AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: August 10, 2023

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated comparative financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2022, the MD&A of the Company for the year ended December 31, 2022 and the unaudited interim condensed consolidated financial statements of the Company and accompanying notes for the three- and six-month periods ended June 30, 2023. Results are reported in Canadian dollars unless otherwise stated.

This MD&A is based on the Company's unaudited interim condensed consolidated financial statements for the three- and six-month periods ended June 30, 2023 ("consolidated financial statements") based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), unless otherwise noted.

This MD&A makes reference to certain specified financial measures, including non-IFRS financial measures, non-IFRS ratios and supplementary financial measures. These specified financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement our financial information reported under IFRS by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Please refer to the "NON-IFRS AND OTHER FINANCIAL MEASURES" section of this MD&A for more information on each specified financial measure.

This MD&A contains forward-looking information. Please refer to the cautionary language under the heading "Risks and Uncertainties", "Forward-Looking Information" and "Financial Outlook" 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.sedarplus.ca].

SUMMARY OF RESULTS

	Three-months ended June 30			
[thousands of dollars except per share amounts, percentages and basis points ("bps")]	2023 $	2022 $	Change $	Change %
Sales	390,269	389,943	326	0%
Adjusted EBITDA [1][2]	88,174	66,076	22,098	33%
Adjusted EBITDA Margin % [3]	22.6%	16.9%	565 bps	33%
Profit (loss) before income taxes	18,068	(2,262)	20,330	N/A
Profit (loss)	16,095	(4,915)	21,010	N/A
Diluted profit (loss) per share	0.81	(0.26)	1.07	N/A
Adjusted profit [1][4]	49,395	25,158	24,237	96%
Diluted adjusted profit per share [3][4]	2.24	1.20	1.04	87%

[thousands of dollars except per share amounts, percentages and basis points ("bps")]	Six-months ended June 30 2023 $	2022 $	Change $	Change %
Sales	737,285	681,974	55,311	8%
Adjusted EBITDA [1][2]	136,286	107,399	28,887	27%
Adjusted EBITDA Margin % [3]	18.5%	15.7%	274 bps	17%
Profit before income taxes	39,694	18,328	21,366	117%
Profit	32,452	10,256	22,196	216%
Diluted profit per share	1.63	0.53	1.10	208%
Adjusted profit [1][4]	54,249	27,454	26,795	98%
Diluted adjusted profit per share [3][4]	2.59	1.38	1.21	88%

[1] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[2] See "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA".
[3] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.
[4] See "DETAILED OPERATING RESULTS – Diluted (loss) profit per share and diluted adjusted profit per share".

Consolidated Operating Segment Results Summary

[thousands of dollars except percentages]	Three-months ended June 30 2023 $	2022 $	Change $	Change %
Sales [1]				
Farm	233,438	226,612	6,826	3%
Commercial	156,831	163,331	(6,500)	(4%)
Total	**390,269**	**389,943**	**326**	**0%**

[1] The sales information in this table are supplementary financial measures and are used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on these supplementary financial measures.

[thousands of dollars except percentages]	Three-months ended June 30 2023 $	2022 $	Change $	Change %
Adjusted EBITDA [1] [2] [3]				
Farm	70,086	51,250	18,836	37%
Commercial	28,939	23,785	5,154	22%
Other [4]	(10,851)	(8,959)	(1,892)	21%
Total	**88,174**	**66,076**	**22,098**	**33%**

[1] See "BASIS OF PRESENTATION"
[2] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[3] See "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA" and "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA by Segment".
[4] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

	Three-months ended June 30			
	2023	2022	Change	Change
	%	%	basis points	%
Adjusted EBITDA Margin % [1] [2]				
Farm	30.0%	22.6%	741 bps	33%
Commercial	18.5%	14.6%	389 bps	27%
Other [3]	(2.8%)	(2.3%)	(48) bps	21%
Consolidated	**22.6%**	**16.9%**	**565 bps**	**33%**

[1] See "BASIS OF PRESENTATION"
[2] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.
[3] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments. The Adjusted EBITDA Margin % for Other is calculated based on total sales since it does not generate sales without the segments.

Consistent sales and an exceptional adjusted gross margin performance led to an Adjusted EBITDA[1] increase of 33% year-over-year ("YOY") in the second quarter ("Q2"), continuing our momentum from a strong first quarter ("Q1"), and capping off a strong overall first half for AGI with sales growth of 8%, Adjusted EBITDA growth of 27%, and an Adjusted EBITDA margin % of 18.5%.

AGI again set a new record for Q2 Adjusted EBITDA, driven primarily by sales in our Farm segment, paired with meaningful margin improvement, leading to an overall Adjusted EBITDA increase of $22.1 million YOY. The consolidated Adjusted EBITDA margin % increase of 565 basis points ("bps") YOY to 22.6% marks the highest margin-level set in any quarter over the last several years. The strength in EBITDA margin is largely attributable to the benefits of operational excellence initiatives including the effective management of input costs through centralized procurement strategies and manufacturing efficiencies. While selling, general, and administrative ("SG&A") narrowly increased as a percentage of sales and on a dollar basis, YOY, it notably improved quarter-over-quarter as a result of the Digital reorganization effort in addition to a separate workforce optimization initiative executed more broadly across the organization. As these efforts were generally executed mid-quarter, we expect their full benefit to be more supportive of margins throughout the second half of 2023.

Farm segment sales and Adjusted EBITDA grew by 3% and 37% YOY, respectively, continuing the momentum from Q1. Sales remain strong in Canada and stable in the U.S., driven by well-executed growth strategies and product innovation. Growth in North America was complemented by positive contributions from international regions, particularly in Asia Pacific. Farm segment Adjusted EBITDA margin % increased to 30.0% from 22.6% YOY, primarily on the benefits of operational excellence initiatives targeted at manufacturing efficiency, a favourable mix of portable equipment, and progress made in the Digital reorganization. Looking ahead, Farm segment demand continues to rise with the overall order book up 27%[2]. The Farm order book in Canada increased 77% as demand fully recovers from the 2021 drought impact which impacted demand throughout 2022. In the U.S., the Farm order book increased an additional 3% over a historically high backlog for Q2 set in 2022. This growth was achieved despite some customers who delayed order commitments late in the quarter as they await greater visibility to overall farming conditions across the U.S. Midwest.

[1] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[2] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.

Commercial segment Q2 sales decreased 4% and Adjusted EBITDA increased by 22% YOY. Sales were impacted due to the cyclical nature of large commercial projects in North America and continued softness in the food platform, offset by a pick-up in demand internationally. Internationally, Commercial sales increased 14% driven by strong demand for AGI products and systems across South America. Demand for rice milling solutions in India continues to be a strong growth contributor with sales increasing 17%. Similar to the Farm segment, the Company's operational excellence initiatives including effective management of manufacturing expenses contributed to the Adjusted EBITDA margin % increase to 18.5% from 14.6% YOY. Looking ahead, the overall Commercial segment order book decreased 10%, largely attributable to the ongoing reset within the food platform as well some softness in the fertilizer market, while the broader overall pipeline of grain handling and storage projects remains strong with many large and attractive projects coming to market.

Looking ahead to the second half of 2023, we expect the strong growth trajectory in the Farm segment to continue as the sizable order book is further supported by high levels of demand for our portable equipment. The outlook for the Commercial segment remains optimistic as we steadily implement enhanced approaches to more carefully manage costs on large projects in addition to refining our overall customer strategy, particularly for our fertilizer and food platforms. With continued attention on progressing key operational excellence initiatives and an increased focus on building our order book, we are optimistic in achieving further success in the second half of 2023. As a result, we are raising our full year 2023 Adjusted EBITDA guidance to be at least $290 million[3] and with Adjusted EBITDA margin % of at least 18%.

BASIS OF PRESENTATION

On December 29, 2022, the Company announced that it would be reorganizing its Digital business to better reflect changes in its operations and management structure. As a result of this change, the Company has identified its reportable segments as Farm and Commercial, each of which are supported by the corporate office. The previously identified Digital segment is now included within the Farm segment, and the Food platform which was a sub-segment of the Commercial segment is now amalgamated into the Commercial segment. These segments are strategic business units that offer specific products and services to their respective markets. Certain corporate overheads are allocated to each segment based on revenue as well as applicable cost drivers. Taxes and certain other expenses are managed at a consolidated level and are not allocated to the reportable operating segments. Financial information for the comparative period has been restated to reflect the new presentation.

Description of Business Segments

Farm Segment

AGI's Farm segment focuses on the needs of on-farm customers, and its product offerings include: grain, seed, and fertilizer handling equipment; aeration products; grain and fuel storage solutions; and grain management technologies (see "BASIS OF PRESENTATION").

Commercial Segment

AGI's Commercial segment focuses on commercial entities such as port facility operators, food processors and elevators. Its product offerings include: larger diameter grain storage bins and high-

[3] Adjusted EBITDA for the year ended December 31, 2022 was $234.7 Million. See "Reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the years ended December 31, 2022 and 2021", "BASIS OF PRESENTATION", "RISKS AND UNCERTAINTIES", "FORWARD-LOOKING INFORMATION", "FINANCIAL OUTLOOK" and "NON-IFRS AND OTHER FINANCIAL MEASURES.

capacity grain handling equipment; high-capacity seed and fertilizer storage and handling systems; food and feed handling storage and processing equipment; aeration products; automated blending systems and control systems; and project management services and food engineering solutions (see “BASIS OF PRESENTATION”).

OPERATING RESULTS and OUTLOOK [4]

Sales by Geography [5]

[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
	Three-months ended June 30			
Canada	102,836	100,330	2,506	2%
U.S.	171,431	181,359	(9,928)	(5%)
International				
EMEA	28,470	30,278	(1,808)	(6%)
Asia Pacific	34,013	31,958	2,055	6%
South America	53,519	46,018	7,501	16%
Total International	116,002	108,254	7,748	7%
Total Sales	**390,269**	**389,943**	**326**	**0%**

[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
	Six-months ended June 30			
Canada	189,979	157,043	32,936	21%
U.S.	321,776	320,414	1,362	0%
International				
EMEA	58,909	59,095	(186)	(0%)
Asia Pacific	72,927	63,892	9,035	14%
South America	93,694	81,530	12,164	15%
Total International	225,530	204,517	21,013	10%
Total Sales	**737,285**	**681,974**	**55,311**	**8%**

Sales by Segment and Geography [5]

Farm Segment

[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
	Three-months ended June 30			
Canada	82,788	74,860	7,928	11%
U.S.	120,162	118,740	1,422	1%
International				

[4] See “BASIS OF PRESENTATION”, “RISKS AND UNCERTAINTIES”, “FORWARD-LOOKING INFORMATION” and "FINANCIAL OUTLOOK".

[5] The sales information in this section are supplementary financial measures and are used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on these supplementary financial measures.

EMEA	2,325	1,283	1,042	81%
Asia Pacific	11,333	8,147	3,186	39%
South America	16,830	23,582	(6,752)	(29%)
Total International	30,488	33,012	(2,524)	(8%)
Total Sales	**233,438**	**226,612**	**6,826**	**3%**

			Six-months ended June 30	
[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
Canada	150,530	110,842	39,688	36%
U.S.	215,156	203,771	11,385	6%
International				
EMEA	4,497	4,914	(417)	(8%)
Asia Pacific	21,414	14,680	6,734	46%
South America	24,223	43,233	(19,010)	(44%)
Total International	50,134	62,827	(12,693)	(20%)
Total Sales	**415,820**	**377,440**	**38,380**	**10%**

Commercial Segment

			Three-months ended June 30	
[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
Canada	20,048	25,470	(5,422)	(21%)
U.S.	51,269	62,619	(11,350)	(18%)
International				
EMEA	26,145	28,995	(2,850)	(10%)
Asia Pacific	22,680	23,811	(1,131)	(5%)
South America	36,689	22,436	14,253	64%
Total International	85,514	75,242	10,272	14%
Total Sales	**156,831**	**163,331**	**(6,500)**	**(4%)**

			Six-months ended June 30	
[thousands of dollars except percentages]	2023 $	2022 $	Change $	Change %
Canada	39,449	46,201	(6,752)	(15%)
U.S.	106,620	116,643	(10,023)	(9%)
International				
EMEA	54,412	54,181	231	0%
Asia Pacific	51,513	49,212	2,301	5%
South America	69,471	38,297	31,174	81%
Total International	175,396	141,690	33,706	24%
Total Sales	**321,465**	**304,534**	**16,931**	**6%**

The following table presents YOY changes in the Company's order book[1]:

	Region			
	Canada	United States	International	Overall
Segments	%	%	%	%
Farm	77%	3%	17%	27%
Commercial	(30%)	(12%)	(5%)	(10%)
Overall	39%	(4%)	(3%)	3%

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.

The following table presents YOY changes in the Company's international order book[1] further segmented by region:

	EMEA[2]	Asia Pacific[3]	South America[4]
Farm and Commercial Segments [1]	%	%	%
International by region	2%	3%	(14%)

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.
[2] "EMEA" is composed of Europe, Middle East and Africa.
[3] "Asia Pacific" is composed of Southeast Asia, Australia, India and the rest of the world (other than Canada, the United States, EMEA and South America).
[4] "South America" is composed of Brazil and the rest of Latin America.

Farm Segment

Farm segment Q2 sales and Adjusted EBITDA increased 3% and 37% YOY, respectively, with strong results in Canada, the U.S., and Asia Pacific. In the U.S. and Canada, increased seeded acreages and grower optimism drove demand, resulting in higher sales of both portable and permanent grain handling equipment. Outside of North America, strong demand for portable equipment in Australia and increased sales of permanent grain handling equipment in EMEA helped drive growth in international regions. Adjusted EBTIDA margin % increased 741 basis points to 30.0% YOY, benefiting from a sales mix favouring higher margin portable grain handling equipment, manufacturing efficiency initiatives, and the impact of the Digital reorganization.

Canada

Farm segment sales and order book increased by 11% and 77% YOY, respectively, in Q2. High order intake in late 2022 for permanent grain handling equipment and a relatively weaker Q2 2022 from the 2021 drought helped to drive the strong comparable results in Q2. Despite somewhat dry conditions that developed late in the quarter, the momentum in the first half of 2023 is expected to carry through the second half of 2023, particularly Q3, as supported by a strong order book for both portable and permanent grain handling equipment.

United States

Farm segment sales and order book increased by 1% and 3% YOY, respectively. Although near-term customer appetite for investment in permanent grain handling and storage solutions in the U.S. market remains cautious, management anticipates normalized levels in the second half of 2023 as signaled by rising demand in response to improving crop conditions late in the quarter. Management continues to monitor weather conditions impacting the agriculture commodity markets but with the earlier planting season, a recent increase in moisture levels, and an expectation of higher U.S. crop production year-over-year, the outlook for the second half of 2023 remains positive and is supported by sustained demand for portable equipment.

International

Farm segment sales decreased 8% and order book increased 17% YOY. Specific market drivers included:

- South America Farm sales decreased 29% and the Farm order book increased 61% YOY, respectively, due to the shift towards Commercial projects versus Farm in South America to start the year. With higher interest rates and political variability, the macroeconomic environment in South America is challenging and continues to impact the agriculture market. However, the expectation of another record year for Brazilian crop production has increased demand and management is seeing a sustained recovery in the Farm segment in H2 2023. This is supported by the sizable order book which provides clear visibility to strengthening results.

- EMEA Farm segment sales increased 81% resulting from higher Farm permanent grain handling equipment and storage sales YOY due to our ability to pivot to other regions including Denmark and France. Nevertheless, the Russia-Ukraine conflict ['RUK'] continues to impact demand for grain handling equipment throughout the region with the Farm order book decreasing 35% YOY.

- Asia Pacific Farm segment sales increased 39% YOY, due to continued strong demand for portable equipment in Australia as well as ongoing customer interest in permanent grain handling and storage equipment products. The Farm order book decreased 5% which is a normal fluctuation for newer regions where we are still working to setup a strong dealer network and fully establish our brand. The Company's diversification strategies with regional production within Asia Pacific positions AGI favourable to meet growing customer demand efficiently.

Commercial Segment

Commercial segment sales decreased 4% and Adjusted EBITDA increased 22% YOY. Q2 sales were driven mainly by an increase of 64% in South America offset by a decrease of 19% in North America, 10% in EMEA, and 5% in Asia Pacific YOY. The North America Commercial business is cyclical in nature and while 2023 has been slower compared to a busy prior year, management is focused on building the Commercial order book, particularly in the fertilizer and food platforms, as well as the EMEA region. Despite a softer Q2 sales result, the Company's operational excellence initiatives including a focus on manufacturing efficiency contributed to the Adjusted EBITDA increase of 22% YOY, setting the segment up with strong operational leverage for future quarters.

Canada

Commercial segment sales and order book decreased 21% and 30% YOY, respectively, in Q2 mainly due to the cyclical nature of large commercial projects. The food platform performed well in Canada with the completion of a number of large projects, through the focus of the food platform continues to be concentrated on rebuilding the order book and nurturing new customer relationships. We anticipate H2 2023 to be slower in comparison to prior years, though management is actively securing sales pipeline across all areas of our Commercial business and anticipates the slowdown to be temporary.

United States

Commercial segment sales and order book decreased 18% and 12% YOY, respectively. While sales in grain handling and storage equipment increased YOY, there is a continued decrease in fertilizer and food equipment sales in Q2, due to longer lead times and elongated sales cycles. Similar to Canada, building back the fertilizer and food order book remains a focus for H2 2023.

International

Commercial segment sales increased 14% and order book decreased 5% YOY. Specific market drivers included:

- South America Commercial segment sales increased 64% YOY as large projects that began in 2022 were completed. The Commercial order book decreased 24% YOY mainly due to the impact of strong order delivery in Q2 as well as increasing interest rates which has stretched the normal cycle time to secure new orders. However, on a sequential basis, the Commercial order book increased 42% from Q1, with particular momentum in Brazil. This is a clear sign of a turnaround that we anticipate continuing into H2 2023, consistent with seasonal patterns from previous years.
- Asia Pacific Commercial segment sales and the Commercial order book decreased 5% and 4% YOY, respectively, due to project timing. India continues to deliver solid quarterly results with sales and order book increasing 17% and 10% YOY, respectively, driven by ongoing demand for rice milling solutions and the expansion of our product portfolio in the region.
- EMEA Commercial segment sales decreased 10% and the Commercial order book increased 4% YOY, respectively, as market expansion efforts in Africa and Middle East are offset by ongoing softness in Russia-Ukraine region. A strong quoting and opportunity pipeline supports the favorable outlook across this region in the near-term with the order book increasing 27% sequentially from Q1.

Summary

Our record Q2 Adjusted EBITDA continues to demonstrate the strength of our balanced and diversified business strategy. This strategy enabled us to capitalize on demand from a wide variety of products, regions, and customers. In addition to our sales and business mix diversification strategies, we have layered-in significant operational excellence initiatives to help strengthen margins across AGI. As a result, we are raising our full year guidance for 2023 Adjusted EBITDA to be at least $290 million[6] and with Adjusted EBITDA margin % of at least 18%.

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[6] See "Reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the years ended December 31, 2022 and 2021", “BASIS OF PRESENTATION”, “RISKS AND UNCERTAINTIES”, “FORWARD-LOOKING INFORMATION”, "FINANCIAL OUTLOOK" and “NON-IFRS AND OTHER FINANCIAL MEASURES.

DETAILED OPERATING RESULTS

[thousands of dollars except per share amounts]	Three-months ended June 30 2023 $	Three-months ended June 30 2022 $	Six-months ended June 30 2023 $	Six-months ended June 30 2022 $
Sales	390,269	389,943	737,285	681,974
Cost of goods sold				
Cost of inventories	243,264	267,261	475,728	463,035
Equipment rework [1]	4,900	—	4,900	—
Remediation [1]	15,608	—	15,608	—
Depreciation and amortization	8,535	11,577	16,653	23,238
	272,307	278,838	512,889	486,273
Selling, general and administrative expenses				
Selling, general & administrative expenses [2]	63,978	61,447	136,906	120,899
Mergers and acquisitions (recovery) expense [3]	—	(27)	50	667
Transaction, transitional and other costs [4]	8,795	7,614	12,674	13,211
Accounts receivable reserve for RUK	1,733	—	1,733	—
Depreciation and amortization	7,896	7,609	15,818	15,345
	82,402	76,643	167,181	150,122
Other operating expense (income)				
Net loss on disposal of property, plant and equipment [5]	12	382	211	296
Net loss (gain) on financial instruments	8,184	9,435	(5,020)	755
Other	(3,020)	(1,499)	(5,155)	(2,994)
	5,176	8,318	(9,964)	(1,943)
Finance costs	18,337	16,182	36,018	27,675
Finance expense (income)	(6,622)	12,224	(9,324)	1,496
Impairment charge [6]	601	—	791	23
Profit (loss) before income taxes	18,068	(2,262)	39,694	18,328
Income tax expense	1,973	2,653	7,242	8,072
Profit (loss) for the year	16,095	(4,915)	32,452	10,256
Profit (loss) per share				
Basic	0.85	(0.26)	1.71	0.54
Diluted	0.81	(0.26)	1.63	0.53

[1] See “Remediation costs and equipment rework”.
[2] Includes minimum lease payments recognized as lease expense. See “Note 10 [b] – Selling, general and administrative expenses” in our consolidated financial statements.
[3] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[4] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

[5] Includes loss (gain) on settlement of lease liabilities and includes assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[6] Impairment charge related to assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.

Gross Profit and Adjusted Gross Margin

[thousands of dollars except percentages]	Three-months ended June 30 2023 $	Three-months ended June 30 2022 $	Six-months ended June 30 2023 $	Six-months ended June 30 2022 $
Sales	390,269	389,943	737,285	681,974
Cost of goods sold	272,307	278,838	512,889	486,273
Gross Profit	**117,962**	**111,105**	**224,396**	**195,701**
Gross Profit as a % of sales [1]	30.2%	28.5%	30.4%	28.7%
Equipment rework [2]	4,900	—	4,900	—
Remediation [2]	15,608	—	15,608	—
Fair value of inventory from acquisition [3]	—	304	—	609
Depreciation and amortization	8,535	11,577	16,653	23,238
Adjusted Gross Margin [4]	147,005	122,986	261,557	219,548
Adjusted Gross Margin as a % of sales [5]	37.7%	31.5%	35.5%	32.2%

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each supplementary financial measure.
[2] See "Remediation costs and equipment rework".
[3] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[4] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[5] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.

AGI's gross margin as a percentage of sales increase for the three-month period ended June 30, 2023, is largely attributable to the benefits of operational excellence initiatives including the effective management of input costs through centralized procurement strategies and manufacturing efficiencies.

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The gain and loss on foreign exchange for the three-month period ended June 30, 2023, was a gain of $6.5 million [2022 – loss of $12.4 million]. The gain is primarily comprised of non-cash items related to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect as of June 30, 2023. See also "Financial Instruments – Foreign exchange contracts".

Sales and Adjusted EBITDA

The average U.S. dollar rate of exchange for the three-month period ended June 30, 2023, was $1.36 [2022 - $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.

Remediation costs and equipment rework

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and legal claims related to the incident have been initiated against AGI. As at June 30, 2023, the warranty provision for remediation costs is $55.1 million [December 31, 2022 – $41.5 million], with $2.0 million of the provision having been utilized during the six-month period ended June 30, 2023.

On July 27, 2023, the Company reached a settlement agreement with the customer at the site where the bin collapsed for its claims related to the incident, as a result the increase to expense is $15.6 million.

Management evaluated the impact of this settlement agreement on the Company's financial position and results of operations, taking into account the insurance offset, and believes that the net amount recorded as a remediation expense is a reasonable estimate of the obligations arising from the legal dispute.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at June 30, 2023, the warranty provision for the equipment rework is $6.7 million [December 31, 2022 – $12.9 million], with $4.9 million added based on revised estimated costs of completion and $11.1 million utilized during the period.

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

SG&A expenses for the three-months ended June 30, 2023 excluding merger and acquisition (recovery) expenses ["M&A"], transaction, transitional and other costs, accounts receivable reserve for RUK, and depreciation and amortization, were $64.0 million [16.4% of sales], versus $61.4 million [15.8% of sales] in 2022. 2023 Q2 variances from the prior year include the following:

- $1.2 million increase in commissions in correlation to the increase in commission-based sales across segments and timing of project completions.
- $1.7 million increase in bad debt expense related to accounts receivable reserve for RUK.
- $1.0 million increase in legal expense for ongoing litigation.
- $2.7 decrease in salaries, wages, and share-based compensation related to performance-based awards.
- No other individual variance was greater than $1.0 million.

Transaction, transitional and other expense is comprised of 1) legal costs related to our defense of our Farmobile PUC patent and other litigation; 2) contingent consideration expected to be paid for past acquisitions; and 3) transitional costs related to reorganizations.

Finance costs

Finance costs which represent interest incurred on all debt for the three-month period ended June 30, 2023 were $18.3 million versus $16.2 million in 2022. Finance costs have increased in 2023 as a result of a higher effective interest rate as compared to 2022.

Finance expense (income)

Finance expense (income) which represents interest income earned and foreign exchange on long term debt for the three-month period ended June 30, 2023, was income of $6.6 million versus expense of $12.2 million in Q2 2022. The change in Finance income relates primarily to the effect of non-cash translation of the Company's U.S. dollar denominated long-term debt as the exchange rate decreased from 1.3533 as at March 31, 2023 to 1.3240 at June 30, 2023.

Other operating expense (income)

Other operating expense (income) for the three-month period ended June 30, 2023, was an expense of $5.2 million versus expense of $8.3 million in Q2 2022. Other operating expense (income) includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity swap"], and interest income from customer financing arrangements. A significant portion of the increase relates to the unrealized change in fair value of the equity swap.

Profit before income taxes and Adjusted EBITDA

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

	Three-months ended June 30		Six-months ended June 30	
	2023	2022	2023	2022
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	18,068	(2,262)	39,694	18,328
Finance costs	18,337	16,182	36,018	27,675
Depreciation and amortization	16,431	19,186	32,471	38,583
Loss (gain) on foreign exchange [1]	(6,533)	12,365	(9,150)	1,637
Share-based compensation [2]	2,038	2,897	6,306	5,615
Loss (gain) on financial instruments [3]	8,184	9,435	(5,020)	755
Mergers and acquisition expense (recovery) [4]	—	(27)	50	667
Transaction, transitional and other costs [5]	8,795	7,614	12,674	13,211
Net loss on disposal of property, plant and equipment [6]	12	382	211	296
Equipment rework [7]	4,900	—	4,900	—
Remediation [7]	15,608	—	15,608	—
Accounts receivable reserve for RUK	1,733	—	1,733	—
Fair value of inventory from acquisition [8]	—	304	—	609
Impairment charge [9]	601	—	791	23
Adjusted EBITDA [10]	**88,174**	**66,076**	**136,286**	**107,399**

[1] See “Note 10[e] – Other expenses (income)” in our consolidated financial statements.
[2] The Company’s share-based compensation expense pertains to our equity incentive award plan (“EIAP”) and directors’ deferred compensation plan (“DDCP”). See “Note 9 – Share-based compensation plans” in our consolidated financial statements.
[3] See “Equity swap”.
[4] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[5] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[6] Includes loss (gain) on settlement of lease liabilities and includes assets held for sale. See “Note 5 – Assets held for sale” in our consolidated financial statements.
[7] See “Remediation costs and equipment rework”.
[8] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[9] Impairment charge related to assets held for sale. See “Note 5 – Assets held for sale” in our consolidated financial statements.
[10] This is a non-IFRS measure and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS measure.

Profit (loss) before income taxes and Adjusted EBITDA by Segment

	Three-months ended June 30, 2023			
	Farm	Commercial	Other [12]	Total
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	62,764	19,777	(64,473)	**18,068**
Finance costs	—	—	18,337	**18,337**
Depreciation and amortization [1]	6,724	7,425	2,282	**16,431**
Gain on foreign exchange [2]	—	—	(6,533)	**(6,533)**
Share-based compensation [3]	—	—	2,038	**2,038**
Loss on financial instruments [4]	—	—	8,184	**8,184**
Transaction, transitional and other costs [6]	—	—	8,795	**8,795**
Net (gain) loss on disposal of property, plant and equipment [1][7]	(1)	2	11	**12**
Equipment rework [8]	—	—	4,900	**4,900**
Remediation [8]	—	—	15,608	**15,608**
Accounts receivable reserve for RUK	—	1,733	—	**1,733**
Impairment charge [10]	599	2	—	**601**
Adjusted EBITDA [11]	**70,086**	**28,939**	**(10,851)**	**88,174**

[thousands of dollars]	Farm $	Commercial $	Other [12] $	Three-months ended June 30, 2022 Total $
Profit (loss) before income taxes	41,642	13,524	(57,428)	**(2,262)**
Finance costs	—	—	16,182	**16,182**
Depreciation and amortization [1]	9,670	9,513	3	**19,186**
Loss on foreign exchange [2]	—	—	12,365	**12,365**
Share-based compensation [3]	—	—	2,897	**2,897**
Loss on financial instruments [4]	—	—	9,435	**9,435**
Mergers and acquisition recovery [5]	—	—	(27)	**(27)**
Transaction, transitional and other costs [6]	—	—	7,614	**7,614**
Net (gain) loss on disposal of property, plant and equipment [1]	(62)	444	—	**382**
Fair value of inventory from acquisition [9]	—	304	—	**304**
Adjusted EBITDA [11]	**51,250**	**23,785**	**(8,959)**	**66,076**

[thousands of dollars]	Farm $	Commercial $	Other [12] $	Six-months ended June 30, 2023 Total $
Profit (loss) before income taxes	94,410	34,224	(88,940)	**39,694**
Finance costs	—	—	36,018	**36,018**
Depreciation and amortization [1]	13,262	14,735	4,474	**32,471**
Gain on foreign exchange [2]	—	—	(9,150)	**(9,150)**
Share-based compensation [3]	—	—	6,306	**6,306**
Gain on financial instruments [4]	—	—	(5,020)	**(5,020)**
Mergers and acquisition expense [5]	—	—	50	**50**
Transaction, transitional and other costs [6]	—	—	12,674	**12,674**
Net loss on disposal of property, plant and equipment [1][7]	77	123	11	**211**
Equipment rework [8]	—	—	4,900	**4,900**
Remediation [8]	—	—	15,608	**15,608**
Accounts receivable reserve for RUK	—	1,733	—	**1,733**
Impairment charge [10]	789	2	—	**791**
Adjusted EBITDA [11]	**108,538**	**50,817**	**(23,069)**	**136,286**

	Six-months ended June 30, 2022			
	Farm	Commercial	Other [12]	Total
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	60,812	23,310	(65,794)	**18,328**
Finance costs	—	—	27,675	**27,675**
Depreciation and amortization [1]	19,276	19,302	5	**38,583**
Loss on foreign exchange [2]	—	—	1,637	**1,637**
Share-based compensation [3]	—	—	5,615	**5,615**
Loss on financial instruments [4]	—	—	755	**755**
Mergers and acquisition expense [5]	—	—	667	**667**
Transaction, transitional and other costs [6]	—	—	13,211	**13,211**
Net (gain) loss on disposal of property, plant and equipment [1]	(112)	408	—	**296**
Fair value of inventory from acquisition [9]	—	609	—	**609**
Impairment charge [10]	23	—	—	**23**
Adjusted EBITDA [11]	**79,999**	**43,629**	**(16,229)**	**107,399**

[1] Allocated based on the segment of the underlying asset's cash generating unit ("CGU").
[2] See "Note 10 [e] – Other expenses (income)" in our consolidated financial statements.
[3] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 9 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[6] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[7] Includes loss (gain) on settlement of lease liabilities and includes assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[8] See "Remediation costs and equipment rework".
[9] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[10] Impairment charge related to assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[11] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[12] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

Profit (loss) before income taxes and Adjusted EBITDA by Geography

	Three-months ended June 30, 2023				
	Canada	US	International	Other [12]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	**25,515**	**43,678**	**13,341**	**(64,466)**	**18,068**
Finance costs	—	—	—	18,337	18,337
Depreciation and amortization [1]	5,006	5,178	3,972	2,275	16,431
Gain on foreign exchange [2]	—	—	—	(6,533)	(6,533)
Share-based compensation [3]	—	—	—	2,038	2,038
Loss on financial instruments [4]	—	—	—	8,184	8,184
Transaction, transitional and other costs [6]	—	—	—	8,795	8,795
Net (gain) loss on disposal of property, plant and equipment [1] [7]	(39)	37	3	11	12
Equipment rework [8]	—	—	—	4,900	4,900
Remediation [8]	—	—	—	15,608	15,608
Accounts receivable reserve for RUK	—	—	1,733	—	1,733
Impairment charge [10]	599	—	2	—	601
Adjusted EBITDA [11]	**31,081**	**48,893**	**19,051**	**(10,851)**	**88,174**

	Three-months ended June 30, 2022				
	Canada	US	International	Other [12]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	14,804	27,568	14,153	(58,787)	(2,262)
Finance costs	—	—	—	16,182	16,182
Depreciation and amortization [1]	6,235	8,232	3,390	1,329	19,186
Loss on foreign exchange [2]	—	—	—	12,365	12,365
Share-based compensation [3]	—	—	—	2,897	2,897
Loss on financial instruments [4]	—	—	—	9,435	9,435
Mergers and acquisition recovery [5]	—	—	—	(27)	(27)
Transaction, transitional and other costs [6]	—	—	—	7,614	7,614
Net (gain) loss on disposal of property, plant and equipment [1]	(33)	398	(16)	33	382
Fair value of inventory from acquisition [9]	304	—	—	—	304
Adjusted EBITDA [11]	**21,310**	**36,198**	**17,527**	**(8,959)**	**66,076**

[thousands of dollars]	Canada $	US $	International $	Other [12] $	Six-months ended June 30, 2023 Total $
Profit (loss) before income taxes	37,241	66,304	25,072	(88,923)	**39,694**
Finance costs	—	—	—	36,018	36,018
Depreciation and amortization [1]	9,870	10,340	7,804	4,457	32,471
Gain on foreign exchange [2]	—	—	—	(9,150)	(9,150)
Share-based compensation [3]	—	—	—	6,306	6,306
Gain on financial instruments [4]	—	—	—	(5,020)	(5,020)
Mergers and acquisition expense [5]	—	—	—	50	50
Transaction, transitional and other costs [6]	—	—	—	12,674	12,674
Net (gain) loss on disposal of property, plant and equipment [1][7]	(54)	151	103	11	211
Equipment rework [8]	—	—	—	4,900	4,900
Remediation [8]	—	—	—	15,608	15,608
Accounts receivable reserve for RUK	—	—	1,733	—	1,733
Impairment charge [10]	599	190	2	—	791
Adjusted EBITDA [11]	**47,656**	**76,985**	**34,714**	**(23,069)**	**136,286**

[thousands of dollars]	Canada $	US $	International $	Other [12] $	Six-months ended June 30, 2022 Total $
Profit (loss) before income taxes	17,508	42,118	27,234	(68,532)	18,328
Finance costs	—	—	—	27,675	27,675
Depreciation and amortization [1]	12,655	16,296	6,910	2,722	38,583
Loss on foreign exchange [2]	—	—	—	1,637	1,637
Share-based compensation [3]	—	—	—	5,615	5,615
Loss on financial instruments [4]	—	—	—	755	755
Mergers and acquisition expense [5]	—	—	—	667	667
Transaction, transitional and other costs [6]	—	—	—	13,211	13,211
Net (gain) loss on disposal of property, plant and equipment [1]	(94)	387	(18)	21	296
Fair value of inventory from acquisition [9]	609	—	—	—	609
Impairment charge [10]	23	—	—	—	23
Adjusted EBITDA [11]	**30,701**	**58,801**	**34,126**	**(16,229)**	**107,399**

[1] Allocated based on the geographical region of the facilities with the exception of expenses noted in Other.
[2] See "Note 10 [e] – Other expenses (income)" in our consolidated financial statements.
[3] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 9 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[6] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

[7] Includes loss (gain) on settlement of lease liabilities and includes assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[8] See "Remediation costs and equipment rework".
[9] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[10] Impairment charge related to assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[11] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[12] Included in Other is the corporate office which provides finance, treasury, legal, human resources and other administrative support to the geographical regions.

AGI's Adjusted EBITDA for the three-month period ended June 30, 2023, increased 33% over Q2 2022. The Farm segment's Adjusted EBITDA increased 37% over Q2 2022, due to a sales mix favouring higher margin portable grain handling equipment, effective management of input costs, and the impact of the Digital reorganization. The Commercial segment's Adjusted EBITDA increased 22% over Q2 2022 as a result of the Company's operational excellence initiatives including effective management of SG&A expenses.

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 underlying assets were less than the prior period resulting in a decrease in depreciation and amortization expense.

Income tax expense

Current income tax expense

Current tax expense for the three-month period ended June 30, 2023, was $1.2 million versus $6.8 million in Q2 2022.

Deferred income tax expense

Deferred tax expense for the three-month period ended June 30, 2023, was $0.8 million versus $(4.1) million in Q2 2022. The deferred tax expense in 2023 related to the recognition of temporary differences between the accounting and tax treatment of EIAP liability, equity swap, and accruals and long-term provisions.

	Three-months ended June 30		Six-months ended June 30	
	2023	2022	2023	2022
[thousands of dollars]	$	$	$	$
Current tax expense	1,185	6,773	6,063	8,732
Deferred tax (recovery)	788	(4,120)	1,179	(660)
Total tax	**1,973**	**2,653**	**7,242**	**8,072**
Profit (loss) before income taxes	18,068	(2,262)	39,694	18,328
Effective income tax rate	10.9%	(117.3%)	18.2%	44.0%

The effective tax rate in 2023 was impacted by items that were included in the calculation of profit (loss) before income taxes for accounting purposes but were not included or deducted for tax purposes. The increased effective tax rate for the three-month period ended June 30, 2023, was specifically attributable to unrealized foreign exchange gains and (losses), as well as differences in tax rates and deductions allowed in foreign jurisdictions.

Diluted profit per share and diluted adjusted profit per share

The Company's diluted adjusted profit per share for the three-month period ended June 30, 2023, was a profit of $2.24 compared to a profit of $1.20 in Q1 2022. Profit per share in Q2 2023 and Q2 2022 has been impacted by the items enumerated in the table below, which reconciles profit to adjusted profit.

[thousands of dollars except per share amounts]	Three-months ended June 30 2023 $	Three-months ended June 30 2022 $	Six-months ended June 30 2023 $	Six-months ended June 30 2022 $
Profit (loss)	16,095	(4,915)	32,452	10,256
Diluted profit (loss) per share	0.81	(0.26)	1.63	0.53
Loss (gain) on foreign exchange [1]	(6,533)	12,365	(9,150)	1,637
Loss (gain) on financial instruments [2]	8,184	9,435	(5,020)	755
Mergers and acquisition expense (recovery) [3]	—	(27)	50	667
Transaction, transitional and other costs [4]	8,795	7,614	12,674	13,211
Net loss on disposal of property, plant and equipment [5]	12	382	211	296
Equipment rework [6]	4,900	—	4,900	—
Remediation [6]	15,608	—	15,608	—
Accounts receivable reserve for RUK	1,733	—	1,733	—
Fair value of inventory from acquisition [7]	—	304	—	609
Impairment charge [8]	601	—	791	23
Adjusted profit [9]	49,395	25,158	54,249	27,454
Diluted adjusted profit per share [10]	2.24	1.20	2.59	1.38

[1] See "Note 10 [e] – Other expenses (income)" in our consolidated financial statements.
[2] See "Equity swap".
[3] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[4] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[5] Includes loss (gain) on settlement of lease liabilities and includes assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[6] See "Remediation costs and equipment rework".
[7] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[8] Impairment charge related to assets held for sale. See "Note 5 – Assets held for sale" in our consolidated financial statements.
[9] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[10] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.

QUARTERLY FINANCIAL INFORMATION

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

2023	Average USD/CAD Exchange Rate	Sales[1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.37	347,016	16,357	0.86	0.82
Q2	1.36	390,269	16,095	0.85	0.81
YTD	1.36	737,285	32,452	1.71	1.63

2022	Average USD/CAD Exchange Rate	Sales[1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.27	292,031	15,171	0.81	0.72
Q2	1.27	389,943	(4,915)	(0.26)	(0.26)
Q3	1.29	402,074	6,972	0.37	0.36
Q4	1.36	374,034	(67,811)	(3.59)	(3.59)
YTD	**1.30**	**1,458,082**	**(50,583)**	**(2.68)**	**(2.68)**

2021	Average USD/CAD Exchange Rate	Sales[1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q3	1.25	313,859	(73)	—	—
Q4	1.27	327,095	(16,349)	(0.87)	(0.87)
FY2021	1.25	1,198,523	10,558	0.56	0.50

[1] See “BASIS OF PRESENTATION”

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

- Sales, gain (loss) on foreign exchange, profit (loss), and diluted 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. In the longer-term, AGI’s continued expansion into the seed, fertilizer, feed and food verticals should lessen the seasonality related to annual grain volumes and harvest conditions.

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. However, the Company's geographic diversity has increased over time, leading to a more balanced distribution of sales and corresponding collections throughout the year. Internally generated funds are supplemented, when necessary, from external sources, primarily the Company's senior credit facilities, to fund the Company's working capital requirements, capital expenditures, acquisitions and dividends. The Company believes that the senior credit 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	
	2023	2022	2023	2022
[thousands of dollars]	$	$	$	$
Profit (loss) before tax	18,068	(2,262)	39,694	18,328
Items not involving current cash flows	10,623	41,124	23,920	63,946
Cash provided by operations	28,691	38,862	63,614	82,274
Net change in non-cash working capital	(3,976)	(44,264)	(35,353)	(123,809)
Transfer from (to) restricted cash	166	1,356	928	(70)
Non-current accounts receivable and other	(5,863)	1,528	(4,732)	(7,453)
Long-term payables	52	27	274	141
Settlement of equity incentive award plan obligation	(4,801)	(102)	(14,009)	(2,345)
Post-combination payments	(1,399)	—	(2,399)	(1,667)
Income tax paid (recovered)	1,095	(1,326)	(7,055)	(6,720)
Cash flows provided by (used in) operating activities	13,965	(3,919)	1,268	(59,649)
Cash used in investing activities	(5,515)	(9,880)	(9,114)	(45,472)
Cash provided by (used in) financing activities	(10,619)	8,766	18,885	99,015
Net increase (decrease) in cash during the period	(2,169)	(5,033)	11,039	(6,106)
Cash, beginning of period	72,852	60,234	59,644	61,307
Cash, end of period	**70,683**	**55,201**	**70,683**	**55,201**

The cash flows provided by operating activities for the three- and six-month periods ended June 30, 2023, as compared to 2022 is due to cash provided by operations and net change in non-cash working capital. The change in non-cash working capital is largely due to the timing of customer deposits related to projects and the decrease in inventory on-hand. Additionally, the timing of income tax refunds received offset by post-combination payments contributed to the overall cash provided by operating activities.

Cash used in investing activities for the three-month period ended June 30, 2023, relates primarily to capital expenditures and internally generated intangibles.

Cash used in financing activities for the three-month period ended June 30, 2023, excluding the impact of foreign exchange, relates primarily to changes in interest accrual. Cash provided by financing activities for the three-month period ended June 30, 2022, excluding the impact of foreign exchange, relates primarily to a net increase in senior credit facilities and senior convertible unsecured debentures reflecting a combined $19.4 million, net of fees.

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 offset by the seasonality of our operations in India that is opposite of that described above. In addition, our 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 which typically has longer payment terms than North America may result in an increase in the number of days accounts receivable remain outstanding and may result in increased usage of working capital in certain quarters.

Capital Expenditures

	Three-months ended June 30		Six-months ended June 30	
	2023	2022	2023	2022
[thousands of dollars]	$	$	$	$
Maintenance capital expenditures [1]	1,955	1,962	5,746	4,274
Non-maintenance capital expenditures [1]	933	4,088	3,774	6,259
Acquisition of property plant and equipment	**2,888**	**6,050**	**9,520**	**10,533**

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

The acquisition of property, plant and equipment in the three-month period ended June 30, 2023, was $2.9 million as compared to $6.1 million in Q2 2022.

Maintenance capital expenditures in the three-month period ended June 30, 2023, were $2.0 million [0.5% of sales] versus $2.0 million [0.5% of sales] in Q2 2022. Maintenance capital expenditures in Q2 2023 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of sales.

AGI had non-maintenance capital expenditures in the three-month period ended June 30, 2023, of $0.9 million versus $4.1 million in Q2 2022. The Q2 2023 expenditures relate primarily to capital projects in Brazil.

The acquisition of property, plant and equipment and its components of maintenance and non-maintenance capital expenditures in Q2 2023 were financed through bank indebtedness, cash on hand or through the Company's senior credit facilities [see "Capital Resources"].

CONTRACTUAL OBLIGATIONS

The following table shows, as at June 30, 2023 the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total $	2023 $	2024 $	2025 $	2026 $	2027+ $
2019 Debentures – 1	86,250	—	86,250	—	—	—
2019 Debentures – 2	86,250	—	86,250	—	—	—
2020 Debentures	85,000	—	—	—	85,000	—
2021 Convertible Debentures[1]	114,995	—	—	—	—	114,995
2022 Convertible Debentures	103,900	—	—	—	—	103,900
Long-term Debt[2]	467,382	234	434	288	466,017	409
Lease liability [2]	54,995	4,587	9,575	8,490	6,670	25,673
Short term and low value leases [2]	14	4	5	3	1	1
Due to vendor [2]	7,546	3,098	2,399	2,049	—	—
Purchase obligations [3]	15,340	15,340	—	—	—	—
Total obligations	**1,021,672**	**23,263**	**184,913**	**10,830**	**557,688**	**244,978**

[1] During the six-month period ended June 30, 2023, a holder of the 2021 Convertible Debentures converted $0.005 million of the principal amount outstanding into common shares of AGI.
[2] Undiscounted
[3] 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 Company's senior credit facilities [see "Capital Resources – Debt Facilities"].

CAPITAL RESOURCES

Assets and Liabilities

(thousands of dollars)	June 30 2023 $	June 30 2022 $
Total assets	1,678,897	1,754,605
Total liabilities	1,392,567	1,461,975

Cash

The Company's cash balance at June 30, 2023 was $70.7 million [June 30, 2022 - $55.2 million].

Debt Facilities

As at June 30, 2023:

[thousands of dollars except interest rate]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Senior Credit Facilities	CAD / USD	2026	714,100	465,804	6.70%
Equipment Financing	various	various	1,558	1,558	various
Total			**715,658**	**467,362**	

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on June 30, 2023 of $1.3240.
[2] Excludes the $300 million accordion available under AGI's credit facility.

AGI's senior credit facilities of $350 million and U.S. $275 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. AGI has swing-line facilities of $50 million and U.S. $10 million. The senior credit facilities bear interest at BA/SOFR plus 1.2% – 2.75% and prime plus 0.2% – 1.75% per annum based on performance calculations. As at June 30, 2023, there was $193.3 million [2022 – $240.3 million] and U.S. $205.8 million [2022 – U.S. $179.8 million] outstanding under the facilities.

Debentures

Convertible Unsecured Subordinated Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the "Convertible Debentures"] of the Company that were outstanding as at June 30, 2023:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par [1]
2021 [AFN.DB.I]	114,995,000 [2]	5.00%	45.14	Jun 30, 2027	Jun 30, 2026
2022 [AFN.DB.J]	103,900,000	5.20%	70.50	Dec 31, 2027	Dec 31, 2026

[1] In the twelve-month period prior to the date on which the Company may, at its option, redeem any series of Convertible Debentures at par plus accrued and unpaid interest, such Convertible Debentures may be redeemed, in whole or in part, at the option of the Company at a redemption price equal to the principal amount plus accrued and unpaid interest.
[2] During the six-month period ended June 30, 2023, a holder of the 2021 Convertible Debentures converted $0.005 million of the principal amount outstanding into common shares of AGI.

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

Issuance of 2022 Convertible Debentures

On April 19, 2022, AGI closed the offering of $100 million aggregate principal amount of convertible unsecured subordinated debentures [the “2022 Convertible Debentures”] at a price of $1,000 per 2022 Convertible Debenture. On May 6, 2022, pursuant to the exercise of the underwriter’s over-allotment option, AGI issued an additional $3.9 million of 2022 Convertible Debentures for total gross proceeds from the offering to AGI of $103.9 million.

Redemption of 2018 Convertible Debentures

Concurrent with the announcement of the offering of the 2022 Convertible Debentures, AGI gave notice of its intention to redeem its 4.50% convertible unsecured subordinated debentures due December 31, 2022 [the “2018 Convertible Debentures”]. Upon redemption on May 22, 2022, AGI paid to the holders of the 2018 Convertible Debentures the redemption price equal to the outstanding principal amount, together with all accrued and unpaid interest thereon.

Senior Unsecured Subordinated Debentures

The following table summarizes the key terms of the Senior Unsecured Subordinated Debentures [the “Senior Debentures”] that were outstanding as at June 30, 2023:

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

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

COMMON SHARES

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

	# Common Shares
December 31, 2022	**18,900,958**
Settlement of EIAP obligations	102,805
Conversion of 2021 Convertible Debentures	110
June 30, and August 10, 2023	**19,003,873**

At August 10, 2023:

- 19,003,873 Common Shares are outstanding;
- 2,265,000 Common Shares are available for issuance under the Company's equity-settled Equity Incentive Award Plan [the “EIAP”], of which 1,104,464 Common Shares have been

issued under the EIAP and, 540,944 Common Shares are issuable pursuant to outstanding awards and 619,592 are available for grant;

- 120,000 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan, of which 19,788 Common Shares have been issued and;
- 4,021,279 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of $218.9 million outstanding.

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

DIVIDENDS

AGI declared dividends of $2.8 million or $0.15 per common share [2022 – $2.8 million or $0.15 per common share] in the three-month period ended June 30, 2023. The dividend declared in Q2 2023 was paid on July 15, 2023 to common shareholders of record at the close of business on June 30, 2023. Dividends paid to common shareholders of $2.8 million [2022 – $2.8 million] during the three-month period ended June 30, 2023 were financed from cash on hand.

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 senior credit facilities.

CASH PROVIDED BY OPERATIONS, FUNDS FROM OPERATIONS AND PAYOUT RATIOS

[thousands of dollars except percentages]	Six-months ended June 30		Last Twelve-months ended June 30	
	2023 $	2022 $	2023 $	2022 $
Cash provided by operations	63,614	82,274	154,969	113,806
Items not involving current cashflows	(23,920)	(63,946)	(178,916)	(120,407)
Profit (loss) before income taxes	**39,694**	**18,328**	**(23,947)**	**(6,601)**
Combined adjustments to Adjusted EBITDA [1]	96,592	89,071	287,517	204,986
Adjusted EBITDA [2]	**136,286**	**107,399**	**263,570**	**198,385**
Interest expense	(36,018)	(27,675)	(69,410)	(50,627)
Non-cash interest	4,668	4,929	9,459	8,309
Cash taxes	(7,055)	(6,720)	(12,719)	(13,136)
Maintenance capital expenditures [3]	(5,746)	(4,274)	(15,308)	(8,636)
Funds from operations [2]	**92,135**	**73,659**	**175,592**	**134,295**
Dividends [5]	5,694	5,650	11,359	11,286
Payout Ratio [3] from cash provided by operations	**9%**	**7%**	**7%**	**10%**
Payout Ratio [4] from funds from operations	**6%**	**8%**	**6%**	**8%**

[1] See "Profit (loss) before income taxes and Adjusted EBITDA".

[2] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[3] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each supplementary financial measure.
[4] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.
[5] Dividends declared

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.

In 2023, the Company entered into a series of short-term forward contracts with notional amounts of U.S. $10.8 million in aggregate, which mature on or before February 12, 2024. During the three-month period ended June 30, 2023, an unrealized gain of $0.03 million was recorded in loss (gain) on financial instruments.

Interest Rate Swaps

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

	Currency	Effective	Maturity	Amount of Swap [000's] $	Fixed Rate [1]
Canadian dollar contracts	CAD	June 11, 2023	2026	75,000	3.972 %

[1] Excludes performance adjustment.

On June 16, 2022, the Company entered into a forward interest rate swap contract starting June 11, 2023 and expiring on May 11, 2026. The Company will receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 3.972%. The notional amounts are $75 million in aggregate, resetting the last business day of each month. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that it has been assessed to be effective. During the three-month period ended June 30, 2023, an unrealized gain of $2.2 million was recorded in other comprehensive income (loss). As at June 30, 2023, the fair value of the interest swap was an asset of $1.4 million [2022 – liability of $1.1 million].

Equity swap

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at June 30, 2023, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on May 7, 2024. During the three-month period ended June 30, 2023, an unrealized loss of $7.7 million [2022 – loss of $9.7 million] was recorded in loss on financial instruments in other operating expense (income). As at June 30, 2023, the fair value of the equity swap was an asset of $8.6 million [2022 – liability of $6.5 million].

Debenture put options

In March 2020, the Company issued $85 million of senior unsecured subordinated debentures with an option of early redemption beginning December 31, 2022. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $0.8 million. During the three-month period ended June 30, 2023, the Company recorded an unrealized loss of $0.5 million [2022 – loss of $0.3 million], on financial instruments in other operating income. As at June 30, 2023, the fair value of the embedded derivative was an asset of $0.1 million [2022 – asset of $0.04 million].

2022 ACQUISITION

Eastern Fabricators

On January 4, 2022, AGI acquired Eastern Fabricators ("Eastern"). Eastern specializes in the engineering, design, fabrication, and installation of high-quality stainless-steel equipment and systems for food processors. Eastern operates three facilities in Canada with two in Prince Edward Island and one in Ontario. Eastern serves a range of customers across North America and has developed strong relationships with some of the world's largest multinational food processors. Consideration for the acquisition included an upfront purchase price of $29.3 million paid on closing plus working capital adjustments of $2.9 million and the potential for an additional $7.4 million in post-closing payments based on the achievement of financial targets in future years. The acquisition was funded primarily through AGI's senior debt facilities.

OTHER RELATIONSHIPS

A law firm in which a Director of AGI is a partner provides legal services to the Company. During the three-month period ended June 30, 2023, the total cost of these legal services was $0.4 million [2022 – $0.1 million], and $0.4 million is included in accounts payable and accrued liabilities as at June 30, 2023.

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 2022 consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the 2022 consolidated financial statements for a discussion of the significant accounting judgments, estimates and assumptions. In addition, the provision for remediation [see – "Remediation costs and equipment rework"] required significant estimates and judgments about the scope, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company.

RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR+ [www.sedarplus.ca]. These risks and uncertainties include but are not limited to the following: general economic and business conditions and changes in international,

national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, including as a result of the conflict between Russia and Ukraine and the response thereto from other countries and institutions (including trade sanctions and financial controls), which has created volatility in the global economy and could continue to adversely impact economic and trade activity; the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the coronavirus (COVID-19) pandemic, including on our operations, our personnel, our supply chain, the demand for our products and services, our ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels; the ability of management to execute the Company's business plan; fluctuations in agricultural and other commodity prices, interest rates, inflation rates and currency exchange rates; crop planting, crop conditions and crop yields; weather patterns, the timing of harvest and conditions during harvest; volatility of production costs, including the risk of production cost increases that may arise as a result of ongoing high inflation rates and/or supply chain disruptions, and the risk that we may not be able to pass along all or any portion of increased costs to customers; governmental regulation of the agriculture and manufacturing industries, including environmental and climate change regulation; actions taken by governmental authorities, including increases in taxes, changes in government regulations and incentive programs, and actions taken in connection with local or global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the COVID-19 pandemic; risks inherent in marketing operations; credit risk; the availability of credit for customers; seasonality and industry cyclicality; potential delays or changes in plans with respect to capital expenditures; the cost and availability of sufficient financial resources to fund the Company's capital expenditures; failure of the Company to realize the benefits of its operational excellence initiatives; incorrect assessments of the value of acquisitions, failure of the Company to realize the anticipated benefits of acquisitions, including to realize anticipated synergies and margin improvements, and the assumption of liabilities associated with acquisitions and/or the provision of indemnities to vendors in respect of any such assumed liabilities or otherwise; volatility in the stock markets including the market price of the Common Shares and in market valuations; competition for, among other things, customers, supplies, acquisitions, capital and skilled personnel; the availability of capital on acceptable terms; dependence on suppliers; changes in labour costs and the labour market, including the risk of labour cost increases that may arise as a result of ongoing high inflation rates and/or a scarcity of labour; the impact of climate change and related laws and regulations; changes in trade relations between the countries in which the Company does business, including between Canada and the United States; cyber security risks; adjustments to and delays or cancellation of order book; the requirement to re-supply equipment or re-complete work previously supplied or completed at AGI's cost, and the risk that AGI's assumptions and estimates made in respect of such costs and underlying the provision for warranty accrual and remediation in our consolidated financial statements related thereto and insurance coverage therefor (including for the matters disclosed herein under "Remediation costs and equipment rework") will prove to be incorrect as further information becomes available to AGI; and the risk of litigation or unsuccessful defense of litigation in respect of equipment or work previously supplied or completed or in respect of other matters and the risk that AGI incurs material liabilities in connection with such litigation that are not covered by insurance in whole or in part. 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.

Russia-Ukraine Conflict

AGI's exposure to Russia and Ukraine varies year-to-year. Prior to 2022, the region generally contributed about 3% of AGI's consolidated sales annually. AGI has no production facilities in either country. Given the contributions of Brazil, India, and the rest of the EMEA region, AGI is more diversified from the region than we were in years past. While the region is important to AGI, any negative impacts have not been material to AGI overall.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in AGI's internal controls over financial reporting that occurred in the three-month period ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A makes reference to certain specified financial measures, including non-IFRS financial measures, non-IFRS ratios and supplementary financial measures. Management uses these financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These specified financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement our financial information reported under IFRS by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use the following (i) non-IFRS financial measures: "adjusted earnings before interest, taxes, depreciation, and amortization ("Adjusted EBITDA")", "adjusted gross margin", "funds from operations", and "adjusted profit"; (ii) non-IFRS ratios: "Adjusted EBITDA margin %", "adjusted gross margin as a % of sales", "gross profit as a % of sales", "diluted adjusted profit per share" and "payout ratio"; and (iii) supplementary financial measures: "order book", "sales by geography", "sales by segment and geography", "maintenance capital expenditures" and "non-maintenance capital expenditures"; to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS financial measures, non-IFRS ratios and supplementary financial measures in order to prepare annual operating budgets and to determine components of management compensation. 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 or ratio.

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

In this MD&A, we discuss the specified 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.

The following is a list of non-IFRS financial measures, non-IFRS ratios and supplementary financial measures that are referenced throughout this MD&A:

"Adjusted EBITDA" is defined as profit (loss) before income taxes before finance costs, depreciation and amortization, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A recovery or expenses, transaction, transitional and other costs, net gain or loss on the sale of property, plant & equipment, equipment rework, remediation, accounts receivable reserve for RUK, non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and impairment charge. Adjusted EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit (loss) before income taxes. Management believes Adjusted EBITDA is a useful measure to assess the performance and cash flow of the Company as it excludes the effects of interest, taxes, depreciation, amortization and expenses that management believes are not reflective of the Company's underlying business performance. Management cautions investors that 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 "Detailed Operating Results – Profit (loss) before income taxes and Adjusted EBITDA" for the reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the current and comparative periods. Adjusted EBITDA guidance is a forward-looking non-IFRS financial measure. We do not provide a reconciliation of such forward-looking measure to the most directly comparable financial measure calculated and presented in accordance with IFRS due to unknown variables and the uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value that may be inherently difficult to determine without unreasonable efforts. Guidance for Adjusted EBITDA is calculated in the same manner as described above for historical Adjusted EBITDA, as applicable.

"Adjusted EBITDA margin %" is defined as Adjusted EBITDA divided by sales. Adjusted EBITDA margin % is a non-IFRS ratio because one of its components, Adjusted EBITDA, is a non-IFRS financial measure. Management believes Adjusted EBITDA margin % is a useful measure to assess the performance and cash flow of the Company.

"Adjusted gross margin" is defined as gross profit less equipment rework, remediation, fair value of inventory from acquisitions and depreciation and amortization. Adjusted gross margin is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is gross profit. Management believes that adjusted gross margin is a useful measure to assess the performance of the Company as it excludes the effects of non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and depreciation and amortization. See "Detailed Operating Results – Gross Profit and Adjusted Gross Margin" for the reconciliation of adjusted gross margin to gross profit for the current and comparative periods.

"Adjusted Gross Margin as a % of sales" is defined as adjusted gross margin divided by sales. Adjusted gross margin as a % of sales is a non-IFRS ratio because one of its components, adjusted gross margin, is a non-IFRS financial measure. Management believe adjusted gross margin as a % of sales is a useful measure to assess the performance of the Company.

"Adjusted profit" is defined as profit or loss adjusted for gain or loss on foreign exchange, gain or loss on financial instruments, M&A recovery or expenses, transaction, transitional and other costs, net gain or loss on the sale of property, plant & equipment, equipment rework, remediation, accounts receivable reserve for RUK, non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and impairment charge. Adjusted profit is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit or loss. Management believes adjusted profit is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performances.

See "Detailed Operating Results – Diluted (loss) profit per share and diluted adjusted profit per share" for the reconciliation of adjusted profit to profit (loss) for the current and comparative periods.

"Diluted adjusted profit per share" is defined as adjusted profit divided by the total weighted average number of outstanding diluted shares of AGI at the end of the most recently completed quarter for the relevant period. Diluted adjusted profit per share is a non-IFRS ratio because one of its components, adjusted profit, is a non-IFRS financial measure. Management believes diluted adjusted profit per share is a useful measure to assess the performance of the Company.

"Funds from operations" is defined as cash provided by operations adjusted for items not involving current cashflows, combined adjustments to Adjusted EBITDA, interest expense, non-cash interest, cash taxes and maintenance capital expenditures. Funds from operations is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is cash provided by operations. Management believes that, in addition to cash provided by operations, funds from operations provides a useful supplemental measure in evaluating the Company's performance and liquidity. 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. See "CASH PROVIDED BY OPERATIONS, FUNDS FROM OPERATIONS AND PAYOUT RATIOS" for the reconciliation of funds from operations to cash provided by operations for the current and comparative periods and see also "Adjusted EBITDA" above and "Detailed Operating results – Profit (loss) before income taxes and Adjusted EBITDA" for the "combined adjustments to Adjusted EBITDA" for the current and comparative periods.

"Gross Profit as a % of sales" is defined as gross profit divided by sales. Gross profit as a % of sales is a supplementary financial measure.

"Maintenance capital expenditures" and "non-maintenance capital expenditures" are both components of the Company's "Acquisition of property, plant and equipment". Management defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels and non-maintenance capital expenditures as other investments, including cash outlays required to increase operating capacity or improve operating efficiency. Both "maintenance capital expenditures" and "non-maintenance capital expenditures" are supplementary financial measures. Management believes that in addition to acquisition of property, plant and equipment, maintenance capital expenditures and non-maintenance capital expenditures provide a useful supplemental measure in evaluating the Company's performance. See "Cash Flow and Liquidity - Capital Expenditures" for the reconciliation of maintenance capital expenditures and non-maintenance capital expenditures to acquisition of property plant and equipment for the current and comparative periods.

"Order book" is defined as the total value of committed sales orders that have not yet been fulfilled that: (a) have a high certainty of being performed as a result of the existence of a purchase order, an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to the Company or its divisions, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Order book is a supplementary financial measure. AGI previously used the term 'backlogs' instead of 'order book", however there has been no change to the definition or underlying calculation.

"Payout ratio" is defined as either cash provided by operations or funds from operations for the relevant period divided into the dividends declared during such period. "Payout ratio from cash provided by operations" is a supplementary financial measure. "Payout ratio from funds from operations" is a non-

IFRS ratio because one of its components, funds from operations, is a non-IFRS financial measure. Management believes payout ratio is a useful measure to assess the performance and liquidity of the Company and as an indicator of the sustainability of AGI's dividend.

"Sales by Geography" and "Sales by Segment and Geography": The sales information presented under "Sales by Geography" and "Sales by Segment and Geography" are supplementary financial measures used to present the Company's sales by geography and by segment and geography.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "anticipate", "estimate", "believe", "continue", "could", "expects", "intend", "trend", "plans", "will", "may" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to: our organic growth prospects; the ability of our operational excellence initiatives to create a more efficient organization including the effective management of input costs through centralized procurement strategies and manufacturing efficiencies; our expectations for continued growth in 2023; our expectation for the strong growth trajectory in the Farm segment to continue through 2023 and our optimistic outlook for the Commercial segment; our expectation that the momentum in Canadian Farm segment sales in the first half of 2023 will carry through the second half of 2023, particularly Q3; our expectation that customer appetite for investment in permanent grain handling and storage solutions in the U.S. Farm segment will return to normalized levels in the second half of 2023; our expectation for higher U.S. crop production year-over-year and that demand for portable equipment in the U.S. Farm segment will be sustained; the expectation of another record year for Brazilian crop production; our expectation that the Company's diversification strategies with regional production will ensure AGI's ability to meet growing customer demand efficiently in the Asia Pacific Farm segment; our expectation that the slowdown in the Canadian Commercial segment will be temporary; our expectation for a turnaround in the South America Commercial segment in H2 2023; our favorable outlook for the EMEA Commercial segment; our ability to build our order book; our outlook for our financial and operating performance in fiscal 2023, including by segment, product type and geographic region, and including our expectations for our future financial results (including our forecast for full year 2023 Adjusted EBITDA and Adjusted EBITDA margin %), industry demand, market conditions, and industry and market trends; our business strategies and strategic priorities; the long-term fundamentals and growth drivers of our business; the estimated costs to the Company that may result from the remediation work associated with the bin collapse incident described herein, including our belief that any financial impact will be at least partially offset by insurance coverage; the estimated costs to the Company from ongoing equipment rework; that in the longer-term we will be able to lessen the seasonality of our business; our belief that our debt facilities and debentures, together with available cash and internally generated funds, are sufficient to support our working capital, capital expenditure, dividend and debt service requirements; the factors that may impact our working capital requirements; and our dividend policy and how dividend payments may be funded. 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 crop yields and production in our market areas; the financial and operating attributes of acquired businesses and the anticipated future performance thereof; the value of acquired businesses and assets and the liabilities assumed (and indemnities provided) by AGI in connection therewith; anticipated financial performance; future debt levels; business prospects and strategies, including the success of our operational excellence initiatives; product and input pricing; the scope, nature, timing and cost of re-supplying certain equipment and re-completing certain work that has previously been supplied or completed pursuant to warranty obligations or otherwise; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; currency exchange rates, inflation rates and interest rates; the cost of materials, labour and services and the impact of inflation rates and/or supply chain disruptions thereon; 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 amount and timing of the dividends that we expect to pay; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; the ability of the Company to successfully market its products and services; and that the COVID-19 pandemic will not have a material impact on our business, operations, and financial results going forward. 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. These risks and uncertainties are described under “Risks and Uncertainties” in this MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR+ [www.sedarplus.ca]. 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. Further, AGI cannot guarantee that the anticipated revenue from its order book will be realized or, if realized, will result in profits or Adjusted EBITDA. Delays, cancellations and scope adjustments occur from time-to-time with respect to contracts reflected in AGI’s order book, which can adversely affect the revenue and profit that AGI actually receives from its order book. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. Without limitation of the foregoing, the provision for remediation related to the bin collapse incident disclosed herein required significant estimates and judgments about the scope, nature, timing and cost of work that will be required. It is based on management’s assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

FINANCIAL OUTLOOK

Also included in this MD&A are estimates of AGI’s 2023 Adjusted EBITDA and Adjusted EBITDA margin %, which are based on, among other things, the various assumptions disclosed in this MD&A including under "Forward-Looking Information" and including our assumptions regarding the Adjusted EBITDA contribution that AGI anticipates receiving from revenue growth in 2023 in part as a result of the 3% YOY increase in AGI's order books at June 30, 2023 and the benefits of operational excellence initiatives including the effective management of input costs through centralized procurement strategies and manufacturing efficiencies as well as SG&A reduction initiatives. To the extent such estimates constitute financial outlooks, they were approved by management on August 10, 2023 and are included to provide readers with an understanding of AGI's anticipated 2023 Adjusted EBITDA and

Adjusted EBITDA margin % based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

RECONCILIATION OF ADJUSTED EBITDA TO PROFIT (LOSS) BEFORE INCOME TAXES FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

The following table reconciles profit (loss) before income taxes to Adjusted EBITDA for the years ended December 31, 2022 and 2021:

	Year ended December 31	
[thousands of dollars]	2022 $	2021 $
Profit (loss) before income taxes	**(45,313)**	**9,383**
Finance costs	61,067	43,599
Depreciation and amortization	76,945	62,049
Share of associate's net loss [1]	—	1,077
Revaluation gains [1]	—	(6,778)
Loss on foreign exchange [2]	8,941	2,992
Share-based compensation [3]	15,620	8,551
Gain on financial instruments [4]	(9,629)	(1,382)
Mergers and acquisition expense (recovery) [5]	(144)	3,035
Change in estimate on variable considerations [6]	—	11,400
Transaction, transitional and other costs [7]	44,301	12,058
Net loss on disposal of property, plant and equipment	339	23
Loss (gain) on settlement of lease liability	1	(17)
Equipment rework [8]	6,100	10,000
Remediation [8]	—	16,100
Foreign exchange reclassification on disposal of foreign operation	—	(898)
Fair value of inventory from acquisition [9]	609	—
Impairment charge [10]	75,846	5,074
Adjusted EBITDA [11]	**234,683**	**176,266**

[1] See "Share of associate's net loss and revaluation gains" in our MD&A and consolidated financial statements for the year ended December 31, 2022 ("2022 Statements").
[2] See "Note 26 [e] - Other expenses (income)" in our 2022 Statements.
[3] The Company's share-based compensation expense pertains to our equity incentive award plan ("EIAP") and directors' deferred compensation plan ("DDCP"). See "Note 25 – Share-based compensation plans" in our 2022 Statements.
[4] See "Equity swap" in our 2022 Statements.
[5] Transaction (recoveries) costs associated with completed and ongoing mergers and acquisitions activities.
[6] The result of a change in management estimate on variable considerations for a one-time sales concessions related to previous sales contracts.
[7] Includes legal expense, legal provision, the net impact of sales reversal as a result of the Russia-Ukraine conflict, transitional costs related to the Digital segment reorganization, restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[8] See "Remediation costs and equipment rework" in our 2022 Statements.
[9] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[10] Impairment charge is a result of impairment charges related to the reorganization of the Company's Digital segment and write-down in property, plant and equipment. See "Note 12 - Property, plant and equipment", "Note 13 - Right-of-use assets", "Note 14 – Goodwill", "Note 15 – Intangible assets" and "Note 16 – Impairment testing" in our 2022 Statements.
[11] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

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.sedarplus.ca].

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

June 30, 2023

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	June 30, 2023 $	December 31, 2022 $
Assets		
Current assets		
Cash and cash equivalents	**70,683**	59,644
Restricted cash	**2,155**	3,110
Accounts receivable	**285,990**	220,861
Inventory	**252,053**	279,318
Prepaid expenses and other assets	**53,078**	60,171
Current portion of notes receivable	**5,664**	5,791
Current portion of derivative instruments *[note 14]*	**8,771**	—
Income taxes recoverable	**12,978**	13,951
	691,372	642,846
Non-current assets		
Property, plant and equipment, net	**328,059**	336,385
Right-of-use assets, net	**33,138**	31,360
Goodwill	**340,676**	342,983
Intangible assets, net	**220,160**	225,879
Non-current accounts receivable	**50,848**	46,116
Notes receivable	**264**	264
Derivative instruments *[note 14]*	**1,591**	3,901
Deferred tax asset	**7,661**	4,112
	982,397	991,000
Assets held for sale *[note 5]*	**5,128**	12,205
Total assets	**1,678,897**	1,646,051
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**213,548**	236,111
Customer deposits	**85,108**	80,013
Dividends payable	**2,851**	2,835
Income taxes payable	**4,952**	6,667
Current portion of due to vendor	**4,904**	5,214
Current portion of lease liability	**6,065**	5,665
Current portion of long-term debt *[note 7]*	**449**	479
Current portion of senior unsecured subordinated debentures *[note 14]*	**85,427**	—
Provisions *[note 6]*	**80,551**	75,233
	483,855	412,217
Non-current liabilities		
Other financial liabilities	**850**	590
Derivative instruments *[note 14]*	**—**	352
EIAP liability	**1,134**	1,371
Due to vendor	**1,183**	5,754
Lease liability	**35,099**	33,482
Long-term debt *[note 7]*	**462,790**	440,459
Convertible unsecured subordinated debentures *[note 14]*	**186,771**	183,481
Senior unsecured subordinated debentures *[note 14]*	**168,309**	252,750
Deferred income tax liability	**52,576**	49,925
	908,712	968,164
Total liabilities	**1,392,567**	1,380,381
Shareholders' equity *[note 8]*		
Common shares	**10,285**	9,644
Accumulated other comprehensive income	**15,830**	15,116
Equity component of convertible debentures	**22,868**	22,851
Contributed surplus	**494,554**	501,741
Deficit	**(257,207)**	(283,682)
Total shareholders' equity	**286,330**	265,670
Total liabilities and shareholders' equity	**1,678,897**	1,646,051

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 (loss)

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

	Three-month period ended		Six-month period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	$	$	$	$
Sales *[note 4]*	390,269	389,943	737,285	681,974
Cost of goods sold *[note 10[a]]*	272,307	278,838	512,889	486,273
Gross profit	117,962	111,105	224,396	195,701
Expenses				
Selling, general and administrative *[note 10[b]]*	82,402	76,643	167,181	150,122
Other operating expense (income) *[note 10[c]]*	5,176	8,318	(9,964)	(1,943)
Impairment charge	601	—	791	23
Finance costs *[note 10[d]]*	18,337	16,182	36,018	27,675
Finance expense (income) *[note 10[e]]*	(6,622)	12,224	(9,324)	1,496
	99,894	113,367	184,702	177,373
Profit (loss) before income taxes	18,068	(2,262)	39,694	18,328
Income tax expense (recovery) *[note 11]*				
Current	1,185	6,773	6,063	8,732
Deferred	788	(4,120)	1,179	(660)
	1,973	2,653	7,242	8,072
Profit (loss) for the period	16,095	(4,915)	32,452	10,256
Profit (loss) per share *[note 12]*				
Basic	0.85	(0.26)	1.71	0.54
Diluted	0.81	(0.26)	1.63	0.53

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income (loss)

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	$	$	$	$
Profit (loss) for the period	16,095	(4,915)	32,452	10,256
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 gain (loss)	2,161	(1,011)	1,802	(1,011)
Income tax effect on cash flow hedges	(578)	268	(483)	268
Exchange differences on translation of foreign operations	(7,295)	2,510	(807)	7,072
	(5,712)	1,767	512	6,329
Items that will not be reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plans	34	(373)	276	632
Income tax effect on defined benefit plans	(10)	99	(74)	(167)
	24	(274)	202	465
Other comprehensive income (loss) for the period	(5,688)	1,493	714	6,794
Total comprehensive income (loss) for the period	10,407	(3,422)	33,166	17,050

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders’ equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2023

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency translation reserve $	Cash flow hedge reserve $	Defined benefit plan reserve $	Equity investment $	Total shareholders' equity $
As at January 1, 2023	9,644	22,851	501,741	(283,682)	13,767	(259)	2,508	(900)	265,670
Profit for the period	—	—	—	32,452	—	—	—	—	32,452
Other comprehensive income (loss)	—	—	—	—	(807)	1,319	202	—	714
Share-based payment transactions *[notes 8[a] and [b]]*	636	—	(7,187)	—	—	—	—	—	(6,551)
Dividends paid and payable to shareholders *[note 8[c]]*	—	—	—	(5,694)	—	—	—	—	(5,694)
Dividends on share-based compensation awards *[note 8[c]]*	—	—	—	(283)	—	—	—	—	(283)
Conversion of 2021 convertible debentures *[note 8[a]]*	5	17	—	—	—	—	—	—	22
As at June 30, 2023	10,285	22,868	494,554	(257,207)	12,960	1,060	2,710	(900)	286,330

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2022

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency translation reserve $	Cash flow hedge reserve $	Defined benefit plan reserve $	Equity investment $	Total shareholders' equity $
As at January 1, 2022	5,233	12,905	494,684	(221,272)	(23,271)	—	1,372	(900)	268,751
Profit for the period	—	—	—	10,256	—	—	—	—	10,256
Other comprehensive income (loss)	—	—	—	—	7,072	(743)	465	—	6,794
Share-based payment transactions *[notes 8[a] and [b]]*	3,199	—	(843)	—	—	—	—	—	2,356
Dividends paid and payable to shareholders *[note 8[c]]*	—	—	—	(5,663)	—	—	—	—	(5,663)
Dividends on share-based compensation awards *[note 8[c]]*	—	—	—	(317)	—	—	—	—	(317)
Issuance of convertible debentures	—	11,379	—	—	—	—	—	—	11,379
Redemption of convertible unsecured subordinated debentures *[note 8[b]]*	—	(1,433)	507	—	—	—	—	—	(926)
As at June 30, 2022	8,432	22,851	494,348	(216,996)	(16,199)	(743)	1,837	(900)	292,630

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, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	$	$	$	$
Operating activities				
Profit (loss) before income taxes	**18,068**	(2,262)	**39,694**	18,328
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	**7,056**	6,858	**14,209**	13,964
Depreciation of right-of-use assets	**1,855**	1,702	**3,535**	3,300
Amortization of intangible assets	**7,032**	10,320	**13,771**	20,728
Loss on sale of property, plant and equipment	**19**	382	**193**	296
Loss on sale of assets held for sale	**—**	—	**25**	—
Gain on settlement of lease liability	**(7)**	—	**(7)**	—
Gain on redemption of convertible debentures	**—**	(584)	**—**	(584)
Impairment charge	**601**	—	**791**	23
Non-cash component of interest expense	**2,374**	2,411	**4,668**	4,929
Non-cash movement in derivative instruments	**8,184**	10,019	**(5,020)**	1,339
Non-cash investment tax credits	**(10)**	(1,207)	**(113)**	(1,243)
Share-based compensation expense	**2,038**	2,897	**6,306**	5,615
Defined benefit plan expense (income)	**(6)**	20	**(12)**	40
Due to vendor, optionally convertible redeemable preferred shares and transaction cost payable	**(12,212)**	2,571	**(10,401)**	6,057
Translation loss (gain) on foreign exchange	**(6,301)**	5,735	**(4,025)**	9,482
	28,691	38,862	**63,614**	82,274
Changes in non-cash working capital balances related to operations *[note 13]*	**(3,976)**	(44,264)	**(35,353)**	(123,809)
Transfer from (to) restricted cash	**166**	1,356	**928**	(70)
Non-current accounts receivable	**(5,863)**	1,528	**(4,732)**	(7,453)
Long-term payables	**52**	27	**274**	141
Settlement of EIAP obligation	**(4,801)**	(102)	**(14,009)**	(2,345)
Post-combination payments	**(1,399)**	—	**(2,399)**	(1,667)
Income taxes refunded (paid)	**1,095**	(1,326)	**(7,055)**	(6,720)
Cash provided by (used in) operating activities	**13,965**	(3,919)	**1,268**	(59,649)
Investing activities				
Acquisitions, net of cash acquired	**—**	—	**—**	(28,162)
Acquisition of property, plant and equipment	**(2,888)**	(6,050)	**(9,520)**	(10,533)
Proceeds from sale of property, plant and equipment	**223**	1,078	**315**	1,313
Proceeds from sale of assets held for sale *[note 5]*	**501**	—	**9,321**	—
Development and purchase of intangible assets	**(3,351)**	(4,908)	**(9,230)**	(8,090)
Cash used in investing activities	**(5,515)**	(9,880)	**(9,114)**	(45,472)
Financing activities				
Draw from senior credit facilities, net of costs	**9,991**	68,103	**35,717**	129,039
Repayment of long-term debt	**(142)**	(57,160)	**(230)**	(57,382)
Change in swing-line facilities	**(9,592)**	(4,695)	**(7,359)**	24,332
Repayment of obligation under lease liabilities	**(1,833)**	(1,650)	**(3,387)**	(2,968)
Non-cash change in interest accrued	**(6,200)**	(6,127)	**—**	(1,268)
Issuance of convertible unsecured subordinated debentures, net of costs	**—**	99,376	**(178)**	99,162
Redemption of convertible unsecured subordinated debentures	**—**	(86,250)	**—**	(86,250)
Dividends paid in cash *[note 8[c]]*	**(2,843)**	(2,831)	**(5,678)**	(5,650)
Cash provided by (used in) financing activities	**(10,619)**	8,766	**18,885**	99,015
Net increase (decrease) in cash during the period	**(2,169)**	(5,033)	**11,039**	(6,106)
Cash and cash equivalents, beginning of period	**72,852**	60,234	**59,644**	61,307
Cash and cash equivalents, end of period	**70,683**	55,201	**70,683**	55,201
Supplemental cash flow information				
Interest paid	**22,110**	20,735	**31,089**	24,872

See accompanying notes

June 30, 2023

1. Organization

Ag Growth International Inc. ["AGI" or the "Company"] and its subsidiaries are providers of equipment solutions for bulk agriculture commodities, including seed, fertilizer, grain, rice, feed and food processing systems. AGI has manufacturing facilities in Canada, the United States, Brazil, Italy, France and India, and distributes its product globally. 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

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ["IAS"] 34, *Interim Financial Reporting* ["IAS 34"] as issued by the International Accounting Standards Board and using the same accounting policies and methods as were used for the Company's consolidated financial statements and the notes thereto for the year ended December 31, 2022.

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, AGI. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments resulting from business combinations and assets held for sale, 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 International Financial Reporting Standards ["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, 2022, which are available on SEDAR+ at www.sedarplus.ca.

The unaudited interim condensed consolidated financial statements of AGI for the six-month period ended June 30, 2023 were authorized for issuance in accordance with a resolution of the Directors on August 10, 2023.

3. Seasonality of business

Interim period sales and earnings historically reflect some seasonality as the agricultural equipment business is highly seasonal, which causes the Company's quarterly results and its cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in the spring and fall in conjunction with the major planting and harvesting seasons; as a result, the second and third quarters are typically the strongest for sales primarily due to the timing of construction projects and higher in-season demand at the farm level. The Company'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. However, the Company's geographic diversity has increased over time, leading to a more balanced distribution of sales and corresponding collections throughout the year. In addition, the Company's products include various materials and components purchased from others, some or all of which may be subject to wide price variation. Consistent with industry practice, the Company seeks to manage its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis and through the alignment of material input pricing with the terms of contractual sales commitments resulting in significant working capital requirements in the first and second quarters. Historically, the Company's use of its operating facilities is typically highest in the first and second quarters, and declines in the third and fourth quarters as collections of accounts receivable increase.

Conflict between Russia and Ukraine

The conflict between Russia and Ukraine ["RUK"] and the resulting imposition of sanctions and counter-sanctions have caused instability in the global economy. AGI has no production facilities in either country and its exposure to Russia and Ukraine varies year to year. The Company continues to monitor potential impacts of the conflict, including financial impacts, heightened cyber risks and risks of supply chain disruption.

4. Reportable business segment

The Company has identified its reportable segments as Farm and Commercial, each of which is supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ["CODM"] in monitoring segment performance and allocating resources between segments. Discrete financial information, which includes revenue, operating expenses, and assets, is only available at the segments level to the CODM for the purpose of reviewing performance and in determining how resources should be allocated. Certain corporate overheads are included in the segments based on revenue. Taxes and certain other expenses are managed at a consolidated level and are not allocated to the reportable operating segments. The CODM assesses segment performance based on adjusted earnings before income tax, depreciation, and amortization ["Adjusted EBITDA"], which is measured differently than profit (loss) from operations in the unaudited interim condensed consolidated financial statements. Financial information for the comparative period has been restated to reflect the new presentation.

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

The Company's reportable segments can be described as follows:

- Farm: AGI's Farm business includes the sale of grain and fertilizer handling equipment, aeration products and storage bins, primarily to farmers where on-farm storage practices are conducive to the sale of portable handling equipment and smaller diameter storage bins for grain and fertilizer. Included in Farm are grain, seed, and fertilizer handling equipment; aeration products; grain and fuel storage solutions; and grain management technologies.

- Commercial: AGI's Commercial business includes the sale of larger diameter storage bins, high-capacity stationary grain handling equipment, fertilizer storage and handling systems, feed handling and storage equipment, aeration products, hazard monitoring systems, automated blending systems, control systems and food processing solutions. AGI's Commercial customers include large multi-national agri-businesses, grain handlers, regional cooperatives, contractors, food and animal feed manufacturers, and fertilizer blenders and distributors. Commercial equipment is used at port facilities for both the import and export of grains and other agricultural commodities, inland grain terminals, corporate farms, fertilizer distribution sites, ethanol production, oilseed crushing, commercial feed mills, rice mills and flour mills.

The following tables set forth information by segment:

	Three-month period ended		Six-month period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	$	$	$	$
Farm	**233,438**	226,612	**415,820**	377,440
Commercial	**156,831**	163,331	**321,465**	304,534
Sales	**390,269**	389,943	**737,285**	681,974

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

	Three-month period ended June 30, 2023			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	62,764	19,777	(64,473)	18,068
Finance costs	—	—	18,337	18,337
Depreciation and amortization	6,724	7,425	2,282	16,431
Gain on foreign exchange	—	—	(6,533)	(6,533)
Share-based compensation	—	—	2,038	2,038
Loss on financial instruments	—	—	8,184	8,184
Transaction, transitional and other costs[2]	—	—	8,795	8,795
Loss (gain) on sale of property, plant and equipment[3]	(1)	2	11	12
Equipment rework[4]	—	—	4,900	4,900
Remediation[4]	—	—	15,608	15,608
Accounts receivable reserve for RUK	—	1,733	—	1,733
Impairment charge	599	2	—	601
Adjusted EBITDA[5]	70,086	28,939	(10,851)	88,174

	Three-month period ended June 30, 2022[6]			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	41,642	13,524	(57,428)	(2,262)
Finance costs	—	—	16,182	16,182
Depreciation and amortization	9,670	9,513	3	19,186
Loss on foreign exchange	—	—	12,365	12,365
Share-based compensation	—	—	2,897	2,897
Loss on financial instruments	—	—	9,435	9,435
Mergers and acquisitions recovery	—	—	(27)	(27)
Transaction, transitional and other costs[2]	—	—	7,614	7,614
Loss (gain) on sale of property, plant and equipment	(62)	444	—	382
Fair value of inventory from acquisition	—	304	—	304
Adjusted EBITDA[5]	51,250	23,785	(8,959)	66,076

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

	Six-month period ended June 30, 2023			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	94,410	34,224	(88,940)	39,694
Finance costs	—	—	36,018	36,018
Depreciation and amortization	13,262	14,735	4,474	32,471
Gain on foreign exchange	—	—	(9,150)	(9,150)
Share-based compensation	—	—	6,306	6,306
Gain on financial instruments	—	—	(5,020)	(5,020)
Mergers and acquisitions expense	—	—	50	50
Transaction, transitional and other costs[2]	—	—	12,674	12,674
Loss on sale of property, plant and equipment[3]	77	123	11	211
Equipment rework[4]	—	—	4,900	4,900
Remediation[4]	—	—	15,608	15,608
Accounts receivable reserve for RUK	—	1,733	—	1,733
Impairment charge	789	2	—	791
Adjusted EBITDA[5]	108,538	50,817	(23,069)	136,286

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

	Six-month period ended June 30, 2022[6]			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	60,812	23,310	(65,794)	18,328
Finance costs	—	—	27,675	27,675
Depreciation and amortization	19,276	19,302	5	38,583
Loss on foreign exchange	—	—	1,637	1,637
Share-based compensation	—	—	5,615	5,615
Loss on financial instruments	—	—	755	755
Mergers and acquisitions expense	—	—	667	667
Transaction, transitional and other costs[2]	—	—	13,211	13,211
Loss (gain) on sale of property, plant and equipment	(112)	408	—	296
Fair value of inventory from acquisition	—	609	—	609
Impairment charge	23	—	—	23
Adjusted EBITDA[5]	79,999	43,629	(16,229)	107,399

[1] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.
[2] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[3] Includes loss (gain) on settlement of lease liabilities and includes assets held for sale (see Note 5 – Assets held for sale).
[4] See Note 6 – Provisions.
[5] The CODM uses Adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Company's segments. Adjusted EBITDA is defined as net income before depreciation and amortization, financial expenses, operational restructuring costs and other and income taxes. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.
[6] Financial information for the comparative year has been restated to reflect the new presentation.

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

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

	Three-month period ended		Six-month period ended	
	June 30, 2023 $	June 30, 2022 $	June 30, 2023 $	June 30, 2022 $
Canada	**102,836**	100,330	**189,979**	157,043
United States	**171,431**	181,359	**321,776**	320,414
International	**116,002**	108,254	**225,530**	204,517
Total sales	**390,269**	389,943	**737,285**	681,974

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.

5. Assets held for sale

In 2022, in the Farm segment, buildings, land, grounds and equipment in Saskatchewan relating to a facility that closed in 2022 met the definition of assets held for sale and were recorded at the lower of cost and fair value less cost to sell. An impairment charge of $488 was recorded and the carrying amount of $3,401 was recorded as assets held for sale. During the three-month period ended June 30, 2023, an impairment charge of $599 was recorded. As at June 30, 2023, the carrying amount of the assets held for sale is $2,802.

In 2022, in the Commercial segment, a building in Illinois relating to a facility closed in 2020 met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. An impairment charge of $2,994 was recorded and the carrying amount of $8,804 was recorded as assets held for sale. During the six-month period ended June 30, 2023, the assets held for sale were sold for proceeds of $8,820; a net loss of $25 was recorded.

In 2023, in the Farm segment, a building in Illinois met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. An impairment charge of $190 was recorded and the carrying amount of $501 was recorded as assets held for sale. During the three-month period ended June 30, 2023, the asset held for sale was sold for proceeds of $501.

During the three-month period ended June 30, 2023, in the Farm segment, a building in Nebraska met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. As at June 30, 2023, the carrying amount of the assets held for sale is $453.

During the three-month period ended June 30, 2023, in the Commercial segment, a building in Iowa met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. As at June 30, 2023, the carrying amount of the assets held for sale is $1,873.

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

6. Provisions

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

	June 30, 2023 $	December 31, 2022 $
Balance, beginning of period	**75,233**	65,618
Additional provisions recognized	**24,469**	26,465
Amounts utilized	**(19,151)**	(16,850)
Balance, end of period	**80,551**	75,233

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and legal claims related to the incident have been initiated against AGI. As at June 30, 2023, the warranty provision for remediation costs is $55.1 million [December 31, 2022 – $41.5 million], with $2.0 million of the provision having been utilized during the six-month period ended June 30, 2023.

On July 27, 2023, the Company reached a settlement agreement with the customer at the site where the bin collapsed for its claims related to the incident, as a result the increase to expense is $15.6 million.

Management evaluated the impact of this settlement agreement on the Company's financial position and results of operations, taking into account the insurance offset, and believes that the net amount recorded as a remediation expense is a reasonable estimate of the obligations arising from the legal dispute.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at June 30, 2023, the warranty provision for the equipment rework is $6.7 million [December 31, 2022 – $12.9 million], with a $4.9 million provision increase based on revised estimated costs of completion and $11.1 million of the provision having been utilized during the period.

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

7. Long-term debt

	Effective Interest rate %	Maturity	June 30, 2023 $	December 31, 2022 $
Current portion of long-term debt				
Equipment financing	various	various	449	479
			449	479
Non-current portion of long-term debt				
Equipment financing	various	various	1,109	1,309
Senior credit facilities	6.1-8.6	2026	465,804	443,420
			466,913	444,729
Less deferred financing costs			(4,123)	(4,270)
			462,790	440,459
Long-term debt			463,239	440,938

AGI's senior credit facilities of $350 million and U.S. $275 million are inclusive of amounts that may be allocated to the Company's swing-line facilities and can be drawn in Canadian or U.S. funds. AGI has swing-line facilities of $50 million and U.S. $10 million. The senior credit facilities bear interest at BA/SOFR plus 1.2% – 2.75% and prime plus 0.2% – 1.75% per annum based on performance calculations. As at June 30, 2023, there was $193.3 million [December 31, 2022 – $164.7 million] and U.S. $205.8 million [December 31, 2022 – U.S. $205.8 million] outstanding under the facilities.

8. Shareholders' equity

[a] Common shares

	Shares #	Amount $
Balance, January 1, 2022	18,793,570	5,233
Settlement of EIAP obligation	107,388	4,411
Balance, December 31, 2022	18,900,958	9,644
Settlement of EIAP obligation	102,805	636
Conversion of convertible unsecured subordinated debentures	110	5
Balance, June 30, 2023	19,003,873	10,285

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

[b] Contributed surplus

	June 30, 2023 $	December 31, 2022 $
Balance, beginning of period	**501,741**	494,684
Dividends on EIAP	**283**	495
Obligation under EIAP *[note 9[a]]*	**5,463**	13,132
Settlement of EIAP obligation	**(12,933)**	(7,077)
Redemption of convertible unsecured subordinated debentures	—	507
Balance, end of period	**494,554**	501,741

[c] Dividends paid and declared

In the three-month period ended June 30, 2023, the Company declared dividends of $2,851 or $0.15 per common share [2022 – $2,832 or $0.15 per common share] and dividends on share-based compensation awards of $188 [2022 – $130]. In the six-month period ended June 30, 2023, the Company declared dividends of $5,694 or $0.30 per common share [2022 – $5,663 or $0.30 per common share] and dividends on share-based compensation awards of $283 [2022 – $317]. In the three- and six-month periods ended June 30, 2023, dividends paid to common shareholders of $2,843 and $5,678 [2022 – $2,831 and $5,650] were financed from cash on hand.

The dividend was payable on July 15, 2023 to common shareholders of record at the close of business on June 30, 2023.

9. Share-based compensation plans

[a] Equity Incentive Award Plan [“EIAP”]

During the six-month period ended June 30, 2023, 153,038 [2022 – 131,652] Restricted Awards [“RSUs”] were granted and 72,760 [2022 – 240,831] Performance Awards [“PSUs”] were granted. The fair values of the RSUs and the PSUs were based on the share price as at the grant date and the assumption that there will be no forfeitures associated with employee terminations, resignations or retirements. As at June 30, 2023, 540,944 awards have been granted and outstanding under the EIAP.

During the six-month period ended June 30, 2023, AGI expensed $5,226 for the EIAP [2022 – $5,019].

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

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

	EIAP	
	Restricted Awards #	Performance Awards #
Balance, December 31, 2022	360,738	336,891
Granted	153,038	72,760
Vested	(132,818)	(193,909)
Modified	3,394	346
Forfeited	(35,239)	(24,257)
Balance, June 30, 2023	349,113	191,831

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, 2023, expenses (recoveries) of $(132) and $1,080 [2022 – $2 and $595] were recorded for the cash-settled DDCP for non-employee directors in selling, general and administrative expenses and accounts payable and accrued liabilities. The share grants were measured with the contractual agreed amount of service fees for the respective period.

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

10. Other expenses (income)

	Three-month period ended		Six-month period ended	
	June 30, 2023 $	June 30, 2022 $	June 30, 2023 $	June 30, 2022 $
[a] Cost of goods sold				
Depreciation of property, plant and equipment	6,511	6,280	13,027	12,710
Depreciation of right-of-use assets	726	474	1,196	928
Amortization of intangible assets	1,298	4,823	2,430	9,600
Warranty expense	22,222	4,405	24,469	6,734
Cost of inventory recognized as an expense	241,550	262,856	471,767	456,301
	272,307	278,838	512,889	486,273
[b] Selling, general and administrative expenses				
Depreciation of property, plant and equipment	1,033	884	2,138	1,845
Depreciation of right-of-use assets	1,129	1,228	2,339	2,372
Amortization of intangible assets	5,734	5,497	11,341	11,128
Minimum lease payments recognized as lease expense	2	1	5	3
Transaction costs and post-combination expense	8,795	7,587	12,724	13,878
Selling, general and administrative	65,709	61,446	138,634	120,896
	82,402	76,643	167,181	150,122
[c] Other operating expense (income)				
Net loss on disposal of property, plant and equipment[1]	12	382	211	296
Loss (gain) on financial instruments	8,184	9,435	(5,020)	755
Other	(3,020)	(1,499)	(5,155)	(2,994)
	5,176	8,318	(9,964)	(1,943)
[d] Finance costs				
Interest on overdrafts and other finance costs	874	601	1,949	822
Interest, including non-cash interest, on leases	732	514	1,363	1,050
Interest, including non-cash interest, on debts and borrowings	8,425	6,087	16,150	9,733
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures	8,306	8,980	16,556	16,070
	18,337	16,182	36,018	27,675
[e] Finance expense (income)				
Interest income	(89)	(141)	(174)	(141)
Loss (gain) on foreign exchange	(6,533)	12,365	(9,150)	1,637
	(6,622)	12,224	(9,324)	1,496

[1] Includes loss (gain) on settlement of lease liabilities and includes assets held for sale (see Note 5 – Assets held for sale).

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

11. Income taxes

The Company's effective tax rate for the six-month period ended June 30, 2023 was 18.3% [2022 – 44.0%]. The difference between the effective tax rate and the Company's domestic statutory tax rate of 26.8% [2022 – 26.5%] is attributable to unrealized foreign exchange gains (losses), as well as differences in tax rates and deductions allowed in foreign tax jurisdictions.

12. Profit per share

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

	Three-month period ended		Six-month period ended	
	June 30, 2023 $	June 30, 2022 $	June 30, 2023 $	June 30, 2022 $
Profit (loss) attributable to shareholders for basic profit (loss) per share	16,095	(4,915)	32,452	10,256
Convertible debentures	1,668	—	3,326	—
Profit (loss) attributable to shareholders for diluted profit (loss) per share	17,763	(4,915)	35,778	10,256
Basic weighted average number of shares	18,983,081	18,881,043	18,960,135	18,849,414
Dilutive effect of DDCP	100,212	—	100,212	100,212
Dilutive effect of RSUs	349,112	—	332,453	339,635
Dilutive effect of convertible unsecured subordinated debentures	2,547,630	—	2,547,630	—
Diluted weighted average number of shares	21,980,035	18,881,043	21,940,430	19,289,261
Profit (loss) per share				
Basic	0.85	(0.26)	1.71	0.54
Diluted	0.81	(0.26)	1.63	0.53

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

The 2022 convertible debentures were excluded from the calculation of diluted profit per share in the three- and six-month periods ended June 30, 2023 and June 30, 2022 because their effect is anti-dilutive. The 2021 convertible debentures were excluded from the calculation of diluted profit per share in the three- and six-month periods ended June 30, 2022 and the DDCP and RSU were excluded from the calculation of diluted profit per share in the three-month period ended June 30, 2022 because their effect was anti-dilutive.

13. Statement of cash flows

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, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	$	$	$	$
Accounts receivable	**(50,392)**	(37,287)	**(65,129)**	(48,784)
Inventory	**17,896**	(13,415)	**26,696**	(61,248)
Prepaid expenses and other assets	**(1,627)**	(4,549)	**7,831**	(14,593)
Accounts payable and accrued liabilities	**9,352**	18,828	**(15,137)**	6,505
Customer deposits	**9,229**	(6,932)	**5,095**	(4,567)
Provisions	**11,566**	(909)	**5,291**	(1,122)
	(3,976)	(44,264)	**(35,353)**	(123,809)

14. Financial instruments and financial risk management

The Company’s financial assets and liabilities recorded at fair value in the unaudited interim condensed consolidated financial statements have been categorized into three categories based on a fair value hierarchy. Financial assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. During the six-month period ended June 30, 2023 and year ended December 31, 2022, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

The following methods and assumptions were used to estimate the fair value of financial instruments:

[a] Short-term financial instruments

Cash and cash equivalents, restricted cash, accounts receivable, notes receivable, dividends payable, accounts payable and accrued liabilities and due to vendor approximate their carrying amounts largely due to the short-term maturities of these instruments.

[b] Long-term financial 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 valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the liability. The carrying amount and fair value of the Company's long-term debt are as follows:

	June 30, 2023		December 31, 2022	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Interest-bearing loans and borrowings	**463,239**	**463,239**	440,938	440,938
Convertible unsecured subordinated debentures[1]	**186,771**	**167,051**	183,481	157,930
Senior unsecured subordinated debentures	**253,736**	**240,037**	252,750	235,934

[1] Convertible unsecured subordinated debentures, net of deferred fees and equity component.

[c] Derivative financial instruments

Derivatives are marked-to-market at each reporting period and changes in fair value are recognized as a loss (gain) on financial instruments in other operating expense (income). The fair values of interest rate swaps, equity swaps and foreign exchange contracts are determined using discounted cash flow techniques, using Level 2 inputs, including interest rate swap curves, the Company's stock price and foreign exchange rates, respectively. The fair value of the embedded derivative related to the senior unsecured subordinated debentures is determined by the Company's consultants using valuations models, which incorporate various Level 2 inputs including the contractual contract terms, market interest rates and volatility.

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. On June 16, 2022, the Company entered into a forward interest rate swap contract starting June 11, 2023 and expiring on May 11, 2026. The Company will receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 3.97%. The notional amounts are $75,000 in aggregate, resetting the last business day of each month. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that it has been assessed to be effective. During the three- and six-month periods ended June 30, 2023, an unrealized gain of $2,161 and $1,802 [2022 – loss of $1,011 and $1,011] was recorded in other comprehensive income (loss). As at June 30, 2023, the fair value of the interest rate swap was a gain of $1,450 [December 31, 2022 – loss of $352].

Equity swap

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at June 30, 2023, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on May 7, 2024. During the three- and six-month periods ended June 30, 2023, an unrealized loss of $7,689 and gain of $5,285 [2022 – loss of $9,740 and $1,437] was recorded in loss (gain) on financial instruments in other operating expense (income). As at June 30, 2023, the fair value of the equity swap was $8,620 [December 31, 2022 – $3,344].

Foreign exchange

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, 2023, AGI's U.S. dollar denominated debt totaled U.S. $206 million [December 31, 2022 – U.S. $206 million].

During the six-month period ended June 30, 2023, the Company entered into a series of short-term forward contracts with notional amounts of U.S. $10,832 in aggregate, which mature on or before February 12, 2024. During the three- and six-month periods ended June 30, 2023, an unrealized gain of $34 and $151 was recorded in loss (gain) on financial instruments.

Debenture put options

On March 5, 2020, the Company issued the 2020 Debentures with an option of early redemption beginning on and after December 31, 2022. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $754. During the three- and six-month periods ended June 30, 2023, an unrealized loss of $529 and $416 [2022 – loss of $330 and $239] was recorded in loss (gain) on financial instruments in other operating expense (income). As at June 30, 2023, the fair value of the embedded derivative was $141 [December 31, 2022 – $557].

15. 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, 2023, the total cost of these legal services was $18 and $415 [2022 – $52 and $1,595], and $396 is included in accounts payable and accrued liabilities as at June 30, 2023.

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

16. Commitments and contingencies

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

As at June 30, 2023, the Company has commitments to purchase property, plant and equipment of $15,340 [December 31, 2022 – $8,883].

[b] Letters of credit

As at June 30, 2023, the Company has outstanding letters of credit in the amount of $34,030 [December 31, 2022 – $30,591].

[c] Legal actions

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