

AG GROWTH INTERNATIONAL INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
Dated: March 16, 2021

This Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with the audited consolidated comparative financial statements and accompanying notes of Ag Growth International Inc. (“AGI”, the “Company”, “we”, “our” or “us”) for the year ended December 31, 2020.

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

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

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

SUMMARY OF RESULTS

[thousands of dollars except per share amounts]	Three-Months Ended December 31		Year Ended December 31	
	2020	2019	2020	2019
	\$	\$	\$	\$
Trade sales ⁽¹⁾ [2]	227,385	229,591	1,000,130	999,935
Adjusted EBITDA ⁽¹⁾ [3]	27,815	23,196	149,328	144,279
Profit (loss)	(15,015)	(8,286)	(61,648)	14,633
Diluted profit (loss) per share	(0.80)	(0.44)	(3.30)	0.77
Adjusted profit (loss) ⁽¹⁾	8,733	(1,180)	60,255	41,559
Diluted adjusted profit (loss) per share ⁽¹⁾ [4]	0.46	(0.06)	3.17	2.20

[1] See “Non-IFRS Measures”.

[2] See “OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2020 - Trade Sales” and “OPERATING RESULTS – THREE MONTHS ENDED DECEMBER 31, 2020 - Trade Sales”.

[3] See “OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2020 - EBITDA and Adjusted EBITDA” and “OPERATING RESULTS – THREE MONTHS ENDED DECEMBER 31, 2020 - EBITDA and Adjusted EBITDA”.

[4] See “OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2020 - Diluted profit (loss) per share and diluted adjusted profit (loss) per share” and “OPERATING RESULTS – THREE MONTHS ENDED DECEMBER 31, 2020 - Diluted profit (loss) per share and diluted adjusted profit (loss) per share”.

Resilient results in the fourth quarter closed out a year marked with numerous challenges but substantial strategic progress. Our investments in building our 5-6-7 diversification strategy contributed to a relatively strong performance given the challenges throughout the year created by the COVID-19 pandemic.

In North America, our Farm segment trade sales grew 9% year-over-year (‘YOY’) with notably strong demand for portable farm equipment. North American Commercial markets were the most

impacted by COVID-19 as large capital projects saw routine delays due to planning challenges, general market uncertainty and a tendency for our customers to be focused on status quo operations. All together these factors resulted in an overall decrease in sales within the North American Commercial segment of 27% versus 2019.

International regions were strong despite COVID-19 challenges. EMEA and South America manufacturing facilities continue to show operational performance improvements resulting in enhanced margins despite COVID-19 related production interruptions. South America continues to have substantial sales growth of 18% versus 2019 coming from growing market share. Asia Pacific saw strong sales, growing 36% over 2019 or an increase of 6% excluding the March 2019 Milltec acquisition. EMEA Commercial markets were also impacted due to COVID-19 and project delays resulted in an overall decrease of 10%.

Despite overall flat sales year over year, adjusted EBITDA grew 20% over 2019 in Q4 and increased 3% over 2019 for the full year. Positive movement in margins internationally along with increased Farm sales more than offset the impact of the Technology platform. AGI utilizes a subscription model for a portion of our Internet of Things (“IoT”) hardware sales that results in subscription sales being recognized over time rather than a traditional retail sale which is recognized upfront at time of sale. While having a negative impact from an accounting perspective, this model creates a long-term relationship with our customers while positively impacting adoption of the technology. Adjusting the entire segment to a Retail Equivalent approach would have resulted in a positive contribution from the Technology group in the quarter and in the year.

Loss and loss per share were negatively impacted by the Company’s estimated remediation costs, non-cash losses on the Company’s equity compensation swap, non-cash losses on foreign exchange translation, other transaction and transitional costs, non-cash asset impairment charge and the Company’s share of associate’s net loss. Full year adjusted profit and adjusted profit per share increased \$18.7 million and \$0.97 per share representing 45% and 44% increases over the prior year respectively.

UPDATE ON REMEDIATION WORK

The Company continues to make progress on the remediation of the commercial grain storage bins as previously disclosed in our Q3 2020 MD&A and our January 20, 2021 press release (the “Remediation Work”). We have recorded a total estimated cost of \$70 million for the 2 affected customer sites and that estimate has not changed.

Some other relevant facts include:

- We are moving forward with the Remediation Work for one of the customers and expect to be completed by the Fall.
- One of the customers has decided to resolve the issue themselves with other suppliers. We do not expect this change to impact our potential obligations and consequently our estimated provision remains consistent with prior guidance.
- We still expect that insurance proceeds will partially offset the costs. As indicated, insurance proceeds will not be available until after completion of Remediation Work.

Additional information on the provision for remediation can also be found in “OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2020 – Remediation Costs”.

COVID-19

The emergence of COVID-19 had an adverse impact on AGI's business, including the disruption of production, our supply chain and product delivery. AGI experienced temporary production suspensions in Italy, France, Brazil, and India early in the pandemic and sporadic but short interruptions in the United States while engineering, design and quoting activity continued at all of these businesses during the suspension periods.

As previously reported, international production suspensions due to COVID-19 during 2020 lasted between two and four weeks and impacted Q1 and, more significantly, Q2 and consequently sales and margins for the full year. In the United States, internal safety protocols required AGI to temporarily suspend production on several occasions during 2020 and these plant closures generally lasted three to ten days. To date there have been no production suspensions in Canada. AGI is currently manufacturing at full capacity at all locations.

AGI operations were captured as essential services in many regions throughout North America highlighting the important role we play in the global food supply chain. Although AGI's business has been impacted by the COVID-19 related disruptions, management continues to believe post crisis demand will be positively impacted as the world builds additional redundancy into the global food infrastructure to account for similar events in the future.

Additional information on the impacts of COVID-19 can also be found in "OUTLOOK, OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2020 - Trade Sales" and "OPERATING RESULTS – THREE MONTHS ENDED DECEMBER 31, 2020 - Trade Sales."

Basis of Presentation

Farm and Commercial are AGI's two operating segments. In the disclosure that follows, we have included product groups in order to provide additional information that may be useful to the reader. Our Farm segment includes the Farm platform ('Farm') and Technology platform ('Technology') and our Commercial segment includes the Commercial platform ('Commercial') and Food platform ('Food').

OUTLOOK

Macro conditions are positive globally with crop volumes, crop prices, trade flow all trending positively. There has been a notable change in trade volumes as China rebuilds their swine herd and global crop inventories trended downward in many regions throughout 2020. While AGI demand drivers are more closely linked to crop volumes, trade practices, and consumption levels, the increasing crop prices do provide a favorable tailwind for our markets.

Farm

Farm sales activity and backlog have increased substantially over prior year levels as our dealers move to replenish inventories and get ahead of steel price increases in anticipation of a busy year correlated to high planting intentions. All of these factors have resulted in Farm backlogs increasing 56% in Canada and 26% in the U.S over December 31, 2019.

International Farm backlogs are also strong with a substantial increase in Brazil and augmented with increases in Australia and EMEA bringing these backlogs up 109% over December 31, 2019.

Brazil volumes continue to grow as the AGI brand is established in both the robust domestic market as well as export markets that are propelled by increasing crop sizes, increased global demand and underpinned by strong crop prices and a favourable exchange rate.

The Australian market is predicted to have the second biggest harvest on record and, in the EMEA region, AGI is continuing to work with existing and new dealers / distributors to increase inventory in key locations to facilitate in season sales.

Technology

We have highlighted the Technology business to provide additional information outlining the strategic value and growth potential of our Technology platform.

AGI's Technology platform is built on a foundation of our IoT products. We design, manufacture and supply IoT hardware that monitors, operates and automates our equipment and the collection of key operational data for our customers. This operational data is fed into intuitive and rich user interfaces, AGI SureTrack Farm and Pro, to enable our customers to operate and monitor their equipment, record operational activity, manage and market their inventories and holistically operate their businesses. The IoT product portfolio is a mix of stand-alone hardware including weather stations, soil probes, grain temperature and moisture sensors and is further augmented through the digitalization of AGI products.

Three recent acquisitions have been integrated into AGI SureTrack: IntelliFarms (March 2019), CMC (January 2018) and Affinity (January 2020). AGI SureTrack includes farm management tools, grain bin monitoring with automated conditioning, a grain marketing platform, hazard monitoring, and enterprise resource planning (ERP) solutions. AGI SureTrack operates out of Lenexa, Kansas with a location in Oakville, Ontario.

In 2020 we moved several operations to a new facility in Lenexa, Kansas while also substantially increasing our IoT production capacity, as well as our engineering and developer teams. Increased production capacity along with increased strategic inventory positions have transformed lead times from weeks to days. In other parts of AGI, backlogs are an indication of building business volumes given the relatively longer project development and production process. Our Technology business is closer to a retail environment with standard products configured to each installation and our goal is to minimize backlogs and to ship orders as quickly as possible. This customer focus theme is pervasive across this newly combined and expanded team and we continue to forecast robust growth as we head into 2021.

Technology retail equivalent sales increased 33% in 2020 despite significant challenges in our farm direct sales channel due to COVID-19 imposed restrictions on meeting with customers. Prior to 2020, sales in this business were primarily driven by farm tradeshow, in person training programs and on farm sales meetings with growers. With these channels effectively eliminated in 2020, and as part of a move to an omni channel approach, our teams pivoted to virtual sessions while also focusing on growing our dealer partnerships. We made substantial progress in onboarding net new dealers toward the end of 2020 and this initiative has accelerated into 2021.

Commercial

Management expects that expanded planting intentions in North America combined with a post COVID-19 rebound in project activity will drive demand for grain and fertilizer systems. While COVID-19 had a substantial impact on project activity, quoting, project development and project

progression across North America, the impact on projects in western Canada was more severe than in the US as growth projects were placed on hold in favor of essential maintenance.

The Canadian Commercial backlog was down 55%; however, management believes that the impact of COVID-19 on Canadian commercial projects is temporary and investment in commercial infrastructure in Canada will begin to increase in the back half of 2021. Eastern Canada is already seeing increased project activity leading to an expectation for an earlier rebound as compared to Western Canada. Overall, quoting activity has seen increased activity month over month indicating a positive trend in this impacted region.

Commercial trend lines are also positive in the United States and management expects sales to continue to improve with a steady flow of maintenance and smaller capital projects in the near term. The trade tensions that have contributed to delays in capital investments in the US Commercial space over the last two years appear to be improving as crop export volumes normalize. US Commercial backlogs have increased 30% compared to the prior year leading to further expectation of growing investment across the US grain infrastructure.

International Commercial sales continue to demonstrate strength and quoting activity across all regions has essentially rebounded to pre-COVID-19 levels leading to a 13% increase in backlogs over December 31, 2019.

- The momentum in EMEA continued in Q4 supported by strong quoting activities. Backlogs are up 16% as compared to December 31, 2019.
- The macro environment continues to be supportive for investment in the South America region with historically low interest rates and inflation. The positive environment extends to the fundamentals for AGI's end markets with large and growing crop volumes, increasing global demand for Brazil agriculture products, and supportive crop prices setting up positive and sustainable structural conditions. As a result, backlogs are up 14% as compared to December 31, 2019 in the region and order intake continues to grow as we move into Q1/Q2 2021.
- A favorable monsoon season and increasing rice exports are offsetting a challenging environment due to COVID-19 in India.
- Backlogs have increased 24% over December 31, 2019 for India and 9% overall for the Asia Pacific region.

Overall, management expects a rebound in the International Commercial space in 2021 with the ease of trade tensions and positive macroeconomic fundamentals.

Food

The AGI Food platform falls within AGI's Commercial segment, however, in order to highlight some of the emerging trends of this group, we are providing selected information to promote a better understanding of this market and demand drivers that impact this platform's performance. The Food platform's end customers are involved in producing processed food and beverages of all types, including pet food. AGI Food provides full process design engineering, overall project engineering, project management services, and equipment supply. Our process design services result in close partnerships with our customers as we become involved early in the project formation stage. Our project management services mean we lead the project from conception to commissioning and work with our customers to manage all dynamics of the project throughout design and execution. We also manufacture and supply the infrastructure equipment components of these projects. Consistent with our other segments, our equipment products in the Food segment address the conveying, storage, blending and movement of ingredients involved in each process.

The combination of services and equipment supply delivered by AGI Food result in ongoing strategic relationships as our customers expand, retrofit, upgrade and maintain their global operations.

COVID-19 has driven several unique trends that are positively impacting current sales and augmenting already favourable fundamentals. Increased consumption of processed and packaged food has contributed to increased quoting activity. Pet food consumption was rising pre-COVID-19, however, a notable increase in pets during COVID-19 has resulted in both greenfield and retrofit projects globally in this sub-category. Favourable market activity combined with a growing market share for AGI Food platform has increased backlogs by 24% versus prior year.

Summary

Demand in 2021 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets and the availability of credit and export credit agency support in offshore markets also may influence sales, primarily of Commercial grain handling and storage products. Consistent with prior periods, Commercial sales are subject to the timing of customer commitment and delivery considerations. AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars and a weaker Canadian dollar relative to its U.S. counterpart positively impacts profit and adjusted EBITDA. The Company continues to mitigate its exposure to higher input costs though continued procurement of steel at lower prices, sales price increases and limiting the length of time commercial quotes remain valid. AGI's results in 2021 may be also be impacted COVID-19 disruptions that are still impending all over the world. As shown below, the backlog for AGI is up 21% overall in each of our platforms, indicating a very positive outlook to start off 2021. In addition, with Technology moving to a retail approach, results in this platform should continue to exhibit the strong momentum seen in 2020.

The following table presents changes in the Company's backlogs as of December 31, 2020 versus December 31, 2019:

Platform ^[1]	Region			
	Canada % chg	United States % chg	International % chg	Total % chg
Farm	56%	26%	109%	42%
Commercial	(55%)	30%	13%	7%
Food	(46%)	171%	(2%)	24%
Overall^[1]	12%	33%	15%	21%

[1] Backlog for Technology platform has been excluded as products and services are delivered on a just-in-time basis and therefore backlog is not a relevant indicator of committed sales.

The following table presents changes in the Company's international backlogs further segmented by region as of December 31, 2020 versus December 31, 2019:

Platform ^[1]	EMEA % chg ^[2]	Asia Pacific % chg ^[3]	South America % chg ^[4]
International by region ^[1]	22%	9%	15%

[1] Backlog for Technology has been excluded as products and services are delivered on a just-in-time basis and therefore backlog is not a relevant indicator of committed sales.

[2] "EMEA" composed of Europe, Middle East and Africa

[3] "Asia Pacific" composed of South East Asia, Australia, India, and Rest of World

[4] "South America" composed of Latin America and Brazil

Management continues to be pleased with the resilient performance across AGI during 2020. AGI's 5-6-7 strategy providing system solutions across 5 platforms, 6 continents, and across 7 components has led to diversification in terms of products, geographies, and customers which has proven valuable during these uncertain times.

OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2020

Trade Sales [see "Non-IFRS Measures"]

	2020	2019	Year Ended December 31	
[thousands of dollars]	\$	\$	Change	Change
			\$	%
Trade sales	1,000,130	999,935	195	- %
Foreign exchange loss ⁽¹⁾	(6,100)	(4,148)	(1,952)	(47) %
Total Sales	994,030	995,787	(1,757)	- %

[1] A portion of foreign exchange gains and losses are allocated to sales.

Trade Sales by Segment and Product Grouping [see "Basis of Presentation" and "Non-IFRS Measures"]

AGI utilized a subscription model for a portion of our IoT hardware sales that results in subscription sales being recognized over time rather than traditional retail sales which are recognized upon product sale. A portion of the Technology sales in the table below is reflected based on subscription sales being recognized over time. **Please refer to the "Technology Sales with Retail Equivalent" table below for Technology sales presented at Retail Equivalent.**

Farm Segment

Year ended December 31 [thousands of dollars]	Farm				Technology				Total			
	2020	2019	Change		2020	2019	Change		2020	2019	Change	
	\$	\$	\$	%	\$	\$	\$	%	\$	\$	\$	%
Canada	205,731	195,273	10,458	5%	1,617	822	795	97%	207,348	196,095	11,253	6%
U.S.	265,138	238,291	26,847	11%	21,147	18,684	2,463	13%	286,285	256,975	29,310	11%
International												
EMEA	13,391	9,484	3,907	41%	121	275	(154)	(56%)	13,512	9,759	3,753	38%
Asia Pacific	20,204	23,108	(2,904)	(13%)	-	56	(56)	(100%)	20,204	23,164	(2,960)	(13%)
South America	22,321	16,365	5,956	36%	216	43	173	402%	22,537	16,408	6,129	37%
Total International	55,916	48,957	6,959	14%	337	374	(37)	(10%)	56,253	49,331	6,922	14%
Total	526,785	482,521	44,264	9%	23,101	19,880	3,221	16%	549,886	502,401	47,485	9%

Commercial Segment

Year ended December 31 [thousands of dollars]	Commercial				Food				Total			
	2020	2019	Change		2020	2019	Change		2020	2019	Change	
	\$	\$	\$	%	\$	\$	\$	%	\$	\$	\$	%
Canada	62,162	122,382	(60,220)	(49%)	12,893	6,673	6,220	93%	75,055	129,055	(54,000)	(42%)
U.S.	129,229	142,034	(12,805)	(9%)	27,298	26,832	466	2%	156,527	168,866	(12,339)	(7%)
International												
EMEA	77,603	90,649	(13,046)	(14%)	13,452	15,711	(2,259)	(14%)	91,055	106,360	(15,305)	(14%)
Asia Pacific	77,017	49,644	27,373	55%	3,756	1,190	2,566	216%	80,773	50,834	29,939	59%
South America	46,834	40,386	6,448	16%	-	2,033	(2,033)	(100%)	46,834	42,419	4,415	10%
Total International	201,454	180,679	20,775	11%	17,208	18,934	(1,726)	(9%)	218,662	199,613	19,049	10%
Total	392,845	445,095	(52,250)	(12%)	57,399	52,439	4,960	9%	450,244	497,534	(47,290)	(10%)

Trade Sales by Geography [see "Non-IFRS Measures"]

Year ended December 31 [thousands of dollars]	2020	2019	Change	
	\$	\$	\$	%
Canada	282,403	325,150	(42,747)	(13%)
U.S.	442,812	425,841	16,971	4%
International				
EMEA	104,567	116,119	(11,552)	(10%)
Asia Pacific	100,977	73,998	26,979	36%
South America	69,371	58,827	10,544	18%
Total International	274,915	248,944	25,971	10%
Total	1,000,130	999,935	195	0%

Canada

- Trade sales in Canada decreased 13% from 2019:
 - Farm trade sales were up 5% as a result of increased demand for storage and portable equipment due to favourable crop volumes resulting from generally positive weather and increases in planted acres, offset with aeration and drying equipment lower than the prior year due to drier conditions at harvest.
 - Technology trade sales increased 97% from a marginal baseline (retail equivalent sales increased 116%) as AGI continues to expand into the Canadian market and use existing sales channels to promote this platform. This platform and region of the business is a focal point for product development to ensure continued growth and market penetration.
 - Commercial trade sales were down 49% following a period of robust building in fertilizer and commercial grain projects. COVID-19 served to delay all sizes of commercial projects in both grain terminal and fertilizer projects. Quoting activity has increased towards the end of 2020 leading to an expected steadily positive trendline throughout 2021.
 - Food trade sales are up 93% as pent-up demand for projects was released into production. We have seen high demand for pet food greenfield and retrofit projects.

United States

- Trade sales in the U.S. increased 4% from 2019:
 - Farm trade sales increased 11% with the largest increases in both Storage and Portable products. Favourable crop volumes resulting from generally positive weather and an increase in planted acres continued to support strong buying patterns throughout the year.
 - Technology trade sales increased 13% (retail equivalent sales increased 31%) through continued focus from our expanding dealer network.
 - Commercial trade sales decreased 9% over 2019 as many customers delayed installation and delivery of equipment due to COVID-19.
 - Food trade sales grew 2% with majority of the increases coming in Q4 as a result of the release of planned projects into production. Quoting activity has rebounded significantly in the second half of 2020 leading to an increasingly positive outlook for Food in this region in 2021.

International

- International trade sales increased 10% from 2019:
 - Farm trade sales increased 14% with the largest increases in both Storage and Portable products in EMEA and South America. Favourable crop volumes resulting from generally positive weather and an increase in planted acres continued to support buying patterns throughout the year.
 - Commercial trade sales increased 11% over 2019 despite the impact of COVID-19 causing project delays. Both Asia Pacific and South America regions saw significant increases of 55% and 16% the over prior year due to commercial projects signed pre-COVID-19 and the impact of the Milltec acquisition in March 2019 offset the 14% decrease in trade sales in the EMEA region with project delays due to COVID-19 restrictions and concerns.
 - Food trade sales decreased 9% from 2019 as projects in the EMEA and South America region were delayed or deferred due to COVID-19. Food trade sales in the Asia Pacific region increased significantly due to continued investments in processing facilities in this region.

Technology Sales with Retail Equivalent [see "Non-IFRS Measures"]

As noted above, AGI utilized a subscription model for a portion of our IoT hardware sales that results in subscription sales being recognized over time rather than traditional retail sales which are recognized upon product sale. Adjusting subscription sales to a Retail Equivalent approach would have resulted in a positive contribution from the Technology platform in the quarter and in the year. The following table outlines the adjustments required to convert subscription sales to retail equivalent sales:

	Year Ended December 31			
	2020	2019	Change	Change
[thousands of dollars]	\$	\$	\$	%
Technology Trade Sales	23,101	19,880	3,221	16 %
Less: subscription revenue recognized in the year				
Annual data subscriptions	(2,514)	(1,740)	(774)	(44%)
Other annual services	(111)	(207)	96	46%
Add: IoT hardware deferred revenue to be recognized over remaining life of contract	13,440	7,518	5,922	79%
Sales value of IoT hardware sold during the year (Retail equivalent)	33,916	25,451	8,465	33%
Annual data subscriptions	2,514	1,740	774	44 %
Other annual services	111	207	(96)	(46%)
Total Technology Sales with Retail Equivalent	36,541	27,398	9,143	33 %

[1] See "Non-IFRS Measures".

Technology Sales with Retail Equivalent by Geography [see "Non-IFRS Measures"]

	Year Ended December 31			
	2020	2019	Change	Change
[thousands of dollars]	\$	\$	\$	%
Canada	1,818	841	977	116 %
U.S.	34,386	26,227	8,159	31 %
International	337	330	7	2 %
Total Technology Sales with Retail Equivalent	36,541	27,398	9,143	33 %

[1] See "Non-IFRS Measures".

Gross Margin [see "Non-IFRS Measures"]

[thousands of dollars]	Year Ended December 31	
	2020	2019
	\$	\$
Trade sales ^[1]	1,000,130	999,935
Cost of inventories ^[1]	678,813	688,764
Gross margin ^[1]	321,317	311,171
Gross margin as a % of trade sales	32.1%	31.1%

[1] See "Non-IFRS measures".

AGI's gross margin percentages for 2020 increased over the prior year. Higher gross margins are attributed to the increase in sales volume in 2020 in the Farm segment plus our India location. In addition, both Brazil and EMEA locations saw significant operational gains as a result of the strategic investments made in prior years. The higher gross margin was offset by lower Commercial segment margins in North America from the challenging competitive landscape, lower sales volumes and product mix in the year.

EBITDA and Adjusted EBITDA [see "Non-IFRS Measures"]

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

[thousands of dollars]	Year Ended December 31	
	2020	2019
	\$	\$
Profit (loss) before income taxes	(80,966)	18,404
Finance costs	46,692	44,793
Depreciation and amortization	55,271	48,188
Share of associate's net loss	4,314	2,352
EBITDA ^[1]	25,311	113,737
Loss (gain) on foreign exchange	1,730	(2,534)
Share based compensation ^[2]	6,428	5,968
Loss on financial instruments ^[3]	14,502	1,503
M&A expenses	1,736	1,588
Other transaction and transitional costs ^[4]	14,326	11,562
Loss on sale of PP&E	187	260
Gain on settlement of leases	(3)	-
Fair value of inventory from acquisitions ^[5]	-	1,962
Equipment rework and remediation ^[6]	80,000	10,000
Impairment ^[7]	5,111	233
Adjusted EBITDA ^[1]	149,328	144,279

[1] See "Non-IFRS Measures".

[2] Excludes expenses related to the cash-settled EIAP.

[3] See "Equity compensation hedge".

[4] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

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

[6] To record the pre-tax charge for the estimated cost of rework and remediation including time, material and services.

[7] See "Impairment Charge".

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

The Company's diluted profit (loss) per share for the year ended December 31, 2020 was a loss of \$3.30, versus profit of \$0.77 in 2019. Profit (loss) per share in 2020 and 2019 has been impacted by the items enumerated in the table below, which reconciles profit (loss) to adjusted profit.

[thousands of dollars except per share amounts]	Year Ended December 31	
	2020	2019
	\$	\$
Profit (loss)	(61,648)	14,633
Diluted profit (loss) per share	(3.30)	0.77
Loss (gain) on foreign exchange	1,730	(2,534)
Fair value of inventory from acquisition ^[2]	-	1,962
M&A expenses	1,736	1,588
Other transaction and transitional costs ^[3]	14,326	11,562
Loss on financial instruments	14,502	1,503
Loss on sale of PP&E	187	260
Gain on settlement of leases	(3)	-
Impairment charge ^[4]	5,111	233
Equipment rework and remediation ^[5]	80,000	10,000
Share of associate's net loss	4,314	2,352
Adjusted profit ^[1]	60,255	41,559
Diluted adjusted profit per share ^[1]	3.17	2.20

[1] See "Non-IFRS Measures".

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

[3] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

[4] See "Impairment Charge".

[5] To record the pre-tax charge for the estimated cost of rework and remediation including additional time, material and services.

DETAILED OPERATING RESULTS

[thousands of dollars]	Year Ended December 31	
	2020	2019
	\$	\$
Sales		
Trade sales	1,000,130	999,935
Foreign exchange loss	(6,100)	(4,148)
	994,030	995,787
Cost of goods sold		
Cost of inventories	678,813	688,764
Fair value of inventory from acquisitions	-	1,962
Equipment rework	80,000	10,000
Depreciation /amortization	28,527	27,321
	787,340	728,047
Selling, general and administrative expenses		
SG&A expenses	183,013	177,096
M&A expenses	1,736	1,588
Other transaction and transitional costs ^[1]	14,326	11,562

Depreciation/amortization	26,744	20,867
	225,819	211,113
Other operating expense (income)		
Net loss on disposal of PP&E	187	260
Net gain on disposal of right-of-use assets	(3)	-
Net loss on financial instruments	14,502	1,503
Other	(4,152)	(4,001)
	10,534	(2,238)
Impairment charge	5,111	233
Finance costs	46,692	44,793
Finance income	(4,814)	(6,917)
Share of associate's net loss	4,314	2,352
Profit (loss) before income taxes	(80,966)	18,404
Income tax expense (recovery)	(19,318)	3,771
Profit (loss) for the year	(61,648)	14,633
Profit (loss) per share		
Basic	(3.30)	0.79
Diluted	(3.30)	0.77

[1] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The 2020 gain on foreign exchange in finance income represents primarily non-cash items on the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange of 1.2732 as at December 31, 2020 [2019 - 1.2988] partially offset by a slight increase in U.S. dollar denominated debt of USD \$204.8 million as at December 31, 2020 [2019 – USD \$196.8 million].

Sales and Adjusted EBITDA

AGI's average rate of exchange for the year ended December 31, 2020 was \$1.34 [2019 - \$1.33]. A weaker Canadian dollar relative to the U.S. dollar results in higher reported sales for AGI, as U.S. dollar denominated sales are translated into Canadian dollars at a higher rate. Similarly, a weaker Canadian dollar results in higher costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA increases when the Canadian dollar weakens relative to the U.S. dollar.

Equipment rework

During the year, the Company recorded an additional provision for equipment rework of \$10 million [2019 - \$10 million] to address issues with equipment designed and supplied to the one commercial facility where the reported bin collapse occurred. The bin collapse and the rework are distinct and the rework did not involve the hopper product. As at December 31, 2020, included in the Company's warranty provision is \$4,520 related to the equipment rework with \$13,538 [2019 - \$1,942] of the provision having been utilized during the year as the rework was undertaken. The remaining provision as at December 31, 2020 is management's best estimate of the remaining costs to complete the rework, including final costs of commissioning, legal and consulting fees.

Remediation Costs

Over the period of 2019 - 2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. On September 11, 2020, a bin at one of the customer facilities collapsed during commissioning. The incident did not result in any injuries and AGI immediately issued a demand to suspend use of the product at both sites. A total of 15 similar bins are located at the incident site and 20 bins are located on a second site, which are erected but have yet to be commissioned. Clean-up by the customer at the site of the collapse has begun and continues to progress. The exact cause of the collapse is currently undetermined and a complete investigation can be carried out once the site is fully accessible.

The Company continues to investigate the incident and has made progress in determining the approach to remediation in consultation with internal and external advisors. While the Company initially proceeded on the basis of providing full remediation to the two affected customer sites, one customer has proceeded to undertake the remediation themselves and the Company has determined to proceed with replacing the entire hopper base for the 20 bins located at the second site. The Company's decision to replace the hopper bottoms at the second site is being done out of abundance of caution and goodwill. Remediation work on the second site is expected to begin in April 2021 and is estimated to be completed during the year.

During the year, the Company recorded a provision of \$70 million for the remediation work. As at December 31, 2020, the warranty provision is \$69.7 million with \$282 of the provision having been utilized during the year.

The provision for remediation required significant estimates and judgments about the scope, nature, timing and cost of work required. It is based on management's assumptions and estimates at the current date with the cause and determination of responsibility an area of significant estimation uncertainty as the investigation has not been completed and causation has not been determined. AGI, in consultation with its advisors, has estimated various probability weighted scenarios, including investigation and remediation costs, at the two sites.

The provision was determined based on management's assessment of the cost of investigation and remediation. Key assumptions utilized by management in the determination of its probability-weighted provision included the degree of liability, if any, the estimated number of third-party investigation and legal hours, estimated volume of materials and material costs, estimated internal and external labor hours, equipment costs and third-party construction costs.

Further insight into the cause of, and responsibility for, the incident will take time. As the investigation of the incident continues to be conducted, the provision is subject to revision in the future as further information becomes available to the Company, the impact of which could be material.

In addition, while there is the possibility of legal action against the Company with respect to damages, no formal claims have been filed at this time and any outcome is therefore not determinable and no disclosure has been made with respect to any potential contingent liabilities. The Company also believes that the provision of \$70 million will be partially offset by insurance coverage and result in a lower net impact. AGI is working with insurance providers and external advisors to determine the extent of this cost offset. Insurance recoveries, if any, will be recorded when received. As at March 16, 2021, the Company had not filed any insurance claim or received any insurance recoveries.

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

SG&A expenses for the year ended December 31, 2020 excluding M&A expenses, other transaction and transition expenses and depreciation/amortization, were \$183.0 million [18.3% of trade sales] versus \$177.1 million [17.7% of trade sales] in 2019. Variances to the prior year include the following:

- The higher dollar amount in 2020 relates in part to the March 29, 2019 acquisition of Milltec.
- Salaries & wages and share-based compensation expense increased \$3.7 million and \$2.8 million respectively. The increase relates largely to the inclusion in 2020 of certain senior management personnel hired throughout fiscal 2019, salary increases, and share award grants.
- Bad debt expense increased \$2.5 million primarily related to an allowance taken on three customers' accounts.
- Commissions and engineering services costs increased \$2.4 million largely due to sales mix.
- Office, marketing, and travel expenses decreased \$7.6 million largely due to the impact of COVID-19.
- Accounting, legal and consulting services increased \$2.1 million as a result of ongoing strategic initiatives.
- No other individual variance was greater than \$1.0 million.

Finance costs

Finance costs which represent interest incurred on all debt for the year ended December 31, 2020 were \$46.7 million versus \$44.8 million in 2019. In 2020, finance costs have increased due to the following:

- New debt drawn in conjunction with new investments, most significantly the March 2019 acquisition of Milltec.
- New senior unsecured subordinated debentures had a slightly higher coupon rate than the convertible unsecured subordinated debentures it replaced.
- The amendments to the Credit Facility announced on April 29, 2020 that included a suspension of all financial covenant requirements for the six-month period ending October 31, 2020 also increased the performance adjustments during the suspension period.

Finance income

Finance income which represents interest income earned and foreign exchange on long term debt for the year ended December 31, 2020 was \$4.8 million versus \$6.9 million in 2019. The income in both periods relates primarily to non-cash translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the year as the exchange rate fell from 1.2988 as at December 31, 2019 to 1.2732 at December 31, 2020.

December 31	Spot FX Rate	USD Denominated Debt
2018	1.3642	USD \$151.8 million
2019	1.2988	USD \$196.8 million
2020	1.2732	USD \$204.8 Million

Share of associate's net loss

Share of associate's net loss for the year ended December 31, 2020 was \$4.3 million versus \$2.4 million in 2019. The net loss relates to AGI's proportionate share of the net loss of the associate.

Other operating expense (income)

Other operating expense (income) for the year ended December 31, 2020 was an expense of \$10.5 million versus income of \$2.2 million in 2019. Other operating expense (income) includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity compensation hedge"], and interest income. The expense amount in 2020 relates largely to a non-cash loss on the equity compensation hedge.

Impairment Charge

An impairment test is performed at least annually under IFRS for goodwill and indefinite-life intangible assets, that compares the recoverable amount of the asset to its carrying value. During the three-month period ended September 30, 2020, the Company decided to discontinue the Union Iron brand name (indefinite-life intangible asset) which consequently, triggered an impairment test to be performed for Union Iron, a division of the Company. As result of the value-in-use calculation, as at September 30, 2020, it was determined, using a discount rate of 9.0%, that the recoverable amount of Union Iron was less than its carrying value. The impairment amount calculated was applied on a pro rata basis over the division's identifiable assets and consequently, an impairment charge of \$1,957 against property, plant, and equipment and \$3,154 against intangible assets was recognized. While reducing reported results under IFRS, the non-cash impairment charge will not impact the Company's business operations, cash position or cash flows from operating activities.

Depreciation and amortization

Depreciation of property, plant and equipment; depreciation of right-of-use assets and amortization of intangible assets are categorized in the income statement in accordance with the function to which the underlying asset is related. The increase of \$7.1 million during the year ended December 31, 2020 compared to 2019 is due to the depreciation related to increased capital asset expenditures and amortization of internally generated intangibles, including those related to AGI's Technology platform.

Income tax expense (recovery)

Current income tax expense

Current tax expense for the year ended December 31, 2020 was \$7.1 million versus \$5.5 million in 2019. Current tax expense relates primarily to AGI's Canada, U.S., India, Netherlands, Italy, France, India and Brazil subsidiaries.

Deferred income tax recovery

Deferred tax recovery for the year ended December 31, 2020 was \$26.4 million versus \$1.8 million in 2019. The deferred tax recovery in 2020 related to the recognition of temporary differences between the accounting and tax treatment of equity swaps, intangible assets, tax loss carry forwards, accruals and long-term provisions.

Effective tax rate

[thousands of dollars]	Year Ended December 31	
	2020	2019
	\$	\$
Current tax expense	7,089	5,521
Deferred tax recovery	(26,407)	(1,750)
Income tax expense (recovery)	(19,318)	3,771
Profit (loss) before income taxes	(80,966)	18,404
Total tax %	23.9 %	20.5 %

The effective tax rate in 2020 was impacted by items that were included in the calculation of profit (loss) before income taxes for accounting purposes but were not included or deducted for tax purposes. Significant items are included in the tables under "Diluted profit (loss) per share and diluted adjusted profit (loss) per share".

Selected Annual Information (thousands of dollars, other than per share amounts and payout ratio) ^[2]

	Year Ended December 31		
	2020	2019	2018
	\$	\$	\$
Sales	994,030	995,787	931,664
EBITDA ^[1]	25,311	113,737	108,662
Adjusted EBITDA ^[1]	149,328	144,279	148,195
Profit (loss)	(61,648)	14,633	26,618
Basic profit (loss) per share	(3.30)	0.79	1.58
Fully diluted profit (loss) per share	(3.30)	0.77	1.56
Funds from operations ^[1]	96,680	81,267	96,067
Payout ratio ^[1]	20 %	55 %	42 %
Dividends declared per Common Share	1.05	2.40	2.40
Total assets	1,479,179	1,462,980	1,233,559
Total long-term liabilities	904,942	833,979	570,684

[1] See "Non-IFRS Measures".

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

- The acquisitions of Danmare Group Inc. and its affiliate Danmare, Inc. [collectively, "Danmare"] [February 22, 2018], Cobalt Investissement and its wholly owned subsidiaries [collectively "Sabe"] [July 26, 2018], Improtech Ltd. ["Improtech"] [January 18, 2019], IntelliFarms, LLC ["IntelliFarms"] [March 5, 2019], Milltec Machinery Limited ["Milltec"] [March 28, 2019] and Affinity Management Ltd. ["Affinity"] [January 16, 2020] significantly impact information in the table above.
- Sales, gain (loss) on foreign exchange, profit and profit per share are significantly impacted by the rate of exchange between the Canadian and U.S. dollars.

QUARTERLY FINANCIAL INFORMATION

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

2020							
	Average USD/CA D Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$	Adjusted Profit ^[1] \$	Diluted Adjusted Profit per Share ^[1] \$
Q1	1.32	229,107	(48,844)	(2.61)	(2.61)	7,281	0.38
Q2	1.40	257,938	14,472	0.77	0.76	11,965	0.63
Q3	1.34	281,408	(12,261)	(0.66)	(0.66)	32,276	1.62
Q4	1.32	225,577	(15,015)	(0.80)	(0.80)	8,733	0.46
YTD	1.34	994,030	(61,648)	(3.30)	(3.30)	60,255	3.17

2019							
	Average USD/CA D Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$	Adjusted Profit (Loss) ^[1] \$	Diluted Adjusted Profit (Loss) per Share ^[1] \$
Q1	1.33	215,035	13,222	0.71	0.70	4,990	0.27
Q2	1.34	291,938	12,516	0.68	0.67	20,206	1.04
Q3	1.32	260,198	(2,819)	(0.15)	(0.15)	17,542	0.91
Q4	1.32	228,616	(8,286)	(0.44)	(0.44)	(1,180)	(0.06)
YTD	1.33	995,787	14,633	0.79	0.77	41,558	2.20

[1] See "Non-IFRS Measures".

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

- AGI's acquisitions of Improtech [Q1 2019], IntelliFarms [Q1 2019], Milltec [Q1 2019], and Affinity [Q1 2020] significantly impact comparisons between periods of assets, liabilities and operating results.
- Sales, gain (loss) on foreign exchange, profit (loss), adjusted profit (loss), diluted profit (loss) per share, and diluted adjusted profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.
- Profit (loss) and Diluted Profit (loss) per share from 2019 Q3 to 2020 Q4 were negatively impacted by the Company's estimated remediation costs [see – "Remediation Costs"].

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial grain and fertilizer projects and higher in-season demand at the farm level. The seasonality of AGI's business may be impacted by several factors including weather and the timing and quality of harvest in North America. The emergence of COVID-19 may impact historical seasonality patterns. In the longer-term, AGI's continued expansion into the seed, fertilizer, feed and food verticals should lessen the seasonality related to annual grain volumes and harvest conditions.

OPERATING RESULTS – THREE MONTHS ENDED DECEMBER 31, 2020

Trade Sales [see "Non-IFRS Measures"]

[thousands of dollars]	Three Months Ended December 31			
	2020	2019	Change	Change
	\$	\$	\$	%
Trade sales	227,385	229,591	(2,206)	(1) %
Foreign exchange loss ⁽¹⁾	(1,808)	(975)	(833)	85 %
Total Trade Sales	225,577	228,616	(3,039)	(1) %

[1] A portion of foreign exchange gains and losses are allocated to sales.

Trade Sales by Segment and Product Grouping [see "Basis of Presentation" and "Non-IFRS Measures"]

As noted above, AGI utilized a subscription model for a portion of our IoT hardware sales that results in subscription sales being recognized over time rather than traditional retail sales which are recognized upon product sale. A portion of the Technology sales in the table below is reflected based on subscription sales being recognized over time. **Please refer to the "Technology Sales with Retail Equivalent" table below for Technology sales presented at Retail Equivalent.**

Farm Segment

Three months ended December 31 [thousands of dollars]	Farm				Technology				Total			
	2020	2019	Change	%	2020	2019	Change	%	2020	2019	Change	%
	\$	\$	\$	%	\$	\$	\$	%	\$	\$	\$	%
Canada	42,616	36,838	5,778	16%	354	218	136	62%	42,970	37,056	5,914	16%
U.S.	53,201	49,300	3,901	8%	5,132	3,960	1,172	30%	58,333	53,260	5,073	10%
International												
EMEA	2,590	1,988	602	30%	4	93	(89)	(96%)	2,594	2,081	513	25%
Asia Pacific	3,790	10,252	(6,462)	(63%)	-	56	(56)	(100%)	3,790	10,308	(6,518)	(63%)
South America	6,253	3,504	2,749	78%	81	6	75	1250%	6,334	3,510	2,824	80%
Total International	12,633	15,744	(3,111)	(20%)	85	155	(70)	(45%)	12,718	15,899	(3,181)	(20%)
Total	108,450	101,882	6,568	6%	5,571	4,333	1,238	29%	114,021	106,215	7,806	7%

Commercial Segment

Three months ended December 31 [thousands of dollars]	Commercial				Food				Total			
	2020	2019	Change	%	2020	2019	Change	%	2020	2019	Change	%
	\$	\$	\$	%	\$	\$	\$	%	\$	\$	\$	%
Canada	12,691	20,906	(8,215)	(39%)	3,299	2,396	903	38%	15,990	23,302	(7,312)	(31%)
U.S.	27,697	34,356	(6,659)	(19%)	12,216	8,780	3,436	39%	39,913	43,136	(3,223)	(7%)
International												
EMEA	14,139	17,378	(3,239)	(19%)	3,896	4,089	(193)	(5%)	18,035	21,467	(3,432)	(16%)
Asia Pacific	28,606	22,129	6,477	29%	331	878	(547)	(62%)	28,937	23,007	5,930	26%
South America	10,489	12,355	(1,866)	(15%)	-	109	(109)	(100%)	10,489	12,464	(1,975)	(16%)
Total International	53,234	51,862	1,372	3%	4,227	5,076	(849)	(17%)	57,461	56,938	523	1%
Total	93,622	107,124	(13,502)	(13%)	19,742	16,252	3,490	21%	113,364	123,376	(10,012)	(8%)

Trade Sales by Geography [see "Non-IFRS Measures"]

Three months ended December 31 [thousands of dollars]	2020 \$	Total 2019 \$	Change \$	%
Canada	58,960	60,358	(1,398)	(2%)
U.S.	98,246	96,396	1,850	2%
International				
EMEA	20,629	23,548	(2,919)	(12%)
Asia Pacific	32,727	33,315	(588)	(2%)
South America	16,823	15,974	849	5%
Total International	70,179	72,837	(2,658)	(4%)
Total	227,385	229,591	(2,206)	(1%)

Canada

- Trade sales in Canada decreased 2% from 2019:
 - Farm trade sales were up 16% as a result of increased crop volumes, dealer replenishment cycles and successful product introductions. Storage sales were also a strong contributor within 2020. Extended demand stretched sales into Q4 due to lead times and post-harvest demands. Early orders grew significantly over prior years due to anticipated price increases in the new year and continued optimism in the market.
 - Technology trade sales grew by 62% (retail equivalent sales increased 48%) as AGI continues to expand into the Canadian market. Management continues to see significant activities within this region which continues to support positive expectations going into 2021.
 - Commercial trade sales fell by 39% largely due to COVID-19 impacts on large commercial projects. Quoting activity remains steady with the focus on maintenance, plant upgrades and plant expansions. There are regional areas of strength such as Eastern Canada.
 - Food trade sales grew 38% as a result of on-going projects. Customer sites have opened up on projects that were on hold in 2020 and customers are now trying to expedite projects.

United States

- Trade sales in the U.S. increased 2% from 2019:
 - Farm trade sales increased 8% partially due to higher demand related the Derecho storm in Iowa that spilled into Q4, and increased grain marketing activity generating incremental demand for portable equipment. Additionally, government subsidies had a pull through effect at year-end which, coupled with anticipation of steel price increases, all led to robust winter order intake.
 - Technology trade sales were up 30% (retail equivalent sales decreased 14%) due to an increase in cash sales over hardware as a service subscription model for revenue. Retail equivalent sales were down vs prior year as last year we had significant orders from Q3 pushed into Q4 due to changes made in our manufacturing capacity.
 - Commercial trade sales decreased 19% over the previous year as many customers continue to delay installation and delivery of equipment largely due to COVID-19.
 - Food trade sales are up 39% due to continued partnerships with key customers that have enabled ongoing work on projects despite COVID-19. Additionally, there is an increase in pet food projects.

International

- International trade sales decreased 4% from 2019:
 - Farm trade sales were down 20% with a significant decrease in the Asia Pacific region partially due to timing of sales and project delays, offset by a strong increase in both the EMEA and South American region.
 - Commercial trade sales increased 3% over 2019 despite the impact of COVID-19 causing project delays. The Asia Pacific region saw significant increases due to commercial projects signed pre-COVID-19 offset by a decrease in trade sales in the EMEA and South America regions due to COVID-19 restrictions and concerns impacting projects.
 - Food trade sales decreased 17% due to the timing of projects and focus turning to regions where project commitments are being accelerated.

Technology Sales with Retail Equivalent [see "Non-IFRS Measures"]

As noted above, AGI utilizes a subscription model for a portion of our IoT hardware sales that results in subscription sales being recognized over time rather than traditional retail sales which are recognized upon product sale. Adjusted to a Retail Equivalent approach would have resulted in a positive contribution from the Technology group in the quarter. The following table outlines the adjustments required to convert subscription sales to retail equivalent sales:

[thousands of dollars]	Three Months Ended December 31			
	2020	2019	Change	Change
	\$	\$	\$	%
Technology Trade Sales	5,571	4,333	1,238	29%
Less: subscription revenue recognized in the year				
Annual data subscriptions	(572)	(465)	(107)	(23%)
Other annual services	(9)	(51)	42	82%
Add: IoT hardware deferred revenue to be recognized over remaining life of contract	184	2,175	(1,991)	(92%)
Sales value of IoT hardware sold during the year (Retail equivalent)	5,174	5,992	(818)	(14%)
Annual data subscriptions	572	465	107	23%
Other annual services	9	51	(42)	(82%)
Total Technology Sales with Retail Equivalent ^[1]	5,755	6,508	(753)	(12%)

[1] See "Non-IFRS Measures".

Technology Sales with Retail Equivalent by Geography [see "Non-IFRS Measures"]

[thousands of dollars]	Three Months Ended December 31			
	2020	2019	Change	Change
	\$	\$	\$	%
Canada	354	239	115	48%
U.S.	5,316	6,215	(899)	(14%)
International	85	54	31	57%
Total Technology Sales with Retail Equivalent ^[1]	5,755	6,508	(753)	(12%)

[1] See "Non-IFRS Measures".

Gross Margin [see "Non-IFRS Measures"]

[thousands of dollars]	Three Months Ended December 31	
	2020	2019
	\$	\$
Trade sales ^[1]	227,385	229,591
Cost of inventories ^[1]	157,013	163,375
Gross margin ^[1]	70,372	66,216
Gross margin as a % of trade sales	30.9%	28.8%

[1] See "Non-IFRS measures".

AGI's gross margin percentages in Q4 2020 increased over Q4 2019. Higher gross margins are attributed to operational gains at both Brazil and EMEA as a result of the strategic investments made in prior years. We also saw continued strength in the farm segment of the business which helped drive overall margins higher; however, the higher gross margins were offset by lower Commercial segment gross margin in North America from the challenging competitive landscape, lower sales volumes and product mix during this time of the year.

EBITDA and Adjusted EBITDA [see "Non-IFRS Measures"]

The following table reconciles loss before income taxes to EBITDA and Adjusted EBITDA.

[thousands of dollars]	Three Months Ended December 31	
	2020	2019
	\$	\$
Loss before income taxes	(23,050)	(8,487)
Finance costs	11,938	11,329
Depreciation and amortization	13,956	11,922
Share of associate's net loss	947	1,564
EBITDA ^[1]	3,791	16,328
Loss on foreign exchange	(8,933)	(121)
Share based compensation ^[2]	1,223	1,326
Loss on financial instruments ^[3]	(1,975)	(1,557)
M&A expenses (recovery)	390	(1,458)
Other transaction and transitional costs ^[4]	3,249	5,135
Loss on sale of PP&E	68	136
Loss on settlement of leases	2	-
Fair value of inventory from acquisitions ^[5]	-	220
Equipment rework ^[6]	30,000	3,000
Impairment ^[7]	-	187
Adjusted EBITDA ^[1]	27,815	23,196

[1] See "Non-IFRS Measures".

[2] Excludes expenses related to the cash-settled EIAP.

[3] See "Equity compensation hedge".

[4] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

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

[6] To record the pre-tax charge for the estimated cost of rework including time, material and services.

[7] See "Impairment Charge".

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

The Company's diluted loss per share for the three months ended December 31, 2020 was \$0.80, versus \$0.44 in 2019. Loss per share in 2020 and 2019 has been impacted by the items enumerated in the table below, which reconciles loss to adjusted profit (loss).

	Three Months Ended December 31	
	2020	2019
[thousands of dollars except per share amounts]	\$	\$
Loss	(15,015)	(8,286)
Diluted loss per share	(0.80)	(0.44)
Loss on foreign exchange	(8,933)	(121)
Fair value of inventory from acquisition ^[2]	-	220
M&A expenses (recovery)	390	(1,458)
Other transaction and transitional costs ^[3]	3,249	5,135
Loss on financial instruments	(1,975)	(1,557)
Loss on sale of PP&E	68	136
Loss on settlement of leases	2	-
Impairment charge ^[4]	-	187
Equipment rework and remediation ^[5]	30,000	3,000
Share of associate's net loss	947	1,564
Adjusted profit (loss) ^[1]	8,733	(1,180)
Diluted adjusted profit (loss) per share ^[1]	0.46	(0.06)

[1] See "Non-IFRS Measures".

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

[3] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

[4] See "Impairment Charge".

[5] To record the pre-tax charge for the estimated cost of rework including additional time, material and services.

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOW AND LIQUIDITY

[thousands of dollars]	Year Ended December 31	
	2020	2019
	\$	\$
Profit (loss) before tax	(80,966)	18,404
Items not involving current cash flows	83,640	56,107
Cash provided by operations	2,674	74,511
Net change in non-cash working capital	80,059	(13,585)
Non-current accounts receivable and other	(3,001)	(8,060)
Long-term payables	333	-
Settlement of EIAP obligation	(2,882)	(2,553)
Income tax paid	(3,013)	(9,894)
Cash flows provided by operating activities	74,170	40,419
Cash used in investing activities	(62,698)	(223,134)
Cash provided by financing activities	2,563	197,526
Net increase in cash during the period	14,035	14,811
Cash, beginning of period	48,421	33,610
Cash, end of period	62,456	48,421

Cash generated by operating activities increased compared to 2019 largely due to an improvement in the net change in non-cash working capital. Accounts receivable collection patterns in Q2 and Q3 2020 did not appear to be significantly impacted by the emergence of COVID-19. Cash used in investing activities relates primarily to capital expenditures ["CAPEX"], internally generated intangibles and acquisitions. Cash provided by (used in) financing activities relates to debenture issuances, debenture redemptions, movement in long-term debt and dividends paid.

Working Capital Requirements

Working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable in North America are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the second and third quarters that result from seasonality, typically lead to accounts receivable levels in North America increasing throughout the year and peaking in the third quarter. Inventory levels in North America typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. The recent expansion of AGI's fertilizer business has had the effect of increasing working capital requirements in Q4 and Q1, and Milltec's seasonality is opposite of that described above. In addition, AGI's growing business in Brazil is less seasonal due to the existence of two growing seasons in the country and the increasing importance of Commercial business in the region. Growth in overall international business has resulted in an increase in the number of days sales in accounts receivable and may result in increased usage of working capital in certain quarters. The continuation of the COVID-19 pandemic may impact the Company's working capital requirements.

Capital Expenditures

Maintenance capital expenditures in 2020 were \$8.1 million [0.8% of trade sales] versus \$14.8 million [1.5% of trade sales] in 2019. Maintenance capital expenditures in 2020 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of sales.

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 in 2020 of \$19.9 million versus \$33.7 million in 2019. The non-maintenance CAPEX items in 2020 relate primarily to initiatives started in fiscal 2019 or pre-COVID-19 in 2020 and include manufacturing capacity expansions in EMEA and at certain plants in North America and the addition of manufacturing equipment to support key business units.

Subsequent to the emergence of COVID-19 pandemic, management analyzed budgeted growth CAPEX projects and deferred most projects. Growth CAPEX in 2020 included the completion of projects started in fiscal 2019 or pre-COVID-19 in 2020 which included the expansion of AGI's manufacturing and operational capabilities at AGI SureTrack.

Maintenance and non-maintenance capital expenditures in 2021 are anticipated to be financed through bank indebtedness, cash on hand or through the Company's Credit Facility [see "Capital Resources"].

CONTRACTUAL OBLIGATIONS

The following table shows, as at December 31, 2020 the Company's contractual obligations for the periods indicated:

	Total	2021	2022	2023	2024	2025	2026+
[thousands of dollars]	\$	\$	\$	\$	\$	\$	\$
2017 Debentures	86,225	-	86,225	-	-	-	-
2018 Debentures	86,250	-	86,250	-	-	-	-
2019 Debentures – 1	86,250	-	-	-	86,250	-	-
2019 Debentures – 2	86,250	-	-	-	86,250	-	-
2020 Debentures	85,000	-	-	-	-	-	85,000
Long-term debt ^[1]	412,498	502	357	266	235	379,308	31,830
Lease liability ^[1]	20,507	3,848	3,286	2,400	2,056	1,941	6,976
Short term and low value leases	52	46	5	1	-	-	-
Due to vendor	9,411	7,164	1,463	334	250	200	-
Preferred shares liability	30,520	18,312	12,208	-	-	-	-
Purchase obligations ^[2]	5,673	5,673	-	-	-	-	-
Leases committed not yet commenced ^[1]	748	426	322	-	-	-	-
Total obligations	909,384	35,971	190,116	3,001	175,041	381,449	123,806

[1] Undiscounted

[2] Net of deposit.

The Debentures relate to the aggregate principal amount of the debentures [see "Capital Resources - Debentures"] and long-term debt is comprised of the Credit Facility and non-amortizing notes [see "Capital Resources – Debt Facilities"].

CAPITAL RESOURCES

Assets and Liabilities

	December 31 2020 \$	December 31 2019 \$
(thousands of dollars)		
Total assets	1,479,179	1,462,980
Total liabilities	1,216,042	1,089,585

Cash

The Company's cash balance at December 31, 2020 was \$62.5 million [2019 - \$48.4 million].

Debt Facilities

As at December 31, 2020:

[thousands of dollars]	Currency	Maturity	Total Facility [CAD] ^{[1][2]} \$	Amount Drawn ^[1] \$	Effective Interest Rate
Canadian Swing Line	CAD	2025	40,000	-	4.33 %
USD Swing Line	USD	2025	12,372	-	2.86 %
Total Swing Line			52,732	-	
Canadian Revolver Tranche A ^{[3][4]}	CAD	2025	185,000	101,528	4.37 %
Canadian Revolver Tranche B	USD	2025	50,928	50,000	4.10 %
Liquidity Facility ^[4]	CAD	2021	50,000	-	-
U.S. Revolver ^[5]	USD	2025	210,078	202,693	2.86 %
Series B Notes ^[6]	CAD	2025	25,000	25,000	4.74 %
Series C Notes ^[6]	USD	2026	31,830	31,830	4.10 %
Equipment Financing	various	2025	1,392	1,392	Various
Total Long-Term Debt			554,228	412,443	
Total			606,960	412,443	

(1) USD denominated amounts translated to CAD at the rate of exchange in effect on December 31, 2020 of \$1.2732.

(2) Excludes the \$200 million accordion available under AGI's Credit Facility. In conjunction with the Credit Facility expansion announced on April 29, 2020 (see below) the amount of the accordion was reduced to \$100 million.

(3) Interest rate fixed for \$40 Million via interest rate swaps. See "Interest Rate Swaps".

(4) The Company amended its credit facility agreement to increase its senior revolving facility by \$50 million and created a separate one-year revolving facility of \$50 million to provide increased short-term flexibility during the COVID-19 crisis.

(5) Interest rate fixed for USD \$38 Million via interest rate swaps. See "Interest Rate Swaps".

(6) Fixed interest rate.

AGI has swing line facilities of \$40.0 million and U.S. \$10.0 million as at December 31, 2020. The facilities bear interest at prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. As at December 31, 2020, there was nil [2019 - \$345] outstanding under the swing line.

On April 29, 2020, AGI announced the expansion of its credit facility and the amendment of certain of its terms [the “Credit Facility”]. The Credit Facility is now with a syndicate of six Canadian chartered and other lenders that includes committed revolver facilities of CAD \$225 million and USD \$215 million with a maturity date of March 20, 2025. In addition, the Credit Facility includes a separate one-year revolving facility of \$50 million to provide increased short-term flexibility during the COVID-19 crisis. Amounts drawn under the Credit Facility bear interest at BA or LIBOR plus 1.20% to BA or LIBOR plus 2.50% and prime plus 0.20% to prime plus 1.50% per annum based on performance calculations and certain other conditions.

The amendments to the Credit Facility announced on April 29, 2020 included a suspension of all financial covenant requirements for the nine-month period ending October 31, 2020 as well as the ability to normalize Q1 2020 and Q2 2020 financial results for certain COVID-19 impacts when calculating trailing EBITDA in future covenant calculations. Following October 31, 2020, AGI’s minimum leverage ratio covenant returned to 3.75x up to and including the calculation as at March 31, 2021. The minimum leverage ratio decreases to 3.50x for the quarter ended June 30, 2021 and returns to 3.25x thereafter. The maturity date of the Credit Facility remains March 20, 2025.

The Company has issued USD \$25.0 million and CAD \$25.0 million aggregate principal amount of secured notes through a note purchase and private shelf agreement [the “Series B and Series C Notes”]. The Series B and C Notes are non-amortizing. The amendments to the Credit Facility did not impact the terms of the Series B and C Notes.

Debentures

Convertible Unsecured Subordinated Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the “Convertible Debentures”] of the Company that were outstanding as at December 31, 2020:

Year Issued / TSX Symbol	Aggregate Principal Amount \$	Coupon	Conversion Price \$	Maturity Date	Redeemable at Par ⁽¹⁾
2017 [AFN.DB.D]	86,225,000	4.85 %	83.45	Jun 30, 2022	Jun 30, 2021
2018 [AFN.DB.E]	86,250,000	4.50 %	88.15	Dec 31, 2022	Jan 1, 2022

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

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

The Company redeemed its 2015 Convertible Debentures on January 2, 2020. Upon redemption, AGI paid to the holders of the 2015 Convertible Debentures \$75,000,000 equal to the outstanding

principal amount of the 2015 Convertible Debentures redeemed including all accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. Consequently, the Company expensed the remaining unamortized balance of \$722,616 of deferred fees related to the 2015 Convertible Debentures. The expense was recorded to finance costs in the consolidated statements of income (loss).

Senior Unsecured Subordinated Debentures

The following table summarizes the key terms of the Senior Unsecured Subordinated Debentures [the “Senior Debentures”] that were outstanding as at December 31, 2020:

Year Issued / TSX Symbol	Aggregate Principal Amount \$	Coupon	Maturity Date
2019 March [AFN.DB.F]	86,250,000	5.40 %	June 30, 2024
2019 November [AFN.DB.G]	86,250,000	5.25 %	December 31, 2024
2020 March [AFN.DB.H]	85,000,000	5.25 %	December 31, 2026

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Senior Debentures by issuing and delivering Common Shares. The Company may also elect to satisfy its obligation to pay interest on the Senior Debentures by delivering sufficient Common Shares. The number of shares issued would be determined based on market prices at the time of issuance.

COMMON SHARES

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

	# Common Shares
December 31, 2019	18,658,479
Settlement of EIAP obligations	59,936
December 31, 2020	18,718,415
Settlement of EIAP obligations	56,351
March 16, 2021	18,774,766

At March 16, 2021:

- 18,774,766 Common Shares are outstanding;
- 1,910,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan [the “EIAP”], of which 1,377,872 have been granted and 532,128 remain unallocated
- 113,013 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan and 18,436 Common Shares have been issued; and
- 2,011,697 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of \$172 million outstanding.

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

DIVIDENDS

AGI declared dividends to shareholders in the year ended December 31, 2020 of \$19.6 million versus \$44.7 million in 2019. On April 14, 2020, AGI announced a reduction of its dividend to an annual level of \$0.60 and at the same time moved the dividend from monthly to quarterly payments. 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. In the year ended December 31, 2020 dividends paid to shareholders of \$19.6 million [2019 – \$44.7 million] were financed from the Company's operating lines and by cash on hand.

FUNDS FROM OPERATIONS AND PAYOUT RATIO [see "Non-IFRS Measures"]

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

[thousands of dollars]	Year Ended December 31	
	2020	2019
	\$	\$
Adjusted EBITDA	149,328	144,279
Interest expense	(46,692)	(44,793)
Non-cash interest	5,081	6,485
Cash taxes	(3,013)	(9,894)
Maintenance CAPEX	(8,141)	(14,810)
Funds from operations ^[1]	96,563	81,267
Dividends	19,635	44,705
Payout Ratio	20 %	55 %

[1] See "Non-IFRS Measures".

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at December 31, 2020.

Interest Rate Swaps

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

	Currency	Maturity	Amount of Swap [000's] \$	Fixed Rate ^[1]
Canadian dollar contracts	CAD	2022	40,000	3.6 % – 4.1 %

[1] With performance adjustments.

The interest rate swap contract is a derivative financial instrument and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating income. Through this contract, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rate of 4.1%. The notional amount is \$40.0 million, resetting the last business day of each month and the contract expires May 2022.

During the year ended December 31, 2020, the Company recorded a loss on financial instruments of \$1.0 million versus a loss of \$1.5 million in 2019.

Equity swap

The Company is party to an equity swap agreement with a financial institution to manage the Company's cash flow exposure due to fluctuations in its share price related to the EIAP. As at December 31, 2020, the equity swap agreement covered 722,000 Common Shares at a weighted average price of \$38.76 and the maturity date of the agreement is April 6, 2021.

As at December 31, 2020, the fair value of the equity swap was a loss of \$6.4 million, and in the year ended December 31, 2020, the Company recorded, in the consolidated statements of income (loss) a loss of \$12.0 million compared to a loss of \$0.3 million in 2019.

Debenture redemption options

In March 2020, the Company issued \$85 million of senior unsecured subordinated debentures with an option of early redemption beginning December 31, 2023. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of \$0.8 million. During the year ended December 31, 2020, the Company recorded a loss of \$0.8 million [2019 – nil] on financial instruments in other operating expense. As at December 31, 2020, the fair value of the embedded derivative was nil [December 31, 2019 – nil].

2019 ACQUISITIONS

Improtech

In January 2019, AGI acquired 100% of the outstanding shares of Improtech. Improtech is a professional engineering services firm specializing in providing engineering design, project management and integration of new machinery and processes within the food and beverage industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

IntelliFarms

In March 2019, AGI acquired IntelliFarms, a provider of hardware and software solutions that benefit grain growers, processors, and other participants in the agriculture market. IntelliFarms was founded in 2001 and is headquartered in Archie, Missouri. Sales at IntelliFarms for the year ended December 31, 2018 were approximately \$11.0 million USD.

Milltec

In March 2019, AGI acquired 100% of the outstanding shares of Milltec. The purchase price for Milltec was \$113.1 million, plus the potential for up to an additional \$30.8 million based on the achievement of EBITDA targets. Milltec is headquartered in Bangalore, India, and is a market leading manufacturer of rice milling and processing equipment in India. For the twelve months ended January 31, 2019, Milltec's sales and EBITDA were \$56.2 million and \$10.1 million, respectively.

2020 ACQUISITIONS

Affinity

In January 2020, the Company acquired 100% of the outstanding shares of Affinity. Based in Canada, Affinity is a provider of software solutions to the agriculture industry under the brand name Compass. The Compass product suite is highly complementary to AGI's current offering and will be a key component of the full AGI SureTrack platform.

OTHER RELATIONSHIPS

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the year ended December 31, 2020, the total cost of these legal services related to general matters was \$989 [2019 – \$435], and \$425 is included in accounts payable and accrued liabilities and provisions as at December 31, 2020.

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

CRITICAL ACCOUNTING ESTIMATES

Described in the notes to the Company's 2020 audited annual consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the audited consolidated financial statements for the year ended December 31, 2020 for a discussion of the significant accounting judgments, estimates and assumptions. In addition, the provision for remediation [see – "Remediation Costs"] required significant estimates and judgments about the scope, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company.

RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which are available under the Company's profile on SEDAR [www.sedar.com]. These risks and uncertainties include but are not limited to the following: general economic and business conditions and changes in such conditions locally, in North America, South America, South Asia and globally; the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent coronavirus (COVID-19) pandemic, including on our operations, our personnel, our supply chain, the demand for our products, our ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels; the ability of management to execute the Company's business plan; fluctuations in agricultural and other commodity prices and interest and currency exchange rates; crop planting, crop conditions and crop yields; weather patterns, the timing of harvest and conditions during harvest; volatility of production costs; governmental regulation of the agriculture and manufacturing industries, including environmental regulation; actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs; risks inherent in marketing operations; credit risk; the availability of credit for customers; seasonality and industry cyclicality; potential delays or changes in plans with respect to capital expenditures; the cost and availability of sufficient financial resources to fund the Company's capital expenditures; the availability of credit for customers, incorrect assessments of the value of acquisitions and failure of the Company to realize the anticipated benefits of acquisitions; volatility in the stock markets including the market price of the Common Shares and in market valuations; competition for, among other things, customers, supplies, acquisitions, capital and skilled personnel; the availability of capital on acceptable terms; dependence on suppliers; changes in labour costs and the labour market; product liability; contract liability; climate change risks and the risk that the assumptions and estimates underlying the provision for remediation related thereto and insurance coverage for the Incident will prove to be incorrect as further information becomes available to the Company. These risks and uncertainties are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of these risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected.

CHANGES IN ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES

Adoption of new accounting standards

Amendments to IFRS 3, *Business Combinations* ["IFRS 3"]

The Company adopted IFRS 3 with a date of application of January 1, 2020. The IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on January 1, 2020. Consequently, transactions that occurred in prior periods do not need to be reassessed.

The Company's adoption of IFRS 3 did not have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material ["IAS 1" and "IAS 8"]

The Company adopted amendments IAS 1 and IAS 8 with a date of application of January 1, 2020. The amendments provide a new definition of material, such that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to IAS 1 and IAS 8 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments are effective for annual periods beginning on or after January 1, 2020. The Company's adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

Standards issued but not yet effective

Amendments to IAS 1 – Presentation of Financial Statements ["IAS 1"]

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

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

The amendments must be applied retrospectively for annual periods beginning after January 1, 2023. The Company will assess the impact, if any, of adoption of the amendment.

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 has concluded that disclosure controls and procedures were effective as at December 31, 2020.

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. Management has evaluated the design and operating

effectiveness of the Company's internal controls over financial reporting as at December 31, 2020 and has concluded that the internal controls over financial reporting are effective.

Subsequent to December 31, 2019, AGI acquired Affinity. Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for this acquired business. Since the acquisition occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of this acquisition, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Affinity. The following is the summary financial information pertaining to Affinity that was included in AGI's consolidated financial statements for the year ended December 31, 2020:

[thousands of dollars]	Affinity \$
Revenue ^[1]	419
Loss ^[1]	(4,731)
Current assets ^{[1][2]}	41
Non-current assets ^{[1][2]}	9,792
Current liabilities ^{[1][2]}	2,873
Non-current liabilities ^{[1][2]}	3,825

[1] Net of intercompany

[2] Statement of financial position as at December 31, 2020

There have been no material changes in AGI's internal controls over financial reporting that occurred in the year ended December 31, 2020, 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 "trade sales", "EBITDA", "Adjusted EBITDA", "gross margin", "funds from operations", "payout ratio", "adjusted profit", and "diluted adjusted profit per share". A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes [includes] amounts, or is subject to adjustments that have the effect of excluding [including] amounts, that are included [excluded] in the most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

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

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

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

References to "EBITDA" are to profit before income taxes, finance costs, depreciation, amortization and share of associate's net loss. References to "adjusted EBITDA" are to EBITDA before the gain or loss on foreign exchange, non-cash share based compensation expenses, gain or loss on financial instruments, M&A expenses, other transaction and transitional costs, gain or loss on the sale of property, plant & equipment, gain on settlement of leases, equipment rework costs, fair value of inventory from acquisitions and non-cash asset impairment charge. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company's performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. See "Operating Results - EBITDA and Adjusted EBITDA" for the reconciliation of EBITDA and Adjusted EBITDA to profit before income taxes.

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

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

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

References to "adjusted profit" and "diluted adjusted profit per share" are to profit for the period and diluted profit per share for the period adjusted for the gain or loss on foreign exchange, fair value of inventory from acquisitions, M&A expenses or recoveries, other transaction and transitional costs, gain or loss on financial instruments, gain or loss on sale of property, plant and equipment, cost of equipment rework, share of associate's net loss and non-cash asset impairment charge. See "Operating Results - Diluted profit (loss) per share and diluted adjusted

profit per share" for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit.

References to "technology sales with retail equivalent" are to subscription based technology sales adjusted for the retail value of the IoT Hardware, fair value of the annual data subscription and the fair value of other annual services.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "anticipate", "estimate", "believe", "continue", "could", "expects", "intend", "plans", "postulates", "predict", "will", "may" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for our future financial results, industry demand and market conditions, the anticipated ongoing impacts of the COVID-19 pandemic on our business, operations and financial results; the estimated costs to the Company that may result from the Remediation Work, including the costs of remediation, and the availability of insurance coverage to offset such costs; the sufficiency of our liquidity; long-term fundamentals and growth drivers of our business; future payment of dividends and the amount thereof; and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: the anticipated impacts of the COVID-19 pandemic on our business, operations and financial results; future debt levels; anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product and input pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent COVID-19 pandemic, including the effects on the Company's operations, personnel, and supply chain, the demand for its products and services, its ability to expand and produce in new geographic markets or the timing of such expansion efforts,

and on overall economic conditions and customer confidence and spending levels, changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; changes in trade relations between the countries in which the Company does business including between Canada and the United States; cyber security risks; the risk that the assumptions and estimates underlying the provision for remediation related thereto and insurance coverage for the Incident will prove to be incorrect as further information becomes available to the Company. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR [www.sedar.com]. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. Without limitation of the foregoing, the provision for remediation related to the Remediation Work required significant estimates and judgments about the scope, nature, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

ADDITIONAL INFORMATION

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

Consolidated financial statements

Ag Growth International Inc.

December 31, 2020

Independent auditor's report

To the Shareholders of
Ag Growth International Inc.

Opinion

We have audited the consolidated financial statements of **Ag Growth International Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

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

Key audit matters

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

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



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="250 495 581 522"><i>Provision for remediation costs</i></p> <p data-bbox="250 548 812 1035">The Group entered into agreements to supply 35 large hopper bins for installation by third parties at two grain storage projects. On September 11, 2020, a bin at one of the customer facilities collapsed during commissioning. The Group issued a demand to suspend use of the product at both sites. The cause of the bin collapse is being investigated and the exact cause of the collapse is currently undetermined. The Group accrues a warranty provision at the time of product sale and records an additional provision for unexpected events when they are probable and estimable. The Group has recorded an additional provision for the 35 bins during the year ended December 31, 2020 of \$70.0 million on the basis of estimated costs of investigation and remediation for both customers.</p> <p data-bbox="250 1052 812 1352">The provision required significant estimates and judgments about the scope, nature, timing and cost of work required. Management's probability weighted estimate of the additional provision considered estimates and assumptions with respect to the degree of liability, if any, the estimated number of third-party investigation and legal hours, estimated volume of materials and material costs, estimated internal and external labor hours, equipment costs and third-party construction costs.</p> <p data-bbox="250 1369 812 1486">The matter has been deemed a key audit matter due to the estimation uncertainty and significant judgment and subjectivity involved in evaluating management's assumptions.</p> <p data-bbox="250 1503 812 1589">Refer to notes 4 and 19 in the consolidated financial statements for the Group's disclosures related to this provision.</p>	<p data-bbox="850 548 1412 634">Our approach to testing the provision for remediation costs included performing the following procedures, among others:</p> <ul data-bbox="850 651 1412 1543" style="list-style-type: none"><li data-bbox="850 651 1412 863">• We obtained an understanding of the estimation methodology and significant judgments included in the provision for remediation costs through interviews with the Group's internal and third-party engineers, internal and external legal counsel, finance personnel and others directly involved in the project to understand the calculation.<li data-bbox="850 867 1412 1289">• We reviewed legal documents, third-party contracts including statements of work, equipment and labor costs and correspondence related to the projects. We corroborated the key estimates and assumptions made by management, including the degree of liability, the estimated number of third-party investigation and legal hours, estimated volume of materials and material costs, estimated internal and external labor hours, equipment costs and third-party construction costs, with external legal counsel and third-party engineers engaged by the Group to assist with the investigation and remediation for both customer sites.<li data-bbox="850 1293 1412 1478">• We assessed the estimated costs by agreeing materials [volume and pricing], hourly rates, estimated labor hours and equipment and construction costs to historic and third-party cost information. We tested the mathematical accuracy of the provision.<li data-bbox="850 1482 1412 1543">• We assessed the adequacy of the disclosure in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Impairment test for indefinite life intangible assets</i>	
<p>The Group has brand names that are classified as indefinite life intangible assets, with a carrying value of \$127.8 million at December 31, 2020. These indefinite life intangible assets do not generate largely independent cash flows and are therefore tested as part of the cash generating units ["CGUs"] to which they belong. CGUs that contain indefinite life intangible assets are tested for impairment annually and whenever there is an indication of impairment.</p> <p>A value in use model was used by management to calculate the recoverable amount of each CGU. The value in use model requires the use of significant judgment and estimation in respect of management's assumptions in determining future cash flow forecasts, especially revenue growth rates, terminal growth rates and discount rates.</p> <p>An impairment loss of \$5.1 million, attributed to the Union Iron CGU, was recorded during the year ended December 31, 2020.</p> <p>This matter has been considered a key audit matter due to the significant judgment and subjectivity involved in evaluating management's estimates and assumptions, including revenue growth rates, terminal growth rates and discount rates, in determining the recoverable amount of each CGU.</p> <p>Refer to notes 4, 14 and 15 in the consolidated financial statements for the Group's disclosures related to its indefinite life intangible assets impairment testing.</p>	<p>Our approach to testing the recoverable amount of the CGUs included the assistance of our valuation specialists to perform the following procedures, among others:</p> <ul style="list-style-type: none">• We evaluated the appropriateness of the value in use model methodology and recalculated its mathematical accuracy.• We performed a retrospective analysis and compared the 2020 actual results to the 2020 Board approved budget to assess management's ability to forecast.• We agreed the 2021 forecasts to the Board approved budget for 2021.• We evaluated the reasonableness of the CGUs' revenue growth rates and terminal growth rates by comparing the significant assumptions to externally available industry and economic trends data and historical results, which considered geographic location, weather conditions, crop sizes, crop prices, changing food preferences, farming trends and trade agreements.• We evaluated the discount rate by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities.• We performed sensitivity analysis on the revenue growth rates, terminal growth rates and discount rates to evaluate changes in the recoverable amount of the CGU that would result from changes in the assumptions.• We reviewed the adequacy of the disclosures included in the consolidated financial statements.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Tanis Petreny.

Winnipeg, Canada
March 16, 2021

Ernst & Young LLP

Chartered Professional Accountants



Ag Growth International Inc.

Consolidated statements of financial position

[in thousands of Canadian dollars]

As at December 31

	2020	2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	62,456	48,421
Restricted cash <i>[note 7]</i>	9,616	5,416
Accounts receivable <i>[note 8]</i>	176,316	162,543
Inventory <i>[note 9]</i>	178,904	174,356
Prepaid expenses and other assets	36,457	34,333
Current portion of notes receivable <i>[note 10]</i>	5,457	97
Derivative instruments <i>[note 31]</i>	—	5,865
Income taxes recoverable	6,950	7,425
	476,156	438,456
Non-current assets		
Property, plant and equipment, net <i>[note 11]</i>	354,533	363,678
Right-of-use assets, net <i>[note 12]</i>	14,342	9,353
Goodwill <i>[note 13]</i>	350,669	351,573
Intangible assets, net <i>[note 14]</i>	249,459	264,858
Investment in associate <i>[note 16]</i>	12,878	17,312
Non-current accounts receivable <i>[note 8]</i>	19,183	16,182
Notes receivable <i>[note 10]</i>	475	525
Deferred tax asset <i>[note 28]</i>	964	—
	1,002,503	1,023,481
Assets held for sale <i>[note 17]</i>	520	1,043
Total assets	1,479,179	1,462,980
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities <i>[note 18]</i>	139,098	105,378
Customer deposits	46,013	39,583
Dividends payable	2,808	3,732
Derivative instruments <i>[note 31]</i>	6,386	—
Income taxes payable	4,825	2,010
Current portion of due to vendor	7,164	4,541
Current portion of contingent consideration	—	5,270
Current portion of lease liability <i>[note 20]</i>	3,027	2,562
Current portion of long-term debt <i>[note 21]</i>	475	693
Current portion of convertible unsecured subordinated debentures <i>[note 22]</i>	—	74,298
Current portion of optionally convertible redeemable preferred shares <i>[note 6(c)]</i>	17,943	—
Provisions <i>[note 19]</i>	83,361	17,539
	311,100	255,606
Non-current liabilities		
Other financial liabilities <i>[note 27]</i>	2,754	484
Due to vendor	2,247	3,829
Derivative instruments <i>[note 31]</i>	771	—
Optionally convertible redeemable preferred shares <i>[note 6(c)]</i>	11,028	26,320
Lease liability <i>[note 20]</i>	13,815	6,787
Long-term debt <i>[note 21]</i>	408,898	392,435
Convertible unsecured subordinated debentures <i>[note 22]</i>	167,319	164,535
Senior unsecured subordinated debentures <i>[note 23]</i>	249,079	165,474
Deferred tax liability <i>[note 28]</i>	49,031	74,115
	904,942	833,979
Total liabilities	1,216,042	1,089,585
Shareholders' equity <i>[note 24]</i>		
Common shares	1,730	455,857
Accumulated other comprehensive income (loss)	(10,262)	22,375
Equity component of convertible debentures	4,427	6,707
Contributed surplus	487,540	27,113
Deficit	(220,298)	(138,657)
Total shareholders' equity	263,137	373,395
Total liabilities and shareholders' equity	1,479,179	1,462,980

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.

Consolidated statements of income (loss)

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

Years ended December 31

	2020	2019
	\$	\$
Sales <i>[note 34]</i>	994,030	995,787
Cost of goods sold <i>[note 26[a]]</i>	787,340	728,047
Gross profit	206,690	267,740
Expenses		
Selling, general and administrative <i>[note 26[b]]</i>	225,819	211,113
Other operating expense (income) <i>[note 26[c]]</i>	10,534	(2,238)
Impairment charge	5,111	233
Finance costs <i>[note 26[d]]</i>	46,692	44,793
Finance income <i>[note 26[e]]</i>	(4,814)	(6,917)
Share of associate's net loss <i>[note 16[b]]</i>	4,314	2,352
	287,656	249,336
Profit (loss) before income taxes	(80,966)	18,404
Income tax expense (recovery) <i>[note 28]</i>		
Current	7,089	5,521
Deferred	(26,407)	(1,750)
	(19,318)	3,771
Profit (loss) for the year	(61,648)	14,633
Profit (loss) per share <i>[note 29]</i>		
Basic	(3.30)	0.79
Diluted	(3.30)	0.77

See accompanying notes

Ag Growth International Inc.

Consolidated statements of comprehensive loss

[in thousands of Canadian dollars]

Years ended December 31

	2020	2019
	\$	\$
Profit (loss) for the year	<u>(61,648)</u>	14,633
Other comprehensive loss		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>(32,275)</u>	(34,080)
	<u>(32,275)</u>	(34,080)
Items that will not be reclassified to profit or loss		
Change in the fair value of equity investment <i>[note 16(a)]</i>	—	(900)
Actuarial gain (loss) on defined benefit plans	(493)	43
Income tax effect on defined plans	131	(12)
	<u>(362)</u>	(869)
Other comprehensive loss for the year	<u>(32,637)</u>	(34,949)
Total comprehensive loss for the year	<u>(94,285)</u>	(20,316)

See accompanying notes

Ag Growth International Inc.

Consolidated statements of changes in shareholders' equity

[in thousands of Canadian dollars]

Year ended December 31, 2020

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Deficit \$	Foreign currency reserve \$	Equity investment \$	Defined benefit plan reserve \$	Total shareholders' equity \$
As at January 1, 2020	455,857	6,707	27,113	(138,657)	23,337	(900)	(62)	373,395
Loss for the year	—	—	—	(61,648)	—	—	—	(61,648)
Other comprehensive loss	—	—	—	—	(32,275)	—	(362)	(32,637)
Share-based payment transactions <i>[note 24[a] and [b]]</i>	5,642	—	(1,646)	—	—	—	—	3,996
Dividends paid to shareholders <i>[note 24[d]]</i>	—	—	—	(19,635)	—	—	—	(19,635)
Dividends on share-based compensation awards <i>[note 24[d]]</i>	—	—	—	(358)	—	—	—	(358)
Redemption of convertible unsecured subordinated debentures <i>[note 22]</i>	—	(2,280)	2,304	—	—	—	—	24
Reduction in stated capital <i>[note 24[a]]</i>	(459,769)	—	459,769	—	—	—	—	—
As at December 31, 2020	1,730	4,427	487,540	(220,298)	(8,938)	(900)	(424)	263,137

See accompanying notes

Ag Growth International Inc.

Consolidated statements of changes in shareholders' equity

[in thousands of Canadian dollars]

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Deficit \$	Foreign currency reserve \$	Equity investment \$	Defined benefit plan reserve \$	Total shareholders' equity \$
As at January 1, 2019	450,645	8,203	26,045	(108,018)	57,417	—	(93)	434,199
Profit for the year	—	—	—	14,633	—	—	—	14,633
Other comprehensive loss	—	—	—	—	(34,080)	(900)	31	(34,949)
Share-based payment transactions <i>[notes 24[a] and 24[b]]</i>	5,187	—	(82)	—	—	—	—	5,105
Dividends paid to shareholders <i>[note 24[d]]</i>	—	—	—	(44,705)	—	—	—	(44,705)
Dividends on share-based compensation awards <i>[note 24[d]]</i>	—	—	—	(567)	—	—	—	(567)
Conversion of convertible unsecured subordinated debentures <i>[note 24[a]]</i>	25	—	—	—	—	—	—	25
Redemption of convertible unsecured subordinated debentures <i>[notes 22 and 24[b]]</i>	—	(1,496)	1,150	—	—	—	—	(346)
As at December 31, 2019	455,857	6,707	27,113	(138,657)	23,337	(900)	(62)	373,395

See accompanying notes

Ag Growth International Inc.

Consolidated statements of cash flows

[in thousands of Canadian dollars]

Years ended December 31

	2020	2019
	\$	\$
Operating activities		
Profit (loss) before income taxes	(80,966)	18,404
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	25,642	22,431
Depreciation of right-of-use assets	3,935	3,027
Amortization of intangible assets	25,694	22,730
Loss on sale of property, plant and equipment	187	260
Gain on settlement of lease liability	(3)	—
Loss (gain) on redemption of convertible debentures	746	(55)
Impairment charge	5,111	233
Share of loss of associate's net loss	4,314	2,352
Non-cash component of interest expense	5,081	6,485
Non-cash movement in derivative instruments	13,756	1,793
Non-cash investment tax credits	(122)	(226)
Share-based compensation expense	8,854	5,968
Employer contribution to defined benefit plans	—	(27)
Defined benefit plan expense	132	131
Contingent consideration and due to vendor	9,778	7,267
Translation gain on foreign exchange	(19,465)	(16,262)
	<u>2,674</u>	<u>74,511</u>
Changes in non-cash working capital balances related to operations <i>[note 30[a]]</i>	80,059	(13,585)
Non-current accounts receivable	(3,001)	(8,060)
Long-term payables	333	—
Settlement of EIAP obligation	(2,882)	(2,553)
Income taxes paid	(3,013)	(9,894)
Cash provided by operating activities	<u>74,170</u>	<u>40,419</u>
Investing activities		
Acquisition of property, plant and equipment	(28,063)	(48,539)
Acquisitions, net of cash acquired <i>[note 6]</i>	(7,301)	(112,619)
Investment in associate	—	(19,720)
Transfer to restricted cash	(4,603)	(3,274)
Proceeds from sale of property, plant and equipment	423	792
Development and purchase of intangible assets	(12,064)	(13,257)
Transaction costs and post-combination expense	(11,090)	(26,517)
Cash used in investing activities	<u>(62,698)</u>	<u>(223,134)</u>
Financing activities		
Issuance of long-term debt, net of issuance costs	149,212	203,329
Repayment of long-term debt	(128,173)	(72,563)
Repayment of obligation under lease liabilities	(3,340)	(2,674)
Change in interest accrued	(526)	464
Issuance of senior unsecured subordinated debentures, net of issuance costs <i>[note 23]</i>	80,979	165,402
Redemption of convertible unsecured subordinated debentures	(75,031)	(51,786)
Dividends paid in cash <i>[note 24[d]]</i>	(20,558)	(44,646)
Cash provided by financing activities	<u>2,563</u>	<u>197,526</u>
Net increase in cash during the year	<u>14,035</u>	<u>14,811</u>
Cash and cash equivalents, beginning of year	48,421	33,610
Cash and cash equivalents, end of year	<u>62,456</u>	<u>48,421</u>
Supplemental cash flow information		
Interest paid	<u>42,312</u>	<u>37,442</u>

See accompanying notes

Ag Growth International Inc.

Notes to consolidated financial statements

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

December 31, 2020

1. Organization

The consolidated financial statements of Ag Growth International Inc. ["AGI" or the "Company"] for the year ended December 31, 2020 were authorized for issuance in accordance with a resolution of the directors on March 16, 2021. AGI is a listed company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Operations

AGI is a provider of equipment solutions for agriculture bulk commodities, including seed, fertilizer, grain, rice, feed, and food processing systems. AGI has manufacturing facilities in Canada, the United States, the United Kingdom, Brazil, Italy, France, and India and distributes its product globally.

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

3. Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

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

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

Principles of consolidation

The consolidated financial statements include the accounts of Ag Growth International Inc. and its subsidiaries, Ag Growth Holdings Corp., AGI Alpha Holdings Corp., AGI Bravo Holdings Corp., AGI Charlie Holdings Corp., AGI Solutions Inc., AGI France Agricultural Equipment S.A.S., AGI Agricultural Equipment Proprietary Limited, Ag Growth International Australia PTY Ltd., Westfield Distributing (North Dakota) Inc., Hansen Manufacturing Corp., Improtech Ltd., Union Iron Inc. ["Union Iron"], Airlanco Inc., Tramco, Inc., Tramco Europe Limited, Euro-Tramco B.V., AGI Netherlands B.V., Ag Growth Suomi Oy, Ag Growth Scandinavia, AGI Comercio de Equipamentos E Montagens Ltda, AGI EMEA S.R.L., AGI Brasil Industria e Comercio S.A., Mitchell Mill Systems USA Inc., Yargus

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Manufacturing, Inc., Global Industries, Inc., CMC Industrial Electronics Ltd., CMC Industrial Electronics USA, Inc. Junge Control Inc., Danmare Group Inc., Danmare, Inc., Sabe S.A.S., Milltec Machinery Private Limited, AGI SureTrack LLC, AGI SureTrack Ltd., Ag Growth International (Thailand) Ltd. as at December 31, 2020. Subsidiaries are fully consolidated from the date of acquisition, it being the date on which AGI obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, income and expenses and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Business combinations and goodwill

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

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

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

Foreign currency translation

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

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

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

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

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

Cash and cash equivalents

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

Inventory

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost, net of any accumulated depreciation and any impairment losses determined. Cost includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary and, where relevant, the present value of all dismantling and removal costs. Where major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately. AGI recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, and if it is probable that the future economic

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benefits embodied with the item can be reliably measured. All other repair and maintenance costs are recognized in the consolidated statements of income (loss) as an expense when incurred.

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

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

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

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

Leases

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

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

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

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

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

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

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

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

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Borrowing costs

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

Intangible assets

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

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period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income (loss) in the expense category consistent with the function of the intangible assets.

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

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

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

Patents	4–20 years
Distribution networks and customer relationships	8–25 years
Development projects	2–15 years
Order backlog	3–6 months
Non-compete agreement	7 years
Software	3–10 years
Brand names (finite lives)	3 years

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

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

AGI's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill

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relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statements of income (loss) reflect the Company's share of the results of operations of the associate. Any change in OCI of the associate is presented as part of AGI's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the consolidated statements of changes in shareholders' equity. Unrealized gains and losses resulting from transactions between AGI and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of profit or loss of an associate is shown on the face of the consolidated statements of income (loss) and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of AGI.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within share of associate's net income (loss) in the consolidated statements of income (loss).

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income (loss).

Impairment of non-financial assets

AGI assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual testing for an asset is required, AGI estimates the asset's recoverable amount. The recoverable amount of goodwill as well as intangible assets is estimated at least annually on December 31. The recoverable amount is the higher of an asset's or CGU group's fair value less costs to sell and its value in use.

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

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

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

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

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU group to which the goodwill relates. Where the recoverable amount of the CGU group is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31, either individually or at the CGU group level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Financial instruments

Financial assets

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

All financial instruments are recognized initially at fair value plus, in the case of instruments not at FVTPL, directly attributable transaction costs. Financial instruments are recognized on the trade date, which is the date on which AGI commits to purchase or sell the asset. Accounts receivable that do not contain a significant financing

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component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Amortized cost

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

Fair value through other comprehensive income (debt securities)

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

Fair value through other comprehensive income (equity investments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

Financial assets at fair value through profit or loss

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

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash of the combined instrument varies in a way similar to a stand-alone derivative. Derivatives embedded in a financial asset within the scope of IFRS 9 are assessed in their entirety, and the asset as whole is measured at FVTPL. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if the host asset is not within the scope of IFRS 9 [e.g., lease contracts]. These

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embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of income (loss). Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Impairment

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

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

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

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

Financial liabilities

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

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

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Derecognition

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

Cash flow hedges

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

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

Provisions

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

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Warranty provisions

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

Profit per share

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

Revenue recognition

Sale of goods

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

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

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

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

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

The sale of certain turn-key projects under the customer's control can span over three to six months but collectively represents an insignificant portion of AGI's total revenues. Revenue on these projects is recognized over time progressively based on the percentage completion method by reference to costs incurred as a percentage of the total estimated costs. Payment terms are usually based on set milestones as outlined in the contract. Typically amounts are received in advance of work performed and are recorded as customer deposits. Contract assets representing revenue recognized prior to being invoiced are not material. Any foreseeable losses on such projects are recognized immediately in profit or loss as identified.

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

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

Income taxes

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

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

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

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

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

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

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

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

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

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

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

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Sales tax

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

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

Share-based compensation plans

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

Equity-settled transactions

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

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

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

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

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

Cash-settled transactions

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

Employee benefits

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

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

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

Current employee wages and benefits are expensed as incurred.

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Post-retirement benefit plans

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

Research and development expenses

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

Government grants

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to an asset, the fair value is credited to the cost of the asset and is released to the consolidated statements of income (loss) over the expected useful life in a consistent manner with the depreciation method for the relevant assets. Income-related government grants received are recorded against cost of goods sold and selling, general and administrative expenses.

Investment tax credits

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

Adoption of new accounting policies

Amendments to IAS 1 and IAS 8 *Definition of Material* ["IAS 1" and "IAS 8"]

The Company adopted amendments IAS 1 and IAS 8 with a date of application of January 1, 2020. The amendments provide a new definition of material, such that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to IAS 1 and IAS 8 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments are effective for annual periods beginning on or after January 1, 2020. The Company's adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

Amendments to IFRS 3, *Business Combinations* ["IFRS 3"]

The Company adopted amendments to IFRS 3 with a date of application of January 1, 2020. The IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of

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activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on January 1, 2020. Consequently, transactions that occurred in prior periods do not need to be reassessed.

The Company's adoption of the amendments to IFRS 3 did not have a significant impact on the Company's consolidated financial statements.

4. Significant accounting judgments, estimates and assumptions

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

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

Impact of COVID-19 pandemic

Although the Company's business has been impacted by the emergence of COVID-19, disruption of production, its supply chain and product delivery was temporary in nature. AGI operations were captured as essential services in many regions. Large capital projects saw routine delays due to planning challenges and general market uncertainty. The Company has assessed its accounting estimates and other matters that require the use of forecasted financial information for the impact of the COVID-19 pandemic. Accounting estimates and other matters assessed include the allowance for expected credit losses of receivables from customers, goodwill and other long-lived assets, financial assets, and tax assets. Based on management's assessment, there was not a material impact to these consolidated financial statements. As additional information becomes available, the future assessment of these estimates, including the impact of expectations about the severity, duration and scope of the pandemic on estimates and assumptions made by management, could differ materially in future reporting periods.

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Provisions for equipment rework and remediation costs

As a component of its warranty provisions, the Company has recognized a provision for equipment rework and remediation costs in relation to events that occurred in 2019 and 2020 [note 19]. In determining the provision, assumptions and estimates are made in relation to expected costs and expected timing of those costs. Assumptions and judgments are used in various probability weighted scenarios based on information known as at the reporting date. The nature and scope of work and costs estimated are determined in consultation with internal and external advisors and is management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. As additional information becomes available, estimates and assumptions made by management, could differ materially in future reporting periods.

Impairment of non-financial assets

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

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

Impairment of financial assets

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

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In assessing whether objective evidence of impairment exists at each reporting date, the Company uses a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns [i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance]. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 31[b]. The letters of credit and other forms of credit insurance are considered an integral part of trade receivables and considered in the calculation of impairment. The Company evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and operate in largely independent markets.

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

Development costs

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

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

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

Fair value of financial instruments

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

Share-based payments

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

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Income taxes

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

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

Leases – Estimating the incremental borrowing rate

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

Business combinations

For acquisition accounting purposes, all identifiable assets, liabilities and contingent liabilities acquired in a business combination are recognized at fair value at the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as at the date of acquisition. Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration is recognized, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

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5. Standards issued but not yet effective

Amendments to IAS 1 – Presentation of Financial Statements [“IAS 1”]

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

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

The amendments must be applied retrospectively for annual periods beginning after January 1, 2023. The Company will assess the impact, if any, of adoption of the amendment.

6. Business combinations

[a] Improtech Ltd.

Effective January 18, 2019, the Company acquired 100% of the outstanding shares of Improtech Ltd. [“Improtech”]. Improtech is a professional engineering services firm specializing in providing engineering design, project management and integration of new machinery and processes within the food and beverage industry. The acquisition further evolves AGI’s ability to provide complete solutions to a broad customer base.

	\$
Purchase price	3,000
Cash acquired	438
Working capital adjustment	479
Pre-paid tax instalments	124
Total purchase price	<u>4,041</u>
Post-combination expense	<u>(2,000)</u>
Purchase consideration	<u>2,041</u>

The \$2 million of post-combination expense is expected to be expensed over a three-year period, contingent on certain conditions. During the year ended December 31, 2020, \$556 [2019 – \$1,222] related to certain terms of the purchase agreement were expensed and \$667 was paid.

The purchase has been accounted for by the acquisition method, with the results of Improtech included in the Company’s net earnings from the date of acquisition.

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

	\$
Cash	438
Accounts receivable	1,422
Prepaid expenses and other assets	149
Property, plant and equipment	17
Right-of-use assets	131
Intangible assets	
Customer relationships	748
Goodwill	316
Accounts payable and accrued liabilities	(600)
Customer deposits	(249)
Lease liability	(131)
Deferred tax liability	(200)
Purchase consideration	<u>2,041</u>

The goodwill of \$316 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is \$1,422. This consists of the gross contractual value of \$1,447 less the estimated amount not expected to be collected of \$25.

The components of the purchase consideration are as follows:

	\$
Cash paid	1,000
Due to vendor	1,041
Purchase consideration	<u>2,041</u>

In 2019, the amount due to vendor was paid in full and the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs (recovery) related to the Improtech acquisition in the year ended December 31, 2020, were \$(10) [2019 – \$107] and are included in selling, general and administrative expenses.

[b] IntelliFarms LLC

Effective March 5, 2019, the Company acquired 100% of the LLC interests of IntelliFarms LLC [“IntelliFarms”]. IntelliFarms is a provider of hardware and software solutions that benefit grain growers, processors, and other participants in the agriculture market. IntelliFarms was founded in 2001 and is headquartered in Archie, Missouri.

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	<u>\$</u>
Purchase price	19,350
Cash acquired	53
Working capital adjustment	87
Contingent consideration	5,105
Customer deposits	<u>(1,566)</u>
Total purchase price	23,029
Post-combination expense	<u>(7,340)</u>
Purchase consideration	<u>15,689</u>

The \$7.3 million of post-combination expense is contingent on certain conditions that may not be fully met. During the year ended December 31, 2020, \$1,202 [2019 – \$3,041] related to certain terms of the purchase agreement was expensed. During the year ended December 31, 2020, the earn-out target was met and as a result, the contingent consideration of \$5.1 million was reclassified to due to vendor and was paid in full.

The purchase has been accounted for by the acquisition method, with the results of IntelliFarms included in the Company's net earnings from the date of acquisition.

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

	<u>\$</u>
Cash	53
Accounts receivable	225
Inventory	1,235
Prepaid expenses and other assets	61
Property, plant and equipment	803
Right-of-use assets	289
Intangible assets	
Trade name	1,768
Customer relationships	1,603
Customer backlog	380
Software	3,336
Goodwill	13,358
Accounts payable and accrued liabilities	(4,153)
Customer deposits	(2,740)
Lease liability	(65)
Long-term debt	<u>(464)</u>
Purchase consideration	<u>15,689</u>

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The goodwill of \$13,358 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is \$225. This consists of the gross contractual value of \$359 less the estimated amount not expected to be collected of \$134.

The components of the purchase consideration are as follows:

	\$
Cash paid	12,010
Due from vendor	(1,426)
Contingent consideration	5,105
Purchase consideration	<u>15,689</u>

In 2019, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the IntelliFarms acquisition in the year ended December 31, 2020, were \$119 [2019 – \$162] and are included in selling, general and administrative expenses.

[c] Milltec Machinery Limited

Effective March 28, 2019, the Company acquired 100% of the outstanding shares of Milltec Machinery Limited [“Milltec”]. Based in India, Milltec is a market-leading manufacturer of rice milling and processing equipment. The acquisition further evolves AGI’s ability to provide complete solutions to a broad customer base.

	\$
Purchase price	113,079
Cash acquired	6,746
Working capital adjustment	32
Due to vendor	4,917
Optionally convertible redeemable preferred shares [“OCRPS”]	26,494
Purchase consideration	<u>151,268</u>

The due to vendor and OCRPS redemption value of \$31.4 million is payable based on earnings targets from 2020 through 2024. During the year ended December 31, 2020, due to vendor amounts of \$1.1 million related to pre-acquisition GST refunds was paid to the vendor upon Milltec’s receipt from the India government.

The purchase has been accounted for by the acquisition method, with the results of Milltec included in the Company’s net earnings from the date of acquisition.

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

	<u>\$</u>
Cash	6,746
Restricted cash	1,425
Accounts receivable	11,796
Inventory	8,809
Prepaid expenses and other assets	4,489
Income taxes recoverable	87
Property, plant and equipment	20,456
Right-of-use assets	24
Intangible assets	
Trade name	12,764
Customer relationships	23,599
Customer backlog	3,835
Goodwill	92,297
Accounts payable and accrued liabilities	(16,347)
Other liabilities	(172)
Customer deposits	(2,533)
Lease liability	(24)
Deferred tax liability	(15,693)
Long-term payables	(290)
Purchase consideration	<u>151,268</u>

The goodwill of \$92,297 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is \$11,796. This consists of the gross contractual value of \$12,281 less the estimated amount not expected to be collected of \$485.

The components of the purchase consideration are as follows:

	<u>\$</u>
Cash paid	106,845
Due to vendor	17,929
Optionally convertible redeemable preferred shares	26,494
Purchase consideration	<u>151,268</u>

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As part of the acquisition, a subsidiary of the Company issued 1,050 Series A1 and 700 Series A2 non-voting OCRPS at a price per share of INR 1,000. The Series A1 and A2 OCRPS have a cumulative preferential dividend rate of 0.00001% and must be redeemed by the nineteenth anniversary of their issuance. The OCRPS represent contingent consideration included within the acquisition agreement, and the future value of the OCRPS, to a maximum of INR 1,750 million [\$30.5 million CAD], will be based on the achievement of certain earning targets over the period of April 1, 2020 to March 31, 2024, as set forth in the terms and conditions of the OCRPS agreement. The OCRPS can be redeemed by the Company for cash, or the Company has the option to convert the OCRPS for shares and direct an affiliate of the Company to purchase the shares for cash. As such, the preferred shares are recorded as a financial liability at FVTPL.

During the three-month period ended March 31, 2020, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the Milltec acquisition in the year ended December 31, 2020, were \$680 [2019 – \$2,148] and are included in selling, general and administrative expenses.

[d] Affinity Management Ltd.

Effective January 16, 2020, the Company acquired 100% of the outstanding shares of Affinity Management Ltd. [“Affinity”]. Based in Canada, Affinity is a provider of software solutions to the agriculture industry under the brand name Compass®. The Compass product suite is highly complementary to AGI’s current offering and will be a key component of the full AGI SureTrack platform.

	\$
Purchase price	12,500
Cash acquired	199
Due to vendor	153
Total purchase price	12,852
Post-combination expense	(5,000)
Purchase consideration	7,852

The \$5 million of post-combination expense is expected to be expensed over a five-year period, contingent on certain conditions. During the year ended December 31, 2020, \$2,283 [2019 – nil] related to certain terms of the purchase agreement were expensed.

The purchase has been accounted for by the acquisition method, with the results of Affinity included in the Company’s net earnings from the date of acquisition. During the measurement period, a change was identified in Affinity’s opening tax position, resulting in a \$34 increase in income taxes recoverable and amounts due to vendor, and a \$32 decrease in deferred tax liability and goodwill. In addition, during the measurement period, the fair value of right-of-use assets and lease liability has been adjusted, resulting in an increase of \$141 to each.

Subsequent to the year ended December 31, 2020, the allocation of the purchase price to acquired assets and liabilities was finalized.

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

	<u>\$</u>
Cash	199
Accounts receivable	18
Prepaid expenses and other assets	15
Income taxes recoverable	153
Property, plant and equipment	63
Right-of-use assets	2,207
Intangible assets	
Software	3,322
Goodwill	5,012
Accounts payable and accrued liabilities	(92)
Customer deposits	(5)
Lease liability	(2,207)
Deferred tax liability	(833)
Purchase consideration	<u>7,852</u>

The goodwill of \$5,012 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is \$18. This consists of the gross contractual value of \$20 less the estimated amount not expected to be collected of \$2.

From the date of acquisition, Affinity contributed to the results \$419 of revenue and \$4,731 of net loss. Revenue and net loss that occurred as though the acquisition date for the business had been as of the beginning of the annual reporting period is impracticable to disclose due to Affinity historically reporting under differing reporting standards and differing year-end.

The components of the purchase consideration are as follows:

	<u>\$</u>
Cash paid	7,500
Due to vendor	352
Purchase consideration	<u>7,852</u>

Transaction costs related to the Affinity acquisition in the year ended December 31, 2020 were \$50 [2019 – nil] and are included in selling, general and administrative expenses. The due to vendor balance was paid during the year.

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7. Restricted cash

Restricted cash relates to a division of AGI's arrangement with a supplier under which the terms of the arrangement require the division to secure letters of credit to cover a certain percentage of the amounts payable. The restricted cash balance changes in proportion to the division's purchases from the supplier to meet sales demand. As at December 31, 2020, restricted cash is \$9,616 [2019 – \$5,416].

8. Accounts receivable

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

	2020	2019
	\$	\$
Total current accounts receivable	180,384	164,301
Less allowance for doubtful accounts	(4,068)	(1,758)
	176,316	162,543
Non-current accounts receivable	19,183	16,182
Total accounts receivable, net	195,499	178,725
Of which		
Neither impaired nor past due	159,254	132,022
Not impaired and past the due date as follows		
Within 30 days	14,321	18,200
31 to 60 days	5,169	5,877
61 to 90 days	5,047	8,051
Over 90 days	15,776	16,333
Allowance for doubtful accounts	(4,068)	(1,758)
Total accounts receivable, net	195,499	178,725

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

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Trade receivables assessed to be impaired are included as an allowance in selling, general and administrative expenses in the period of the assessment. The movement in the Company's allowance for doubtful accounts for the years ended December 31, 2020 and December 31, 2019 was as follows:

	2020	2019
	\$	\$
Balance, beginning of year	1,758	1,531
Additional provision recognized	2,798	298
Amounts written off during the year as uncollectible	(674)	(27)
Exchange differences	186	(44)
Balance, end of year	4,068	1,758

9. Inventory

	2020	2019
	\$	\$
Raw materials	87,312	85,017
Finished goods	91,592	89,339
	178,904	174,356

10. Notes receivable

Included in notes receivable is a promissory note in the amount of \$5.3 million due from a third-party. The note receivable bears interest at 5% per annum payable quarterly and is due on October 29, 2021. In addition, the Company sold selected assets of a wholly owned subsidiary during 2016 and as a result a remaining non-interest bearing note receivable of \$600 is due in six annual payments.

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11. Property, plant and equipment

	Land	Grounds	Buildings	Leasehold improvements	Furniture and fixtures	Vehicles	Computer hardware	Manufacturing equipment	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, January 1, 2020	34,761	7,186	169,236	9,102	4,255	20,311	10,025	195,375	12,705	462,956
Additions	—	204	8,784	4,622	1,303	593	2,189	13,569	(3,201)	28,063
Leasehold improvements received	—	—	—	2,086	—	—	—	—	—	2,086
Acquisitions	—	—	—	—	46	—	17	—	—	63
Transfer from assets held for sale	—	—	375	—	—	—	—	—	—	375
Disposals	—	—	—	(62)	(135)	(591)	(93)	(635)	—	(1,516)
Impairment <i>[note 15]</i>	(80)	(177)	(1,700)	—	—	—	—	—	—	(1,957)
Exchange differences	(631)	(271)	(5,743)	(307)	(42)	(239)	(136)	(4,579)	(2,231)	(14,179)
Balance, December 31, 2020	34,050	6,942	170,952	15,441	5,427	20,074	12,002	203,730	7,273	475,891
Depreciation										
Balance, January 1, 2020	—	1,699	20,419	2,020	1,918	6,935	5,614	60,673	—	99,278
Depreciation	—	608	5,094	1,252	527	2,217	1,451	14,493	—	25,642
Disposals	—	—	—	(29)	(107)	(256)	(85)	(429)	—	(906)
Exchange differences	—	(52)	(417)	(42)	(10)	(154)	(90)	(1,891)	—	(2,656)
Balance, December 31, 2020	—	2,255	25,096	3,201	2,328	8,742	6,890	72,846	—	121,358
Net book value,										
January 1, 2020	34,761	5,487	148,817	7,082	2,337	13,376	4,411	134,702	12,705	363,678
December 31, 2020	34,050	4,687	145,856	12,240	3,099	11,332	5,112	130,884	7,273	354,533

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	Land	Grounds	Buildings	Leasehold improvements	Furniture and fixtures	Vehicles	Computer hardware	Manufacturing equipment	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, January 1, 2019	22,411	6,350	167,486	5,688	3,632	17,327	7,443	169,489	13,150	412,976
Additions	503	1,055	5,840	4,067	703	6,278	2,513	27,496	84	48,539
Acquisitions	13,754	—	2,854	45	235	578	214	3,596	—	21,276
Transfer to right-of-use assets <i>[note 12]</i>	—	—	—	—	—	(70)	—	(259)	—	(329)
Disposals	—	(31)	(3)	(96)	(111)	(1,197)	(31)	(956)	—	(2,425)
Impairment	(187)	—	—	—	—	—	—	—	—	(187)
Exchange differences	(1,720)	(188)	(6,941)	(602)	(204)	(2,605)	(114)	(3,991)	(529)	(16,894)
Balance, December 31, 2019	34,761	7,186	169,236	9,102	4,255	20,311	10,025	195,375	12,705	462,956
Depreciation										
Balance, January 1, 2019	—	1,303	15,967	1,478	1,649	7,083	4,522	48,329	—	80,331
Depreciation	—	466	4,891	573	400	2,079	1,163	12,859	—	22,431
Transfer to right-of-use assets <i>[note 12]</i>	—	—	—	—	—	(21)	—	(28)	—	(49)
Disposals	—	(7)	—	(23)	(51)	(705)	(30)	(557)	—	(1,373)
Exchange differences	—	(63)	(439)	(8)	(80)	(1,501)	(41)	70	—	(2,062)
Balance, December 31, 2019	—	1,699	20,419	2,020	1,918	6,935	5,614	60,673	—	99,278
Net book value, January 1, 2019	22,411	5,047	151,519	4,210	1,983	10,244	2,921	121,160	13,150	332,645
Net book value, December 31, 2019	34,761	5,487	148,817	7,082	2,337	13,376	4,411	134,702	12,705	363,678

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AGI regularly assesses its long-lived assets for impairment. As at December 31, 2020 and 2019, the recoverable amount of each CGU exceeded the carrying amounts of the assets allocated to the respective units.

Capitalized borrowing costs

No borrowing costs were capitalized in 2020 or 2019.

12. Right-of-use assets

	Buildings \$	Furniture and fixtures \$	Vehicles \$	Manufacturing equipment \$	Total \$
Balance, January 1, 2019	6,745	387	589 ¹	1,350 ¹	9,071
Additions	2,601	175	140	52	2,968
Acquisitions	420	—	24	—	444
Depreciation	(2,147)	(128)	(293)	(459)	(3,027)
Exchange differences	(23)	(13)	(17)	(50)	(103)
Balance, December 31, 2019	7,596	421	443	893	9,353
Additions	6,122	186	747	225	7,280
Acquisitions	2,207	—	—	—	2,207
Termination	(46)	(26)	(10)	(8)	(90)
Depreciation	(2,787)	(189)	(429)	(530)	(3,935)
Exchange differences	(362)	(15)	(70)	(26)	(473)
Balance, December 31, 2020	12,730	377	681	554	14,342

¹ Includes \$280 transferred from property, plant and equipment for leases previously classified as finance leases under IAS 17 and IFRIC 4.

13. Goodwill

	2020 \$	2019 \$
Balance, beginning of year	351,573	256,619
Acquisitions <i>[note 6]</i>	5,012	107,308
Exchange differences	(5,916)	(12,354)
Balance, end of year	350,669	351,573

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14. Intangible assets

	Distribution networks and customer relationships	Brand names	Patents	Software	Order backlog	Non-compete agreement	Development projects	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, January 1, 2020	175,164	135,810	3,068	12,203	13,419	114	27,275	367,053
Internal development	—	—	59	1,859	—	—	10,146	12,064
Acquisitions	—	—	—	3,322	—	—	—	3,322
Impairment	—	(2,812)	—	—	—	—	(625)	(3,437)
Exchange differences	(1,367)	(872)	(24)	(245)	(132)	—	(674)	(3,314)
Balance, December 31, 2020	173,797	132,126	3,103	17,139	13,287	114	36,122	375,688
Amortization								
Balance, January 1, 2020	75,207	—	2,218	4,776	13,417	95	6,482	102,195
Amortization	14,218	1,441	164	3,677	2	17	6,175	25,694
Impairment	—	—	—	—	—	—	(283)	(283)
Exchange differences	(862)	(14)	(24)	(177)	(132)	—	(168)	(1,377)
Balance, December 31, 2020	88,563	1,427	2,358	8,276	13,287	112	12,206	126,229
Net book value, January 1, 2020	99,957	135,810	850	7,427	2	19	20,793	264,858
Net book value, December 31, 2020	85,234	130,699	745	8,863	—	2	23,916	249,459

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	Distribution networks and customer relationships	Brand names	Patents	Software	Order backlog	Non-competes agreement	Development projects	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, January 1, 2019	153,863	124,579	3,023	6,725	9,768	114	15,502	313,574
Internal development	—	—	106	2,488	—	—	10,663	13,257
Acquisitions	25,950	14,533	—	3,335	4,215	—	—	48,033
Exchange differences	(4,649)	(3,302)	(61)	(345)	(564)	—	1,110	(7,811)
Balance, December 31, 2019	175,164	135,810	3,068	12,203	13,419	114	27,275	367,053
Amortization								
Balance, January 1, 2019	63,304	—	2,157	3,522	9,623	79	1,690	80,375
Amortization	13,436	—	153	1,445	4,248	16	3,432	22,730
Exchange differences	(1,533)	—	(92)	(191)	(454)	—	1,360	(910)
Balance, December 31, 2019	75,207	—	2,218	4,776	13,417	95	6,482	102,195
Net book value, January 1, 2019	90,559	124,579	866	3,203	145	35	13,812	233,199
Net book value, December 31, 2019	99,957	135,810	850	7,427	2	19	20,793	264,858

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

Intangible assets include patents acquired through business combinations, which have a remaining life between 2 and 8 years. Included within intangible assets are brand names with a carrying amount of \$127,847 [2019 – \$135,810] have been classified as indefinite-life intangible assets, as the Company expects to maintain these brand names and currently no end point of the useful lives of these brand names can be determined. Additionally, during the year ended December 31, 2020, the Company identified brand names in which an end point of useful life could be determined. As at December 31, 2020, the carrying amount of \$2,852 and remaining life of 2 years are included within intangible assets. The Company assesses the assumption of an indefinite useful life at least annually. For intangible assets, the Company assesses whether there are indicators of impairment at each reporting dates as a triggering event for performing an impairment test. During the year ended December 31,

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2020, the Company decided to discontinue the Union Iron brand name (indefinite-life intangible asset), which consequently, at September 30, 2020, triggered an impairment test to be performed for Union Iron, a CGU of the Company. As a result of the value-in-use calculation, as at September 30, 2020, it was determined, using a discount rate of 9.0%, that the recoverable amount of Union Iron was less than its carrying value. The impairment amount calculated was applied on a pro rata basis over the CGU's identifiable assets, and consequently, an impairment charge of \$1,957 against property, plant and equipment *[note 11]* and \$3,154 against intangible assets was recognized.

Intangible assets and research and development expenses for the year ended December 31, 2020 are net of combined federal and provincial scientific research and experimental development ["SR&ED"] tax credits in the amounts of \$(51) and \$121, respectively. A number of specific criteria must be met in order to qualify for federal and provincial SR&ED investment tax credits. As at December 31, 2020, the Company had federal investment tax credit carryforwards in the amount of \$908 [2019 – nil], federal SR&ED investment tax credit carryforwards in the amount of \$1,340 [2019 – \$1,038], provincial SR&ED investment tax credit carryforwards in the amount of \$366 [2019 – \$786] and provincial manufacturing or processing tax credits in the amount of \$384 [2019 – \$658]; these begin expiring in 2026.

Other significant intangible assets are the distribution network and customer relationships of the Company. The distribution network and customer relationships were acquired in past business combinations and reflect the Company's dealer network in North America and its international customer base. The remaining amortization period for the distribution network and customer relationships ranges from 2 to 20 years.

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

15. Impairment testing

The Company performs its annual goodwill impairment test as at December 31. The recoverable amount of the Company's group of CGUs has been determined based on value in use for the year ended December 31, 2020, using cash flow projections covering a five-year period. The Company performs its indefinite-life intangible assets impairment test as at December 31, which are tested at the individual CGU level.

The pre-tax discount rates applied to the cash flow projections for Farm and Commercial are 10.4% and 10.8%, respectively [2019 – 11.1% and 10.9%] and cash flows beyond the five-year period are extrapolated using a 2% growth rate [2019 – 3%], which is management's estimate of long-term inflation and productivity growth in the industry and geographies in which it operates.

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

	2020	2019
	\$	\$
Farm		
Goodwill	150,098	145,378
Intangible assets with indefinite lives	79,299	79,501
Commercial		
Goodwill	200,571	206,195
Intangible assets with indefinite lives	48,548	56,309
Total		
Goodwill	350,669	351,573
Intangible assets with indefinite lives	127,847	135,810

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

Key assumptions used in valuation calculations

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

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

Gross margins

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

Discount rates

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

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Revenue and terminal growth rate estimates

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

16. Equity investments

[a] Equity investment at fair value through OCI

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. AGI recorded a \$1.1 million charge to reflect management's estimate of the fair value of its investment in Investco in 2014. In 2019, AGI concluded that it is unlikely to recover its investment in Investco based on externally available information and observable conditions, and as a result, recorded a decrease of \$0.9 million in the fair value of the equity investment in OCI, which represented the remaining value of Investco.

[b] Investment in associate

	2020	2019
	\$	\$
Carrying value, beginning of year	17,312	—
Additions in the year	—	19,720
Share of net loss for the year before adjustments	(3,653)	(1,598)
Amortization of fair value adjustments	(661)	(754)
Share of net loss for the year	(4,314)	(2,352)
Share of other comprehensive loss	(120)	(56)
Carrying value, end of year	12,878	17,312

In 2019, the Company acquired an equity interest in Farmobile Inc. ["Farmobile"], a privately owned agriculture technology company, headquartered in Leawood, Kansas.

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The equity interest acquired in Farmobile represents an investment subject to significant influence, which is accounted for using the equity method from the date of acquisition, July 16, 2019. The investment was initially recorded at cost and adjustments were made to include the Company's share of Farmobile's net loss. The Company's share of net loss was adjusted to reflect the amortization of the fair value adjustments related to the Company's share of the net identifiable assets of Farmobile acquired and the tax impact.

Set out below is select financial information derived from Farmobile's consolidated financial statements in United States dollars ("USD") using United States GAAP converted into IFRS in Canadian dollars ("CAD") for information purposes:

Farmobile's balance sheet

	2020	2019
	\$	\$
Current assets	6,047	19,359
Non-current assets	8,363	3,542
Current liabilities	(4,137)	(1,706)
Non-current liabilities	(94)	(8)
Equity	10,179	21,187
The Company's share of Farmobile		
Share of equity	3,868	8,051
Goodwill	12,696	12,696
Fair value adjustment and amortization of intangible assets	(3,686)	(3,435)
	12,878	17,312

17. Assets held for sale

Assets held for sale include a building in Brazil recorded at the lower of cost and fair value less cost to sell. As at December 31, 2020, the carrying amount of the assets held for sale is \$520.

18. Accounts payable and accrued liabilities

	2020	2019
	\$	\$
Trade payables	77,161	51,753
Other payables	25,237	25,280
Personnel-related accrued liabilities	33,883	26,523
Accrued outstanding service invoices	2,817	1,822
	139,098	105,378

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Trade payables and other payables are non-interest bearing and are normally settled on 30- or 60-day terms. Personnel-related accrued liabilities include primarily vacation accruals, bonus accruals and overtime benefits. For explanations on the Company's credit risk management processes, refer to note 31.

19. Provisions

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

	2020	2019
	\$	\$
Balance, beginning of year	17,539	7,685
Additional provisions recognized	88,386	18,007
Amounts written off and utilized	(22,564)	(10,870)
Acquisitions	—	2,717
Balance, end of year	83,361	17,539

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. On September 11, 2020, a bin at one of the customer facilities collapsed during commissioning. The incident did not result in any injuries and AGI immediately issued a demand to suspend use of the product at both sites. A total of 15 similar bins are located at the incident site and 20 bins are located on a second site, which are erected but have yet to be commissioned. Clean-up by the customer at the site of the collapse has begun and continues to progress. The exact cause of the collapse is currently undetermined and a complete investigation can be carried out once the site is fully accessible.

The Company continues to investigate the incident and has made progress in determining the approach to remediation in consultation with internal and external advisors. While the Company initially proceeded on the basis of providing full remediation to the two affected customer sites, one customer has proceeded to undertake the remediation themselves and the Company has determined to proceed with replacing the entire hopper base for the 20 bins located at the second site. Remediation work on the second site is expected to begin in April 2021 and is estimated to be completed during the year.

During the year, the Company recorded a provision of \$70 million for the remediation work. As at December 31, 2020, the warranty provision is \$69.7 million with \$282 of the provision having been utilized during the year.

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The provision for remediation required significant estimates and judgments about the scope, nature, timing and cost of work required. It is based on management's assumptions and estimates at the current date with the cause and determination of responsibility an area of significant estimation uncertainty as the investigation has not been completed and causation has not been determined. AGI, in consultation with its advisors, has estimated various probability weighted scenarios, including investigation and remediation costs, at the two sites.

The provision was determined based on management's assessment of the cost of investigation and remediation. Key assumptions utilized by management in the determination of its probability-weighted provision included the degree of liability, if any, the estimated number of third-party investigation and legal hours, estimated volume of materials and material costs, estimated internal and external labor hours, equipment costs and third-party construction costs.

Further insight into the cause of, and responsibility for, the incident will take time. As the investigation of the incident continues to be conducted, the provision is subject to revision in the future as further information becomes available to the Company, the impact of which could be material.

In addition, while there is possibility of legal action against the Company with respect to damages, no formal claims have been filed at this time and any outcome is therefore not determinable and no disclosure has been made with respect to any potential contingent liabilities. The Company also believes that the provision of \$70 million will be partially offset by insurance coverage and result in a lower net impact. AGI is working with insurance providers and external advisors to determine the extent of this cost offset. Insurance recoveries, if any, will be recorded when received. As at March 16, 2021, the Company had not filed any insurance claim or received any insurance recoveries.

Equipment rework

During the year, the Company recorded an additional provision for equipment rework of \$10 million [2019 - \$10 million] to address issues with equipment designed and supplied to the one commercial facility where the reported bin collapse occurred. The bin collapse and the rework are distinct, and the rework did not involve the hopper product. As at December 31, 2020, included in the Company's warranty provision is \$4,520 related to the equipment rework with \$13,538 [2019 - \$1,942] of the provision having been utilized during the year as the rework was undertaken. The remaining provision as at December 31, 2020 is management's best estimate of the remaining costs to complete the rework, including final costs of commissioning, legal and consulting fees.

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20. Lease liability

	Incremental borrowing rate %	Maturity	2020 \$	2019 \$
Current	1.7 – 29.3	2021	3,027	2,562
Non-current	1.7 – 29.3	2022 – 2030	13,815	6,787
Lease liability			16,842	9,349

The Company has various lease contracts that have not yet commenced as at December 31, 2020. The future lease payments for the non-cancellable lease contracts are \$426 within one year and \$322 within five years.

21. Long-term debt

	Interest rate %	Maturity	2020 \$	2019 \$
Current portion of long-term debt				
Canadian swing line			—	345
Equipment financing	Nil		475	348
			475	693
Non-current portion of long-term debt				
Equipment financing	Nil	2025	917	773
Series B secured notes	4.4 - 5.2	2025	25,000	25,000
Series C secured notes [U.S. dollar denominated]	3.7 - 4.5	2026	31,830	32,470
Canadian Revolver	3.5 – 6.5	2025	151,528	140,511
U.S. Revolver	2.1 – 4.8	2025	202,693	196,379
			411,968	395,133
Less deferred financing costs			(3,070)	(2,698)
			408,898	392,435
Long-term debt			409,373	393,128

[a] Bank indebtedness

AGI has a swing line of \$40.0 million and U.S. \$10.0 million. The facilities bear interest at prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. As at December 31, 2020, there was nil [2019 – \$345] outstanding under the swing line.

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

[b] Long-term debt

On April 29, 2020, the Company amended its credit facility agreement to include Farm Credit Canada to its Canadian lending syndicate, increased the Company's senior revolving facility by \$50 million and created a separate one-year revolving facility of \$50 million to provide increased short-term flexibility during the COVID-19 crisis. No amount has been drawn on this facility as of December 31, 2020.

AGI's revolver facilities of \$225 million and U.S. \$215 million are inclusive of amounts that may be allocated to the Company's swing line and can be drawn in Canadian or U.S. funds. The facilities bear interest at BA or LIBOR plus 1.2% to BA or LIBOR plus 2.5% and prime plus 0.2% to prime plus 1.5% per annum based on performance calculations. The combined effective interest rate for the year ended December 31, 2020 on AGI's revolver facilities was 3.92%. As at December 31, 2020, there was \$354 million [2019 – \$337 million] outstanding under these facilities. Interest on a portion of the revolver line has been fixed at 3.8% through an interest rate swap contract [note 31[a]]. Collateral for the revolving line ranks pari passu and includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

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

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

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements that must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.75 for fiscal 2020 and 3.25 thereafter, the calculation of which excludes the convertible unsecured subordinated debentures and the senior unsecured subordinated debentures from debt, and to provide debt service coverage of a minimum of 1.0. In the event of an acquisition in respect of which the aggregate consideration is \$75,000 or greater, the debt to EBITDA ratio requirement increases to 3.75 or less for the financial quarter and the three following financial quarters in which the acquisition occurred.

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The April 29, 2020 amendments to the credit facility include a suspension of all financial covenant requirements for the nine-month period ending October 31, 2020 as well as the ability to normalize Q1 2020 and Q2 2020 financial results for certain COVID-19 impacts when calculating trailing EBITDA in future covenant calculations. Following October 31, 2020, AGI's minimum leverage ratio covenant returned to 3.75x up to and including the calculation as at March 31, 2021. The minimum leverage ratio decreases to 3.50x for the quarter ending June 30, 2021 and returns to 3.25x thereafter. The maturity date of the facility remains March 20, 2025. The amendments do not impact terms of AGI's Series B and C secured notes that total \$60 million.

As at December 31, 2020 and December 31, 2019, AGI was in compliance with all financial covenants.

22. Convertible unsecured subordinated debentures

	2020	2019
	\$	\$
Current portion of convertible unsecured subordinated debentures	<u>—</u>	<u>74,298</u>
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	172,475	172,475
Equity component	(6,351)	(6,351)
Accretion	4,091	2,827
Financing fees, net of amortization	(2,896)	(4,416)
	<u>167,319</u>	<u>164,535</u>
Convertible unsecured subordinated debentures	<u>167,319</u>	<u>238,833</u>

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Year issued	Aggregate principal amount \$	Coupon	Conversion price \$	Conversion rate ⁽¹⁾	Number of common shares reserved for issuance upon conversion	Maturity date	Redeemable at par ⁽²⁾⁽³⁾
2015	75,000	5.00%	60.00	16.6667	1,250,000	31-Dec-20	01-Jan-20
2017	86,225	4.85%	83.45	11.9832	1,033,551	30-Jun-22	30-Jun-21
2018	86,250	4.50%	88.15	11.3443	978,446	31-Dec-22	01-Jan-22

¹ During the year ended December 31, 2019, a holder of the 2017 Debentures converted \$25,000 into common shares. No conversion options were exercised during the year ended December 31, 2020.

² At the option of the Company, at par plus accrued and unpaid interest.

³ In the twelve-month period prior to the date on which the Company may, at its option, redeem any series of convertible debentures at par plus accrued and unpaid interest, such convertible debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares ["Common Shares"] of the Company during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price.

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

On January 2, 2020, the Company redeemed its 5.00% convertible unsecured subordinated debentures due December 31, 2020 ["2015 Debentures"] in accordance with the terms of the supplemental trust indenture dated September 29, 2015. Upon redemption, AGI paid to the holders of the 2015 Debentures the redemption price of \$75,031 equal to the outstanding principal amount of the 2015 Debentures redeemed including accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. A loss of \$746 was recorded to loss on financial instruments, and the equity component of the 2015 Debentures was reclassified to contributed surplus.

In 2019, the Company expensed the remaining unamortized balance of \$723 of deferred fees related to the 2015 Debentures. The expense was recorded to finance costs in the consolidated statements of income (loss).

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

Year issued	Aggregate principal amount \$	Offering costs \$	Equity component \$
2017	86,250	3,673	4,290
2018	86,250	3,957	2,063

The liability component is accreted using the effective interest rate method. The equity component of \$4,427 [2019 – \$6,707] on the consolidated statements of financial position is net of income taxes of \$1,636 [2019 – \$2,471] and its pro rata share of financing costs of \$290 [2019 – \$452].

During the year ended December 31, 2020, the Company recorded accretion, non-cash interest expense relating to financing costs, and interest expense on the coupon of:

Year issued	2020		
	Accretion \$	Non-cash interest expense \$	Interest expense \$
2017	853	731	4,182
2018	412	790	3,881

During the year ended December 31, 2019, the Company recorded accretion, non-cash interest expense relating to financing costs, and interest expense on the coupon of:

Year issued	2019		
	Accretion \$	Non-cash interest expense \$	Interest expense \$
2014	117	137	649
2015	663	681	3,750
2017	806	689	4,182
2018	398	759	3,881

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23. Senior unsecured subordinated debentures

	2020	2019
	\$	\$
Principal amount	257,500	172,500
Debenture put options, net of amortization	661	—
Financing fees, net of amortization	(9,082)	(7,026)
Senior unsecured subordinated debentures	249,079	165,474

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

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

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

³ The Company will have the option to satisfy its obligation to repay the principal amount of the Debentures due at redemption or maturity by issuing and delivering that number of freely tradeable common shares in accordance with the terms of the Indenture.

On March 5, 2020, the Company closed the offering of \$85 million aggregate principal amount of senior subordinated unsecured debentures [the "2020 Debentures"] at a price of \$1,000 per Debenture [the "Offering"].

The net proceeds of the Offering were used to repay indebtedness and for general corporate purposes.

The Debentures bear interest from the date of issue at 5.25% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2020. The Debentures have a maturity date of December 31, 2026.

The Debentures will not be redeemable by the Company before December 31, 2022, except upon the occurrence of a change of control of the Company in accordance with the terms of the indenture [the "Indenture"] governing the Debentures. On and after December 31, 2022 and prior to December 31, 2023, the Debentures may be redeemed at the Company's option at a price equal to 103.9375% of their principal amount plus accrued and unpaid interest. On and after December 31, 2023 and prior to December 31, 2024, the Debentures may be redeemed at the Company's option at a price equal to 102.625% of their principal amount plus accrued and unpaid interest. On and after December 31, 2024 and prior to December 31, 2025, the Debentures may be redeemed at

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the Company's option at a price equal to 101.3125% of their principal amount plus accrued and unpaid interest. On and after December 31, 2025 and prior to maturity, the Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest *[note 31[a]]*.

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

The Debentures will not be convertible into common shares of the Company at the option of the holders at any time.

The Company's redemption option resulted in recognition of an embedded derivative with a fair value of \$754 at time of issuance *[note 31[a]]*. An offsetting and equal amount was recorded to senior unsecured subordinated debentures and will be amortized over the term of the 2020 Debentures.

During the year ended December 31, 2020, the Company recorded non-cash interest expense of \$1,688 [2019 – \$561] relating to financing costs and interest expense on the coupon of \$13,368 [2019 – \$4,164], offset by amortization of the embedded derivative of \$93 [2019 – nil].

24. Equity

[a] Common shares

Authorized

Unlimited number of voting common shares without par value

Issued

18,718,415 common shares

	Shares #	Amount \$
Balance, January 1, 2019	18,363,780	450,645
Settlement of EIAP obligation	294,400	5,187
Convertible unsecured subordinated debentures	299	25
Balance, December 31, 2019	18,658,479	455,857
Settlement of EIAP obligation	59,936	5,642
Reduction in stated capital	—	(459,769)
Balance, December 31, 2020	18,718,415	1,730

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On May 19, 2020, the Company's shareholders voted to reduce the stated capital account maintained in respect of common shares to \$1 without payment or distribution to shareholders. A corresponding increase was made to the Company's contributed surplus.

[b] Contributed surplus

	2020	2019
	\$	\$
Balance, beginning of year	27,113	26,045
Equity-settled director compensation <i>[note 25[a]]</i>	626	497
Dividends on EIAP	358	567
Obligation under EIAP <i>[note 25[a]]</i>	5,802	5,471
Settlement of EIAP obligation	(8,432)	(6,617)
Redemption of convertible unsecured subordinated debentures	2,304	1,150
Reduction in stated capital	459,769	—
Balance, end of year	487,540	27,113

[c] Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) comprises of the following:

Foreign currency translation reserve

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

Defined benefit plan reserve

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

[d] Dividends paid and proposed

In the year ended December 31, 2020, the Company declared dividends of \$19,635 or \$1.05 per common share [2019 – \$44,705 or \$2.40 per common share] and dividends on share compensation awards of \$358 [2019 – \$567]. In the year ended December 31, 2020, dividends paid to shareholders were financed \$20,558 [2019 – \$44,646] from cash on hand.

On April 14, 2020, the Company announced a reduction of its dividend from an annual level of \$2.40 to \$0.60 per common share. At the same time, the dividend moved from monthly to quarterly payments.

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[e] Shareholder protection rights plan

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

[f] Preferred shares

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

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

As at December 31, 2020 and December 31, 2019, no preferred shares were issued or outstanding.

25. Share-based compensation plans

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

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

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On May 19, 2020 the shareholders of AGI approved an amendment to the EIAP to increase the number of common shares available for issuance to 1,910,000. At the discretion of the Board, the EIAP provides for cumulative adjustments to the number of common shares to be issued pursuant to, or the value of, Awards on each date that dividends are paid on the common shares. The EIAP provides for accelerated vesting in the event of a change in control, retirement, death or termination without cause.

Each Restricted Award will entitle the holder to be issued the number of common shares designated in the Restricted Award. 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. The Payout Multiplier is determined based on an assessment of the achievement of pre-defined measures in respect of the applicable period. The Payout Multiplier may not exceed 200%.

As at December 31, 2020, 742,477 [2019 – 600,852] Restricted Awards and 723,585 [2019 – 663,408] Performance Awards have been granted. The Company has accounted for the EIAP as an equity-settled plan. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures. During the year ended December 31, 2020, AGI expensed \$8,229 for the EIAP [2019 – \$5,471].

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

	EIAP	
	Restricted Awards #	Performance Awards #
Outstanding, January 1, 2019	138,980	156,777
Granted	194,846	222,736
Vested	(80,918)	(249,762)
Forfeited	(8,500)	(20,254)
Balance, December 31, 2019	244,408	109,497
Granted	224,578	60,178
Vested	(70,582)	(7,108)
Forfeited	(6,724)	(892)
Modified	(82,952)	—
Cancelled	—	(58,501)
Balance, December 31, 2020	308,728	103,174

There is no exercise price on the EIAP awards.

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During the year ended December 31, 2020, AGI's short-term incentive plan for the year was changed from an equity-settled to a cash-settled shared-based plan. As a result of the modification, \$2,910 was recorded in accounts payable and accrued liabilities.

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

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

For the year ended December 31, 2020, an expense of \$626 [2019 – \$497] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the year ended December 31, 2020, 25,068 [2019 – 9,793] common shares were granted under the DDCP, and as at December 31, 2020, a total of 113,013 [2019 – 87,946] common shares had been granted under the DDCP and 18,436 [2019 – 18,436] common shares had been issued.

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

For the year ended December 31, 2020, an expense of \$8,854 [2019 – \$5,968] was recognized for employee and Director services rendered.

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26. Other expenses (income)

	2020	2019
	\$	\$
[a] Cost of goods sold		
Depreciation of property, plant and equipment	22,853	20,275
Depreciation of right-of-use assets	1,431	1,133
Amortization of intangible assets	4,243	5,913
Warranty expense	88,386	20,725
Cost of inventory recognized as an expense	670,427	680,001
	787,340	728,047
[b] Selling, general and administrative expenses		
Depreciation of property, plant and equipment	2,789	2,156
Depreciation of right-of-use assets	2,504	1,894
Amortization of intangible assets	21,451	16,817
Minimum lease payments recognized as lease expense	196	449
Transaction costs and post-combination expense	16,062	13,150
Selling, general and administrative	182,817	176,647
	225,819	211,113
[c] Other operating expense (income)		
Net loss on sale of property, plant and equipment	187	260
Net gain on settlement of lease liability	(3)	—
Loss on financial instruments	14,502	1,503
Other	(4,152)	(4,001)
	10,534	(2,238)
[d] Finance costs		
Interest on overdrafts and other finance costs	1,374	1,626
Interest on lease liabilities	876	357
Interest, including non-cash interest, on debts and borrowings	19,142	20,272
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures <i>[notes 22 and 23]</i>	25,300	22,538
	46,692	44,793
[e] Finance income		
Interest income	(444)	(235)
Gain on foreign exchange	(4,370)	(6,682)
	(4,814)	(6,917)
[f] Employee benefits expense		
Wages and salaries	260,994	246,103
Share-based compensation expense <i>[note 25]</i>	8,854	5,968
Pension costs	6,679	6,430
	276,527	258,501
Included in cost of goods sold	169,741	164,057
Included in selling, general and administrative expense	106,786	94,444
	276,527	258,501

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In response to COVID-19, the Government of Canada implemented the Canadian Emergency Wage Subsidy ["CEWS"] and the Canada Emergency Rent Subsidy ["CERS"] programs. Similarly, in the United Kingdom, the Coronavirus Job Retention Scheme ["CJRS"] was implemented in response to COVID-19. The CEWS and CJRS programs offer qualifying organizations government assistance in the form of a payroll subsidy to offset the cost of employees. The CERS program offers qualifying organizations government assistance in the form of reimbursements for rent paid during a period. There are no unfulfilled conditions attached to this government assistance. As at December 31, 2020, \$1.9 million has been recorded as an offset to cost of goods sold and selling, general, and administrative expenses and all amounts claimed were received in full.

27. Retirement benefit plans

AGI contributes to group retirement savings plans subject to maximum limits per employee. The expense recorded during the year ended December 31, 2020 was \$6,679 [2019 – \$6,430]. AGI expects to contribute \$6,669 for the year ending December 31, 2021.

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

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

The Company's defined benefit pension plan will measure the respective accrued benefit obligation and the fair value of plan assets at December 31 of each year. Actuarial valuations are performed annually or triennially as required. The Company's registered defined benefit plan was last valued on December 31, 2019. The present value of the defined obligation, and the related current service cost and past service cost, was measured using the Unit Credit Method.

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The liabilities were revalued at December 31, 2020. The Company has used the same methods and assumptions used at December 31, 2019 for the purpose of estimating the liabilities at December 31, 2020. The following assumptions were used to determine the periodic pension expense and the net present value of the accrued pension obligations:

	2020 %	2019 %
Expected long-term rate of return on plan assets	2.50	3.10
Discount rate on benefit costs	2.50	3.10
Discount rate on accrued pension and post-employment obligations	2.50	3.10
Rate of compensation increases	n/a	n/a

The weighted average duration of the defined benefit obligation as of December 31, 2020 is 15.4 years [2019 – 15.8 years]. Compensation increases were not included in the valuation of the accrued pension obligation because the accrued benefit is not a function of salary. All members receive a fixed benefit rate monthly for each year of credited service. This same benefit rate is received by all plan members regardless of salary level.

The following table outlines the key assumptions for 2020 and the sensitivity of changes in each of these assumptions on the defined benefit plan obligation. The sensitivity analysis is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Increase in assumption \$	Decrease in assumption \$
Impact of 0.5% increase/decrease in discount rate assumption	(1,072,534)	1,206,367
Impact of one-year increase/decrease in life expectancy assumption	448,935	(455,174)

The net expense of \$132 [2019 – \$131] for the year is included in cost of goods sold.

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

	2020	2019
	\$	\$
Plan assets		
Fair value of plan assets, beginning of year	13,969	12,641
Interest income on plan assets	424	483
Actual return on plan assets	844	1,572
Employer contributions	—	27
Benefits paid	(637)	(754)
Fair value of plan assets, end of year	14,600	13,969
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	14,115	12,727
Current service cost	125	125
Interest cost	431	489
Actuarial losses from changes in financial assumptions	1,273	1,533
Actuarial losses (gains) from experience adjustments	64	(5)
Benefits paid	(637)	(754)
Accrued benefit obligation, end of year	15,371	14,115
Net accrued benefit liability	(771)	(146)

The net accrued benefit liability of \$771 [2019 – \$146] is included in non-current other liabilities.

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

	2020		2019	
	\$	%	\$	%
Canadian equity securities	4,336	29.7	4,204	30.1
U.S. equity securities	2,570	17.6	2,431	17.4
International equity securities	2,570	17.6	2,445	17.5
Fixed-income securities	5,124	35.1	4,889	35.0
	14,600	100.0	13,969	100.0

Management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation. The actual return on plan assets was a gain of \$844 [2019 – \$1,572].

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

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

The Company expects to make contributions of nil [2020 – nil] to the defined benefit plan in 2021. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

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

Asset volatility

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

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

Change in fixed-income security yields

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

Life expectancy

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

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28. Income taxes

The major components of income tax expense for the years ended December 31, 2020 and 2019 are as follows:

Consolidated statements of income (loss)

	2020	2019
	\$	\$
Current income tax expense		
Current income tax expense	7,089	5,521
Deferred tax recovery		
Origination and reversal of temporary differences	(26,407)	(1,750)
Income tax expense (recovery) reported in the consolidated statements of income (loss)	(19,318)	3,771

Consolidated statements of comprehensive income

	2020	2019
	\$	\$
Deferred tax related to items charged or credited directly to other comprehensive income during the year		
Defined benefit plan reserve	(131)	12
Exchange differences on translation of foreign operations	(252)	(1,479)
Income tax credited directly to other comprehensive income	(383)	(1,467)

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The reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2020 and 2019 is as follows:

	2020 \$	2019 \$
Profit (loss) before income taxes	(80,966)	18,404
At the Company's statutory income tax rate of 26.5% [2019 – 27%]	(21,456)	4,969
Tax rate changes	(1,142)	(2,736)
Additional deductions allowed in a foreign jurisdiction	—	5
Tax losses not recognized as a deferred tax asset	1,092	2,087
Foreign rate differential	385	(1,751)
Non-deductible EIAP expense	(106)	132
State income tax, net of federal tax benefit	82	388
Unrealized foreign exchange gain	(1,222)	(1,444)
Permanent differences and others	3,049	2,121
At the effective income tax rate 23.86% [2019 – 20.49%]	(19,318)	3,771

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

	Consolidated statements of financial position		Consolidated statements of income (loss)	
	2020	2019	2020	2019
	\$	\$	\$	\$
Inventory	—	—	—	(502)
Property, plant and equipment	(39,386)	(38,774)	645	2,181
Intangible assets	(43,712)	(44,388)	(1,556)	(2,150)
Deferred financing costs	109	832	737	(110)
Accruals and long-term provisions	29,174	9,684	(19,359)	(1,980)
Tax loss carryforwards start to expire in 2039	6,523	4,381	(2,142)	(4,381)
Investment tax credits	—	—	—	(627)
Capitalized development expenditures	(4,278)	(4,667)	(389)	1,940
Convertible debentures	(427)	(1,148)	(721)	(627)
Derivative instruments	203	(60)	(263)	(396)
EIAP liability	2,027	1,521	(415)	3,512
Equity swap	1,700	(1,496)	(3,196)	(89)
Exchange difference on translation of foreign operations	—	—	252	1,479
Deferred tax recovery			(26,407)	(1,750)
Deferred tax liabilities, net	(48,067)	(74,115)		
Reflected in the consolidated statements of financial position as follows				
Deferred tax asset	964	—		
Deferred tax liability	(49,031)	(74,115)		
Deferred tax liabilities, net	(48,067)	(74,115)		

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Reconciliation of deferred tax liabilities, net

	2020	2019
	\$	\$
Balance, beginning of year	(74,115)	(61,497)
Deferred tax recovery during the year recognized in profit or loss	26,407	1,750
Deferred tax liability set up on business acquisition	(833)	(17,242)
Deferred tax recovery during the year recognized in contributed surplus	91	1,407
Deferred tax recovery during the year recognized in other comprehensive income	383	1,467
Balance, end of year	(48,067)	(74,115)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and loss carryforwards become deductible. Based on the analysis of taxable temporary differences and future taxable income, management of the Company is of the opinion that there is convincing evidence available for the probable realization of all deductible temporary differences of the Company's tax entities incurred, other than temporary differences in its Canadian operations of \$4,726 [2019 – nil], its Finnish operations of 5,425 Euros [2019 – 5,442 euros] and its Brazilian operations of 88,897 BRL [2019 – 81,685 BRL]. Accordingly, the Company has recorded a deferred tax asset for all other deductible temporary differences as at December 31, 2020 and as at December 31, 2019.

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 and associate, for which a deferred tax asset has not been recognized, aggregate to \$4,432 [2019 – \$2,408].

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

There are no income tax consequences to the Company attached to the payment of dividends in either 2020 or 2019 by the Company to its shareholders.

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29. Profit (loss) per share

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

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

	2020	2019
	\$	\$
Profit (loss) attributable to shareholders for basic and diluted profit (loss) per share	(61,648)	14,633
Basic weighted average number of shares	18,703,669	18,613,273
Dilutive effect of DDCP	—	63,007
Dilutive effect of RSU	—	236,250
Diluted weighted average number of shares	18,703,669	18,912,530
Profit (loss) per share		
Basic	(3.30)	0.79
Diluted	(3.30)	0.77

The DDCP, RSU, and 2017 and 2018 Debentures were excluded from the calculation of diluted profit per share in the year ended December 31, 2020, because their effect is anti-dilutive. The 2015, 2017 and 2018 Debentures were excluded from the calculation of diluted profit per share in the year ended December 31, 2019, because their effect is anti-dilutive.

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30. Statements of cash flows

[a] Net change in non-cash working capital

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

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

	2020	2019
	\$	\$
Accounts receivable	(18,953)	(14,778)
Inventory	(9,201)	24,060
Prepaid expenses and other assets	3,013	(848)
Accounts payable and accrued liabilities	33,423	(17,753)
Customer deposits	6,425	(13,879)
Provisions	65,352	9,613
	80,059	(13,585)

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[b] Reconciliation of liabilities arising from financing activities

	Non-cash changes									
	December 31, 2019	Cash flows	Acquisitions	Additions	Foreign exchange	Accretion	Amortization	Fair value	Other	December 31, 2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Long-term debt	393,128	21,039	—	—	(5,465)	—	671	—	—	409,373
Convertible unsecured subordinated debentures	238,833	(75,031)	—	—	—	1,275	1,520	—	722	167,319
Senior unsecured subordinated debentures	165,474	80,979	—	—	—	—	1,595	754	277	249,079
Lease liability	9,349	(3,433)	2,207	9,481	(762)	—	—	—	—	16,842
Total liabilities from financing activities	806,784	23,554	2,207	9,481	(6,227)	1,275	3,786	754	999	842,613

	Non-cash changes									
	December 31, 2018	Cash flows	Acquisitions	Conversion	Foreign exchange	Accretion	Amortization	Fair value	Other	December 31, 2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Long-term debt	271,421	130,766	464	—	(10,604)	—	535	546	—	393,128
Convertible unsecured subordinated debentures	284,848	(51,786)	—	(25)	—	1,984	3,414	—	398	238,833
Senior unsecured subordinated debentures	—	165,402	—	—	—	—	561	—	(489)	165,474
Lease liability	8,791	(2,674)	220	—	(183)	—	—	—	3,195	9,349
Total liabilities from financing activities	565,060	241,708	684	(25)	(10,787)	1,984	4,510	546	3,104	806,784

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31. Financial instruments and financial risk management

[a] Management of risks arising from financial instruments

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

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

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

Market risk

Market risk is the risk that the fair value 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 investments and derivative financial instruments.

Foreign currency risk

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

During the year ended December 31, 2019, the Company entered into a short-term forward contract that resulted in a gain of \$235, which has been recorded in loss on financial instruments in the consolidated statements of income (loss).

The Company had no outstanding foreign exchange forward contracts at December 31, 2020.

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A significant part of the Company's sales is transacted in U.S. dollars and Euros and, as a result, fluctuations in the rate of exchange between the U.S. dollar, the Euro and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, AGI denominates a portion of its debt in U.S. dollars. As at December 31, 2020, AGI's U.S. dollar denominated debt totalled \$205 million [2019 – \$197 million].

AGI's sales denominated in U.S. dollars for the year ended December 31, 2020 were \$400 million [2019 - U.S. \$424 million], and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency was U.S. \$303 million [2019 - U.S. \$323 million]. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a \$40 million increase or decrease in sales and a total increase or decrease of \$30.3 million in its cost of goods sold and its selling, general and administrative expenses.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Furthermore, as AGI regularly reviews the denomination of its borrowings, the Company is subject to changes in interest rates that are linked to the currency of denomination of the debt. AGI's Series B secured notes, Series C secured notes, convertible unsecured subordinated debentures and senior unsecured subordinated debentures outstanding at December 31, 2020 and December 31, 2019 are at a fixed rate of interest.

Interest rate swap contracts

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. The interest rate swap contracts are derivative financial instruments and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating expense (income). Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rates between 3.8% and 4.1%. The notional amounts are \$40,000 in aggregate, resetting the last business day of each month. The contracts expire in May 2022.

During the year ended December 31, 2020, an unrealized loss of \$995 [2019 – \$1,466] was recorded in loss on financial instruments in other operating expense (income). As at December 31, 2020, the fair value of the interest rate swap was \$(771) [2019 – \$224].

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The open interest rate swap contracts as at December 31, 2020 are as follows, for which no hedge accounting is applied:

	Maturity date	Contract rate %	Notional amount \$	Fair value \$
Canadian dollar contracts	May 2022	3.6 – 4.1	40,000	(771)

The open interest rate swap contracts as at December 31, 2019 are as follows:

	Maturity date	Contract rate %	Notional amount \$	Fair value \$
Canadian dollar contracts	May 2022	3.6 – 4.1	40,000	147
U.S. dollar contracts	November 2020	3.8	38,000	77

Equity swap

On March 18, 2016, the Company entered into an equity swap agreement with a financial institution [the "Counterparty"] to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. Pursuant to this agreement, the Counterparty has agreed to pay the Company the total return of the defined underlying common shares, which includes both the dividend income they may generate and any capital appreciation. In return, the Company has agreed to pay the Counterparty a funding cost calculated daily based on floating rate option [CAD-BA-COOR] plus a spread of 2.0% and any administrative fees or expenses that are incurred by the Counterparty directly.

As at December 31, 2020, the equity swap agreement covered 722,000 common shares of the Company at a price of \$38.76, and the agreement matures on April 6, 2021.

During the year ended December 31, 2020, an unrealized loss of \$12,007 [2019 – \$327] was recorded in loss on financial instruments in other operating expense (income). As at December 31, 2020, the fair value of the equity swap was \$(6,386) [2019 – \$5,641].

Debenture put options

On March 5, 2020, the Company issued the 2020 Debentures. Beginning on and after December 31, 2022, the Company has the option of early redemption. At time of issuance, the Company's redemption option resulted in an embedded derivative with a fair value of \$754. During the year ended December 31, 2020, a loss of \$754 [2019 – nil] was recorded in loss on financial instruments in other operating expense (income). As at December 31, 2020, the fair value of the embedded derivative was nil [2019 – nil].

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Credit risk

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

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

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

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

The Company's interest rate swap and equity swap agreements are also exposed to the credit risk of our counter parties. The Company only enters into agreements with major financial institutions that meets or exceeds our minimal credit rating requirements and the Company regularly monitors for changes in the credit risk of our counter parties.

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Liquidity risk

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

The tables below summarize the undiscounted contractual payments of the Company's financial liabilities as at December 31, 2020 and 2019:

December 31, 2020	Total	2021	2022	2023	2024	2025+
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	139,098	139,098	—	—	—	—
Dividends payable	2,808	2,808	—	—	—	—
Due to vendor	9,411	7,164	1,463	334	250	200
Optionally convertible redeemable preferred shares	30,520	18,312	12,208	—	—	—
Lease liability	20,507	3,848	3,286	2,400	2,056	8,917
Term debt	412,498	502	357	266	235	411,138
Convertible unsecured subordinated debentures [includes interest]	186,511	8,064	178,447	—	—	—
Senior unsecured subordinated debentures [includes interest]	321,017	13,648	13,648	13,648	186,148	93,925
Total financial liability payments	1,122,370	193,444	209,409	16,648	188,689	514,180

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December 31, 2019	Total	2020	2021	2022	2023	2024+
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	105,378	105,378	—	—	—	—
Dividends payable	3,732	3,732	—	—	—	—
Due to vendor	8,370	4,541	3,066	763	—	—
Contingent consideration	5,270	5,270	—	—	—	—
Optionally convertible redeemable preferred shares	30,258	—	18,155	12,103	—	—
Lease liability	9,932	2,798	2,102	1,652	1,028	2,352
Term debt	395,862	722	348	208	115	394,469
Convertible unsecured subordinated debentures [includes interest]	273,323	86,813	8,063	178,447	—	—
Senior unsecured subordinated debentures [includes interest]	218,429	9,186	9,186	9,186	9,186	181,685
Total financial liability payments	1,050,554	218,440	40,920	202,359	10,329	578,506

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[b] Fair value

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

	Level	December 31, 2020		December 31, 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
Financial assets					
<i>Amortized cost:</i>					
Cash and cash equivalents	1	62,456	62,456	48,421	48,421
Cash held in trust and restricted cash	1	9,616	9,616	5,416	5,416
Accounts receivable	2	176,316	176,316	162,543	162,543
Notes receivable	2	5,932	5,932	622	622
<i>Fair value through profit or loss:</i>					
Derivative instruments	2	—	—	5,865	5,865
Financial liabilities					
<i>Amortized cost:</i>					
Interest-bearing loans and borrowings	2	409,373	405,907	393,128	393,623
Accounts payable and accrued liabilities	2	139,098	139,098	105,378	105,378
Dividends payable	2	2,808	2,808	3,732	3,732
Due to vendor	2	9,411	9,411	8,370	8,370
Contingent consideration	3	—	—	5,270	5,270
Convertible unsecured subordinated debentures	2	167,319	171,366	238,833	246,128
Senior unsecured subordinated debentures	2	249,079	253,498	165,474	166,456
<i>Fair value through profit or loss:</i>					
Derivative instruments	2	7,157	7,157	—	—
Optionally convertible redeemable preferred shares	3	28,971	28,971	26,320	26,320

During the reporting years ended December 31, 2020 and December 31, 2019, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

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

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

- Cash and cash equivalents, cash held in trust, restricted cash, accounts receivable, dividends payable, accounts payable and accrued liabilities, due to vendor, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of unquoted instruments and loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Company enters into derivative financial instruments with financial institutions with investment-grade credit ratings. Derivatives include interest rate swaps and equity swaps that are marked-to-market at each reporting period. The fair values of derivatives are determined by the derivative counterparty using a discounted cash flow technique, which incorporates various inputs including the related interest rate swap curves and/or the Company's stock price for the equity swaps.
- The fair value of contingent consideration and the OCRPS arising from business combinations is estimated by discounting future cash flows based on the probability of meeting set performance targets.

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

	2020	2019
	\$	\$
Contingent consideration and OCRPS:		
Balance, beginning of year	31,590	6,386
Acquisitions	—	31,599
Fair value change	3,872	173
Reclassification to due to vendor	(5,270)	(4,000)
Exchange differences	(1,221)	(2,568)
Balance, end of year	28,971	31,590

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Set out below are the significant unobservable inputs to valuation as at December 31, 2020:

	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range</u>	<u>Sensitivity of the input to fair value</u>
Contingent consideration and OCRPS	Discounted cash flow method	• Probability of achieving earnings target	0%–100% achievement	Increase (decrease) in the probability would increase (decrease) the fair value
		• Weighted average cost of capital [“WACC”]	8%–10%	Increase (decrease) in the WACC would result in decrease (increase) in fair value

Fair value [“FV”] hierarchy

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

Level 1

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

Level 2

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

Level 3

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

32. Capital disclosure and management

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

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AGI manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities, and as at December 31, 2020 and December 31, 2019, all of these covenants were complied with *[note 21(c)]*.

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

33. Related party disclosures

Relationship between parent and subsidiaries

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

Other relationships

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the year ended December 31, 2020, the total cost of these legal services related to general matters was \$989 [2019 – \$435], and \$425 is included in accounts payable and accrued liabilities and provisions as at December 31, 2020.

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

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Compensation of key management personnel of AGI

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

	2020	2019
	\$	\$
Short-term employee benefits	109	159
Contributions to defined contribution plans	148	172
Salaries	4,253	8,391
Share-based payments	8,854	5,968
Total compensation paid to key management personnel	13,364	14,690

34. Reportable business segment

The Company manufactures agricultural equipment with a focus on grain and rice handling and milling, storage and conditioning products, and technology. As at December 31, 2020, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included the similar long-term average gross margins and growth rates across the segments, the nature of the products manufactured by the segments all being related to the handling, storage and conditioning of agricultural commodities, and the similarity in the production processes of the segments.

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

	Sales		Property, plant and equipment, goodwill, intangible assets and equity investments	
	2020	2019	2020	2019
	\$	\$	\$	\$
Canada	282,402	325,080	414,565	413,751
United States	436,713	421,661	306,274	318,613
International	274,915	249,046	246,700	265,057
	994,030	995,787	967,539	997,421

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

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35. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of \$5,673 [2019 – \$8,488].

[b] Letters of credit

As at December 31, 2020, the Company has outstanding letters of credit in the amount of \$23,421 [2019 – \$16,885].

[c] Legal actions

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