AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: May 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-month period ended March 31, 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 (loss)", "diluted adjusted profit (loss) per share" and "technology sales with retail equivalent". A description of these measures and their limitations are discussed below under "Non-IFRS Measures".

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

SUMMARY OF RESULTS

	Three-months Ended March 31			
[thousands of dollars except per share amounts]	2021 $	2020 $	Change $	Change %
Trade sales [1]	255,977	228,875	27,102	12%
Adjusted EBITDA [1]	39,084	25,650	13,434	52%
Adjusted EBITDA Margin [1]	15.3%	11.2%	-	36%
Profit (Loss)	12,704	(48,844)	61,548	n/a
Diluted profit (loss) per share	0.66	(2.61)	3.27	n/a
Adjusted profit [1]	7,862	7,281	581	8%
Diluted adjusted profit per share [1]	0.41	0.38	0.03	8%

[1] See "Non-IFRS Measures".

First quarter 2021 results include strong contributions from all segments of the business with consolidated trade sales and adjusted EBITDA up 12% and 52% year-over-year ('YOY'), respectively. We continue to recognize the benefits of our diversification into new markets and new products. Consolidated adjusted EBITDA margins of 15.3% were up from 11.2% YOY with product and segment mix, total sales volume, slightly reduced SG&A from lower travel and related expenses, as well as continued progress on capturing operational efficiencies all contributing to the increase. Exiting the quarter, consolidated backlogs continued to remain strong with broad-based strength across all segments and geographies.

Farm segment trade sales and adjusted EBITDA for Q1 2021 grew 14% and 41% YOY, respectively, as strong demand for both portable and permanent handling from our Farm customers continued from Q4 2020. Farm backlog is up 75% over prior year as of March 31, 2021. Amid an unprecedented period of steel price increases, among increases for other key inputs, demand for Farm segment equipment has been very robust as customers focus on securing critical products in advance of what is widely expected to be a strong growing season.

Commercial segment trade sales and adjusted EBTIDA for Q1 2021 grew 8% and 66% YOY, respectively, with strength in the U.S., EMEA, and Asia Pacific markets offsetting some softness in the Canadian market. The Food Platform continues to be a strong contributor with sales up 30% YOY and notable strength in the U.S. market, up 72% YOY. The Commercial segment backlog is up 17% over the prior year as of March 31, 2021. Open quotes are being continuously reviewed and updated for changes in market conditions as raw materials are being purchased when customers formalize their commitments. COVID-19 continues to impact the results of the Canadian, Asia Pacific, and South America Commercial segment as we still see some customers continue to hold off on projects, while in the U.S. we are seeing the resumption of more normalized customer behaviour as pandemic-related delays have begun to wane.

In our Technology segment, we continued to trial various sales models and go-to-market strategies throughout the quarter as we seek to better understand aggregate customer preferences and priorities. Changes implemented in the first quarter included a focus on building our dealer networks to create more scalable and sustainable sales channels that are capable of reaching more customers. In addition, we are working through new product and service bundling options. As part of our strategy to accelerate our growth in the Technology segment, we also engaged a consulting firm to complete a broad mandate focused on optimizing our product, our production, and to bring significant expertise to our sales channel development. This comprehensive effort will lower costs, increase the features and reliability of our products, and ease customer installations.

The work with the third party is extensive and we have spent $1.9M in the first quarter. This one-time expense is included in our adjusted EBITDA at the corporate level. The engagement and expense will continue into the second quarter as we further position our platform for accelerated growth.

Our “as reported” Technology segment sales increased 50% YOY as compared to Q1 2020. However, during the quarter, we limited our hardware subscription program as we refine this offering. Consequently, Technology segment sales, on a retail equivalent basis, declined by 36% in the quarter. We expect this performance to revert to robust growth as we implement revised sales programs and leverage our expanded sales channels. We continue to expect substantial growth over 2020 for the full year.

UPDATE ON REMEDIATION WORK

The Company continues to make progress on the remediation of the commercial grain storage bins as previously disclosed (the “Remediation Work”). We previously recorded a total estimated cost of $70 million for the two affected customer sites and that estimate has not changed. While no new material facts or updates are available beyond what’s already been disclosed, the Company continues to work in earnest to accelerate resolution and settlement of the issue.

Some other relevant facts include:

- We are moving forward with the Remediation Work for one of the customers and expect to be completed by the Fall 2021.

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

Additional information on the provision for remediation can also be found in “OPERATING RESULTS – THREE-MONTHS ENDED March 31, 2021 – 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. In 2020, AGI experienced temporary production suspensions in Italy, France, Brazil, and India early in the pandemic and sporadic but short interruptions in the United States while engineering, design and quoting activity continued at all of these businesses during the suspension periods. There have been no production suspensions in Canada to-date.

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. However, headwinds stemming from the pandemic are becoming an increased challenge on the availability and cost of raw materials required for production. 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. The impact on our 2021’s results remains 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 – THREE MONTHS ENDED March 31, 2021 - 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 and fertilizer handling equipment, aeration products, storage bins and grain management technology, primarily to farmers in North America where on-farm storage practices are conducive to the sale of portable handling equipment and storage bins for grain and fertilizer.

Commercial Segment

AGI's Commercial segment 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, 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, including pet food. AGI Food provides full process design engineering, overall project engineering, project management services, and equipment supply. Our process design services result in close partnerships with our customers as we become involved early in the project formation stage. Our project management services mean we lead the project from conception to commissioning and work with our customers to manage all dynamics of the project throughout design and execution. We also manufacture and supply the infrastructure equipment components of these projects. Consistent with our 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 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 three acquisitions and going forward will also include the Farmobile acquisition we announced in April this year. The three historical acquisitions include IntelliFarms (March 2019), CMC (January 2018) and Affinity (January 2020). Our overall technology business is branded as "AGI SureTrack" and includes farm management tools, grain bin monitoring with automated conditioning, a grain marketing platform, hazard monitoring, and enterprise resource planning (ERP) solutions. AGI SureTrack operates out of Lenexa, Kansas with a location in Oakville, Ontario.

OUTLOOK

Global macroeconomic conditions are positive with crop volumes, crop prices, and trade flow all continuing to trend positively. While AGI's demand drivers are more closely linked to crop volumes, trade practices, and consumption levels, the current crop price environment also provides a favorable tailwind for our markets.

Farm Segment

Farm backlog increased substantially over Q1 2020 as our dealers move to replenish inventories and get ahead of steel price increases and in anticipation of a busy year as planting intentions, particularly in the U.S., appear strong as compared to 2020. Together, these factors have resulted in Farm backlogs increasing 60% in Canada and 89% in the U.S., and 105% in International, over prior year as of March 31, 2021.

In the near-term, the rise of steel, component, packaging, and freight costs will pressure the gross margin of the segment. While cost increases can be passed onto customers in many instances, the meteoric rise in steel costs will impact our Q2 and Q3 2021 margins but management expects Q4 2021 margins should approach historic norms based on anticipated price increases.

Commercial Segment

Commercial Platform

Canada

While COVID-19 had a substantial impact on project activity, quoting, project development and project progression across North America throughout 2020, the impact on projects in western Canada continues to be more severe than in the U.S. as growth projects continue to be placed on hold in favor of essential maintenance.

The Canadian Commercial Platform backlog was down 38% over prior year as of March 31, 2021. However, given the increase in quoting activity, management believes that the impact of COVID-19 on Canadian commercial projects is temporary and investment in commercial infrastructure in Canada will begin to increase in the back half of 2021.

United States

Management expects sales to continue improving in the U.S. Commercial Platform given the steady flow of maintenance and smaller capital projects. The trade tensions which have contributed to delays in capital investments in the U.S. over the last two years continue to improve as corn exports continue to march higher. U.S. Commercial Platform backlogs have increased 39% over prior year as of March 31, 2021, leading to expectation of further growth in investment across the U.S. grain infrastructure.

International

Strength in International Commercial Platform sales is expected to continue as strong quoting activity across all regions underpins a 21% increase in backlog over prior year as of March 31, 2021.

- EMEA: Momentum for EMEA is supported by strong quoting activities and backlog is up 35% over prior year as of March 31, 2021. However, some projects have been deferred to future quarters due to customer's on-site availability and project readiness. In addition, the potential risk in supply of materials from vendors is being actively managed to minimize the impacts on projects.

- **Asia Pacific**: In India, a favorable monsoon season and increasing rice exports are offsetting a challenging environment due to COVID-19 in India, supporting a 44% increase in backlog over prior year as of March 31, 2021. Backlog for broader the Asia Pacific region is up 17% over prior year as of March 31, 2021.
- **South America**: The macro environment continues to be supportive for investment in the South America region with historically low interest rates, inflation, ideal weather conditions, and a bumper crop in many areas of Brazil. As a result, backlog is up 7% over prior year as of March 31, 2021, and it continues to grow as we move into Q2 2021. Backlog for broader the South American region is up 20% over prior year as of March 31, 2021, providing optimism for a rebound after a challenging Q1 2021.

Overall, management expects 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 has been 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 being continuously reviewed and updated for changes in market conditions as raw materials are only being purchased when customers formalize their commitments. That said, a general escalation of raw material, freight and labour costs will pressure gross margin performance of the platform.

Food Platform

In Q1 2021, our Food backlog increased 18% over prior year as of March 31, 2021, driven by a combination of repeat business from existing customers and acquisition of new accounts. As with all our segments, increasing prices of raw materials and foreign exchange fluctuations continue, and we constantly evaluate all quotes and current projects to ensure they remain profitable.

Technology Segment

The Technology segment has several initiatives underway to position the business for continued growth throughout 2021. As discussed above, we are focused on accelerating key commercial and product-related initiatives. To expedite these initiatives, we have engaged with an external consultant for further support and expertise. The pause in sales growth will be temporary and more than offset through substantially expanded sales channels going forward, supporting our expectation for robust growth for the full 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 will be 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 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.

Summary

AGI's 5-6-7 strategy to provide system solutions across 5 platforms, 6 continents, and across 7 components has led to diversification in terms of products, geographies, and customers which has proven valuable during these uncertain times. Order intake continues to be robust with solid backlogs providing good visibility to sales growth. This is signal of the resilience now embedded in the AGI business model. Favourable farm-level conditions in North America continue to drive demand for our products. Our Farm backlog is significantly higher YOY. With the exception of the Canadian Commercial space, we are seeing recovery indicators in the U.S. and International Commercial space with a 17% increase in overall backlog over prior year as of March 31, 2021. We also expect growth from our Technology segment as we make progress advancing the many supporting product and commercial initiatives designed to enable accelerated growth.

Supported by healthy demand and a strong backlog, up 42% YOY as of late April, we expect robust trade sales growth throughout 2021. However, for the remainder of 2021 we expect a negative impact to EBITDA margins, on a year-over-year basis, as we respond to the rapid rise in steel costs in addition to overall foreign exchange related headwinds. Despite these challenges, full year trade sales and adjusted EBITDA expectations continue 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 March 31, 2021 versus March 31, 2020:

	Region			
Segments and Platforms[1]	Canada % chg	United States % chg	International % chg	Total % chg
Farm	60%	89%	105%	75%
Commercial				
Commercial Platform	(38%)	39%	21%	16%
Food Platform	(35%)	58%	12%	18%
Total Commercial Segment	(37%)	43%	20%	17%
Overall [1]	**27%**	**65%**	**26%**	**40%**

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

The following table presents changes in the Company’s international backlogs further segmented by region as of March 31, 2021 versus March 31, 2020:

Farm and Commercial Segments [1]	EMEA % chg[2]	Asia Pacific % chg [3]	South America % chg [4]
International by region [1]	**34%**	**17%**	**20%**

[1] Backlog for Technology has been excluded as products and services are delivered on a just-in-time basis and therefore backlog is not a relevant indicator of committed sales.
[2] “EMEA” composed of Europe, Middle East and Africa
[3] “Asia Pacific” composed of South East Asia, Australia, India, and Rest of World
[4] “South America” composed of Latin America and Brazil

Management continues to be pleased with the resilient performance across AGI.

OPERATING RESULTS – THREE-MONTHS ENDED MARCH 31, 2021

Trade Sales [see "Non-IFRS Measures"]

	Three-months Ended March 31			
	2021	2020	Change	Change
[thousands of dollars]	$	$	$	%
Trade sales	255,977	228,875	27,102	12%
Foreign exchange gain (loss) [1]	(2,275)	232	(2,507)	(1,081%)
Total Sales	**253,702**	**229,107**	**24,595**	**11%**

[1] A portion of foreign exchange gains and losses are allocated to sales. See "Impact of Foreign Exchange".

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

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

Farm Segment

	Three-months Ended March 31			
	2021	2020	Change	Change
[thousands of dollars]	$	$	$	%
Canada	51,809	47,574	4,235	9%
U.S.	65,795	57,430	8,365	15%
International				
EMEA	5,316	4,834	482	10%
Asia Pacific	4,727	3,458	1,269	37%
South America	7,305	5,553	1,752	32%
Total International	17,348	13,845	3,503	25%
Total Trade Sales	**134,952**	**118,849**	**16,103**	**14%**

Technology Segment

	Three-months Ended March 31			
	2021	2020	Change	Change
[thousands of dollars]	$	$	$	%
Canada	205	312	(107)	(34%)
U.S.	6,521	4,110	2,411	59%
International				
EMEA	-	7	(7)	(100%)
Asia Pacific	18	-	18	-
South America	-	68	(68)	(100%)
Total International	18	75	(57)	(76%)
Total Trade Sales	**6,744**	**4,497**	**2,247**	**50%**

Commercial Segment

[thousands of dollars]	2021 $	2020 $	Three-months Ended March 31 Change $	Change %
Canada	10,493	20,116	(9,623)	(48%)
U.S.	44,653	36,408	8,245	23%
International				
EMEA	19,060	14,216	4,844	34%
Asia Pacific	25,866	18,215	7,651	42%
South America	14,209	16,574	(2,365)	(14%)
Total International	59,135	49,005	10,130	21%
Total Trade Sales	**114,281**	**105,529**	**8,752**	**8%**

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

	Commercial Platform Three-months Ended March 31				Food Platform Three-months Ended March 31			
[thousands of dollars]	2021 $	2020 $	Change $	Change %	2021 $	2020 $	Change $	Change %
Canada	7,419	16,639	(9,220)	(55%)	3,074	3,477	(403)	(12%)
U.S.	35,570	31,129	4,441	14%	9,083	5,279	3,804	72%
International								
EMEA	13,677	10,496	3,181	30%	5,383	3,720	1,663	45%
Asia Pacific	25,821	17,197	8,624	50%	45	1,018	(973)	(96%)
South America	14,209	16,574	(2,365)	(14%)	-	-	-	-
Total International	53,707	44,267	9,440	21%	5,428	4,738	690	15%
Total Trade Sales	96,696	92,035	4,661	5%	17,585	13,494	4,091	30%

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

[thousands of dollars]	2021 $	2020 $	Three-months Ended March 31 Change $	Change %
Canada	62,507	68,002	(5,495)	(8%)
U.S.	116,969	97,948	19,021	19%
International				
EMEA	24,376	19,057	5,319	28%
Asia Pacific	30,611	21,673	8,938	41%
South America	21,514	22,195	(681)	(3%)
Total International	76,501	62,925	13,576	22%
Total Trade Sales	**255,977**	**228,875**	**27,102**	**12%**

Canada

- Trade sales in Canada decreased 8% from Q1 2020:
  - Farm segment trade sales were up 9% as a result of continued demand for storage and portable equipment due to favourable crop volumes from the 2020 harvest and in anticipation of a favorable 2021. Additionally, the cost of materials has spurred sales with anticipation of future price increases and potential shortages due to vendor supply issues emerging.
  - Technology segment trade sales decreased 34% on a very small base (retail equivalent sales also decreased 34%). The decrease is due to timing of product sales and continued

focus for dealer bundling with our existing customer base. Canada has not been our focus as we develop and launch our Technology products. Canadian expansion is expected to increase throughout 2021 and into 2022.

  - Commercial segment trade sales decreased 48%. Specifically:
    - Commercial platform trade sales were down 55% as COVID-19 continues to delay all sizes of commercial projects in both grain terminal and fertilizer projects. Quoting activity continues to increase and management expects steadily positive trendline throughout 2021; and
    - Food platform trade sales are down 12% as COVID-19 continues to impact Canadian projects. Large projects are now starting to be released into production and management expects more projects will be back on track during 2021.

United States

- Trade sales in the U.S. increased 19% from Q1 2020:
  - Farm segment trade sales increased 15% as a result of continued demand for storage and portable equipment due to favourable crop volumes from the 2020 harvest and the favorable outlook for 2021. Additionally, we believe that the continued cost of steel and components have led to some pull forward demand as prices continue to rise and customers want the best price.
  - Technology segment trade sales increased 59% (retail equivalent sales decreased 36%) through continued focus from our expanding dealer network. The move from a subscription model back to a traditional retail sales model was rolled out in 2021 which required training and time to set up programs correctly.
  - Commercial segment trade sales increased 23%. Specifically:
    - ¤ Commercial platform trade sales increased 14% over 2020 as some COVID-19 delayed projects have restarted in Q1 2021; and
    - ¤ Food platform trade sales grew 72% as a result of the release of planned projects into production. Petfood market remains very strong in the COVID-19 environment.

International

- International trade sales increased 22% from Q1 2020:
  - Farm segment trade sales increased 25% with the largest increases in both Storage and Portable products in Asia Pacific and South America. A forecasted increase in planted acres will continue to drive demand for Storage and Handling products.
  - Commercial segment trade sales increased 21%. Specifically:
    - ¤ Commercial platform trade sales increased 21% over 2020 despite the impact of COVID-19 causing project delays. Both Asia Pacific and EMEA regions saw significant increases of 50% and 30% over prior year as favourable macroeconomic conditions stimulate investment in commercial infrastructures in those regions; and
    - ¤ Food platform trade sales increased 15% from 2020 as projects in the EMEA and South America region were delayed or deferred due to COVID-19. Food trade sales in the Asia Pacific region increased significantly due to expansion of business with key customers and new customers.

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 and overall channel development and continue to focused on onboarding additional dealers for AGI SureTrack products to build more scalable sales channels. This iterative process will continue in 2021 as we analyze product bundling options and pricing programs as well as intense work to automate our production process and optimize supply chain to facilitate better pricing at sustainable margins. Sales programs will continue to iterate in the near term as we refine our programs focused on customer input and preference.

Adjusting subscription sales to a Retail Equivalent approach would have resulted in a negative contribution from the Technology platform in the quarter and in the year. The following table outlines the adjustments required to convert subscription sales to retail equivalent sales for Q1:

	Three-months Ended March 31			
[thousands of dollars]	2021 $	2020 $	Change $	Change %
Technology Trade Sales	6,744	4,497	2,247	50%
Less: subscription revenue recognized in the year				
Annual data subscriptions	(1,407)	(832)	(575)	69%
Other annual services	(58)	(25)	(33)	132%
Add: IoT hardware deferred revenue to be recognized over remaining life of contract	103	5,059	(4,956)	(98%)
Sales value of IoT hardware sold during the year (Retail equivalent)	**5,382**	**8,699**	**(3,317)**	**(38%)**
Annual data subscriptions	636	832	(196)	(24%)
Other annual services	58	25	33	132%
Total Technology Sales with Retail Equivalent	**6,076**	**9,556**	**(3,480)**	**(36%)**

[1] See “Non-IFRS Measures”.

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

	Three-months Ended March 31			
[thousands of dollars]	2021 $	2020 $	Change $	Change %
Canada	205	319	(114)	(36%)
U.S.	5,853	9,169	(3,316)	(36%)
International	18	68	(50)	(74%)
Total Technology Sales with Retail Equivalent	**6,076**	**9,556**	**(3,480)**	**(36%)**

[1] See “Non-IFRS Measures”.

Gross Margin [see "Non-IFRS Measures"]

	Three-months Ended March 31	
	2021	2020
[thousands of dollars]	$	$
Trade sales [1]	255,977	228,875
Cost of inventories [1]	171,024	157,127
Gross margin [1]	**84,953**	**71,748**
Gross margin as a % of trade sales	**33.2%**	**31.3%**

[1] See "Non-IFRS measures".

AGI's gross margin percentages for the first quarter of 2021 increased over the prior year. Higher gross margins are attributed to the increase in sales volume in 2021 in the Farm segment plus our India location. In addition, the EMEA location continues to realize the operational gains as a result of the strategic investments made in prior years. The higher gross margin was partially offset by lower Canadian Commercial platform given the challenging competitive landscape and continued COVID-19 delays on projects that caused lower sales volumes 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.

	Three-months Ended March 31	
	2021	2020
[thousands of dollars]	$	$
Profit (loss) before income taxes	**18,166**	**(57,563)**
Finance costs	10,320	10,819
Depreciation and amortization	13,509	13,514
Share of associate's net loss	1,077	1,200
EBITDA [1]	**43,072**	**(32,030)**
Loss on foreign exchange	477	22,090
Share based compensation	1,931	2,755
Loss (gain) on financial instruments [2]	(10,658)	24,264
M&A expenses (recovery)	437	(226)
Other transaction and transitional costs [3]	3,706	4,740
Loss on sale of PP&E	119	57
Equipment rework and remediation (4)	-	4,000
Adjusted EBITDA [1]	**39,084**	**25,650**

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

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

	Three-months Ended March 31					
	2021		2020		Change	Change
[thousands of dollars]	$	% [1]	$	% [1]	$	%
Farm	34,127	25%	24,132	20%	9,995	41%
Technology	(1,420)	(21%)	(2,000)	(44%)	580	(29%)
Commercial	14,153	12%	8,524	8%	5,629	66%
Other [2]	(7,776)		(5,006)		(2,770)	55%
Total Adjusted EBITDA	39,084	15%	25,650	11%	13,434	52%

[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"]

	Three-months Ended March 31					
	2021		2020		Change	Change
[thousands of dollars]	$	% [1]	$	% [1]	$	%
Canada	14,443	23%	11,418	17%	3,026	27%
U.S.	22,509	19%	12,922	13%	9,587	74%
International	9,908	13%	6,317	10%	3,591	57%
Other [2]	(7,776)		(5,006)		(2,770)	(55%)
Total Adjusted EBITDA	**39,084**	**15%**	**25,650**	**11%**	**13,434**	**52%**

[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 increased 52% over 2020. The Farm and Commercial segments increased 41% and 66% due to increased sales, improved gross margins, and lower SG&A. The Technology segment has decreased 29% over prior year due to the increased investments we are making to ensure continued accelerated growth in that segment.

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

The Company's diluted profit (loss) per share for the three-months ended March 31, 2021 was a profit of $0.66, versus loss of $2.61 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.

[thousands of dollars except per share amounts]	Three-months Ended March 31 2021 $	 2020 $
Profit (loss)	12,704	(48,844)
Diluted profit (loss) per share	0.66	(2.61)
Loss on foreign exchange	477	22,090
M&A expenses (recovery)	437	(226)
Other transaction and transitional costs [2]	3,706	4,740
Loss (gain) on financial instruments	(10,658)	24,264
Loss on sale of PP&E	119	57
Equipment rework and remediation[3]	-	4,000
Share of associate's net loss	1,077	1,200
Adjusted profit [1]	**7,862**	**7,281**
Diluted adjusted profit per share [1]	0.41	0.38

[1] See "Non-IFRS Measures".
[2] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[3] The pre-tax charge for the estimated cost of rework and remediation including additional time, material and services.

DETAILED OPERATING RESULTS

[thousands of dollars]	Three-months Ended March 31 2021 $	 2020 $
Sales		
Trade sales	255,977	228,875
Foreign exchange gain (loss)	(2,275)	232
	253,702	229,107
Cost of goods sold		
Cost of inventories	171,024	157,127
Equipment rework	-	4,000
Depreciation /amortization	6,666	6,818
	177,690	167,945
Selling, general and administrative expenses		
SG&A expenses	48,755	49,990
M&A expenses (recovery)	437	(226)
Other transaction and transitional costs [1]	3,706	4,740
Depreciation/amortization	6,843	6,696
	59,741	61,200
Other operating expense (income)		
Net loss on disposal of PP&E	119	57
Net loss (gain) on financial instruments	(10,658)	24,264
Other	(804)	(1,078)
	(11,343)	23,243

Finance costs	10,320	10,819
Finance expense (income)	(1,949)	22,263
Share of associate's net loss	1,077	1,200
Profit (loss) before income taxes	**18,166**	**(57,563)**
Income tax expense (recovery)	5,462	(8,719)
Profit (loss) for the year	**12,704**	**(48,844)**
Profit (loss) per share		
Basic	0.68	(2.61)
Diluted	0.66	(2.61)

[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

A portion of foreign exchange gains and losses are allocated to sales as a result of the foreign exchange differences between transactions and settlements denominated in a foreign currency. The foreign exchange loss allocated to Sales was $2.3 million for the three-months ended March 31, 2021 verses a gain of $0.2 million mainly due to the raising Canadian to U.S. dollar exchange rate.

The 2021 gain on foreign exchange in finance income represents primarily non-cash items on the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange of 1.2575 as at March 31, 2021 [December 31, 2020 – 1.2732].

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three-months ended March 31, 2021 was $1.27 [2020 - $1.32]. 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 a result the Company recorded a provision of $70 million. As at March 31, 2021, the warranty provision for remediation costs is $62.5 million [December 31, 2020 – $69.7 million] with $7.2 million of the provision having been utilized during Q1 2021 as the remediation is underway.

In addition, while there is possibility of legal action against the Company with respect to damages, no formal claims have been filed at this time and any outcome is therefore not determinable and no disclosure has been made with respect to any potential contingent liabilities.

Equipment Rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to the one commercial facility. As at March 31, 2021, the warranty provision for the equipment rework is $4.0 million [December 31, 2020 – $4.5 million] with $525 of the provision having been utilized during Q1 2021.

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

SG&A expenses for the three-months ended March 31, 2021 excluding M&A expenses, other transaction and transition expenses and depreciation/amortization, were $48.8 million [19.0% of trade sales] versus $50.0 million [21.8% of trade sales] in 2020. Variances to the prior year include the following:

- $2.1 million increase in consulting expense of which $1.9 million is related to AGI SureTrack for the working with a renown company to assist with this product development.
- $1.6 million decrease in sales expense and $1.6 million decrease in marketing expense mostly related to COVID-19’s timing impact on trade-shows and marketing spending.
- No other individual variance was greater than $1.0 million.

Finance costs

Finance costs which represent interest incurred on all debt for the three-months ended March 31, 2021 were $10.3 million versus $10.8 million in 2020. In 2021, 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-months ended March 31, 2021 was income of $1.9 million versus expense of $22.3 million in 2020. The income in 2021 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 1.2575 at March 31, 2021.

Date	Spot FX Rate	USD Denominated Debt
December 31, 2019	1.2988	USD $196.8 million
March 31, 2020	1.4187	USD $212.8 million
December 31, 2020	1.2732	USD $204.8 Million
March 31, 2021	1.2575	USD $204.8 Million

Share of associate's net loss

Share of associate’s net loss for the three-months ended March 31, 2021 was $1.1 million versus $1.2 million in 2020. The net loss relates to AGI’s proportionate share of the net loss of the associate.

Other operating expense (income)

Other operating expense (income) for the three-months ended March 31, 2021 was income of $11.3 million versus expense of $23.2 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 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 focused on completing projects started in fiscal 2019 or pre-COVID-19 in 2020 and maintenance CAPEX for the remainder of 2020.

Income tax expense (recovery)

Current income tax expense

Current tax expense for the three-months ended March 31, 2021 was $1.9 million versus $0.9 million in 2020. Current tax expense relates primarily to AGI's Canada, India, Brazil, Netherlands, France, and India subsidiaries.

Deferred income tax expense (recovery)

Deferred tax expense for the three-months ended March 31, 2021 was an expense of $3.6 million versus a recovery of $9.6 million in 2020. The deferred tax expense in 2021 related to the recognition of temporary differences between the accounting and tax treatment of equity swaps, accruals and long-term provisions.

Effective tax rate

	Three-months Ended March 31	
	2021	2020
[thousands of dollars]	$	$
Current tax expense	1,899	879
Deferred tax expense (recovery)	3,563	(9,598)
Income tax expense (recovery)	**5,462**	**(8,719)**
Profit (loss) before income taxes	18,166	(57,563)
Total tax %	30.1%	15.1%

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

QUARTERLY FINANCIAL INFORMATION

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

2021							
	Average U.S.D/CAD Exchange Rate	Sales $	Profit $	Basic Profit per Share $	Diluted Profit per Share $	Adjusted Profit[1] $	Diluted Adjusted Profit per Share[1] $
Q1	1.27	253,702	12,704	0.68	0.66	7,682	0.41
YTD	**1.27**	**253,702**	**12,704**	**0.68**	**0.66**	**7,682**	**0.41**

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

2019							
	Average U.S.D/CAD Exchange Rate	Sales $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $	Adjusted Profit (Loss) [1] $	Diluted Adjusted Profit (Loss) per Share[1] $
Q2	1.34	291,938	12,516	0.68	0.67	20,206	1.04
Q3	1.32	260,198	(2,819)	(0.15)	(0.15)	17,542	0.91
Q4	1.32	228,616	(8,286)	(0.44)	(0.44)	(1,180)	(0.06)
YTD	1.33	995,787	14,633	0.79	0.77	41,558	2.20

[1] See “Non-IFRS Measures”.

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOW AND LIQUIDITY

	Three-months Ended March 31	
	2021	2020
[thousands of dollars]	$	$
Profit (loss) before tax	18,166	(57,563)
Items not involving current cash flows	387	69,812
Cash provided by operations	18,553	12,249
Net change in non-cash working capital	(24,995)	(15,878)
Non-current accounts receivable and other	(1,604)	116
Long-term payables	(79)	73
Settlement of EIAP obligation	(247)	(1,640)
Post-combination payments	(2,717)	(1,717)
Income tax paid	(1,487)	(1,082)
Cash flows used in operating activities	(12,576)	(7,879)
Cash used in investing activities	(6,422)	(21,360)
Cash provided by (used in) financing activities	5,290	(15,579)
Net decrease in cash during the period	(13,708)	(44,818)
Cash, beginning of period	62,456	48,421
Cash, end of period	**48,748**	**3,603**

Cash used in operating activities 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 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

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

Capital Expenditures

Maintenance capital expenditures in the three-month period ended March 31, 2021 were $2.3 million [0.9% of trade sales] versus $2.6 million [1.2% of trade sales] in 2020. Maintenance capital expenditures in 2020 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of sales.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures in the three-month period ended March 31, 2021 of $3.8 million versus $7.3 million in 2020. The non-maintenance CAPEX items in 2021 are primarily related to the continued expansion of AGI's manufacturing and operational capabilities at AGI SureTrack as well as the addition of manufacturing equipment to support key business units in Brazil and North America.

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 March 31, 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]	409,126	377	346	257	226	376,478	31,442
Lease liability [1]	20,370	3,278	3,676	2,440	2,080	1,956	6,940
Short term and low value leases	34	28	5	1			
Due to vendor	9,757	5,090	1,667	1,000	1,000	1,000	-
Preferred shares liability	31,500	18,900	12,600	-	-	-	-
Purchase obligations [2]	4,996	4,996	-	-	-	-	-
Total obligations	**905,758**	**32,669**	**190,769**	**3,698**	**175,806**	**379,434**	**123,382**

[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

(thousands of dollars)	March 31, 2021 $	March 31, 2020 $
Total assets	1,490,085	1,493,520
Total liabilities	1,231,634	1,153,708

Cash

The Company's cash balance at March 31, 2021 was $48.7 million [2020 - $3.6 million].

Debt Facilities

As at March 31, 2021:

[thousands of dollars]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Canadian Swing Line	CAD	2025	40,000	3,730	3.09 %
USD Swing Line	USD	2025	12,575	-	2.53 %
Total Swing Line			**52,575**	**3,730**	
Canadian Revolver Tranche A[3][4]	CAD	2025	185,000	101,205	3.29 %
Canadian Revolver Tranche B	USD	2025	50,300	50,000	2.70 %
Liquidity Facility [4]	CAD	2021	50,000	-	- %
U.S. Revolver	USD	2025	207,488	200,194	2.53 %
Series B Notes [5]	CAD	2025	25,000	25,000	4.44 %
Series C Notes [5]	USD	2026	31,438	31,438	3.70 %
Equipment Financing	various	2026	1,225	1,225	Various
Total Long-Term Debt			**550,451**	**409,062**	
Total			**603,026**	**412,792**	

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on March 31, 2021 of $1.2575.
[2] Excludes the $200 million accordion available under AGI's Credit Facility. In conjunction with the Credit Facility expansion announced on April 29, 2020 (see below) the amount of the accordion was reduced to $100 million.
[3] Interest rate fixed for $40 Million via interest rate swaps. See "Interest Rate Swaps".
[4] The Company amended its credit facility agreement to increase its senior revolving facility by $50 million and created a separate one-year revolving facility of $50 million to provide increased short-term flexibility during the COVID-19 crisis.
[5] Fixed interest rate.

AGI has swing line facilities of $40.0 million and U.S. $10.0 million as at March 31, 2021. The facilities bear interest at prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. As at March 31, 2021, there was $3.7 million [2020 – $45.4 million] outstanding under the swing line.

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

The amendments to the Credit Facility announced on April 29, 2020 included a suspension of all financial covenant requirements for the nine-month period ending October 31, 2020 as well as the ability to normalize Q1 2020 and Q2 2020 financial results for certain COVID-19 impacts when calculating trailing EBITDA in future covenant calculations. Following October 31, 2020, AGI's minimum leverage ratio covenant returned to 3.75x up to and including the calculation as at March 31,

2021. The minimum leverage ratio decreases to 3.50x for the quarter ended June 30, 2021 and returns to 3.25x thereafter. The maturity date of the Credit Facility remains March 20, 2025.

As noted above, the Company's one-year liquidity facility was stated to mature on April 29, 2021 and subsequent to March 31, 2021, the Company's liquidity agreement was incorporated into the existing revolver facility through the accordion feature. The maturity date of the revolver facility remains unchanged at March 20, 2025.

The Company has issued U.S.D $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 March 31, 2021:

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

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

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

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 March 31, 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	58,719
March 31, 2021	**18,777,134**
Settlement of EIAP obligations	1,560
May 11, 2021	**18,778,694**

At May 11, 2021:

- 18,778,694 Common Shares are outstanding;
- 1,765,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan [the "EIAP"], of which 1,462,766 have been granted and 302,234 remain unallocated
- 116,118 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-month period ended March 31, 2021 of $2.8 million versus $11.2 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]	Three-Months Ended March 31 2021 $	2020 $	Last Twelve Months Ended March 31 2021 $	2020 $
Adjusted EBITDA	39,084	25,650	162,762	139,292
Interest expense	(10,320)	(10,819)	(46,193)	(45,713)
Non-cash interest	1,318	1,131	5,268	5,724
Cash taxes	(1,487)	(1,082)	(3,418)	(10,303)
Maintenance CAPEX	(2,333)	(2,640)	(7,834)	(14,180)
Funds from operations	**26,262**	**12,240**	**110,585**	**74,820**
Dividends	2,817	11,213	11,239	44,790
Payout Ratio	**11%**	**92%**	**10%**	**60%**

[1] See “Non-IFRS Measures”.

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at March 31, 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 [000’s] $	Fixed Rate [1]
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-month period ended March 31, 2021, the Company recorded a gain on financial instruments of $0.1 million versus a loss of $1.5 million 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 March 31, 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 $4.1 million asset [2020 – $15.6 million liability]. The Company recorded, in the consolidated statements of income (loss) a gain of $10.5 million compared to a loss of $21.3 million 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 period ended March 31, 2021, the Company recorded a gain of $0.01 million [2020 – loss of $0.8 million] 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.

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-month period ended March 31, 2021, the total cost of these legal services related to general matters was $212 [2020 – $642], and $564 is included in accounts payable and accrued liabilities as at March 31, 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.

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 leases, equipment rework costs, fair value of inventory from acquisitions and non-cash asset impairment charge. 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, fair value of inventory from acquisitions and equipment rework from cost of sales. Management believes that gross margin provides a useful supplemental measure in evaluating its performance. See "Operating Results– Gross Margin" for the calculation of gross margin.

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

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

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

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words “anticipate”, “estimate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, “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.

March 31, 2021

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	March 31, 2021 $	December 31, 2020 $
Assets		
Current assets		
Cash and cash equivalents	48,748	62,456
Cash held in trust and restricted cash	6,540	9,616
Accounts receivable	191,596	176,316
Inventory	199,603	178,904
Prepaid expenses and other assets	41,084	36,457
Current portion of notes receivable	5,386	5,457
Income taxes recoverable	6,620	6,950
	499,577	476,156
Non-current assets		
Property, plant and equipment, net *[note 6]*	346,825	354,533
Right-of-use assets, net	14,321	14,342
Goodwill	347,001	350,669
Intangible assets, net	243,960	249,459
Investment in associate	11,652	12,878
Non-current accounts receivable	20,787	19,183
Notes receivable	455	475
Derivative instruments *[note 15]*	4,135	—
Deferred tax asset	902	964
	990,038	1,002,503
Assets held for sale	470	520
Total assets	1,490,085	1,479,179
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	156,904	139,098
Customer deposits	56,286	46,013
Dividends payable	2,817	2,808
Derivative instruments *[note 15]*	—	6,386
Income taxes payable	4,287	4,825
Current portion of due to vendor	5,580	7,164
Current portion of lease liability	3,497	3,027
Current portion of long-term debt	440	475
Current portion of optionally convertible redeemable preferred shares *[note 15]*	18,050	17,943
Provisions *[note 7]*	75,877	83,361
	323,738	311,100
Non-current liabilities		
Other financial liabilities	1,920	2,754
Derivative instruments *[note 15]*	634	771
Due to vendor	1,491	2,247
Optionally convertible redeemable preferred shares *[note 15]*	11,102	11,028
Lease liability	13,343	13,815
Long-term debt	409,454	408,898
Convertible unsecured subordinated debentures *[note 15]*	168,040	167,319
Senior unsecured subordinated debentures	249,542	249,079
Deferred tax liability	52,370	49,031
	907,896	904,942
Total liabilities	1,231,634	1,216,042
Shareholders' equity *[note 8]*		
Common shares	3,833	1,730
Accumulated other comprehensive loss	(26,615)	(10,262)
Equity component of convertible debentures	4,427	4,427
Contributed surplus	487,361	487,540
Deficit	(210,555)	(220,298)
Total shareholders' equity	258,451	263,137
Total liabilities and shareholders' equity	1,490,085	1,479,179

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	
	March 31, 2021	March 31, 2020
	$	$
Sales	253,702	229,107
Cost of goods sold *[note 10[a]]*	177,690	167,945
Gross profit	76,012	61,162
Expenses		
Selling, general and administrative *[note 10[b]]*	59,741	61,200
Other operating expense (income) *[note 10[c]]*	(11,343)	23,243
Finance costs *[note 10[d]]*	10,320	10,819
Finance expense (income) *[note 10[e]]*	(1,949)	22,263
Share of associate's net loss	1,077	1,200
	57,846	118,725
Profit (loss) before income taxes	18,166	(57,563)
Income tax expense (recovery) *[note 12]*		
Current	1,899	879
Deferred	3,563	(9,598)
	5,462	(8,719)
Profit (loss) for the period	12,704	(48,844)
Profit (loss) per share *[note 13]*		
Basic	0.68	(2.61)
Diluted	0.66	(2.61)

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive loss

[in thousands of Canadian dollars]

	Three-month period ended	
	March 31, 2021	March 31, 2020
	$	$
Profit (loss) for the period	12,704	(48,844)
Other comprehensive income (loss)		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(17,503)	25,433
	(17,503)	25,433
Items that will not be reclassified to profit or loss		
Actuarial gain (loss) on defined benefit plan	1,565	(192)
Income tax effect on defined benefit plan	(415)	52
	1,150	(140)
Other comprehensive income (loss) for the period	(16,353)	25,293
Total comprehensive loss for the period	(3,649)	(23,551)

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 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	—	—	—	12,704	—	—	—	12,704
Other comprehensive income (loss)	—	—	—	—	(17,503)	—	1,150	(16,353)
Share-based payment transactions *[note 8[a] and [b]]*	2,103	—	(179)	—	—	—	—	1,924
Dividends paid to shareholders *[note 8[c]]*	—	—	—	(2,817)	—	—	—	(2,817)
Dividends on share-based compensation awards *[note 8[c]]*	—	—	—	(144)	—	—	—	(144)
As at March 31, 2021	3,833	4,427	487,361	(210,555)	(26,441)	(900)	726	258,451

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2020

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency reserve $	Equity investment $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2020	455,857	6,707	27,113	(138,657)	23,337	(900)	(62)	373,395
Loss for the period	—	—	—	(48,844)	—	—	—	(48,844)
Other comprehensive income (loss)	—	—	—	—	25,433	—	(140)	25,293
Share-based payment transactions *[note 8[a] and [b]]*	3,707	—	(2,388)	—	—	—	—	1,319
Dividends paid to shareholders *[note 8[c]]*	—	—	—	(11,213)	—	—	—	(11,213)
Dividends on share-based compensation awards *[note 8[c]]*	—	—	—	(162)	—	—	—	(162)
Redemption of convertible unsecured subordinated debentures	—	(2,280)	2,304	—	—	—	—	24
As at March 31, 2020	459,564	4,427	27,029	(198,876)	48,770	(900)	(202)	339,812

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

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

	Three-month period ended March 31, 2021 $	Three-month period ended March 31, 2020 $
Operating activities		
Profit (loss) before income taxes	18,166	(57,563)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	5,837	6,393
Depreciation of right-of-use assets	956	912
Amortization of intangible assets	6,716	6,209
Loss on sale of property, plant and equipment	119	57
Share of associate's net loss	1,077	1,200
Loss on redemption of convertible debentures	—	746
Non-cash component of interest expense	1,318	1,131
Non-cash movement in derivative instruments	(10,658)	23,518
Non-cash investment tax credits	(12)	(64)
Share-based compensation expense	1,931	2,755
Defined benefit plan expense	36	33
Employer contributions to defined benefit plan	(9)	—
Due to vendor and OCRPS	1,486	2,906
Translation loss (gain) on foreign exchange	(8,410)	24,016
	18,553	12,249
Net change in non-cash working capital balances related to operations *[note 14]*	(24,995)	(15,878)
Non-current accounts receivable	(1,604)	116
Long-term payables	(79)	73
Settlement of EIAP obligation	(247)	(1,640)
Post-combination payments	(2,717)	(1,717)
Income taxes paid	(1,487)	(1,082)
Cash used in operating activities	(12,576)	(7,879)
Investing activities		
Acquisition of property, plant and equipment	(6,173)	(9,927)
Acquisitions, net of cash acquired	—	(7,301)
Transfer from restricted cash	2,921	—
Proceeds from sale of property, plant and equipment	94	94
Development and purchase of intangible assets	(3,264)	(3,380)
Transaction costs	—	(846)
Cash used in investing activities	(6,422)	(21,360)
Financing activities		
Issuance of long-term debt, net of issuance costs	—	102,774
Repayment of long-term debt	(168)	(116,617)
Change in swing line	3,730	—
Repayment of obligation under lease liabilities	(889)	(820)
Change in interest accrued	5,425	4,127
Issuance of senior unsecured subordinated debentures	—	81,192
Redemption of convertible unsecured subordinated debentures	—	(75,031)
Dividends paid in cash *[note 8[c]]*	(2,808)	(11,204)
Cash provided by (used in) financing activities	5,290	(15,579)
Net decrease in cash during the period	(13,708)	(44,818)
Cash and cash equivalents, beginning of period	62,456	48,421
Cash and cash equivalents, end of period	48,748	3,603
Supplemental cash flow information		
Interest paid	4,200	5,200

See accompanying notes

March 31, 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 end 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”], 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 three-month period ended March 31, 2021 were authorized for issuance in accordance with a resolution of the directors on May 11, 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, 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;
- 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.

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.

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 financial results and condition of the Company in future periods.

5. 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 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 Internet of Things ["IoT"] products that are designed to monitor, operate and automate our 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 ["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.

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

March 31, 2021

The following table sets forth information by segment:

March 31, 2021	Farm	Commercial	Technology	Other[2]	Consolidated
	$	$	$	$	$
Trade Sales[1]	134,952	114,281	6,744	—	255,977
Adjusted EBITDA[1]	34,127	14,153	(1,420)	(7,776)	39,084
Loss on foreign exchange					(477)
Share-based compensation					(1,931)
Gain on financial instruments					10,658
Mergers and acquisitions expense					(437)
Other transaction and transitional costs					(3,706)
Loss on sale of property, plant and equipment					(119)
Earnings before interest, taxes, depreciation, and amortization					43,072
Finance cost					(10,320)
Depreciation and amortization					(13,509)
Share of associate's net loss					(1,077)
Profit before income taxes					18,166

[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 is 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.

Notes to unaudited interim condensed consolidated financial statements

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

March 31, 2021

March 31, 2020	Farm	Commercial	Technology	Other[2]	Consolidated
	$	$	$	$	$
Trade Sales[1]	118,849	105,529	4,497	—	228,875
Adjusted EBITDA[1]	24,132	8,524	(2,000)	(5,006)	25,650
Loss on foreign exchange					(22,090)
Share-based compensation					(2,755)
Loss on financial instruments					(24,264)
Mergers and acquisitions recovery					226
Other transaction and transitional costs					(4,740)
Loss on sale of property, plant and equipment					(57)
Equipment rework and remediation					(4,000)
Earnings before interest, taxes, depreciation, and amortization					(32,030)
Finance cost					(10,819)
Depreciation and amortization					(13,514)
Share of associate's net loss					(1,200)
Loss before income taxes					(57,563)

[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 is 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.

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

Reconciliation of Trade Sales to sales on the unaudited interim condensed statement of income (loss) is as follows:

	Three-month period ended	
	March 31, 2021 $	March 31, 2020 $
Trade Sales	255,977	228,875
Foreign exchange (gain) loss	(2,275)	232
Sales	253,702	229,107

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	
	March 31, 2021 $	March 31, 2020 $
Sales		
Canada	62,507	68,002
United States	114,694	98,180
International	76,501	62,925
	253,702	229,107

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.

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

6. Property, plant, and equipment

	March 31, 2021 $	December 31, 2020 $
Balance, beginning of period	**354,533**	363,678
Additions	**6,173**	28,063
Leasehold improvements received	**—**	2,086
Acquisition	**—**	63
Disposals	**(213)**	(610)
Transfer to right-of-use assets	**—**	375
Depreciation	**(5,837)**	(25,642)
Impairment	**—**	(1,957)
Exchange differences	**(7,831)**	(11,523)
Balance, end of period	**346,825**	354,533

7. 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.

	March 31, 2021 $	December 31, 2020 $
Balance, beginning of period	**83,361**	17,539
Additional provisions recognized	**2,492**	88,386
Amounts written off and utilized	**(9,976)**	(22,564)
Balance, end of period	**75,877**	83,361

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

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. As at March 31, 2021, the warranty provision for remediation costs is $62.5 million [December 31, 2020 – $69.7 million], with $7.2 million of the provision having been utilized during the period as the remediation is underway.

In addition, while there is possibility of legal action against the Company with respect to damages, no formal claims have been filed at this time and any outcome is therefore not determinable, and no disclosure has been made with respect to any potential contingent liabilities.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to the one commercial facility. As at March 31, 2021, the warranty provision for the equipment rework is $4.0 million [December 31, 2020 – $4.5 million], with $525 of the provision having been utilized during the period.

8. 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	58,719	2,103
Balance, March 31, 2021	18,777,134	3,833

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

[b] Contributed surplus

	March 31, 2021 $	December 31, 2020 $
Balance, beginning of period	**487,540**	27,113
Equity-settled director compensation *[note 9[b]]*	**144**	626
Dividends on EIAP	**144**	358
Obligation under EIAP *[note 9[a]]*	**1,787**	5,802
Settlement of EIAP obligation	**(2,254)**	(8,432)
Redemption of convertible unsecured subordinated debentures	—	2,304
Reduction in stated capital	—	459,769
Balance, end of period	**487,361**	487,540

[c] Dividends paid and proposed

In the three-month period ended March 31, 2021, the Company declared dividends of $2,817 or $0.15 per common share [2020 – $11,213 or $0.60 per common share] and dividends on share-based compensation awards of $144 [2020 – $162]. In the three-month period ended March 31, 2021, dividends paid to shareholders of $2,808 [2020 – $11,204] 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 January, February and March 2021. The dividend is payable on April 15, 2021 to common shareholders of record at the close of business on March 31, 2021.

9. Share-based compensation plans

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

During the three-month period ended March 31, 2021, 141,141 [2020 – 85,452] Restricted Awards [“RSUs”] were granted and 113,596 [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 March 31, 2021, 1,377,872 shares have been granted under the EIAP.

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

During the three-month period ended March 31, 2021, AGI expensed $1,787 for the EIAP [2020 – $2,585].

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	141,141	113,596
Vested	(38,747)	(18,878)
Forfeited	—	(26,145)
Balance, March 31, 2021	**411,122**	**171,747**

There is no exercise price on the EIAP awards.

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

For the three-month period ended March 31, 2021, an expense of $144 [2020 – $170] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the three-month period ended March 31, 2021, 3,104 [2020 – 8,638] common shares were granted under the DDCP, and as at March 31, 2021, a total of 116,118 [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.

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

10. Other expenses (income)

	March 31, 2021 $	March 31, 2020 $
[a] Cost of goods sold		
Depreciation of property, plant, and equipment	5,074	5,712
Depreciation of right-of-use assets	305	322
Amortization of intangible assets	1,287	784
Warranty expense	2,492	5,862
Cost of inventory recognized as an expense	168,532	155,265
	177,690	167,945
[b] Selling, general and administrative expenses		
Depreciation of property, plant and equipment	763	681
Depreciation of right-of-use assets	651	590
Amortization of intangible assets	5,429	5,425
Minimum lease payments recognized as an operating lease expense	15	41
Transaction costs and post-combination expense	4,143	4,514
Selling, general and administrative	48,740	49,949
	59,741	61,200
[c] Other operating expense (income)		
Net loss on disposal of property, plant and equipment	119	57
Loss (gain) on financial instruments	(10,658)	24,264
Other	(804)	(1,078)
	(11,343)	23,243
[d] Finance costs		
Interest on overdrafts and other finance costs	132	605
Interest, including non-cash interest, on leases	245	119
Interest, including non-cash interest, on debts and borrowings	3,369	4,943
Interest, including non-cash interest, on convertible debentures	6,574	5,152
	10,320	10,819
[e] Finance expense (income)		
Interest income from banks	(151)	(59)
Loss (gain) on foreign exchange	(1,798)	22,322
	(1,949)	22,263

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

11. Retirement benefit plans

During the three-month period ended March 31, 2021, the expense associated with the Company's defined pension benefit was $36 [2020 – $33]. At March 31, 2021, the accrued pension benefit asset (liability) was $768 [December 31, 2020 – $(771)], which is included in other assets on the unaudited interim condensed consolidated statements of financial position.

12. Income taxes

The Company's effective tax rate for the three-month period ended March 31, 2021 was 30.1% [2020 – 15.1%]. 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.

13. 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	
	March 31, 2021 $	March 31, 2020 $
Profit (loss) attributable to shareholders for basic and diluted profit (loss) per share	12,704	(48,844)
Basic weighted average number of shares	18,755,582	18,682,359
Dilutive effect of DDCP	137,869	—
Dilutive effect of RSU	313,266	—
Diluted weighted average number of shares	19,206,717	18,682,359
Profit (loss) per share		
Basic	0.68	(2.61)
Diluted	0.66	(2.61)

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

The 2017 and 2018 Debentures were excluded from the calculation of diluted profit (loss) per share in the three-month periods ended March 31, 2021 and March 31, 2020 because their effect is anti-dilutive. The DDCP and RSU were excluded from the calculation of diluted profit (loss) per share in the three-month period ended March 31, 2020 because their effect is anti-dilutive.

14. Statement of cash flows

Net change in non-cash working capital

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

	Three-month period ended	
	March 31, 2021	March 31, 2020
	$	$
Accounts receivable	(15,333)	(26,215)
Inventory	(20,634)	(17,140)
Prepaid expenses and other assets	(3,929)	2,540
Accounts payable and accrued liabilities	12,105	16,817
Customer deposits	10,273	7,100
Provisions	(7,477)	1,020
	(24,995)	(15,878)

15. Financial instruments and financial risk management

The Company's financial assets and liabilities recorded at fair value in the 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 three-month period ended March 31, 2021 and year ended December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

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

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

[a] Short-term financial instruments

Cash and cash equivalents, 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:

	March 31, 2021		December 31, 2020	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Interest-bearing loans and borrowings	**409,894**	**406,164**	409,373	405,907
Convertible unsecured subordinated debentures	**168,040**	**174,710**	167,319	171,366
Senior unsecured subordinated debentures	**249,542**	**255,855**	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.

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-month period ended March 31, 2021, an unrealized gain of $137 [2020 – loss of $1,511] was recorded in loss (gain) on financial instruments in other operating expense (income). As at March 31, 2021, the fair value of the interest rate swap was $(634) [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 March 31, 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-month ended March 31, 2021, an unrealized gain of $10,520 [2020 – loss of $21,256] was recorded in loss (gain) on financial instruments in other operating expense (income). As at March 31, 2021, the fair value of the equity swap was $4,134 [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 March 31, 2021, AGI's U.S. dollar denominated debt totaled $205 million. The Company had no outstanding foreign exchange contracts at March 31, 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-month period ended March 31, 2021, a gain of $1 [2020 – loss of $751] was recorded in loss (gain) on financial instruments in other operating expense (income). As at March 31, 2021, the fair value of the embedded derivative was $1 [December 31, 2020 – nil].

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

Optionally convertible redeemable preferred shares ["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.

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

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

	March 31, 2021 $	December 31, 2020 $
Balance, beginning of period	**28,971**	31,590
Fair value change	**603**	3,872
Reclassification to due to vendor	—	(5,270)
Exchange differences	**(422)**	(1,221)
Balance, end of period	**29,152**	28,971

Set out below are the significant unobservable inputs to valuation as at March 31, 2021:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
OCRPS	Discounted cash flow method	• Probability of achieving earnings target	0%–100% achievement	Increase (decrease) in the probability would increase (decrease) the fair value
		• Weighted average cost of capital ["WACC"]	8.0%–10%	Increase (decrease) in the WACC would result in decrease (increase) in fair value

16. 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-month period ended March 31, 2021, the total cost of these legal services related to general matters was $212 [2020 – $642], and $564 is included in accounts payable and accrued liabilities as at March 31, 2021.

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

17. 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 $4,996 [December 31, 2020 – $5,673].

[b] Letters of credit

As at March 31, 2021, the Company has outstanding letters of credit in the amount of $18,920 [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 financial position, results of operations or cash flows.

18. Subsequent events

On April 16, 2021, the Company 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. The investment was financed by cash on hand and management is in the process of compiling the acquisition information.

Farmobile, headquartered in Leawood, Kansas, is an independent agriculture technology company. 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.

The Company's one-year liquidity facility was stated to mature on April 29, 2021, and subsequent to March 31, 2021, the Company's liquidity agreement was incorporated into the existing revolver facility through the accordion feature. The maturity date of the revolver facility remains unchanged at March 20, 2025.