depreciation/Amortization	21,984	16,517
Translation (gain) loss on FX	(4,864)	30,360
Non-cash interest expense	4,363	3,090
Share based compensation	6,891	3,004
Defined benefit pension plan	208	272
Non-cash movement in derivative Instruments	(9,210)	0
Non-cash Investment tax credit	(68)	(412)
Impairment charge	7,839	0
Dividends receivable on equity swap	(100)	0
Dividends on share based compensation	(55)	(962)
Contingent Consideration	(1,712)	0
Loss (gain) on sale of assets	(114)	3,203
Cash provided by operations before non-cash working capital changes and income taxes	54,977	48,461
Net change in non-cash working capital balances related to operations:		
Accounts receivable	6,707	39,048
Inventory	6,753	8,291
Prepaid expenses	(4,211)	2,076
Accounts payable	(777)	(23,571)
Customer deposits	(7,871)	7,056
Provisions	(862)	1,549
	(261)	34,449
Income tax paid	(9,720)	(2,613)
Cash provided by operations (net of discontinued operations)	44,996	80,297

Cash provided by operations decreased compared to the prior year largely because of the collection in 2015 of insurance proceeds related to an amount receivable from an international customer in the amount of U.S. $19.1 million. In addition, cash provided by operations in 2015 benefited from higher customer deposits from international customers.

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. Requirements for 2017 are expected to be generally consistent with historical patterns however recent acquisitions have had the effect of increasing working capital requirements in Q4 and Q1. Growth in international business 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 2016 were $3.8 million (0.7% of trade sales) compared to $2.3 million (0.5%) 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 $36.6 million in 2016 (2015 - $34.5 million). In 2016, non-maintenance capital expenditures relate primarily to equipment purchases, facility upgrades and the construction of AGI's production facility in Brazil. In 2016, a total of $25 million was expended on the Brazil facility and management estimates an additional $25 million will be required to complete the project. Non-maintenance capital expenditures in 2017 are expected to include the purchase of a currently rented manufacturing facility in Italy for $9 million as well as expenditures on warehousing and manufacturing equipment of approximately $15 million.

Maintenance and non-maintenance capital expenditures in 2017 are expected to be financed through bank indebtedness, cash on hand or through the Company's credit facility (see "Capital Resources").

CONTRACTUAL OBLIGATIONS (thousands of dollars)

	Total	**2017**	**2018**	**2019**	**2020**	**2021+**
2013 Debentures	86,250		86,250			
2014 Debentures	51,750			51,750		
2015 Debentures	75,000				75,000	
Long-term debt	208,989			110,422		98,567
Finance lease	1,732	353	1,046	142	130	61
Operating leases	8,291	2,221	1,769	1,256	917	2,128
Due to vendor	17,191	16,415				776
Contingent considerations	20,224	4,023	9,163	7,038		
Purchase obligations[1]	16,442	16,442				
Total obligations	**485,869**	**39,454**	**98,228**	**170,608**	**76,047**	**101,532**

(1) Net of deposit.

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

The Company’s cash balance at December 31, 2016 was $2.8 million (2015 - $58.2 million). The decrease in cash is partially the result of a September 2015 debenture issuance that increased the company’s cash balance at December 31, 2015.

Debt Facilities

(thousands of dollars)	**Currency**	**Maturity**	**Total Facility (CAD)**	**Amount Drawn**	**Interest Rate** [(2)]
Operating Facility	CAD	2019	20,000	0	4.10%
Operating Facility	USD	2019	9,390	0	5.00%
Revolver [(1)]	CAD	2019	80,000	51,023	3.73%
USD Revolver	USD	2019	91,304	9,399	4.50%
Term Loan A [(1)]	CAD	2019	50,000	50,000	3.60%
Term Loan B [(1)]	CAD	2022	40,000	40,000	4.32%
Series B Notes	CAD	2025	25,000	25,000	4.44%
Series C Notes	USD	2026	33,568	33,568	3.70%
Total			**349,262**	**208,990**	

(1) Interest rate fixed via interest rate swaps. See "Interest Rate Swaps".
(2) As at December 31, 2016.

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of $80.0 million and U.S. $68.0 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 LIBOR plus 1.50% to LIBOR plus 3.00%, prime plus 0.2% to prime plus 1.75%, BA plus 1.50% to BA plus 3.0%, or BA plus 2.50% per annum based on 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 B and Series C Notes"). The Series B and C Notes are non-amortizing. AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

Convertible Debentures

Debentures (2013)

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, 2015	14,590,368
Shares issued under EAIP	47,269
Shares issued under DRIP	144,006
December 31, 2016	14,781,643
Share issuance in February 2017	1,150,000
Shares issued under DRIP in January and February 2017	14,669
March 15, 2017	15,946,312

A total of 915,000 common shares are available for issuance under the Company's Equity Award Incentive Plan (the “EAIP”). As at December 31, 2016, a total of 321,000 restricted Share Awards (“RSUs”) have been granted and 213,000 remain outstanding. As at December 31, 2016, 367,131 performance Share Awards (“PSUs”) have been granted and 247,500 remain outstanding.

A total of 63,642 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.

On February 15, 2017, the Company issued 1,150,000 common shares at a price of $55.10 per share to raise gross proceeds of approximately $63 million.

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

DIVIDENDS

In 2016 AGI declared dividends to shareholders of $35.3 million (2015 - $33.6 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 2016 were financed $5.2 million by the DRIP (2015 – $5.2 million) and the remainder was financed from cash on hand and cash from operations or bank indebtedness.

FUNDS FROM OPERATIONS AND PAYOUT RATIO

In 2016 management adjusted its calculation of funds from operations as described below. The change was made to simplify the calculation and provide readers with a clearer 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.

(thousands of dollars)	Year Ended December 31	
	2016	**2015**
Adjusted EBITDA	100,429	73,337
Interest expense	(24,025)	(18,490)
Non-cash interest	4,363	3,090
Cash taxes	(9,720)	(2,613)
Maintenance CAPEX	(3,751)	(2,252)
Realized loss on FX contracts	(14,408)	(15,281)
Funds from operations	**52,888**	**37,791**
Dividends	35,297	33,593
Payout Ratio	**67%**	**89%**

The Company's payout ratio has been negatively impacted by realized losses on foreign exchange contracts. Excluding these losses, the Company's payout ratio for in 2016 was 52% (2015 – 63%). See "Foreign exchange contracts".

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI has entered into foreign exchange contracts with three Canadian chartered banks to partially hedge its foreign currency exposure and as at December 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)**
2017 – Q1	9,000	$1.25	11,216

The fair value of the outstanding forward foreign exchange contracts in place as at December 31, 2016 was a loss of $0.9 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	Amount of Swap (000's)	Fixed[2] Rate
Term Loan A	CAD	2019	50,000	3.59%
Term Loan B	CAD	2022	40,000	4.32%
Revolver [1]	USD	2020	51,023	3.73%

(1) USD $38.0 million converted at the rate of exchange at December 31, 2016.
(2) With performance adjustments.

The fair value of the interest rate swap contracts in place as at December 31, 2016 was a loss of $0.7 million. The Company has elected to apply hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income.

Equity Compensation hedge

On March 18, 2016, the Company entered an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EAIP. Pursuant to this agreement, the financial institution 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 December 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.

RELATED PARTIES

Burnet, Duckworth & Palmer LLP provides legal services to the Company and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to a debenture offering and general matters were $0.2 million during the year ended December 31, 2016 [2015 – $2.3 million], and $6,000 is included in accounts payable and accrued liabilities as at December 31, 2016. These transactions are measured at the exchange amount and were incurred during the normal course of business.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the owner of Salthammer Inc. The total cost of these consulting services related to an international plant expansion project were $48,000 during the year ended December 31, 2016 [2015 – nil] and $9,000 is included in accounts payable and accrued liabilities as at December 31, 2016.

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, 2016 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 , economic conditions or sociopolitical factors 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. Poor or unusual weather conditions and natural disasters may be exacerbated by the effects of climate change.

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.

Potential Changes resulting from the 2016 U.S. Presidential Election
As a result of the 2016 U.S. presidential election and the related change in political agenda, coupled with the transition of administration, there is uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as U.S. support for existing treaty and trade relationships with other countries, including Canada. In particular, increased protectionism in the U.S. and the proposal to implement a “border adjustment tax” that would result in unfavorable tax treatment for goods imported to the U.S. could, if implemented, have a significant impact on Canadian companies that export goods to the U.S. President Trump has also communicated his desire to renegotiate the terms of the North America Free Trade Agreement (“NAFTA”). Implementation by the U.S. of new legislative or regulatory regimes or revisions to NAFTA could impose additional costs on the Company, decrease U.S. demand for the Company’s products or otherwise negatively impact the Company, which may have a material adverse effect on the Company’s business, financial condition and operations.

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.

Intellectual Property

We own and have licenses to the rights under a number of domestic and foreign patents, trademarks, trade names and brand names relating to our products and businesses. Certain of these patents, trademarks, trade names and brand names are an important part of our business, and their loss could have a material adverse effect on us.

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. It is impracticable to predict with certainty the impact of climate change or the regulatory responses to it, on our business although we recognize that they could be significant. The most direct impacts are likely to be an increase in energy costs, which would increase our operating costs and an increase in the costs of the products we purchase from others. In addition, increased energy costs for our customers could impact demand for our products. It is too soon for us to predict with any certainty the ultimate impact of additional regulation, either directionally or quantitatively, on our overall business, results of operations or financial condition. Furthermore, the potential physical impacts of climate change on our facilities, suppliers and customers and therefore on our operations are highly uncertain and will be particular to the circumstances in various geographical regions. These may include long-term changes in temperature levels and water availability. These potential physical effects may adversely impact the demand for our products and the cost, production, sales and financial performance of our operations.

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 FVTPL or through other comprehensive income, depending on the basis of the entity’s business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification requirements for financial liabilities are unchanged from IAS 39. IFRS 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in other comprehensive income, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focused on how an entity manages its risks, replaces the IAS 39 effectiveness testing requirements with the principle of an economic relationship, and eliminates the requirement for retrospective assessment of hedge effectiveness. The new requirements for impairment of financial assets introduce an expected loss impairment model that requires more timely recognition of expected credit losses. IAS 39 impairment requirements are based on an incurred loss model where credit losses are not recognized until there is evidence of a trigger event. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is 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. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Share-based Payment ["IFRS 2"]
In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the amendments to IFRS 2 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.

In 2016 AGI acquired Entringer, NuVision, Mitchell and Yargus. See "Acquisitions". 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 the financial information of Entringer, NuVision, Mitchell and Yargus. The following is the summary financial information pertaining to VIS, Entringer, NuVision and Mitchell that were included in AGI's consolidated financial statements for the year December 31, 2016:

(thousands of dollars)	**Entringer**	**NuVision**	**Mitchell**	**Yargus**
Revenue	$6,811	$16,217	$9,382	$6,750
Profit (loss)	$(1,975)	$1,074	$(176)	$(329)
Current assets[1]	$7,467	$5,929	$8,834	$12,522
Non-current assets[1]	$40,403	$20,890	$24,457	$64,197
Current liabilities[1]	$6,348	$16,360	$11,816	$15,654
Non-current liabilities[1]	$0	$0	$153	$593

Note 1 - Balance sheet as at December 31, 2016

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended December 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", "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 impairment charges related to discontinued operations. References to "adjusted EBITDA" are to EBITDA before the Company's gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, gains or losses on financial instruments, non-cash contingent consideration expenses, provisions related to the cancellation of a U.S. distributor and an international customer, and expenses related to corporate acquisition activity. Adjusted EBITDA excludes the results of former AGI divisions Applegate and Mepu as the previously announced strategic review of these assets resulted in their sale in 2016. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company's performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows.

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 former AGI divisions Applegate and Mepu as the previously announced strategic review of these assets resulted in their sale in 2016.

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 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.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. Forward-looking information 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 information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for sales and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of the recent acquisitions and the contribution therefrom. Such forward-looking information reflects 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 information involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including changes in international, national and local macroeconomic and business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange rates, the availability of credit for customers, competition and AGI’s failure to achieve the expected benefits of its 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 Information. We cannot assure readers that actual results will be consistent with these forward-looking information and we undertake no obligation to update such information 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).