AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: August 8, 2019

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2018, the Management's Discussion and Analysis (the "Annual MD&A") of the Company for the year ended December 31, 2018 and the unaudited interim condensed consolidated financial statements of the Company and accompanying notes for the three- and six-month periods ended June 30, 2019. Results are reported in Canadian dollars unless otherwise stated.

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

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

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

SUMMARY OF RESULTS

(thousands of dollars except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Trade sales [(1)(2)]	293,012	262,651	509,210	476,748
Adjusted EBITDA [(1)(3)]	51,355	49,220	81,992	79,947
Profit	12,516	12,792	25,738	17,735
Diluted profit per share	0.67	0.75	1.37	1.06
Adjusted profit [(1)]	20,206	22,282	25,197	33,745
Diluted adjusted profit per share [(1)(4)]	1.04	1.21	1.34	1.91

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

Trade sales and adjusted EBITDA were at record levels in both the three- and six-month periods ended June 30, 2019. Trade sales increased compared to 2018 as demand for portable Farm equipment in the United States remained strong, despite a challenging growing season, and contributions from recent acquisitions in India and France met expectations. Adjusted EBITDA increased over 2018 as higher trade sales and consistent gross margin percentages were partially offset by higher SG&A expenses. Adjusted EBITDA as percentage of sales decreased compared to 2018, largely due to an anticipated low sales volume quarter in Brazil, a seasonally low sales volume quarter in India and the impact of challenging weather conditions on grain storage systems sales in the United States. Profit, profit per share, adjusted profit and adjusted profit per share in

Q2 2019 decreased largely due to transitory items related to AGI's platform acquisition of India-based Milltec (see "diluted profit per share and diluted adjusted profit per share").

BASIS OF PRESENTATION - ACQUISITIONS

When comparing 2019 results to 2018, we have in some cases noted the impact of acquisitions made in 2019 and 2018. When noted, both the 2019 and 2018 periods exclude results from acquisitions made in those years, namely 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], and Milltec Machinery Limited ["Milltec"] [March 28, 2019].

In the disclosure that follows, Danmare, Sabe, Improtech and Milltec are categorized as Commercial divisions. IntelliFarms is categorized as a Farm division.

OUTLOOK

Farm

Historically poor planting conditions in the United States have significantly reduced the number of acres planted and lowered yield expectations, causing farmers to be cautious with respect to spending commitments. Demand for portable grain handling equipment in the United States has remained at 2018 levels as farmers continue to invest in storage and the replacement cycle of portable equipment remains stable. Demand for grain storage systems in the United States has been impacted by excessively wet conditions, creating yield and acreage uncertainty and a shortened construction season. Despite significant headwinds the underlying demand drivers for on-farm grain handling and storage remain intact. Planted corn acres in 2020 are expected to increase significantly over 2019and management currently expects higher demand levels in 2020.

In Canada, crop conditions are mixed as the impact of a very dry spring was only partially alleviated by rains early in the third quarter. Grain storage sales in Canada have been strong, however the dry start to the season and a rapidly approaching harvest in some regions has the potential to limit second half sales of storage and aeration products. Demand for portable handling equipment is consistent with 2018.

AGI dealers of both portable equipment and grain storage continue to prudently manage their inventory levels, and as a result management does not anticipate excess inventory carryover into 2020. Overall, our Farm backlogs are higher than the prior year and management expects Farm sales in the second half of 2019 to exceed 2018 levels.

Commercial

AGI's Commercial business has a global footprint and demand drivers include global grain production and consumption, infrastructure deficiencies in developing markets, storage and handling efficiencies and food security.

The Canadian Commercial market remains very active due to continued investment in grain handling infrastructure, including port facilities and inland terminals, and AGI's Commercial grain handling backlog remains at the high levels experienced in 2018. In the United States, Commercial activity is stable and comparable to 2018 levels.

Offshore, as anticipated, the timing of customer commitments has resulted in a deferral of certain projects, and accordingly, the related revenue will be recognized later than originally expected. Uncertainly regarding trade tensions has aggravated the customer decision making process, as market participants seek clarity prior to finalizing investment decisions. AGI's business in Brazil continues to make progress both in manufacturing efficiencies and market development. Recent changes in its sales team and structure and the further advancement of financing tools has resulted in higher market penetration and a strong quote pipeline in both Farm and Commercial markets. Sales in Brazil for the second half of 2019 are expected to increase over the prior year. Our international backlog has increased significantly in recent months, with large projects added in EMEA and Southeast Asia, and our quoting pipeline remains active in all geographies.

On March 28, 2019, AGI announced the completion of its acquisition of Milltec, a manufacturer of rice milling and processing equipment in India. Milltec's sales reflect agricultural seasonality in India where historically approximately 70% of their sales have occurred in the first and fourth calendar quarters. A delayed 2019 monsoon season, which has not reached historical averages, combined with what is believed to be transitory liquidity issues in the Indian banking system, have somewhat lowered sales expectations at Milltec for the second half of 2019. Management anticipates a return to typical demand in 2020.

In summary, our Commercial sales order backlog is growing and is currently higher than at the same time in 2018. Management anticipates international sales in the second half of 2019, net of acquisitions, to approximate 2018 levels, however revenue from certain projects is now expected to be realized in fiscal 2020.

<u>Summary</u>

On balance, AGI's Farm business is faring well and sales in the second half of 2019, though tempered by challenging conditions in North America, are expected to increase over the prior year. AGI's Commercial business will be impacted by the timing of international projects, and management anticipates Commercial sales net of acquisitions to approximate 2018 levels EBITDA percentages in the second half of 2019 are expected to decrease compared to the prior year, largely due to international project sales mix and the expectation of a higher proportion of sales coming from AGI Brazil, and due to the impact of poor market conditions on AGI's U.S. grain storage systems business. Overall, management anticipates second half adjusted EBITDA to approximate record 2018 levels.

Several factors exist today that suggest we are positioned to enter 2020 on very solid footing. First, there is a growing expectation that U.S. farmers will plant a record amount of corn acres in 2020, which may result in increased demand for portable grain handling equipment and grain storage systems. AGI Brazil continues to make progress both in manufacturing efficiencies and market development, and management anticipates improved results in the country in 2020. Internationally, our backlog related to 2020 has started to build and we currently expect to enter the year with a strong book of business. Finally, we expect growth from our platform acquisition in India due to increased market development and synergies with other AGI divisions. In summary, while we face certain headwinds in the second half of 2019, we look forward with excitement to increasing growth in fiscal 2020.

Trade sales and adjusted EBITDA will be influenced by, among other factors, weather patterns, crop conditions, the timing of harvest and conditions during harvest and changes in input prices, including steel. The Company endeavors to mitigate its exposure to higher input costs through strategic procurement of steel, sales price increases and limiting the length of time commercial quotes remain valid; however, the pace and volatility of input price increases may negatively impact financial results. Other factors that may impact results include the impact of existing and potential future trade actions, the ability of our customers to access capital, the rate of exchange between the Canadian and U.S. dollars, changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets, and the timing of Commercial customer commitments and deliveries.

IFRS 16, Leases [“IFRS 16”]

In 2019, the Company adopted IFRS 16 and recorded a right of use asset and a lease liability of $9.1 million as at January 1, 2019. The Company applied IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated. In the comparative three- and six-month periods ended June 30, 2018, adjusted EBITDA included expenses related to operating leases of $1.0 million and $1.8 million of which $0.7 million and $1.3 million would have related to right of use assets under IFRS 16. In the three- and six-month periods ended June 30, 2019 under IFRS 16, these payments are not categorized as an operating expense and instead AGI has recorded depreciation expense of $0.7 million and $1.4 million related to its right of use assets.

OPERATING RESULTS

Trade Sales [see "Non-IFRS Measures" and “Basis of Presentation - Acquisitions”]

	Three Months Ended June 30		**Six Months Ended June 30**	
	2019	**2018**	**2019**	**2018**
(thousands of dollars)	**$**	**$**	**$**	**$**
Trade sales	293,012	262,651	509,210	476,748
Foreign exchange loss [1]	(1,074)	(2,496)	(2,237)	(2,927)
Total sales	**291,938**	**260,155**	**506,973**	**473,821**

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

Trade Sales by Geography

	Three Months Ended June 30		**Six Months Ended June 30**	
	2019	**2018**	**2019**	**2018**
(thousands of dollars)	**$**	**$**	**$**	**$**
Canada, excluding acquisitions	107,304	94,792	183,264	167,782
Acquisitions	1,119	920	2,570	1,253
Total Canada	108,423	95,712	185,834	169,035
U.S., excluding acquisitions	107,812	107,165	199,494	193,745
Acquisitions	7,990	1,109	11,005	1,482
Total U.S.	115,802	108,274	210,499	195,227
International, excluding acquisitions	53,493	58,639	92,050	112,460
Acquisitions	15,294	26	20,827	26
Total International	68,787	58,665	112,877	112,486

Total excluding acquisitions	268,609	260,596	474,808	473,987
Total acquisitions	24,403	2,055	34,402	2,761
Total Trade Sales [1]	**293,012**	**262,651**	**509,210**	**476,748**

[1] See “Non-IFRS Measures”.

Trade Sales by Category

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
(thousands of dollars)	**$**	**$**	**$**	**$**
Farm	140,039	132,876	250,747	242,124
Farm - acquisitions	4,435	-	5,458	-
Total Farm	144,474	132,876	256,205	242,124
Commercial	128,570	127,718	224,061	231,863
Commercial - acquisitions	19,968	2,057	28,944	2,761
Total Commercial	148,538	129,775	253,005	234,624
Total Trade Sales [1]	**293,012**	**262,651**	**509,210**	**476,748**

[1] See “Non-IFRS Measures”.

Canada

- Trade sales in Canada, excluding acquisitions, increased 13% over Q2 2018:
  - Sales of Farm equipment increased across most product categories with particular strength in aeration and grain drying. AGI’s Farm backlog in Canada is higher than at the same time in 2018, largely due to increases in portable handling and storage equipment.
  - Commercial sales increased as AGI delivered on large commercial grain infrastructure projects. AGI’s backlog in Commercial grain handling infrastructure remains at the high levels experienced in 2018.
- Sales from acquisitions relate primarily to Danmare and Improtech.

United States

- Trade sales in the U.S., excluding acquisitions, increased 1% over Q2 2018:
  - Strong demand for grain dryers and portable grain handling equipment resulted in increased sales compared to 2018, and backlogs for these products are at 2018 levels. Total Farm backlogs are lower than 2018 as demand for grain storage systems has been impacted by a challenging growing season in the U.S.
  - Sales of Commercial equipment in Q2 2019 were lower than the prior year. Commercial backlogs in the U.S. are higher than 2018 levels due to an increase in fertilizer and food projects. Demand for Commercial equipment in the United States in the second half of 2019 is anticipated to remain stable.
- Trade sales from acquisitions in the United States increased as a result of Danmare, Sabe and IntelliFarms.

International

- International trade sales, excluding acquisitions, decreased 9% compared to 2018:
  - International sales in the second quarter of 2019, net of acquisitions, were the second highest on record for a Q2, trailing only the very strong results of Q2 2018.

The decrease compared to the prior year was the result of a number of small items, including lower sales of Farm equipment to European dealers, lower sales in Brazil and the timing of customer commitments on new projects. Our International backlog has increased subsequent to June 30, 2019, largely due to the addition of a large project in Southeast Asia.

- International sales from acquisitions relate primarily to Milltec and Sabe.

Gross Margin [see "Non-IFRS Measures" and "Basis of Presentation - Acquisitions"]

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
(thousands of dollars)	**$**	**$**	**$**	**$**
Trade sales [(1)]	293,012	262,651	509,210	476,748
Cost of inventories	200,218	179,836	346,076	327,180
Gross margin [(1)]	**92,794**	**82,815**	**163,134**	**149,568**
Gross margin as a % of trade sales	**31.6%**	**31.5%**	**32.0%**	**31.4%**

[1] See "Non-IFRS measures".

Gross margin percentages remained consistent with the prior year despite the impact of poor conditions in the U.S. and low sales volume quarters in Brazil and India.

EBITDA and Adjusted EBITDA [see "Non-IFRS Measures" and "Basis of Presentation – Acquisitions"]

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

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
(thousands of dollars)	**$**	**$**	**$**	**$**
Profit before income taxes	**16,675**	**19,950**	**34,496**	**26,123**
Finance costs	11,939	8,815	21,838	17,216
Depreciation and amortization	13,187	7,993	22,945	15,924
EBITDA	**41,801**	**36,758**	**79,279**	**59,263**
Loss (gain) on foreign exchange	(3,894)	6,632	(6,419)	12,333
Share based compensation	1,863	2,972	3,254	4,674
Loss (gain) on financial instruments [(2)]	5,906	(1,012)	(4,532)	(1,245)
M&A expenses	927	700	3,064	868
Other transaction expenses [(3)]	3,502	2,287	6,126	2,423
Loss on sale of PP&E	54	286	-	216
Fair value of inventory from acquisitions [(4)]	1,196	597	1,220	1,183
Impairment [(5)]	-	-	-	232
Adjusted EBITDA [(1)]	**51,355**	**49,220**	**81,992**	**79,947**

[1] See "Non-IFRS Measures".
[2] See "Equity Compensation Hedge".
[3] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[4] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[5] To record assets held for sale at estimated fair value.

DETAILED OPERATING RESULTS

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
(thousands of dollars)	**$**	**$**	**$**	**$**
Sales				
Trade sales	293,012	262,651	509,210	476,748
Foreign exchange loss	(1,074)	(2,496)	(2,237)	(2,927)
	291,938	260,155	506,973	473,821
Cost of goods sold				
Cost of inventories	201,438	179,836	347,296	327,180
Depreciation /amortization	7,865	4,878	13,287	9,818
	209,303	184,714	360,583	336,998
Selling, general and administrative expenses				
SG&A expenses	44,197	37,666	86,237	76,514
M&A expenses	927	700	3,064	868
Other transaction expenses [(1)]	3,502	2,287	6,126	2,423
Depreciation /amortization	5,321	3,115	9,657	6,106
	53,947	43,768	105,084	85,911
Other operating expense (income)				
Net loss on disposal of PP&E	54	286	-	216
Net loss (gain) on financial instruments	5,906	(1,012)	(4,532)	(1,245)
Other	(857)	(459)	(1,727)	(940)
	5,103	(1,185)	(6,259)	(1,969)
Impairment charge	-	-	-	232
Finance costs	11,939	8,815	21,838	17,216
Finance expense (income)	(5,029)	4,093	(8,769)	9,310
Profit before income taxes	16,675	19,950	34,496	26,123
Income tax expense	4,159	7,158	8,758	8,388
Profit for the period	**12,516**	**12,792**	**25,738**	**17,735**
Profit per share				
Basic	**0.68**	0.78	**1.39**	1.08
Diluted	**0.67**	0.75	**1.37**	1.06

[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 2019 gain on foreign exchange in finance expense (income) was a non-cash gain and related primarily to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the three- and six-month periods ended June 30, 2019. As at June 30, 2019, AGI has no outstanding foreign exchange contracts. See also "Financial Instruments – Foreign exchange contracts".

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three- and six-month periods ended June 30, 2019 was $1.34 [2018 - $1.29] and $1.34 [2018 - $1.27]. 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.

Selling, General and Administrative Expenses ["SG&A"]

SG&A expenses for the three- and six-month periods ended June 30, 2019 excluding M&A expenses, other transaction expenses and depreciation/amortization, were $44.2 million [15.1% of trade sales] and $86.2 million [16.9% of trade sales], respectively, versus $37.7 million [14.3% of trade sales] and $76.5 million [16.0% of trade sales], respectively, in 2018.

Excluding acquisitions, SG&A expenses for the three- and six-month periods ended June 30, 2019 were $35.4 million [17.5% of trade sales] and $75.5 million [15.9% of trade sales], respectively, versus $37.5 million [14.4% of trade sales] and $76.3 million [16.1% of trade sales], respectively, in 2018. Variances to the prior year include the following:

- Sales & marketing expenses increased $0.8 million as AGI continued to invest in market growth initiatives including further investment in branding initiatives and its digital platform. Management anticipates these expenses will be ongoing however the year-over-year variance is expected to lessen later in 2019.
- Q2 2018 included a bad debt recovery of $0.6 million.
- No other individual variance greater was than $0.5 million.

Finance Costs

Finance costs for the three- and six-month periods ended June 30, 2019 were $11.9 million and $21.8 million, respectively, versus $8.8 million and $17.2 million, respectively, in 2018. The increase compared to 2018 is primarily the result of new debt related to the Milltec acquisition, an increase in interest rates and the impact of foreign exchange.

Finance Expense (income)

Finance expense (income) for the three- and six-month periods ended June 30, 2019 were $(5.0) million and $(8.8 million), respectively, versus $4.1 million and $9.3 million, respectively, in 2018. The expense (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 period.

Other Operating Expense (income)

Other operating expense (income) for the three- and six-month periods ended June 30, 2019 were $5.1 million and $(6.3) million, respectively, versus $(1.2) million and $(2.0) million, respectively, in 2018. Other operating income includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity Compensation Hedge"].

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 in the three-and six-month periods ended June 30, 2019 primarily relates to the acquisitions of Milltec, Danmare, Sabe, Improtech and IntelliFarms as well as depreciation of $1.4 million that resulted from the adoption of IFRS 16. Included in amortization in the second quarter of 2019 is an expense of approximately $1.3 million related to the amortization of the backlog intangible recorded upon the acquisition of Milltec, which will be fully amortized after Q3 2019.

Income tax expense

Current income tax expense

For the three- and six-month periods ended June 30, 2019, the Company recorded current tax expense of $3.6 million and $4.9 million, respectively, versus $4.7 million and $5.1 million, respectively, in 2018. Current tax expense relates primarily to AGI's Canada, U.S., Italy and India subsidiaries.

Deferred income tax expense

For the three- and six-month periods ended June 30, 2019, the Company recorded deferred tax expense of $0.6 million and $3.9 million, respectively, versus $2.5 million and $3.3 million, respectively, in 2018. Deferred tax expense in 2019 relates primarily to the decrease of deferred tax assets plus an increase in deferred tax liabilities that relate to recognition of temporary differences between the accounting and tax treatment of the EIAP liability and the equity swap.

Effective tax rate

	Three Months Ended June 30		**Six Months Ended June 30**	
	2019	**2018**	**2019**	**2018**
(thousands of dollars)	**$**	**$**	**$**	**$**
Current tax expense	3,578	4,672	4,864	5,098
Deferred tax expense	581	2,486	3,894	3,290
Total tax	**4,159**	**7,158**	**8,758**	**8,388**
Profit before income taxes	16,675	19,950	34,496	26,123
Total tax %	24.9%	35.9%	25.4%	32.1%

The effective tax rate in 2019 was impacted by items that were included in the calculation of earnings before tax for accounting purposes but were not included or deducted for tax purposes. Significant items are included in the tables under "Diluted profit per share and Diluted adjusted profit per share".

Diluted profit per share and diluted adjusted profit per share

Diluted profit per share for the three- and six-month periods ended June 30, 2019 were $0.67 and $1.37, respectively, versus $0.75 and $1.06, respectively, in 2018. Profit per share in 2019 and 2018 has been impacted by the items enumerated in the table below, which reconciles profit to adjusted profit. In addition to the items enumerated in the table, profit and profit per share, and adjusted profit and adjusted profit per share, were impacted by the addition of 1.9 million common shares in Q4 2018, the proceeds of which contributed to funding the acquisition of Milltec on March 28, 2019. Due to the timing of the acquisition, only one seasonally low earnings quarter is included in the earnings of AGI. Profit and adjusted profit in the second quarter of 2019 were also impacted by a $1.3 million expense related to amortization of the backlog intangible recorded upon the acquisition of Milltec, which will be fully amortized after Q3 2019, as well as $1.1 million related to amortization of the fair value of inventory bump recorded upon acquisition, which will also be fully amortized after Q3 2019.

(thousands of dollars except per share amounts)	**Three Months Ended June 30**		**Six Months Ended June 30**	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Profit	12,516	12,792	25,738	17,735
Diluted profit per share	0.67	0.75	1.37	1.06
Loss (gain) on foreign exchange	(3,895)	6,632	(6,419)	12,333
Fair value of inventory from acquisition (2)	1,196	597	1,220	1,183
M&A expenses	927	700	3,064	868
Other transaction expenses (3)	3,502	2,287	6,126	2,423
Gain (loss) on financial instruments	5,906	(1,012)	(4,532)	(1,245)
Loss on sale of PP&E	54	286	-	216
Impairment charge (4)	-	-	-	232
Adjusted profit (1)	**20,206**	**22,282**	**25,197**	**33,745**
Diluted adjusted profit per share (1)	1.04	1.21	1.34	1.91

[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] To record assets held for sale at estimated fair value.

QUARTERLY FINANCIAL INFORMATION

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

2019					
	Average USD/CAD Exchange Rate	Sales $	Profit $	Basic Profit per Share $	Diluted Profit per Share $
Q1	1.33	215,035	13,222	0.71	0.70
Q2	1.34	291,938	12,516	0.68	0.67
YTD	**1.34**	**506,973**	**25,738**	**1.39**	**1.37**

2018					
	Average USD/CAD Exchange Rate	Sales $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.26	213,666	4,943	0.30	0.30
Q2	1.29	260,155	12,792	0.78	0.75
Q3	1.31	242,166	20,744	1.26	1.14
Q4	1.31	215,677	(11,861)	(0.66)	(0.66)
YTD	**1.29**	**931,664**	**26,618**	**1.58**	**1.56**

2017[1]					
	Average USD/CAD Exchange Rate	Sales $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q3	1.26	206,614	15,588	0.97	0.92
Q4[1]	1.27	167,182	(1,800)	(0.11)	(0.11)
YTD[1]	**1.31**	**749,397**	**33,664**	**2.11**	**2.08**

[1] The Company adopted IFRS 15 in 2018 without retrospective application and as a result reversed sales and adjusted EBITDA of $5.3 million and $1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, where applicable, these amounts have been adjusted for in the 2017 figures in the above table and elsewhere in this MD&A.

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

- AGI's acquisitions of Danmare [Q1 2018], Sabe [Q3 2018], Improtech [Q1 2019], IntelliFarms [Q1 2019] and Milltec [Q1 2019] significantly impacts comparisons between periods of assets, liabilities and operating results. See "Basis of Presentation - Acquisitions".
- Sales, gain (loss) on foreign exchange, profit (loss), and profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial 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. AGI's continued expansion into the seed, fertilizer, feed and food verticals should lessen the seasonality related to annual grain volumes and harvest conditions.

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 [as defined below], 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

	Three Months Ended June 30		**Six Months Ended June 30**	
	2019	**2018**	**2019**	**2018**
(thousands of dollars)	**$**	**$**	**$**	**$**
Profit before tax	16,675	19,950	34,496	26,123
Items not involving current cash flows	17,094	19,030	15,473	36,898
Cash provided by operations	33,769	38,980	49,969	63,021
Net change in non-cash working capital	(37,694)	(15,555)	(67,552)	(39,907)
Non-current accounts receivable and other	507	1,165	(229)	462
Long-term payables	-	-	-	(135)
Settlement of EIAP obligation	(67)	(60)	(2,165)	(2,010)
Income tax paid	(2,297)	(4,074)	(2,970)	(4,123)
Cash flows (used in) provided by operating activities	(5,782)	20,456	(22,947)	17,308
Cash used in investing activities	(20,368)	(9,666)	(150,057)	(40,713)
Cash (used in) provided by financing activities	(49,844)	(13,099)	153,479	(22,103)
Net decrease in cash during the period	(75,994)	(2,309)	(19,525)	(45,508)
Cash, beginning of period	90,079	20,782	33,610	63,981
Cash, end of period	14,085	18,473	14,085	18,473

Cash provided by operating activities in the second quarter of 2019 decreased compared to 2018 due to an increase in non-cash working capital, as cash generated by a decrease in inventory levels was more than offset by an increase in accounts receivable, which resulted primarily from higher sales. Cash used in investing activities relates to the acquisitions of Improtech, IntelliFarms and Milltec. Cash provided by financing activities relates primarily to draws on the Company's revolver facility to fund acquisitions and for general purposes, as well as the issuance of debentures in Q1 2019, less dividends paid.

Working Capital Requirements

Interim period 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 accounts receivable remain outstanding and may result in increased usage of working capital in certain quarters. Overall, requirements for AGI in 2019 are expected to be generally consistent with historical patterns.

Capital Expenditures

Maintenance capital expenditures in the three- and six-month periods ended June 30, 2019 were $3.3 million [1.1% of trade sales] and $6.6 million [1.3% of trade sales], respectively, versus $2.5 million [1.0% of trade sales] and $5.5 million [1.2% of trade sales], respectively, in 2018. Maintenance capital expenditures in 2019 relate primarily to purchases of manufacturing equipment and building repairs.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures in the three- and six-month periods ended June 30, 2019 of $7.7 million and $14.5 million, respectively, versus $5.8 million and $10.7 million, respectively, in 2018. In 2019, non-maintenance capital expenditures relate primarily to the purchase of manufacturing equipment and facility expansions.

Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. Non-maintenance capital expenditures are expected to approximate $33 million in fiscal 2019. Maintenance and non-maintenance capital expenditures in 2019 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 June 30, 2019 the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total $	2019 $	2020 $	2021 $	2022 $	2023 $	2024+ $
2015 Debentures	75,000	-	75,000	-	-	-	-
2017 Debentures	86,225	-	-	-	86,225	-	-
2018 Debentures	86,250	-	-	-	86,250	-	-
2019 Debentures	86,250	-	-	-	-	-	86,250
Long-term debt	405,373	27,522	398	351	196	319,096	57,810
Lease liability	9,557	1,581	2,685	1,987	1,489	853	962
Short term and low value leases	99	48	34	9	6	2	-
Due to vendor	17,183	10,450	3,221	2,354	1,158	-	-
Contingent consideration	12,777	4,000	1,444	1,444	5,889	-	-
Preferred shares liability	31,555	-	-	18,933	12,622	-	-
Purchase obligations [1]	12,191	12,191	-	-	-	-	-
Total obligations	**822,460**	**55,792**	**82,782**	**25,078**	**193,835**	**319,951**	**145,022**

[1] 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

	June 30 2019 $	June 30 2018 $
Total assets	1,454,548	1,182,897
Total liabilities	1,040,472	865,304

Cash

The Company's cash balance at June 30, 2019 was $14.1 million [2018 - $18.5 million].

Debt Facilities

[thousands of dollars]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Canadian Swing Line	CAD	2023	40,000	27,304	4.93%
Canadian Revolver Tranche A[4]	CAD	2023	135,000	90,754	4.93%
Canadian Revolver Tranche B	USD	2023	52,348	50,000	4.77%
U.S. Revolver [3][5]	USD	2023	229,023	178,245	5.62%
Series B Notes [6]	CAD	2025	25,000	25,000	4.44%
Series C Notes [6]	USD	2026	32,718	32,718	3.70%
Equipment Financing [6]	various	2025	1,280	1,280	Various
Total			**515,369**	**405,301**	

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on June 30, 2019 of $1.3087.
[2] Excludes the $200 million accordion available under AGI's credit facility.
[3] Inclusive of USD $20 million swing-line facility.
[4] Interest rate fixed for $90 million via interest rate swaps. See "Interest Rate Swaps".
[5] Interest rate fixed for US $38 million via interest rate swaps. See "Interest Rate Swaps".
[6] Fixed interest rate.

The Company has a credit facility [the "Credit Facility"] with a syndicate of Canadian chartered and other banks that includes committed revolver facilities of $456 million from which CAD or USD can be drawn. Amounts drawn under the Credit Facility bear interest at BA or LIBOR plus 1.45% to BA or LIBOR plus 2.5% and prime plus 0.45% to prime plus 1.5% per annum based on performance calculations.

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

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

Debentures

Convertible Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures of the Company that were outstanding as at June 30, 2019:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par (1)(2)
2015 [AFN.DB.C]	75,000,000	5.00%	60.00	Dec 31, 2020	Jan 1, 2020
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] At the option of the Company, at par plus accrued and unpaid interest.
[2] In the twelve-month period prior to the date on which the Company may, at its option, redeem any series of convertible debentures at par plus accrued and unpaid interest, such convertible debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares ("Common Shares") of the Company during

the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price.

On redemption or at maturity, 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 number of shares issued will be determined based on market prices at the time of issuance.

The Company redeemed its 2014 Debentures on April 2, 2019. Upon redemption, AGI paid to the holders of the 2014 Debentures $52.4 million equal to the outstanding principal amount of the 2014 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 $0.4 million of deferred fees related to the 2014 Debentures. The expense was recorded to finance costs in the unaudited interim condensed consolidated statements of income.

Debentures

On March 19, 2019, the Company closed the offering of $75 million aggregate principal amount of senior subordinated unsecured debentures (the "2019 Debentures") and on March 26, 2019, closed the over-allotment option of $11.25 million. The following table summarizes the key terms of the 2019 Debentures that were outstanding as at June 30, 2019:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Maturity Date
2019 [AFN.DB.F]	86,250,000	5.40%	June 30 2024

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2019 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the 2019 Debentures by delivering sufficient common shares. The number of shares issued will 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, 2018	18,363,780
Settlement of EIAP obligation	285,210
Conversion of 2017 Convertible Debentures	299
June 30, 2019	**18,649,289**
Settlement of EIAP obligation	5,845
August 8, 2019	**18,655,134**

At August 8, 2019:

- 18,655,134 Common Shares are outstanding;
- 1,215,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan [the "EIAP"], of which 1,052,354 have been granted and 3,821 remain unallocated;

- 82,212 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
- 3,261,698 Common Shares are issuable on conversion of the outstanding convertible debentures, of which there are an aggregate principal amount of $ 248 million outstanding.

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

DIVIDENDS

AGI declared dividends to shareholders in the three- and six-month period ended June 30, 2019 of $11.2 million and $22.3 million, respectively, versus $9.9 million and $19.7 million, respectively, in 2018. AGI's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines. In the three-month period ended June 30, 2019, dividends paid to shareholders of $11.2 million [2018 – $9.6 million] were financed from cash on hand and nil [2018 – $0.3 million] by the DRIP. AGI suspended its DRIP in Q2 2018.

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.

	Six Months Ended June 30		**Last Twelve Months Ended June 30**	
(thousands of dollars)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Adjusted EBITDA [(1)]	81,992	79,947	150,240	137,275
IFRS 15 adjustment [(1)]	-	-	-	(1,532)
Interest expense	(21,838)	(17,216)	(41,689)	(37,472)
Non-cash interest	3,097	1,813	7,490	6,580
Cash taxes	(2,970)	(4,123)	(8,822)	(4,767)
Maintenance CAPEX	(6,564)	(5,515)	(12,340)	(11,084)
Funds from operations	53,717	54,906	94,879	89,000
Dividends	22,317	19,742	43,225	39,103
Payout Ratio	**42%**	**36%**	**46%**	**44%**

[1] The Company adopted IFRS 15 in 2018 without retrospective application and as a result reversed sales and adjusted EBITDA of $5.3 million and $1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, these amounts have been adjusted for in the last twelve months ended June 30, 2018 figures in the above table.

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 June 30, 2019.

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	3.7%
U.S. dollar contracts	USD	2020	38,000	3.6%

[1] With performance adjustments.

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 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 3.6% and 3.7%. The notional amounts are $89.7 million in aggregate, resetting the last business day of each month. The contracts expire between July 2019 and May 2022.

During the three- and six-month periods ended June 30, 2019, a loss of $0.7 million and $1.6 million [2018 – gain of $0.1 million and $0.7 million] was recorded in gain (loss) on financial instruments in other operating expense (income).

Equity Compensation hedge

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 June 30, 2019, 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 June 30, 2019, the unrealized gain on the equity swap was $11.8 million, and in the three- and six-month periods ended June 30, 2019, the Company recorded a loss in the unaudited interim condensed consolidated statements of income of $5.2 million and $5.9 million [2018 – gain of $1.0 million and $1.2 million].

2018 ACQUISITIONS

Danmare

In February 2018, AGI acquired 100% of the shares of Danmare. Danmare provides engineering solutions and project management services to the food industry, with a specialization in automated systems for pet food, rice and pasta, confectionery, ready-to-eat foods, sauces and meat processing. Sales and adjusted EBITDA for Danmare in its fiscal year-ended August 2017 were $6.4 million and $1.7 million, respectively.

Sabe

In July 2018, AGI acquired 100% of the outstanding shares of Sabe. Based in France, Sabe offers design, manufacturing, installation and commissioning of turnkey solutions to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base. Sales and adjusted EBITDA for Sabe in its fiscal year-ended May 2018 were €16.4 million and €2.2 million, respectively.

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 adjusted EBITDA were $56.2 million and $10.1 million, respectively.

SUBSEQUENT EVENT

On July 16, 2019, the Company entered into an agreement to make a minority equity investment of $15 million USD in Farmobile, Inc. ["Farmobile"]. AGI and Farmobile have also entered into a Strategic Commercial Agreement to expand the existing collaboration between the two companies. AGI has the right to appoint two directors to the Farmobile board of directors as a result of this investment. The investment was financed by a draw on AGI's credit facility.

Farmobile, headquartered in Leawood, Kansas, is an independent agriculture technology company. Farmobile provides hardware and software services for the real-time collection, organization, analysis, and storage of farm data.

RELATED PARTIES

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and six-month period ended June 30, 2019, the total (recovery) cost of these legal services related to general matters was $(21) and

$244 [2018 – $10 and $574], and $275 is included in accounts payable and accrued liabilities as at June 30, 2019.

Salthammer Inc. previously provided consulting services to the Company and a Director of AGI is a minority shareholder of Salthammer Inc. During the three- and six-month period ended June 30, 2019, the total cost of these consulting services related to AGI's international plant expansion project was nil and nil [2018 – $14 and $80], and nil is included in accounts payable and accrued liabilities as at June 30, 2019.

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 2018 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, 2018 for a discussion of the significant accounting judgments, estimates and assumptions.

RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which are available under the Company's profile on SEDAR [www.sedar.com]. These risks and uncertainties are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of these risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected.

CHANGES IN ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES

Adoption of new accounting standards

IFRS 16, Leases ["IFRS 16"]

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Effective January 1, 2019, the Company adopted IFRS 16 and the following are the policies for 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.

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

At inception or on reassessment of a contract that contains a lease component, the Company allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, AGI has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

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. On adoption of IFRS 16, AGI used the incremental borrowing rate as required by the Standard.

The lease liability is subsequently measured at amortized cost using the effective interest method. 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 in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company has elected not recognize right of uses assets and lease liabilities 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.

As a result of adoption of IFRS 16, the Company recorded a right of use asset and a lease liability of $9.1 million as at January 1, 2019 on the consolidated statements of financial position.

IAS 19, Employee Benefits ["IAS 19"]

The Company adopted the amendments to IAS 19 with a date of application of January 1, 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

These amendments will be applied prospectively to any future plan amendments, curtailments or settlements of the Company; as at June 30, 2019, there were no such amendments.

IFRIC 23 – Uncertainty Over Income Tax Treatments

The Company adopted IFRIC 23 with a date of application of January 1, 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Company's adoption of IFRIC 23 did not have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

Standard issued but not yet effective

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

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. The amendments 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 must be 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 or after 1 January 2020. Consequently, transactions that occurred in prior periods do not need to be reassessed.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

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

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

Subsequent to June 30, 2018, AGI acquired Sabe, Improtech, IntelliFarms and Milltec. See "Basis of Presentation - Acquisitions". Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these acquired businesses. Since the acquisitions occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of these acquisitions, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Sabe, Improtech, IntelliFarms and Milltec. The following is the summary financial information pertaining to Sabe, Improtech, IntelliFarms and Milltec that was included in AGI's consolidated financial statements for the six-month period ended June 30, 2019:

[thousands of dollars]	**Sabe/Improtech/IntelliFarms/Milltec $**
Revenue [1]	28,052
Loss [1]	(6,674)
Current assets [1][2]	39,997
Non-current assets [1][2]	178,889
Current liabilities [1][2]	34,394
Non-current liabilities [1][2]	43,785

[1] Net of intercompany
[2] Statement of financial position as at June 30, 2019

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended June 30, 2019, 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 and amortization. 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 or loss on disposal of assets held for sale and fair value of inventory from acquisitions and impairment. 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 and amortization from cost of sales. Management believes that gross margin provides a useful supplemental measure in evaluating its performance. See "Operating Results– Gross Margin" for the calculation of gross margin.

References to "funds from operations" are to adjusted EBITDA less IFRS 15 adjustment, 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, other transaction and transitional costs, gain or loss on financial instruments, gain or loss on sale of property, plant and equipment and impairment charge. See "Detailed Operating Results – Diluted profit per share and Diluted adjusted profit per share" for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit.

In addition, the financial information in this MD&A relating to Milltec's sales and EBITDA is derived from Milltec's financial statements, which are prepared in accordance with generally accepted accounting principles in India, which differ in some material respects from IFRS, and accordingly may not be comparable to the financial statements of AGI or other Canadian public companies.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "anticipate", "believe", "continue", "could", "expects", "intend", "plans", "postulates", "predict", "will" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for our future financial results including sales, EBITDA and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom including from purchasing and personnel synergies and margin improvement initiatives. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product 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 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; and changes in trade relations between the countries in which the Company does business including between Canada and the United States. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A, our annual MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR [www.sedar.com]. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

ADDITIONAL INFORMATION

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

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

June 30, 2019

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	June 30, 2019 $	December 31, 2018 $
Assets		
Current assets		
Cash and cash equivalents	14,085	33,610
Cash held in trust and restricted cash	1,454	2,955
Accounts receivable *[note 6]*	200,445	134,239
Inventory	198,358	190,887
Prepaid expenses and other assets	34,324	26,031
Current portion of note receivable	76	85
Due from vendor	1,610	—
Current portion of derivative instruments *[notes 24[b] and [c]]*	—	185
Income taxes recoverable	3,918	4,344
	454,270	392,336
Non-current assets		
Property, plant and equipment, net *[note 7]*	353,738	332,645
Right-of-use assets, net *[note 8]*	7,947	—
Goodwill *[note 9]*	344,474	256,619
Intangible assets, net *[note 10]*	270,349	233,199
Equity investment *[note 11]*	—	900
Non-current accounts receivable *[note 6]*	8,351	8,122
Note receivable	544	650
Derivative instruments *[notes 24[b] and [c]]*	11,911	7,464
Deferred tax asset	1,833	455
	999,147	840,054
Assets held for sale *[note 12]*	1,131	1,169
Total assets	1,454,548	1,233,559
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 25]*	131,787	101,504
Customer deposits	36,219	47,941
Dividends payable	3,730	3,673
Income taxes payable	4,883	4,286
Current portion of due to vendor	15,815	7,973
Current portion of contingent consideration	—	4,552
Current portion of obligations under finance lease	—	65
Current portion of lease liability *[note 13]*	2,510	—
Current portion of long-term debt *[note 14]*	27,687	289
Current portion of convertible unsecured subordinated debentures *[note 15]*	—	50,708
Provisions	8,982	7,685
	231,613	228,676
Non-current liabilities		
Other financial liabilities	1,032	85
Due to vendor	5,366	1,376
Contingent consideration	7,850	1,834
Optionally convertible redeemable preferred shares *[note 5[e]]*	26,196	—
Obligations under finance lease	—	165
Lease liability *[note 13]*	5,367	—
Long-term debt *[note 14]*	374,663	271,132
Convertible unsecured subordinated debentures *[note 15]*	236,091	234,140
Senior unsecured subordinated debentures *[note 16]*	82,494	—
Deferred tax liability	69,800	61,952
	808,859	570,684
Total liabilities	1,040,472	799,360
Shareholders' equity *[note 17]*		
Common shares	455,135	450,645
Accumulated other comprehensive income	31,784	57,324
Equity component of convertible debentures	6,707	8,203
Contributed surplus	25,334	26,045
Deficit	(104,884)	(108,018)
Total shareholders' equity	414,076	434,199
Total liabilities and shareholders' equity	1,454,548	1,233,559

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income

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

	Three-month period ended		Six-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	$	$	$	$
Sales *[note 26]*	**291,938**	260,155	**506,973**	473,821
Cost of goods sold *[note 19[d]]*	**209,303**	184,714	**360,583**	336,998
Gross profit	**82,635**	75,441	**146,390**	136,823
Expenses				
Selling, general and administrative *[note 19[e]]*	**53,947**	43,768	**105,084**	85,911
Other operating expense (income) *[note 19[a]]*	**5,103**	(1,185)	**(6,259)**	(1,969)
Impairment charge	**—**	—	**—**	232
Finance costs *[note 19[c]]*	**11,939**	8,815	**21,838**	17,216
Finance expense (income) *[note 19[b]]*	**(5,029)**	4,093	**(8,769)**	9,310
	65,960	55,491	**111,894**	110,700
Profit before income taxes	**16,675**	19,950	**34,496**	26,123
Income tax expense (recovery) *[note 21]*				
Current	**3,578**	4,672	**4,864**	5,098
Deferred	**581**	2,486	**3,894**	3,290
	4,159	7,158	**8,758**	8,388
Profit for the period	**12,516**	12,792	**25,738**	17,735
Profit per share *[note 22]*				
Basic	**0.68**	0.78	**1.39**	1.08
Diluted	**0.67**	0.75	**1.37**	1.06

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	$	$	$	$
Profit for the period	12,516	12,792	25,738	17,735
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss				
Change in fair value of derivatives designated as cash flow hedges	—	136	—	726
Exchange differences on translation of foreign operations	(10,545)	(2,092)	(24,212)	12,078
Income tax effect on cash flow hedges	—	(37)	—	(197)
	(10,545)	(1,993)	(24,212)	12,607
Items that will not be reclassified to profit or loss				
Change in the fair value of equity investment	—	—	(900)	—
Actuarial loss (gain) on defined benefit plans *[note 11]*	(416)	540	(586)	486
Income tax effect on defined plans	112	(147)	158	(132)
	(304)	393	(1,328)	354
Other comprehensive income (loss) for the period	(10,849)	(1,600)	(25,540)	12,961
Total comprehensive income for the period	1,667	11,192	198	30,696

See accompanying notes

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2019

	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 period	—	—	—	25,738	—	—	—	25,738
Other comprehensive loss	—	—	—	—	(24,212)	(900)	(428)	(25,540)
Share-based payment transactions *[notes 17[a] and 17[b]]*	4,465	—	(1,861)	—	—	—	—	2,604
Dividends paid to shareholders *[note 17[c]]*	—	—	—	(22,317)	—	—	—	(22,317)
Dividends on share-based compensation awards *[note 17[c]]*	—	—	—	(287)	—	—	—	(287)
Conversion of convertible unsecured subordinated debentures *[note 17[a]]*	25	—	—	—	—	—	—	25
Redemption of convertible unsecured subordinated debentures *[note 15]*	—	(1,496)	1,150	—	—	—	—	(346)
As at June 30, 2019	455,135	6,707	25,334	(104,884)	33,205	(900)	(521)	414,076

See accompanying notes

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2018

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2018	323,199	9,903	20,956	(92,842)	1,283	28,618	(263)	290,854
Profit for the period	—	—	—	17,735	—	—	—	17,735
Other comprehensive income	—	—	—	—	529	12,078	354	12,961
Share-based payment transactions *[notes 17[a] and 17[b]]*	5,230	—	(353)	—	—	—	—	4,877
Dividend reinvestment plan *[note 17[c]]*	1,384	—	—	—	—	—	—	1,384
Dividends paid to shareholders *[note 17[c]]*	—	—	—	(19,742)	—	—	—	(19,742)
Dividends on share-based compensation awards *[note 17[c]]*	—	—	—	(587)	—	—	—	(587)
Issuance of convertible unsecured subordinated debentures *[note 16]*	—	1,433	—	—	—	—	—	1,433
Conversion of convertible unsecured subordinated debentures *[note 16]*	8,678	—	—	—	—	—	—	8,678
As at June 30, 2018	338,491	11,336	20,603	(95,436)	1,812	40,696	91	317,593

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2019 $	June 30, 2018 $	June 30, 2019 $	June 30, 2018 $
Operating activities				
Profit before income taxes for the period	16,675	19,950	34,496	26,123
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	5,552	4,631	10,748	9,422
Depreciation of right-of-use assets	725	—	1,429	—
Amortization of intangible assets	6,910	3,362	10,768	6,502
Loss on sale of property, plant and equipment	54	286	—	216
Gain on redemption of convertible debentures	(55)	—	(55)	—
Impairment charge	—	—	—	232
Non-cash component of interest expense	1,205	927	3,097	1,813
Non-cash investment in derivative instruments	5,961	(1,012)	(4,242)	(1,245)
Share-based compensation expense	1,863	2,972	3,254	4,674
Employer contribution to defined benefit plans	(17)	—	(17)	(4)
Defined benefit plan expense	32	34	65	68
Contingent consideration	3,168	849	5,016	948
Equipment provided to vendor	—	—	—	(115)
Non-cash transaction costs	—	1,360	—	1,360
Translation loss (gain) on foreign exchange	(8,304)	5,621	(14,590)	13,027
	33,769	38,980	49,969	63,021
Net change in non-cash working capital balances related to operations *[note 23[a]]*	(37,694)	(15,555)	(67,552)	(39,907)
Non-current accounts receivable	507	1,165	(229)	462
Long-term payables	—	—	—	(135)
Settlement of EIAP obligation	(67)	(60)	(2,165)	(2,010)
Income taxes paid	(2,297)	(4,074)	(2,970)	(4,123)
Cash provided by (used in) operating activities	(5,782)	20,456	(22,947)	17,308
Investing activities				
Acquisition of property, plant and equipment	(11,001)	(8,259)	(21,111)	(16,233)
Acquisitions, net of cash acquired *[note 5]*	—	(1,211)	(112,619)	(26,343)
Transfer from cash held in trust	—	525	—	—
Transfer from (to) restricted cash	270	569	827	(557)
Proceeds from sale of property, plant and equipment	272	221	448	337
Proceeds from sale of assets held for sale	—	—	—	2,031
Development and purchase of intangible assets	(2,763)	(1,536)	(5,992)	(2,677)
Transaction costs paid and payable	(7,146)	25	(11,610)	2,729
Cash used in investing activities	(20,368)	(9,666)	(150,057)	(40,713)
Financing activities				
Issuance of long-term debt, net of issuance costs	9,898	—	138,547	—
Repayment of long-term debt	(220)	(27)	(297)	(87)
Repayment of obligations under finance lease	—	(4)	—	(944)
Repayment of obligation under lease liabilities	(543)	—	(1,253)	—
Change in interest accrued	4,154	(3,582)	7,888	(7,530)
Issuance of senior unsecured subordinated debentures, net of issuance costs *[note 16]*	(160)	97	82,640	82,293
Redemption of convertible unsecured subordinated debentures	(51,786)	—	(51,786)	(77,477)
Dividends paid in cash *[note 17[c]]*	(11,187)	(9,583)	(22,260)	(18,358)
Cash provided by (used in) financing activities	(49,844)	(13,099)	153,479	(22,103)
Net decrease in cash during the period	(75,994)	(2,309)	(19,525)	(45,508)
Cash and cash equivalents, beginning of period	90,079	20,782	33,610	63,981
Cash and cash equivalents, end of period	14,085	18,473	14,085	18,473
Supplemental cash flow information				
Interest paid	6,187	10,198	9,633	20,074

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2019

1. Organization

Ag Growth International Inc. ["AGI" or the "Company"] is a provider of solutions for the global food infrastructure, including seed, fertilizer, grain, feed, and food processing systems. 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. Statement of compliance and basis of presentation

[a] Statement of compliance

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

The unaudited interim condensed consolidated financial statements of AGI for the three- and six-month periods ended June 30, 2019, were authorized for issuance in accordance with a resolution of the directors on August 7, 2019.

[b] Basis of preparation

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, assets held for sale, equity investment, and optionally convertible redeemable preferred share ["OCRPS"] liability which are measured at fair value.

These unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year-end and do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2018, which are available on SEDAR at www.sedar.com.

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as at January 1, 2019. As required by IAS 34, the nature and effect of those changes are disclosed in note 3.

[c] Standard issued but not yet effective

The standard issued but not yet effective up to the date of issuance of the Company's unaudited interim condensed consolidated financial statements is listed below which, the Company reasonably expects to be applicable at a future date. The Company intends to adopt this standard when it becomes effective.

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

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 must be 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.

3. Adoption of new accounting standards and policies

IFRS 16, *Leases* ["IFRS 16"]

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Effective January 1, 2019, the Company adopted IFRS 16 and the following are the policies for 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.

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

At inception or on reassessment of a contract that contains a lease component, the Company allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, AGI has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

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. On adoption of IFRS 16, AGI used the incremental borrowing rate as required by the standard.

The lease liability is subsequently measured at amortized cost using the effective interest method. 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 in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use asset and lease liabilities 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.

As a result of adoption of IFRS 16, the Company recorded a right-of-use asset and a lease liability of $9,071 as at January 1, 2019 on the unaudited interim condensed consolidated statements of financial position.

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

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	$
Operating lease commitments as at December 31, 2018	**11,059**
Weighted average incremental borrowing rate as at January 1, 2019	5.02%
Discounted operating lease commitments at January 1, 2019	10,841
Less:	
Commitments relating to short-term and low-value leases	(1,770)
Lease liabilities as at January 1, 2019	**9,071**

Prior to January 1, 2019, the Company's policies under IAS 17 were as follows:

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

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

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

Operating lease payments are recognized as an expense in selling, general, and administrative expense in the unaudited interim condensed consolidated statements of income on a straight-line basis over the lease term.

IAS 19, *Employee Benefits* ["IAS 19"]

The Company adopted the amendments to IAS 19 with a date of application of January 1, 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

These amendments will be applied prospectively to any future plan amendments, curtailments, or settlements of the Company; as at June 30, 2019, there were no such amendments.

IFRIC 23, *Uncertainty Over Income Tax Treatments* ["IFRIC 23"]

The Company adopted IFRIC 23 with a date of application of January 1, 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Company's adoption of IFRIC 23 did not have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

4. Seasonality of business

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

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

5. Business combinations

[a] Danmare Group Inc. and Danmare, Inc.

Effective February 22, 2018, the Company acquired 100% of the outstanding shares of Danmare Group Inc. and its affiliate Danmare, Inc. [collectively, "Danmare"]. Based in Canada and the U.S., Danmare provides engineering solutions and project management services to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	9,000
Cash acquired	126
Working capital adjustment	85
Contingent consideration	1,000
Total purchase price	10,211
Post-combination expense	(3,000)
Purchase consideration	7,211

Terms of the purchase agreement included $6.0 million payable upon closing and $3.0 million payable in annual instalments, contingent on certain conditions. The $3.0 million is expected to be expensed over the three-year period. In addition, contingent consideration of $1.0 million was payable based on an earnings target. In April 2018, the purchase agreement was amended such that payment of the first annual instalment of $1.0 million and contingent consideration of $1.0 million was guaranteed. Related to certain terms of the purchase agreement, $1,797 was expensed during the year ended December 31, 2018. During the three- and six-month periods ended June 30, 2019, $219 and $438 were expensed, respectively, of which $1,050 was paid during the six-month period ended June 30, 2019.

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

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

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

	$
Cash	126
Accounts receivable	1,112
Prepaid expenses and other assets	40
Income taxes recoverable	56
Property, plant and equipment	237
Intangible assets	
Brand name	490
Distribution network	2,690
Customer backlog	250
Goodwill	3,651
Deferred tax liability	(918)
Accounts payable and accrued liabilities	(278)
Customer deposits	(245)
Purchase consideration	7,211

The goodwill of $3,651 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,112. This consists of the gross contractual value of $1,162 less the estimated amount not expected to be collected of $50.

The components of the purchase consideration are as follows:

	$
Cash paid	6,000
Cash held in trust	525
Due to vendor	686
Purchase consideration	7,211

During the year ended December 31, 2018, the cash held in trust and the amounts due to vendor were paid and the allocation of the purchase price to acquired assets and liabilities was finalized. During the six-month period ended June 30, 2019, $1,050 of post combination expense was paid to the vendor.

Transaction costs related to the Danmare acquisition in the three- and six-month periods ended June 30, 2019 were nil and $40 [2018 – $73 and $143] and are included in selling, general and administrative expenses.

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

[b] Sabe Group of Companies

Effective July 26, 2018, the Company acquired 100% of the outstanding shares of Cobalt Investissement and its wholly owned subsidiaries Sabe, Sabe Distribution, Agro Maintenance Système (AMS), Sabis and Société D'Études Techniques D'Installation (Setir) [collectively, "Sabe"]. Based in France, Sabe offers design, manufacturing, installation and commissioning of turnkey solutions to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	24,464
Cash acquired	3,708
Working capital adjustment	820
Contingent consideration	2,709
Employee loans	18
Long-term debt	(738)
Total purchase price	30,981
Post-combination expense	(4,436)
Purchase consideration	26,545

The $4.4 million of post-combination expense is expected to be expensed over the three-year period. During the three- and six-month periods ended June 30, 2019, $663 and $1,333 [2018 – nil and nil] related to certain terms of the purchase agreement was expensed. In addition, contingent consideration of $2.7 million is payable based on an earnings target.

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

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

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

	$
Cash	3,708
Accounts receivable	2,090
Inventory	749
Prepaid expenses and other assets	135
Property, plant and equipment	4,233
Intangible assets	
Trade name	5,234
Customer relationships	6,493
Customer backlog	837
Goodwill	14,131
Accounts payable and accrued liabilities	(4,920)
Customer deposits	(585)
Income taxes payable	(123)
Deferred tax liability	(4,695)
Long-term payables	(4)
Long-term debt	(738)
Purchase consideration	26,545

The fair value of the accounts receivable acquired is $2,090. This consists of the gross contractual value of $2,332 less the estimated amount not expected to be collected of $242.

The goodwill of $14,131 comprises the value of the assembled workforce and other expected synergies arising from the acquisition. During the measurement period, further deferred tax liabilities existing at acquisition were identified, resulting in a $1,337 increase in deferred tax liability and an offsetting increase in goodwill, in the six-month period ended June 30, 2019.

The components of the purchase consideration are as follows:

	$
Cash paid	23,432
Due to vendor	404
Contingent consideration	2,709
Purchase consideration	26,545

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

Transaction costs related to the Sabe acquisition in the three- and six-month periods ended June 30, 2019, were $135 and $208 [2018 – $318 and $318] and are included in selling, general and administrative expenses. During the six-month period ended June 30, 2019, the allocation of the purchase price to acquired assets and liabilities was finalized.

[c] 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	4,041
Post-combination expense	(2,000)
Purchase consideration	2,041

The $2 million of post-combination expense is expected to be expensed over a three-year period, contingent on certain conditions. During the three- and six-month periods ended June 30, 2019, $306 and $612 [2018 – nil and nil] related to certain terms of the purchase agreement was expensed.

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

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

The following table summarizes the provisional 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	2,041

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.

From the date of acquisition, Improtech contributed to the results $801 of revenue and $634 of net loss. If the acquisition had taken place as at January 1, 2019, revenue in 2019 would not have materially changed.

The components of the purchase consideration are as follows:

	$
Cash paid	1,000
Due to vendor	1,041
Purchase consideration	2,041

During the six-month period ended June 30, 2019, the amount due to vendor was paid in full.

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

Transaction costs related to the Improtech acquisition in the three- and six-month periods ended June 30, 2019, were $1 and $111 [2018 – nil and nil] and are included in selling, general and administrative expenses.

[d] 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.

	$
Purchase price	19,350
Cash acquired	53
Working capital adjustment	(131)
Contingent consideration	5,105
Customer deposits	(1,566)
Total purchase price	22,811
Post-combination expense	(7,340)
Purchase consideration	15,471

The $7.3 million of post-combination expense is expected to be expensed over a three-year period, contingent on certain conditions. During the three- and six-month periods ended June 30, 2019, $902 and $1,226 [2018 – nil and nil] related to certain terms of the purchase agreement was expensed. In addition, contingent consideration of $5.1 million is payable based on an earnings target.

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

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

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

	$
Cash	53
Accounts receivable	225
Inventory	1,514
Prepaid expenses and other assets	61
Property, plant and equipment	803
Right-of-use assets	289
Intangible assets	
Trade name	387
Customer relationships	1,551
Customer backlog	378
Software	3,302
Goodwill	13,289
Accounts payable and accrued liabilities	(3,112)
Customer deposits	(2,740)
Lease liability	(65)
Long-term debt	(464)
Purchase consideration	15,471

The goodwill of $13,289 comprises the value of the assembled workforce and other expected synergies arising from the acquisition. During the measurement period, further information regarding inventory existing at acquisition was identified resulting in a $36 decrease in inventory and an offsetting increase in goodwill in the period ended June 30, 2019.

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.

From the date of acquisition, IntelliFarms contributed to the results $5,458 of revenue and $1,480 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 IntelliFarms historically reporting under differing reporting standards and differing year-end.

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

The components of the purchase consideration are as follows:

	$
Cash paid	12,010
Due from vendor	(1,644)
Contingent consideration	5,105
Purchase consideration	15,471

Transaction (recovery) costs related to the IntelliFarms acquisition in the three- and six-month periods ended June 30, 2019, were $(15) and $159 [2018 – nil and nil] and are included in selling, general and administrative expenses.

[e] 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	151,268

The due to vendor and OCRPS redemption value of $31.4 million is payable based on earnings targets from 2019 through 2024.

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

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

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

	$
Cash	6,746
Restricted cash	1,425
Accounts receivable	11,796
Inventory	8,809
Prepaid expenses and other assets	4,489
Income taxes receivable	87
Property, plant and equipment	20,456
Intangible assets	
Trade name	12,764
Customer relationships	23,599
Customer backlog	3,835
Goodwill	79,841
Accounts payable and accrued liabilities	(16,347)
Other liabilities	(172)
Customer deposits	(2,533)
Deferred tax liability	(3,237)
Long-term payables	(290)
Purchase consideration	151,268

The goodwill of $79,841 comprises the value of the assembled workforce and other expected synergies arising from the acquisition. During the measurement period, further analysis of revenue recognition resulted in the reversal of certain sales and related costs. As a result, accounts receivable decreased by $946, inventory increased by $846, accounts payable and accrued liabilities decreased by $98 and intangibles increased by $197. In addition, the fair value of property, plant, and equipment acquired increased by $129 and income taxes receivable decreased by $240. All other adjustments net to $60. These changes resulted in an overall increase of $203 to goodwill.

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.

From the date of acquisition, Milltec contributed to the results $11,107 of revenue and $3,576 of net loss. Revenue and net income 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 Milltec historically reporting with a differing year-end.

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

The components of the purchase consideration are as follows:

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

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 [$34.4 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 fair value through profit and loss.

Transaction costs related to the Milltec acquisition in the three- and six-month periods ended June 30, 2019, were $230 and $2,020 [2018 – nil and nil] and are included in selling, general and administrative expenses.

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

6. 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:

	June 30, 2019	December 31, 2018
	$	$
Total accounts receivable	**201,910**	135,770
Less allowance for doubtful accounts	**(1,465)**	(1,531)
	200,445	134,239
Non-current accounts receivable	**8,351**	8,122
Total accounts receivable, net	**208,796**	142,361
Of which		
Neither impaired nor past due	**161,015**	110,469
Not impaired and past the due date as follows		
Within 30 days	**21,075**	14,858
31 to 60 days	**9,578**	4,167
61 to 90 days	**8,587**	3,922
Over 90 days	**10,006**	10,476
Less allowance for doubtful accounts	**(1,465)**	(1,531)
Total accounts receivable, net	**208,796**	142,361

7. Property, plant, and equipment

	June 30, 2019	December 31, 2018
	$	$
Balance, beginning of period	**332,645**	304,543
Additions	**21,111**	36,549
Acquisitions *[note 5]*	**21,276**	4,470
Disposals	**(448)**	(1,145)
Classification as held for sale *[note 12]*	**—**	(786)
Transfer to right-of-use assets	**(280)**	—
Depreciation	**(10,748)**	(19,200)
Impairment	**—**	(226)
Exchange differences	**(9,818)**	8,440
Balance, end of period	**353,738**	332,645

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

8. Right-of-use assets

	June 30, 2019 $
Balance, beginning of period[1]	**9,071**
Acquisitions *[note 5]*	**420**
Additions	**63**
Depreciation	**(1,429)**
Exchange differences	**(178)**
Balance, end of period	**7,947**

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

9. Goodwill

	June 30, 2019 $	December 31, 2018 $
Balance, beginning of period	**256,619**	234,669
Acquisitions *[note 5]*	**94,783**	16,423
Exchange differences	**(6,928)**	5,527
Balance, end of period	**344,474**	256,619

10. Intangible assets

	June 30, 2019 $	December 31, 2018 $
Balance, beginning of period	**233,199**	218,156
Internal development	**5,992**	7,397
Acquisitions *[note 5]*	**46,564**	15,994
Amortization	**(10,768)**	(13,831)
Exchange differences	**(4,638)**	5,483
Balance, end of period	**270,349**	233,199

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

11. Equity investment

In fiscal 2009, AGI invested $2 million in a privately held Canadian farming company ["Investco"]. In conjunction with AGI's investment, Investco made a $2 million deposit to AGI for future purchases of grain handling and storage equipment to support their farming operations, and AGI was to become a strategic supplier to Investco. 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 other comprehensive income, which represented the remaining value of Investco.

12. Assets held for sale

Assets held for sale include a building in Illinois and land, grounds, and building in Brazil. As at June 30, 2019, the carrying amount of the assets held for sale is $1,131.

13. Lease liability

	Incremental borrowing rate	Maturity	June 30, 2019
	%		$
Current	2.7 – 13.1	2020	2,510
Non-current	2.7 – 13.1	2020 – 2025	5,367
Lease liability			7,877

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

14. Long-term debt

	Interest rate %	Maturity	June 30, 2019 $	December 31, 2018 $
Current portion of long-term debt				
Canadian swing line	3.7 – 6.8	2023	27,304	—
Equipment financing	nil	2025	383	289
			27,687	289
Non-current portion of long-term debt				
Equipment financing	nil	2025	897	809
Series B secured notes	4.4	2025	25,000	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	32,718	34,105
Canadian Revolver	3.7 – 6.8	2023	140,754	69,203
U.S. Revolver	3.6 – 6.4	2023	178,245	144,877
			377,614	273,994
Less deferred financing costs			2,951	2,862
			374,663	271,132
Long-term debt			402,350	271,421

[a] Bank indebtedness

AGI has a swing line of $40.0 million and U.S. $20.0 million. The facilities bear interest at prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. As at June 30, 2019, there was $27,304 [December 31, 2018 – nil] outstanding under the swing line.

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

AGI's revolver facilities of $175 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 1.45% to BA or LIBOR plus 2.5% and prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. The combined effective interest rate for the three- and six-month periods ended June 30, 2019 on AGI's revolver facilities was 5.3%. As at June 30, 2019, there was $319 million [December 31, 2018 – $214 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 24[b]]*. 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.

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

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

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

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements that must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.25, the calculation of which excludes the convertible 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 minimum debt to EBITDA ratio increases to 3.75 in the financial quarter in which the acquisition occurs and the three succeeding financial quarters, to 3.50 for the immediately succeeding quarter and subsequently will revert to 3.25. As at June 30, 2019 and December 31, 2018, AGI was in compliance with all financial covenants.

15. Convertible unsecured subordinated debentures

	June 30, 2019 $	December 31, 2018 $
Current portion of convertible unsecured subordinated debentures	—	50,708
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	247,475	247,500
Equity component	(9,629)	(9,629)
Accretion	4,459	3,536
Financing fees, net of amortization	(6,214)	(7,267)
	236,091	234,140
Convertible unsecured subordinated debentures	236,091	284,848

On April 2, 2019, the Company redeemed its 5.25% convertible unsecured subordinated debentures due December 31, 2019 ["2014 Debentures"] in accordance with the terms of the supplemental trust indenture dated December 1, 2014. Upon redemption, AGI paid to the holders of the 2014 Debentures the redemption price of

$52,435 equal to the outstanding principal amount of the 2014 Debentures redeemed including accrued and unpaid interest up to but excluding the Redemption date, less taxes deducted or withheld.

Consequently, in the six-month period ended June 30, 2019, the Company expensed the remaining unamortized balance of $425 of deferred fees related to the 2014 Debentures. The expense was recorded to finance costs in the unaudited interim condensed consolidated statements of income. Upon redemption, a gain of $55 was recorded to gain on financial instruments and the equity component of the 2014 Debentures was reclassified to contributed surplus.

16. Senior unsecured subordinated debentures

On March 19, 2019, the Company closed the offering of $75 million aggregate principal amount of senior subordinated unsecured debentures [the "2019 Debentures"] at a price of $1,000 per Debenture [the "Offering"]. On March 26, 2019, AGI closed the over-allotment option of $11.25 million aggregate principal amount of 2019 Debentures at the same price.

The net proceeds of the Offering of $82,100, net of fees, was used to fund the redemption of the Company's 2014 Debentures, to repay existing indebtedness and for general corporate purposes.

The 2019 Debentures bear interest from the date of issue at 5.40% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2019. The 2019 Debentures have a maturity date of June 30, 2024.

The 2019 Debentures will not be redeemable by the Company before June 30, 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 2019 Debentures. 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.

The Company will have the option to satisfy its obligation to repay the principal amount of the 2019 Debentures due at redemption or maturity by issuing and delivering that number of freely tradable common shares in accordance with the terms of the Indenture.

The 2019 Debentures will not be convertible into common shares of the Company at the option of the holders at any time.

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

17. Shareholders' Equity

[a] Common shares

	Shares #	Amount $
Balance, January 1, 2018	16,160,916	323,199
Dividend reinvestment shares issued from treasury	26,132	1,384
Settlement of equity incentive award plan ["EIAP"] obligation	144,451	5,820
Issuance of common shares	1,874,500	111,564
Convertible unsecured subordinated debentures	157,781	8,678
Balance, December 31, 2018	18,363,780	450,645
Settlement of EIAP obligation	285,210	4,465
Convertible unsecured subordinated debentures	299	25
Balance, June 30, 2019	**18,649,289**	**455,135**

[b] Contributed surplus

	June 30, 2019 $	December 31, 2018 $
Balance, beginning of period	**26,045**	20,956
Equity-settled director compensation *[note 18[b]]*	**236**	419
Dividends on EIAP	**287**	1,144
Obligation under EIAP *[note 18[a]]*	**3,191**	8,135
Settlement of EIAP obligation	**(5,575)**	(7,742)
Convertible unsecured subordinated debentures	**1,150**	3,133
Balance, end of period	**25,334**	26,045

[c] Dividends paid and proposed

In the three-month period ended June 30, 2019, the Company declared dividends of $11,189 or $0.60 per common share [2018 – $9,885 or $0.60 per common share] and dividends on share compensation awards of $132 [2018 – $357]. In the six-month period ended June 30, 2019, the Company declared dividends of $22,317 or $1.20 per common share [2018 – $19,742 or $1.20 per common share] and dividends on share compensation awards of $287 [2018 – $587].

In the three-month period ended June 30, 2019, dividends paid to shareholders of $11,187 [2018 – $9,583] were financed from cash on hand and nil [2018 – $299] by the dividend reinvestment plan [the "DRIP"]. In the six-month period ended June 30, 2019, dividends paid to shareholders were financed $22,260 [2018 – $18,358] from cash on hand and nil [2018 – $1,384] by the DRIP.

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

In 2018, the Company suspended the active operation of its DRIP. Accordingly, dividends payable to shareholders will not be reinvested through the DRIP, and shareholders who were enrolled in the program will automatically receive dividend payments in the form of cash.

AGI's dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company's current monthly dividend rate is $0.20 per common share. Subsequent to June 30, 2019, the Company declared dividends of $0.20 per common share on July 31, 2019.

18. Share-based compensation plans

[a] EIAP

During the three-month period ended June 30, 2019, 17,000 [2018 – nil] Restricted Awards ["RSU"] and 18,941 [2018 – nil] Performance Awards were granted. As at June 30, 2019, a total of 548,441 [December 31, 2018 – 406,006] Restricted Awards and 662,738 [December 31, 2018 – 440,672] Performance Awards had been granted under the 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 three- and six-month periods ended June 30, 2019, AGI expensed $1,567 and $3,018 for the EIAP [2018 – $2,875 and $4,473].

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

	EIAP	
	Restricted Awards #	Performance Awards #
Outstanding, January 1, 2018	156,479	213,175
Granted	68,585	33,883
Vested	(70,918)	(73,281)
Forfeited	(15,166)	(17,000)
Balance, December 31, 2018	138,980	156,777
Granted	142,435	222,066
Vested	(34,975)	(247,151)
Forfeited	(7,000)	—
Balance, June 30, 2019	**239,440**	**131,692**

There is no exercise price on the EIAP awards.

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

For the three- and six-month periods ended June 30, 2019, an expense of $118 and $236 [2018 – $97 and $201] 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 three- and six-month periods ended June 30, 2019, 2,131 and 4,060 [2018 – 1,707 and 3,653] common shares were granted under the DDCP and as at June 30, 2019, a total of 82,212 [December 31, 2018 – 78,153] common shares had been granted under the DDCP and 18,436 [December 31, 2018 – 18,436] common shares had been issued.

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

19. Other expenses (income)

	Three-month period ended		Six-month period ended	
	June 30, 2019 $	June 30, 2018 $	June 30, 2019 $	June 30, 2018 $
[a] Other operating expense (income)				
Net loss on disposal of property, plant and equipment	54	286	—	216
(Gain) loss on financial instruments	5,906	(1,012)	(4,532)	(1,245)
Other	(857)	(459)	(1,727)	(940)
	5,103	(1,185)	(6,259)	(1,969)
[b] Finance expense (income)				
Interest income from banks	(61)	(44)	(113)	(97)
Loss (gain) on foreign exchange	(4,968)	4,137	(8,656)	9,407
	(5,029)	4,093	(8,769)	9,310
[c] Finance costs				
Interest on overdrafts and other finance costs	390	533	531	219
Interest on lease liabilities	96	—	160	—
Interest, including non-cash interest, on debts and borrowings	5,488	3,482	9,750	7,301
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures *[notes 15 and 16]*	5,965	4,800	11,397	9,696
	11,939	8,815	21,838	17,216
[d] Cost of goods sold				
Depreciation of property, plant, and equipment	5,021	4,187	9,732	8,607
Depreciation of right-of-use assets	290	—	563	—
Amortization of intangible assets	2,554	691	2,992	1,211
Warranty provision (recovery)	255	(80)	(453)	237
Cost of inventory recognized as an expense	201,183	179,916	347,749	326,943
	209,303	184,714	360,583	336,998
[e] Selling, general and administrative expenses				
Depreciation of property, plant, and equipment	531	444	1,016	815
Depreciation of right-of-use assets	435	—	866	—
Amortization of intangible assets	4,356	2,671	7,776	5,291
Minimum lease payments recognized as lease expense	133	1,047	317	1,799
Transaction costs	4,429	2,987	9,190	3,291
Selling, general and administrative	44,064	36,619	85,919	74,715
	53,948	43,768	105,084	85,911
[f] Employee benefits expense				
Wages and salaries	64,925	58,763	123,194	110,920
Share-based payment expense *[note 18]*	1,863	2,972	3,254	4,674
Pension costs	1,590	1,281	3,233	2,550
	68,378	63,016	129,681	118,144
Included in cost of goods sold	43,308	42,479	82,695	76,740
Included in selling, general and administrative expense	25,070	20,537	46,986	41,404
	68,378	63,016	129,681	118,144

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

20. Retirement benefit plans

During the three- and six-month periods ended June 30, 2019, the expense associated with the Company's defined pension benefit was $32 and $65, respectively [2018 – $34 and $68]. At June 30, 2019, the accrued pension benefit liability was $720 [December 31, 2018 – $85], which is included in other financial liabilities on the unaudited interim condensed consolidated statements of financial position.

21. Income taxes

The major components of income tax expense for the three- and six-month periods ended June 30, 2019 and 2018 are as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2019 $	June 30, 2018 $	June 30, 2019 $	June 30, 2018 $
Profit before income taxes	**16,675**	19,950	**34,496**	26,123
Tax expense at the statutory rate of 27% [2018 – 27%]	**4,502**	5,386	**9,314**	7,053
Tax rate changes	**174**	184	**121**	228
Tax losses not recognized as a deferred tax asset	**883**	497	**1,217**	1,345
Foreign rate differential	**(1,058)**	(789)	**(1,544)**	(1,459)
Non-deductible EIAP expense	**(37)**	10	**74**	97
State income taxes, net of federal tax benefit	**337**	257	**421**	519
Unrealized foreign exchange loss (gain)	**(1,201)**	1,054	**(2,032)**	2,397
IFRS 15 transition adjustment	**—**	(19)	**—**	(414)
Change in uncertain tax position	**—**	—	**—**	(2,305)
Permanent differences and others	**559**	578	**1,187**	927
Tax expense at the effective rate of 25.4% [2018 – 32.1%]	**4,159**	7,158	**8,758**	8,388

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

22. Profit per share

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

	Three-month period ended		Six-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	$	$	$	$
Net profit	**12,516**	12,792	**25,738**	17,735
Dilutive effect of 2018 convertible debenture interest	—	901	—	—
Dilutive effect of 2015 convertible debenture interest	—	914	—	—
Net profit attributable to shareholders for basic and diluted profit per share	**12,516**	14,607	**25,738**	17,735
Basic weighted average number of shares	**18,645,752**	16,473,244	**18,570,701**	16,437,291
Dilutive effect of DDCP	**61,668**	53,861	**60,708**	52,895
Dilutive effect of RSU	**226,321**	171,865	**214,253**	177,052
Dilutive effect of 2018 convertible debentures	—	1,568,180	—	—
Dilutive effect of 2015 convertible debentures	—	1,250,000	—	—
Diluted weighted average number of shares	**18,933,741**	19,517,150	**18,845,662**	16,667,238
Profit per share				
Basic	**0.68**	0.78	**1.39**	1.08
Diluted	**0.67**	0.75	**1.37**	1.06

The 2015, 2017 and 2018 Debentures were excluded from the calculation of diluted profit per share in the three- and six-month periods ended June 30, 2019, because their effect is anti-dilutive.

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

23. Statement of cash flows

[a] Net change in non-cash working capital

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

	Three-month period ended		Six-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	$	$	$	$
Accounts receivable	**(41,030)**	(20,687)	**(52,762)**	(48,082)
Inventory	**17,437**	3,967	**2,749**	(20,498)
Prepaid expenses and other assets	**(946)**	(922)	**(3,472)**	(3,296)
Accounts payable and accrued liabilities	**(947)**	8,967	**1,901**	24,764
Customer deposits	**(12,799)**	(6,800)	**(17,244)**	6,968
Provisions	**591**	(80)	**1,276**	237
	(37,694)	(15,555)	**(67,552)**	(39,907)

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

[b] Reconciliation of liabilities arising from financing activities

	December 31, 2018	Cash flows	Non-cash changes							June 30, 2019
			Acquisitions	Conversion	Foreign exchange	Accretion	Amortization	Fair value	Other	
	$	$	$	$	$	$	$	$	$	$
Long-term debt	271,421	138,250	464	—	(8,656)	—	266	605	—	**402,350**
Convertible unsecured subordinated debentures	284,848	(51,786)	—	(25)	—	1,040	1,616	—	398	**236,091**
Senior unsecured subordinated debentures	—	82,640	—	—	—	—	191	—	(337)	**82,494**
Lease liability	8,791	(1,253)	196	—	(151)	—	—	—	294	**7,877**
Total liabilities from financing activities	565,060	167,851	660	(25)	(8,807)	1,040	2,073	605	355	**728,812**

	December 31, 2017	Cash flows	Non-cash changes							June 30, 2018
			Acquisitions	Conversion	Foreign exchange	Accretion	Amortization	Fair value	Other	
	$	$	$	$	$	$	$	$	$	$
Long-term debt	302,802	(87)	—	—	9,407	—	270	—	—	312,392
Convertible unsecured subordinated debentures	286,058	4,816	—	(8,678)	—	1,086	1,234	(2,063)	—	282,453
Finance leases	1,002	(944)	—	—	—	—	—	—	—	58
Derivatives held to hedge long-term borrowings	(1,768)	—	—	—	—	—	—	(726)	—	(2,494)
Total liabilities from financing activities	588,094	3,785	—	(8,678)	9,407	1,086	1,504	(2,789)	—	592,409

24. Financial instruments and financial risk management

[a] Foreign exchange contracts

To mitigate exposure to the fluctuating rate of exchange, AGI may enter into foreign exchange forward contracts and denominate a portion of its debt in U.S. dollars. As at June 30, 2019, AGI's U.S. dollar denominated debt totaled $182 million.

During the six-month period ended June 30, 2019, the Company entered into a short-term forward contract that resulted in a gain of $235, which has been recorded in gain on financial instruments in the unaudited interim condensed consolidated statements of income.

The Company had no outstanding foreign exchange forward contracts at June 30, 2019.

[b] 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 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 3.6% and 3.7%. The notional amounts are $89,731 in aggregate, resetting the last business day of each month. The contracts expire between November 2020 and May 2022.

The interest rate swap contracts were designated as cash flow hedges, and changes in the fair value were recognized as a component of other comprehensive income to the extent that it has been assessed to be effective. In 2018, the hedge was discontinued as the forecasted cash flows were no longer probable. Consequently, the interest rate swap was reclassified from fair value through OCI to fair value through profit or loss. During the three- and six-month periods ended June 30, 2019, a loss of $720 and $1,612 [2018 – gain of $136 and $726] was recorded in gain (loss) on financial instruments. As at June 30, 2019, the unrealized gain on the interest rate swap was $77.

[c] 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 June 30, 2019, 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.

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

As at June 30, 2019, the unrealized gain on the equity swap was $11,834, and in the three-and six-month periods ended June 30, 2019, the Company recorded a loss in other operating expense (income) of $5,241 and gain of $5,854 [2018 – gain of $1,012 and $1,245].

[d] Fair value

The fair value of cash and cash equivalents, cash held in trust and restricted cash, accounts receivable, trade payables and provisions, dividends payable, acquisition, transaction and financing costs payable, and due to vendor approximates the carrying value due to the short-term maturities of these instruments.

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

		June 30, 2019		December 31, 2018	
	Level	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets					
Amortized cost:					
Cash and cash equivalents	1	14,085	14,085	33,610	33,610
Cash held in trust and restricted cash	1	1,454	1,454	2,955	2,955
Accounts receivable	2	200,445	200,445	134,239	134,239
Note receivable	2	620	620	735	735
Fair value through profit or loss:					
Derivative instruments	2	11,911	11,911	7,649	7,649
Fair value through OCI:					
Equity investment	3	—	—	900	900
Financial liabilities					
Amortized cost:					
Interest-bearing loans and borrowings	2	410,227	407,731	271,651	269,685
Accounts payable and accrued liabilities	2	131,787	131,787	101,504	101,504
Dividends payable	2	3,730	3,730	3,673	3,673
Due to vendor	2	21,181	21,181	9,349	9,349
Contingent consideration	3	7,850	7,850	6,386	6,386
Convertible unsecured subordinated debentures	2	236,091	229,752	284,848	305,935
Senior unsecured subordinated debentures	2	82,494	80,550	—	—
Fair value through profit or loss:					
Optionally convertible redeemable preferred shares	3	26,196	26,196	—	—

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

During the period and year ended June 30, 2019 and December 31, 2018, there were no transfers between Level 1 and Level 2 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.

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 which are marked-to-market at each reporting period.

- 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.

- AGI included its equity investment, which is in a private company, in Level 3 of the fair value hierarchy as it traded infrequently and has little price transparency. AGI reviews the fair value of this investment at each reporting period, and when recent arm's length market transactions are not available, management's estimate of fair value is determined using a market approach based on external information and observable conditions where possible, supplemented by internal analysis as required.

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

	June 30, 2019 $	December 31, 2018 $
Contingent consideration and OCRPS:		
Balance, beginning of period	**6,386**	9,037
Acquisitions	**31,598**	2,708
Fair value change	**1,357**	1,187
Reclass to due to vendor	**(4,000)**	(6,849)
Exchange differences	**(1,295)**	303
Balance, end of period	**34,046**	6,386

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

Set out below are the significant unobservable inputs to valuation as at June 30, 2019:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
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"]	5%–9.2%	Increase (decrease) in the WACC would result in decrease (increase) in fair value

25. Related party disclosures

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 three- and six-month periods ended June 30, 2019, the total (recovery) cost of these legal services related to general matters was $(21) and $244 [2018 – $10 and $574], and $275 is included in accounts payable and accrued liabilities as at June 30, 2019.

Salthammer Inc. previously provided consulting services to the Company and a Director of AGI is a minority shareholder of Salthammer Inc. During the three- and six-month periods ended June 30, 2019, the total cost of these consulting services related to AGI's international plant expansion project was nil and nil [2018 – $14 and $80], and nil is included in accounts payable and accrued liabilities as at June 30, 2019.

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

26. Reportable business segment

The Company is a provider of solutions for the global food infrastructure, including seed, fertilizer, grain, feed, and food processing systems. As at June 30, 2019, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included the similar long-term average gross margins and growth rates across the segments, the nature of the products manufactured by the segments all being related to the handling, storage and conditioning of agricultural commodities, and the similarity in the production processes of the segments.

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

The Company operates primarily within three geographical areas: Canada, United States and International. The following details the sales by geographical area, reconciled to the Company's unaudited interim condensed consolidated financial statements:

	Three-month period ended		Six-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	$	$	$	$
Canada	**108,423**	95,713	**185,834**	169,035
United States	**114,644**	105,780	**208,263**	192,301
International	**68,871**	58,662	**112,876**	112,485
	291,938	260,155	**506,973**	473,821

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.

27. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of $12,191 [2018 – $11,266].

[b] Letters of credit

As at June 30, 2019, the Company has outstanding letters of credit in the amount of $9,507 [December 31, 2018 – $11,020].

[c] Legal actions

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

28. Subsequent event

On July 16, 2019, the Company entered into an agreement to make a minority equity investment of $15 million USD in Farmobile, Inc. ["Farmobile"]. AGI and Farmobile have also entered into a Strategic Commercial Agreement to expand the existing collaboration between the two companies. AGI has the right to appoint two directors to the Farmobile board of directors as a result of this investment. The investment was financed by a draw on AGI's credit facility.

Farmobile, headquartered in Leawood, Kansas, is an independent agriculture technology company. Farmobile provides hardware and software services for the real-time collection, organization, analysis, and storage of farm data.