AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: August 10, 2022

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, 2021, the Management's Discussion and Analysis of the Company for the year ended December 31, 2021 and the unaudited interim condensed consolidated comparative financial statements of the Company and accompanying notes for the three- and six-month periods ended June 30, 2022. Results are reported in Canadian dollars unless otherwise stated.

This MD&A is based on the Company's unaudited interim condensed consolidated comparative financial statements for the three- and six-month periods ended June 30, 2022 ("consolidated financial statements") based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), unless otherwise noted.

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

This MD&A contains forward-looking information. Please refer to the cautionary language under the heading "Risks and Uncertainties" 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 June 30			
	2022	2021	Change	Change
[thousands of dollars except per share amounts and percentages]	$	$	$	%
Sales	389,943	301,592	88,351	29%
Adjusted EBITDA [1][2]	66,076	46,232	19,844	43%
Adjusted EBITDA Margin % [3]	16.9%	15.3%	1.6%	11%
(Loss) profit before income taxes	(2,262)	16,146	(18,408)	(114%)
(Loss) profit	(4,915)	14,276	(19,191)	(134%)
Diluted (loss) profit per share	(0.26)	0.74	(1.00)	(135%)
Adjusted profit [1][4]	25,158	16,468	8,690	53%
Diluted adjusted profit per share [3][4]	1.20	0.85	0.35	41%

[thousands of dollars except per share amounts and percentages]	2022 $	2021 $	Six-months ended June 30 Change $	Change %
Sales	681,974	557,569	124,405	22%
Adjusted EBITDA [1][2]	107,399	85,316	22,083	26%
Adjusted EBITDA Margin % [3]	15.7%	15.3%	0.4%	3%
Profit before income taxes	18,328	34,312	(15,984)	(47%)
Profit	10,256	26,980	(16,724)	(62%)
Diluted profit per share	0.53	1.40	(0.87)	(62%)
Adjusted profit [1][4]	27,454	24,330	3,124	13%
Diluted adjusted profit per share [3][4]	1.38	1.26	0.12	10%

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

Consolidated Segment Results Summary

[thousands of dollars except percentages]	2022 $	2021 $	Three-months ended June 30 Change $	Change %
Sales [1]				
Farm	215,405	168,119	47,286	28%
Commercial	163,331	124,929	38,402	31%
Digital	11,207	8,544	2,663	31%
Total	389,943	301,592	88,351	29%

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

[thousands of dollars except percentages]	2022 $	2021 $	Three-months ended June 30 Change $	Change %
Adjusted EBITDA [1] [2]				
Farm	52,397	42,602	9,795	23%
Commercial	23,785	11,762	12,023	102%
Digital	(1,147)	(1,878)	731	(39%)
Other [3]	(8,959)	(6,254)	(2,705)	43%
Total	66,076	46,232	19,844	43%

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

			Three-months ended June 30	
	2022	2021	Change	Change
Adjusted EBITDA Margin % [1]				
Farm	24%	25%	(0.01)	(4%)
Commercial	15%	9%	0.05	55%
Digital	(10%)	(22%)	0.12	(53%)
Total	17%	15%	0.02	11%

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

AGI continued its strong performance in the second quarter with record sales and Adjusted EBITDA, which increased 29% and 43% year-over-year ('YOY') for the three-months ended June 30, 2022 ("Q2"), respectively. Our record results were supported by strength across nearly all our segments and geographies as we expanded margins despite supply chain issues, regional disruption in Europe, Middle East and Africa ("EMEA"), and continued cost inflation pressure.

Farm segment sales and Adjusted EBITDA increased 28% and 23% YOY, respectively, in Q2 with strong results from Canada, U.S., Asia Pacific, and South America. Commercial segment sales and Adjusted EBITDA increased 31% and 102% YOY, respectively, in Q2 with a significant growth in Canadian sales and continued growth in the U.S. and Asia Pacific markets. The momentum in Brazil continued with sales and Adjusted EBITDA growing 80% and 105% YOY, respectively, in Q2 and India also experienced significant growth in sales and Adjusted EBITDA, growing 38% and 56% YOY, respectively, in Q2.

With strong order intake, our Digital segment sales increased 31% YOY in Q2, despite continued industry-wide component shortages of critical chips required for production which impacted our ability to meet customer demand. Order intake was very strong and outpaced our ability to manufacture due to the component shortages. Adjusted EBITDA also improved YOY from a loss of $1.9 million to a loss of $1.1 million in Q2.

On a consolidated basis, our loss before income taxes for the three-months ended June 30, 2022 was $2.3 million as compared to a profit of $16.1 million in 2021. This result was due to the loss on financial instruments related to the equity swap, the increase of finance costs as a result the increase in borrowings; the increase in borrowing costs; fees associated with the retirement of our series B and series C secured notes; and the amortization of deferred financing fees from the early redemption of the 2018 Debentures (as defined below) [see "Debt Facilities" and "Debentures"], the increase in finance expense as a result of the impact of foreign exchange on the valuation of our long-term debt, and the revaluation gains in 2021 offset by the increase in sales and gross profit percentage in 2022 [See "DETAILED OPERATING RESULTS"].

Our strong results and momentum continued in the second quarter with broad-based strength across our segments and geographies continuing to achieve significant growth, along with expanding margins, despite an inflationary cost environment. The growth profile of AGI's business has enabled the Company to simultaneously address our leverage position while maintaining a robust growth profile – a trend that will continue into the second half of 2022. As a result, our full-year guidance has been increased and now calls for an Adjusted EBITDA of at least $215 million[1].

[1] Adjusted EBITDA for the year ended December 31, 2021 was $176.3 million. See "Reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the years ended December 31, 2021 and 2020".

BASIS OF PRESENTATION

For the year ended December 31, 2021, the effect of foreign currency translations arising from the settlement of accounts receivables and payables recorded in a currency other than the Company's functional currency have been presented within finance income (expenses); historically, the foreign exchange impact was presented in sales and a reconciliation was made to trade sales as presented in prior MD&As. This change in presentation effectively eliminates the need for trade sales and therefore sales is presented in this MD&A with the reclassification of comparative information.

The Company's change in presentation in its consolidated financial statements was made in accordance with IAS 1 and IFRS 8. Under IFRS 8, a change in accounting policy is permitted if the change results in the financial statements providing more reliable and relevant information about the effects of transactions on the entity's financial position. In addition, IAS 1 requires an entity to reclassify its comparative information when making such changes in presentation and therefore comparative figures have been restated accordingly.

Description of Business Segments and Platforms

AGI's demand drivers are closely linked to crop production volumes, global grain movement, and global food and feed consumption levels. A relative lack of investment in food infrastructure in developing regions along with required ongoing maintenance capital requirements in developed regions provide positive demand dynamics for AGI. These core demand drivers are further augmented by increasing population, changing dietary trends, and increased focus on food security infrastructure.

Farm Segment

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

Commercial Segment

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

Food Platform

The AGI Food platform falls within AGI's Commercial segment. The Food platform's end customers are involved in producing processed food and beverages of all types. AGI Food provides full process design engineering, overall project engineering, project management services, and equipment supply. Our process design services result in close partnerships with our customers as we become involved early in the project formation stage. Our project management services include leading the customer project from conception to commissioning and working 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 storage, blending, and movement of ingredients involved in each process.

Digital Segment (previously Technology Segment)

AGI's Digital segment (previously Technology Segment) is built on a foundation of our Internet of Things ('IoT') products and technologies. 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 and Plant Manager, 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 field equipment data (Farmobile PUC) and is further augmented through the digitalization of AGI products. The acquisition of a controlling interest in Farmobile Inc. ("Farmobile") in 2021 further moves AGI into the middle of the data verification space required by the rapidly developing carbon and traceability markets. 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. As a result, we have renamed our Technology Segment as the Digital Segment to recognize the digital evolution of this group. In addition, our digital and 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 AGI dealers and agriculture retailers. These products are available both as standalone offerings, as well as in combination with larger farm or commercial systems from AGI.

OPERATING RESULTS and OUTLOOK [2]

Sales by Segment and Geography [1]

Farm Segment

			Three-months ended June 30	
	2022	2021	Change	Change
[thousands of dollars]	$	$	$	%
Canada	74,465	66,985	7,480	11%
U.S.	107,948	86,583	21,365	25%
International				
EMEA	1,273	2,558	(1,285)	(50%)
Asia Pacific	8,147	4,926	3,221	65%
South America	23,572	7,067	16,505	234%
Total International	32,992	14,551	18,441	127%
Total Sales	**215,405**	**168,119**	**47,286**	**28%**

[2] See "BASIS OF PRESENTATION", "RISKS AND UNCERTAINTIES" AND "FORWARD-LOOKING INFORMATION"

[thousands of dollars]	2022 $	2021 $	Six-months ended June 30 Change $	Change %
Canada	109,989	118,794	(8,805)	(7%)
U.S.	186,206	152,378	33,828	22%
International				
EMEA	4,902	7,874	(2,972)	(38%)
Asia Pacific	14,663	9,652	5,011	52%
South America	43,217	14,373	28,844	201%
Total International	62,782	31,899	30,883	97%
Total Sales	**358,977**	**303,071**	**55,906**	**18%**

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

Commercial Segment

[thousands of dollars]	2022 $	2021 $	Three-months ended June 30 Change $	Change %
Canada	25,470	12,034	13,436	112%
U.S.	62,619	45,161	17,458	39%
International				
EMEA	28,995	27,973	1,022	4%
Asia Pacific	23,811	18,835	4,976	26%
South America	22,436	20,926	1,510	7%
Total International	75,242	67,734	7,508	11%
Total Sales	**163,331**	**124,929**	**38,402**	**31%**

[thousands of dollars]	2022 $	2021 $	Six-months ended June 30 Change $	Change %
Canada	46,201	22,527	23,674	105%
U.S.	116,643	89,814	26,829	30%
International				
EMEA	54,181	47,034	7,147	15%
Asia Pacific	49,212	44,700	4,512	10%
South America	38,297	35,135	3,162	9%
Total International	141,690	126,869	14,821	12%
Total Sales	**304,534**	**239,210**	**65,324**	**27%**

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

	Commercial Platform Three-months ended June 30				Food Platform Three-months ended June 30			
	2022	2021	Change	Change	2022	2021	Change	Change
[thousands of dollars]	$	$	$	%	$	$	$	%
Canada	18,249	9,101	9,148	101%	7,221	2,933	4,288	146%
U.S.	44,812	36,542	8,270	23%	17,807	8,619	9,188	107%
International								
EMEA	22,876	22,908	(32)	(0%)	6,119	5,065	1,054	21%
Asia Pacific	21,357	18,742	2,615	14%	2,454	93	2,361	2539%
South America	22,038	20,926	1,112	5%	398	—	398	N/A
Total International	66,271	62,576	3,695	6%	8,971	5,158	3,813	74%
Total Sales [1]	**129,332**	**108,219**	**21,113**	**20%**	**33,999**	**16,710**	**17,289**	**103%**

	Commercial Platform Six-months ended June 30				Food Platform Six-months ended June 30			
	2022	2021	Change	Change	2022	2021	Change	Change
[thousands of dollars]	$	$	$	%	$	$	$	%
Canada	30,329	16,521	13,808	84%	15,872	6,006	9,866	164%
U.S.	85,836	72,112	13,724	19%	30,807	17,702	13,105	74%
International								
EMEA	43,060	36,585	6,475	18%	11,121	10,449	672	6%
Asia Pacific	45,013	44,563	450	1%	4,199	137	4,062	2965%
South America	37,852	35,135	2,717	8%	445	—	445	N/A
Total International	125,925	116,283	9,642	8%	15,765	10,586	5,179	49%
Total Sales [1]	**242,090**	**204,916**	**37,174**	**18%**	**62,444**	**34,294**	**28,150**	**82%**

[1] The aggregate of the Total Sales from the Commercial Platform and Food Platform equal the Total Sales of the Commercial Segment.

Digital Segment

	Three-months ended June 30			
	2022	2021	Change	Change
[thousands of dollars]	$	$	$	%
Canada	395	384	11	3%
U.S.	10,792	8,098	2,694	33%
International				
EMEA	10	2	8	400%
Asia Pacific	—	55	(55)	(100%)
South America	10	5	5	100%
Total International	20	62	(42)	(68%)
Total Sales	**11,207**	**8,544**	**2,663**	**31%**

[thousands of dollars]	2022 $	2021 $	Six-months ended June 30 Change $	Change %
Canada	853	588	265	45%
U.S.	17,565	14,619	2,946	20%
International				
EMEA	12	3	9	300%
Asia Pacific	17	73	(56)	(77%)
South America	16	5	11	220%
Total International	45	81	(36)	(44%)
Total Sales	**18,463**	**15,288**	**3,175**	**21%**

Sales by Geography

[thousands of dollars]	2022 $	2021 $	Three-months ended June 30 Change $	Change %
Canada	100,330	79,403	20,927	26%
U.S.	181,359	139,842	41,517	30%
International				
EMEA	30,278	30,533	(255)	(1%)
Asia Pacific	31,958	23,816	8,142	34%
South America	46,018	27,998	18,020	64%
Total International	108,254	82,347	25,907	31%
Total Sales	**389,943**	**301,592**	**88,351**	**29%**

[thousands of dollars]	2022 $	2021 $	Six-months ended June 30 Change $	Change %
Canada	157,043	141,909	15,134	11%
U.S.	320,414	256,811	63,603	25%
International				
EMEA	59,095	54,911	4,184	8%
Asia Pacific	63,892	54,425	9,467	17%
South America	81,530	49,513	32,017	65%
Total International	204,517	158,849	45,668	29%
Total Sales	**681,974**	**557,569**	**124,405**	**22%**

The following table presents YOY changes in the Company's backlogs[1] as at June 30, 2022:

Segments and Platforms [2]	Region			
	Canada	United States	International	Overall
	%	%	%	%
Farm	(6%)	42%	(17%)	15%
Commercial				
Commercial Platform	12%	20%	31%	26%
Food Platform	33%	(20%)	107%	6%
Total Commercial Segment	17%	1%	36%	22%
Overall	1%	19%	28%	19%

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.
[2] Backlog for our Digital segment has been excluded as products and services are delivered on a just-in-time basis and therefore backlog is not a relevant indicator of committed sales.

The following table presents YOY changes in the Company's international backlogs[1] as at June 30, 2022 further segmented by region:

Farm and Commercial Segments [2]	EMEA[3]	Asia Pacific[4]	South America[5]
	%	%	%
International by region	(7%)	34%	99%

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.
[2] Backlog for our Digital segment has been excluded as products and services are delivered on a just-in-time basis and therefore backlog is not a relevant indicator of committed sales.
[3] "EMEA" is composed of Europe, Middle East and Africa.
[4] "Asia Pacific" is composed of Southeast Asia, Australia, India, and Rest of World.
[5] "South America" is composed of Latin America and Brazil.

Farm Segment

Farm segment sales and Adjusted EBITDA increased 28% and 23% YOY, respectively, in Q2 with strong results from Canada, U.S., Asia Pacific, and South America. The demand for portable farm equipment continues to be very robust as this equipment is critical to ensuring smooth farm operations. High crop demand and prices have resulted in robust crop sales resulting in lower overall storage levels on the farm ahead of the upcoming North American harvest which has consequently led to lower grain bin demand. However, this impact is expected to be temporary as the combination of high crop prices and strong crop volumes drive renewed pressure to install and expand farm storage, supporting both maintenance spend to ensure ongoing functionality and incremental investment in storage and handling equipment to accommodate an expanding overall crop size.

The segment backlog remains strong, and looking ahead, we anticipate the strong results in our Farm Segment from the first half ("H1") of 2022 will continue into the second half ("H2") of 2022.

Canada

Sales increased 11% while backlog decreased 6% YOY in Q2 as many parts of Western Canada continue to recover from the extreme drought conditions in 2021 that impacted the demand for storage and handling equipment. We anticipated this impact to the Canadian Farm segment in H1 2022 but noted signs of a rebound towards the end of Q2 2022. Management expects that the Canadian Farm segment will continue to rebound in H2 2022 as dealers begin to move their inventory in the upcoming months.

United States

Sales increased 25% YOY in Q2 as brisk demand for portable equipment continued across many growing regions. Demand for portable equipment remains strong with many dealers continuing to report low inventory levels. Our strategy to expand our U.S. dealer base has helped build demand for AGI products within a key sales channel for the segment. Together, these factors have resulted in a 42% increase in U.S. Farm backlog as compared to June 30, 2021. We continue to expect strong results from the U.S. Farm segment in H2 2022.

International

Farm segment sales increased 127% YOY in Q2, with significant growth in permanent handling equipment in South America and Asia Pacific, supported by favorable macroeconomic conditions. Specifically, Brazil's sales increased 238% YOY in Q2 as strong demand for permanent handling equipment and systems continues in step with expanding crop volume. The results in EMEA have been impacted by the sudden halt to projects affected by the Russia-Ukraine conflict (See "RISKS AND UNCERTAINTIES – Russia-Ukraine Conflict"). However, we have been able to redirect our efforts in other regions thus limiting the disruption on AGI operations and results. Our ability to temporarily pivot away from this region without significantly impacting our overall results highlights the benefit of our diversified growth strategy. With robust quoting pipelines, we anticipate strong results from the various international regions in H2 2022.

Commercial Segment

Commercial segment sales and Adjusted EBITDA increased 31% and 102% YOY in Q2, respectively, with a significant rebound in Canadian sales and continued growth in the U.S. and South American markets. Key contributors to the growth included the Food platform which continues to grow in response to strong customer demand with sales increasing 103% YOY, and 57% net of acquisitions [see "2022 ACQUISITION – Eastern Fabricators"], for the three-months ended June 30, 2022. The increase in Adjusted EBITDA is primarily due to price management, cost control, and scaling on an increased revenue base which helped capture incremental gross margin. In addition, the Canadian Commercial platform continued to rebound with sales and backlog up 101% and 12% YOY, respectively, in Q2.

Looking ahead, we anticipate growth to continue in the Commercial segment in H2 2022. Adjusted EBITDA continues to be an area of focus of the Commercial platform, and similar to the Farm segment, securing components on a timely and cost-effective basis amid the supply chain disruptions 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 and open sales quotes are continuously reviewed and updated for changes in market conditions.

Overall, the Commercial segment is seeing strong demand with backlogs up 22% YOY and the Commercial platform and Food platform backlogs increasing 26% and 6% YOY, respectively, which signal a strong performance in the H2 2022.

Canada

Commercial segment sales increased 112% YOY for the three-months ended June 30, 2022. Specifically:

- The grain terminal and grain processing markets resumed capital spending following a temporary decrease in spending after significant build out from 2015 through 2020. Consequently, the Canadian Commercial platform's backlog is up 12% YOY in Q2.
- Commercial platform sales in Canada increased 101% YOY as increased quoting activities in Q4 2021 and Q1 2022 for grain terminal projects drove a recovery of this sector in H1 2022. We expect the Canadian commercial platform will continue to grow for the remainder of 2022.
- Food platform sales increased 146% YOY, with continued strong demand in Q2 2022 supported by the acquisition of Eastern. The acquisition of Eastern Fabricators ("Eastern") also provided additional production capacity and resources which helped support the Food platform's sales growth in Q2 2022.

Management anticipates the momentum will continue in H2 2022 for the Canadian Commercial platform. We also anticipate strong H2 2022 results from the Canadian Food platform driven by the significant demands and robust quoting pipelines in this region.

United States

Commercial segment sales increased 39% YOY for the three-months ended June 30, 2022. Specifically:

- Commercial platform sales in the U.S. increased 23% YOY, with sales growth driven by the demand in commercial infrastructure and supported by a positive export outlook.
- Food platform sales in the U.S. increased 107% YOY, as a result of continued demand in the petfood market and our efforts to develop strategic relationships with key partners.

With robust quoting pipelines and a sizable backlog as at June 30, 2022, we anticipate strong H2 2022 results from the U.S. Commercial platform. Similarly, the U.S. Food platform is also expected to perform well in H2 2022 based on robust quoting pipelines in this region.

International

Commercial segment sales increased 11% YOY for the three-months ended June 30, 2022. Specifically:

- Commercial platform sales increased 6% YOY with solid growth in the Asia Pacific and South America regions - 14% and 5%, respectively - as favourable macroeconomic conditions continue to stimulate commercial infrastructure investment. The EMEA region remained flat as anticipated as the region has been impacted by the Russia-Ukraine conflict. Nonetheless, the impact was substantially mitigated by our ability to pivot efforts in the region to other geographies and lost volumes have largely been replaced by other projects within the EMEA region. Additional information on the potential impact of the conflict between Russia and Ukraine can be found in "RISKS AND UNCERTAINTIES – Russia-Ukraine Conflict".
- Results from Brazil and India continue to gain momentum as sales increased 9% and 33% YOY, respectively, in Q2.

  - ¤ Brazil continued to see very strong demand for AGI products and systems in the Commercial segment, supported by a favorable macroeconomic environment and a significant backlog in Q2.
  - ¤ Sales continued to grow in India as demand for rice milling equipment has continued to increase throughout H1 2022 resulting in a 29% increased backlog YOY in Q2.
  - ¤ We anticipate both Brazil and India will be strong contributors to our H2 2022 performance.
- Food platform sales increased 74% YOY in Q2, driven by growth across all regions. Both Asia Pacific and South America are relatively new markets for the Food platform and we expect their performance to fluctuate from period to period. However, we anticipate ongoing sales growth in these regions in the near-term supported by ongoing sales and quoting activities.

Overall, we continue to expect significant growth opportunities within the various international regions for our Commercial and Food platforms in the near-term, particularly Brazil and India, supported by favorable macroeconomic conditions. The Russia-Ukraine conflict may temporarily impact our performance in the EMEA region, but our ability to quickly refocus our sales efforts to other regions has significantly reduced the potential impact. The ongoing quoting activities and backlogs support our positive outlook in H2 2022.

Digital Segment

Digital segment sales increased 31% YOY for the three-months ended June 30, 2022. Sales continue to grow as a result of the initiatives taken in 2021 which included adding dealer channels for Digital products, expanding direct sales channels, automating areas of production, and increasing capacity. We continue to realize the benefits of these initiatives as our Digital segment saw record order intake in H1 2022. The increase in sales volume led to Adjusted EBITDA improving 39% YOY in Q2 from a loss of $1.9 million to a loss of $1.1 million.

Overall, we are seeing increased demand for our Digital offerings as more end customers begin to realize the value and efficiencies of digitizing aspects of their operations. We have made significant progress in expanding product development, sales channels, as well as production capacity and expect the momentum to continue in H2 2022. However, the ongoing chip availability issues remain a risk to our ability to produce some pieces of IoT hardware which may impact the timing of our revenue recognition for the foreseeable future.

Summary

Successful execution of our 5-6-7 strategy led to the diversification of our products, geographies, and customers which provided stability and resilience during the trade wars of 2019, the COVID crisis in 2020, the extreme supply chain environment in 2021, and the inflationary pressure and Russia-Ukraine conflict in 2022. This strategy was critical to setup AGI for record results in 2021, despite the challenges of operating a global business amid difficult conditions, and positions the Company for another record year in 2022.

With backlogs up 19% YOY in Q2 over a strong comparable period, and robust quoting pipelines globally, the Company has increased its expected full year 2022 Adjusted EBITDA guidance to at least $215 million with growth over 2021 to be the most pronounced in the third quarter.

See also, "RISK AND UNCERTAINTIES" and "FORWARD-LOOKING INFORMATION".

DETAILED OPERATING RESULTS

[thousands of dollars]	Three-months ended June 30 2022 $	Three-months ended June 30 2021 $	Six-months ended June 30 2022 $	Six-months ended June 30 2021 $
Sales	389,943	301,592	681,974	557,569
Cost of goods sold				
Cost of inventories	267,261	211,275	463,035	382,299
Remediation costs and equipment rework	—	7,500	—	7,500
Depreciation and amortization	11,577	8,656	23,238	15,322
	278,838	227,431	486,273	405,121
Selling, general and administrative expenses				
Selling, general & administrative expenses [1]	61,447	48,209	120,899	96,964
Mergers and acquisitions expense [2]	(27)	1,585	667	2,022
Other transaction and transitional costs [3]	7,614	1,862	13,211	5,568
Depreciation and amortization	7,609	6,999	15,345	13,842
	76,643	58,655	150,122	118,396
Other operating expense (income)				
Net loss (gain) on disposal of property, plant and equipment	382	(20)	296	99
Net loss on settlement of leases	—	18	—	18
Net loss (gain) on financial instruments	9,435	3,360	755	(7,298)
Other	(1,499)	(2,169)	(2,994)	(2,973)
	8,318	1,189	(1,943)	(10,154)
Finance costs	16,182	10,327	27,675	20,647
Finance expense (income)	12,224	(5,378)	1,496	(5,052)
Impairment charge [4]	—	—	23	—
Share of associate's net loss [5]	—	—	—	1,077
Revaluation gains [5]	—	(6,778)	—	(6,778)
Profit (Loss) before income taxes	(2,262)	16,146	18,328	34,312
Income tax expense	2,653	1,870	8,072	7,332
Profit (Loss) for the year	**(4,915)**	**14,276**	**10,256**	**26,980**
Profit (Loss) per share				
Basic	(0.26)	0.76	0.54	1.44
Diluted	(0.26)	0.74	0.53	1.40

[1] Includes minimum lease payments recognized as lease expense. See “Note 13 [b] - Other expenses (income)” in our consolidated financial statements.
[2] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[3] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in optionally convertible redeemable preferred shares (“OCRPS”) [See “Note 18 [d]” in our consolidated financial statements] and amounts due to vendors.
[4] Impairment charge is a result of a write-down in intangible assets.
[5] See “Share of associate's net loss and revaluation gains”.

Gross Profit and Adjusted Gross Margin

[thousands of dollars]	Three-months ended June 30 2022 $	Three-months ended June 30 2021 $	Six-months ended June 30 2022 $	Six-months ended June 30 2021 $
Sales	389,943	301,592	681,974	557,569
Cost of goods sold	278,838	227,431	486,273	405,121
Gross Profit	**111,105**	**74,161**	**195,701**	**152,448**
Gross Profit as a % of sales [1]	28.5%	24.6%	28.7%	27.3%
Equipment rework and remediation	—	7,500	—	7,500
Fair value of inventory from acquisition [2]	304	—	609	—
Depreciation and amortization	11,577	8,656	23,238	15,322
Adjusted Gross Margin [3]	**122,986**	**90,317**	**219,548**	**175,270**
Adjusted Gross Margin as a % of sales [4]	31.5%	29.9%	32.2%	31.4%

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

AGI's gross profit as a percentage of sales and Adjusted Gross Margin as a percentage of sales for the three-months ended June 30, 2022, increased over the prior year, which is partially attributable to sales mix favoring the Farm segment as well as the increased sales volume in the Commercial segment.

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The loss on foreign exchange in finance expense is primarily comprised of non-cash items related to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect as at June 30, 2022. See also "Financial Instruments – Foreign exchange contracts".

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three-months ended June 30, 2022 was $1.27 [2021 - $1.23]. A stronger Canadian dollar relative to the U.S. dollar results in lower reported sales for AGI, as U.S. dollar denominated sales are translated into Canadian dollars at a lower rate. Similarly, a stronger Canadian dollar results in lower costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a stronger Canadian dollar may result in lower input costs of certain Canadian dollar denominated inputs, including steel. On balance, Adjusted EBITDA decreases when the Canadian dollar strengthen relative to the U.S. dollar.

Remediation costs and equipment rework

Remediation costs

As previously disclosed, 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 in 2021, two legal claims related to the bin collapse (the "Incident") were initiated against the Company for a cumulative amount in excess of $190 million. The Company is fully and vigorously defending against these claims. In addition, the Company continues to believe that any financial impact will be partially offset by insurance coverage. AGI is working with insurance providers and external advisors to determine the extent of this cost offset. Insurance recoveries, if any, will be recorded when received. As at June 30, 2022, the warranty provision for remediation costs is $42.4 million [2021 – 52.2 million] with no provision have been utilized in Q2. The Company's assessment of these claims and our legal and contractual defenses to each claim has resulted in no further provisions being recorded in Q2 for these claims.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to the one commercial facility. As at June 30, 2022, the warranty provision for the equipment rework is $10.2 million [2021 - $3.6 million], with $1.6 million of the provision having been utilized in Q2.

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

SG&A expenses for the three-months ended June 30, 2022 excluding merger and acquisition expenses ["M&A"], other transaction and transitional expenses and depreciation / amortization, were $61.4 million [15.8% of sales], versus $48.2 million [16.0% of sales] in 2021. 2022 Q2 variances from the prior year include the following:

- $5.4 million increase in sales and marketing as a result of sales and marketing activities returning to pre-pandemic levels in 2022.
- $2.9 million increase in salaries, wages and share-based compensation related to performance-based awards.
- $1.4 million decrease in consulting expense related to various sales strategy and product enhancement projects at AGI SureTrack during 2021.
- $1.1 million increase in IT expenses related to investment in security and infrastructure.
- 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 June 30, 2022 were $16.2 million versus $10.3 million in 2021. Finance costs have significantly increased in 2022 primarily related to the increase in borrowings, the increase in borrowing costs, fees associated with the retirement of our series B and series C secured notes, and the amortization of deferred financing fees from the early redemption of the 2018 Debentures (as defined below) [see "Debt Facilities" and "Debentures"].

Finance expense (income)

Finance expense (income) which represents interest income earned and foreign exchange on long term debt for the three-months ended June 30, 2022, was an expense of $12.2 million versus income of $5.4 million in 2021. The expense in 2022 relates primarily to the effect of foreign currency translations arising from the settlement of accounts receivables and payables recorded in a currency other than the Company's functional currency (see "BASIS OF PRESENTATION") and non-cash translation of the Company's U.S. dollar denominated long-term debt as the exchange rate increased from 1.2496 as at March 31, 2022 to 1.2886 as at June 30, 2022.

Share of associate's net loss and revaluation gains

Share of associate's net loss for the three-months ended June 30, 2022 was nil versus a loss of $0.1 million in 2021 as the Company acquired a controlling interest in Farmobile in Q2 2021 [See "2021 Acquisition – Farmobile"]. In addition, the Company also recognized a gain of $6.8 million in Q2 2021 as a result of the remeasurement of its previously held equity investment at its acquisition-date fair value.

Other operating expense (income)

Other operating expense for the three-months ended June 30, 2022, was expense of $8.3 million versus $1.2 million in 2021. Other operating expense (income) includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity swap"], and interest income from customer financing arrangements. A significant portion of the increase relates to the unrealized change in fair value of the equity swap.

Profit (loss) before income taxes and Adjusted EBITDA

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

[thousands of dollars]	Three-months ended June 30 2022 $	2021 $	Six-months ended June 30 2022 $	2021 $
Profit (loss) before income taxes	**(2,262)**	**16,146**	**18,328**	**34,312**
Finance costs	16,182	10,327	27,675	20,647
Depreciation and amortization	19,186	15,655	38,583	29,164
Share of associate's net loss [1]	—	—	—	1,077
Revaluation gains [1]	—	(6,778)	—	(6,778)
Loss (gain) on foreign exchange [2]	12,365	(5,335)	1,637	(4,858)
Share-based compensation [3]	2,897	1,912	5,615	3,843
Loss (gain) on financial instruments [4]	9,435	3,360	755	(7,298)
M&A (recovery) expense [5]	(27)	1,585	667	2,022
Other transaction and transitional costs [6]	7,614	1,862	13,211	5,568
Net loss (gain) on disposal of property, plant and equipment	382	(20)	296	99
Loss on settlement of lease liability	—	18	—	18
Equipment rework	—	7,500	—	7,500
Fair value of inventory from acquisition [7]	304	—	609	—
Impairment charge [8]	—	—	23	—
Adjusted EBITDA [9]	**66,076**	**46,232**	**107,399**	**85,316**

[1] See "Share of associate's net loss and revaluation gains".
[2] See "Note 13 [e] - Other expenses (income)" in our consolidated financial statements.

[3] The Company's share-based compensation expense pertains to our equity incentive award plan ("EIAP") and directors' deferred compensation plan ("DDCP"). See "Note 12 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[6] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in OCRPS [See "Note 18 [d]" in our consolidated financial statements] and amounts due to vendors.
[7] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[8] Impairment charge is a result of a write-down in intangible assets.
[9] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

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

			Three-months ended June 30, 2022		
[thousands of dollars]	Farm $	Commercial $	Digital $	Other[11] $	Total $
Profit (loss) before income taxes	**47,612**	**13,524**	**(5,970)**	**(57,428)**	**(2,262)**
Finance costs	—	—	—	16,182	16,182
Depreciation and amortization [1]	4,847	9,513	4,823	3	19,186
Loss on foreign exchange [3]	—	—	—	12,365	12,365
Share-based compensation [4]	—	—	—	2,897	2,897
Loss on financial instruments [5]	—	—	—	9,435	9,435
M&A recovery [6]	—	—	—	(27)	(27)
Other transaction and transitional costs [7]	—	—	—	7,614	7,614
Net (gain) loss on disposal of property, plant and equipment [1]	(62)	444	—	—	382
Fair value of inventory from acquisition [8]	—	304	—	—	304
Adjusted EBITDA [10]	**52,397**	**23,785**	**(1,147)**	**(8,959)**	**66,076**

[thousands of dollars]	Farm $	Commercial $	Digital $	Other[11] $	Three-months ended June 30, 2021 Total $
Profit (loss) before income taxes	**37,606**	**4,320**	**(5,089)**	**(20,691)**	**16,146**
Finance costs	—	—	—	10,327	10,327
Depreciation and amortization [1]	4,984	7,454	3,213	4	15,655
Revaluation gains [2]	—	—	—	(6,778)	(6,778)
Gain on foreign exchange [3]	—	—	—	(5,335)	(5,335)
Share-based compensation [4]	—	—	—	1,912	1,912
Loss on financial instruments [5]	—	—	—	3,360	3,360
M&A expense [6]	—	—	—	1,585	1,585
Other transaction and transitional costs [7]	—	—	—	1,862	1,862
Net gain on disposal of property, plant and equipment [1]	(6)	(12)	(2)	—	(20)
Loss on settlement of lease liability	18	—	—	—	18
Equipment rework	—	—	—	7,500	7,500
Adjusted EBITDA [10]	**42,602**	**11,762**	**(1,878)**	**(6,254)**	**46,232**

[thousands of dollars]	Farm $	Commercial $	Digital $	Other[11] $	Six-months ended June 30, 2022 Total $
Profit (loss) before income taxes	**76,201**	**23,310**	**(15,389)**	**(65,794)**	**18,328**
Finance costs	—	—	—	27,675	27,675
Depreciation and amortization [1]	9,836	19,302	9,440	5	38,583
Loss on foreign exchange [3]	—	—	—	1,637	1,637
Share-based compensation [4]	—	—	—	5,615	5,615
Loss on financial instruments [5]	—	—	—	755	755
M&A expense [6]	—	—	—	667	667
Other transaction and transitional costs [7]	—	—	—	13,211	13,211
Net (gain) loss on disposal of property, plant and equipment [1]	(112)	408	—	—	296
Fair value of inventory from acquisition [8]	—	609	—	—	609
Impairment charge [9]	23	—	—	—	23
Adjusted EBITDA [10]	**85,948**	**43,629**	**(5,949)**	**(16,229)**	**107,399**

[thousands of dollars]	Farm $	Commercial $	Digital $	Other[11] $	Total $
			Six-months ended June 30, 2021		
Profit (loss) before income taxes	**66,688**	**11,402**	**(8,007)**	**(35,771)**	**34,312**
Finance costs	—	—	—	20,647	20,647
Depreciation and amortization [1]	9,947	14,498	4,711	8	29,164
Share of associate's net loss [2]	—	—	—	1,077	1,077
Revaluation gains [2]	—	—	—	(6,778)	(6,778)
Gain on foreign exchange [3]	—	—	—	(4,858)	(4,858)
Share-based compensation [4]	—	—	—	3,843	3,843
Gain on financial instruments [5]	—	—	—	(7,298)	(7,298)
M&A expense [6]	—	—	—	2,022	2,022
Other transaction and transitional costs [7]	—	—	—	5,568	5,568
Net loss (gain) on disposal of property, plant and equipment [1]	76	15	(2)	10	99
Loss on settlement of lease liability	18	—	—	—	18
Equipment rework	—	—	—	7,500	7,500
Adjusted EBITDA [10]	**76,729**	**25,915**	**(3,298)**	**(14,030)**	**85,316**

[1] Allocated based on the segment of the underlying asset's cash generating unit ("CGU").
[2] See "Share of associate's net loss and revaluation gains".
[3] See "Note 13 [e] - Other expenses (income)" in our consolidated financial statements.
[4] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 12 – Share-based compensation plans" in our consolidated financial statements.
[5] See "Equity swap".
[6] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[7] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in OCRPS [See "Note 18 [d]" in our consolidated financial statements] and amounts due to vendors.
[8] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[9] Impairment charge is a result of a write-down in intangible assets.
[10] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[11] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

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

[thousands of dollars]	Canada $	US $	International $	Other[11] $	Total $
				Three-months ended June 30, 2022	
Profit (loss) before income taxes	**14,804**	**27,568**	**14,153**	**(58,787)**	**(2,262)**
Finance costs	—	—	—	16,182	16,182
Depreciation and amortization [1]	6,235	8,232	3,390	1,329	19,186
Loss on foreign exchange [3]	—	—	—	12,365	12,365
Share-based compensation [4]	—	—	—	2,897	2,897
Loss on financial instruments [5]	—	—	—	9,435	9,435
M&A recovery [6]	—	—	—	(27)	(27)
Other transaction and transitional costs [7]	—	—	—	7,614	7,614
Net loss (gain) on disposal of property, plant and equipment [1]	(33)	398	(16)	33	382
Fair value of inventory from acquisition [8]	304	—	—	—	304
Adjusted EBITDA [10]	**21,310**	**36,198**	**17,527**	**(8,959)**	**66,076**

[thousands of dollars]	Canada $	US $	International $	Other[11] $	Total $
				Three-months ended June 30, 2021	
Profit (loss) before income taxes	**9,805**	**19,141**	**9,422**	**(22,222)**	16,146
Finance costs	—	—	—	10,327	10,327
Depreciation and amortization [1]	5,148	6,421	2,542	1,544	15,655
Revaluation gains [2]	—	—	—	(6,778)	(6,778)
Gain on foreign exchange [3]	—	—	—	(5,335)	(5,335)
Share-based compensation [4]	—	—	—	1,912	1,912
Loss on financial instruments [5]	—	—	—	3,360	3,360
M&A expense [6]	—	—	—	1,585	1,585
Other transaction and transitional costs [7]	—	—	—	1,862	1,862
Net gain on disposal of property, plant and equipment [1]	(4)	(7)	—	(9)	(20)
Loss on settlement of lease liability	—	18	—	—	18
Equipment rework	—	—	—	7,500	7,500
Adjusted EBITDA [10]	**14,949**	**25,573**	**11,964**	**(6,254)**	**46,232**

[thousands of dollars]	Canada $	US $	International $	Other[11] $	Total $
					Six-months ended June 30, 2022
Profit (loss) before income taxes	17,508	42,118	27,234	(68,532)	18,328
Finance costs	—	—	—	27,675	27,675
Depreciation and amortization [1]	12,655	16,296	6,910	2,722	38,583
Loss on foreign exchange [3]	—	—	—	1,637	1,637
Share-based compensation [4]	—	—	—	5,615	5,615
Loss on financial instruments [5]	—	—	—	755	755
M&A expense [6]	—	—	—	667	667
Other transaction and transitional costs [7]	—	—	—	13,211	13,211
Net (gain) loss on disposal of property, plant and equipment [1]	(94)	387	(18)	21	296
Fair value of inventory from acquisition [8]	609	—	—	—	609
Impairment charge [9]	23	—	—	—	23
Adjusted EBITDA [10]	30,701	58,801	34,126	(16,229)	107,399

[thousands of dollars]	Canada $	US $	International $	Other[11] $	Total $
					Six-months ended June 30, 2021
Profit (loss) before income taxes	19,010	36,844	17,156	(38,698)	34,312
Finance costs	—	—	—	20,647	20,647
Depreciation and amortization [1]	10,276	11,226	4,709	2,953	29,164
Share of associate's net loss [2]	—	—	—	1,077	1,077
Revaluation gains [2]	—	—	—	(6,778)	(6,778)
Gain on foreign exchange [3]	—	—	—	(4,858)	(4,858)
Share-based compensation [4]	—	—	—	3,843	3,843
Gain on financial instruments [5]	—	—	—	(7,298)	(7,298)
M&A expense [6]	—	—	—	2,022	2,022
Other transaction and transitional costs [7]	—	—	—	5,568	5,568
Net (gain) loss on disposal of property, plant and equipment [1]	106	(6)	7	(8)	99
Loss on settlement of lease liability	—	18	—	—	18
Equipment rework	—	—	—	7,500	7,500
Adjusted EBITDA [10]	29,392	48,082	21,872	(14,030)	85,316

[1] Allocated based on the geographical region of sales with the exception of expenses noted in Other.
[2] See “Share of associate's net loss and revaluation gains”.
[3] See “Note 13 [e] - Other expenses (income)” in our consolidated financial statements.
[4] The Company’s share-based compensation expense pertains to our EIAP and DDCP. See “Note 12 – Share-based compensation plans” in our consolidated financial statements.
[5] See “Equity swap”.
[6] Transaction costs associated with completed and ongoing mergers and acquisitions activities.

[7] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in OCRPS [See "Note 18 [d]" in our consolidated financial statements] and amounts due to vendors.
[8] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[9] Impairment charge is a result of a write-down in intangible assets.
[10] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[11] Included in Other is the corporate office which provides finance, treasury, legal, human resources and other administrative support to the geographical regions.

AGI's Adjusted EBITDA for the three-months ended June 30, 2022, increased 43% over 2021. The Farm segment's Adjusted EBITDA for Q2 increased 23% over 2021 as strong demand of portable farm equipment continued in the US which outpaced the lingering impact of the 2021 drought in Western Canada. The Commercial segment's 102% Adjusted EBITDA increase in Q2 over 2021 is due to changes we made to our commercial pricing and quoting process in order to mitigate the risk of input cost fluctuations and scaling on an increased revenue base helped capture incremental gross margin.

Depreciation and amortization

Depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets are categorized in the income statement in accordance with the function to which the underlying asset is related. The increase in depreciation and amortization expense in 2022 is largely due to the Farmobile acquisition in Q2 2021 and Eastern acquisition in Q1 2022.

Income tax expense

Current income tax expense

Current tax expense for the three months ended June 30, 2022 was $6.8 million, versus $2.2 million in 2021.

Deferred income tax (recovery) expense

Deferred tax expense (recovery) for the three-month period ended June 30, 2022 was a recovery of $4.1 million, versus $0.3 million in 2021. The deferred tax recovery in 2022 related to the recognition of temporary differences between the accounting and tax treatment of property, plant and equipment, intangible assets and tax loss carryforwards.

	Three-months ended June 30		Six-months ended June 30	
[thousands of dollars]	2022 $	2021 $	2022 $	2021 $
Current tax expense	6,773	2,179	8,732	4,078
Deferred tax (recovery) expense	(4,120)	(309)	(660)	3,254
Total tax	**2,653**	**1,870**	**8,072**	**7,332**
Profit (loss) before income taxes	(2,262)	16,146	18,328	34,312
Effective income tax rate	(117.3%)	11.6%	44.0%	21.4%

The effective tax rate in 2022 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".

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

The Company's diluted profit per share for the three-months ended June 30, 2022 was a profit of $1.20 compared to a profit of $0.85 in 2021. Profit per share in 2022 and 2021 has been impacted by the items enumerated in the table below, which reconciles profit to adjusted profit.

[thousands of dollars except per share amounts]	Three-months ended June 30		Six-months ended June 30	
	2022 $	2021 $	2022 $	2021 $
Profit (loss)	(4,915)	14,276	10,256	26,980
Diluted profit (loss) per share	(0.26)	0.74	0.53	1.40
Share of associate's net loss [1]	—	—	—	1,077
Revaluation gains [1]	—	(6,778)	—	(6,778)
Loss (gain) on foreign exchange [2]	12,365	(5,335)	1,637	(4,858)
Loss (gain) on financial instruments [3]	9,435	3,360	755	(7,298)
M&A (recovery) expense [4]	(27)	1,585	667	2,022
Other transaction and transitional costs [5]	7,614	1,862	13,211	5,568
Net loss (gain) on disposal of property, plant and equipment	382	(20)	296	99
Loss on settlement of lease liability	—	18	—	18
Equipment rework	—	7,500	—	7,500
Fair value of inventory from acquisition [6]	304	—	609	—
Impairment charge [7]	—	—	23	—
Adjusted profit [8]	**25,158**	**16,468**	**27,454**	**24,330**
Diluted adjusted profit per share [9]	1.20	0.85	1.38	1.26

[1] See "Share of associate's net loss and revaluation gains".
[2] See "Note 13 [e] - Other expenses (income)" in our consolidated financial statements.
[3] See "Equity swap".
[4] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[5] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in OCRPS [See "Note 18 [d]" in our consolidated financial statements] and amounts due to vendors.
[6] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[7] Impairment charge is a result of a write-down in intangible assets.
[8] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[9] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.

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

2022					
	Average USD/CAD Exchange Rate	Sales(1) $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.27	292,031	15,171	0.81	0.72
Q2	1.27	389,943	(4,915)	(0.26)	(0.26)
YTD	1.27	681,974	10,256	0.55	0.46

2021					
	Average USD/CAD Exchange Rate	Sales(1) $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.27	255,977	12,704	0.68	0.66
Q2	1.23	301,592	14,276	0.76	0.74
Q3	1.25	313,859	(73)	—	—
Q4	1.27	327,095	(16,349)	(0.87)	(0.87)
YTD	1.25	1,198,523	10,558	0.57	0.53

2020					
	Average USD/CAD Exchange Rate	Sales(1) $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q3	1.34	282,450	(12,262)	(0.66)	(0.66)
Q4	1.32	227,385	(15,014)	(0.80)	(0.80)
YTD	1.34	509,835	(27,276)	(1.46)	(1.46)

[1] See “BASIS OF PRESENTATION”.

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

- AGI’s acquisitions of a controlling interest in Farmobile [Q2 2021] and Eastern [Q1 2022] impact comparisons between periods of assets, liabilities and operating results.
- Sales, gain (loss) on foreign exchange, profit (loss), and diluted profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.
- Profit (loss) and Diluted Profit (loss) per share from 2020 and 2021 were negatively impacted by the Company’s estimated remediation costs [see – “Remediation costs and equipment rework”].

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 Company's credit facility, to fund the Company's working capital requirements, capital expenditures, acquisitions and dividends. The Company believes that the debt facilities and debentures described under "Capital Resources", together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditure, dividend and debt service requirements.

CASH FLOW AND LIQUIDITY

[thousands of dollars]	Three-months ended June 30		Six-months ended June 30	
	2022 $	2021 $	2022 $	2021 $
Profit (loss) before tax	(2,262)	16,146	18,328	34,312
Items not involving current cash flows	41,124	16,531	63,946	16,918
Cash provided by operations	38,862	32,677	82,274	51,230
Net change in non-cash working capital	(44,264)	(40,823)	(123,809)	(65,818)
Transfer to restricted cash	1,356	263	(70)	3,184
Non-current accounts receivable and other	1,528	(7,607)	(7,453)	(9,211)
Long-term payables	27	23	141	(56)
Settlement of EIAP	(102)	(110)	(2,345)	(357)
Post-combination payments	—	81	(1,667)	(2,636)
Income tax paid	(1,326)	(1,323)	(6,720)	(2,810)
Cash used in operating activities	(3,919)	(16,819)	(59,649)	(26,474)
Cash used in investing activities	(9,880)	(27,423)	(45,472)	(36,766)
Cash provided by financing activities	8,766	50,669	99,015	55,959
Net decrease in cash during the period	(5,033)	6,427	(6,106)	(7,281)
Cash, beginning of period	60,234	48,748	61,307	62,456
Cash, end of period	**55,201**	**55,175**	**55,201**	**55,175**

The reduction in cash used in operating activities for the three-months ended June 30, 2022, as compared to 2021 is due to the increase in cash provided by operations offset by net change in non-cash working capital. The increase in cash used in operating activities for the six-months ended June 30, 2022, as compared to 2021 is mainly due to the net change in non-cash working capital. The change in non-cash working capital in 2022 as compared to 2021 is largely due to the increase in inventory on-hand. Specifically, the Company has made a decision to increase the level of inventory in 2022 in order to minimize the impact of supply chain disruptions and inflationary increases. In addition, the Company is also carrying excess inventory as a result of committed purchases from delayed or cancelled projects in the Russia-Ukraine region (See "RISKS AND UNCERTAINTIES – Russia-Ukraine Conflict"). We expect to fully reallocate these excess inventories in other upcoming projects.

Cash used in investing activities relates primarily to the acquisition of Eastern Fabricators, capital expenditures and internally generated intangibles. Cash provided by financing activities relates to draws on our credit facilities and the issuance of the 2022 Convertible Debentures (defined below) offsetting the redemption of the 2018 Convertible Debentures (defined below).

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable in North America are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the second and third quarters that result from seasonality, typically lead to accounts receivable levels in North America increasing throughout the year and peaking in the third quarter. Inventory levels in North America typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production offset by the seasonality of our operations in India that is opposite of that described above. In addition, 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 which typically has longer payment terms than North America may result in an increase in the number of days accounts receivable remain outstanding and may result in increased usage of working capital in certain quarters. The impact of supply chain disruption as a result of the COVID-19 pandemic may impact the Company's working capital requirements as the Company invests in excess inventory in order to minimize production interruptions.

Capital Expenditures

[thousands of dollars]	Three-months ended June 30 2022 $	Three-months ended June 30 2021 $	Six-months ended June 30 2022 $	Six-months ended June 30 2021 $
Maintenance capital expenditures [1]	1,962	3,679	4,274	6,012
Non-maintenance capital expenditures [1]	4,088	3,889	6,259	7,729
Acquisition of property plant and equipment	6,050	7,568	10,533	13,741

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

The acquisition of property, plant and equipment in the three-months ended June 30, 2022 was $6.1 million as compared to $7.6 million in 2021.

Maintenance capital expenditures in the three-months ended June 30, 2022, was $2.0 million [0.5% of sales] versus $3.7 million [1.2% of sales] in 2021. Maintenance capital expenditures in 2022 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of sales.

AGI had non-maintenance capital expenditures in the three-months ended June 30, 2022, of $4.1 million versus $3.9 million in 2021. $3.0 million of the $4.1 million of non-maintenance capital expenditures were relating to manufacturing capacity expansions in EMEA, Brazil and at certain plants in North America.

The acquisition of property, plant and equipment and its components of maintenance and non-maintenance capital expenditures in 2022 were financed through bank indebtedness, cash on hand or through the Company's credit facility [see "Capital Resources"].

CONTRACTUAL OBLIGATIONS

The following table shows, as at June 30, 2022, the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total $	2022 $	2023 $	2024 $	2025 $	2026+ $
2019 Debentures – 1	86,250	—	—	86,250	—	—
2019 Debentures – 2	86,250	—	—	86,250	—	—
2020 Debentures	85,000	—	—	—	—	85,000
2021 Convertible Debentures	115,000	—	—	—	—	115,000
2022 Debentures Convertible	103,900	—	—	—	—	103,900
Long-term Debt[1] [2]	539,261	24,570	439	408	270	513,574
Lease liability [1]	38,841	3,434	5,414	5,364	5,212	19,417
Short term and low value leases	5	2	2	1	—	—
Due to vendor	13,280	9,968	3,312	—	—	—
Preferred shares liability[1] [2]	11,417	11,417	—	—	—	—
Purchase obligations [3]	5,856	5,856	—	—	—	—
Total obligations	1,085,060	55,247	9,167	178,273	5,482	836,891

[1] Undiscounted.
[2] Related to optionally convertible redeemable preferred shares issued as part of the Milltec Machinery Inc. acquisition.
[3] Net of deposit.

The debentures relate to the aggregate principal amount of the debentures [see "Capital Resources - Debentures"] and long-term debt is comprised of the Company's credit facility [see "Capital Resources – Debt Facilities"].

CAPITAL RESOURCES

Assets and Liabilities

(thousands of dollars)	June 30 2022 $	June 30 2021 $
Total assets	1,754,605	1,583,180
Total liabilities	1,461,975	1,309,119

Cash

The Company's cash balance at June 30, 2022 was $55.2 million [2021 - $55.2 million].

(thousands of dollars)	June 30 2022 $	June 30 2021 $
Cash	55,201	55,175

Debt Facilities

As at June 30, 2022:

[thousands of dollars]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Canadian Swing Line	CAD	2026	50,000	24,332	3.23%
USD Swing Line	USD	2026	12,886	—	2.56%
Canadian Revolver Tranche A[3]	CAD	2026	300,000	247,800	3.23%
Canadian Revolver Tranche B	USD	2026	64,430	—	2.78%
U.S. Revolver	USD	2026	277,049	265,194	2.56%
Equipment Financing	various	various	1,904	1,904	Various
Total			706,269	539,230	

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on June 30, 2022 of $1.2886.
[2] Excludes the $300 million accordion available under AGI's credit facility.
[3] Interest rate fixed for $75 million via interest rate swaps. See "Interest Rate Swaps".

On May 9, 2022, AGI amended its senior credit facilities agreement to increase availabilities under its Canadian revolver from $275.0 million to $350.0 million Canadian and its U.S. revolver from $215.0 million to $275.0 million USD. Subsequent to the amendment, AGI has swing line facilities of $50 million and U.S. $10 million as at June 30, 2022. The swing line facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. As at June 30, 2022, there was $24.3 million [2021 – $23.8 million] outstanding under the swing lines.

AGI's revolver facilities of $350 million and U.S. $250 million are inclusive of amounts that may be allocated to the Company's swing line and can be drawn in Canadian or U.S. funds. The facilities bear interest at BA or SOFR plus 1.2% to BA or SOFR plus 2.75% and prime plus 0.2% to prime plus 1.75% per annum based on performance calculations.

Concurrent with the amendment to the senior credit facilities agreement, the series B and series C secured notes, with principal amounts owing of CAD $25 million and US $25 million respectively, were retired through the expanded credit facilities.

Debentures

Convertible Unsecured Subordinated Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the "Convertible Debentures"] of the Company that were outstanding as at June 30, 2022:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par [1]
2021 [AFN.DB.I]	115,000,000	5.00%	45.14	Jun 30, 2027	Jun 30, 2026
2022 [AFN.DB.J]	103,900,000	5.20%	70.50	Dec 31, 2027	Dec 31, 2026

[1] In the twelve-month period prior to the date on which the Company may, at its option, redeem any series of Convertible Debentures at par plus accrued and unpaid interest, such Convertible Debentures may be redeemed, in whole or in part, at the option of the Company at a redemption price equal to the principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the 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 of the Company ("Common Shares"). The Company may also elect to satisfy its obligation to pay interest on the Convertible Debentures by delivering sufficient Common Shares to the trustee of the Convertible Debentures to be sold, with the proceeds used to satisfy the obligation to pay interest. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering Common Shares. The number of Common Shares issued would be determined based on market prices at the time of issuance.

Issuance of 2022 Convertible Debentures

On April 19, 2022, AGI closed the offering of $100 million aggregate principal amount of convertible unsecured subordinated debentures [the "2022 Convertible Debentures"] at a price of $1,000 per 2022 Convertible Debenture [the "Offering"]. In addition, AGI granted to the underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase up to an additional $15 million aggregate principal amount of 2022 Convertible Debentures at the same price. On May 6, 2022, pursuant to the exercise of the over-allotment option, AGI issued an additional $3.9 million of 2022 Convertible Debentures for total gross proceeds from the Offering to AGI of $103.9 million.

The 2022 Convertible Debentures bear interest at 5.20% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2022. The 2022 Convertible Debentures have a maturity date of December 31, 2027 [the "Maturity Date"].

The 2022 Convertible Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and the date specified by AGI for redemption of the 2022 Convertible Debentures into fully paid and non-assessable common shares ["Common Shares"] of the Company at a conversion price of $70.50 per Common

Share [the “Conversion Price”], being a conversion rate of approximately 14.1844 Common Shares for each $1,000 principal amount of Debentures.

Redemption of 2018 Convertible Debentures

Concurrent with the announcement of the Offering, AGI gave notice of its intention to redeem its 4.50% convertible unsecured subordinated debentures due December 31, 2022 [the “2018 Convertible Debentures”]. The redemption of the 2018 Convertible Debentures was effective on May 2, 2022 [the “Redemption Date”]. Upon redemption, AGI paid to the holders of the 2018 Convertible Debentures the redemption price equal to the outstanding principal amount, together with all accrued and unpaid interest thereon up to but excluding the Redemption Date.

Senior Unsecured Subordinated Debentures

The following table summarizes the key terms of the Senior Unsecured Subordinated Debentures [the “Senior Debentures”] that were outstanding as at June 30, 2022:

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

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

COMMON SHARES

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

	# Common Shares
December 31, 2021	18,793,570
Settlement of EIAP obligations	88,278
June 30, 2022	18,881,848
Settlement of EIAP obligations	7,495
August 10, 2022	18,889,343

At August 10, 2022:

- 18,889,343 Common Shares are outstanding;
- 1,565,000 Common Shares are available for issuance under the Company's Equity Incentive Award Plan [the “EIAP”], of which 982,549 have been issued, 582,451 are issuable pursuant to outstanding awards and 0 remain unallocated. An additional 85,348 Common Shares are conditionally issuable subject to receipt of applicable regulatory and shareholder approvals.
- 500,000 Common Shares are available for issuance under the Company’s Stock Option Plan, of which, 500,000 remain unallocated;

- 120,000 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan, of which 19,788 Common Shares have been issued; and
- 4,021,389 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of $219 million outstanding.

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

DIVIDENDS

AGI declared dividends of $2.8 million or $0.15 per common share [2021 – $2.8 million or $0.15 per common share] in the three-month period ended June 30, 2022. The dividend declared in Q2 was paid on July 15, 2022 to common shareholders of record at the close of business on June 30, 2021. Dividends paid to shareholders of $2.8 million [2021 – $2.8 million] during the three-month period ended June 30, 2022 were financed from cash on hand.

CASH PROVIDED BY OPERATIONS, FUNDS FROM OPERATIONS AND PAYOUT RATIOS

[thousands of dollars]	Six-months ended June 30 2022 $	2021 $	Last Twelve Months Ended June 30 2022 $	2021 $
Cash provided by operations	82,274	51,230	113,806	27,470
Items not involving current cashflows	(63,946)	(16,918)	(120,407)	(34,925)
Profit (loss) before income taxes	**18,328**	**34,312**	**(6,601)**	**(7,455)**
Combined adjustments to Adjusted EBITDA [1]	89,071	51,004	204,986	172,355
Adjusted EBITDA [2]	**107,399**	**85,316**	**198,385**	**164,900**
Interest expense	(27,675)	(20,647)	(50,627)	(44,325)
Non-cash interest	4,929	2,654	8,309	5,276
Cash taxes	(6,720)	(2,810)	(13,136)	(4,071)
Maintenance capital expenditures [3]	(4,274)	(6,012)	(8,636)	(9,762)
Funds from operations [2]	73,659	58,501	134,295	112,018
Dividends	5,650	5,634	11,286	11,249
Payout Ratio [3] from cash provided by operations	**7%**	**11%**	**10%**	**41%**
Payout Ratio [4] from funds from operations	**8%**	**10%**	**8%**	**10%**

[1] See "Profit (loss) before income taxes and Adjusted EBITDA"
[2] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[3] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each supplementary financial measure.
[4] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at June 30, 2022.

Interest Rate Swaps

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

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

[1] With performance adjustment.

On June 16, 2022, the Company entered into a forward interest rate swap contract starting June 11, 2023 and expiring on May 11, 2026. Beginning June 11, 2023, the Company agreed to receive interest based on the variable rates from the counterparty and paid interest based on a fixed rate of 3.972% with the notional amounts of $75 million in aggregate, resetting the last business day of each month. As at June 30, 2022, the fair value of the interest rate swap was a loss of $1.1 million. The Company has elected to apply hedge accounting for this contract and the unrealized loss has been recognized in other comprehensive income to the extent that it has been assessed to be effective.

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 Common Share price related to the EIAP and the Company signed an amending agreement on March 4, 2021 to extend the maturity date to May 7, 2024.

As at June 30, 2022, 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 $6.5 million liability [2021 – $0.1 million liability]. During the three-month period ended June 30, 2022, the Company recorded, in the consolidated statements of income (loss) an unrealized loss of $9.7 million compared to an unrealized loss of $4.2 million in 2021.

Debenture redemption options

In March 2020, the Company issued $85 million of senior unsecured subordinated debentures with an option of early redemption beginning December 31, 2023. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $0.8 million. During the three-month period ended June 30, 2022, the Company recorded an unrealized loss of $0.3 million [2021 – gain of $0.7 million], on financial instruments in other operating income. As at June 30, 2022, the fair value of the embedded derivative was $0.1 million [2021 – $0.7 million].

2021 ACQUISITION

Farmobile

On April 16, 2021, AGI acquired additional outstanding shares of Farmobile pursuant to stock purchase agreements. The terms of the agreements facilitated the acquisition of all remaining outstanding shares of Farmobile, building on AGI's initial minority equity investment made in Farmobile in 2019. The acquisition was fully completed on February 1, 2022. 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.

2022 ACQUISITION

Eastern Fabricators

On January 4, 2022, AGI acquired Eastern Fabricators ("Eastern"). Eastern specializes in the engineering, design, fabrication, and installation of high-quality stainless-steel equipment and systems for food processors. Eastern operates three facilities in Canada with two in Prince Edward Island and one in Ontario. Eastern serves a range of customers across North America and has developed strong relationships with some of the world's largest multinational food processors. Consideration for the acquisition included an upfront purchase price of $29.3 million paid on closing plus working capital adjustments of $2.9 million and the potential for an additional $11.7 million in post-closing payments based on the achievement of financial targets in future years. The acquisition was funded primarily through AGI's senior debt facilities.

OTHER RELATIONSHIPS

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and six-month periods ended June 30, 2022, the total cost of these legal services related to the issuance of convertible unsecured debentures, the amendment of the senior credit facilities and general matters was $0.1 million and $1.6 million [2021 – $0.3 million and $0.5 million], and $0.4 million is included in accounts payable and accrued liabilities as at June 30, 2022.

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 2021 audited consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the 2021 audited consolidated financial statements for a discussion of the significant accounting judgments, estimates and assumptions. In addition, the provision for remediation [see – "Remediation costs" and Equipment rework" under "Note 18 – Provisions"] required significant estimates and judgments about the scope, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company.

RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR [www.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; 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; adjustment to and delays or cancellation of backlogs; volatility of production costs, including the risk of production cost increases that may arise as a result of ongoing high inflation rates and/or supply chain disruptions, and the risk that we may not be able to pass along all or any portion of increased production costs to customers; and the requirement to re-supply equipment or re-complete work previously supplied or completed at AGI's cost, and the risk that AGI's assumptions and estimates made in respect of such costs and underlying the provision for warranty accrual and remediation in our consolidated financial statements related thereto and insurance coverage therefor (including for the 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.

COVID-19

The emergence of COVID-19 has had limited adverse impact on AGI's business, including the disruption of production, our supply chain, and product delivery. While AGI experienced temporary production suspensions early in the pandemic in 2020, there were no significant production suspensions or interruptions in Q2 2022 as a result of COVID-19.

AGI operations were considered "essential services" in many regions throughout North America, highlighting the important role the Company plays in the global food supply chain. Management continues to believe post pandemic demand will be positively impacted as the world builds additional redundancy into the global food infrastructure to account for similar events in the future.

AGI is currently fully operational across all manufacturing locations globally, with no loss of productive capacity owing to COVID-19 during Q2 2022. However, potential disruptions to the supply chain including steel supply, components, labour and logistics can cause significant delays on sales and projects which can impact the timing of revenue recognition. Our 2022 results remain subject to the effect of COVID-19 on our manufacturing facilities, markets, and customers as management continues to monitor for any emerging risks associated with COVID-19.

Russia-Ukraine Conflict

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

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 consolidated financial statements for external purposes in accordance with IFRS.

AGI acquired Eastern in Q1 2022. Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for this acquired business. Since the acquisition occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of this acquisition, as permitted under Section 3.3 of National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Eastern. The following is the summary financial information pertaining to Eastern that was included in AGI's consolidated financial statements:

thousands of dollars]	Eastern $
Revenue [1][2]	7,690
Loss[1][2]	(2,531)
Current assets [2][3][4]	10,313
Non-current assets [2][3][4]	30,489
Current liabilities [2][3]	7,993
Non-current liabilities [2][3]	7,815

[1] For the three-month period ended June 30, 2022.
[2] Net of intercompany.
[3] Statement of financial position as at June 30, 2022.
[4] Includes purchase price allocation adjustments identified such as intangible assets.

There have been no changes in AGI's internal controls over financial reporting that occurred in the three-month period ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS AND OTHER FINANCIAL MEASURES

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

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

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

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

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

"Adjusted EBITDA" is defined as profit (loss) before income taxes before finance costs, depreciation and amortization, share of associate's net loss, revaluation gains, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A (recovery) expenses, other transaction and transitional costs, net loss or gain on the sale of property, plant & equipment, loss on settlement of lease liability, equipment rework, fair value of inventory from acquisition and impairment. Adjusted EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit (loss) before income taxes. Management believes Adjusted EBITDA is a useful measure to assess the performance and cash flow of the Company as it excludes the effects of interest, taxes, depreciation, amortization and expenses that management believes are not reflective of the Company's underlying business performance. Management cautions investors that Adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. See "Detailed Operating Results – Profit (loss) before income taxes and Adjusted EBITDA" for the reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the current and comparative periods. Adjusted EBITDA guidance is a forward-looking non-IFRS financial measure. We do not provide a reconciliation of such forward-looking measure to the most directly comparable financial measure calculated and presented in accordance with IFRS due to unknown variables and the uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value that may be inherently difficult to determine without unreasonable efforts. Guidance for Adjusted EBITDA excludes the impacts of finance costs, depreciation and amortization, share of associate's net loss, revaluation gains, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A (recovery) expenses, other transaction and transitional costs, net loss or gain on the sale of property, plant & equipment, loss on settlement of lease liability, equipment rework, fair value of inventory from acquisition and impairment.

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

"Adjusted Gross Margin" is defined as gross profit less equipment rework and remediation, fair value of inventory from acquisition and depreciation and amortization. Adjusted Gross Margin is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is gross profit. Management believes that Adjusted Gross Margin is a useful measure to assess the performance of the Company as it excludes the effects of depreciation and amortization. See "Detailed Operating Results – Gross Profit and Adjusted Gross Margin" for the reconciliation of Adjusted Gross Margin to gross profit for the current and comparative periods.

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

"Adjusted profit" is defined as profit or loss adjusted for the share of associate's net loss, revaluation gains, gain or loss on foreign exchange, gain or loss on financial instruments, M&A (recovery) expenses, other transaction and transitional costs, net gain or loss on sale of property, plant and equipment, loss on settlement of lease liability, equipment rework, fair value of inventory from acquisition and impairment. Adjusted profit is a non-IFRS financial measures and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit or loss. Management believe adjusted profit is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performances. See "Detailed Operating Results – Diluted profit (loss) per share and diluted adjusted profit per share" for the reconciliation of adjusted profit to profit (loss) for the current and comparative periods.

"Backlogs" are defined as the total value of committed sales orders that have not yet been fulfilled that: (a) have a high certainty of being performed as a result of the existence of a purchase order, an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to the Company or its divisions, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Backlog is a supplementary financial measure.

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

“Funds from operations” is defined as cash provided by operations adjusted for items not involving current cashflows, combined adjustments to Adjusted EBITDA, interest expense, non-cash interest, cash taxes and maintenance capital expenditures. Funds from operations is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is cash provided by operations. Management believes that, in addition to cash provided by operations, funds from operations provide a useful supplemental measure in evaluating the Company's performance and liquidity. The definition excludes changes in working capital as they are necessary to drive organic growth and have historically been financed by the Company’s operating facility [See “Capital Resources”]. Funds from operations should not be construed as an alternative to cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows. See “CASH PROVIDED BY OPERATIONS, FUNDS FROM OPERATIONS AND PAYOUT RATIOS” for the reconciliation of funds from operations to cash provided by operations for the current and comparative periods and see also “Adjusted EBITDA” above and “Detailed Operating results – Profit (loss) before income taxes and Adjusted EBITDA” for the "combined adjustments to Adjusted EBITDA" for the current and comparative periods.

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

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

“Payout ratio” is defined as either cash provided by operations or funds from operations for the relevant period divided into the dividends declared during such period. "Payout ratio from cash provided by operations" is a supplementary financial measure. "Payout ratio from funds from operations" is a non-IFRS ratio because one of its components, funds from operations, is a non-IFRS financial measure. Management believes payout ratio is a useful measure to assess the performance and liquidity of the company and as an indicator of the sustainability of AGI's dividend.

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

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words “anticipate”, “estimate”, “believe”, “continue”, “could”, “expects”, “intend”, "trend", “plans”, “will”, “may” or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to: our business and strategy; our outlook for our financial and operating performance in 2022, including by segment and by geographic region, and including our expectations for our future financial results (including our forecast for full year 2022 Adjusted EBITDA (with growth over 2021 to be the most pronounced in the third quarter) and our belief that the successful execution of our strategy positions us for another record year in 2022), industry demand and market conditions, growth prospects (including that our robust growth profile will continue in H2 2022), and the anticipated ongoing impacts of the COVID-19 pandemic on our business (including potential supply chain disruptions and temporary production suspensions), operations and financial results; the estimated costs to the Company that may result from the remediation work associated with the Incident, including the costs of remediation, and the availability of insurance coverage to offset such costs; matters relating to litigation arising as a result of the Incident; the estimated costs to the Company from ongoing equipment rework; our ability to mitigate the impact of inflation; our ability to lessen the seasonality of our business; the factors that may impact our working capital requirements; the sufficiency of our liquidity and capital resources; 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 to the Incident and insurance coverage for the Incident will prove to be incorrect as further information becomes available to the Company; and the risk of litigation in respect of equipment or work previously supplied or completed or in respect of other matters and the risk that AGI incurs material liabilities in connection with such litigation that are not covered by insurance in whole or in part. These and other 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. Further, AGI cannot guarantee that the anticipated revenue from its backlogs will be realized or, if realized, will result in profits or Adjusted EBITDA. Delays, cancellations and scope adjustments occur from time-to-time with respect to contracts reflected in AGI's backlogs, which can adversely affect the revenue and profit that AGI actually receives from its backlogs. 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 Incident required significant estimates and judgments about the scope, nature, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

FINANCIAL OUTLOOK

Also included in this MD&A is an estimate of AGI's 2022 Adjusted EBITDA, which is based on, among other things, the various assumptions disclosed in this MD&A including under "Forward-Looking Information" and including our assumptions regarding (i) the Adjusted EBITDA contribution that AGI anticipates receiving in 2022 from Eastern, which was acquired by AGI on January 4, 2022 (see "2022 ACQUISITION – Eastern Fabricators"), and (ii) the Adjusted EBITDA contribution that AGI anticipates receiving from revenue growth in 2022 in part from the 19% YOY increase in AGI's backlogs at June 30, 2022. To the extent such estimate constitutes a financial outlook, it was approved by management on August 10, 2022 and is included to provide readers with an understanding of AGI's anticipated Adjusted EBITDA based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

RECONCILIATION OF ADJUSTED EBITDA TO PROFIT (LOSS) BEFORE INCOME TAXES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

The following table reconciles profit (loss) before income taxes to Adjusted EBITDA for the years ended December 31, 2021 and 2020:

[thousands of dollars]	Year Ended December 31 2021 $	 2020 $
Profit (loss) before income taxes	**9,383**	**(80,966)**
Finance costs	43,599	46,692
Depreciation and amortization	62,049	55,271
Share of associate's net loss [1]	1,077	4,314
Gain on remeasurement of equity investment [1]	(6,778)	—
Loss on foreign exchange [2]	2,992	1,730
Share-based compensation [3]	8,551	6,428
(Gain) loss on financial instruments [4]	(1,382)	14,502
M&A expense [5]	3,035	1,736
Change in estimate on variable considerations [6]	11,400	—
Other transaction and transitional costs [7]	12,058	14,326
Net loss on disposal of property, plant and equipment	23	187
Gain on settlement of right-of-use assets	(17)	(3)
Gain on disposal of foreign operation	(898)	—
Equipment rework and remediation [8]	26,100	80,000
Impairment charge [9]	5,074	5,111
Adjusted EBITDA [10]	**176,266**	**149,328**

[1] See "Share of associate's net loss (gain)" in our management discussion and analysis and consolidated financial statements for the year ended December 31, 2021 ("2021 Statements").
[2] See "Note 25 [e] - Other expenses (income)" in our 2021 Statements.
[3] The Company's share-based compensation expense pertains to our equity incentive award plan and directors' deferred compensation plan. See "Note 24 – Share-based compensation plans" in our 2021 Statements.
[4] See "Equity swap" in our 2021 Statements.
[5] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[6] The result of a change in management estimate on variable considerations for a one-time sales concessions related to previous sales contracts.
[7] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in OCRPS [See "Note 18 [d]" in our consolidated financial statements] and amounts due to vendors.
[8] See "Remediation costs and equipment rework" in our 2021 Statements.
[9] Impairment charge is a result of a write-down in property, plant and equipment ($1,558) and intangible assets ($3,516). See "Note 12 - Property, plant and equipment" and "Note 15 – Intangible assets" in our 2021 Statements.
[10] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

ADDITIONAL INFORMATION

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

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

June 30, 2022

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	June 30, 2022 $	December 31, 2021 $
Assets		
Current assets		
Cash and cash equivalents	55,201	61,307
Restricted cash	2,322	2,424
Accounts receivable	260,137	206,271
Inventory	306,620	243,250
Prepaid expenses and other assets *[note 14]*	60,918	44,788
Current portion of notes receivable	5,515	5,428
Income taxes recoverable	11,425	9,351
	702,138	572,819
Non-current assets		
Property, plant and equipment, net	342,880	349,310
Right-of-use assets, net *[note 6]*	31,438	19,211
Goodwill	367,776	358,610
Intangible assets, net	260,248	253,042
Non-current accounts receivable	42,195	34,742
Notes receivable	364	364
Deferred tax asset	3,048	5,556
	1,047,949	1,020,835
Assets held for sale *[note 7]*	4,518	—
Total assets	1,754,605	1,593,654
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	204,647	195,646
Customer deposits	84,120	86,457
Dividends payable	2,832	2,819
Derivative instruments *[note 18[c]]*	—	337
Income taxes payable	8,192	6,350
Current portion of due to vendor	9,968	5,269
Current portion of lease liability	5,213	5,016
Current portion of long-term debt *[note 9]*	470	532
Current portion of convertible unsecured subordinated debentures *[note 10]*	—	84,913
Current portion of optionally convertible redeemable preferred shares *[note 18[d]]*	11,417	11,690
Provisions *[note 8]*	64,573	65,618
	391,432	464,647
Non-current liabilities		
Other financial liabilities	736	704
Derivative instruments *[note 18[c]]*	7,499	5,036
EIAP liability	859	—
Due to vendor	3,312	1,567
Lease liability	29,833	17,263
Other non-current liabilities	5,400	5,400
Long-term debt *[note 9]*	534,376	434,009
Convertible unsecured subordinated debentures *[note 10]*	180,406	94,620
Senior unsecured subordinated debentures	251,795	250,872
Deferred income tax liability	56,327	50,785
	1,070,543	860,256
Total liabilities	1,461,975	1,324,903
Shareholders' equity *[note 11]*		
Common shares	8,432	5,233
Accumulated other comprehensive loss	(16,005)	(22,799)
Equity component of convertible debentures	22,851	12,905
Contributed surplus	494,348	494,684
Deficit	(216,996)	(221,272)
Total shareholders' equity	292,630	268,751
Total liabilities and shareholders' equity	1,754,605	1,593,654

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income (loss)

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

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	$	$	$	$
Sales *[note 5]*	389,943	301,592	681,974	557,569
Cost of goods sold *[note 13[a]]*	278,838	227,431	486,273	405,121
Gross profit	111,105	74,161	195,701	152,448
Expenses				
Selling, general and administrative *[note 13[b]]*	76,643	58,655	150,122	118,396
Other operating expense (income) *[note 13[c]]*	8,318	1,189	(1,943)	(10,154)
Impairment charge	—	—	23	—
Finance costs *[note 13[d]]*	16,182	10,327	27,675	20,647
Finance expense (income) *[note 13[e]]*	12,224	(5,378)	1,496	(5,052)
Share of associate's net loss	—	—	—	1,077
Gain on remeasurement of equity investment	—	(6,778)	—	(6,778)
	113,367	58,015	177,373	118,136
Profit (loss) before income taxes	(2,262)	16,146	18,328	34,312
Income tax expense (recovery) *[note 15]*				
Current	6,773	2,179	8,732	4,078
Deferred	(4,120)	(309)	(660)	3,254
	2,653	1,870	8,072	7,332
Profit (loss) for the period	(4,915)	14,276	10,256	26,980
Profit (loss) per share *[note 16]*				
Basic	(0.26)	0.76	0.54	1.44
Diluted	(0.26)	0.74	0.53	1.40

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income (loss)

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	$	$	$	$
Profit (loss) for the period	(4,915)	14,276	10,256	26,980
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit or loss				
Change in fair value of derivatives designated as cash flow hedges loss	(1,011)	—	(1,011)	—
Income tax effect on cash flow hedges	268	—	268	—
Exchange differences on translation of foreign operations	2,510	2,041	7,072	(15,462)
	1,767	2,041	6,329	(15,462)
Items that will not be reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plans	(373)	435	632	2,000
Income tax effect on defined plans	99	(115)	(167)	(530)
	(274)	320	465	1,470
Other comprehensive income (loss) for the period	1,493	2,361	6,794	(13,992)
Total comprehensive income (loss) for the period	(3,422)	16,637	17,050	12,988

See accompanying notes

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2022

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

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2021

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency reserve $	Equity investment $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2021	1,730	4,427	487,540	(220,298)	(8,938)	(900)	(424)	263,137
Profit for the period	—	—	—	26,980	—	—	—	26,980
Other comprehensive income (loss)	—	—	—	—	(15,462)	—	1,470	(13,992)
Share-based payment transactions *[notes 11[a] and [b]]*	2,151	—	1,489	—	—	—	—	3,640
Dividends paid to shareholders *[note 11[c]]*	—	—	—	(5,634)	—	—	—	(5,634)
Dividends on share-based compensation awards *[note 11[c]]*	—	—	—	(70)	—	—	—	(70)
As at June 30, 2021	3,881	4,427	489,029	(199,022)	(24,400)	(900)	1,046	274,061

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	$	$	$	$
Operating activities				
Profit (loss) before income taxes	(2,262)	16,146	18,328	34,312
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	6,858	6,225	13,964	12,062
Depreciation of right-of-use assets	1,702	1,072	3,300	2,028
Amortization of intangible assets	10,320	8,358	20,728	15,074
Loss (gain) on sale of property, plant and equipment	382	(20)	296	99
Loss on settlement of lease liability	—	18	—	18
Gain on redemption of convertible debentures	(584)	—	(584)	—
Impairment	—	—	23	—
Share of associate's net loss	—	—	—	1,077
Gain on remeasurement of equity investment	—	(6,778)	—	(6,778)
Non-cash component of interest expense	2,411	1,336	4,929	2,654
Non-cash movement in derivative instruments	10,019	3,360	1,339	(7,298)
Non-cash investment tax credits	(1,207)	(377)	(1,243)	(389)
Share-based compensation expense	2,897	1,912	5,615	3,843
Defined benefit plan expense	20	36	40	72
Employer contributions to defined benefit plan	—	—	—	(9)
Due to vendor and optionally convertible redeemable preferred shares	2,571	573	6,057	2,059
Translation loss (gain) on foreign exchange	5,735	816	9,482	(7,594)
	38,862	32,677	82,274	51,230
Net change in non-cash working capital balances related to operations *[note 17]*	(44,264)	(40,823)	(123,809)	(65,818)
Transfer from (to) restricted cash	1,356	263	(70)	3,184
Non-current accounts receivable	1,528	(7,607)	(7,453)	(9,211)
Long-term payables	27	23	141	(56)
Settlement of equity incentive award plan obligation	(102)	(110)	(2,345)	(357)
Post-combination payments	—	81	(1,667)	(2,636)
Income taxes paid	(1,326)	(1,323)	(6,720)	(2,810)
Cash used in operating activities	(3,919)	(16,819)	(59,649)	(26,474)
Investing activities				
Acquisitions, net of cash acquired *[note 4]*	—	(12,865)	(28,162)	(12,865)
Acquisition of property, plant and equipment	(6,050)	(7,568)	(10,533)	(13,741)
Proceeds from sale of property, plant and equipment	1,078	71	1,313	165
Development and purchase of intangible assets	(4,908)	(7,061)	(8,090)	(10,325)
Cash used in investing activities	(9,880)	(27,423)	(45,472)	(36,766)
Financing activities				
Draw on revolvers, net of costs	68,103	39,788	129,039	39,788
Repayment of long-term debt	(57,160)	(128)	(57,382)	(296)
Change in swing line	(4,695)	20,267	24,332	23,997
Repayment of obligation under lease liabilities	(1,650)	(857)	(2,968)	(1,746)
Change in interest accrued	(6,127)	(5,431)	(1,268)	(6)
Issuance of senior unsecured subordinated debentures, net of costs	—	(153)	—	(153)
Issuance of convertible unsecured subordinated debentures, net of costs *[note 10]*	99,376	—	99,162	—
Redemption of convertible unsecured subordinated debentures *[note 10]*	(86,250)	—	(86,250)	—
Dividends paid in cash *[note 11[c]]*	(2,831)	(2,817)	(5,650)	(5,625)
Cash provided by financing activities	8,766	50,669	99,015	55,959
Net increase (decrease) in cash during the period	(5,033)	6,427	(6,106)	(7,281)
Cash and cash equivalents, beginning of period	60,234	48,748	61,307	62,456
Cash and cash equivalents, end of period	55,201	55,175	55,201	55,175
Supplemental cash flow information				
Interest paid	20,735	14,611	24,872	18,811

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2022

1. Organization

Ag Growth International Inc. [“AGI” or the “Company”] is a provider of equipment solutions for agriculture bulk commodities, including seed, fertilizer, grain, rice, feed and food processing systems. AGI has manufacturing facilities in Canada, the United States, the United Kingdom, Brazil, Italy, France and India, and distributes its product globally. 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 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, 2021.

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 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 International Financial Reporting Standards [“IFRS”] for annual financial statements and, therefore, should be read in conjunction with the audited annual consolidated financial statements and notes for the Company’s fiscal year ended December 31, 2021, which are available on SEDAR at www.sedar.com.

The unaudited interim condensed consolidated financial statements of AGI for the six-month period ended June 30, 2022, were authorized for issuance in accordance with a resolution of the directors on August 9, 2022.

3. Seasonality of business

Interim period sales and earnings historically reflect some seasonality as the agricultural equipment business is highly seasonal, which causes the Company's quarterly results and its cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in the spring and fall in conjunction with the major planting and harvesting seasons; as a result, the second and third quarters are typically the strongest 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 has continued to evolve and the global economic environment in which the Company operates could continue to be subject to sustained uncertainty. There have been limited adverse effects on AGI's business this fiscal year to date and the Company remains fully operational across all manufacturing locations globally. New information that may emerge concerning the severity, duration and actions by government authorities to contain the outbreak or manage its impact, increases the possibility that circumstances may arise, which causes actual results to differ from the estimates applied in these unaudited interim condensed consolidated financial statements and the Company's financial results and conditions in future periods.

Conflict between Russia and Ukraine

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

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

4. Business combinations

Eastern Fabricators

On January 4, 2022, AGI completed the acquisition of 100% of Eastern Fabricators [“Eastern”]. Eastern specializes in the engineering, design, fabrication and installation of high-quality stainless-steel equipment and systems for food processors. Eastern operates three facilities in Canada, with two in Prince Edward Island and one in Ontario. Eastern’s market-leading products, services, manufacturing capacity and customer relationships will provide strong revenue synergies as Eastern is integrated into AGI’s commercial segment.

	$
Purchase price	40,904
Cash acquired	1,088
Working capital adjustment	1,951
Due from vendor	(133)
Total purchase price	43,810
Post-combination expense	(11,654)
Purchase consideration	32,156

The post-combination expense of $11.7 million is payable based on meeting earnings target in 2022, 2023 and 2024.

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

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

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

	$
Cash	1,088
Accounts receivable	5,083
Inventory	3,186
Prepaid expenses and other assets	25
Property, plant and equipment	1,094
Right-of-use assets	908
Intangible assets	
Trade name	900
Customer backlog	1,900
Customer relationships	17,400
Goodwill	11,831
Accounts payable and accrued liabilities	(1,933)
Customer deposits	(2,229)
Income taxes payable	(137)
Lease liability	(908)
Deferred income tax liability	(6,052)
Purchase consideration	32,156

Goodwill of $11,831 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $5,083. This consists of the gross contractual value of $6,149 less the estimated amount not expected to be collected of $1,066.

During the measurement period, inventory was decreased by $230 and deferred tax liability was decreased by $69 to account for the expected loss on an onerous contract identified. The change in inventory and deferred tax liability, in additional to other smaller adjustments, resulted in a net increase to goodwill of $168.

From the date of acquisition, Eastern contributed to the results $13,530 of revenue and $6,167 of net loss. If the acquisition had taken place as at January 1, 2022, revenue and net loss in 2022 would not have materially changed.

The components of the purchase consideration are as follows:

	$
Cash paid	29,250
Due to vendor	2,906
Purchase consideration	32,156

Transaction costs related to the Eastern acquisition in the six-month period ended June 30, 2022, were $47 [2021 – $1,461] and are included in selling, general and administrative expenses.

5. Reportable business segment

The Company's three reportable segments are Farm, Commercial and Digital, each of which are 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.

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

The Company's reportable segments are as follows:

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

- 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.

- Digital: AGI's Digital business is built on a foundation of Internet of Things products that are designed to monitor, operate and automate the Company's equipment, including the collection of key operation data. The Digital business offers monitoring, operation, measurement and blending controls, automation, hazard monitoring, embedded electronics, farm management, grain marketing and tools for agronomy, and Enterprise Resource Planning for agriculture retailers and grain buyers. These products are available both as stand-alone offerings as well as in combination with larger farm or commercial systems from AGI.

The following tables sets forth information by segment:

	Three-month period ended		Six-month period ended	
	June 30, 2022 $	June 30, 2021 $	June 30, 2022 $	June 30, 2021 $
Farm	**215,405**	168,119	**358,977**	303,071
Commercial	**163,331**	124,929	**304,534**	239,210
Digital	**11,207**	8,544	**18,463**	15,288
Sales	**389,943**	301,592	**681,974**	557,569

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

	Three-month period ended June 30, 2022				
	Farm	Commercial	Digital	Other[1]	Total
	$	$	$	$	$
Profit (loss) before income taxes	47,612	13,524	(5,970)	(57,428)	(2,262)
Finance costs	—	—	—	16,182	16,182
Depreciation and amortization	4,847	9,513	4,823	3	19,186
Loss on foreign exchange	—	—	—	12,365	12,365
Share-based compensation	—	—	—	2,897	2,897
Loss on financial instruments	—	—	—	9,435	9,435
Mergers and acquisitions expense	—	—	—	(27)	(27)
Other transaction and transitional costs	—	—	—	7,614	7,614
Loss (gain) on sale of property, plant and equipment	(62)	444	—	—	382
Fair value of inventory from acquisition	—	304	—	—	304
Adjusted EBITDA[2]	52,397	23,785	(1,147)	(8,959)	66,076

	Three-month period ended June 30, 2021[3]				
	Farm	Commercial	Digital	Other[1]	Total
	$	$	$	$	$
Profit (loss) before income taxes	37,606	4,320	(5,089)	(20,691)	16,146
Finance costs	—	—	—	10,327	10,327
Depreciation and amortization	4,984	7,454	3,213	4	15,655
Gain on remeasurement of equity investment	—	—	—	(6,778)	(6,778)
Gain on foreign exchange	—	—	—	(5,335)	(5,335)
Share-based compensation	—	—	—	1,912	1,912
Loss on financial instruments	—	—	—	3,360	3,360
Mergers and acquisitions expense	—	—	—	1,585	1,585
Other transaction and transitional costs	—	—	—	1,862	1,862
Gain on sale of property, plant and equipment	(6)	(12)	(2)	—	(20)
Loss on settlement of lease liability	18	—	—	—	18
Equipment remediation and rework	—	—	—	7,500	7,500
Adjusted EBITDA[2]	42,602	11,762	(1,878)	(6,254)	46,232

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

	Six-month period ended June 30, 2022				
	Farm	Commercial	Digital	Other[1]	Total
	$	$	$	$	$
Profit (loss) before income taxes	76,201	23,310	(15,389)	(65,794)	18,328
Finance costs	—	—	—	27,675	27,675
Depreciation and amortization	9,836	19,302	9,440	5	38,583
Loss on foreign exchange	—	—	—	1,637	1,637
Share-based compensation	—	—	—	5,615	5,615
Loss on financial instruments	—	—	—	755	755
Mergers and acquisitions expense	—	—	—	667	667
Other transaction and transitional costs	—	—	—	13,211	13,211
Loss (gain) on sale of property, plant and equipment	(112)	408	—	—	296
Fair value of inventory from acquisition	—	609	—	—	609
Impairment	23	—	—	—	23
Adjusted EBITDA[2]	85,948	43,629	(5,949)	(16,229)	107,399

	Six-month period ended June 30, 2021[3]				
	Farm	Commercial	Digital	Other[1]	Total
	$	$	$	$	$
Profit (loss) before income taxes	66,688	11,402	(8,007)	(35,771)	34,312
Finance costs	—	—	—	20,647	20,647
Depreciation and amortization	9,947	14,498	4,711	8	29,164
Share of associate's net loss	—	—	—	1,077	1,077
Gain on remeasurement of equity investment	—	—	—	(6,778)	(6,778)
Gain on foreign exchange	—	—	—	(4,858)	(4,858)
Share-based compensation	—	—	—	3,843	3,843
Gain on financial instruments	—	—	—	(7,298)	(7,298)
Mergers and acquisitions expense	—	—	—	2,022	2,022
Other transaction and transitional costs	—	—	—	5,568	5,568
Loss (gain) on sale of property, plant and equipment	76	15	(2)	10	99
Loss on settlement of lease liability	18	—	—	—	18
Equipment remediation and rework	—	—	—	7,500	7,500
Adjusted EBITDA[2]	76,729	25,915	(3,298)	(14,030)	85,316

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

[1] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

[2] The CODM uses Adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Company's segments. Adjusted EBITDA is defined as net income before depreciation and amortization, financial expenses, operational restructuring costs and other, income taxes and share of income (loss) of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

[3] Financial information for the comparative year has been restated to reflect the new presentation.

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

	Three-month period ended		Six-month period ended	
	June 30, 2022 $	June 30, 2021 $	June 30, 2022 $	June 30, 2021 $
Canada	**100,330**	79,403	**157,043**	141,909
United States	**181,359**	139,842	**320,414**	256,811
International	**108,254**	82,347	**204,517**	158,849
Total sales	**389,943**	301,592	**681,974**	557,569

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.

6. Right-of-use assets

	June 30, 2022 $	December 31, 2021 $
Balance, beginning of period	**19,211**	14,342
Additions	**14,378**	8,304
Acquisition	**908**	1,671
Termination	**—**	(151)
Depreciation	**(3,300)**	(4,619)
Exchange differences	**241**	(336)
Balance, end of period	**31,438**	19,211

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

7. Assets held for sale

Assets held for sale include a building, land, grounds and equipment in Kansas. These land, grounds, and buildings met the definition of assets held for sale and were recorded at the lower of cost and fair value less cost to sell. As at June 30, 2022, the carrying amount of the assets held for sale is $4,518.

8. Provisions

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

	June 30, 2022 $	December 31, 2021 $
Balance, beginning of period	**65,618**	83,361
Additional provisions recognized	**6,734**	37,225
Amounts written off and utilized	**(7,779)**	(54,968)
Balance, end of period	**64,573**	65,618

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 in 2021 two legal claims related to the incident were initiated against AGI. As at June 30, 2022, the warranty provision for remediation costs is $42.4 million [December 31, 2021 – $42.4 million], resulting in a net change of nil during the six-month period ended June 30, 2022.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to the one commercial facility. As at June 30, 2022, the warranty provision for the equipment rework is $10.2 million [December 31, 2021 – $11.8 million], with $1.6 million of the provision having been utilized during the period.

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

9. Long-term debt

	Interest rate %	Maturity	June 30, 2022 $	December 31, 2021 $
Current portion of long-term debt				
Equipment financing	nil		470	532
			470	532
Non-current portion of long-term debt				
Equipment financing	nil		1,434	1,774
Series B secured notes	4.4	2025	—	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	—	31,695
Revolver [Canadian dollar denominated]	2.1 – 6.5	2026	247,800	176,417
Canadian swing line		2026	24,332	—
Revolver [U.S. dollar denominated]	2.1 – 5.0	2026	265,194	201,834
			538,760	436,720
Less deferred financing costs			(4,384)	(2,711)
			534,376	434,009
Long-term debt			534,846	434,541

On May 9, 2022, AGI amended its senior credit facilities agreement to increase availabilities under its revolvers from $275.0 million to $350.0 million Canadian and $215.0 million to $275.0 million USD. Subsequent to the amendment, AGI has swing line facilities of $50 million and U.S. $10 million as at June 30, 2022. The swing line facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. As at June 30, 2022, there was $24.3 million [2021 – $23.8 million] outstanding under the swing line.

AGI's revolver facilities of $350 million and U.S. $275 million are inclusive of amounts that may be allocated to the Company's swing line and can be drawn in Canadian or U.S. funds. The facilities bear interest at BA or SOFR plus 1.2% to BA or SOFR plus 2.75% and prime plus 0.2% to prime plus 1.75% per annum based on performance calculations.

Concurrent with the amendment to the senior credit facilities agreement, the series B and series C secured notes, with principal amounts owing of CAD $25 million and U.S. $25 million respectively, were retired through the expanded credit facilities.

10. Convertible unsecured subordinated debentures

On April 19, 2022, AGI closed the offering of $100 million aggregate principal amount of convertible unsecured subordinated debentures [the "Debentures"] at a price of $1,000 per Debenture [the "Offering"]. In addition, AGI granted to the underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase up to an additional $15 million aggregate principal amount of Debentures at the same price. On May 6, 2022, the Underwriters exercised the over-allotment option in part for additional proceeds of $3.9 million for total gross proceeds from the Offering to AGI of $103.9 million.

The Debentures bear interest from the date of issue at 5.20% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2022. The Debentures have a maturity date of December 31, 2027 [the "Maturity Date"].

The Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and the date specified by AGI for redemption of the Debentures into fully paid and non-assessable common shares ["Common Shares"] of the Company at a conversion price of $70.50 per Common Share [the "Conversion Price"], being a conversion rate of approximately 14.1844 Common Shares for each $1,000 principal amount of Debentures.

The Debentures are not redeemable by the Company before December 31, 2025. On and after December 31, 2025 and prior to December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option 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 on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On and after December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the Common Shares.

The net proceeds of the Offering were used to redeem Ag Growth's outstanding 4.50% Convertible Unsecured Subordinated Debentures due December 31, 2022 [the "2018 Debentures"] and for general corporate purposes.

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

Redemption of 2018 Debentures

On May 2, 2022, the Company redeemed its 4.5% convertible unsecured subordinated debentures due December 31, 2022 [“2018 Debentures”] in accordance with the terms of the supplemental trust indenture. Upon redemption, AGI paid to the holders of the 2018 Debentures the redemption price of $87,547 equal to the outstanding principal amount of the 2018 Debentures redeemed including accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. A gain of $584 was recorded to gain on financial instruments, and the equity component of the 2018 Debentures was reclassified to contributed surplus.

The Company expensed the remaining unamortized balance of $666 of deferred fees related to the 2018 Debentures. The expense was recorded to finance costs in the consolidated statements of income (loss).

11. Equity

[a] Common shares

	Shares #	Amount $
Balance, January 1, 2021	18,718,415	1,730
Settlement of EIAP obligation	74,653	3,461
Convertible unsecured subordinated debentures	502	42
Balance, December 31, 2021	18,793,570	5,233
Settlement of EIAP obligation	**88,278**	**3,199**
Balance, March 31, 2022	**18,881,848**	**8,432**

[b] Contributed surplus

	June 30, 2022 $	December 31, 2021 $
Balance, beginning of period	**494,684**	487,540
Equity-settled director compensation *[note 12[b]]*	—	287
Dividends on EIAP	**317**	261
Obligation under EIAP *[note 12[a]]*	**4,824**	7,820
Settlement of EIAP obligation	**(5,984)**	(4,193)
Redemption of convertible unsecured subordinated debentures	**507**	2,969
Balance, end of period	**494,348**	494,684

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

[c] Dividends paid and proposed

In the three-month period ended June 30, 2022, the Company declared dividends of $2,832 or $0.15 per common share [2021 – $2,817 or $0.15 per common share] and dividends on share-based compensation awards of $130 [2021 – $(72)]. In the six-month period ended June 30, 2022, the Company declared dividends of $5,663 or $0.30 per common share [2021 – $5,634 or $0.30 per common share] and dividends on share-based compensation awards of $317 [2021 – $70]. In the three- and six-month periods ended June 30, 2022, dividends paid to shareholders of $2,831 and $5,650 [2021 – $2,817 and $5,625] were financed from cash on hand.

The dividend is payable on July 15, 2022 to common shareholders of record at the close of business on June 30, 2021.

12. Share-based compensation plans

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

During the six-month period ended June 30, 2022, 131,652 [2021 – 143,698] Restricted Awards ["RSUs"] were granted and 240,831 [2021 – 125,036] Performance Awards ["PSUs"] were granted. The fair values of the RSUs and the PSUs were based on the share price as at the grant date and the assumption that there will be no forfeitures associated with employee terminations, resignations or retirements. As at June 30, 2022, 667,799 shares have been granted and outstanding under the EIAP.

During the six-month period ended June 30, 2022, AGI expensed $5,019 for the EIAP [2021 – $3,509].

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

	EIAP	
	Restricted Awards #	Performance Awards #
Balance, beginning of period	385,434	70,439
Granted	131,652	240,831
Vested	(54,386)	(22,847)
Modified	(41,609)	—
Forfeited	(33,809)	(7,906)
Balance, end of period	**387,282**	**280,517**

There is no exercise price on the EIAP awards.

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

For the three- and six-month periods ended June 30, 2022, expenses of $2 and $595 [2021 – $190 and $334] were recorded for the share grants, and a corresponding amount has been recorded to accounts payable and accrued liabilities. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the six-month period ended June 30, 2022, nil [2021 – 6,987] common shares were granted under the DDCP, and as at June 30, 2022, a total of 120,000 common shares had been granted under the DDCP and 19,788 common shares had been issued.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2022

13. Other expenses (income)

	Three-month period ended		Six-month period ended	
	June 30, 2022 $	June 30, 2021 $	June 30, 2022 $	June 30, 2021 $
[a] Cost of goods sold				
Depreciation of property, plant and equipment	5,974	5,480	12,119	10,554
Depreciation of right-of-use assets	474	288	928	593
Amortization of intangible assets	4,823	2,888	9,600	4,175
Amortization of contract assets	306	—	591	—
Warranty expense	4,405	9,244	6,734	11,736
Cost of inventory recognized as an expense	262,856	209,531	456,301	378,063
	278,838	227,431	486,273	405,121
[b] Selling, general and administrative expenses				
Depreciation of property, plant and equipment	884	745	1,845	1,508
Depreciation of right-of-use assets	1,228	784	2,372	1,435
Amortization of intangible assets	5,497	5,470	11,128	10,899
Minimum lease payments recognized as lease expense	1	15	3	30
Transaction costs	7,587	3,447	13,878	7,590
Selling, general and administrative	61,446	48,194	120,896	96,934
	76,643	58,655	150,122	118,396
[c] Other operating expense (income)				
Net loss (gain) on disposal of property, plant and equipment	382	(20)	296	99
Net loss on settlement of lease liability	—	18	—	18
Loss (gain) on financial instruments	9,435	3,360	755	(7,298)
Other	(1,499)	(2,169)	(2,994)	(2,973)
	8,318	1,189	(1,943)	(10,154)
[d] Finance costs				
Interest on overdrafts and other finance costs	601	170	822	302
Interest on lease liabilities	514	247	1,050	492
Interest, including non-cash interest, on debts and borrowings	6,087	3,316	9,733	6,685
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures	8,980	6,594	16,070	13,168
	16,182	10,327	27,675	20,647
[e] Finance expense (income)				
Interest income from banks	(141)	(43)	(141)	(194)
Loss (gain) on foreign exchange	12,365	(5,335)	1,637	(4,858)
	12,224	(5,378)	1,496	(5,052)

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

14. Retirement benefit plans

During the three- and six-month periods ended June 30, 2022, the expense associated with the Company's defined pension benefit were $20 and $40, respectively [2021 – $36 and $72]. As at June 30, 2022, the accrued pension benefit asset (liability) was $2,128 [December 31, 2021 – $1,536], which is included in prepaid expense and other assets on the unaudited interim condensed consolidated statements of financial position.

15. Income taxes

The Company's effective tax rate for the six-month period ended June 30, 2022 was 44.0% [2021 – 21.4%]. The difference between the effective tax rate and the Company's domestic statutory tax rate of 26.5% [2021 – 26.5%] 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.

16. Profit per share

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

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	$	$	$	$
Profit (loss) attributable to shareholders for basic and dilutive profit (loss) per share	(4,915)	14,276	10,256	26,980
Basic weighted average number of shares	18,881,043	18,778,425	18,849,414	18,768,591
Dilutive effect of DDCP	—	96,373	100,212	117,356
Dilutive effect of RSUs	—	406,990	339,635	360,387
Diluted weighted average number of shares	18,881,043	19,281,788	19,289,261	19,246,334
Profit (loss) per share				
Basic	(0.26)	0.76	0.54	1.44
Diluted	(0.26)	0.74	0.53	1.40

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

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

17. Statement of cash flows

Net change in non-cash working capital

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

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	$	$	$	$
Accounts receivable	(37,287)	(35,534)	(48,784)	(50,867)
Inventory	(13,415)	(11,281)	(61,248)	(31,915)
Prepaid expenses and other assets	(4,549)	(9,791)	(14,593)	(13,720)
Accounts payable and accrued liabilities	18,828	20,946	6,505	33,051
Customer deposits	(6,932)	5,594	(4,567)	15,867
Provisions	(909)	(10,757)	(1,122)	(18,234)
	(44,264)	(40,823)	(123,809)	(65,818)

18. Financial instruments and financial risk management

The Company's financial assets and liabilities recorded at fair value in the unaudited interim condensed consolidated financial statements have been categorized into three categories based on a fair value hierarchy. Financial assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. During the six-month period ended June 30, 2022 and year ended December 31, 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

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

[a] Short-term financial instruments

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

[b] Long-term debt financial instruments

The fair value of unquoted instruments and loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the liability. The carrying amount and fair value of the Company's long-term debt are as follows:

	June 30, 2022		December 31, 2021	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Interest-bearing loans and borrowings	**534,846**	**534,846**	434,541	431,299
Convertible unsecured subordinated debentures	**180,406**	**155,841**	179,533	195,646
Senior unsecured subordinated debentures	**251,795**	**234,531**	250,872	252,075

[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 expense (income). The fair values of interest rate swaps, equity swaps and foreign exchange contracts are determined using discounted cash flow techniques, using Level 2 inputs, including interest rate swap curves, the Company's stock price and foreign exchange rates, respectively. The fair value of the embedded derivative related to the senior unsecured subordinated debentures is determined by the Company's consultants using valuations models, which incorporate various Level 2 inputs including the contractual contract terms, market interest rates and volatility.

Interest rate swap contracts

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. 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 matured in May 2022. During the three- and six-month periods ended June 30, 2022, a realized gain of $51 and $199 [2021 – gain of $145 and $282] was recorded in gain on financial instruments in other operating expense (income). As at June 30, 2022, the fair value of the interest rate swap was nil [December 31, 2021 – $(199)].

On June 16, 2022, the Company entered into a forward interest rate swap contract starting June 11, 2023 and expiring on May 11, 2026. The notional amounts are $75,000 in aggregate, resetting the last business day of each month. As at June 30, 2022, the fair value of the interest rate swap was a loss of $1,011. The Company has elected to apply hedge accounting for this contract and the unrealized loss has been recognized in other comprehensive income (loss) to the extent that is has been assessed to be effective.

Equity swap

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at June 30, 2022, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on May 7, 2024. During the three- and six-month periods ended June 30, 2022, an unrealized loss of $(9,740) and $(1,437) [2021 – gain (loss) of $(4,231) and $6,289] was recorded in loss on financial instruments in other operating expense (income). As at June 30, 2022, the fair value of the equity swap was $(6,488) [December 31, 2021 – $(5,036)].

Foreign exchange contracts

To mitigate exposure to the fluctuating rate of exchange, AGI may enter into foreign exchange forward contracts and denominate a portion of its debt in U.S. dollars. As at June 30, 2022, AGI's U.S. dollar denominated debt totaled $206 million.

In 2021, the Company entered into a short-term forward contract which matured on January 5, 2022, resulting in a gain of $138 recorded in gain on financial instruments during the six-month period ended June 30, 2022. The Company had no outstanding forward contracts as at June 30, 2022.

Debenture put options

On March 5, 2020, the Company issued the 2020 Debentures with an option of early redemption beginning on and after December 31, 2022. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $754. During the three- and six-month periods ended June 30, 2022, a loss of $330 and $239 [2021 – gain of $725 and 727] was recorded in loss (gain) on financial instruments in other operating expense (income). As at June 30, 2022, the fair value of the embedded derivative was $36 [December 31, 2021 – 274].

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

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

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

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

	June 30, 2022 $	December 31, 2021 $
Balance, beginning of period	11,690	28,971
Fair value change	229	1,289
Payments	—	(17,505)
Exchange differences	(502)	(1,065)
Balance, end of period	11,417	11,690

Set out below are the significant unobservable inputs to valuation as at June 30, 2022:

	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

Subsequent to the quarter ended June 30, 2022, the OCRPS was paid.

19. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and six-month periods ended June 30, 2022, the total cost of these legal services related to general matters was $52 and $1,595 [2021 – $337 and $549], and $358 is included in accounts payable and accrued liabilities as at June 30, 2022.

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

20. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of $5,856 [December 31, 2021 – $3,204].

[b] Letters of credit

As at June 30, 2022, the Company has outstanding letters of credit in the amount of $31,334 [December 31, 2021 – $21,066].

[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.