

AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: August 11, 2021

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated comparative financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2020, the Management's Discussion and Analysis (the "Annual MD&A") of the Company for the year ended December 31, 2020 and the unaudited interim condensed consolidated comparative financial statements of the Company and accompanying notes for the three- and six-month periods ended June 30, 2021. Results are reported in Canadian dollars unless otherwise stated.

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

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

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

SUMMARY OF RESULTS

[thousands of dollars except per share amounts]	Three-months Ended June 30			
	2021 \$	2020 \$	Change \$	Change %
Trade sales ^{[1][2]}	301,592	261,420	40,172	15%
Adjusted EBITDA ^{[1][3]}	46,232	44,094	2,138	5%
Adjusted EBITDA Margin % ^{[1][3]}	15.3%	16.9%	(1.6%)	(9%)
Profit (loss)	14,276	14,472	(196)	(1%)
Diluted profit (loss) per share	0.76	0.76	-	-
Adjusted profit ^[1]	16,468	11,965	4,503	38%
Diluted adjusted profit per share ^{[1][4]}	0.85	0.63	0.22	35%

[1] See "Non-IFRS Measures".

[2] See "OPERATING RESULTS – Trade Sales".

[3] See "OPERATING RESULTS – EBITDA and Adjusted EBITDA".

[4] See "OPERATING RESULTS – Diluted profit (loss) per share and diluted adjusted profit per share".

Continued strong demand for AGI Farm products coupled with solid operational performance across all regions resulted in another strong quarter with consolidated trade sales and adjusted EBITDA up 15% and 5% year-over-year ('YOY'), respectively, for the three-months ended June 30, 2021. Consolidated backlogs continued to remain strong up 69% over June 30, 2020 with broad-based strength across all segments and geographies.

Farm segment trade sales and adjusted EBITDA grew 17% and 26% YOY, respectively, for the three-months ended June 30, 2021, as demand for both portable and permanent handling equipment from our Farm customers remains strong. Strong adjusted EBITDA was the result of favourable product mix, sales volume, a disciplined effort on cost containment, and pricing action. The demand for the Farm segment equipment continues to be very robust as customers focus on securing critical products in advance of an anticipated increase in crop volumes and the potential for supply chain disruption. Farm backlog is up 90% over prior year as of June 30, 2021.

Commercial segment trade sales and adjusted EBITDA grew 11% and declined 22% YOY, respectively, for the three-months ended June 30, 2021, with strength in the U.S., Asia Pacific, and South America markets offsetting some softness in the Canadian market as well as timing of projects in the EMEA region. The 22% decline in adjusted EBITDA is due to rising input costs including materials, labour, and freight as well as timing on a number of international projects. The Food platform continues to be a strong contributor with trade sales up 49% YOY, led by the U.S. market with 92% YOY trade sales growth. As of June 30, 2021, Commercial segment backlog is up 59% over prior year with the Commercial platform and Food platform contributing 41% and 175% increases, respectively.

In our Technology segment, the second quarter was marked by significant progress on a variety of strategic priorities to facilitate continued sales growth and margin stability. We made meaningful progress on procurement-related initiatives and executing enhancements to the overall supply chain. In addition, we remained focused on rapidly onboarding dealers and advancing our distribution channel strategy.

The extensive effort was supported by our third-party consulting partner and a corresponding \$1.2M one-time expense is included in our adjusted EBITDA at the corporate-level in the quarter. The engagement will continue, though at a reduced intensity, for several more months.

Given the prior hardware subscription program was discontinued in favour of an upfront retail sales model, Technology segment trade sales increased 58% and 54% YOY for the three and six-months ended June 30, 2021. However, Technology segment sales, on a retail equivalent basis, declined by 9% and 29% YOY for the three- and six-months ended June 30, 2021, respectively. This was expected given our ongoing transition away from a subscription-based model, which had the effect of pulling sales forward in a year.

On April 16, 2021, the Company acquired additional outstanding shares of Farmobile, Inc. ("Farmobile") building on AGI's initial minority equity investment made in Farmobile in 2019. Farmobile results are consolidated into the Company's Technology segment. This acquisition builds on our robust IoT product portfolio and moves AGI into the middle of the data verification space required by the rapidly developing carbon and traceability markets. The Farmobile PUC™ enables the real-time automation and standardization of critical data collection from virtually any piece of equipment used in the field. This strengthens our unique ability to capture machine and agronomic data across the entire farming process – from seeding and application through to harvest and into the broader grain supply chain. The opportunity to formally bring this technology in-house, along with the significant capabilities and know-how of the Farmobile team, is a big step for AGI to continue to rapidly advance our SureTrack platform.

UPDATE ON REMEDIATION WORK

Progress on advancing the remediation work as it relates to the previously disclosed grain bin incident continued in the quarter. Work has begun at one of the two customer sites and is expected to be completed by the Fall of this year. At the second customer site, the site of the grain bin incident, the customer has decided to remediate themselves and with other suppliers.

Based on remediation work completed thus far, we have recorded an additional \$7.5M to the previously disclosed \$70M accrual. The increase is primarily the result of additional engineering, steel, and labour costs required to ensure a satisfactory product solution as well as additional legal costs. To-date, the Company has spent approximately \$25M of the accrual.

In 2021, two legal claims related to the bin collapse were initiated against the Company for a cumulative amount in excess of \$190 million, one of which was received subsequent to the quarter ended June 30, 2021. The investigation into the cause of and responsibility for the collapse remains ongoing. The Company is in the process of assessing these claims and has a number of legal and contractual defenses to each claim. No further provisions have been recorded for these claims. The Company will fully and vigorously defend itself. In addition, the Company continues to believe that any financial impact will be partially offset by insurance coverage. AGI is working with insurance providers and external advisors to determine the extent of this cost offset. Insurance recoveries, if any, will be recorded when received.

Additional information on the provision for remediation can also be found in “OPERATING RESULTS – Remediation Costs”.

COVID-19

The emergence of COVID-19 had an adverse impact on AGI's business, including the disruption of production, our supply chain, and product delivery. While AGI experienced temporary production suspension early in the pandemic in 2020, there has not been any significant production suspension or interruptions in 2021 as a result of COVID-19.

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

AGI is currently fully operational across all manufacturing locations globally, with no loss of productive capacity owing to COVID-19 during Q2 2021. However, headwinds stemming from the pandemic have impacted the availability and cost of raw materials required for production. Various disruptions in the supply chain including steel supply and logistics have caused significant delays on a number of projects which impacted the timing of revenue recognition in Q2 2021. In addition, potential restrictions and lockdowns in countries such as Brazil and India that have been severely impacted by COVID-19 may cause supply chain disruptions and temporary production suspensions. Our 2021's results remain subject to the effect of COVID-19 on our manufacturing facilities, markets, and customers.

Additional information on the impacts of COVID-19 can also be found in “OUTLOOK” and “OPERATING RESULTS - Trade Sales.”

BASIS OF PRESENTATION

On January 1, 2021, the Company reorganized its business segments to better reflect changes in its operations and management structure. As a result of those changes, the Company identified three reportable segments: Farm, Commercial, and Technology, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. 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. Financial information for the comparative period has been restated to reflect the new presentation. In the segment disclosure that follows, we have also included product platforms in order to provide additional information within a segment that may be useful to the reader. Specifically, our Commercial segment includes the Commercial and Food product platforms.

Description of Business Segments and Platforms

Farm Segment

AGI's Farm segment includes the sale of grain, seed, and fertilizer handling equipment, aeration products, grain and fuel storage bins, and grain management technologies.

Commercial Segment

AGI's Commercial segment includes the sale of larger diameter grain storage bins, high-capacity grain handling equipment, seed and fertilizer storage and handling systems, feed handling and storage equipment, aeration products, automated blending systems control systems, and food processing solutions.

Food Platform

The AGI Food platform falls within AGI's Commercial segment. The Food platform's end customers are involved in producing processed food and beverages of all types. AGI Food provides full process design engineering, overall project engineering, project management services, and equipment supply. Our process design services result in close partnerships with our customers as we become involved early in the project formation stage. Our project management services mean we lead the project from conception to commissioning and work with our customers to manage all dynamics of the project throughout design and execution. We also manufacture and supply the infrastructure equipment components of these projects. Consistent with our Farm and Commercial segments, our equipment products in the Food platform address the conveying, storage, blending, and movement of ingredients involved in each process.

Technology Segment

AGI's Technology segment is built on a foundation of our Internet of Things ("IoT") products. We design, manufacture, and supply IoT hardware that monitors, operates, and automates our equipment and the collection of key operational data for our customers. This operational data is fed into intuitive and rich user interfaces, AGI SureTrack Farm and Pro, to enable our customers to operate and monitor their equipment, record operational activity, manage and market their inventories, and holistically operate their businesses. The IoT product portfolio is a mix of stand-alone hardware including weather stations, soil probes, grain temperature and moisture sensors, field equipment data (Farmobile PUC) and is further augmented through the digitalization of AGI products. In addition, our technology products offer monitoring, operation, measurement and blending controls, automation, hazard monitoring, embedded electronics, farm management, grain marketing and tools for agronomy, and Enterprise Resource Planning ["ERP"] for Agriculture retailers and grain buyers. These products are available both as standalone offerings, as well as in combination with larger farm or commercial systems from AGI.

The Technology segment includes the results of four acquisitions. The acquisitions include IntelliFarms (March 2019), CMC (January 2018), Affinity (January 2020), and Farmobile (April 2021). Our overall technology business is branded as "AGI SureTrack" and includes farm management tools, field activity data acquisition device, grain bin monitoring with automated conditioning, a grain marketing platform, hazard monitoring, and enterprise resource planning (ERP) solutions. AGI SureTrack operates out of Lenexa, Kansas with a location in Oakville, Ontario.

OUTLOOK

Global macroeconomic conditions are positive with crop volumes, crop prices, and trade flow all continuing to trend positively. AGI's demand drivers are closely linked to crop volumes, trade practices, and global consumption levels.

Farm Segment

Farm backlog increased substantially, 90% over prior year as of June 30, 2021, as our dealers continue to replenish inventories, get ahead of steel price increases, and in anticipation of a strong crop year - particularly in the U.S and Brazil. Although certain areas in the Canadian Prairies are experiencing extreme drought conditions, the driest and most severe conditions in the U.S. are outside of the core grain growing areas. Of note, the U.S. Department of Agriculture call for an increase in planted acres and expected crop size for corn and soybeans in the U.S. These factors have resulted in Farm backlogs increasing 43% in Canada, 112% in the U.S., and 251% in International, over prior year as of June 30, 2021

In the near-term, the rise of steel, component, packaging, and freight costs may pressure the gross margin of the segment. While cost increases can be passed onto customers in many instances, and mitigating cost pressure remains a top priority, the rise in input costs could have an impact on segment margins in the second half of 2021.

Commercial Segment

Commercial Platform

Canada

While COVID-19 had a substantial impact on project activity, quoting, project development, and project progression across North America, the impact on projects in western Canada continues to be more severe than in the U.S. as many growth projects continue to be placed on hold in favor of essential maintenance.

The Canadian Commercial platform backlog was down 23% over prior year as of June 30, 2021. Nonetheless, signs of recovery are on the horizon given the increase in quoting across the grain terminal and grain processing markets.

United States

Sales continue to improve in the U.S. Commercial platform as demand for commercial grain infrastructure continues to move higher with the increase in corn and soybean exports. As a result, the U.S. Commercial platform backlogs have increased 57% over prior year as of June 30, 2021.

International

Strength in International Commercial platform backlog was supported strong quoting activity across all regions and underpins a 53% increase in backlog over the prior year as of June 30, 2021.

- **EMEA:** Momentum for EMEA is supported by strong quoting activities and backlog is up 119% over the prior year as of June 30, 2021. However, some projects continued to be deferred to future quarters due to customer's on-site availability and project readiness. Nonetheless, potential risk in supply of materials from vendors is being actively managed to minimize the impacts on projects.

- **Asia Pacific:** Favorable growing conditions continue to increase the expected crop production and exports. As a result, the region saw a 21% increase in backlog over prior year as of June 30, 2021.
- **South America:** The macro environment continues to be supportive for investment in the South America region with historically low interest rates, inflation, and favorable weather conditions. As a result, backlog is up 78% over the prior year as of June 30, 2021, and it continues to grow as we move into Q3 2021.

Overall, management anticipates continued growth in the International segment in 2021 as supported by the positive macroeconomic fundamentals. Margins in the Commercial platform will also be a focus as, similar to the Farm segment, securing steel and other components on a timely and cost-effective basis amid the COVID-related disruption can be challenging. Many of AGI's Commercial platform contracts include provisions to pass along some or all of the key raw material cost increases. Open sales quotes are continuously reviewed and updated for changes in market conditions with raw materials purchases initiated only when customers formalize their commitments. That said, a general escalation of raw material, freight, and labour costs could create pressure on gross margin performance of the platform.

Food Platform

Management expects strong results from the Food platform as backlog increased 175% over the prior year as of June 30, 2021, driven by a combination of robust demand from the food and beverage end markets, repeat business from existing strategic customers, and onboarding of new customers. As with all our segments, increasing prices of raw materials, labour supply, and foreign exchange fluctuations are closely monitored and we constantly evaluate all quotes and current projects to manage margins.

Technology Segment

The Technology segment has substantially completed several initiatives to position the business for a continued growth path throughout the second half of 2021. Progress in onboarding dealers and expanding our distribution channels continued in the second quarter and we continue to forecast growth for the segment over 2020 for the full year with a robust second half 2021.

Summary

AGI's 5-6-7 strategy has led to diversification of our products, geographies, and customers which continues to be proven valuable and highly resilient during these uncertain times. Supported by a strong overall backlog, up 69% YOY as of June 30, 2021, management anticipates robust trade sales growth throughout 2021, with particular strength in Q4 2021. Management continues to expect the full year trade sales and adjusted EBITDA to be strong and above FY 2020 levels.

See also, "Risks and Uncertainties" and "Forward-Looking Information".

The following table presents changes in the Company's backlogs as of June 30, 2021 versus June 30, 2020:

Segments and Platforms ^[1]	Region			
	Canada % chg	United States % chg	International % chg	Total % chg
Farm	43%	112%	251%	90%
Commercial				
Commercial Platform	(23%)	57%	53%	41%
Food Platform	23%	308%	56%	175%
Total Commercial Segment	(16%)	119%	54%	59%
Overall ^[1]	18%	116%	67%	69%

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

The following table presents changes in the Company's international backlogs further segmented by region as of June 30, 2021 versus June 30, 2020:

Farm and Commercial Segments ^[1]	EMEA % chg ^[2]	Asia Pacific % chg ^[3]	South America % chg ^[4]
International by region ^[1]	119%	21%	78%

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

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

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

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

OPERATING RESULTS

Trade Sales [see "Non-IFRS Measures"]

[thousands of dollars]	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Trade sales	301,592	261,420	557,569	490,295
Foreign exchange gain (loss) ^[1]	1,083	(3,482)	(1,192)	(3,250)
Total Sales	302,675	257,938	556,377	487,045

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

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

Farm Segment

[thousands of dollars]	2021	2020	Three-months Ended June 30	
	\$	\$	Change	Change
			\$	%
Canada	66,985	55,353	11,632	21%
U.S.	86,583	74,337	12,246	16%
International				
EMEA	2,558	3,322	(764)	(23%)
Asia Pacific	4,926	5,953	(1,027)	(17%)

South America	7,067	4,264	2,803	66%
Total International	14,551	13,539	1,012	7%
Total Trade Sales	168,119	143,229	24,890	17%

	2021	2020	Six-months Ended June 30	
[thousands of dollars]	\$	\$	Change	Change
			\$	%
Canada	118,794	102,925	15,869	15%
U.S.	152,378	131,768	20,610	16%
International				
EMEA	7,874	8,157	(283)	(3%)
Asia Pacific	9,652	9,411	241	3%
South America	14,373	9,817	4,556	46%
Total International	31,899	27,385	4,514	16%
Total Trade Sales	303,071	262,078	40,993	16%

Commercial Segment

	2021	2020	Three-months Ended June 30	
[thousands of dollars]	\$	\$	Change	Change
			\$	%
Canada	12,034	19,877	(7,843)	(39%)
U.S.	45,161	35,173	9,988	28%
International				
EMEA	27,973	38,241	(10,268)	(27%)
Asia Pacific	18,835	12,455	6,380	51%
South America	20,926	7,037	13,889	197%
Total International	67,734	57,733	10,001	17%
Total Trade Sales	124,929	112,783	12,146	11%

	2021	2020	Six-months Ended June 30	
[thousands of dollars]	\$	\$	Change	Change
			\$	%
Canada	22,527	39,993	(17,466)	(44%)
U.S.	89,814	71,589	18,225	25%
International				
EMEA	47,034	52,448	(5,414)	(10%)
Asia Pacific	44,700	30,671	14,029	46%
South America	35,135	23,611	11,524	49%
Total International	126,869	106,730	20,139	19%
Total Trade Sales	239,210	218,312	20,898	10%

We have included product groups in the table below in order to provide additional information that may be useful to the reader. The Commercial segment includes the Commercial platform and Food platform.

[thousands of dollars]	Commercial Platform				Food Platform			
	2021	Three-months Ended June 30			2021	Three-months Ended June 30		
		\$	2020	Change		\$	2020	Change
		\$	\$	%		\$	\$	%
Canada	9,101	17,080	(7,979)	(47%)	2,933	2,797	136	5%
U.S.	36,542	30,677	5,865	19%	8,619	4,496	4,123	92%
International								
EMEA	22,908	35,185	(12,277)	(35%)	5,065	3,056	2,009	66%
Asia Pacific	18,742	11,619	7,123	61%	93	836	(743)	(89%)
South America	20,926	7,037	13,889	197%	-	-	-	n/a
Total International	62,576	53,841	8,735	16%	5,158	3,892	1,266	33%
Total Trade Sales	108,219	101,598	6,621	7%	16,710	11,185	5,525	49%

[thousands of dollars]	Commercial Platform				Food Platform			
	2021	Six-months Ended June 30			2021	Six-months Ended June 30		
		\$	2020	Change		\$	2020	Change
		\$	\$	%		\$	\$	%
Canada	16,521	33,719	(17,198)	(51%)	6,006	6,274	(268)	(4%)
U.S.	72,112	61,814	10,298	17%	17,702	9,775	7,927	81%
International								
EMEA	36,585	45,672	(9,087)	(20%)	10,449	6,776	3,673	54%
Asia Pacific	44,563	28,816	15,747	55%	137	1,855	(1,718)	(93%)
South America	35,135	23,611	11,524	49%	-	-	-	n/a
Total International	116,283	98,099	18,184	19%	10,586	8,631	1,955	23%
Total Trade Sales	204,916	193,632	11,284	6%	34,294	24,680	9,614	39%

Technology Segment

In 2020, AGI utilized a subscription model for a portion of our IoT hardware sales that results in subscription sales being recognized over time rather than traditional retail sales which are recognized upon product sale. A portion of the Technology sales in the table below is reflected based on subscription sales being recognized over time. **Please refer to the “Technology Sales with Retail Equivalent” table below for Technology sales presented at Retail Equivalent.**

[thousands of dollars]	Three-months Ended June 30			
	2021	2020	Change	Change
	\$	\$	\$	%
Canada	384	568	(184)	(32%)
U.S.	8,098	4,712	3,386	72%
International				
EMEA	2	94	(92)	(98%)
Asia Pacific	55	-	55	N/A
South America	5	34	(29)	(85%)
Total International	62	128	(66)	(52%)
Total Trade Sales	8,544	5,408	3,136	58%

	2021	2020	Six-months Ended June 30	Change
[thousands of dollars]	\$	\$	\$	%
Canada	588	881	(293)	(33%)
U.S.	14,619	8,821	5,798	66%
International				
EMEA	3	101	(98)	(97%)
Asia Pacific	73	-	73	N/A
South America	5	102	(97)	(95%)
Total International	81	203	(122)	(60%)
Total Trade Sales	15,288	9,905	5,383	54%

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

	2021	2020	Three-months Ended June 30	Change
[thousands of dollars]	\$	\$	\$	%
Canada	79,403	75,798	3,605	5%
U.S.	139,842	114,222	25,620	22%
International				
EMEA	30,533	41,657	(11,124)	(27%)
Asia Pacific	23,816	18,408	5,408	29%
South America	27,998	11,335	16,663	147%
Total International	82,347	71,400	10,947	15%
Total Trade Sales	301,592	261,420	40,172	15%

	2021	2020	Six-months Ended June 30	Change
[thousands of dollars]	\$	\$	\$	%
Canada	141,909	143,799	(1,890)	(1%)
U.S.	256,811	212,178	44,633	21%
International				
EMEA	54,911	60,706	(5,795)	(10%)
Asia Pacific	54,425	40,082	14,343	36%
South America	49,513	33,530	15,983	48%
Total International	158,849	134,318	24,531	18%
Total Trade Sales	557,569	490,295	67,274	14%

Canada

- Trade sales in Canada increased 5% from Q2 2020:
 - Farm segment trade sales were up 21% as a result of continued demand for storage and portable equipment. The escalating cost of materials helped drive sales as anticipation of future price increases and potential shortages due to vendor supply issues influenced customer buying behaviour. This resulted in a healthy backlog coming into 2021 and continued strong order intake throughout the first half of 2021.
 - Technology segment trade sales decreased 32% on a very small base (retail equivalent sales also decreased 33%). The decrease is due to timing of product sales. Canada has not been our focus on selling as we continue to develop and launch our Technology products in the U.S. market. Canadian expansion is expected to increase towards the end of 2021 and into 2022.
 - Commercial segment trade sales decreased 39%. Specifically:

- Commercial platform trade sales were down 47% as COVID-19 has impacted projects of all sizes both grain terminal and fertilizer sectors. Nonetheless, quoting activity continues to increase and the sales backlog for grain terminal projects has increased over June 2020.
- Food platform trade sales are up 5% as large projects continue to be released into production. This is also benefitting the backlog which also increased 23% over June 30, 2020. Management expects more customer projects to re-launch in 2021, supporting the outlook for further growth.

United States

- Trade sales in the U.S. increased 22% from Q2 2020:
 - Farm segment trade sales increased 16% as a result of continued demand for storage and portable equipment in anticipation of favorable crop volume for 2021. The rise in cost of steel and components have led to some pull forward demand as customers have been more willing commit to orders to earlier in the season to ensure they lock-in price points ahead of any further increases.
 - Technology segment trade sales increased 72% (retail equivalent sales decreased 6%) as SureTrack discontinued its subscription model for IoT hardware and the expansion of its dealer network was offset by unfavorable foreign exchange on retail equivalent sales [see Quarterly Financial Information - Average USD/CAD Exchange Rate].
 - Commercial segment trade sales increased 28%. Specifically:
 - ☒ Commercial platform trade sales increased 19% over Q2 2020 as many COVID-19 delayed projects have restarted in 2021; and
 - ☒ Food platform trade sales grew 92% as a result of the release of planned food and beverage projects into production. In addition, the petfood market continues to remain very strong in the COVID-19 environment. Our efforts to develop strategic relationships with key partners for the past several years are now crystalizing with larger projects that are now coming to market.

International

- International trade sales increased 15% from Q2 2020:
 - Farm segment trade sales increased 7% with South America continuing to see the largest increases in Storage and Portable products due to favourable macroeconomic conditions offset by decreases in the EMEA and Asia Pacific regions. Management anticipates that the increase in planted acres will continue to drive demand for storage and handling products, particularly in South America.
 - Commercial segment trade sales increased 17%. Specifically:
 - ☒ Commercial platform trade sales increased 16% despite the impact of COVID-19 causing project delays. Both Asia Pacific and South America regions continue to see significant increases, 61% and 197% respectively, over prior year as favourable macroeconomic conditions stimulate commercial infrastructure investment. This was offset by a decrease in the EMEA region which was largely attributable to timing on larger projects; and
 - ☒ Food platform trade sales increased 33% from Q2 2020 as projects that were delayed or deferred due to COVID-19 in the EMEA region continued to be released into production.
 - Trade sales in Brazil and India increased 180% and 32%, respectively, from Q2 2020 supported by a strong backlog that is up 112% and 45% YOY, respectively, as of June 30, 2021.

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

As noted above, in 2020 AGI utilized a subscription model for a portion of our IoT hardware sales that resulted in subscription sales being recognized over time rather than traditional retail sales which are recognized upon product sale. In response to customer input, we curtailed the use of the subscription model as we fine-tuned our pricing in parallel with our overall channel development and focus on onboarding additional dealers for AGI SureTrack products to build more scalable sales channels. Sales programs will continue to iterate in the near-term as we refine product bundling options and pricing programs in response to ongoing customer input and preference. In addition, we continue intense work to automate our production process and optimize our supply chain to facilitate better pricing and more stable margins. Significant progress has been made and without the negative \$1.5M EBITDA contribution from the acquisition of Farmobile to the Technology segment, EBITDA would have been negative \$0.4M in the quarter.

The following table outlines the adjustments required to convert subscription sales to retail equivalent sales for Q2:

[thousands of dollars]	Three-months Ended June 30			
	2021 \$	2020 \$	Change \$	Change %
Technology Trade Sales	8,544	5,408	3,136	58%
Less: subscription revenue recognized in the year				
Annual data subscriptions	(772)	(621)	(151)	24%
Other annual services	(57)	(47)	(10)	21%
Add: IoT hardware deferred revenue to be recognized over remaining life of contract	(761)	3,112	(3,873)	(124%)
Sales value of IoT hardware sold during the year (Retail equivalent)	6,954	7,852	(898)	(11%)
Annual data subscriptions	772	621	151	24%
Other annual services	57	47	10	21%
Total Technology Sales with Retail Equivalent	7,783	8,520	(737)	(9%)

[thousands of dollars]	Six-months Ended June 30			
	2021 \$	2020 \$	Change \$	Change %
Technology Trade Sales	15,288	9,905	5,383	54%
Less: subscription revenue recognized in the year				
Annual data subscriptions	(1,336)	(1,453)	117	(8%)
Other annual services	(115)	(72)	(43)	60%
Add: IoT hardware deferred revenue to be recognized over remaining life of contract	(1,429)	9,697	(11,126)	(115%)
Sales value of IoT hardware sold during the year (Retail equivalent)	12,408	18,077	(5,669)	(31%)
Annual data subscriptions	1,336	1,453	(117)	(8%)
Other annual services	115	72	43	60%
Total Technology Sales with Retail Equivalent	13,859	19,602	(5,743)	(29%)

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

[thousands of dollars]	Three-months Ended March 31			
	2021	2020	Change	Change
	\$	\$	\$	%
Canada	384	569	(184)	(32%)
U.S.	7,337	7,791	(454)	(6%)
International	62	160	(98)	(61%)
Total Technology Sales with Retail Equivalent	7,783	8,520	(737)	(9%)

[thousands of dollars]	Six-months Ended March 31			
	2021	2020	Change	Change
	\$	\$	\$	%
Canada	588	881	(293)	(33%)
U.S.	13,190	18,486	(5,296)	(29%)
International	80	235	(155)	(66%)
Total Technology Sales with Retail Equivalent	13,858	19,602	(5,744)	(29%)

Gross Margin [see "Non-IFRS Measures"]

[thousands of dollars]	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Trade sales	301,592	261,420	557,569	490,295
Cost of inventories	211,275	177,301	382,299	334,428
Gross margin^[1]	90,317	84,119	175,269	155,867
Gross margin as a % of trade sales	29.9%	32.2%	31.4%	31.8%

[1] See "Non-IFRS measures".

AGI's gross margin percentages for the three- and six-months ended of June 30, 2021 decreased over the prior year. The lower gross margins are attributed to the higher steel input costs in the quarter.

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

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

[thousands of dollars]	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Profit (loss) before income taxes	16,146	18,364	34,312	(39,199)
Finance costs	10,327	12,195	20,647	23,014
Depreciation and amortization	15,655	13,981	29,164	27,495
Share of associate's net loss	-	1,107	1,077	2,307
Revaluation gains	(6,778)	-	(6,778)	-
EBITDA	35,350	45,647	78,422	13,617
Loss (gain) on foreign exchange	(5,335)	(6,094)	(4,858)	15,996
Share based compensation	1,912	2,061	3,843	4,816

Loss (gain) on financial instruments ^[2]	3,360	(7,497)	(7,298)	16,767
M&A expenses	1,584	1,497	2,021	1,271
Other transaction and transitional costs ^[3]	1,863	2,410	5,569	7,150
Loss on sale of PP&E	(20)	72	99	129
Gain on settlement of lease liability	18	(2)	18	(2)
Equipment rework ^[4]	7,500	6,000	7,500	10,000
Adjusted EBITDA ^[1]	46,232	44,094	85,316	69,744

[1] See "Non-IFRS Measures".

[2] See "Equity compensation hedge".

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

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

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

Adjusted EBITDA by Segment [see "Non-IFRS Measures"]

[thousands of dollars]	2021		2020		Three-months Ended June 30	
	\$	%	\$	%	Change \$	Change %
Farm	42,602	25%	33,686	24%	8,916	26%
Technology	(1,878)	N/A	(1,021)	N/A	(857)	N/A
Commercial	11,762	9%	15,050	13%	(3,288)	(22%)
Other	(6,254)		(3,621)		(2,633)	73%
Total Adjusted EBITDA	46,232	15%	44,094	17%	2,138	5%

[thousands of dollars]	2021		2020		Six-months Ended June 30	
	\$	%	\$	%	Change \$	Change %
Farm	76,729	25%	57,818	22%	18,911	33%
Technology	(3,298)	N/A	(3,021)	N/A	(277)	N/A
Commercial	25,915	11%	23,574	11%	2,341	10%
Other	(14,030)		(8,627)		(5,403)	63%
Total Adjusted EBITDA	85,316	15%	69,744	14%	15,572	22%

[1] As a percentage of Trade Sales.

[2] 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.

Adjusted EBITDA by Geography [see "Non-IFRS Measures"]

[thousands of dollars]	Three-months Ended June 30					
	2021		2020		Change	Change
	\$	%	\$	%	\$	%
Canada	14,951	19%	15,953	21%	(1,002)	(6%)
U.S.	25,571	18%	21,205	19%	4,366	21%
International	11,964	15%	10,557	15%	1,407	13%
Other	(6,254)		(3,621)		(2,633)	N/A
Total Adjusted EBITDA	46,232	15%	44,094	17%	2,138	5%

[thousands of dollars]	Six-months Ended June 30					
	2021		2020		Change	Change
	\$	%	\$	%	\$	%
Canada	29,395	21%	27,370	19%	2,025	7%
U.S.	48,080	19%	34,126	16%	13,954	41%
International	21,871	14%	16,875	13%	4,996	30%
Other	(14,030)		(8,627)		(5,403)	N/A
Total Adjusted EBITDA	85,316	15%	69,744	14%	15,572	22%

[1] As a percentage of Trade Sales.

[2] 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.

AGI's adjusted EBITDA for the three-month period ended June 30, 2021 increased 5% over 2020. The Farm segment's adjusted EBITDA increased 26% over 2020 for the three-month period ended June 30, 2021 due to favourable product mix, sales volume, a disciplined effort on cost containment, and pricing actions. The Commercial segment's adjusted EBITDA decreased 22% is largely due to timing of international projects in addition to the impact of rising input costs including materials, labour, and freight.

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

The Company's diluted profit (loss) per share for the three and six-month periods ended June 30, 2021, was profit of \$0.74 and \$1.40, respectively, versus profit of \$0.76 and loss of \$(1.84), respectively in 2020. Profit (loss) per share in 2021 and 2020 has been impacted by the items enumerated in the table below, which reconciles profit (loss) to adjusted profit. Most significantly, fluctuations in the rate of exchange between the Canadian and U.S. dollar and volatility in the Company's share price resulted in significant non-cash gains and losses on foreign exchange and on AGI's equity compensation financial instrument.

[thousands of dollars except per share amounts]	Three-months Ended June 30		Six-months Ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Profit (loss)	14,276	14,472	26,980	(34,372)
Diluted profit (loss) per share	0.74	0.76	1.40	(1.84)
Loss (gain) on foreign exchange	(5,335)	(6,094)	(4,858)	15,996
M&A expenses	1,584	1,497	2,021	1,271
Other transaction and transitional costs ^[3]	1,863	2,410	5,569	7,150

Loss (gain) on financial instruments	3,360	(7,497)	(7,298)	16,767
Loss on sale of PP&E	(20)	72	99	129
Gain on settlement of leases	18	(2)	18	(2)
Equipment rework ^[4]	7,500	6,000	7,500	10,000
Share of associate's net loss	-	1,107	1,077	2,307
Revaluation gains	(6,778)	-	(6,778)	-
Adjusted profit ^[1]	16,468	11,965	24,330	19,246
Diluted adjusted profit per share ^[1]	0.85	0.63	1.26	1.01

[1] See "Non-IFRS Measures".

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

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

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

DETAILED OPERATING RESULTS

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
[thousands of dollars]	\$	\$	\$	\$
Sales				
Trade sales	301,592	261,420	557,569	490,295
Foreign exchange loss	1,083	(3,482)	(1,192)	(3,250)
	302,675	257,938	556,377	487,045
Cost of goods sold				
Cost of inventories	211,275	177,301	382,299	334,428
Equipment rework	7,500	6,000	7,500	10,000
Depreciation /amortization	8,656	7,288	15,322	14,106
	227,431	190,589	405,121	358,534
Selling, general and administrative expenses				
SG&A expenses	48,209	43,038	96,964	93,028
M&A expenses	1,584	1,497	2,021	1,271
Other transaction and transitional costs ^[1]	1,863	2,410	5,569	7,150
Depreciation /amortization	6,999	6,693	13,842	13,389
	58,655	53,638	118,396	114,838
Other operating expense (income)				
Net loss on disposal of PP&E	(20)	72	99	129
Net gain on settlement of leases	18	(2)	18	(2)
Net loss (gain) on financial instruments	3,360	(7,497)	(7,298)	16,767
Other	(2,169)	(840)	(2,973)	(1,918)
	1,189	(8,267)	(10,154)	14,976
Finance costs	10,327	12,195	20,647	23,014
Finance expense (income)	(4,295)	(9,688)	(6,244)	12,575
Share of associate's net loss	-	1,107	1,077	2,307
Revaluation gains	(6,778)	-	(6,778)	-

Profit (loss) before income taxes	16,146	18,364	34,312	(39,199)
Income tax expense (recovery)	1,870	3,892	7,332	(4,827)
Profit (loss) for the period	14,276	14,472	26,980	(34,372)
Profit (loss) per share				
Basic	0.76	0.77	1.44	(1.84)
Diluted	0.74	0.76	1.40	(1.84)

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

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The 2021 gain on foreign exchange in finance income are primarily 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 at June 30, 2021. See also "Financial Instruments – Foreign exchange contracts".

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three- and six-month periods ended June 30, 2021 was \$1.23 [2020 \$1.40] and \$1.25 [2020 - \$1.36]. 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

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 as a result, the Company recorded a provision of \$70 million. During the three-month ended June 30, 2021, the Company recorded an additional provision of \$7.5 million. As at June 30, 2021, the warranty provision for remediation costs is \$52.2 million [December 31, 2020 – \$69.7 million], with \$25.0 million of the provision having been utilized thus far as the remediation is underway.

Equipment Rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to the one commercial facility where the bin collapse occurred. As at June 30, 2021, the warranty provision for the equipment rework is \$3.6 million [December 31, 2020 – \$4.5 million] with \$1.0 million of the provision having been utilized during Q2 2021.

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

SG&A expenses for the three and six-month periods ended June 30, 2021 excluding M&A expenses, other transaction and transitional expenses and depreciation/amortization, were \$48.2 million [16.0% of trade sales] and \$97.0 million [17.4% of trade sales], respectively, versus \$43.0 million [16.5% of

trade sales] and \$93.0 million [19.0% of trade sales], respectively, in 2020. Year-to-date variances from the prior year include the following:

- \$3.6 million increase in consulting expense of which \$3.1 million is related to AGI SureTrack for the work to assist with sales strategy and product enhancements.
- \$1.6 million increase in salaries and wages relates largely to salary increases and the inclusion in 2021 of certain senior management personnel hired in fiscal 2020
- \$1.3 million increase in IT Expense as a result of additional IT security investments.
- No other individual variance was greater than \$1.0 million.

Finance costs

Finance costs which represent interest incurred on all debt for the three and six-months ended June 30, 2021, were \$10.3 million and \$20.6 versus \$12.2 million and \$23.0 in 2020. Finance costs have decreased in 2021 as a result of a lower effective interest rate as compared to 2020.

Finance expense (income)

Finance expense (income) which represents interest income earned and foreign exchange on long term debt for the three and six-months ended June 30, 2021, was income of \$4.3 million and \$6.2 versus income of \$9.7 million and expense of \$12.6 million in 2020. The income in 2021 and Q2 2020 relates primarily to non-cash translation of the Company's U.S. dollar denominated long-term debt as the exchange rate fell from 1.2732 as at December 31, 2020 to 1.2394 at June 30, 2021.

Date	Spot FX Rate	USD Denominated Debt
December 31, 2019	1.2988	USD \$196.8 million
June 30, 2020	1.3628	USD \$204.8 million
December 31, 2020	1.2732	USD \$204.8 Million
June 30, 2021	1.2394	USD \$214.8 Million

Share of associate's net loss (gain) and revaluation gains

Share of associate's net loss (gain) for the three and six-months ended June 30, 2021 was nil and loss of \$1.1 million, respectively, versus loss of \$1.1 million and \$2.3 million, respectively, in 2020. The Company acquired Farmobile in Q2 2021 [See 2021 Acquisition - Farmobile] and recognized a gain of \$6.8 Million in Q2 2021 as a result of the remeasurement of its previously held equity investment at its acquisition-date fair value.

Other operating expense (income)

Other operating expense (income) for the three and six-months ended June 30, 2021, was expense of \$1.2 million and income of \$10.2 million versus income of \$8.3 million and expense of \$15.0 million in 2020. Other operating expense (income) includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity compensation hedge"], and interest income. The expense (income) amount in 2021 relates largely to a non-cash gain on the equity compensation hedge.

Depreciation and amortization

Depreciation of property, plant and equipment; depreciation of right-of-use assets and amortization of intangible assets are categorized in the income statement in accordance with the function to which the underlying asset is related. Depreciation and amortization are consistent with prior year as the Company deferred most growth CAPEX projects subsequent to the emergence of COVID-19

pandemic. Management anticipates investment in growth CAPEX with return to historic norms towards the end of 2021.

Income tax (recovery) expense

Current income tax expense

Current tax expense for the three and six-month periods ended June 30, 2021 was \$2.2 million and \$4.1 million, respectively, versus \$1.1 million and \$2.0 million, respectively, in 2020. Current tax expense relates primarily to AGI's Canada, U.S., India, Netherlands, Italy, Brazil and France subsidiaries.

Deferred income tax (recovery) expense

Deferred tax expense (recovery) for the three and six-month periods ended June 30, 2021 was a recovery of \$0.3 million and an expense of \$3.3 million, respectively, versus an expense of \$2.8 million and a recovery of \$6.8 million, respectively, in 2020. The deferred tax expense in 2021 related to the recognition of temporary differences between the accounting and tax treatment of equity swaps, capital development expenditures, accruals and long-term provisions.

Effective tax rate

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
[thousands of dollars]	\$	\$	\$	\$
Current tax expense	2,179	1,096	4,078	1,975
Deferred tax expense (recovery)	(309)	2,796	3,254	(6,802)
Total tax	1,870	3,892	7,332	(4,827)
Profit (loss) before income taxes	16,146	18,364	34,312	(39,199)
Total tax %	11.6%	21.2%	21.4%	12.3%

The effective tax rate in 2021 was impacted by items that were included in the calculation of earnings before tax for accounting purposes but were not included or deducted for tax purposes. Significant items are included in the tables under "Diluted profit (loss) per share and diluted adjusted profit per share".

QUARTERLY FINANCIAL INFORMATION

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

	2021				
	Average USD/CAD Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q1	1.27	253,702	12,704	0.68	0.66
Q2	1.23	302,675	14,276	0.76	0.74
YTD	1.25	556,377	26,980	1.44	1.40

2020					
	Average USD/CAD Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q1	1.32	229,107	(48,844)	(2.61)	(2.61)
Q2	1.40	257,938	14,472	0.77	0.76
Q3	1.34	281,408	(12,261)	(0.66)	(0.66)
Q4	1.32	225,577	(15,015)	(0.80)	(0.80)
YTD	1.34	994,030	(61,648)	(3.30)	(3.30)

2019					
	Average USD/CAD Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q3	1.32	260,198	(2,819)	(0.15)	(0.15)
Q4	1.32	228,616	(8,286)	(0.44)	(0.44)

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

- AGI's acquisitions of Affinity [Q1 2020] and Farmobile [Q2 2021] impact comparisons between periods of assets, liabilities and operating results.
- Sales, gain (loss) on foreign exchange, profit (loss), adjusted profit (loss), diluted profit (loss) per share, and diluted adjusted profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.
- Profit (loss) and Diluted Profit (loss) per share from 2019 Q3 to 2020 Q4 were negatively impacted by the Company's estimated remediation costs [see – "Remediation Costs"].

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

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOW AND LIQUIDITY

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
[thousands of dollars]	\$	\$	\$	\$
Profit (loss) before tax	16,146	18,364	34,312	(39,199)
Items not involving current cash flows	16,531	(4,499)	16,918	65,633
Cash provided by operations	32,677	13,865	51,230	26,434
Net change in non-cash working capital	(40,823)	(268)	(65,818)	(16,146)
Non-current accounts receivable and other	(7,526)	(2,054)	(11,847)	(1,938)
Long-term payables	23	88	(56)	161
Settlement of EIAP	(110)	(239)	(357)	(1,879)
Income tax paid	(1,323)	(670)	(2,810)	(1,752)
Cash flows provided by (used in) operating activities	(17,082)	10,722	(29,658)	4,880
Cash used in investing activities	(27,160)	(17,146)	(33,582)	(40,543)
Cash provided by (used in) financing activities	50,669	25,718	55,959	10,139
Net increase (decrease) in cash during the period	6,427	19,294	(7,281)	(25,524)
Cash, beginning of period	48,748	3,603	62,456	48,421
Cash, end of period	55,175	22,897	55,175	22,897

Cash used in operating activities for the three- and six-months ended June 30, 2021 increased compared to 2020 largely due to net change in non-cash working capital. The increase in non-cash working capital is largely due to the higher cost of steel, sales mix towards to the Farm segment and the reduction in warranty provision as equipment rework and remediation work continues [see - "Equipment rework" and "Remediation costs"]. Cash used in investing activities relates primarily to the acquisition of Farmobile [see "2021 Acquisition – Farmobile"], capital expenditures ["CAPEX"] and internally generated intangibles. Cash provided by (used in) financing activities relate to movement in long-term debt and dividends paid.

Working Capital Requirements

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

Capital Expenditures

Maintenance capital expenditures in the three and six-month periods ended June 30, 2021, were \$3.7 million [1.2% of trade sales] and \$6.0 million [1.1% of trade sales], respectively versus 2.0 million [0.8% of trade sales] and \$4.4 million [1.0% of trade sales], respectively, in 2020. Maintenance capital expenditures in 2021 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of sales.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures in the three and six-month periods ended June 30, 2021, of \$4.2 million and \$8.1 million, respectively versus \$6.1 million and \$13.7 million, respectively in 2020. The non-maintenance CAPEX items in 2021 relate primarily to initiatives started in 2020 and include manufacturing capacity expansions in AGI SureTrack, EMEA and at certain plants in North America and the addition of manufacturing equipment to support key business units.

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

CONTRACTUAL OBLIGATIONS

The following table shows, as at June 30, 2021 the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total \$	2021 \$	2022 \$	2023 \$	2024 \$	2025 \$	2026+ \$
2017 Debentures	86,225	-	86,225	-	-	-	-
2018 Debentures	86,250	-	86,250	-	-	-	-
2019 Debentures – 1	86,250	-	-	-	86,250	-	-
2019 Debentures – 2	86,250	-	-	-	86,250	-	-
2020 Debentures	85,000	-	-	-	-	-	85,000
Long-term debt ^[1]	469,147	24,110	344	256	225	413,223	30,989
Lease liability ^[1]	24,179	4,061	4,913	3,332	2,517	2,301	7,055
Short term and low value leases	21	15	5	1	-	-	-
Due to vendor	12,072	7,423	2,097	888	888	888	(112)
Preferred shares liability ^[1]	30,500	17,900	12,600	-	-	-	-
Purchase obligations ^[2]	6,389	6,389	-	-	-	-	-
Total obligations	972,283	59,898	192,434	4,477	176,130	416,412	122,932

[1] Undiscounted

[2] Net of deposit.

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

CAPITAL RESOURCES

Assets and Liabilities

	June 30 2021 \$	June 30 2020 \$
(thousands of dollars)		
Total assets	1,583,180	1,514,063
Total liabilities	1,309,119	1,189,590

Cash

The Company's cash balance at June 30, 2021 was \$55.2 million [2020 - \$62.5 million].

Debt Facilities

As at June 30, 2021:

[thousands of dollars]	Currency	Maturity	Total Facility [CAD] ^{[1][2]} \$	Amount Drawn ^[1] \$	Effective Interest Rate
Canadian Swing Line	CAD	2025	40,000	11,423	3.45%
USD Swing Line	USD	2025	12,394	12,394	3.31%
Canadian Revolver Tranche A ^[3]	CAD	2025	235,000	140,832	3.19%
Canadian Revolver Tranche B ^[4]	USD	2025	49,576	50,000	2.57%
U.S. Revolver ^[5]	USD	2025	204,501	197,312	2.30%
Series B Notes ^[6]	CAD	2025	25,000	25,000	4.44%
Series C Notes ^[6]	USD	2026	30,985	30,985	3.70%
Equipment Financing	various	2025	1,097	1,097	Various
Total			598,553	469,043	

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on June 30, 2021 of \$1.2394.

[2] Excludes the \$150 million accordion available under AGI's Credit Facility.

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

[4] Amounts were drawn in CAD with a 105% overdraft limit on FX fluctuation.

[5] Fixed interest rate.

AGI has swing line facilities of \$40.0 million and U.S. \$10.0 million as at June 30, 2021. The facilities bear interest at prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. As at June 30, 2021, there was \$23.8 million [2020 - \$25.8 million] outstanding under the swing line.

AGI's revolver facilities of \$275 million and U.S. \$215 million are inclusive of amounts that may be allocated to the Company's swing line and can be drawn in Canadian or U.S. funds. The facilities bear interest at BA or LIBOR plus 1.2% to BA or LIBOR plus 2.5% and prime plus 0.2% to prime plus 1.5% per annum based on performance calculations.

On April 29, 2021, the Company's one-year liquidity facility matured. Upon maturity, the Company's liquidity agreement was incorporated into the existing revolver facility through the accordion feature. As a result, \$50 million was added to the Company's Canadian revolver availability. The maturity date of the revolver facility remains unchanged at March 20, 2025.

During the three-months ended June 30, 2021, the Company drew \$40 million from its Canadian revolver and as at June 30, 2021, there was \$23,817 outstanding under the Company's swinglines.

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

Debentures

Convertible Unsecured Subordinated Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the "Convertible Debentures"] of the Company that were outstanding as at June 30, 2021:

Year Issued / TSX Symbol	Aggregate Principal Amount \$	Coupon	Conversion Price \$	Maturity Date	Redeemable at Par
2017 [AFN.DB.D]	86,225,000	4.85 %	83.45	Jun 30, 2022	Jun 30, 2021 ⁽¹⁾
2018 [AFN.DB.E]	86,250,000	4.50 %	88.15	Dec 31, 2022	Jan 1, 2022 ⁽¹⁾⁽²⁾

[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,

[2] Subsequent to December 31, 2020 and prior to December 31, 2021, the Company may, at its option, redeem the 2018 Convertible Debentures at a redemption price equal to the principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares ("Common Shares") of the Company during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price.

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

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, 2021:

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

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Senior Debentures by issuing and delivering Common Shares. The Company may also elect to satisfy its obligation to pay interest on the Senior Debentures by delivering sufficient

Common Shares. The number of shares issued would be determined based on market prices at the time of issuance.

COMMON SHARES

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

	# Common Shares
December 31, 2020	18,718,415
Settlement of EIAP obligations	60,279
June 30, 2021	18,778,694
Settlement of EIAP obligations	7,512
August 11, 2021	18,786,206

At August 11, 2021:

- 18,786,206 Common Shares are outstanding;
- 1,565,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan [the "EIAP"], of which 1,469,163 have been granted and 95,837 remain unallocated
- 120,000 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan and 19,788 Common Shares have been issued; and
- 2,011,697 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of \$172 million outstanding.

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

DIVIDENDS

AGI declared dividends to shareholders in the three- and six-month periods ended June 30, 2021 of \$2.8 million and \$5.6 million, respectively, versus \$2.8 million and \$14.0 million, in the same period in 2020. On April 14, 2020, AGI announced a reduction of its dividend to an annual level of \$0.60 and at the same time moved the dividend from monthly to quarterly payments. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines.

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

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

[thousands of dollars]	Six-Months Ended		Last Twelve Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Adjusted EBITDA	85,316	69,744	164,900	132,032
Interest expense	(20,647)	(23,014)	(44,325)	(45,969)
Non-cash interest	2,654	2,459	5,276	5,847
Cash taxes	(2,810)	(1,752)	(4,071)	(8,676)
Maintenance CAPEX	(6,012)	(4,391)	(9,762)	(12,637)
Funds from operations	58,501	43,046	112,018	70,597
Dividends	5,634	14,020	11,249	36,408
Payout Ratio	10%	33%	10%	52%

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at June 30, 2021.

Interest Rate Swaps

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

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

[1] With performance adjustment.

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

During the three- and six-months period ended June 30, 2021, the Company recorded an unrealized gain \$0.15 million and \$0.3 million, respectively, versus an unrealized gain of \$0.04 million and a loss \$1.5 million, respectively, in 2020.

Equity swap

The Company is party to an equity swap agreement with a financial institution to manage the Company's cash flow exposure due to fluctuations in its share price related to the EIAP and the Company signed an amending agreement on March 4, 2021 to extend the maturity date to May 7, 2024.

As at June 30, 2021, the equity swap agreement covered 722,000 Common Shares at a weighted average price of \$38.76 and the fair value of the equity swap was a \$0.1 million liability [2020 – \$8.2 million liability]. During the three- and six-month periods ended June 30, 2021, the Company recorded, in the consolidated statements of income (loss) an unrealized loss of \$4.2 million and a gain of \$6.3 million, respectively, compared to an unrealized gain of \$7.5 million and a loss of \$13.8 million, respectively in 2020.

Debenture redemption options

In March 2020, the Company issued \$85 million of senior unsecured subordinated debentures with an option of early redemption beginning December 31, 2023. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of \$0.8 million. During the three- and six-month periods ended June 30, 2021, the Company recorded a gain of \$0.7 million and \$0.7 million, respectively, as compared to a gain of \$0.01 million and a loss of \$0.8 million, respectively in 2020, on financial instruments in other operating expense.

2020 ACQUISITION

Affinity

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

2021 ACQUISITION

Farmobile

Effective April 16, 2021, AGI acquired additional outstanding shares of Farmobile, Inc. ["Farmobile"] for approximately \$11 million USD pursuant to Stock Purchase agreements. The terms of the agreements facilitate acquisition of all outstanding shares of Farmobile, building on AGI's initial minority equity investment made in Farmobile in 2019. Farmobile brings the market-leading, two-way, field data management device along with a robust platform for data standardization and management. The Farmobile PUC™ enables the real-time automation and standardization of critical data collection from equipment used in the field. This acquisition builds on AGI's robust IoT product portfolio as an addition to the AGI SureTrack platform.

OTHER RELATIONSHIPS

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and six-month periods ended June 30, 2021, the total cost of these legal services related to general matters was \$0.3 million and \$0.5 million [2020 – \$0.01 million and \$0.7 million], and \$0.1 million is included in accounts payable and accrued liabilities as at June 30, 2021.

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

CRITICAL ACCOUNTING ESTIMATES

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

RISKS AND UNCERTAINTIES

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

CHANGES IN ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES

Adoption of new accounting standards and policies

Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB published amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

The amendments address issues that arise from implementation of IBOR reform, where IBORs are replaced with alternative benchmark rates. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments also provide additional temporary relief from applying specific IAS 39 hedge accounting requirements to hedging relationships affected by IBOR reform.

The amendments are effective for fiscal years beginning on or after January 1, 2021. The Company adopted the amendment on January 1, 2021, electing to apply the practical expedient; the adoption of this standard had no impact on the Company's unaudited interim condensed consolidated financial statements.

Standards issued but not yet effective

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

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

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

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

Amendments to IAS 1 and IFRS Practice Statement [“PS”] 2 Making Materiality Judgements

In February 2021, amendments were issued to IAS 1 and IFRS PS 2, which provides guidance and examples to help entities apply materiality judgment to accounting policy disclosures. Specifically, the amendments aim to:

- replace the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- add guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual periods beginning after January 1, 2023. The Company will assess the impact, if any, of adoption of the amendment.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

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

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

AGI acquired Farmobile. Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for this acquired business. Since the acquisition occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of this acquisition, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Farmobile. The following is the summary financial information pertaining to Farmobile that was included in AGI's consolidated financial statements for the six-month period ended June 30, 2021:

[thousands of dollars]	Farmobile \$
Revenue ^[1]	323
Loss ^[1]	(3,633)
Current assets ^{[1][2]}	2,725
Non-current assets ^{[1][2]}	38,451
Current liabilities ^{[1][2]}	2,720
Non-current liabilities ^{[1][2]}	6,451

[1] Net of intercompany

[2] Statement of financial position as at June 30, 2021

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS with a number of non-IFRS financial measures including "trade sales", "EBITDA", "adjusted EBITDA", "adjusted EBITDA margin", "gross margin", "funds from operations", "payout ratio", "adjusted profit", and "diluted adjusted profit per share". A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or

cash flow that excludes [includes] amounts, or is subject to adjustments that have the effect of excluding [including] amounts, that are included [excluded] in the most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

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

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

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

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

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

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

References to "funds from operations" are to adjusted EBITDA less interest expense, non-cash interest, cash taxes and maintenance capital expenditures. Management believes that, in addition to

cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating its performance. References to “payout ratio” are to dividends declared as a percentage of funds from operations. See "Funds from Operations and Payout Ratio" for the calculation of funds from operations and payout ratio.

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for the gain or loss on foreign exchange, M&A expenses or recoveries, other transaction and transitional costs, gain or loss on financial instruments, gain or loss on sale of property, plant and equipment, cost of equipment rework, share of associate’s net loss and revaluation gains. See "Operating Results – Diluted profit (loss) per share and diluted adjusted profit per share” for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit.

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

FORWARD-LOOKING INFORMATION

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

obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent COVID-19 pandemic, including the effects on the Company's operations, personnel, and supply chain, the demand for its products and services, its ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels, changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; changes in trade relations between the countries in which the Company does business including between Canada and the United States; cyber security risks; the risk that the assumptions and estimates underlying the provision for remediation related thereto and insurance coverage for the Incident will prove to be incorrect as further information becomes available to the Company. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR [www.sedar.com]. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. Without limitation of the foregoing, the provision for remediation related to the Remediation Work required significant estimates and judgments about the scope, nature, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

ADDITIONAL INFORMATION

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

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

June 30, 2021

Ag Growth International Inc.

Unaudited interim condensed consolidated
statements of financial position

[in thousands of Canadian dollars]

As at

	June 30, 2021	December 31, 2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	55,175	62,456
Cash held in trust and restricted cash	6,080	9,616
Accounts receivable	227,308	176,316
Inventory	211,499	178,904
Prepaid expenses and other assets	51,837	36,457
Current portion of notes receivable	5,306	5,457
Income taxes recoverable	7,003	6,950
	<u>564,208</u>	<u>476,156</u>
Non-current assets		
Property, plant and equipment, net <i>[note 7]</i>	349,175	354,533
Right-of-use assets, net	16,064	14,342
Goodwill	357,766	350,669
Intangible assets, net	265,491	249,459
Investment in associate <i>[note 5]</i>	—	12,878
Non-current accounts receivable	28,394	19,183
Notes receivable	357	475
Derivative instruments <i>[note 17]</i>	727	—
Deferred tax asset	998	964
	<u>1,018,972</u>	<u>1,002,503</u>
Assets held for sale	—	520
Total assets	<u>1,583,180</u>	<u>1,479,179</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	173,434	139,098
Customer deposits	62,856	46,013
Dividends payable	2,817	2,808
Derivative instruments <i>[note 17]</i>	489	6,386
Income taxes payable	5,566	4,825
Current portion of due to vendor	6,263	7,164
Current portion of lease liability	4,326	3,027
Current portion of long-term debt <i>[note 9]</i>	405	475
Current portion of optionally convertible redeemable preferred shares <i>[note 17]</i>	28,525	17,943
Provisions <i>[note 8]</i>	65,110	83,361
	<u>349,791</u>	<u>311,100</u>
Non-current liabilities		
Other financial liabilities	1,868	2,754
Derivative instruments <i>[note 17]</i>	95	771
Due to vendor	1,175	2,247
Optionally convertible redeemable preferred shares <i>[note 17]</i>	—	11,028
Lease liability	14,344	13,815
Long-term debt <i>[note 9]</i>	465,678	408,898
Convertible unsecured subordinated debentures <i>[note 17]</i>	168,770	167,319
Senior unsecured subordinated debentures	249,978	249,079
Deferred tax liability	57,420	49,031
	<u>959,328</u>	<u>904,942</u>
Total liabilities	<u>1,309,119</u>	<u>1,216,042</u>
Shareholders' equity <i>[note 10]</i>		
Common shares	3,881	1,730
Accumulated other comprehensive loss	(24,254)	(10,262)
Equity component of convertible debentures	4,427	4,427
Contributed surplus	489,029	487,540
Deficit	(199,022)	(220,298)
Total shareholders' equity	<u>274,061</u>	<u>263,137</u>
Total liabilities and shareholders' equity	<u>1,583,180</u>	<u>1,479,179</u>

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, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Sales [note 6]	302,675	257,938	556,377	487,045
Cost of goods sold [note 12[a]]	227,431	190,589	405,121	358,534
Gross profit	75,244	67,349	151,256	128,511
Expenses				
Selling, general and administrative [note 12[b]]	58,655	53,638	118,396	114,838
Other operating expense (income) [note 12[c] and 17[c]]	1,189	(8,267)	(10,154)	14,976
Finance costs [note 12[d]]	10,327	12,195	20,647	23,014
Finance expense (income) [note 12[e]]	(4,295)	(9,688)	(6,244)	12,575
Share of associate's net loss [note 5]	—	1,107	1,077	2,307
Gain on remeasurement of equity investment [note 5]	(6,778)	—	(6,778)	—
	59,098	48,985	116,944	167,710
Profit (loss) before income taxes	16,146	18,364	34,312	(39,199)
Income tax expense (recovery) [note 14]				
Current	2,179	1,096	4,078	1,975
Deferred	(309)	2,796	3,254	(6,802)
	1,870	3,892	7,332	(4,827)
Profit (loss) for the period	14,276	14,472	26,980	(34,372)
Profit (loss) per share [note 15]				
Basic	0.76	0.77	1.44	(1.84)
Diluted	0.74	0.76	1.40	(1.84)

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, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Profit (loss) for the period	14,276	14,472	26,980	(34,372)
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	2,041	(28,368)	(15,462)	(2,935)
	2,041	(28,368)	(15,462)	(2,935)
Items that will not be reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plans	435	(633)	2,000	(825)
Income tax effect on defined plans	(115)	171	(530)	223
	320	(462)	1,470	(602)
Other comprehensive income (loss) for the period	2,361	(28,830)	(13,992)	(3,537)
Total comprehensive income (loss) for the period	16,637	(14,358)	12,988	(37,909)

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, 2021

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Deficit \$	Foreign currency reserve \$	Equity investment \$	Defined benefit plan reserve \$	Total shareholders' equity \$
As at January 1, 2021	1,730	4,427	487,540	(220,298)	(8,938)	(900)	(424)	263,137
Profit for the period	—	—	—	26,980	—	—	—	26,980
Other comprehensive income (loss)	—	—	—	—	(15,462)	—	1,470	(13,992)
Share-based payment transactions [note 10[a] and [b]]	2,151	—	1,489	—	—	—	—	3,640
Dividends paid to shareholders [note 10[c]]	—	—	—	(5,634)	—	—	—	(5,634)
Dividends on share-based compensation awards [note 10[c]]	—	—	—	(70)	—	—	—	(70)
As at June 30, 2021	3,881	4,427	489,029	(199,022)	(24,400)	(900)	1,046	274,061

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, 2020

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Deficit \$	Foreign currency reserve \$	Equity investment \$	Defined benefit plan reserve \$	Total shareholders' equity \$
As at January 1, 2020	455,857	6,707	27,113	(138,657)	23,337	(900)	(62)	373,395
Loss for the period	—	—	—	(34,372)	—	—	—	(34,372)
Other comprehensive loss	—	—	—	—	(2,935)	—	(602)	(3,537)
Share-based payment transactions [note 10[a] and [b]]	3,913	—	(699)	—	—	—	—	3,214
Dividends paid to shareholders [note 10[c]]	—	—	—	(14,020)	—	—	—	(14,020)
Dividends on share-based compensation awards [note 10[c]]	—	—	—	(231)	—	—	—	(231)
Redemption of convertible unsecured subordinated debentures	—	(2,280)	2,304	—	—	—	—	24
Reduction in stated capital	(459,769)	—	459,769	—	—	—	—	—
As at June 30, 2020	1	4,427	488,487	(187,280)	20,402	(900)	(664)	324,473

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, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Operating activities				
Profit (loss) before income taxes	16,146	18,364	34,312	(39,199)
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	6,225	6,386	12,062	12,779
Depreciation of right-of-use assets	1,072	1,076	2,028	1,988
Amortization of intangible assets	8,358	6,519	15,074	12,728
Loss (gain) on sale of property, plant and equipment	(20)	72	99	129
Loss (gain) on settlement of lease liability	18	(2)	18	(2)
Share of associate's net loss [note 5]	—	1,107	1,077	2,307
Gain on remeasurement of equity investment [note 5]	(6,778)	—	(6,778)	—
Loss on redemption of convertible debentures	—	—	—	746
Non-cash component of interest expense	1,336	1,328	2,654	2,459
Non-cash movement in derivative instruments	3,360	(7,497)	(7,298)	16,021
Non-cash investment tax credits	(377)	(341)	(389)	(405)
Share-based compensation expense	1,912	2,061	3,843	4,816
Defined benefit plan expense	36	33	72	66
Employer contributions to defined benefit plan	—	—	(9)	—
Due to vendor and OCRPS	573	2,017	2,059	5,243
Translation loss (gain) on foreign exchange	816	(17,258)	(7,594)	6,758
	32,677	13,865	51,230	26,434
Net change in non-cash working capital				
balances related to operations [note 16]	(40,823)	(268)	(65,818)	(16,146)
Non-current accounts receivable	(7,607)	(2,054)	(9,211)	(1,938)
Long-term payables	23	88	(56)	161
Settlement of EIAP obligation	(110)	(239)	(357)	(1,879)
Post-combination payments	81	—	(2,636)	—
Income taxes paid	(1,323)	(670)	(2,810)	(1,752)
Cash provided by (used in) operating activities	(17,082)	10,722	(29,658)	4,880
Investing activities				
Acquisition of property, plant and equipment	(7,568)	(8,129)	(13,741)	(18,056)
Acquisitions, net of cash acquired [note 5]	(12,865)	—	(12,865)	(7,301)
Transfer from restricted cash	263	(949)	3,184	(949)
Proceeds from sale of property, plant and equipment	71	54	165	148
Development and purchase of intangible assets	(7,061)	(1,889)	(10,325)	(5,269)
Transaction costs	—	(6,233)	—	(9,116)
Cash used in investing activities	(27,160)	(17,146)	(33,582)	(40,543)
Financing activities				
Issuance of long-term debt, net of issuance costs	39,788	46,455	39,788	149,229
Repayment of long-term debt	(128)	(11,268)	(296)	(127,885)
Change in swing line	20,267	—	23,997	—
Repayment of obligation under lease liabilities	(857)	(876)	(1,746)	(1,696)
Change in interest accrued	(5,431)	(4,639)	(6)	(512)
Issuance of senior unsecured subordinated debentures	(153)	(213)	(153)	80,979
Redemption of convertible unsecured subordinated debentures	—	—	—	(75,031)
Dividends paid in cash [note 10[c]]	(2,817)	(3,741)	(5,625)	(14,945)
Cash provided by financing activities	50,669	25,718	55,959	10,139
Net increase (decrease) in cash during the period	6,427	19,294	(7,281)	(25,524)
Cash and cash equivalents, beginning of period	48,748	3,603	62,456	48,421
Cash and cash equivalents, end of period	55,175	22,897	55,175	22,897
Supplemental cash flow information				
Interest paid	14,611	15,577	18,811	20,777

See accompanying notes

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

1. Organization

Ag Growth International Inc. ["AGI" or the "Company"] is a provider of solutions for the global food infrastructure, including seed, fertilizer, grain, feed, and food processing systems. AGI is a listed company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Statement of compliance and basis of presentation

[a] Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ["IAS"] 34, Interim Financial Reporting ["IAS 34"] as issued by the International Accounting Standards Board ["IASB"] 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, 2020.

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

These unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year-end and do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2020, which are available on SEDAR at www.sedar.com.

The unaudited interim condensed consolidated financial statements of AGI for the six-month period ended June 30, 2021 were authorized for issuance in accordance with a resolution of the directors on August 11, 2021.

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

[b] Adoption of new accounting standards and policies

Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB published amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement [“IAS 39”], IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

The amendments address issues that arise from implementation of IBOR reform, where IBORs are replaced with alternative benchmark rates. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments also provide additional temporary relief from applying specific IAS 39 hedge accounting requirements to hedging relationships affected by IBOR reform.

The amendments are effective for fiscal years beginning on or after January 1, 2021. The Company adopted the amendment on January 1, 2021, electing to apply the practical expedient; the adoption of this standard had no impact on the Company’s unaudited interim condensed consolidated financial statements.

3. Standards issued but not yet effective

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

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

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

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

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

Amendments to IAS 1 and IFRS Practice Statement ["PS"] 2 *Making Materiality Judgments*

In February 2021, amendments were issued to IAS 1 and IFRS PS 2, which provide guidance and examples to help entities apply materiality judgment to accounting policy disclosures. Specifically, the amendments aim to:

- Replace the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their ‘material’ accounting policies; and
- Add guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual periods beginning after January 1, 2023. The Company will assess the impact, if any, of adoption of the amendment.

4. 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 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. 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, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year.

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

Impact of COVID-19 pandemic

The COVID-19 pandemic in 2020 has resulted in the significant downturn in economic activity and disruption of normal operations, stemming in part from temporary site restrictions and closures and timing of delivery of project schedules. Government authorities in jurisdictions in which the Company operates continue to enact emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-isolation and quarantine periods, social distancing, and business operating restrictions and closures. In addition, the duration and severity of the pandemic depends on the success of the vaccination campaign, its deployment acceleration, effectiveness, uptake, and acceptance ratio. These factors make the timing and extent of the recovery of the economies in the countries in which the Company has operations difficult to estimate. Therefore, although AGI operations were captured as essential services and management has undertaken appropriate steps to mitigate the disruptions, the full extent, depth, and trailing impacts of COVID-19 are unknown at this time, including the impact on the consolidated financial results and condition of the Company in future periods.

5. Business combination

Effective April 16, 2021, AGI acquired additional outstanding shares of Farmobile, Inc. ["Farmobile"] for approximately \$11 million USD pursuant to the preferred share and common share stock purchase agreements. The terms of the agreements facilitate the acquisition of all outstanding shares of Farmobile, building on AGI's initial equity investment made in Farmobile in 2019. The investment was financed by cash on hand.

Farmobile, headquartered in Leawood, Kansas, is an agriculture technology company. The Farmobile PUC™ is a two-way, field data management device with a platform for data standardization and management; it enables the real-time automation and standardization of critical data collection from equipment used in the field. This acquisition builds on AGI's Internet of Things ["IoT"] product portfolio as an addition to the AGI SureTrack platform.

	\$
Fair value of consideration transferred, net of cash acquired	12,865
Cash acquired	884
Fair value of consideration transferred	13,749
Fair value of equity investment prior to control	18,755
Purchase price	<u>32,504</u>

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

AGI's investment in its associate was accounted for using the equity method. For the six-month period ended June 30, 2021, the Company share of associate's net loss was \$1,077. The additional purchase of shares resulted in control being obtained and has been accounted for by the acquisition method, with the results of Farmobile included in the Company's net earnings subsequent to control being obtained. Immediately before obtaining control, the Company remeasured its previously held equity investment at its acquisition-date fair value and recognized a gain of \$6,778 in profit and loss.

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

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

	\$
Cash	884
Accounts receivable	178
Inventory	412
Prepaid expenses and other assets	642
Property, plant and equipment	45
Right-of-use assets	1,671
Intangible assets	
Technology	24,078
Patents	274
Goodwill	13,913
Accounts payable and accrued liabilities	(1,245)
Customer deposits	(977)
Lease liability	(1,671)
Deferred tax liability	(5,700)
Purchase consideration	<u>32,504</u>

The goodwill of \$13,913 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

The fair value of the accounts receivable acquired is \$178. This consists of the gross contractual value of \$241 less the estimated amount not expected to be collected of \$63.

From the date of acquisition, Farmobile contributed to the results \$323 of revenue and \$3,633 of net loss. If the acquisition had taken place as at January 1, 2021, revenue would have increased by an additional \$458 and profit would have decreased by \$4,708.

The components of the purchase consideration are as follows:

	\$
Cash paid	13,749
Fair value of equity investment prior to control	18,755
Purchase price	<u>32,504</u>

Additional contingent consideration, dependent on the outcome of future events, may be payable to certain selling shareholders of Farmobile and AGI. No amount has been accrued as the outcome of the future events is not yet determinable and any payments will be limited to proceeds received from the future events.

Transaction costs related to the Farmobile acquisition in the six-month period ended June 30, 2021 of \$1,461 are included in selling, general and administrative expenses.

6. Reportable business segment

On January 1, 2021, the Company reorganized its business segments to better reflect changes in its operations and management structure. As a result of those changes, the Company identified three reportable segments: Farm, Commercial, and Technology, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. 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. Financial information for the comparative period has been restated to reflect the new presentation.

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. The CODM assesses segment performance based on adjusted earnings before income tax, depreciation, and amortization ["Adjusted

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

EBITDA”], which is measured differently than profit (loss) from operations in the unaudited interim condensed consolidated financial statements.

The Company’s reportable segments:

- **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.
- **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, inland grain terminals, corporate farms, fertilizer distribution sites, ethanol production, oilseed crushing, commercial feed mills, rice mills and flour mills.
- **Technology:** AGI’s Technology business is built on a foundation of IoT products that are designed to monitor, operate, and automate the Company’s equipment including the collection of key operation data. The Technology business offers monitoring, operation, measurement and blending controls, automation, hazard monitoring, embedded electronics, farm management, grain marketing and tools for agronomy, and Enterprise Resource Planning for agriculture retailers and grain buyers. These products are available both as standalone offerings, as well as in combination with larger farm or commercial systems from AGI.

The following tables sets forth information by segment:

	Three-month period ended		Six-month period ended	
	June 30, 2021 \$	June 30, 2020 \$	June 30, 2021 \$	June 30, 2020 \$
Farm	168,119	143,229	303,071	262,078
Commercial	124,929	112,783	239,210	218,312
Technology	8,544	5,408	15,288	9,905
Trade sales¹	301,592	261,420	557,569	490,295
Foreign exchange (gain) loss	1,083	(3,482)	(1,192)	(3,250)
Sales	302,675	257,938	556,377	487,045

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

	Three-month period ended		Six-month period ended	
	June 30, 2021 \$	June 30, 2020 \$	June 30, 2021 \$	June 30, 2020 \$
Farm	42,602	33,686	76,729	57,818
Commercial	11,762	15,050	25,915	23,574
Technology	(1,878)	(1,021)	(3,298)	(3,021)
Other ²	(6,254)	(3,621)	(14,030)	(8,627)
Adjusted EBITDA¹	46,232	44,094	85,316	69,744
Gain (loss) on foreign exchange	5,335	6,094	4,858	(15,996)
Share-based compensation	(1,912)	(2,061)	(3,843)	(4,816)
Gain (loss) on financial instruments	(3,360)	7,497	7,298	(16,767)
Mergers and acquisitions expense	(1,584)	(1,497)	(2,021)	(1,271)
Other transaction and transitional costs	(1,863)	(2,410)	(5,569)	(7,150)
Gain (loss) on sale of property, plant and equipment	20	(72)	(99)	(129)
Gain (loss) on settlement of lease liability	(18)	2	(18)	2
Equipment rework and remediation	(7,500)	(6,000)	(7,500)	(10,000)
EBITDA	35,350	45,647	78,422	13,617
Finance costs	(10,327)	(12,195)	(20,647)	(23,014)
Depreciation and amortization	(15,655)	(13,981)	(29,164)	(27,495)
Share of associate's net loss	—	(1,107)	(1,077)	(2,307)
Gain on remeasurement of equity investment	6,778	—	6,778	—
Profit (loss) before income taxes	16,146	18,364	34,312	(39,199)

¹ The CODM uses Trade Sales and Adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Company's segments. Trade Sales are gross sales excluding impact of foreign exchange. Adjusted EBITDA is defined as net income before depreciation and amortization, financial expenses, operational restructuring costs and other, income taxes and share of income (loss) of associates. Trade Sales and Adjusted EBITDA as defined above are not a measure of results that is consistent with IFRS.

² 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.

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

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

	Three-month period ended		Six-month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Sales				
Canada	79,402	75,798	141,909	143,799
United States	140,926	110,740	255,620	208,928
International	82,347	71,400	158,848	134,318
	302,675	257,938	556,377	487,045

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.

7. Property, plant, and equipment

	June 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	354,533	363,678
Additions	13,741	28,063
Leasehold improvements received	—	2,086
Acquisition	45	63
Disposals	(264)	(610)
Transfer to inventory	(135)	—
Transfer from assets held for sale	527	—
Transfer to right-of-use assets	—	375
Depreciation	(12,062)	(25,642)
Impairment	—	(1,957)
Exchange differences	(7,210)	(11,523)
Balance, end of period	349,175	354,533

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8. 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, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	83,361	17,539
Additional provisions recognized	11,736	88,386
Amounts written off and utilized	(29,987)	(22,564)
Balance, end of period	65,110	83,361

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 as a result, the Company recorded a provision of \$70 million. During the three-month ended June 30, 2021, the Company recorded an additional provision of \$7.5 million. As at June 30, 2021, the warranty provision for remediation costs is \$52.2 million [December 31, 2020 – \$69.7 million], with \$25.0 million of the provision having been utilized during the six-months ended June 30, 2021 as the remediation is underway.

In 2021, two legal claims related to the bin collapse were initiated against the Company for a cumulative amount in excess of \$190 million, one of which was received subsequent to the quarter ended June 30, 2021. The investigation into the cause of and responsibility for the collapse remains ongoing. The Company is in the process of assessing these claims and no further provisions have been recorded for these claims at this time. The Company has legal and contractual defenses to the legal claims and will fully and vigorously defend itself. In addition, the Company continues to believe that any financial impact will be partially offset by insurance coverage. AGI is working with insurance providers and external advisors to determine the extent of this cost offset. Insurance recoveries, if any, will be recorded when received.

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Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to the one commercial facility. As at June 30, 2021, the warranty provision for the equipment rework is \$3.6 million [December 31, 2020 – \$4.5 million], with \$922 of the provision having been utilized during the period.

9. Long-term debt

On April 29, 2021, the Company's one-year liquidity facility matured. Upon maturity, the Company's liquidity agreement was incorporated into the existing revolver facility through the accordion feature. As a result, \$50 million was added to the Company's Canadian revolver availability. The maturity date of the revolver facility remains unchanged at March 20, 2025.

During the three-month ended June 30, 2021, the Company drew \$40 million from its Canadian revolver and as at June 30, 2021, there was \$23,817 outstanding under the Company's swinglines.

10. Equity

[a] Common shares

	Shares #	Amount \$
Balance, January 1, 2020	18,658,479	455,857
Settlement of EIAP obligation	59,936	5,642
Reduction in stated capital	—	(459,769)
Balance, December 31, 2020	18,718,415	1,730
Settlement of EIAP obligation	60,279	2,151
Balance, June 30, 2021	18,778,694	3,881

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[b] Contributed surplus

	June 30, 2021 \$	December 31, 2020 \$
Balance, beginning of period	487,540	27,113
Equity-settled director compensation <i>[note 11[b]]</i>	334	626
Dividends on EIAP	70	358
Obligation under EIAP <i>[note 11[a]]</i>	3,509	5,802
Settlement of EIAP obligation	(2,424)	(8,432)
Redemption of convertible unsecured subordinated debentures	—	2,304
Reduction in stated capital	—	459,769
Balance, end of period	489,029	487,540

[c] Dividends paid and proposed

In the three-month period ended June 30, 2021, the Company declared dividends of \$2,817 or \$0.15 per common share [2020 – \$2,807 or \$0.60 per common share] and dividends on share compensation awards of \$(72) [2020 – \$69]. In the six-month period ended June 30, 2021, the Company declared dividends of \$5,634 or \$0.30 per common share [2020 – \$14,020 or \$0.75 per common share] and dividends on share compensation awards of \$70 [2020 – \$231]. In the three- and six-month periods ended June 30, 2021, dividends paid to shareholders of \$2,817 and \$5,625 [2020 – \$3,741 and \$14,945] were financed from cash on hand.

On April 14, 2020, the Company announced a reduction of its dividend to an annual level of \$0.60 per common share. At the same time, the dividend moved from monthly to quarterly payments, and accordingly the dividend of \$0.15 per share relates to the months of April, May, June 2021. The dividend is payable on July 15, 2021 to common shareholders of record at the close of business on June 30, 2021.

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11. Share-based compensation plans

[a] Equity Incentive Award Plan ["EIAP"]

During the six-month period ended June 30, 2021, 143,698 [2020 – 2,500] Restricted Awards ["RSUs"] were granted and 125,036 [2020 – nil] Performance Awards ["PSUs"] were granted and nil cancelled [2020 – 58,502]. 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. As at June 30, 2021, 1,469,163 shares have been granted under the EIAP.

During the six-month period ended June 30, 2021, AGI expensed \$3,509 for the EIAP [2020 – \$4,495].

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

	EIAP	
	Restricted Awards #	Performance Awards #
Balance, January 1, 2020	244,408	109,497
Granted	224,578	60,178
Vested	(70,582)	(7,108)
Forfeited	(6,724)	(892)
Modified	(82,952)	—
Cancelled	—	(58,501)
Balance, December 31, 2020	308,728	103,174
Granted	143,698	125,036
Vested	(39,748)	(18,878)
Forfeited	(6,597)	(26,145)
Balance, June 30, 2021	406,081	183,187

There is no exercise price on the EIAP awards.

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

For the three- and six-month period ended June 30, 2021, expenses of \$190 and \$334 [2020 – \$151 and \$321] were recorded for the share grants, and corresponding amounts has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the six-month period ended June 30, 2021, 6,987 [2020 – 14,502] common shares were granted under the DDCP, and as at June 30, 2021, a total of 120,000 [December 31, 2020 – 113,013] common shares had been granted under the DDCP and 19,788 [December 31, 2020 – 18,436] common shares had been issued.

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12. Other expenses (income)

	Three-month period ended		Six-month period ended	
	June 30, 2021 \$	June 30, 2020 \$	June 30, 2021 \$	June 30, 2020 \$
[a] Cost of goods sold				
Depreciation of property, plant and equipment	5,480	5,700	10,554	11,412
Depreciation of right-of-use assets	288	437	593	759
Amortization of intangible assets	2,888	1,151	4,175	1,935
Warranty expense	9,244	7,900	11,736	13,762
Cost of inventory recognized as an expense	209,531	175,401	378,063	330,666
	227,431	190,589	405,121	358,534
[b] Selling, general and administrative expenses				
Depreciation of property, plant and equipment	745	686	1,508	1,367
Depreciation of right-of-use assets	784	639	1,435	1,229
Amortization of intangible assets	5,470	5,368	10,899	10,793
Minimum lease payments recognized as lease expense	15	60	30	101
Transaction costs	3,447	3,907	7,590	8,421
Selling, general and administrative	48,194	42,978	96,934	92,927
	58,655	53,638	118,396	114,838
[c] Other operating expense (income)				
Net loss on disposal of property, plant and equipment	(20)	72	99	129
Net gain on settlement of lease liability	18	(2)	18	(2)
Loss (gain) on financial instruments	3,360	(7,497)	(7,298)	16,767
Other	(2,169)	(840)	(2,973)	(1,918)
	1,189	(8,267)	(10,154)	14,976
[d] Finance costs				
Interest on overdrafts and other finance costs	170	48	302	653
Interest on lease liabilities	247	173	492	292
Interest, including non-cash interest, on debts and borrowings	3,316	4,894	6,685	9,837
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures [notes 17[b]]	6,594	7,080	13,168	12,232
	10,327	12,195	20,647	23,014
[e] Finance expense (income)				
Interest income from banks	(43)	(112)	(194)	(171)
Loss (gain) on foreign exchange	(4,252)	(9,576)	(6,050)	12,746
	(4,295)	(9,688)	(6,244)	12,575

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13. Retirement benefit plans

During the three- and six-month periods ended June 30, 2021, the expenses associated with the Company's defined pension benefit were \$36 and \$72, respectively [2020 – \$33 and \$66]. As at June 30, 2021, the accrued pension benefit asset (liability) was \$1,166 [December 31, 2020 – \$(771)], which is included in other assets (liabilities) on the unaudited interim condensed consolidated statements of financial position.

14. Income taxes

The Company's effective tax rate for the six-month period ended June 30, 2021 was 21.4% [2020 – 12.3%]. The difference between the effective tax rate and the Company's domestic statutory tax rate of 26.5% [2020 – 27%] is attributable to unrealized foreign exchanges gains and (losses), non-deductible expenses, as well as differences in tax rates and deductions allowed in foreign tax jurisdictions.

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15. Profit (loss) per share

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

	Three-month period ended		Six-month period ended	
	June 30, 2021 \$	June 30, 2020 \$	June 30, 2021 \$	June 30, 2020 \$
Profit (loss) attributable to shareholders for basic and dilutive profit (loss) per share	14,276	14,472	26,980	(34,372)
Basic weighted average number of shares	18,778,425	18,707,858	18,768,591	18,695,108
Dilutive effect of DDCP	96,373	78,642	117,356	—
Dilutive effect of RSUs	406,990	205,974	360,387	—
Diluted weighted average number of shares	19,281,788	18,992,474	19,246,334	18,695,108
Profit (loss) per share				
Basic	0.76	0.77	1.44	(1.84)
Diluted	0.74	0.76	1.40	(1.84)

The 2017 and 2018 debentures were excluded from the calculation of diluted profit (loss) per share in the three- and six-month periods ended June 30, 2021 and June 30, 2020, because their effect is anti-dilutive. The DDCP and RSUs were excluded from the calculation of diluted profit (loss) per share in the six-month period ended June 30, 2020 because their effect is anti-dilutive.

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16. Statement of cash flows

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, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Accounts receivable	(35,534)	(30,432)	(50,867)	(56,647)
Inventory	(11,281)	7,144	(31,915)	(9,996)
Prepaid expenses and other assets	(9,791)	1,524	(13,720)	4,064
Accounts payable and accrued liabilities	20,946	27,125	33,051	43,942
Customer deposits	5,594	(6,568)	15,867	532
Provisions	(10,757)	939	(18,234)	1,959
	(40,823)	(268)	(65,818)	(16,146)

17. 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, 2021 and year ended December 31, 2020, there were no transfers between Level 1, Level 2, and Level 3 fair value measurements.

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

[a] Short-term financial instruments

Cash and cash equivalents, cash held in trust and 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 debt 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, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Interest-bearing loans and borrowings	466,083	463,437	409,373	405,907
Convertible unsecured subordinated debentures	168,770	175,854	167,319	171,366
Senior unsecured subordinated debentures	249,978	251,979	249,079	253,498

[c] Derivative financial instruments

Derivatives are marked-to-market at each reporting period and changes in fair value are recognized as a gain (loss) on financial instruments in other operating 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.

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Interest rate swap contract

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 4.1%. The notional amounts are \$40,000 in aggregate, resetting the last business day of each month. The contract expires in May 2022. During the three- and six-month periods ended June 30, 2021, an unrealized gain of \$145 and \$282 [2020 – gain (loss) of \$39 and \$(1,472)] were recorded in gain (loss) on financial instruments in other operating expense (income). As at June 30, 2021, the fair value of the interest rate swap was \$(489) [December 31, 2020 – \$(771)].

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, 2021, 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, 2021, an unrealized gain (loss) of \$(4,231) and \$6,289 [2020 – \$7,451 and \$(13,805)] were recorded in loss on financial instruments in other operating expense (income). As at June 30, 2021, the fair value of the equity swap was \$(95) [December 31, 2020 – \$(6,386)].

Foreign exchange contracts

To mitigate exposure to the fluctuating rate of exchange, AGI may enter into foreign exchange forward contracts and denominate a portion of its debt in U.S. dollars. As at June 30, 2021, AGI's U.S. dollar denominated debt totaled \$215 million. The Company had no outstanding foreign exchange contracts at June 30, 2021.

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, 2021, a gain (loss) of \$725 and \$727 [2020 – \$7 and \$(744)] were recorded in loss (gain) on financial instruments in other operating expense (income). As at June 30, 2021, the fair value of the embedded derivative was \$727 [December 31, 2020 – nil].

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[d] Other liabilities at fair value through profit (loss)

OCRPS are recorded at fair value at each reporting period, and changes in fair value are recognized as a gain (loss) on financial instruments in other operating expense (income). The fair value of the OCRPS are valued using Level 3 inputs using a discounted cash flow technique, which incorporates various inputs including the probability of meeting set performance targets.

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

	June 30, 2021 \$	December 31, 2020 \$
Balance, beginning of period	28,971	31,590
Fair value change	831	3,872
Reclassification to due to vendor	—	(5,270)
Exchange differences	(1,277)	(1,221)
Balance, end of period	28,525	28,971

Set out below are the significant unobservable inputs to valuation as at June 30, 2021:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
OCRPS	Discounted cash flow method	<ul style="list-style-type: none"> Probability of achieving earnings target Weighted average cost of capital ["WACC"] 	<p>0%–100% achievement</p> <p>8.0%–10%</p>	<p>Increase (decrease) in the probability would increase (decrease) the fair value</p> <p>Increase (decrease) in the WACC would result in decrease (increase) in fair value</p>

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18. 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, 2021, the total cost of these legal services related to general matters was \$337 and \$549 [2020 – \$47 and \$689], and \$145 is included in accounts payable and accrued liabilities as at June 30, 2021.

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

19. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of \$6,389 [December 31, 2020 – \$5,673].

[b] Letters of credit

As at June 30, 2021, the Company has outstanding letters of credit in the amount of \$20,705 [December 31, 2020 – \$23,421].

[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 consolidated financial position, consolidated results of operations or consolidated cash flows.