



Ag Growth Announces Record Third Quarter Results; Declares Dividends

Winnipeg, MB, November 11, 2014 – Ag Growth International Inc. (TSX: AFN) (“AGI” or the “Company”) today announced its financial results for the three and nine month periods ended September 30, 2014, and declared dividends for December 2014, January 2015 and February 2015.

Overview of Results

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Trade sales ⁽¹⁾	\$118,818	\$116,537	\$317,422	\$270,332
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$26,718	\$24,142	\$65,231	\$49,519
Net Profit	\$8,653	\$12,718	\$23,509	\$22,073
Diluted profit per share	\$0.65	\$0.95	\$1.76	\$1.73
Diluted adjusted profit per share ⁽¹⁾	\$1.09	\$0.77	\$2.32	\$1.51

(1) See “Non-IFRS Measures”.

(2) To better align the Company’s Adjusted EBITDA metric with operating cash flow AGI has revised its method of calculating Adjusted EBITDA to exclude non-cash share based compensation expenses. For the three and nine month periods ended September 30, 2014 this non-cash expense was \$1.8 million (2013 - \$0.8 million) and \$3.5 million (2013 - \$2.2 million), respectively. See “Explanation of Operating Results” in the accompanying management’s discussion and analysis (the “MD&A”) for comments on the expense and “EBITDA Reconciliation” for a reconciliation from Profit before Taxes to Adjusted EBITDA and EBITDA.

The third quarter of 2014 was the fifth consecutive record quarter for AGI in terms of both trade sales and Adjusted EBITDA. Sales of on-farm portable grain handling equipment increased in the quarter against a very strong 2013 comparative as AGI responded to heightened demand that resulted largely from the expectation of a record corn crop in the U.S. Commercial equipment sales also increased significantly as AGI directed its production capacity in the quarter towards domestic demand that resulted from continued investment in agricultural infrastructure. International sales decreased compared to a record Q3 2013 as significant gains in Latin America were more than offset by weakness in AGI’s Finland-based Mepu’s regional market and the previously disclosed delay in certain Ukrainian projects. AGI’s international backlog greatly exceeds the prior year and management expects a strong fourth quarter with a significant book of business carried into 2015. As a result of a robust international order book combined with a very large, and late, crop in the U.S. management anticipates a very strong fourth quarter and holds a positive view towards the Company’s entry into 2015 (see “Outlook”).

“We are very pleased to report record Adjusted EBITDA for the fifth consecutive quarter,” said Gary Anderson, President and Chief Executive Officer. “We are grateful for the exceptional efforts put forth by our employees to ensure that our customers’ in-season demands were satisfied. Double digit growth in our portable grain handling space substantiates our assertion that the primary demand driver for our business is crop volume rather than commodity prices. With back to back record corn harvests in the USA and resultant low post harvest dealer inventory, AGI can expect continued strong demand from its core market into 2015.”

“International sales held up remarkably well given the crisis in Ukraine. Our team has done an outstanding job solidifying business in the region while concurrently developing rapid growth in other parts of the world. Our international sales in the first ten months of 2014 plus the order backlog at the end of October 2014 totaled an impressive \$123 million, compared to \$92 million at the same time in 2013. Our momentum in Latin America is reflected in these numbers where at the end of October 2014 sales for the year plus outstanding backlog totaled \$23.5 million compared to \$3.4 million in 2013. I am also pleased to say that the execution of our organic growth strategy in Brazil is officially under way. We are very fortunate to have attracted several highly experienced and respected industry players to form the nucleus of our Brazilian team. Our sales office in Sao Paulo opened November 1st and the quotation of commercial grain handling projects is underway. We look forward to our growth in Brazil leading to a much more diverse international profile.”

Profit and Profit per Share

The comparison of diluted profit and diluted profit per share between the current and prior periods is significantly impacted by the non-cash items in the table below:

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of dollars)	2014	2013	2014	2013
Profit as reported	\$8,653	\$12,718	\$23,509	\$22,073
Diluted profit per share as reported	\$0.65	\$0.95	\$1.76	\$1.73
Significant reconciling items:				
Loss (gain) on foreign exchange	5,231	(717)	6,816	2,211
Non-cash share based compensation expense ⁽²⁾	745	(124)	496	(372)
Non-cash loss on available-for-sale investment	0	0	1,100	0
Loss (gain) on sale of property, plant and equipment	<u>(12)</u>	<u>1</u>	<u>(930)</u>	<u>(4,666)</u>

Adjusted profit ⁽¹⁾	<u>\$14,617</u>	<u>\$11,878</u>	<u>\$30,991</u>	<u>\$19,246</u>
Diluted adjusted profit per share ⁽¹⁾	<u>\$1.09</u>	<u>\$0.77</u>	<u>\$2.32</u>	<u>\$1.51</u>

- (1) See “Non-IFRS Measures”.
- (2) The third quarter of 2014 included a non-cash share based compensation expense of 0.7 million that related to employee service periods from January 1, 2013 to June 30, 2014 as the Company increased its estimate of the ultimate payout under the share based compensation plan. The expense related to previous service periods is reflected as an adjustment in the table above.

OUTLOOK

Overview

AGI’s primary demand driver in North America is the volume of grain grown, followed by the magnitude of on-farm storage, commodity prices and conditions during harvest. The industry environment currently is suggestive of very high levels of demand as U.S. farmers are expected to harvest a record crop and moderating and volatile commodity prices may incentivize producers in Canada and the U.S. to store more grain on the farm, resulting in increased use of handling equipment as well as higher sales of storage and aeration equipment. As well, a late harvest in the U.S. has led to a prolonged in-season sales period.

Sales of portable handling equipment have benefited from these demand drivers and strong on-farm demand is anticipated to continue as the U.S. harvest progresses well into the fourth quarter of 2014. Management anticipates low levels of inventory throughout the Company’s U.S. distribution network post-harvest will lead to strong dealer participation in preseason programming, increasing demand later in the fourth quarter but more significantly in the first half of 2015. Demand for commercial equipment remains very strong as North American commercial grain handlers continue to focus on efficiencies and add capacity in response to fluctuating agricultural commodity prices and a long-term trend towards higher grain production. In Canada, the dissolution of the Canadian Wheat Board monopoly may further stimulate demand for commercial equipment.

AGI’s international business has grown substantially in recent years and the Company’s international order backlog as at September 30, 2014 is significantly higher compared to the prior year. Current political and economic volatility in Ukraine, however, has delayed completion of a large port project and may defer new business (see “AGI Activity in Ukraine”). Management anticipates a favourable outcome with regards to the delayed Ukrainian order however at the time of writing it is difficult to predict whether shipping will resume in 2014. The Company has added new business and continues to quote on new projects in Ukraine, primarily with multinational grain handlers. AGI expects sales to increase in a number of its international markets, including Latin America where as at October 31, 2014 sales for the year plus outstanding orders are approximately \$23.5 million, compared to total sales and backlog is \$3.4 million in 2013. In addition, the Company continues to grow its business in Africa and the Asia Pacific region. On balance, management is pleased with its expanding international footprint, particularly its momentum in Latin America, however based on current conditions overall international sales in 2014 are not expected to reach the record levels achieved in 2013.

On balance, strong North American demand for portable and commercial grain handling equipment are anticipated to drive results in the fourth quarter of 2014 and based on current conditions management anticipates fourth quarter Adjusted EBITDA will exceed the record 2013 results. Management expects to enter 2015 with excellent backlogs both domestically and overseas and remains very optimistic regarding the Company's prospects for the upcoming year.

AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars. The Company's U.S. dollar denominated sales exceed U.S. dollar denominated expenses and accordingly a weaker Canadian dollar relative to the U.S. dollar positively impacts adjusted EBITDA. For the year ended December 31, 2013, AGI's average rate of exchange was \$1.03 and based on the current rate of exchange AGI's financial results in 2014 may continue to benefit from a weaker Canadian dollar compared to the prior year. A portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts.

Consistent with prior years, sales will be influenced by weather patterns, crop conditions and the timing of harvest and conditions during harvest. Changes in global macro-economic factors as well as sociopolitical factors in certain local or regional markets, including the ongoing uncertainty and volatility in Ukraine, 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. Results may also be impacted by changes in steel prices and other material input costs and the rate of exchange between the Canadian and U.S. dollars.

AGI Activity in Ukraine

AGI's international growth strategy has been very successful and in recent years offshore sales have increased significantly. In 2013, sales to Russia, Ukraine and Kazakhstan ("RUK") were \$57 million (2012 - \$27 million), with a significant majority of these in Ukraine. AGI has accounts receivable in RUK of \$32 million as at October 31, 2014, the value of which are 90% insured by Export Development Canada ("EDC"). We do not believe recent events in Ukraine have resulted in a significantly higher risk related to the collection of these receivables. AGI has no physical assets located in RUK.

Our business in Ukraine, as is the case with most of our new business in emerging markets, is primarily comprised of turn-key projects that bundle our commercial grain handling equipment with large diameter storage bins and are sold to large corporate farms, commercial grain handlers and port facilities. Our customers in Ukraine are predominantly well capitalized entities that either qualify for EDC insurance, direct financing or are able to pay cash in advance of shipment, and they generally transact a significant portion of their business in U.S. dollars and accordingly are largely insulated from volatility in local currencies. We remain in regular contact with our customers in the region and although some projects are experiencing delays there has not been an indication that their plans have

been substantially impacted by the recent events. We have been awarded new business in the region in recent months and we continue to ship product to customers in Ukraine.

In the nine months ended September 30, 2014 sales to RUK were \$29 million and as at September 30, 2014, the Company's order backlog for future shipments to RUK approximate \$41 million, the significant majority of which are in Ukraine. The Ukrainian backlog is heavily weighted towards a large port project that continues to experience delays related to economic volatility in the country. Management is in regular contact with the customer and as a result of recent developments is increasingly optimistic the Company will resume shipping in the near future. AGI has added new business and continues to quote on new projects in Ukraine, primarily with multinational grain handlers, as business development in the agricultural sector continues despite the existing political and economic volatility.

The situation in Ukraine and the region is very fluid. Although at this time our customers have not changed their view with respect to AGI projects this may change if the situation alters. Our business may also be adversely affected in the event of negative developments with respect to currency controls, trade sanctions, a deterioration in or expansion of the current political, social or military situation or if the current situation is protracted. Export Development Canada is currently reviewing new credit applications on a case-by-case basis and future business in the region may be constrained in the absence of export credit agency support.

Dividends

AGI today announced the declaration of cash dividends of \$0.20 per common share for the months of December 2014, January 2015 and February 2015. The dividends are eligible dividends for Canadian income tax purposes. AGI's current annualized cash dividend rate is \$2.40 per share.

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

Monthly dividend	Payable date	Record date
December 2014	January 15, 2015	December 31, 2014
January 2015	February 13, 2015	January 30, 2015
February 2015	March 13, 2015	February 27, 2015

MD&A and Financial Statements

AGI's financial statements and management's discussion and analysis for the three and nine month periods ended September 30, 2014 can be obtained at <http://media3.marketwire.com/docs/AFN1110Q329.pdf> and will also be available electronically from SEDAR (www.sedar.com) or from AGI's website (www.aggrowth.com).

Conference Call

Management will host a conference call at 8:30 am (ET) on Tuesday, November 11, 2014 to review the Company's 2014 third quarter financial results and discuss the Westeel Transaction. Persons who wish to participate can access the call using the following numbers: 416-340-2216 or 1-866-225-0198. A presentation outlining the Transaction will be available on AGI's website at www.aggrowth.com.

The conference call will be webcast at: [Q3 Financial Results and Westeel Transaction](#).

A replay of the conference call will be available until November 24, 2014. Those who wish to access the replay may use the following numbers: 905-694-9451 or 1-800-408-3053 (passcode: 9819564).

Company Profile

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

For More Information Contact:

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Non-IFRS Measures

References to "trade sales" are to sales net of the gain or loss on foreign exchange. References to "EBITDA" are to profit before income taxes, finance costs, depreciation, amortization, impairment charges related to goodwill, intangibles or available for sale assets, non-cash share based compensation expense, non-cash loss on available-for-sale investment and loss (gain) on sale of property, plant and equipment. References to "Adjusted EBITDA" are to EBITDA before the Company's gain or loss on foreign

exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses and expenses related to corporate acquisition activity. Management believes that, in addition to sales, profit or loss and cash flows from operating, investing, and financing activities, trade sales, EBITDA, Adjusted EBITDA and adjusted profit are useful supplemental measures in evaluating the Company's performance. Trade sales, EBITDA, Adjusted EBITDA and adjusted profit are not financial measures recognized by International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. Management cautions investors that trade sales, EBITDA, Adjusted EBITDA and adjusted profit should not replace sales or profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. AGI's method of calculating trade sales, EBITDA, Adjusted EBITDA and adjusted profit may differ from the methods used by other issuers.

Forward-Looking Statements

This press release contains forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. Forward-looking statements may contain such words as "anticipate", "believe", "continue", "could", "expects", "intend", "plans", "will" or similar expressions suggesting future conditions or events. In particular, the forward looking statements in this press release include statements relating to our business and strategy, including our outlook for our financial and operating performance. Such forward-looking statements reflect our current beliefs and are based on information currently available to us, including certain key expectations and assumptions concerning anticipated grain production in our market areas, financial performance, business prospects, strategies, product pricing, regulatory developments, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, foreign exchange rates and the cost of materials, labour and services. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including changes in international, national and local business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, foreign exchange rates, and competition. These risks and uncertainties are described under "Risks and Uncertainties" in AGI's management's discussion and analysis for the nine month period ended September 30, 2014 and in our most recently filed Annual Information Form. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. We cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

AG GROWTH INTERNATIONAL INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
Dated: November 11, 2014

This Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth International Inc. (“AGI”, the "Company", "we", "our" or "us") for the year ended December 31, 2013 and the unaudited interim condensed consolidated financial statements of the Company for the three and nine-month periods ended September 30, 2014. Results are reported in Canadian dollars unless otherwise stated.

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

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

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

SUMMARY OF RESULTS

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

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Trade sales ⁽¹⁾	\$118,818	\$116,537	\$317,422	\$270,332
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$26,718	\$24,142	\$65,231	\$49,519
Net Profit	\$8,653	\$12,718	\$23,509	\$22,073
Diluted profit per share	\$0.65	\$0.95	\$1.76	\$1.73
Diluted adjusted profit per share ⁽¹⁾	\$1.09	\$0.77	\$2.32	\$1.51

(1) See “Non-IFRS Measures,

(2) To better align the Company’s Adjusted EBITDA metric with operating cash flow AGI has amended its calculation of Adjusted EBITDA to exclude non-cash share based compensation expenses. For the three and nine month periods ended September 30, 2014 this non-cash expense was \$1.8 million (2013 - \$0.8 million) and \$3.5 million (2013 - \$2.2 million), respectively. See “Explanation of Operating Results” below for comments on the expense and “EBITDA Reconciliation” for a reconciliation from Profit before Taxes to Adjusted EBITDA and EBITDA.

The third quarter of 2014 was the fifth consecutive record quarter for AGI in terms of both trade sales and Adjusted EBITDA. Sales of on-farm portable grain handling equipment increased in the

current period against a very strong 2013 comparative as AGI responded to heightened demand that resulted largely from the expectation of a record crop in the U.S. Commercial equipment sales also increased significantly as AGI directed its production capacity in the quarter towards domestic demand that resulted from continued investment in agricultural infrastructure. International sales decreased compared to a record Q3 2013 as significant gains in Latin America were more than offset by weakness in AGI's Finland-based Mepu's regional market and the previously disclosed delay in certain Ukrainian projects. AGI's international backlog greatly exceeds the prior year and management expects a strong fourth quarter with a significant book of business carried into 2015. As a result of a robust international order book combined with a very large, and late, crop in the U.S. management anticipates a very strong fourth quarter and holds a positive view towards the Company's entry into 2015 (see "Outlook").

Trade Sales (see "Non-IFRS Measures")

Trade sales were at record levels in the three and nine month periods ended September 30, 2014 due to the carryover effect of a strong 2013 North American crop, the potential for record crop volumes in the U.S. in 2014, higher sales of grain storage and conditioning equipment in Canada and the continued expansion of the commercial grain handling infrastructure in North America and internationally.

(\$000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	Change	2014	2013	Change
Canada	\$28,012	\$18,488	52%	\$81,838	\$58,277	40%
US	\$67,609	\$57,866	17%	\$178,430	\$144,825	23%
International	\$23,197	\$40,183	(42%)	\$57,154	\$67,230	(15%)
Total	\$118,818	\$116,537	2%	\$317,422	\$270,332	17%

AGI posted record sales in Canada for the three and nine month periods ended September 30, 2014 of \$28.0 million (up 52% over 2013) and \$81.8 million (up 40% over 2013), respectively. Sales of on-farm grain handling, storage and aeration products were very strong due to positive on-farm fundamentals, the result of the carryover effect of a record 2013 harvest, an increase in the levels of grain stored on-farm that resulted from low commodity prices combined with and transportation logistic issues and increased activity in the commercial infrastructure space that was partially caused by the dissolution of the Canadian Wheat Board monopoly.

Sales in the United States were also at record levels in the three and nine month periods ended September 30, 2014 and exceeded prior year sales by 17% and 23%, respectively. Strong demand for on-farm portable equipment in the first half of the year, the result of a then record 2013 harvest, has been augmented by the expectation of a second consecutive record crop. Sales of commercial equipment increased substantially compared to the prior year due to continued investment in commercial grain handling infrastructure.

AGI's international sales for the three and nine months ended September 30, 2014 were \$23.2 million (2013 - \$40.2 million) and \$57.2 million (2013 - \$67.2 million), respectively. The Company delivered solid growth in Latin America with sales of \$8.2 million (2013 - \$0.6 million) and the Asia Pacific region with sales of \$3.2 million (2013 - \$2.4 million) in the nine months ended

September 30, 2014, however the Company was unable to match the record 2013 results largely due to the issues in Russia and Ukraine including a delay in a large Ukrainian project the majority of which management expects to deliver in early 2015. In addition, compared to the prior year, sales at Finland-based Mepu decreased \$2.6 million and \$4.6 million in the three and nine month periods, respectively.

See also "Outlook".

Gross Margin (see "Non-IFRS Measures")

The Company's gross margin percentage for the three months ended September 30, 2014 was 35.3% (2013 – 32.8%) and for the nine months then ended was 35.2% (2013 – 33.3%). AGI was able to increase gross margin percentages compared to the prior year despite an increase in certain input costs primarily due to production volume efficiencies, sales product mix, price increases and the benefit of a weaker Canadian dollar.

Adjusted EBITDA (see "Non-IFRS Measures")

Adjusted EBITDA for the three and nine months ended September 30, 2014 was \$26.7 million (2013 - \$24.1 million) and \$65.2 million (2013 - \$49.5 million), respectively. The record results in the current year are primarily due to the effect of high levels of North American crop production in 2013, the expectation of a second consecutive record harvest in the U.S. in 2014, a weaker Canadian dollar and continued global investment into grain handling infrastructure.

Diluted profit per share and Diluted adjusted profit per share

Diluted profit per share for the three months ended September 30, 2014 was \$0.65 (2013 - \$0.95) and for the nine months then ended was \$1.76 (2013 - \$1.73). The table below reconciles to diluted adjusted profit per share and displays the significant variances between the comparative periods.

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of dollars)	2014	2013	2014	2013
Profit as reported	\$8,653	\$12,718	\$23,509	\$22,073
Diluted profit per share as reported	\$0.65	\$0.95	\$1.76	\$1.73
Significant reconciling items:				
Loss (gain) on foreign exchange	5,231	(717)	6,816	2,211
Non-cash share based compensation expense ⁽²⁾	745	(124)	496	(372)
Non-cash loss on available-for-sale investment	0	0	1,100	0
Loss (gain) on sale of property, plant and equipment	(12)	1	(930)	(4,666)
Adjusted profit ⁽¹⁾	<u>\$14,617</u>	<u>\$11,878</u>	<u>\$30,991</u>	<u>\$19,246</u>
Diluted adjusted profit per share ⁽¹⁾	<u>\$1.09</u>	<u>\$0.77</u>	<u>\$2.32</u>	<u>\$1.51</u>

- (1) See “Non-IFRS Measures”
- (2) The third quarter of 2014 included a non-cash share based compensation expense of 0.7 million that related to employee service periods from January 1, 2013 to June 30, 2014 as the Company increased its estimate of the ultimate payout under the share based compensation plan. The expense related to previous service periods is reflected as an adjustment in the table above.

CORPORATE OVERVIEW

AGI is a manufacturer of agricultural equipment with a focus on grain handling, storage and conditioning products. Our products service most agricultural markets including the individual farmer, corporate farms and commercial operations. Our business is affected by regional and global trends in grain volumes, on-farm and commercial grain storage and handling practices, and crop prices. Our business is seasonal, with higher sales occurring in the second and third calendar quarters compared with the first and fourth quarters. We manufacture in Canada, the U.S. and Europe and we sell products globally, with most of our sales in the U.S.

Our business is sensitive to fluctuations in the value of the Canadian and U.S. dollars as a result of our exports from Canada to the U.S. and as a result of earnings derived from our U.S. based divisions. Fluctuations in currency impact our results even though we engage in currency hedging with the objective of partially mitigating our exposure to these fluctuations. The Company’s average rate of foreign exchange per USD \$1.00 in the three and nine months ended September 30, 2014 was CAD \$1.09 in both periods (2013 - \$1.04 and \$1.03 in the three and nine months respectively).

Our business is also sensitive to fluctuations in input costs, especially steel, a principal raw material in our products, which represented approximately 28% of the Company’s production costs in the nine-month period ended September 30, 2014. Short-term fluctuations in the price of steel impact our financial results even though we strive to partially mitigate our exposure to such fluctuations through the use of long-term purchase contracts, bidding commercial projects based on current input costs and passing input costs on to customers through sales price increases.

OUTLOOK

Overview

AGI’s primary demand driver in North America is the volume of grain grown, followed by the magnitude of on-farm storage, commodity prices and conditions during harvest. The industry environment currently is suggestive of very high levels of demand as U.S. farmers are expected to harvest a record crop and moderating and volatile commodity prices may incentivize producers in Canada and the U.S. to store more grain on the farm, resulting in increased use of handling equipment as well as higher sales of storage and aeration equipment. As well, a late harvest in the U.S. has led to a prolonged in-season sales period.

Sales of portable handling equipment have benefited from these demand drivers and strong on-farm demand is anticipated to continue as the U.S. harvest progresses well into the fourth quarter of 2014. Management anticipates low levels of inventory throughout the Company’s U.S. distribution network post-harvest will lead to strong dealer participation in preseason programming, increasing demand later in the fourth quarter but more significantly in the first half of 2015. Demand for commercial equipment remains very strong as North American commercial grain handlers continue to focus on efficiencies and add capacity in response to fluctuating agricultural

commodity prices and a long-term trend towards higher grain production. In Canada, the dissolution of the Canadian Wheat Board monopoly may further stimulate demand for commercial equipment.

AGI's international business has grown substantially in recent years and the Company's international order backlog as at September 30, 2014 is significantly higher compared to the prior year. Current political and economic volatility in Ukraine, however, has delayed completion of a large port project and may defer new business (see "AGI Activity in Ukraine"). Management anticipates a favourable outcome with regards to the delayed Ukrainian order however at the time of writing it is difficult to predict whether shipping will resume in 2014. The Company has added new business and continues to quote on new projects in Ukraine, primarily with multinational grain handlers. AGI expects sales to increase in a number of its international markets, including Latin America where as at October 31, 2014 sales for the year plus outstanding orders are approximately \$23.5 million, compared to total sales and backlog is \$3.4 million in 2013. In addition, the Company continues to grow its business in Africa and the Asia Pacific region. On balance, management is pleased with its expanding international footprint, particularly its momentum in Latin America, however based on current conditions overall international sales in 2014 are not expected to reach the record levels achieved in 2013.

On balance, strong North American demand for portable and commercial grain handling equipment are anticipated to drive results in the fourth quarter of 2014 and based on current conditions management anticipates fourth quarter Adjusted EBITDA will exceed the record 2013 results. Management expects to enter 2015 with excellent backlogs both domestically and overseas and remains very optimistic regarding the Company's prospects for the upcoming year.

AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars. The Company's U.S. dollar denominated sales exceed U.S. dollar denominated expenses and accordingly a weaker Canadian dollar relative to the U.S. dollar positively impacts adjusted EBITDA. For the year ended December 31, 2013, AGI's average rate of exchange was \$1.03 and based on the current rate of exchange AGI's financial results in 2014 may continue to benefit from a weaker Canadian dollar compared to the prior year. A portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts (see "Financial Instruments").

Consistent with prior years, sales will be influenced by weather patterns, crop conditions and the timing of harvest and conditions during harvest. Changes in global macro-economic factors as well as sociopolitical factors in certain local or regional markets, including the ongoing uncertainty and volatility in Ukraine, 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. Results may also be impacted by changes in steel prices and other material input costs and the rate of exchange between the Canadian and U.S. dollars. (See also, "Risk and Uncertainties").

AGI Activity in Ukraine

AGI's international growth strategy has been very successful and in recent years offshore sales have increased significantly. In 2013, sales to Russia, Ukraine and Kazakhstan ("RUK") were \$57 million (2012 - \$27 million), with a significant majority of these in Ukraine. AGI has accounts receivable in RUK of \$32 million as at October 31, 2014, the value of which are 90% insured by Export Development Canada ("EDC"). We do not believe recent events in Ukraine have resulted in a significantly higher risk related to the collection of these receivables. AGI has no physical assets located in RUK.

Our business in Ukraine, as is the case with most of our new business in emerging markets, is primarily comprised of turn-key projects that bundle our commercial grain handling equipment with large diameter storage bins and are sold to large corporate farms, commercial grain handlers and port facilities. Our customers in Ukraine are predominantly well capitalized entities that either qualify for EDC insurance, direct financing or are able to pay cash in advance of shipment, and they generally transact a significant portion of their business in U.S. dollars and accordingly are largely insulated from volatility in local currencies. We remain in regular contact with our customers in the region and although some projects are experiencing delays there has not been an indication that their plans have been substantially impacted by the recent events. We have been awarded new business in the region in recent months and we continue to ship product to customers in Ukraine.

In the nine months ended September 30, 2014 sales to RUK were \$29 million and as at September 30, 2014, the Company's order backlog for future shipments to RUK approximate \$41 million, the significant majority of which are in Ukraine. The Ukrainian backlog is heavily weighted towards a large port project that continues to experience delays related to economic volatility in the country. Management is in regular contact with the customer and as a result of recent developments is increasingly optimistic the Company will resume shipping in the near future. AGI has added new business and continues to quote on new projects in Ukraine, primarily with multinational grain handlers, as business development in the agricultural sector continues despite the existing political and economic volatility.

The situation in Ukraine and the region is very fluid. Although at this time our customers have not changed their view with respect to AGI projects this may change if the situation alters. Our business may also be adversely affected in the event of negative developments with respect to currency controls, trade sanctions, a deterioration in or expansion of the current political, social or military situation or if the current situation is protracted. Export Development Canada is currently reviewing new credit applications on a case-by-case basis and future business in the region may be constrained in the absence of export credit agency support. (See also, "Risk and Uncertainties - International Sales and Operations").

DETAILED OPERATING RESULTS

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Trade sales ⁽¹⁾	\$118,818	\$116,537	\$317,422	\$270,332
Loss on FX	<u>(3,903)</u>	<u>(90)</u>	<u>(5,391)</u>	<u>(1,018)</u>
Sales	<u>114,915</u>	<u>116,447</u>	<u>312,031</u>	<u>269,314</u>
Cost of inventories	76,874	78,363	205,824	180,190
Depreciation/Amortization	<u>1,685</u>	<u>1,447</u>	<u>5,041</u>	<u>4,262</u>
Cost of sales	<u>78,559</u>	<u>79,810</u>	<u>210,865</u>	<u>184,452</u>

General and administrative	17,342	14,861	50,305	42,924
M&A activity	979	103	1,159	253
Depreciation/ amortization	1,274	1,072	3,724	3,200
Impairment of investment ⁽²⁾	0	0	1,100	0
Other operating income	(70)	(16)	(1,058)	(4,729)
Finance costs	2,283	3,382	8,826	10,040
Finance expense (income)	<u>1,056</u>	<u>(807)</u>	<u>1,109</u>	<u>1,192</u>
Profit before income taxes	13,492	18,042	36,001	31,982
Current income taxes	1,298	3,519	4,040	5,963
Deferred income taxes	<u>3,541</u>	<u>1,805</u>	<u>8,452</u>	<u>3,946</u>
Profit for the period	<u>\$8,653</u>	<u>\$12,718</u>	<u>\$23,509</u>	<u>\$22,073</u>
Net profit per share				
Basic	<u>\$0.66</u>	<u>\$1.01</u>	<u>\$1.80</u>	<u>\$1.76</u>
Diluted	<u>\$0.65</u>	<u>\$0.95</u>	<u>\$1.76</u>	<u>\$1.73</u>

(1) See “Non-IFRS Measures”.

(2) See “Impairment of Investment” below.

EBITDA RECONCILIATION

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Profit before income taxes	\$13,492	\$18,042	\$36,001	\$31,982
Impairment of available for sale investment	0	0	1,100	0
Finance costs	2,283	3,382	8,826	10,040
Depreciation/amortization in cost of sales	1,685	1,447	5,041	4,262
Depreciation/ amortization in SG&A expenses	<u>1,274</u>	<u>1,072</u>	<u>3,724</u>	<u>3,200</u>
EBITDA ⁽¹⁾	18,734	23,943	54,692	49,484
Loss on FX in sales	3,903	90	5,391	1,018
Loss (gain) on FX in finance income	1,328	(807)	1,425	1,193

Non-cash Share Based Compensation	1,786	812	3,494	2,237
M&A activity	979	103	1,159	253
Loss (gain) on sale of property, plant & equipment	(12)	1	(930)	(4,666)
Adjusted EBITDA ⁽¹⁾	<u>\$26,718</u>	<u>\$24,142</u>	<u>\$65,231</u>	<u>\$49,519</u>
Adjusted EBITDA as a % of trade sales	<u>22%</u>	<u>21%</u>	<u>21%</u>	<u>18%</u>

(1) See “Non-IFRS Measures”.

ASSETS AND LIABILITIES

(thousands of dollars)	September 30 2014	December 31 2013	September 30 2013
Total assets	\$434,435	\$485,636	\$409,256
Total liabilities	\$204,797	\$288,658	\$213,659

EXPLANATION OF OPERATING RESULTS

Trade sales

(\$000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	Change	2014	2013	Change
Canada	\$28,012	\$18,488	52%	\$81,838	\$58,277	40%
US	67,609	57,866	17%	178,430	144,825	23%
International	23,197	40,183	(42%)	57,154	67,230	(15%)
Total	\$118,818	\$116,537	2%	\$317,422	\$270,332	17%

Canada

AGI posted record sales in Canada for the three and nine month periods ended September 30, 2014 of \$28.0 million (up 52% over 2013) and \$81.8 million (up 40% over 2013), respectively. Sales of on-farm grain handling, storage and aeration products were very strong due to positive on-farm fundamentals, the result of the carryover effect of a record 2013 harvest, an increase in the levels of grain stored on-farm that resulted from low commodity prices and transportation logistics and increased activity in the commercial infrastructure space that has resulted in part in response to the dissolution of the Canadian Wheat Board monopoly.

United States

Sales in the United States were also at record levels in the three and nine month periods ended September 30, 2014 and exceeded prior year sales by 17% and 23%, respectively. Strong demand for on-farm portable equipment in the first half of the year, the result of a then record 2013 harvest, has been augmented by the potential for a second consecutive record crop. Sales of commercial equipment increased substantially compared to the prior year due to continued investment in commercial grain handling infrastructure.

International

AGI's international sales for the three and nine months ended September 30, 2014 were \$23.2 million (2013 - \$40.2 million) and \$57.2 million (2013 - \$67.2 million), respectively. The Company delivered solid growth in Latin America with sales of \$8.2 million (2013 - \$0.6 million) and the Asia Pacific region with sales of \$3.2 million (2013 - \$2.4 million) in the nine months ended September 30, 2014, however the Company was unable to match the record 2013 results largely due to a delay in a large Ukrainian project the majority of which management expects to deliver in 2015. In addition, compared to the prior year, sales at Finland-based Mepu decreased \$2.6 million and \$4.7 million in the three and nine month periods, respectively.

Gross Profit and Gross Margin

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Trade sales	\$118,818	\$116,537	\$317,422	\$270,332
Cost of inventories ⁽¹⁾	<u>76,874</u>	<u>78,363</u>	<u>205,824</u>	<u>180,190</u>
Gross Margin	<u>\$41,944</u>	<u>\$38,174</u>	<u>\$111,598</u>	<u>\$90,142</u>
Gross Margin ⁽¹⁾ (as a % of trade sales)	35.3%	32.8%	35.2%	33.3%
Gross Margin ⁽²⁾ , excluding goods purchased for resale	36.0%	34.4%	36.0%	34.4%

(1) Excludes depreciation and amortization included in cost of sales.

(2) As per ⁽¹⁾ but excluding goods purchased for resale and services provided by third parties. See explanation below.

The Company's gross margin percentage for the three and nine months ended September 30, 2014 was 35.3% (2013 – 32.8%) and 35.2% (2013 – 33.3%), respectively. AGI was able to maintain a strong gross margin percentage despite an increase in certain input costs due to production volume efficiencies, sales product mix, price increases and the benefit of a weaker Canadian dollar.

On an earnings basis, AGI benefits from a weaker Canadian dollar as its U.S. dollar denominated sales significantly exceed costs denominated in that currency. On a gross margin percentage basis

however, the benefit of a weaker Canadian dollar relates only to AGI's Canadian divisions that derive U.S. dollar revenues in excess of U.S. dollar costs.

AGI will often provide complete grain storage and handling systems when selling internationally and these projects may include equipment not currently manufactured by the Company or services not provided by the Company. AGI outsources this equipment and the services and passes through the cost to the customer at a low gross margin percentage. Excluding these items, the Company's gross margin for the three and nine months ended September 30, 2014 was 36.0% in both periods (2013 – 34.4% in both periods).

General and Administrative Expenses

For the three months ended September 30, 2014, selling, general & administrative expenses were \$17.3 million (15% of sales) compared to \$14.9 million (13% of sales) in 2013 and for the nine months then ended were \$50.3 million (16% of sales) compared to \$42.9 million (16% of sales) in 2013. The increase from 2013 is largely due to the following:

- Salaries and wages increased \$1.0 million and \$1.2 million in the three and nine month periods ended September 30, 2014 as engineering and other resources were added to accommodate growth and due to higher bonus accruals compared to the prior year.
- Sales and marketing expenses for the three and nine months September 30, 2014 increased \$0.2 million and \$1.6 million, respectively, due largely to higher sales commissions, additional personnel at the divisional level to support growth as well as continued investment to support the Company's international sales team.
- Expenses related to M&A activity increased \$0.9 million in both the three and nine month periods ended September 30, 2014 due to increased third party expenses related to M&A opportunities.
- Third party commission expense in the three and nine months ended September 30, 2014 increased \$0.5 million and \$1.1 million, respectively, primarily due to higher sales of on-farm distributed products and international customer sales mix.
- Share based compensation expenses increased \$1.0 million and \$1.3 million over the three and nine month periods in 2013 as additional awards were granted in August 2013 and January 2014 and the third quarter of 2014 included an expense of \$0.7 million that related to employee service periods from January 1, 2013 to June 30, 2014 as the Company increased its estimate of the ultimate payout under the share based compensation plan. Based on current participation and achievement expectations the expense going forward will approximate \$1.0 million per quarter until awards begin to vest. The expense in future periods may increase or decrease in the event of a change in the achievement assumption.
- The remaining variance is the result of a number of offsetting factors with no individual variance larger than \$0.5 million.

EBITDA and Adjusted EBITDA

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
EBITDA ⁽¹⁾	\$18,734	\$23,943	\$54,692	\$49,484
Adjusted EBITDA ⁽¹⁾	\$26,718	\$24,142	\$65,231	\$49,519

(1) See the EBITDA reconciliation table above and "Non-IFRS Measures".

EBITDA and adjusted EBITDA increased significantly compared to 2013 due to a substantial increase in sales as AGI capitalized on positive market conditions in 2014 while the first half of 2013 was negatively impacted by a poor 2012 harvest. Solid gross margins that resulted from a strong operational performance and a weaker Canadian dollar, partially offset by higher input costs, also impacted the increase from 2013. See “EBITDA Reconciliation” above for a reconciliation between these measures.

Impairment of investment

In fiscal 2009 AGI invested \$2 million in a privately held Canadian farming company (“Investco”). In conjunction with AGI’s investment, Investco made a \$2 million deposit to AGI for future purchases of grain handling and storage equipment to support their farming operations and AGI was to become a strategic supplier to Investco. In the second quarter of 2014 AGI concluded its investment in Investco was impaired and as a result recorded a \$1.1 million charge to reflect management’s estimate of the fair value of its investment in Investco.

Finance Costs

The Company’s bank indebtedness as at September 30, 2014 was nil (December 31, 2013– nil; September 30, 2013 - \$3.7 million) and its outstanding long-term debt was \$53.0 million (December 31, 2013 - \$26.4 million; September 30, 2013 - \$36.3 million). In December 2013 upon the issuance of its 2013 debentures, AGI repaid U.S. \$10.5 million of non-amortizing term debt. In January 2014, the redemption of the Company’s 2009 debentures was partially financed through a \$25.0 million draw on the Company’s credit facility.

Long-term debt at September 30, 2014 is primarily comprised of U.S. \$25.0 million of non-amortizing secured notes that bear interest at 6.80% and mature October 29, 2016 and \$25.0 million of non-amortizing debt drawn under the Company’s revolver facility. See “Capital Resources” for a description of the Company’s credit facilities. As at September 30, 2014 the Company had outstanding \$86.2 million aggregate principal amount of 5.25% convertible unsecured subordinated debentures that were issued in December 2013 (see “Capital Resources”).

Finance costs for the three and nine months ended September 30, 2014 were \$2.3 million (2013 - \$3.4 million) and \$8.8 million (2013 - \$10.0 million), respectively. The lower expense in the third quarter of 2014 compared to the prior year reflects AGI’s lower cost of debt subsequent to the refinancing of its 2009 debentures in the first quarter of 2014. Finance costs in the nine month period include a non-cash expense of \$1.2 million resulting from the amortization of finance fees and accretion related to the redemption of AGI’s 2009 debentures (see “Convertible Debentures”) and also include interest of \$0.4 million related to the Company’s 2009 debentures that were redeemed on January 20, 2014.

Finance costs also include non-cash interest related to debenture accretion and the amortization of deferred finance costs related to AGI’s 2013 debentures, stand-by fees and other sundry cash interest.

Finance Expense (Income)

Finance expense (income) in both periods relates primarily to the non-cash gain or loss 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 the three months ended September 30, 2014 was primarily related to interest income and for the nine months then ended also included the gain on the sale of a manufacturing facility in Swift Current, SK, made redundant when AGI purchased a larger facility to house the Company's Swift Current, SK operations. Other operating income in the nine months ended September 30, 2013 was primarily related to a \$4.7 million gain on the sale of a facility in Saskatoon, SK, made redundant through reallocation of production to other AGI facilities.

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. Total depreciation and amortization is summarized below:

Depreciation (thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Depreciation in cost of sales	\$1,539	\$1,373	\$4,635	\$4,052
Depreciation in G&A	<u>156</u>	<u>125</u>	<u>460</u>	<u>395</u>
Total Depreciation	<u>\$1,695</u>	<u>\$1,498</u>	<u>\$5,095</u>	<u>\$4,447</u>

Amortization (thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Amortization in cost of sales	\$146	\$74	\$406	\$210
Amortization in G&A	<u>1,118</u>	<u>947</u>	<u>3,264</u>	<u>2,805</u>
Total Amortization	<u>\$1,264</u>	<u>\$1,021</u>	<u>\$3,670</u>	<u>\$3,015</u>

Current income tax expense

For the three and nine months ended September 30, 2014 the Company recorded current tax expense of \$1.3 million and \$4.0 million, respectively (2013 – \$3.5 million and \$6.0 million). Current tax expense relates primarily to Ag Growth U.S. subsidiaries.

Deferred income tax expense

For the three and nine months ended September 30, 2014, the Company recorded deferred tax expense of \$3.5 million and \$8.5 million, respectively (2013 – \$1.8 million and \$3.9 million). Deferred tax expense in 2014 relates to the utilization of deferred tax assets plus a decrease in deferred tax liabilities that related to the application of corporate tax rates to reversals of temporary differences between the accounting and tax treatment of depreciable assets and intangible assets.

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 on foreign exchange. For the nine month period ending September 30, 2014, the Company offset \$7.1 million of Canadian tax otherwise payable (2013 - \$3.5 million) through the use of these attributes and since the date of Conversion a cumulative amount of \$36.3 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company’s income statement and the unused tax attributes of \$34.4 million are recorded as an asset on the Company’s balance sheet. See "Risks and Uncertainties – Income Tax Matters".

Effective tax rate (thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Current tax expense	\$ 1,298	\$3,519	\$ 4,040	\$5,963
Deferred tax expense	<u>3,541</u>	<u>1,805</u>	<u>8,452</u>	<u>3,946</u>
Total tax	<u>\$ 4,839</u>	<u>\$5,324</u>	<u>\$12,492</u>	<u>\$ 9,909</u>
Profit before taxes	\$13,492	\$18,042	\$36,001	\$31,982
Total tax %	35.9%	29.5%	34.7%	31.0%

The total tax percentage is impacted by a number of non-cash income statement items as described in “Diluted profit per share and Diluted adjusted profit per share” above. Total tax as a percentage of adjusted profit is calculated below:

Adjusted effective tax rate (thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Adjusted profit	\$ 14,617	\$11,878	\$30,991	\$19,246
Total tax	<u>\$ 4,839</u>	<u>\$5,324</u>	<u>\$12,492</u>	<u>\$ 9,909</u>
Adjusted profit before tax	<u>\$19,456</u>	<u>17,326</u>	<u>\$43,483</u>	<u>\$29,527</u>
Tax %	24.9%	30.7%	28.7%	33.6%

Profit and profit per share

For the three and nine months ended September 30, 2014, the Company reported net profit of \$8.7 million (2013 - \$12.7 million) and \$23.5 million (2013 - \$22.1 million), basic net profit per share of \$0.66 (2013 - \$1.01) and \$1.80 (2013 - \$1.76), and fully diluted net profit per share of \$0.65 (2013 - \$0.95) and \$1.76 (2013 - \$1.73).

Although sales and adjusted EBITDA increased compared to the prior year, profit and profit per share in the quarter ended September 30, 2014 decreased due to several non-cash items as illustrated below:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
(thousands of dollars)				
Profit as reported	\$8,653	\$12,718	\$23,509	\$22,073
Diluted profit per share as reported	\$0.65	\$0.95	\$1.76	\$1.73
Significant reconciling items:				
Loss (gain) on foreign exchange	5,231	(717)	6,816	2,211
Non-cash share based compensation expense ⁽²⁾	745	(124)	496	(372)
Non-cash loss on available-for-sale investment	0	0	1,100	0
Loss (gain) on sale of property, plant and equipment	(12)	1	(930)	(4,666)
Adjusted profit ⁽¹⁾	<u>\$14,617</u>	<u>\$11,878</u>	<u>\$30,991</u>	<u>\$19,246</u>
Diluted adjusted profit per share ⁽¹⁾	<u>\$1.09</u>	<u>\$0.77</u>	<u>\$2.32</u>	<u>\$1.51</u>

QUARTERLY FINANCIAL INFORMATION (thousands of dollars):

2014					
	Average USD/CAD Exchange Rate	Sales	Profit	Basic Profit per Share	Diluted Profit per Share
Q1	\$1.09	\$84,278	\$1,218	\$0.09	\$0.09
Q2	\$1.10	\$112,838	\$13,638	\$1.04	\$0.98
Q3	\$1.09	\$114,915	\$8,653	\$0.66	\$0.65
YTD	\$1.09	\$312,031	\$23,509	\$1.80	\$1.76

2013					
	Average USD/CAD Exchange Rate	Sales	Profit	Basic Profit per Share	Diluted Profit per Share
Q1	\$1.01	\$59,547	\$3,399	\$0.27	\$0.26
Q2	\$1.02	\$93,320	\$5,956	\$0.47	\$0.46
Q3	\$1.04	\$116,447	\$12,718	\$1.01	\$0.95
Q4	\$1.04	\$87,473	\$518	\$0.04	\$0.04
YTD	\$1.03	\$356,787	\$22,591	\$1.80	\$1.75

2012					
	Average USD/CAD Exchange Rate	Sales	Profit (loss)	Basic Profit (loss) per Share	Diluted Profit (loss) per Share
Q1	\$1.00	\$72,355	\$5,299	\$0.42	\$0.42
Q2	\$1.01	98,115	8,824	\$0.71	\$0.70
Q3	\$1.00	83,855	6,501	\$0.52	\$0.52
Q4	\$1.00	60,017	(3,436)	(\$0.28)	(\$0.27)
Fiscal 2012	\$1.00	\$314,342	\$17,188	\$1.38	\$1.37

Interim period sales and profit historically reflect seasonality. The third quarter is typically the strongest primarily due to the timing of construction of commercial projects and high 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.

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

- 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.
- A widespread drought in the U.S. impacted sales and profit in the third and fourth quarters of 2012 and the first and second quarters of 2013.

CASH FLOW AND LIQUIDITY

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Profit before income taxes	\$13,492	\$18,042	\$36,001	\$31,982
Add charges (deduct credits) to operations not requiring a current cash payment:				
Depreciation/Amortization	2,959	2,519	8,765	7,462
Translation loss (gain) on FX	6,816	(2,010)	6,965	3,738
Non-cash interest expense	422	698	2,761	2,055
Share based compensation	1,786	812	3,494	2,237
Non-cash impairment of available-for-sale investment	0	0	1,100	0
Loss (gain) on sale of assets	<u>(12)</u>	<u>1</u>	<u>(930)</u>	<u>(4,666)</u>
	<u>25,463</u>	<u>20,062</u>	<u>58,156</u>	<u>42,808</u>
Net change in non-cash working capital balances related to operations:				
Accounts receivable	(17,034)	(15,756)	(34,413)	(37,945)
Inventory	93	7,624	(9,657)	(725)
Prepaid expenses	(400)	184	(945)	(512)
Accounts payable	5,109	3,044	5,714	13,796
Customer deposits	(4,345)	(1,453)	(9,684)	9,057
Provisions	<u>557</u>	<u>234</u>	<u>513</u>	<u>348</u>
	<u>(16,020)</u>	<u>(6,123)</u>	<u>(48,472)</u>	<u>(15,981)</u>
Income tax paid	<u>(3,234)</u>	<u>(2,636)</u>	<u>(5,799)</u>	<u>(4,209)</u>
Cash provided by operations	<u>\$6,209</u>	<u>\$11,303</u>	<u>\$3,885</u>	<u>\$22,618</u>

For the three months ended September 30, 2014, cash provided by operations was \$6.2 million (2013 – \$11.3 million) and for the nine months then ended cash provided by operations was \$3.9 million (2013 - \$22.6 million). Profit before taxes after adjusting for non-cash items exceeded the prior year due to an increase in sales and adjusted EBITDA. In the first half of 2014 the Company shipped product for which it had received a customer deposit in 2013, lowering the customer deposit balance, while in 2013 there was limited shipping however AGI collected deposits for future delivery as the Company’s commercial business began showing signs of recovery from the U.S. drought. The Company’s inventory balance did not decrease to the extent seen in 2013 largely due to inventory on-hand to fulfill a number of large commercial orders. The movement in accounts payable is primarily the result of timing.

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the third quarter that result from seasonality, typically lead to accounts receivable levels increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. As a result of these working capital movements, historically, AGI begins to draw on its operating lines in the first or second quarter. The operating line balance typically peaks in the second or third quarter and normally begins to decline later in the third quarter as collections of accounts receivable increase. AGI has typically fully repaid its operating line balance by early in the fourth quarter. Working capital movements in the first half of 2014 were largely in line with historical seasonal patterns and requirements for fiscal 2014 are expected to be generally consistent with historical patterns. Growth in international business may result in an increase in the number of days accounts receivable remain outstanding and result in increased usage of working capital in certain quarters.

Capital Expenditures

Maintenance capital expenditures in the three and nine months ended September 30, 2014 were \$0.3 million (0.2% of trade sales) and \$3.0 million (0.9%) compared to \$0.8 million (0.7%) and \$1.7 million (0.6%) in 2013. Maintenance capital expenditures in 2014 relate primarily to purchases of manufacturing equipment and building repairs and were funded through cash on hand 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 \$3.1 million and \$4.7 million in the three and nine months ended September 30, 2014, respectively (2013 - \$1.8 million and \$10.5 million). Non-maintenance capital expenditures in the current year relate primarily to equipment to support the acquisition of the Rem GrainVac product line, increased automation at AGI's grain auger manufacturing facility and expenditures of \$2.5 million related to the two new facilities in the U.S. now under construction. Management recently completed a review of its commercial grain handling facilities and plans to invest approximately \$30 million dollars over 2014 and 2015 in these facilities to provide for a significant increase in capacity and efficiency enhancements. Maintenance and non-maintenance capital expenditures are expected to be financed through bank indebtedness, cash on hand or through the Company's credit facility (see "Capital Resources").

Cash Balance

The Company's cash balance at September 30, 2014 was \$2.4 million (December 31, 2013 - \$108.7 million; September 30, 2013 - nil) and its outstanding long-term debt was \$53.0 million (December 31, 2013 - \$26.4 million). The large cash balance at December 31, 2013 was largely due to the receipt of \$82.8 million net proceeds related to the issuance of AGI's 5.25% convertible debentures in December 2013. The net proceeds formed a component of the funds used to redeem AGI's 7.0% debentures in January 2014 (see "Convertible Debentures").

CONTRACTUAL OBLIGATIONS (thousands of dollars)

	Total	2014	2015	2016	2017	2018+
Debentures (2013)	86,250	0	0	0	0	86,250
Long-term debt	27,959	0	0	27,959	0	0
Operating leases	6,389	436	1,390	1,131	863	2,569
Total obligations	120,598	436	1,390	29,090	863	88,819

Debentures (2013) relate to the aggregate principal amount of the 5.25% debentures issued by the Company in December 2013 (see “Convertible Debentures” below). Long-term debt at September 30, 2014 is primarily comprised of U.S. \$25.0 million of non-amortizing secured notes and \$25.0 million of non-amortizing debt drawn under the Company’s revolver facility.

CAPITAL RESOURCES

Cash

Cash and cash equivalents at September 30, 2014 were \$2.4 million (December 31, 2013 - \$108.7 million; September 30, 2013 – nil). The large cash balance at December 31, 2013 was largely due to the receipt of \$82.8 million net proceeds related to the issuance of AGI’s 5.25% convertible debentures in December 2013. The net proceeds formed a component of the funds used to redeem AGI’s 7.0% debentures in January 2014 (see “Convertible Debentures”).

Debt Facilities

On October 29, 2009, the Company issued US \$25.0 million aggregate principal amount of secured notes through a note purchase and private shelf agreement. The notes are non-amortizing, bear interest at 6.80% and mature October 29, 2016. Under the note purchase agreement, AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio. The Company is in compliance with all financial covenants.

The Company also has a credit facility with a syndicate of Canadian lenders that includes committed revolver facilities of \$73.0 million and U.S. \$22.5 million. As at September 30, 2014, \$25.0 million was drawn under this facility. Amounts drawn under the facility bear interest at rates of prime plus 0.0% to prime plus 1.0% based on performance calculations and matures on March 8, 2016. 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 (2009)

In 2009 the Company issued \$115 million aggregate principal amount of convertible unsecured subordinated debentures (the "2009 Debentures") at a price of \$1,000 per 2009 Debenture. On and after December 31, 2013, at the option of the Company, the 2009 Debentures could be redeemed at a price equal to their principal amount plus accrued and unpaid interest. In December 2013 the Company announced its intention to redeem the 2009 Debentures effective January 20, 2014. In January 2014, holders of \$19.0 million principal amount of the 2009 Debentures exercised the

conversion option and were issued 422,897 common shares. The Company redeemed all remaining outstanding 2009 Debentures on January 20, 2014. The 2009 Debentures traded on the Toronto Stock Exchange (“TSX”) under the symbol AFN.DB.

Debentures (2013)

In December 2013 the Company issued \$86.2 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 with the first payment due on June 30, 2014. 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.

COMMON SHARES

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

	# Common Shares
December 31, 2013	12,628,291
Shares issued under Dividend Reinvestment Plan	87,305
Conversion of 2009 Debentures	<u>422,897</u>
September 30, 2014	13,138,493
Shares issued under Dividend Reinvestment Plan in October 2014	<u>11,023</u>
November 11, 2014	<u>13,149,516</u>

The administrator of the LTIP has acquired 317,304 common shares to satisfy its obligations with respect to awards under the LTIP for fiscal 2007, 2008, 2009 and 2010. There was no LTIP award related to fiscal 2011 or fiscal 2012. The common shares purchased are held by the administrator until such time as they vest to the LTIP participants. As at December 31, 2013, a total of 300,307 common shares related to the LTIP had vested to the participants and 1,766 awards were forfeited. All remaining common shares related to the LTIP vested on January 1, 2014. No further awards are available under the LTIP subsequent to 2012.

On May 11, 2012 the shareholders of AGI authorized a new Share Award Incentive Plan (the “2012 SAIP”) which authorizes the Board to grant restricted Share Awards (“RSU’s”) and performance Share Awards (“PSU’s”) to officers, employees or consultants of the Company but not to non-management directors. A total of 465,000 common shares are available for issuance under the 2012 SAIP. As at September 30, 2014, a total of 239,000 RSU’s and 110,000 PSU’s have been granted.

A total of 48,147 deferred grants of common shares have been granted under the Company’s Director’s Deferred Compensation Plan and 7,502 common shares have been issued.

On March 5, 2013, the Company announced the adoption of a dividend reinvestment plan (the “DRIP”). Eligible shareholders who elect to reinvest dividends under the DRIP will initially receive Common shares issued from treasury at a discount of 4% from the market price of the Common shares, with the market price being equal to the volume-weighted average trading price of the Common shares on the TSX for the five trading days preceding the applicable dividend payment date.

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

DIVIDENDS

In the three and nine months ended September 30, 2014, AGI declared dividends to shareholders of \$7.9 million and \$23.6 million, respectively (2013 - \$7.6 million and \$22.6 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 Company’s dividend reinvestment plan. Dividends in the three and nine months ended September 30, 2014 were financed \$1.2 million and \$3.9 million, respectively, by the DRIP (2013 – \$1.0 million and \$1.7 million) and \$6.7 million (2013 - \$6.6 million) and \$19.7 million (2013 - \$20.9 million) from cash on hand and cash from operations or bank indebtedness.

FUNDS FROM OPERATIONS AND PAYOUT RATIO

Funds from operations (“FFO”), defined under “Non-IFRS Measures”, is cash flow from operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for gains or losses on the sale of property, plant & equipment. 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)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
EBITDA	\$18,734	\$23,943	\$54,692	\$49,484
Share based compensation	1,786	812	3,494	2,237
Non-cash interest expense	422	698	2,761	2,055
Translation loss (gain) on foreign exchange	6,816	(2,010)	6,965	3,738
Interest expense	(2,283)	(3,382)	(8,826)	(10,040)
Income taxes paid	(3,234)	(2,636)	(5,799)	(4,209)
Maintenance CAPEX	<u>(282)</u>	<u>(811)</u>	<u>(3,047)</u>	<u>(1,749)</u>
Funds from operations (1)	<u>\$21,959</u>	<u>\$16,614</u>	<u>\$50,240</u>	<u>\$41,516</u>

Funds from operations can be reconciled to cash provided by operating activities as follows:

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Cash provided by operating activities	\$6,209	\$11,303	\$3,885	\$22,618
Change in non-cash working capital	16,020	6,123	48,472	15,981
Maintenance CAPEX	(282)	(811)	(3,047)	(1,749)
Gain (loss) on sale of assets	<u>12</u>	<u>(1)</u>	<u>930</u>	<u>4,666</u>
Funds from operations (1)	<u>\$21,959</u>	<u>\$16,614</u>	<u>\$50,240</u>	<u>\$41,516</u>
Payout ratio				
Dividends to shareholders	\$7,877	\$7,552	\$23,581	\$22,617
Payout ratio (1)	36%	45%	47%	54%
Adjusted payout ratio				
Dividends to shareholders	\$7,877	\$7,552	\$23,581	\$22,617
Dividends paid under DRIP	<u>(1,232)</u>	<u>(1,001)</u>	<u>(3,871)</u>	<u>(1,664)</u>
Dividends paid in cash	<u>\$6,645</u>	<u>\$6,551</u>	<u>\$19,710</u>	<u>\$20,953</u>
Adjusted payout ratio (3)	30%	39%	39%	50%
Rolling four quarter payout ratio			51%	68%

- (1) See "Non-IFRS Measures".
- (2) Fully diluted weighted average, excluding the potential dilution of the Debentures as the calculation includes the interest expense related to the Debentures.
- (3) See "Non-IFRS Measures".

The Company's payout ratio for the three and nine months ended September 30, 2014 decreased from the prior year primarily due to a significant increase in EBITDA.

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 September 30, 2014, 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)
2014	22,000	\$1.01	\$22,292
2015	65,000	\$1.06	\$69,030
2016	35,500	\$1.11	\$39,357

Forward Foreign Exchange Contracts			
Settlement Dates	Face Amount Euros (000's)	Average Rate CAD	CAD Amount (000's)
2014	300	\$1.33	\$399
2015	500	\$1.52	\$760

The fair value of the outstanding forward foreign exchange contracts in place as at September 30, 2014 was a loss of \$7.4 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 for the periods ended September 30, 2014.

NEW DEVELOPMENTS

On November 11, 2014, AGI entered into an arrangement agreement [the "Arrangement Agreement"] with Vicwest Inc. ["Vicwest"] and Kingspan Group Limited ["Kingspan"] pursuant to which, in accordance with a court approved plan of arrangement [the "Arrangement"], Kingspan will acquire all of the issued and outstanding shares of Vicwest and AGI will acquire substantially all of the assets of Vicwest's Westeel Division ["Westeel"] a provider of grain storage solutions [AGI's acquisition of the Westeel assets, the "Transaction"] for an aggregate purchase price of approximately \$221.5 million in cash.

Completion of the Arrangement is subject to a number of customary conditions including court, regulatory and Vicwest shareholder approvals. Subject to receipt of all required approvals and satisfaction of conditions in the Arrangement Agreement, closing is expected to occur in the first quarter of 2015. In conjunction with the Transaction and for the purposes of partially funding the purchase price, AGI has entered into an agreement with a syndicate of underwriters, pursuant to which AGI will issue on a “bought deal” basis \$45 million subscription receipts [the “Subscription Receipts”] and \$45 million aggregate principal amount extendible convertible unsecured subordinated debentures [the “Debentures”] at a price of \$1,000 per Debenture for aggregate gross proceeds of \$90 million [collectively, the “Offering”]. AGI has granted the Underwriters an over-allotment option to purchase from treasury up to an additional \$6.75 million Subscription Receipts and up to an additional \$6.75 million aggregate principal amount of Debentures, on the same terms and conditions as the Offering, exercisable in whole or in part at any time for a period up to 30 days following the closing of the Offering, to cover over-allotments.

Each Subscription Receipt represents the right of the holder to receive, upon closing of the Transaction, without payment of additional consideration, one common share [“Common Share”] of AGI plus an amount equal to the amount per Common Share of any dividends declared for which record dates have occurred during the period from closing of the Offering to the date immediately preceding the closing date of the Transaction. Net proceeds from the offering of the Subscription Receipts will be deposited in escrow pending the closing of the Transaction. If the Transaction closes on or before April 30, 2015, the escrowed proceeds from the offering of Subscription Receipts will be released to AGI and used to finance, in part, the Transaction. If the Transaction does not close by 5:00pm [Toronto time] on April 30, 2015, the Arrangement Agreement is terminated at any earlier time, or AGI advises the Underwriters or announces to the public that it does not intend to proceed with the Transaction [the occurrence of any such event being a “Termination Event”], holders of the Subscription Receipts will be refunded the purchase price of their Subscription Receipts and will also receive a pro rata share of the interest earned on the escrowed proceeds.

A preliminary short form prospectus qualifying the distribution of the Subscription Receipts and Debentures will be filed with the securities regulatory authorities in each of the provinces of Canada [other than Quebec]. Closing of the Offering is expected to occur on or about December 1, 2014. The Offering is subject to normal regulatory approvals, including approval of the Toronto Stock Exchange.

The remainder of the purchase price of the Transaction will be funded by AGI through expanded credit facilities that have been fully committed by the Company’s lenders. Concurrently with the announcement of the Transaction, AGI accepted a commitment letter from the Company’s lenders for secured credit facilities in an aggregate amount sufficient to fund the balance of the purchase price and provide for general corporate purposes. As part of the commitment letter, \$25 million drawn under the Company’s revolver facility as at September 30, 2014 [note 14] will be refinanced.

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, 2013 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”.

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 Cyclical and General Economic Conditions

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

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

Future developments in the North American and global economies may negatively impact the demand for our products. Management cannot estimate the level of growth or contraction of the economy as a whole or of the economy of any particular region or market that we serve. Adverse changes in our financial condition and results of operations may occur as a result of negative

economic conditions, declines in stock markets, contraction of credit availability, political instability or other factors affecting economic conditions generally.

Risk of Decreased Crop Yields

Decreased crop yields due to poor or unusual weather conditions, natural disasters or other factors are a significant risk affecting AGI. Both reduced crop volumes and the accompanying decline in farm incomes can negatively affect demand for grain handling, storage and conditioning equipment.

Potential Volatility of Production Costs

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

Foreign Exchange Risk

AGI generates the majority of its sales in U.S. dollars and Euros, but a materially smaller proportion of its expenses are denominated in U.S. dollars and Euros. In addition, AGI may denominate its long term borrowings in U.S. dollars. Accordingly, fluctuations in the rate of exchange between the Canadian dollar and the U.S. dollar and Euro may significantly impact the Company's financial results. Management has implemented a foreign currency hedging strategy and the Company regularly enters hedging arrangements to partially mitigate the potential effect of fluctuating exchange rates. To the extent that AGI does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the U.S. dollar and Euro may have a material adverse effect on AGI's results of operations, business, prospects and financial condition. Conversely, to the extent that we enter into hedging arrangements, we potentially forego the benefits that might result from favourable fluctuations in currency exchange rates.

Acquisition and Expansion Risk

AGI may expand its operations by increasing the scope or changing the nature of operations at existing facilities or by acquiring or developing additional businesses, products or technologies in existing or new markets. There can be no assurance that the Company will be able to identify, acquire, develop or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the 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. 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 (approximately \$92 million or 26% in 2013) the majority of which are in emerging markets such as countries in Eastern Europe, including most significantly Ukraine and also Russia, as well as countries in Central and Latin America, 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, the situation in Ukraine is rapidly developing and AGI has no way to predict the outcome of the situation. Continued unrest, military activities, or broader – based trade sanctions or embargoes, should they be implemented, could have a material adverse effect on our sales in Ukraine and Russia and other countries in the region, and a material adverse effect on our sales, growth, results of operations and financial condition.

Anti-Corruption Laws

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

Agricultural Commodity Prices, International Trade and Political Uncertainty

Prices of agricultural commodities are influenced by a variety of unpredictable factors that are beyond the control of AGI, including weather, government (Canadian, United States and other) farm programs and policies, and changes in global demand or other economic factors. A decrease in agricultural commodity prices could negatively impact 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., may ultimately impact 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 impact 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 and Labour Relations

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. There is no assurance that some or all of the employees of AGI will not unionize in the future. If successful, such an occurrence could increase labour costs and thereby have an adverse impact on AGI'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 March 8, 2016 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. 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. 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.

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.

Cash Dividends are not Guaranteed

Future dividend payments by AGI and the level thereof is uncertain, as AGI's dividend policy and the funds available for the payment of dividends from time to time are dependent upon, among other things, operating cash flow generated by AGI and its subsidiaries, financial requirements for AGI's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond AGI's control.

Income Tax Matters; Canada Revenue Agency Review Regarding Conversion

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 including the Conversion. 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 including in respect of the Conversion that are or may be the subject of review by taxation authorities. Without limitation, there is a risk that the tax consequences of the Conversion may be materially different from the tax consequences anticipated by the Company in undertaking the Conversion. In November 2013 the Company received a proposal letter from the Canada Revenue Agency (the "CRA") which advises of the CRA's intention to challenge the tax consequences of the Conversion. While the Company is confident in its tax filing position, there is a risk that the CRA could successfully challenge the tax consequences of the Conversion or prior transactions of any of the entities involved in the Conversion. 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's consolidated financial statements and financial position. Further, in the event of a reassessment of any of AGI's tax filings by a taxation authority including the CRA, AGI would be required to deposit cash equal to 50% of the tax liability claimed with the relevant taxation authority in order to file an objection against such reassessment, the amount of which deposit could be significant. See also "Explanation of Operating Results – Deferred income tax expense".

AGI May Issue Additional Common Shares Diluting Existing Shareholders' Interests

The Company is authorized to issue an unlimited number of common shares for such consideration and on such terms and conditions as shall be established by the Directors without the approval of any shareholders, except as may be required by the TSX. In addition, the Company may, at its option, satisfy its obligations with respect to the interest payable on the Debentures and the repayment of the face value of the 2013 Debentures through the issuance of common shares.

Leverage, Restrictive Covenants

The degree to which AGI is leveraged could have important consequences to the 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 agreement 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 agreement 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 note purchase agreement 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 credit facility 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.

CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

The Company has adopted the following new and revised standards along with any consequential amendments effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 clarify the guidance as to when an entity has a legally enforceable right to set off financial assets and financial liabilities, and, clarify when a settlement mechanism provides for net settlement. The application of IAS 32 has not materially impacted the interim financial statements.

IFRIC 21 Levies

IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The application of IFRIC 21 has not materially impacted the interim financial statements.

IFRS 9 Financial Instruments

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of the existing standard for financial instruments ["IAS 39"] and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018. The revised version of IFRS 9 introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of AGI's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 15 Revenue with Contracts with Customers

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, 2017 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 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.

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three month period ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

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

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

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

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are

adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to “EBITDA” are to profit before income taxes, finance costs, amortization, depreciation and impairment charges related to goodwill, intangibles or available for sale assets. References to “adjusted EBITDA” are to EBITDA before the gain (loss) on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses and expenses related to corporate acquisition activity. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows.

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

References to “funds from operations” are to cash flow from operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for the gain or loss on the sale of property, plant & equipment. Management believes that, in addition to cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating its performance.

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

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for gains and losses on the sale of property, plant and equipment and available-for-sale investments, for gains or losses on foreign exchange and adjustments related to the changes in the Company’s estimate of future achievement under its share award incentive plan.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. Forward-looking statements may contain such words as “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, “will” or similar expressions suggesting future conditions or events. In particular, the forward looking statements in this MD&A include statements relating to our business and strategy, including our outlook for our financial and operating performance. Such forward-looking statements reflect our current beliefs and are based on information currently available to us, including certain key expectations and assumptions concerning anticipated grain production in our market areas, financial performance, business prospects, strategies, product pricing, regulatory developments, tax laws, the sufficiency of budgeted capital expenditures in

carrying out planned activities, foreign exchange rates and the cost of materials, labour and services. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including changes in international, national and local business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, foreign exchange rates, and competition. These risks and uncertainties are described under “Risks and Uncertainties” in this MD&A and in our most recently filed Annual Information Form. These factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking statements. We cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

ADDITIONAL INFORMATION

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

Unaudited Interim Condensed Consolidated Financial Statements

Ag Growth International Inc.

September 30, 2014

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION**

[in thousands of Canadian dollars]

	As at September 30, 2014 \$	As at December 31, 2013 \$
ASSETS [note 14]		
Current assets		
Cash and cash equivalents	2,380	108,731
Restricted cash [notes 5 and 13[a]]	250	112
Accounts receivable [note 11]	95,489	58,578
Inventory	68,853	57,546
Prepaid expenses and other assets	3,705	2,225
Income taxes recoverable	1,876	9
	<u>172,553</u>	<u>227,201</u>
Non-current assets		
Property, plant and equipment, net	92,351	88,416
Goodwill [note 8]	70,427	65,322
Intangible assets, net [note 7]	75,681	71,487
Available-for-sale investment [note 9]	900	2,000
Income taxes recoverable	5,667	5,487
Deferred tax asset [note 16]	15,755	23,327
	<u>260,781</u>	<u>256,039</u>
Assets held for sale	1,101	2,396
Total assets	<u>434,435</u>	<u>485,636</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	36,666	30,872
Customer deposits	9,286	18,651
Dividends payable [note 12[d]]	2,628	2,525
Acquisition, transaction and financing costs payable	1,050	—
Income taxes payable	225	151
Current portion of long-term debt [note 14]	—	5
Current portion of derivative instruments [note 17]	5,434	3,348
Convertible unsecured subordinated debentures [note 15]	—	113,360
Provisions	4,023	3,400
	<u>59,312</u>	<u>172,312</u>
Non-current liabilities		
Long-term debt [note 14]	52,959	26,367
Due to vendor	648	615
Convertible unsecured subordinated debentures [note 15]	79,060	77,987
Derivative instruments [note 17]	1,935	1,144
Deferred tax liability [note 16]	10,883	10,233
	<u>145,485</u>	<u>116,346</u>
Total liabilities	<u>204,797</u>	<u>288,658</u>
Shareholders' equity [note 12]		
Common shares	182,170	158,542
Accumulated other comprehensive income	9,724	3,365
Equity component of convertible debentures	4,480	8,240
Contributed surplus	11,924	4,984
Retained earnings	21,340	21,847
Total shareholders' equity	<u>229,638</u>	<u>196,978</u>
Total liabilities and shareholders' equity	<u>434,435</u>	<u>485,636</u>
Commitments and contingencies [note 22]		

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED STATEMENTS OF INCOME**

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

	Three-month period ended		Nine-month period ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	\$	\$	\$	\$
Sales	114,915	116,447	312,031	269,314
Cost of goods sold <i>[note 6[d]]</i>	78,559	79,810	210,865	184,452
Gross profit	36,356	36,637	101,166	84,862
Expenses				
Selling, general and administrative <i>[note 6[e]]</i>	19,595	16,036	55,188	46,377
Other operating income <i>[note 6[a]]</i>	(342)	(16)	(1,330)	(4,729)
Impairment of available-for-sale investment <i>[note 9]</i>	—	—	1,100	—
Finance costs <i>[note 6[c]]</i>	2,283	3,382	8,826	10,040
Finance expense (income) <i>[note 6[b]]</i>	1,328	(807)	1,381	1,192
	22,864	18,595	65,165	52,880
Profit before income taxes	13,492	18,042	36,001	31,982
Income tax expense <i>[note 16]</i>				
Current	1,298	3,519	4,040	5,963
Deferred	3,541	1,805	8,452	3,946
	4,839	5,324	12,492	9,909
Profit for the period	8,653	12,718	23,509	22,073
Profit per share - basic <i>[note 20]</i>	0.66	1.01	1.80	1.76
Profit per share - diluted <i>[note 20]</i>	0.65	0.95	1.76	1.73

See accompanying notes

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME**

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30,	September 30,	September 30,	September 30,
	2014	2013	2014	2013
	\$	\$	\$	\$
Profit for the period	8,653	12,718	23,509	22,073
Other comprehensive income				
Items that may be reclassified				
subsequently to profit or (loss)				
Change in fair value of derivatives				
designated as cash flow hedges	(5,606)	2,611	(5,320)	(3,093)
Loss on derivatives designated				
as cash flow hedges recognized in				
net earnings in the current period	1,262	432	2,442	110
Exchange difference on translating				
foreign operations	8,001	(2,756)	8,470	4,721
Income tax relating to items that				
may be reclassified	1,155	(809)	767	792
Other comprehensive income (loss)				
for the period	4,812	(522)	6,359	2,530
Total comprehensive income				
for the period	13,465	12,196	29,868	24,603

See accompanying notes

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2014

	Common shares	Equity component of convertible debentures	Contributed surplus	Retained earnings	Cash flow hedge reserve	Foreign currency reserve	Total equity
	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2014	158,542	8,240	4,984	21,847	(3,306)	6,671	196,978
Profit for the period	—	—	—	23,509	—	—	23,509
Other comprehensive income (loss)	—	—	—	—	(2,111)	8,470	6,359
Share-based payment transactions <i>[notes 12 and 13]</i>	749	—	3,180	—	—	—	3,929
Dividend reinvestment plan transactions <i>[notes 12[d] and 12[e]]</i>	3,871	—	—	—	—	—	3,871
Dividends to shareholders <i>[note 12[d]]</i>	—	—	—	(23,581)	—	—	(23,581)
Dividend reinvestment plan costs <i>[note 12[e]]</i>	(16)	—	—	—	—	—	(16)
Dividends on share based compensation awards	—	—	—	(435)	—	—	(435)
Redemption of 2009 convertible unsecured subordinated debentures <i>[notes 12 and 15]</i>	19,024	(3,760)	3,760	—	—	—	19,024
As at September 30, 2014	182,170	4,480	11,924	21,340	(5,417)	15,141	229,638

See accompanying notes

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY**

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2013

	Common shares	Equity component of convertible debentures	Contributed surplus	Retained earnings	Cash flow hedge	Foreign currency reserve	Total equity
	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2013	153,447	5,105	4,108	29,626	1,179	(3,769)	189,696
Profit for the period	—	—	—	22,073	—	—	22,073
Other comprehensive income (loss)	—	—	—	—	(2,191)	4,721	2,530
Share-based payment transactions <i>[note 13]</i>	3,950	—	99	—	—	—	4,049
Dividends to shareholders <i>[note 12[d]]</i>	—	—	—	(22,617)	—	—	(22,617)
Dividend reinvestment plan costs <i>[note 12[e]]</i>	(32)	—	—	—	—	—	(32)
Dividends on share based compensation awards	—	—	—	(102)	—	—	(102)
As at September 30, 2013	157,365	5,105	4,207	28,980	(1,012)	952	195,597

See accompanying notes

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS**

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Profit before income taxes for the period	13,492	18,042	36,001	31,982
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	1,695	1,498	5,095	4,447
Amortization of intangible assets	1,264	1,021	3,670	3,015
Impairment of available-for-sale investment [note 9]	—	—	1,100	—
Translation loss (gain) on foreign exchange	6,816	(2,010)	6,965	3,738
Non-cash component of interest expense	422	698	2,761	2,055
Share-based compensation	1,786	812	3,494	2,237
Loss (gain) on sale of property, plant and equipment	(12)	1	(930)	(4,666)
Net change in non-cash working capital balances related to operations [note 10]	(16,020)	(6,123)	(48,472)	(15,981)
Income taxes paid	(3,234)	(2,636)	(5,799)	(4,209)
Cash provided by operating activities	6,209	11,303	3,885	22,618
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(3,432)	(2,561)	(7,716)	(12,250)
Acquisition of product line [note 5]	—	—	(13,144)	—
Changes to deposits related to property, plant and equipment	213	—	(535)	—
Transfer to restricted cash	—	(14)	(250)	(42)
Transaction costs payable	800	—	800	—
Proceeds from sale of property, plant and equipment	44	97	2,377	6,040
Development and purchase of intangible assets	(540)	(418)	(1,178)	(1,199)
Cash used in investing activities	(2,915)	(2,896)	(19,646)	(7,451)
FINANCING ACTIVITIES				
Increase in bank indebtedness	—	(1,853)	—	3,652
Repayment of long-term debt	—	(3)	(3)	(5)
Redemption of convertible unsecured subordinated debentures, net	—	—	(95,861)	—
Issuance of long-term debt	—	—	25,000	—
Dividends paid in cash	(6,645)	(6,551)	(19,710)	(20,953)
Dividend reinvestment plan costs incurred	—	—	(16)	(32)
Cash used in financing activities	(6,645)	(8,407)	(90,590)	(17,338)
Net decrease in cash and cash equivalents during the period	(3,351)	—	(106,351)	(2,171)
Cash and cash equivalents, beginning of period	5,731	—	108,731	2,171
Cash and cash equivalents, end of period	2,380	—	2,380	—
Supplemental cash flow information				
Interest paid	738	662	4,585	5,944

See accompanying notes

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2014

1. ORGANIZATION

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the three- and nine-month periods ended September 30, 2014 were authorized for issuance in accordance with a resolution of the directors on November 10, 2014. Ag Growth International Inc. is a listed company incorporated and domiciled in Canada, whose shares are publicly traded at the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. OPERATIONS

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

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

3. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

[a] Statement of compliance

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

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2013, except for the adoption of new standards and interpretations effective as of January 1, 2014. As required by IAS 34, the nature and effect of these changes are disclosed below.

Offsetting Financial Assets and Liabilities ["IAS 32"]

The amendments to IAS 32 clarify the guidance as to when an entity has a legally enforceable right to set off financial assets and financial liabilities, and clarify when a settlement mechanism provides for net settlement. The application of IAS 32 has not materially impacted the unaudited interim condensed consolidated financial statements.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

Levies ["IFRIC 21"]

IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executor contracts or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The application of IFRIC 21 has not materially impacted the unaudited interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2013, which are available on SEDAR at www.sedar.com.

[b] Basis of preparation

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

Accounting measurements at interim dates, rather than at year end, inherently involve a greater reliance on estimates. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly the unaudited interim condensed consolidated financial position of the Company as at September 30, 2014.

[c] New standards issued but not yet effective

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

Operational segments ["IFRS 8"]

Amendments to IFRS 8, issued by the IASB in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments and provide a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.

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

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of the existing standard for financial instruments ["IAS 39"] and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018. The revised version of IFRS 9 introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of AGI's financial assets.

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, 2017 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 financial statements.

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2014

4. SEASONALITY OF BUSINESS

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

5. BUSINESS COMBINATION

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

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

	\$
Accounts receivable	2,257
Inventory	1,650
Property, plant and equipment	120
Intangible assets	
Distribution network	2,566
Brand name	1,838
Intellectual property	1,266
Order backlog	35
Non-compete agreements	114
Goodwill	3,811
Accounts payable and accrued liabilities	(80)
Customer deposits	(319)
Provisions	(110)
Purchase consideration	<u>13,148</u>

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

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

The goodwill of \$3,811 comprises the value of expected synergies arising from the acquisition. Goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, Grain Vac has contributed to the 2014 results \$7,208 of revenue and the impacts on the cash flows on the acquisition of Grain Vac are as follows:

	<u>\$</u>
Purchase consideration	13,148
Local taxes	246
Cash held in trust	<u>(250)</u>
Purchase consideration transferred	<u>13,144</u>

The acquisition of Grain Vac was an asset purchase and as such the Company does not have access to the books and records of Grain Vac for any periods prior to the acquisition date of February 3, 2014. Therefore, the impact on revenues and profit of the Company from the acquisition of Grain Vac at the beginning of 2014 cannot be reported. The Company has also integrated Grain Vac with one of its divisions. Therefore, the operating results of Grain Vac cannot be separately reported from the date of acquisition.

The consideration transferred of \$13,144 was paid in cash. The impact on the cash flow on the acquisition of Grain Vac is as follows:

	<u>\$</u>
Transaction costs of the acquisition paid in 2013	119
Transaction costs of the acquisition paid in 2014	32
Purchase consideration transferred	<u>13,144</u>
Net cash flow on acquisition	<u>13,295</u>

As at September 30, 2014, the Company had cash held in trust of \$250 relating to the acquisition of Grain Vac.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

6. OTHER EXPENSES (INCOME)

	Three-month period ended		Nine-month period ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	\$	\$	\$	\$
[a] Other operating (income) expense				
Net loss (gain) on disposal of property, plant and equipment	(12)	1	(930)	(4,666)
Other	(330)	(17)	(400)	(63)
	(342)	(16)	(1,330)	(4,729)
[b] Finance (income) expense				
Interest income from banks	—	—	(44)	(1)
Loss (gain) on foreign exchange	1,328	(807)	1,425	1,193
	1,328	(807)	1,381	1,192
[c] Finance costs				
Interest on overdrafts and other finance costs	160	89	372	128
Interest, including non-cash interest, on debts and borrowings	624	638	2,022	1,985
Interest, including non-cash interest, on convertible debentures <i>[note 15]</i>	1,499	2,655	6,432	7,927
	2,283	3,382	8,826	10,040
[d] Cost of goods sold				
Depreciation	1,539	1,373	4,635	4,052
Amortization of intangible assets	146	74	406	210
Warranty provision	557	240	623	348
Cost of inventories recognized as an expense	76,317	78,123	205,201	179,842
	78,559	79,810	210,865	184,452

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

	Three-month period ended		Nine-month period ended	
	September 30, 2014 \$	September 30, 2013 \$	September 30, 2014 \$	September 30, 2013 \$
[e] Selling, general and administrative expenses				
Depreciation	156	125	460	395
Amortization of intangible assets	1,118	947	3,264	2,805
Minimum lease payments recognized as an operating lease expense	439	567	1,295	1,262
Corporate acquisition activity	979	103	1,159	253
Selling, general and administrative	16,903	14,294	49,010	41,662
	19,595	16,036	55,188	46,377
[f] Employee benefits expense				
Wages and salaries	24,970	22,312	73,068	61,833
Share-based payment expenses <i>[note 13[d]]</i>	1,786	812	3,494	2,237
Pension costs	551	555	1,742	1,624
	27,307	23,679	78,304	65,694
Included in cost of goods sold	18,272	16,004	52,260	43,114
Included in general and administrative expenses	9,035	7,675	26,044	22,580
	27,307	23,679	78,304	65,694

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2014

7. INTANGIBLE ASSETS

	\$
Balance, January 1, 2013	72,777
Internal development	886
Acquired	332
Amortization	(4,039)
Exchange differences	1,531
Balance, December 31, 2013	71,487
Internal development	944
Acquired	234
Acquisition [note 5]	5,819
Amortization	(3,670)
Exchange differences	867
Balance, September 30, 2014	<u>75,681</u>

8. GOODWILL

	September 30, 2014	December 31, 2013
	\$	\$
Balance, beginning of period	65,322	63,399
Acquisition [note 5]	3,811	—
Exchange differences	1,294	1,923
Balance, end of period	<u>70,427</u>	<u>65,322</u>

9. AVAILABLE-FOR-SALE INVESTMENT

In fiscal 2009 AGI invested \$2 million in a privately held Canadian farming company ["Investco"]. In conjunction with AGI's investment, Investco made a \$2 million deposit to AGI for future purchases of grain handling and storage equipment to support their farming operations and AGI was to become a strategic supplier to Investco. Prior to September 30, 2014, the deposit was fully utilized. AGI assesses at each reporting period whether there is any objective evidence that its investment is impaired. As at June 30, 2014 AGI had concluded its investment in Investco was impaired based on external information available and observable conditions and as a result AGI recorded a \$1.1 million charge during the three-month period ended June 30, 2014 to reflect management's estimate of the fair value of its investment in Investco.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

10. CHANGES IN NON-CASH WORKING CAPITAL

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

	Three-month period ended		Nine-month period ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	\$	\$	\$	\$
Accounts receivable	(17,034)	(15,756)	(34,413)	(37,945)
Inventory	93	7,624	(9,657)	(725)
Prepaid expenses and other assets	(400)	184	(945)	(512)
Accounts payable and accrued liabilities	5,109	3,044	5,714	13,796
Customer deposits	(4,345)	(1,453)	(9,684)	9,057
Provisions	557	234	513	348
	(16,020)	(6,123)	(48,472)	(15,981)

11. ACCOUNTS RECEIVABLE

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

	September 30, 2014	December 31, 2013
	\$	\$
Total accounts receivable	96,490	59,389
Less allowance for doubtful accounts	(1,001)	(811)
Total accounts receivable, net	95,489	58,578
Of which		
Neither impaired nor past due	74,405	39,217
Not impaired and past the due date as follows:		
Within 30 days	11,450	10,943
31 to 60 days	3,905	2,541
61 to 90 days	1,600	1,616
Over 90 days	5,130	5,072
Less allowance for doubtful accounts	(1,001)	(811)
Total accounts receivable, net	95,489	58,578

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2014

During the nine-month period ending September 30, 2014 accounts receivable in the amount of \$18,982 owing from one customer that otherwise would have been past due have been renegotiated and extended to December 2014. The accounts receivable owing from this customer are 90% insured with Export Development Canada.

12. EQUITY

[a] Common shares

Authorized

Unlimited number of voting common shares without par value

Issued

13,138,493 common shares

	Shares #	Amount \$
Balance, January 1, 2013	12,473,755	153,447
Exercise of grants under DDCP	5,395	193
Settlement of LTIP - vested shares	57,351	2,286
Forfeiture of LTIP awards	1,766	—
Dividend reinvestment plan costs	—	(32)
Dividend reinvestment shares issued from treasury	74,793	2,648
Balance, December 31, 2013	12,613,060	158,542
Settlement of LTIP obligation - vested shares <i>[note 13[d]]</i>	15,231	749
Convertible unsecured subordinated debentures	422,897	19,024
Dividend reinvestment plan costs	—	(16)
Dividend reinvestment shares issued from treasury	87,305	3,871
Balance, September 30, 2014	13,138,493	182,170

The 12,613,060 common shares as at December 31, 2013 are net of 15,231 common shares with a stated value of \$749 that were being held by the Company under the terms of the LTIP until vesting conditions were met. The vesting conditions were met in the quarter ended March 31, 2014. There are no shares being held by the Company under the terms of the LTIP as at September 30, 2014.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

[b] Contributed surplus

	Nine-month period ended September 30, 2014 \$	Year ended December 31, 2013 \$
Balance, beginning of period	4,984	4,108
Equity-settled director compensation <i>[note 13[c]]</i>	242	303
Obligation under LTIP	—	131
Obligation under 2012 SAIP <i>[note 13[b]]</i>	3,252	2,650
Exercise of grants under DDCP	—	(193)
Settlement of LTIP obligation - vested shares	(749)	(2,286)
Dividends on 2012 SAIP	435	188
Forfeiture of LTIP awards	—	83
Redemption of 2009 convertible unsecured subordinated debentures	3,760	—
Balance, end of period	11,924	4,984

[c] Accumulated other comprehensive (income) loss

Accumulated other comprehensive income is comprised of the following:

Cash flow hedge reserve

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

Foreign currency translation reserve

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

[d] Dividends paid and proposed

In the three-month period ended September 30, 2014, the Company declared dividends of \$7,877 or \$0.60 per common share [2013 - \$7,552 or \$0.60 per common share] and dividends on share compensation awards of \$72 [2013 - \$52]. In the nine-month period ended September 30, 2014, the Company declared dividends to shareholders of \$23,581 or \$1.80 per common share [2013 - \$22,617 or \$1.80 per common share] and dividends on share-based compensation awards of \$435 [2013 - \$137]. For the three- and nine- month period ended September 30, 2014, 27,401 and 87,305 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the "DRIP"]. In the three-month period ended September 30, 2014, dividends paid to shareholders were financed \$6,645 [2013 - \$6,551] from cash on hand and \$1,232 [2013 - \$1,001] by the DRIP. In the nine-month period ended September 30, 2014, dividends paid to shareholders were financed \$19,710 [2013 - \$20,953] from cash on hand and \$3,871 [2013 - \$1,664] by the DRIP.

AGI's dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company's current monthly dividend rate is \$0.20 per common share. Subsequent to September 30, 2014, the Company declared dividends of \$0.20 per common share on October 31, 2014.

[e] Dividend reinvestment plan

On March 5, 2013, the Company announced the adoption of the DRIP. Eligible shareholders who elect to reinvest dividends under the DRIP will initially receive common shares issued from treasury at a discount of 4% from the market price of the common shares, with the market price being equal to the volume-weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days preceding the applicable dividend payment date. The Company incurred costs of \$16 [2013 - \$32] with respect to administration of the DRIP.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

[f] Shareholder protection rights plan

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

[g] Preferred shares

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

- [i] The aggregate number of preferred shares that would then be outstanding would exceed 50% of the aggregate number of common shares then outstanding; or
- [ii] The maximum aggregate number of common shares into which all of the preferred shares then outstanding could be converted in accordance with their terms would exceed 20% of the aggregate number of common shares then outstanding; or
- [iii] The aggregate number of votes which the holders of all preferred shares then outstanding would be entitled to cast at any meeting of the shareholders of the Company [other than meetings at which only holders of preferred shares are entitled to vote] would exceed 20% of the aggregate number of votes which the holders of all common shares then outstanding would be entitled to cast at any such meeting.

As at September 30, 2014, no preferred shares were issued or outstanding.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

13. SHARE-BASED COMPENSATION PLANS

[a] Long-term incentive plan ["LTIP"]

The LTIP is a compensation plan that awards common shares to key management based on the Company's operating performance. Pursuant to the LTIP, the Company establishes the amount to be allocated to management based upon the amount by which distributable cash, as defined in the LTIP, exceeds a predetermined threshold. The service period commences on January 1 of the year the award is generated and ends at the end of the fiscal year. The award vests on a graded scale over an additional three-year period from the end of the respective performance year. The LTIP provides for immediate vesting in the event of retirement, death, termination without cause or in the event the participant becomes disabled. The cash awarded under the plan formula is used to purchase AGI common shares at market prices. All vested awards are settled with participants in common shares purchased by the administrator of the plan and there is no cash settlement alternative.

The amount owing to participants is recorded as an equity award in contributed surplus as the award is settled with participants with treasury shares purchased in the open market. The expense is recorded in the different unaudited interim condensed consolidated statement of income lines by function depending on the role of the respective management member. During the three- and nine-month period ended September 30, 2014, AGI expensed nil and nil [2013 - \$52 and \$157] for the LTIP. Additionally, there is nil [2013 - \$112] in restricted cash related to the LTIP. Further awards under the LTIP ceased, effective for the fiscal 2012 year.

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

The 2012 SAIP

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

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

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

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

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

As at September 30, 2014, 239,000 Restricted Awards and 110,000 Performance Awards have been granted. The Company has accounted for the Share Awards as equity-settled plans. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures. In addition, the expense of the Performance Awards is based on the probability of achieving 143% of the Payout Multiplier. During the three- and nine-month period ended September 30, 2014, AGI expensed \$1,696 and \$3,252 for the 2012 SAIP [2013 - \$691 and \$1,847].

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

Under the DDCP, every Director receives a fixed base retainer fee, an attendance fee for meetings and a committee chair fee, if applicable, and a minimum of 20% of the total compensation must be taken in common shares. A Director will not be entitled to receive the common shares he or she has been granted until a period of three years has passed since the date of grant or until the Director ceases to be a Director, whichever is earlier. The Directors' common shares are fixed based on the fees eligible to him for the respective period and his decision to elect for cash payments for dividends related to the common shares; therefore, the Director's remuneration under the DDCP vests directly in the respective service period. The three-year period [or any shorter period until a Director ceases to be a Director] qualifies only as a waiting period to receive the vested common shares.

For the three- and nine-month period ended September 30, 2014, an expense of \$90 and \$242 [2013 - \$68 and \$233] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

The total number of common shares issuable pursuant to the DDCP shall not exceed 70,000, subject to adjustment in lieu of dividends, if applicable. For the three- and nine-month period ended September 30, 2014, 2,072 and 7,439 common shares were granted under the DDCP and as at September 30, 2014, a total of 48,147 common shares had been granted under the DDCP and 7,502 common shares had been issued.

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

For the three- and nine-month period ended September 30, 2014, an expense of \$1,786 and \$3,494 [2013 - \$812 and \$2,237] was recognized for employee and Director services rendered.

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

	2012 SAIP	
	Restricted awards #	Performance awards #
Outstanding, January 1, 2013	—	—
Granted	217,000	110,000
Forfeited	(3,000)	—
Balance, December 31, 2013	214,000	110,000
Granted	28,000	—
Forfeited	(3,000)	—
Balance, September 30, 2014	239,000	110,000

There is no exercise price on the 2012 SAIP awards.

A summary of the status of the rights to shares to be issued under the LTIP is presented below:

	Nine-month period ended September 30, 2014	Year ended December 31, 2013
	Shares #	Shares #
Outstanding, beginning of period	15,231	74,348
Vested	(15,231)	(57,351)
Forfeited	—	(1,766)
Outstanding, end of period	—	15,231

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

**14. LONG-TERM DEBT AND OBLIGATIONS UNDER FINANCE
LEASES**

	Interest rate	Maturity	September 30, 2014	December 31, 2013
	%		\$	\$
Current portion of interest-bearing loans and borrowings				
GMAC loans	0.0	2014	—	5
Total current portion of interest-bearing loans and borrowings			—	5
Non-current interest-bearing loans and borrowings				
Series A secured notes [U.S. dollar denominated]	6.8	2016	28,020	26,590
Term debt	3.0	2016	25,000	—
Total non-current interest-bearing loans and borrowings			53,020	26,590
			53,020	26,595
Less deferred financing costs			61	223
Total interest-bearing loans and borrowings			52,959	26,372

[a] Bank indebtedness

AGI has operating facilities of \$10.0 million and U.S. \$2.0 million. The facilities bear interest at prime to prime plus 1.0% per annum based on performance calculations. The effective interest rate during the nine-month period ended September 30, 2014 on AGI's Canadian dollar operating facility was 3.0% [2013 - 3.0%], and on its U.S. dollar operating facility was 3.3% [2013 - 3.4%]. As at September 30, 2014, there was nil outstanding under these facilities [December 31, 2013 - nil]. The facilities mature March 8, 2016.

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

[b] Long-term debt

The Series A secured notes were issued on October 29, 2009. The non-amortizing notes bear interest at 6.8% payable quarterly and mature on October 29, 2016. The Series A secured notes are denominated in U.S. dollars. Collateral for the Series A secured notes and term loans rank pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

AGI has revolver facilities of \$63.0 million and U.S. \$20.5 million. The facilities bear interest at prime to prime plus 1.0% per annum based on performance calculations. The effective interest rate for the nine- month period ended September 30, 2014 on AGI's Canadian dollar revolver facility was 3.0% [2013 - 3.0%] and on its U.S. dollar revolver facility was 3.3% [2013 - 3.3%]. As at September 30, 2014, there was \$25.0 million [December 31, 2013 - nil] outstanding under these facilities. The facilities mature March 8, 2016.

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements, which must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 2.5 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at September 30, 2014 and December 31, 2013, AGI was in compliance with all financial covenants.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

15. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

	September 30, 2014		December 31, 2013	
	2013	2009	2013	2009
	Debentures	Debentures	Debentures	Debentures
	\$	\$	\$	\$
Principal amount	86,250	—	86,250	114,885
Equity component	(4,480)	—	(4,480)	(7,475)
Accretion	613	—	29	6,538
Financing fees, net of amortization	(3,323)	—	(3,812)	(588)
Convertible unsecured subordinated debentures	79,060	—	77,987	113,360

In 2009, the Company issued convertible unsecured subordinated debentures in the aggregate principal amount of \$115 million [the "2009 Debentures"]. The maturity date of the 2009 Debentures was December 31, 2014 and accordingly as at December 31, 2013, they were classified as current liabilities. In the nine-month period ended September 30, 2014, holders of \$19.0 million principal amount of the 2009 Debentures exercised the conversion option and were issued 422,897 common shares. The Company fully redeemed all remaining outstanding 2009 Debentures on January 20, 2014. In the nine-month period ended September 30, 2014, the Company recorded interest expense on the 7.0% coupon of \$440 and expensed all remaining unamortized accretion and finance fee balances in the amounts of \$937 and \$588, respectively.

On December 17, 2013, the Company issued convertible unsecured subordinated debentures in the aggregate principal amount of \$75 million, and on December 24, 2013, the underwriters exercised in full their over-allotment option and the Company issued an additional \$11.2 million of debentures [the "2013 Debentures"]. The net proceeds of the offering, after payment of the underwriters' fee of \$3.5 million and expenses of the offering of \$0.6 million, were approximately \$82.2 million. The 2013 Debentures were issued at a price of \$1,000 per debenture and bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31 in each year commencing June 30, 2014. The maturity date of the 2013 Debentures is December 31, 2018.

Each 2013 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2013 Debenture, at a conversion price of \$55 per common share being a conversion rate of approximately 18.1818 common shares per \$1,000 principal amount of 2013 Debentures. No conversion options were exercised during the nine-month period ended September 30, 2014 [year ended December 31, 2013 - nil]. As at September 30, 2014, AGI has reserved 1,568,182 common shares for issuance upon conversion of the 2013 Debentures.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

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

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

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2013 Debentures, the Company recorded a liability of \$81,770, less related offering costs of \$3,847. The liability component has been accreted using the effective interest rate method, and during the nine-month period ended September 30, 2014, the Company recorded accretion of \$584 [2013 - \$1,161], non-cash interest expense relating to financing costs of \$489 [2013 - \$735] and interest expense on the 5.25% coupon of \$3,396 [2013 - \$6,031]. The estimated fair value of the holder's option to convert the 2013 Debentures to common shares in the total amount of \$4,480 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of \$1,134 and its pro rata share of financing costs of \$211.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

16. INCOME TAXES

The major components of income tax expense for the nine-month periods ended September 30, 2014 and 2013 are as follows:

Unaudited interim condensed consolidated statements of income

	2014	2013
	\$	\$
Current tax expense		
Current income tax charge	4,040	5,963
Deferred tax expense		
Origination and reversal of temporary differences	8,452	3,946
Income tax expense reported in the interim condensed consolidated statements of income	12,492	9,909

Unaudited interim condensed consolidated statement of comprehensive income

	2014	2013
	\$	\$
Deferred tax related to items charged or credited directly to other comprehensive income during the period		
Unrealized gain on derivatives	(767)	(792)
Exchange differences on translation of foreign operations	537	305
Income tax charged directly to other comprehensive income	(230)	(487)

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

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

	As at September 30, 2014	As at December 31, 2013
	\$	\$
Inventories	(88)	(88)
Property, plant and equipment and other assets	(13,874)	(12,730)
Intangible assets	(13,535)	(13,202)
Deferred financing costs	(21)	(168)
Accruals and long-term provisions	2,037	1,730
Tax loss carryforwards expiring between 2020 to 2029	1,438	9,897
Investment tax credits	(1,125)	(1,123)
Canadian exploration expenses	29,220	29,176
Capitalized development expenditures	(880)	(779)
Convertible debentures	(1,029)	(1,431)
SAIP liability	769	307
Equity impact LTIP	—	312
Other comprehensive income	1,960	1,193
Net deferred tax assets	4,872	13,094
Reflected in the unaudited interim condensed consolidated statements of financial position as follows		
Deferred tax assets	15,755	23,327
Deferred tax liabilities	(10,883)	(10,233)
Deferred tax assets, net	4,872	13,094

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences, loss carryforwards and investment tax credits become deductible. Based on the analysis of taxable temporary differences and future taxable income, the management of the Company is of the opinion that there is convincing evidence available for the probable realization of all deductible temporary differences of the Company's tax entities incurred in its Finnish operations other than losses [2,039 Euros]. Accordingly, the Company has recorded a deferred tax asset for all deductible temporary differences as of the reporting date and as at December 31, 2013.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

As at September 30, 2014, there was no recognized deferred tax liability [December 31, 2013 - nil] for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which a deferred tax asset has not been recognized, aggregate to \$622 [December 31, 2013 - \$622].

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

There are no income tax consequences to the Company attached to the payment of dividends in either 2014 or 2013 by the Company to its shareholders.

**17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK
MANAGEMENT**

[a] Management of risks arising from financial instruments

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

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

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

Market risk

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

The sensitivity analyses in the following sections relate to the position as at September 30, 2014 and December 31, 2013.

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

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

- The unaudited interim condensed consolidated statements of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant unaudited interim condensed consolidated statements of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at September 30, 2014 and December 31, 2013, including the effect of hedge accounting.

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2014

- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges as at September 30, 2014 and December 31, 2013 for the effects of the assumed underlying changes.

Foreign currency risk

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

A significant part of the Company's sales are transacted in U.S. dollars and as a result fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, AGI enters into foreign exchange forward contracts and denominates a portion of its debt in U.S. dollars. As at September 30, 2014, AGI's U.S. dollar denominated debt totalled U.S. \$25 million [December 31, 2013 - U.S. \$25 million] and the Company has entered into the following foreign exchange forward contracts to sell U.S. dollars in order to hedge its foreign exchange risk on revenue:

Settlement dates	Face value	Average rate
	U.S. \$	Cdn \$
October - December 2014	22,000	1.01
January - December 2015	65,000	1.06
January - May 2016	35,500	1.11

Settlement dates	Face value	Average rate
	Euro	Cdn \$
October - December 2014	300	1.33
January - December 2015	500	1.52

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2014

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

AGI's sales denominated in U.S. dollars for the nine-month period ended September 30, 2014 were U.S. \$208 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. \$119 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a \$20.8 million increase or decrease in sales and a total increase or decrease of \$11.9 million in its cost of goods sold and its selling, general and administrative expenses. In relation to AGI's foreign exchange hedging contracts, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a \$4.7 million increase or decrease in the foreign exchange gain and a \$13.7 million increase or decrease to other comprehensive income.

The counterparty to the contracts are three multinational commercial banks and therefore credit risk of counterparty non-performance is remote. Realized gains or losses are included in net earnings, and for the three- and nine-month periods ended September 30, 2014 the Company realized a loss on its foreign exchange contracts of \$1,262 and \$2,442 [2013 - loss of \$432 and \$110].

The open foreign exchange forward contracts as at September 30, 2014 are as follows:

	Notional amount of currency sold	Notional Canadian dollar equivalent		
		Contract amount \$	Cdn \$ equivalent \$	Unrealized gain (loss) \$
U.S. dollar contract	122,500	1.07	130,679	(7,385)
Euro contract	800	1.45	1,159	16

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized loss of \$7,369 [2013 - \$1,368], with a deferred tax asset of \$1,960 [2013 - \$363] relating to the hedging instruments, is included in accumulated other comprehensive income.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Furthermore, as AGI regularly reviews the denomination of its borrowings, the Company is subject to changes in interest rates that are linked to the currency of denomination of the debt. AGI's Series A secured notes and convertible unsecured subordinated debentures outstanding as at September 30, 2014 and December 31, 2013 are at a fixed rate of interest. As at September 30, 2014 and December 31, 2013, the Company had outstanding \$25,000 of term debt at a floating rate of interest. A 10% increase or decrease in the Company's interest rate would result in an increase or decrease of \$53 to long-term interest expense.

Credit risk

Credit risk is the risk that a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. A substantial portion of AGI's accounts receivable are with customers in the agriculture industry and are subject to normal industry credit risks. This credit exposure is mitigated through the use of credit practices that limit transactions according to the customer's credit quality and due to the accounts receivable being spread over a large number of customers. AGI establishes a reasonable allowance for non-collectible amounts with this allowance netted against the accounts receivable on the unaudited interim condensed consolidated statements of financial position.

Accounts receivable are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. The Company regularly monitors customers for changes in credit risk. Trade receivables from international customers are often insured for events of non-payment through third-party export insurance. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit is received before goods are shipped.

At September 30, 2014, the Company had 3 customers [December 31, 2013 - 3 customers] that accounted for approximately 37% [December 31, 2013 - 28%] of all receivables owing of which one customer is based in Canada, one customer is based in the United States and one is an international customer. The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Company does not hold collateral as security.

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2014

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

Liquidity risk

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

[b] Fair value

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

	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and receivables				
Cash and cash equivalents	2,380	2,380	108,731	108,731
Restricted cash	250	250	112	112
Accounts receivable	95,489	95,489	58,578	58,578
Available-for-sale investment	900	900	2,000	2,000
Financial liabilities				
Other financial liabilities				
Interest-bearing loans and borrowings	52,959	55,150	26,372	28,602
Accounts payable and accrued liabilities and provisions	40,689	40,689	34,272	34,272
Dividends payable	2,628	2,628	2,525	2,525
Due to vendor	648	648	615	615
Acquisition, transaction and financing costs payable	1,050	1,050	—	—
Derivative instruments	7,369	7,369	4,492	4,492
Convertible unsecured subordinated debentures	79,060	74,277	191,347	197,576

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

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

- Cash and cash equivalents, restricted cash, accounts receivable, dividends payable, finance lease obligations, acquisition, transaction and financing costs payable, accounts payable and accrued liabilities, due to vendor and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of unquoted instruments and loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are foreign exchange forward contracts and one option embedded in a convertible debt agreement. The most frequently applied valuation technique includes forward pricing, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties and foreign exchange spot and forward rates.
- AGI includes its available for sale investment which is in a private company in Level 3 of the fair value hierarchy as it trades infrequently and has little price transparency. AGI reviews the fair value of this investment at each reporting period and when recent arm's length market transactions are not available management's estimate of fair value is determined using a market approach based on external information and observable conditions where possible, supplemented by internal analysis as required. During the nine-month period ended September 30, 2014 AGI transferred the available for sale investment from Level 2 to Level 3 as direct observable market data was not available.

Fair value ["FV"] hierarchy

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

Level 1

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

Level 2

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

Level 3

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

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

	September 30, 2014			December 31, 2013		
	Level 1 \$	Level 2 \$	Level 3 \$	Level 1 \$	Level 2 \$	Level 3 \$
Financial assets						
Cash and cash equivalents	2,380	—	—	108,731	—	—
Restricted cash	250	—	—	112	—	—
Accounts receivable	95,489	—	—	58,578	—	—
Available-for-sale investment	—	—	900	—	2,000	—
Financial liabilities						
Interest-bearing loans and borrowings	—	55,150	—	—	28,602	—
Accounts payable and accrued liabilities and provisions	40,689	—	—	34,272	—	—
Dividends payable	2,628	—	—	2,525	—	—
Due to vendor	648	—	—	615	—	—
Acquisition, transaction and financing costs payable	1,050	—	—	—	—	—
Derivative instruments	—	7,369	—	—	4,492	—
Convertible unsecured subordinated debentures	—	74,277	—	—	197,576	—

During the reporting periods ended September 30, 2014 and December 31, 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

18. CAPITAL DISCLOSURE AND MANAGEMENT

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

AGI manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities and as at September 30, 2014 and December 31, 2013, all of these covenants were complied with [note 14].

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

19. RELATED PARTY DISCLOSURES

Relationship between parent and subsidiaries

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

Other relationships

Burnet, Duckworth & Palmer LLP ["BDP"] provides legal services to the Company and a Director of AGI is a partner of BDP. The total cost of these legal services in the nine-month period ended September 30, 2014 was \$520 [2013 - \$50] and this amount is included in accounts payable and accrued liabilities as at September 30, 2014. These transactions were incurred during the normal course of business.

20. PROFIT PER SHARE

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

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

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

	Three-month period ended		Nine-month period ended	
	September 30, 2014 \$	September 30, 2013 \$	September 30, 2014 \$	September 30, 2013 \$
Net profit attributable to shareholders for basic and diluted profit per share	8,653	12,718	23,509	22,073
Interest expense on 2009 convertible debentures	—	1,942	—	—
	8,653	14,660	23,509	22,073
Basic weighted average number of shares	13,124,076	12,566,245	13,071,436	12,545,617
Dilutive effect of DDCP	38,596	35,158	35,635	32,815
Dilutive effect of LTIP	—	16,997	—	16,997
Dilutive effect of RSU [note 13[d]]	239,000	182,186	229,147	171,231
Dilutive effect of 2009 convertible debentures [note 15]	—	2,554,134	—	—
Diluted weighted average number of shares	13,401,672	15,354,720	13,336,218	12,766,660
Profit per share – basic	0.66	1.01	1.80	1.76
Profit per share – diluted	0.65	0.95	1.76	1.73

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

The 2009 convertible unsecured subordinated debentures were excluded from the calculation of the above diluted net profit per share for the nine-month period ended September 30, 2013 because their effect is anti-dilutive.

The 2013 convertible unsecured subordinated debentures were excluded from the calculation of the above diluted net profit per share for the three- and nine-month period ended September 30, 2014 because their effect is anti-dilutive.

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2014

21. REPORTABLE BUSINESS SEGMENT

The Company is managed as a single business segment that manufactures and distributes grain handling, storage and conditioning equipment. The Company determines and presents business segments based on the information provided internally to the CEO, who is AGI's Chief Operating Decision Maker ["CODM"]. When making resource allocation decisions, the CODM evaluates the operating results of the consolidated entity.

All segment revenue is derived wholly from external customers and as the Company has a single reportable segment, inter-segment revenue is zero.

	Revenue				Property, plant and equipment, goodwill, intangible assets and available for sale investments	
	Three-month period ended		Nine-month period ended		As at	As at
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	September 30, 2014	December 31, 2013
	\$	\$	\$	\$	\$	\$
Canada	28,012	18,488	81,838	58,277	151,224	144,095
United States	63,706	57,776	173,039	143,807	79,212	74,010
International	23,197	40,183	57,154	67,230	8,923	9,120
	114,915	116,447	312,031	269,314	239,359	227,225

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

22. COMMITMENTS AND CONTINGENCIES

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

As of the reporting date, the Company has entered into commitments to purchase property, plant and equipment of \$17,337 for which deposits of \$838 were made as at September 30, 2014.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

[b] Letters of credit

As at September 30, 2014, the Company has outstanding letters of credit in the amount of \$13,212 [December 31, 2013 - \$9,201].

[c] Operating leases

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

	\$
Remaining within the current year	436
After current year but not more than five years	4,489
	<u>4,925</u>

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

During the three- and nine-month periods ended September 30, 2014, the Company recognized an expense of \$439 and \$1,295 [2013 - \$567 and \$1,262] for leasing contracts. This amount relates only to minimum lease payments.

[d] Legal actions

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

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2014

23. SUBSEQUENT EVENTS

On November 11, 2014, AGI entered into an arrangement agreement [the "Arrangement Agreement"] with Vicwest Inc. ["Vicwest"] and Kingspan Group Limited ["Kingspan"] pursuant to which, in accordance with a court approved plan of arrangement [the "Arrangement"], Kingspan will acquire all of the issued and outstanding shares of Vicwest and AGI will acquire substantially all of the assets of Vicwest's Westeel Division ["Westeel"] a provider of grain storage solutions [AGI's acquisition of the Westeel assets, the "Transaction"] for an aggregate purchase price of approximately \$221.5 million in cash.

Completion of the Arrangement is subject to a number of customary conditions including court, regulatory and Vicwest shareholder approvals. Subject to receipt of all required approvals and satisfaction of conditions in the Arrangement Agreement, closing is expected to occur in the first quarter of 2015. In conjunction with the Transaction and for the purposes of partially funding the purchase price, AGI has entered into an agreement with a syndicate of underwriters, pursuant to which AGI will issue on a "bought deal" basis \$45 million subscription receipts [the "Subscription Receipts"] and \$45 million aggregate principal amount extendible convertible unsecured subordinated debentures [the "Debentures"] at a price of \$1,000 per Debenture for aggregate gross proceeds of \$90 million [collectively, the "Offering"]. AGI has granted the Underwriters an over-allotment option to purchase from treasury up to an additional \$6.75 million Subscription Receipts and up to an additional \$6.75 million aggregate principal amount of Debentures, on the same terms and conditions as the Offering, exercisable in whole or in part at any time for a period up to 30 days following the closing of the Offering, to cover over-allotments.

Each Subscription Receipt represents the right of the holder to receive, upon closing of the Transaction, without payment of additional consideration, one common share ["Common Share"] of AGI plus an amount equal to the amount per Common Share of any dividends declared for which record dates have occurred during the period from closing of the Offering to the date immediately preceding the closing date of the Transaction. Net proceeds from the offering of the Subscription Receipts will be deposited in escrow pending the closing of the Transaction. If the Transaction closes on or before April 30, 2015, the escrowed proceeds from the offering of Subscription Receipts will be released to AGI and used to finance, in part, the Transaction. If the Transaction does not close by 5:00pm [Toronto time] on April 30, 2015, the Arrangement Agreement is terminated at any earlier time, or AGI advises the Underwriters or announces to the public that it does not intend to proceed with the Transaction [the occurrence of any such event being a "Termination Event"], holders of the Subscription Receipts will be refunded the purchase price of their Subscription Receipts and will also receive a pro rata share of the interest earned on the escrowed proceeds.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

September 30, 2014

A preliminary short form prospectus qualifying the distribution of the Subscription Receipts and Debentures will be filed with the securities regulatory authorities in each of the provinces of Canada [other than Quebec]. Closing of the Offering is expected to occur on or about December 1, 2014. The Offering is subject to normal regulatory approvals, including approval of the Toronto Stock Exchange.

The remainder of the purchase price of the Transaction will be funded by AGI through expanded credit facilities that have been fully committed by the Company's lenders. Concurrently with the announcement of the Transaction, AGI accepted a commitment letter from the Company's lenders for secured credit facilities in an aggregate amount sufficient to fund the balance of the purchase price and provide for general corporate purposes. As part of the commitment letter, \$25 million drawn under the Company's revolver facility as at September 30, 2014 [note 14] will be refinanced.