# AG GROWTH INTERNATIONAL INC.
# MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: May 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-month period ended March 31, 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-month period ended March 31, 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 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].

## NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A makes reference to certain specified financial measures, including non-IFRS financial measures, non-IFRS ratios or 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, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A expenses, other transaction and transitional costs, net loss on the sale of property, plant & equipment, 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 added the fair value of inventory from acquisition to the adjustments in the Adjusted EBITDA calculation for the three-month period ended March 31, 2022 as management believes that the fair value increase in inventory as part of the acquisition fair value adjustments and subsequent expenditure are not reflective of the Company's ongoing operational performance. 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 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, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A expenses, other transaction and transitional costs, net loss on the sale of property, plant & equipment, 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 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 added the fair value of inventory from acquisition to the adjustments in the Adjusted Gross Margin calculation for the three-month period ended March 31, 2022 as management believes that the fair value increase in inventory as part of the acquisition fair value adjustments and subsequent expenditure are not reflective of the Company's ongoing operational performance. 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, gain or loss on foreign exchange, gain or loss on financial instruments, M&A expenses, other transaction and transitional costs, net gain or loss on sale of property, plant and equipment, 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 added the fair value of inventory from acquisition to the adjustments in the Adjusted Profit calculation for the three-month period ended March 31, 2022 as management believes that the fair value increase in inventory as part of the acquisition fair value adjustments and subsequent expenditure are not reflective of the Company’s ongoing operational performance. 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 or our underlying business performances. See "Detailed Operating Results – Diluted profit 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 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 year divided into the dividends declared during the most recently completed financial year. "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 "Sales by Segment and Geography" are supplementary financial measures used to present the Company's sales by segment, product group and geography.

## SUMMARY OF RESULTS

| | Three-months Ended March 31 | | | |
|---|---|---|---|---|
| [thousands of dollars except per share amounts] | 2022<br>$ | 2021<br>$ | Change<br>$ | Change<br>% |
| Sales | 292,031 | 255,977 | 36,054 | 14% |
| Adjusted EBITDA [1][2] | 41,323 | 39,084 | 2,239 | 6% |
| Adjusted EBITDA Margin % [3] | 14.2% | 15.3% | N/A | 0% |
| Profit before income taxes | 20,590 | 18,166 | 2,424 | 13% |
| Profit | 15,171 | 12,704 | 2,467 | 19% |
| Diluted profit per share | 0.72 | 0.66 | 0.06 | 9% |
| Adjusted profit [1][4] | 2,296 | 7,862 | (5,566) | (71%) |
| Diluted adjusted profit per share [3][4] | 0.12 | 0.41 | (0.29) | (71%) |

[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 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 per share and diluted adjusted profit per share”.

First quarter (“Q1”) 2022 results include strong contributions from our Farm and Commercial segments with consolidated sales and Adjusted EBITDA up 14% and 6% year-over-year (‘YOY’), respectively, despite the impact of the severe drought in western Canada in 2021 and an increased drag on

Adjusted EBITDA from our Digital group due to the impact of supply chain delays on sales recognition. The decline in our Farm segment within Western Canada was expected given the severity of the drought in that region. Our Farm segment has historically been a major contributor to Q1 performance so posting a record overall Q1 despite the drought and challenges in Digital demonstrates the value of our strategy to diversify across products, geographies, and customers.

Farm segment sales grew 6% while Adjusted EBITDA decreased 2% YOY for the three-months ended March 31, 2022, with strong contributions from the U.S. and South America serving to offset drought-related headwinds in the Canadian market. In Q1 2021, the segment benefited from lower input costs prior to the volatility of steel, freight, and component costs experienced throughout the remainder of 2021 and Q1 2022. This was partially offset by pricing action taken to reduce the impact of a highly challenging cost environment. Looking ahead, demand for Farm segment equipment continues to be very robust as customers focus on securing critical products based on anticipated increases in crop volumes. Segment backlog is up 8% over the prior year as of March 31, 2022 with particular strength in the U.S. and Brazil.

Commercial segment sales and Adjusted EBITDA increased 24% and 40% YOY, respectively, for the three-months ended March 31, 2022, with continued growth in the U.S., Europe, Middle East and Africa ("EMEA"), and South America markets. The Food platform continues to grow in response to strong customer demand with sales increasing 62% YOY for the three-months ended March 31, 2022. Encouragingly, the Canadian Commercial platform is showing strong signs of recovery in results with sales and backlog up 63% and 119% YOY, respectively. Overall, the Commercial segment is seeing strong demand as backlogs are up 31% YOY with the Commercial platform and Food platform contributing 13% and 153% increases, respectively, which signal a strong outlook for upcoming quarters.

Within the Farm and Commercial segments, we had notable strength in the quarter from our Brazilian operations. Brazil continued to gain momentum with sales and Adjusted EBITDA growing 75% and 925% YOY, respectively, for the three-months ended March 31, 2022.

Digital segment sales increased 8% YOY for the three-months ended March 31, 2022, despite chronic industry-wide shortages of critical chips required for production which hampered our ability to meet customer demand. Throughout 2021, we focused on strategically expanding our channels in support of the Digital segment, including training and onboarding new dealers to our network. These efforts resulted in record order intake for the Digital segment in Q1 2022. As we move into Q2 2022 and beyond the Digital segment is well positioned to continue along an accelerated growth path.

With backlogs up 19% at the end of March 31, 2022 and robust quoting pipelines globally, the Company continues to expect full year 2022 Adjusted EBITDA to be at least $200 million[1], representing continued growth and expansion over a record 2021 result, with growth over 2021 to be more pronounced in the second and third quarters.

## COVID-19

The emergence of COVID-19 has had an 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 suspension or interruptions in Q1 2022 as a result of COVID-19.

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[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".

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 Q1 2022. However, headwinds stemming from the pandemic have impacted the availability and cost of raw materials required for production. Various disruptions in the supply chain including steel supply and logistics have caused significant delays on a number of projects which impacted the timing of revenue recognition. In addition, potential restrictions and lockdowns in countries such as Brazil and India that have been severely impacted by COVID-19 may cause supply chain disruptions and temporary production suspensions. Our 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.

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

## CONFLICT BETWEEN RUSSIA AND UKRAINE

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.

## 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

#### *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 Farm and Pro, to enable our customers to operate and monitor their equipment, record operational activity, manage and market their inventories, and holistically operate their businesses. The IoT product portfolio is a mix of stand-alone hardware including weather stations, soil probes, grain temperature and moisture sensors, and 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 agriculture retailers and grain buyers. These products are available both as standalone offerings, as well as in combination with larger farm or commercial systems from AGI.

## OUTLOOK

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

Farm backlog increased 8% over the prior year as of March 31, 2022, as inventory levels remain low at many of our dealers as a result of a strong crop yield in many parts of the U.S. and Brazil. These factors have resulted in Farm backlogs increasing 30% in the U.S., and 19% in International, over prior year as of March 31, 2022. Notwithstanding potential supply chain impact on production and delivery of our products, AGI anticipates a strong first half of 2022 in the U.S. The Canadian Prairies experienced drought conditions in 2021 resulting in a reduction of 23% in Farm backlog in Canada. We anticipate there will be an impact to the Canadian Farm segment in the first half of 2022 but note the current demand and backlog in the U.S. should more than offset any potential impact from the drought conditions in Canada. Management is also optimistic that the Canadian Farm segment will rebound in Q4 2022 as dealers gradually replenish inventory throughout the year. Supply chain challenges and logistics could have a potential impact on Adjusted Gross Margins in the Farm segment in 2022.

## Commercial Segment

### *Commercial Platform*

Overall, growth continued in the Commercial segment in Q1 2022, with notable recovery in Canada, delivering a 63% increase in sales over Q1 2021.

Adjusted EBITDA continues to be an area of focus of the Commercial platform, and similar to the Farm segment, securing steel and other 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. Open sales quotes are continuously reviewed and updated for changes in market conditions. Ongoing disruption of raw material, freight, and labour could lead to ongoing pressure on Adjusted Gross Margin performance of the platform.

*Canada*

COVID-19 had a substantial impact on project activity, quoting, development, and progression across Western Canada in 2020 and 2021. The quoting and project activities across the grain terminal and grain processing markets began to recover in Q4 2021 and that momentum continued as the Canadian Commercial platform's backlog is up 119% over the prior year as of March 31, 2022. Management continues to be optimistic on the sustained ramp-up in activity and results in 2022.

*United States*

Sales continue to improve in the U.S. Commercial segment as demand for commercial grain infrastructure continues to move higher with the increase in corn and soybean exports. The U.S. Commercial segment's backlogs have increased 14% over prior year as of March 31, 2022.

*International*

The International Commercial platform also has strong demand resulting in a 1% YOY increase over a very strong 2021 backlog level.

- EMEA: Momentum for EMEA remains strong despite backlogs being down 3% YOY. This YOY decrease in part relates to the Russia-Ukraine conflict but was substantially offset by our ability to pivot efforts in the region to other geographies and quickly replace lost volumes to the Russia-Ukraine region. Additional information on the potential impact of the conflict between

Russia and Ukraine can be found in "CONFLICT BETWEEN RUSSIA AND UKRAINE".

- Asia Pacific: Backlog is up 10% YOY due to increased sales and quoting activities in Q1 2022. This is a relatively new region for AGI and we expect lumpy results as we build the pipeline of small, medium, and large projects. This ramp-up cadence was expected and is similar to our entry into other markets.
- South America: Backlog is down 1% but a very active quoting pipeline with a wide array of medium-to-large size projects, strong market fundamentals, and market share growth across both the Farm and Commercial segments all reinforce our positive outlook for this region.

*Food Platform*

Food platform backlogs increased 153% YOY driven in part by the acquisition of Eastern Fabricators ("Eastern") but primarily by continued robust demand from the food and beverage end markets and the success of our differentiated design-supply-project management strategy. The addition of Eastern to the Food platform helps create the capacity required to enable growth and satisfy very strong customer demand.

### Digital Segment

The Digital segment completed several initiatives in 2021 to diversify our sales channels in order to provide scalability. This included adding dealer channels for Digital products, expanding direct sales channels, automating areas of production, and increasing capacity. In addition, a new subscription model was also introduced in 2021 for SureTrack's IoT hardware. We are beginning to realize the benefits of these initiatives as our Digital segment saw record order intake in Q1 2022. However, the ongoing chip availability issues restricted our ability to produce some pieces of IoT hardware which has impacted the timing of our revenue recognition.

### Summary

AGI's 5-6-7 strategy has led to diversification of our products, geographies, and customers which provided stability and resilience during the trade wars of 2019, the COVID crisis in 2020, and the extreme supply chain environment in 2021. This strategy was critical in setting up AGI to generate record results in 2021 despite the challenges of operating a global business amid difficult conditions. With backlogs up 19% at the end of March 31, 2022 over very high 2021 levels and robust quoting pipelines globally, the Company continues to expect full year 2022 Adjusted EBITDA to be at least $200 million, representing continued growth and expansion over a record 2021 result, with growth over 2021 to be realized particularly in the second and third quarters.

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

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

| | Region | | | |
|---|---|---|---|---|
| | Canada | United States | International | Overall |
| Segments and Platforms[2] | % | % | % | % |
| Farm | (23%) | 30% | 19% | 8% |
| Commercial | | | | |
| Commercial Platform | 119% | 14% | 1% | 13% |
| Food Platform | 186% | 153% | 137% | 153% |
| Total Commercial Segment | 136% | 49% | 10% | 31% |
| Overall | 3% | 37% | 11% | 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] further segmented by region:

| | EMEA[3] | Asia Pacific[4] | South America[5] |
|---|---|---|---|
| Farm and Commercial Segments [2] | % | % | % |
| International by region | 3% | 27% | 6% |

[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.

## OPERATING RESULTS [see "BASIS OF PRESENTATION']

### Sales by Segment and Geography [1]

### Farm Segment

| | Three-months Ended March 31 | | | |
|---|---|---|---|---|
| [thousands of dollars] | 2022 | 2021 | Change | Change |
| | $ | $ | $ | % |
| Canada | 35,524 | 51,809 | (16,285) | (31%) |
| U.S. | 78,258 | 65,795 | 12,463 | 19% |
| International | | | | |
| EMEA | 3,629 | 5,316 | (1,687) | (32%) |
| Asia Pacific | 6,516 | 4,727 | 1,789 | 38% |
| South America | 19,645 | 7,305 | 12,340 | 169% |
| Total International | 29,790 | 17,348 | 12,442 | 72% |
| **Total Sales** | **143,572** | **134,952** | **8,620** | **6%** |

[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] | Three-months Ended March 31<br>2022<br>$ | <br>2021<br>$ | <br>Change<br>$ | <br>Change<br>% |
|---|---|---|---|---|
| Canada | 20,731 | 10,493 | 10,238 | 98% |
| U.S. | 54,024 | 44,653 | 9,371 | 21% |
| International | | | | |
| EMEA | 25,186 | 19,060 | 6,126 | 32% |
| Asia Pacific | 25,401 | 25,866 | (465) | (2%) |
| South America | 15,861 | 14,209 | 1,652 | 12% |
| Total International | 66,448 | 59,135 | 7,313 | 12% |
| **Total Sales** | **141,203** | **114,281** | **26,922** | **24%** |

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 | | | | Food Platform | | | |
|---|---|---|---|---|---|---|---|---|
| | Three-months Ended March 31 | | | | Three-months Ended March 31 | | | |
| [thousands of dollars] | 2022<br>$ | 2021<br>$ | Change<br>$ | Change<br>% | 2022<br>$ | 2021<br>$ | Change<br>$ | Change<br>% |
| Canada | 12,080 | 7,419 | 4,661 | 63% | 8,651 | 3,074 | 5,577 | 181% |
| U.S. | 41,024 | 35,570 | 5,454 | 15% | 13,000 | 9,083 | 3,917 | 43% |
| International | | | | | | | | |
| EMEA | 20,184 | 13,677 | 6,507 | 48% | 5,002 | 5,383 | (381) | (7%) |
| Asia Pacific | 23,656 | 25,821 | (2,165) | (8%) | 1,745 | 45 | 1,700 | 3778% |
| South America | 15,814 | 14,209 | 1,605 | 11% | 47 | - | 47 | n/a |
| Total International | 59,654 | 53,707 | 5,947 | 11% | 6,794 | 5,428 | 1,366 | 25% |
| **Total Sales** [1] | **112,758** | **96,696** | **16,062** | **17%** | **28,445** | **17,585** | **10,860** | **62%** |

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

### Digital Segment

| [thousands of dollars] | 2022<br>$ | 2021<br>$ | Three-months Ended March 31<br>Change<br>$ | Change<br>% |
|---|---|---|---|---|
| Canada | 458 | 205 | 253 | 123% |
| U.S. | 6,773 | 6,521 | 252 | 4% |
| International | | | | |
| EMEA | 2 | - | 2 | n/a |
| Asia Pacific | 17 | 18 | (1) | (6%) |
| South America | 6 | - | 6 | n/a |
| Total International | 25 | 18 | 7 | 39% |
| **Total Sales** | **7,256** | **6,744** | **512** | **8%** |

### Sales by Geography

| [thousands of dollars] | 2022<br>$ | 2021<br>$ | Three-months Ended March 31<br>Change<br>$ | Change<br>% |
|---|---|---|---|---|
| Canada | 56,713 | 62,507 | (5,794) | (9%) |
| U.S. | 139,055 | 116,969 | 22,086 | 19% |
| International | | | | |
| EMEA | 28,817 | 24,376 | 4,441 | 18% |
| Asia Pacific | 31,934 | 30,611 | 1,323 | 4% |
| South America | 35,512 | 21,514 | 13,998 | 65% |
| Total International | 96,263 | 76,501 | 19,762 | 26% |
| **Total Sales** | **292,031** | **255,977** | 36,054 | 14% |

### Canada

- Sales in Canada decreased 9% YOY for the three-months ended March 31, 2022
  - Farm segment sales decreased 31% YOY for the three-months ended March 31, 2022 and backlog in Canada decreased 23% YOY as at March 31, 2022 as many parts of Western Canada experienced extreme drought conditions in 2021 that impacted demand for storage and handling equipment.
  - Digital segment sales increased 123% YOY for the three-months ended March 31, 2022, as we continue to expand our Digital products in the Canadian market. We anticipate continued growth in Canada for the Digital segment.
  - Commercial segment sales increased 98% YOY for the three-months ended March 31, 2022. Specifically:
    - Commercial platform sales in Canada increased 63% YOY for the three-months ended March 31, 2022, as increased quoting activities in Q4 2021 and Q1 2022 for grain terminal projects signal a recovery of this sector throughout 2022. Management anticipates further recovery in the Canadian commercial platform in 2022.
    - Food platform sales increased 181% YOY for the three-months ended March 31, 2022, with strong demand supported by the acquisition of Eastern.

### United States

- Sales in the U.S. increased 19% YOY, for the three-months ended March 31, 2022:
    - Farm segment sales increased 19% YOY for the three-months ended March 31, 2022, as a result of continued demand for storage and portable equipment. Demand for storage and portable equipment remains strong with many dealers continuing to report low inventory levels. In addition, a sustained focus on expanding our U.S. dealer base has also helped build demand for AGI products within a key sales channel for the segment. Together, these factors have resulted in a 30% increase in U.S. Farm backlog as compared to March 31, 2021.
    - U.S. Digital segment sales increased 4% YOY for the three-months ended March 31, 2022, as SureTrack continues to expand its dealer network, offset by the impact of chip shortages that curtailed production.
    - U.S. Commercial segment sales increased 21% YOY for the three-months ended March 31, 2022. Specifically:
        - Commercial platform sales increased 15% YOY, for the three-months ended March 31, 2022. The sales growth, in part, is due to the release of projects that were impacted by supply chain delays in 2021.
        - U.S. Food platform sales increased 43% YOY, for the three-months ended March 31, 2022 as a result of continued demand in the petfood market. Our efforts to develop strategic relationships with key partners continues to fuel this growth.

### International

- International sales increased 26% YOY for the three-months ended March 31, 2022:
    - Farm segment sales increased 72% YOY for the three-months ended March 31, 2022, with South America experiencing the largest increases in permanent handling products for on farm storage.
    - Commercial segment sales increased 12% YOY for the three-months ended March 31, 2022. Specifically:
        - Commercial platform sales increased 11% YOY for the three-months ended March 31, 2022, despite the impact of COVID-19 causing project delays. Both EMEA and South America regions continue to see significant sales increases, 48% and 11%, respectively, over Q1 2021 as favourable macroeconomic conditions continue to stimulate commercial infrastructure investment; and
        - Food platform sales increased 25% YOY for the three-months ended March 31, 2022, mainly due to timing of projects as continued demand has driven up the backlog by 137% YOY.
    - Sales in Brazil and India increased 75% and 33%, respectively, from Q1 2021.
        - Brazil continued to see very strong demand for AGI products and systems across both the Farm and Commercial segments, supported by very strong sales pipelines.
        - Sales continue to grow in India with backlog up 31% YOY as at March 31, 2022.

## DETAILED OPERATING RESULTS

| [thousands of dollars] | Three-months Ended March 31 2022 $ | 2021 $ |
|---|---|---|
| **Sales** | 292,031 | 255,977 |
| **Cost of goods sold** | | |
| Cost of inventories | 195,774 | 171,024 |
| Depreciation and amortization | 11,661 | 6,666 |
| | 207,435 | 177,690 |
| **Selling, general and administrative expenses** | | |
| Selling, general & administrative expenses [1] | 59,452 | 48,755 |
| Mergers and acquisitions expense [2] | 694 | 437 |
| Other transaction and transitional costs [3] | 5,597 | 3,706 |
| Depreciation and amortization | 7,736 | 6,843 |
| | 73,479 | 59,741 |
| **Other operating income** | | |
| Net (gain) loss on disposal of property, plant and equipment | (86) | 119 |
| Net gain on financial instruments | (8,680) | (10,658) |
| Other | (1,495) | (804) |
| | (10,261) | (11,343) |
| Finance costs | 11,493 | 10,320 |
| Finance expense (income) | (10,728) | 326 |
| Impairment charge [4] | 23 | - |
| Share of associate's net loss [5] | - | 1,077 |
| **Profit before income taxes** | 20,590 | 18,166 |
| Income tax recovery | 5,419 | 5,462 |
| **Profit for the year** | **15,171** | **12,704** |
| **Profit per share** | | |
| Basic | 0.81 | 0.68 |
| Diluted | 0.72 | 0.66 |

[1] Includes minimum lease payments recognized as lease expense. See "Note 25 [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 contingent consideration 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".

### Gross Profit and Adjusted Gross Margin

| | Three-months Ended March 31 | |
|---|---:|---:|
| | 2022 | 2021 |
| [thousands of dollars] | $ | $ |
| Sales | 292,031 | 255,977 |
| Cost of goods sold | 207,435 | 177,690 |
| **Gross Profit** | **84,596** | **78,287** |
| Gross Profit as a % of sales [1] | 29.0% | 30.6% |
| Fair value of inventory from acquisition [2] | 305 | - |
| Depreciation and amortization | 11,661 | 6,666 |
| **Adjusted Gross Margin** [3] | **96,562** | **84,953** |
| Adjusted Gross Margin as a % of sales [4] | 33.1% | 33.2% |

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each supplementary financial measure.
[2] 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 March 31, 2022, decreased over the prior year, which is partially attributable to higher input costs including steel, components, freight, and labour in the quarter in addition to the impact of sales mix on consolidated Adjusted Gross Margins.

### Impact of Foreign Exchange

*Gains and Losses on Foreign Exchange*

The gain 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 March 31, 2022. See also "Financial Instruments – Foreign exchange contracts".

*Sales and Adjusted EBITDA*

AGI's average rate of exchange for the three-months ended March 31, 2022 was $1.27 [2021 - $1.27]. 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 will fully and vigorously defend 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 March 31, 2022, the warranty provision for remediation costs is $42.7 million [December 31, 2021 – $42.4 million] resulting in a net change of $0.3 million during the three-month period ended March 31, 2022. The Company's assessment of these claims and our legal and contractual defenses to each claim has resulted in no further provisions being recorded 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 March 31, 2022, the warranty provision for the equipment rework is $11.5 million [December 31, 2021 – $11.8 million], with $0.3 million of the provision having been utilized during the period.

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

SG&A expenses for the three-months ended March 31, 2022 excluding merger and acquisition expenses ["M&A"], other transaction and transitional expenses and depreciation / amortization, were $46.8 million [19.4% of sales], versus $46.8 million [18.3% of sales] in 2021. 2022 Q1 variances from the prior year include the following:

- $5.5 million increase in sales and marketing as a result of increase sales and marketing in 2022.
- $1.5 million increase in salaries, wages and share-based compensation related to performance-based awards.
- $1.0 million increase in insurance.
- $1.0 million increase in human resources related to recruitment and the end of COVID subsidies.
- No other individual variance was greater than $1.0 million.

## Finance costs

Finance costs which represent interest incurred on all debt for the three-months ended March 31, 2022 were $11.5 million versus $10.3 million in 2021. Finance costs have increased in 2021 as a result of increased long-term debt outstanding and a higher effective interest rate as compared to 2021.

## Finance expense (income)

Finance expense (income) which represents interest income earned and foreign exchange on long term debt for the three-months ended March 31, 2022, was an income of $10.7 million versus $0.3 million in 2021. The income 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 fell from 1.2678 as at December 31, 2021 to 1.2496 as at March 31, 2022.

## Share of associate's net loss

Share of associate's net loss for the three-months ended March 31, 2022 was nil versus a loss of $1.1 million in 2021 as the Company acquired a controlling interest in Farmobile in Q2 2021 [See 2021 Acquisition - Farmobile].

## Other operating income

Other operating income for the three-months ended March 31, 2022, was income of $10.3 million versus $11.3 million in 2021. Other operating income includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity swap"], and interest income from customer financing arrangements. A significant portion of the increase relates to the unrealized change in fair value of the equity swap.

## Profit before income taxes and Adjusted EBITDA

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

| [thousands of dollars] | Three-months Ended March 31<br>2022<br>$ | <br>2021<br>$ |
|---|---|---|
| **Profit before income taxes** | **20,590** | **18,166** |
| Finance costs | 11,493 | 10,320 |
| Depreciation and amortization | 19,397 | 13,509 |
| Share of associate's net loss [1] | - | 1,077 |
| (Gain) loss on foreign exchange [2] | (10,728) | 477 |
| Share-based compensation [3] | 2,718 | 1,931 |
| Gain on financial instruments [4] | (8,680) | (10,658) |
| M&A expense [5] | 694 | 437 |
| Other transaction and transitional costs [6] | 5,597 | 3,706 |
| Net (gain) loss on disposal of property, plant and equipment | (86) | 119 |
| Fair value of inventory from acquisition [7] | 305 | - |
| Impairment charge [8] | 23 | - |
| **Adjusted EBITDA [9]** | **41,323** | **39,084** |

[1] See "Share of associate's net loss".
[2] See "Note 11 [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 10 – 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 contingent consideration 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 March 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Farm | Commercial | Digital | Other[11] | Total |
| [thousands of dollars] | $ | $ | $ | $ | $ |
| **Profit (loss) before income taxes** | **28,589** | **9,786** | **(9,419)** | **(8,366)** | **20,590** |
| Finance costs | - | - | - | 11,493 | 11,493 |
| Depreciation and amortization [1] | 4,989 | 9,789 | 4,617 | 2 | 19,397 |
| Gain on foreign exchange [3] | - | - | - | (10,728) | (10,728) |
| Share-based compensation [4] | - | - | - | 2,718 | 2,718 |
| Gain on financial instruments [5] | - | - | - | (8,680) | (8,680) |
| M&A expense [6] | - | - | - | 694 | 694 |
| Other transaction and transitional costs [7] | - | - | - | 5,597 | 5,597 |
| Net gain on disposal of property, plant and equipment [1] | (50) | (36) | | | (86) |
| Fair value of inventory from acquisition [8] | - | 305 | - | - | 305 |
| Impairment charge [9] | 23 | - | - | | 23 |
| **Adjusted EBITDA [10]** | **33,551** | **19,844** | **(4,802)** | **(7,270)** | **41,323** |

| | Three-Months Ended March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Farm | Commercial | Digital | Other[11] | Total |
| [thousands of dollars] | $ | $ | $ | $ | $ |
| **Profit (loss) before income taxes** | **29,082** | **7,082** | **(2,918)** | **(15,080)** | **18,166** |
| Finance costs | - | - | - | 10,320 | 10,320 |
| Depreciation and amortization [1] | 4,963 | 7,044 | 1,498 | 4 | 13,509 |
| Share of associate's net loss [2] | - | - | - | 1,077 | 1,077 |
| Loss on foreign exchange [3] | - | - | - | 477 | 477 |
| Share-based compensation [4] | - | - | - | 1,931 | 1,931 |
| Gain loss on financial instruments [5] | - | - | - | (10,658) | (10,658) |
| M&A expense [6] | - | - | - | 437 | 437 |
| Other transaction and transitional costs [7] | - | - | - | 3,706 | 3,706 |
| Net loss on disposal of property, plant and equipment [1] | 82 | 27 | - | 10 | 119 |
| **Adjusted EBITDA [10]** | **34,127** | **14,153** | **(1,420)** | **(7,776)** | **39,084** |

[1] Allocated based on the segment of the underlying asset's cash generating unit ("CGU").
[2] See "Share of associate's net loss".
[3] See "Note 11 [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 10 – 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 contingent consideration 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

| | Three-Months Ended March 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Canada | US | International | Other[11] | Total |
| [thousands of dollars] | $ | $ | $ | $ | $ |
| **Profit (loss) before income taxes** | **2,704** | **14,550** | **13,081** | **(9,745)** | **20,590** |
| Finance costs | - | - | - | 11,493 | 11,493 |
| Depreciation and amortization [1] | 6,420 | 8,064 | 3,520 | 1,393 | 19,397 |
| Gain on foreign exchange [3] | - | - | - | (10,728) | (10,728) |
| Share-based compensation [4] | - | - | - | 2,718 | 2,718 |
| Gain on financial instruments [5] | - | - | - | (8,680) | (8,680) |
| M&A expense [6] | - | - | - | 694 | 694 |
| Other transaction and transitional costs [7] | - | - | - | 5,597 | 5,597 |
| Net gain on disposal of property, plant and equipment [1] | (61) | (11) | (2) | (12) | (86) |
| Fair value of inventory from acquisition [8] | 305 | - | - | - | 305 |
| Impairment charge [9] | 23 | - | - | | 23 |
| **Adjusted EBITDA [10]** | **9,391** | **22,603** | **16,599** | **(7,270)** | **41,323** |

| | Three-Months Ended March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Canada | US | International | Other[11] | Total |
| [thousands of dollars] | $ | $ | $ | $ | $ |
| **Profit (loss) before income taxes** | **9,205** | **17,703** | **7,734** | **(16,476)** | **18,166** |
| Finance costs | - | - | - | 10,320 | 10,320 |
| Depreciation and amortization [1] | 5,128 | 4,805 | 2,167 | 1,409 | 13,509 |
| Share of associate's net loss [2] | - | - | - | 1,077 | 1,077 |
| Loss on foreign exchange [3] | - | - | - | 477 | 477 |
| Share-based compensation [4] | - | - | - | 1,931 | 1,931 |
| Gain on financial instruments [5] | - | - | - | (10,658) | (10,658) |
| M&A expense [6] | - | - | - | 437 | 437 |
| Other transaction and transitional costs [7] | - | - | - | 3,706 | 3,706 |
| Net loss on disposal of property, plant and equipment [1] | 110 | 1 | 7 | 1 | 119 |
| **Adjusted EBITDA [10]** | **14,443** | **22,509** | **9,908** | **(7,776)** | **39,084** |

[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”.
[3] See “Note 11 [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 10 – 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 contingent consideration 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 March 31, 2022, increased 6% over 2021. The Farm segment's Adjusted EBITDA decreased 2% over 2021 due to the impact of the 2021 drought in Western Canada which had a meaningful impact on the segment. The Commercial segment's 40% Adjusted EBITDA increase 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 in addition to strong sales growth across several regions globally.

### 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 March 31, 2022 was 2.0 million, versus $1.9 million in 2021.

*Deferred income tax expense*

Deferred tax expense for the three-month period ended March 31, 2022 was an expense of $3.5 million, versus $3.5 million in 2021. The deferred tax expense in 2022 related to the recognition of temporary differences between the accounting and tax treatment of equity swaps, accruals and long-term provisions.

| | Three-months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| [thousands of dollars] | $ | $ |
| Current tax expense | 1,959 | 1,899 |
| Deferred tax expense | 3,460 | 3,563 |
| **Total tax** | **5,419** | **5,462** |
| | | |
| Profit (loss) before income taxes | 20,590 | 18,166 |
| Effective income tax rate | 26.3% | 30.1% |

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 per share and diluted adjusted profit per share".

### Diluted profit per share and diluted adjusted profit per share

The Company's diluted profit per share for the three-months ended March 31, 2022 was a profit of $0.72 compared to a profit of $0.66 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.

| | Three-months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| [thousands of dollars except per share amounts] | $ | $ |
| Profit | 15,171 | 12,704 |
| Diluted profit per share | 0.72 | 0.66 |
| Share of associate's net loss [1] | - | 1,077 |
| (Gain) loss on foreign exchange [2] | (10,728) | 477 |
| Gain on financial instruments [3] | (8,680) | (10,658) |
| M&A expense [4] | 694 | 437 |
| Other transaction and transitional costs [5] | 5,597 | 3,706 |
| Net (gain) loss on disposal of property, plant and equipment | (86) | 119 |
| Fair value of inventory from acquisition [6] | 305 | - |
| Impairment charge [7] | 23 | - |
| **Adjusted profit [8]** | **2,296** | **7,862** |
| Diluted adjusted profit per share [9] | 0.12 | 0.41 |

[1] See "Share of associate's net loss".
[2] See "Note 11 [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 contingent consideration 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 |
| **YTD** | **1.27** | **292,031** | **15,171** | **0.81** | **0.72** |

| 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) | 0.00 | 0.00 |
| 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 $ |
| Q2 | 1.40 | 261,420 | 14,472 | 0.77 | 0.76 |
| 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 | 771,255 | (12,804) | (0.69) | (0.70) |

[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

| | Three-months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| [thousands of dollars] | $ | $ |
| Profit before tax | 20,590 | 18,166 |
| Items not involving current cash flows | 22,822 | 387 |
| Cash provided by operations | 43,412 | 18,553 |
| Net change in non-cash working capital | (79,545) | (24,995) |
| Transfer to restricted cash | (1,426) | - |
| Non-current accounts receivable and other | (8,981) | (1,604) |
| Long-term payables | 114 | (79) |
| Settlement of EIAP | (2,243) | (247) |
| Post-combination payments | (1,667) | (2,717) |
| Income tax paid | (5,394) | (1,487) |
| Cash flows used in operating activities | (55,730) | (12,576) |
| Cash used in investing activities | (35,592) | (6,422) |
| Cash provided by financing activities | 90,249 | 5,290 |
| Net decrease in cash during the period | (1,073) | (13,708) |
| Cash, beginning of period | 61,307 | 62,456 |
| **Cash, end of period** | **60,234** | **48,748** |

The decrease in cash provided by operating activities for the three-months ended March 31, 2022, as compared to 2021 is due to net change in non-cash working capital, non-current accounts receivables and income taxes paid offset by changes in items not involving current cash flows and post combination expenses.

The change in non-cash working capital is largely due to the higher cost of steel and sales mix towards the Farm segment. In addition, the Company has made a decision to increase the level of inventory in 2022 in order to minimize the impact of supply chain disruptions. Cash used in investing activities relates primarily to the acquisition of Eastern [see "2022 Acquisition – Eastern Fabricators"], capital expenditures and internally generated intangibles. Cash provided by financing activities relates to draws on our credit facilities.

### Working Capital Requirements

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

### Capital Expenditures

| | Three-months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| [thousands of dollars] | $ | $ |
| Maintenance capital expenditures [1] | 2,312 | 3,840 |
| Non-maintenance capital expenditures [1] | 2,171 | 2,333 |
| **Acquisition of property plant and equipment** | **4,483** | **6,173** |

[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 March 31, 2022 was $4.5 million as compared to $6.2 million in 2021.

Maintenance capital expenditures in the three-months ended March 31, 2022, was $2.3 million [0.8% of sales] versus $3.8 million [1.5% 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 March 31, 2022, of $2.2 million versus $2.3 million in 2021. $1.7 million of the $2.2 million of non-maintenance capital expenditures were relating to investment in equipment leasing with the remaining amounts relating to manufacturing capacity expansions in AGI SureTrack, EMEA, Brazil and at certain plants in North America and the addition of manufacturing equipment to support key business units.

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 March 31, 2022, the Company's contractual obligations for the periods indicated:

| [thousands of dollars] | Total<br>$ | 2022<br>$ | 2023<br>$ | 2024<br>$ | 2025<br>$ | 2026+<br>$ |
|---|---|---|---|---|---|---|
| 2018 Debentures | 86,250 | 86,250 | - | - | - | - |
| 2019 Debentures – 1 | 86,250 | - | - | 86,250 | - | - |
| 2019 Debentures – 2 | 86,250 | - | - | 86,250 | - | - |
| 2020 Debentures | 85,000 | - | - | - | - | 85,000 |
| 2021 Debentures | 115,000 | - | - | - | - | 115,000 |
| Long-term debt[1] [4] | 523,365 | 29,411 | 447 | 416 | 461,254 | 31,837 |
| Lease liability [1] | 69,981 | 7,479 | 8,280 | 8,194 | 7,988 | 38,040 |
| Short term and low value leases | 7 | 3 | 2 | 2 | - | - |
| Due to vendor | 10,604 | 8,498 | 2,106 | - | - | - |
| Preferred shares liability[1] [2] | 11,529 | 11,529 | - | - | - | - |
| Purchase obligations [3] | 4,563 | 4,563 | - | - | - | - |
| **Total obligations** | **1,078,799** | **147,733** | **10,835** | **181,112** | **469,242** | **269,877** |

[1] Undiscounted.
[2] Related to optionally convertible redeemable preferred shares issued as part of the Milltec Machinery Inc. acquisition.
[3] Net of deposit.
[4] See "SUBSEQUENT EVENTS – Amendment to senior credit facilities agreement"

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 and non-amortizing notes [see "Capital Resources – Debt Facilities"].

## CAPITAL RESOURCES

### Assets and Liabilities

| (thousands of dollars) | March 31<br>2022<br>$ | March 31<br>2021<br>$ |
|---|---|---|
| Total assets | 1,713,831 | 1,490,085 |
| Total liabilities | 1,427,195 | 1,231,634 |

### Cash

The Company's cash balance at March 31, 2022 was $60.2 million [2021 - $48.7 million].

### Debt Facilities

As at March 31, 2022:

| [thousands of dollars] | Currency | Maturity | Total Facility [CAD][1][2] $ | Amount Drawn[1] $ | Effective Interest Rate |
|---|---|---|---|---|---|
| Canadian Swing Line | CAD | 2025 | 40,000 | 29,027 | 2.89% |
| USD Swing Line | USD | 2025 | 12,496 | — | 2.14% |
| Canadian Revolver Tranche A[3] | CAD | 2025 | 235,000 | 187,042 | 2.89% |
| Canadian Revolver Tranche B[4] | USD | 2025 | 49,984 | 50,000 | 2.64% |
| U.S. Revolver | USD | 2025 | 206,184 | 198,936 | 2.14% |
| Series B Notes[5] | CAD | 2025 | 25,000 | 25,000 | 4.44% |
| Series C Notes[5] | USD | 2026 | 31,240 | 31,240 | 3.70% |
| Equipment Financing | various | 2025 | 2,084 | 2,084 | Various |
| **Total** | | | **601,988** | **523,329** | |

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on March 31, 2022 of $1.2496.
[2] Excludes the $150 million accordion available under AGI's credit facility.
[3] Interest rate fixed for $40 million via interest rate swaps. See "Interest Rate Swaps".
[4] Amounts were drawn in CAD with a 105% overdraft limit on FX fluctuation.
[5] Fixed interest rate.

AGI has swing line facilities of $40 million and U.S. $10 million as at March 31, 2022. The facilities bear interest at prime plus 0.2% to prime plus 1.5% per annum based on performance calculations. As at March 31, 2022, there was $29.0 million [2021 – $3.7 million] outstanding under the swing line.

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

The Company has issued U.S. $25 million and CAD $25 million aggregate principal amount of secured notes through a note purchase and private shelf agreement [the "Series B and Series C Notes"]. The Series B and C Notes are non-amortizing.

On May 9, 2022, AGI amended its 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. [see "SUBSEQUENT EVENTS – Amendment to senior credit facilities agreement"].

## Debentures

*Convertible Unsecured Subordinated Debentures*

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the "Convertible Debentures"] of the Company that were outstanding as at March 31, 2022:

| Year Issued / TSX Symbol | Aggregate Principal Amount $ | Coupon | Conversion Price $ | Maturity Date | Redeemable at Par (1) |
|---|---|---|---|---|---|
| 2018 [AFN.DB.E] | 86,250,000 | 4.50% | 88.15 | Dec 31, 2022 | Jan 1, 2022 |
| 2021 [AFN.DB.I] | 115,000,000 | 5.00% | 45.14 | Jun 30, 2027 | Jun 30, 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.

On March 29, 2022, AGI entered into an agreement with a syndicate of underwriters pursuant to which AGI issued on April 19, 2022 on a "bought deal" basis $100 million aggregate principal amount of convertible unsecured subordinated debentures [the "2022 Debentures"] at a price of $1,000 per Debenture [the "Offering"]. On May 6, 2022, AGI issued an additional $3.9 million aggregate principal amount of Debentures at the same price pursuant to the exercise of the over-allotment option granted by AGI to the underwriters bringing the total Offering to $103.9 million aggregate principal amount of 2022 Debentures [see "SUBSEQUENT EVENTS – Convertible Unsecured Subordinated Debentures"]. Concurrent with the Offering, AGI announced that it had given notice of its intention to redeem its 4.50% convertible unsecured subordinated debentures due December 31, 2022 [the "2018 Debentures"] in accordance with the terms of the supplemental trust indenture governing the 2018 Debentures. The redemption of the 2018 Debentures was effective on May 2, 2022 (the "Redemption Date"). [see "SUBSEQUENT EVENTS – Redemption of 2018 Debentures"]

*Senior Unsecured Subordinated Debentures*

The following table summarizes the key terms of the Senior Unsecured Subordinated Debentures [the "Senior Debentures"] that were outstanding as at March 31, 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 | 80,497 |
| **March 31, 2022** | **18,874,067** |
| **Settlement of EIAP obligations** | **7,781** |
| **May 10, 2022** | **18,881,848** |

At May 10, 2022:

- 18,881,848 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 1,476,460 have been granted and 88,540 remain unallocated;
- 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 and 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 March 31, 2022. The dividend declared in Q1 was paid on April 15, 2022 to common shareholders of record at the close of business on March 31, 2021. Dividends paid to shareholders of $2.8 million [2021 – $2.8 million] during the three-month period ended March 31, 2022 were financed from cash on hand.

## CASH PROVIDED BY OPERATIONS, FUNDS FROM OPERATIONS AND PAYOUT RATIOS

| | Three-months Ended | | Last Twelve Months Ended | |
|---|---|---|---|---|
| | | March 31 | | March 31 |
| | 2022 | 2021 | 2022 | 2021 |
| [thousands of dollars] | $ | $ | $ | $ |
| Cash provided by operations | 43,412 | 18,553 | 107,619 | 8,638 |
| Items not involving current cashflows | (22,822) | (387) | (93,875) | (12,811) |
| **Profit (loss) before income taxes** | **20,590** | **18,166** | **13,744** | **(4,173)** |
| Combined adjustments to Adjusted EBITDA [1] | 20,733 | 20,918 | 164,762 | 166,935 |
| **Adjusted EBITDA [2]** | **41,323** | **39,084** | **178,506** | **162,762** |
| Interest expense | (11,493) | (10,320) | (44,772) | (46,193) |
| Non-cash interest | 2,518 | 1,318 | 7,234 | 5,268 |
| Cash taxes | (5,394) | (1,487) | (13,133) | (3,418) |
| Maintenance capital expenditures [3] | (2,312) | (2,333) | (10,353) | (8,127) |
| **Funds from operations [2]** | 24,642 | 26,262 | 117,482 | 110,292 |
| Dividends | 2,831 | 2,817 | 11,284 | 11,239 |
| **Payout Ratio [3] from cash provided by operations** | **7%** | **15%** | **10%** | **130%** |
| **Payout Ratio [4] from funds from operations** | **11%** | **11%** | **10%** | **10%** |

[1] See "Profit 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 December 31, 2021.

## Interest Rate Swaps

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

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

[1] With performance adjustment.

The interest rate swap contract is a derivative financial instrument and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating income. Through this contract, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rate of 4.1%. The notional amount is $40.0 million, resetting the last business day of each month and the contract expires May 19, 2022.

During the three-month period ended March 31, 2022, an unrealized gain of $148 [2021- $137] was recorded in loss (gain) on financial instruments in other operating expense (income). As at March 31, 2022, the fair value of the interest rate swap was a lability of $51 [December 31, 2021 – $199].

## 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 March 31, 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 $3.3 million asset [2021 – $5.0 million liability]. During the three-month period ended March 31, 2022, the Company recorded, in the consolidated statements of income (loss) an unrealized gain of $8.3 million compared to an unrealized gain of $10.5 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 March 31, 2022, the Company recorded an unrealized gain of $0.1million [2021 - $0.1 million], on financial instruments in other operating income. As at March 31, 2022, the fair value of the embedded derivative was $0.4 million [2021 – $0.1 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 announced that it had 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 the potential for an additional $15.8 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.

## SUBSEQUENT EVENTS

### Convertible Unsecured Subordinated Debentures

On March 29, 2022, AGI entered into an agreement with a syndicate of underwriters pursuant to which AGI issued on April 19, 2022 on a "bought deal" basis $100 million aggregate principal amount of 2022 Debentures at a price of $1,000 per Debenture. On May 06, 2022, AGI issued an additional $3.9 million aggregate principal amount of 2022 Debentures at the same price pursuant to the partial exercise of the over-allotment option granted by AGI to the underwriters bringing the total offering to $103.9 million aggregate principal amount of 2022 Debentures. The 2022 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 2022 Debentures have a maturity date of December 31, 2027.

The 2022 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 Debentures into fully paid and non-assessable 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 2022 Debentures.

The 2022 Debentures are not redeemable by the Company before December 31, 2025. On and after December 31, 2025 and prior to December 31, 2026, the 2022 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 2022 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 initially used to partially repay outstanding indebtedness under the Company's revolving credit facilities, a portion of which was then redrawn to fund the redemption of the Company's 2018 Debentures due December 31, 2022. The remaining net proceeds of the offering may be redrawn for general corporate purposes.

### Redemption of 2018 Debentures

Concurrent with the Offering, AGI announced that it had given notice of its intention to redeem its 2018 Debentures in accordance with the terms of the supplemental trust indenture governing the 2018 Debentures. The redemption of the 2018 Debentures was effective on May 2, 2022.

### Amendment to senior credit facilities agreement

On May 9, 2022, AGI amended its 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. AGI's revolver facilities 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 will mature in May 2026. In addition, the amendments to the credit facility will increase AGI's leverage ratio covenant from 3.25x to 3.75x effective for the quarter ending March 31, 2022.

Concurrent with the amendment to the senior credit facilities agreement the series B and series C secured notes, with a principal amount owing of approximately $57.0 million, will be retired through the expanded credit facilities.

Subsequent to the three-month period ending March 31, 2022, unamortized deferred fees of approximately $2.9 million will be expensed.

## OTHER RELATIONSHIPS

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three-month period ended March 31, 2022, the total cost of these legal services related to the issuance of convertible unsecured debentures and general matters was $1.5 million [2021 – $0.2 million], and $0.3 million is included in accounts payable and accrued liabilities as at March 31, 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 consolidated financial statements for a discussion of the significant accounting judgments, estimates and assumptions. In addition, the provision for remediation [see – "Remediation Costs"] required significant estimates and judgments about the scope, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company.

## RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which are available under the Company's profile on SEDAR [www.sedar.com]. These risks and uncertainties include but are not limited to the following: general economic and business conditions and changes in such conditions locally, in North America, South America, South Asia and globally; the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent coronavirus (COVID-19) pandemic, including on our operations, our personnel, our supply chain, the demand for our products, our ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels; the ability of management to execute the Company's business plan; fluctuations in agricultural and other commodity prices and interest and currency exchange rates; crop planting, crop conditions and crop yields; weather patterns, the timing of harvest and conditions during harvest; volatility of production costs; governmental regulation of the agriculture and manufacturing industries, including environmental regulation; actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs; risks inherent in marketing operations; credit risk; the availability of credit for customers; seasonality and industry cyclicality; potential delays or changes in plans with respect to capital expenditures; the cost and availability of sufficient financial resources to fund the Company's capital expenditures; 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 costs, 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.

## 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 a controlling interest in Farmobile in 2021 and acquired Eastern in Q1 2022. Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these acquired businesses. Since the acquisitions occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of these acquisitions, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Farmobile and Eastern. The following is the summary financial information pertaining to Farmobile and Eastern that was included in AGI's consolidated financial statements:

| [thousands of dollars] | Farmobile $ | Eastern $ |
|---|---|---|
| Revenue [1][2] | 401 | 5,839 |
| Loss[1][2] | (5,140) | (3,108) |
| Current assets [2][3][4] | 3,759 | 8,935 |
| Non-current assets [2][3][4] | 33,333 | 32,045 |
| Current liabilities [2][3] | 3,293 | 7,080 |
| Non-current liabilities [2][3] | 3,808 | 7,300 |

[1] For the three-month period ended March 31, 2022.
[2] Net of intercompany.
[3] Statement of financial position as at March 31, 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 March 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "anticipate", "estimate", "believe", "continue", "could", "expects", "intend", "plans", "will", "may" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to: our business and strategy; 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), industry demand and market conditions, growth prospects, 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 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 news release 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 as a result of the 19% YOY increase in AGI's backlogs at March 31, 2022. To the extent such estimate constitutes a financial outlook, it was approved by management on May 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:

| | Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| [thousands of dollars] | $ | $ |
| **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 contingent consideration 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.

March 31, 2022

Ag Growth International Inc.

# Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

| | March 31, 2022 $ | December 31, 2021 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 60,234 | 61,307 |
| Restricted cash | 3,730 | 2,424 |
| Accounts receivable | 222,850 | 206,271 |
| Inventory | 294,353 | 243,250 |
| Prepaid expenses and other assets *[note 12]* | 56,106 | 44,788 |
| Current portion of notes receivable | 5,351 | 5,428 |
| Income taxes recoverable | 10,012 | 9,351 |
| | 652,636 | 572,819 |
| **Non-current assets** | | |
| Property, plant and equipment, net | 349,145 | 349,310 |
| Right-of-use assets, net *[note 6]* | 30,574 | 19,211 |
| Goodwill | 365,511 | 358,610 |
| Intangible assets, net | 264,191 | 253,042 |
| Derivative instruments *[note 16[c]]* | 3,263 | — |
| Non-current accounts receivable | 43,723 | 34,742 |
| Notes receivable | 364 | 364 |
| Deferred tax asset | 4,424 | 5,556 |
| | 1,061,195 | 1,020,835 |
| **Total assets** | 1,713,831 | 1,593,654 |
| | | |
| **Liabilities and shareholders' equity** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 191,238 | 195,646 |
| Customer deposits | 91,052 | 86,457 |
| Dividends payable | 2,831 | 2,819 |
| Derivative instruments *[note 16[c]]* | 52 | 337 |
| Income taxes payable | 3,618 | 6,350 |
| Current portion of due to vendor | 8,498 | 5,269 |
| Current portion of lease liability | 5,031 | 5,016 |
| Current portion of long-term debt *[note 8]* | 464 | 532 |
| Current portion of convertible unsecured subordinated debentures | 85,907 | 84,913 |
| Current portion of optionally convertible redeemable preferred shares *[note 16[d]]* | 11,529 | 11,690 |
| Provisions *[note 7]* | 65,415 | 65,618 |
| | 465,635 | 464,647 |
| **Non-current liabilities** | | |
| Other financial liabilities | 716 | 704 |
| Derivative instruments *[note 16[c]]* | — | 5,036 |
| EIAP liability | 103 | — |
| Due to vendor | 2,106 | 1,567 |
| Lease liability | 28,703 | 17,263 |
| Other non-current liabilities | 5,400 | 5,400 |
| Long-term debt | 520,001 | 434,009 |
| Convertible unsecured subordinated debentures *[note 16]* | 95,386 | 94,620 |
| Senior unsecured subordinated debentures | 251,330 | 250,872 |
| Deferred income tax liability | 57,815 | 50,785 |
| | 961,560 | 860,256 |
| **Total liabilities** | 1,427,195 | 1,324,903 |
| | | |
| **Shareholders' equity** *[note 9]* | | |
| Common shares | 8,534 | 5,233 |
| Accumulated other comprehensive loss | (17,498) | (22,799) |
| Equity component of convertible debentures | 12,905 | 12,905 |
| Contributed surplus | 491,814 | 494,684 |
| Deficit | (209,119) | (221,272) |
| **Total shareholders' equity** | 286,636 | 268,751 |
| **Total liabilities and shareholders' equity** | 1,713,831 | 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

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

| | Three-month period ended | |
|---|---|---|
| | March 31, 2022 $ | March 31, 2021 $ |
| Sales *[note 5]* | 292,031 | 255,977 |
| Cost of goods sold *[note 11[a]]* | 207,435 | 177,690 |
| Gross profit | 84,596 | 78,287 |
| | | |
| Expenses | | |
| Selling, general and administrative *[note 11[b]]* | 73,479 | 59,741 |
| Other operating income *[note 11[c]]* | (10,261) | (11,343) |
| Impairment charge | 23 | — |
| Finance costs *[note 11[d]]* | 11,493 | 10,320 |
| Finance expense (income) *[note 11[e]]* | (10,728) | 326 |
| Share of associate's net loss | — | 1,077 |
| | 64,006 | 60,121 |
| Profit before income taxes | 20,590 | 18,166 |
| Income tax expense *[note 13]* | | |
| Current | 1,959 | 1,899 |
| Deferred | 3,460 | 3,563 |
| | 5,419 | 5,462 |
| Profit for the period | 15,171 | 12,704 |
| | | |
| Profit per share *[note 14]* | | |
| Basic | 0.81 | 0.68 |
| Diluted | 0.72 | 0.66 |

*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 | |
|---|---|---|
| | March 31, 2022 | March 31, 2021 |
| | $ | $ |
| Profit for the period | 15,171 | 12,704 |
| Other comprehensive income (loss) | | |
| Item that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation of foreign operations | 4,562 | (17,503) |
| | | |
| Items that will not be reclassified to profit or loss | | |
| Actuarial gain on defined benefit plan | 1,005 | 1,565 |
| Income tax effect on defined benefit plan | (266) | (415) |
| | 739 | 1,150 |
| Other comprehensive income (loss) for the period | 5,301 | (16,353) |
| Total comprehensive profit (loss) for the period | 20,472 | (3,649) |

*See accompanying notes*

Ag Growth International Inc.

# Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2022

| | 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, 2022 | 5,233 | 12,905 | 494,684 | (221,272) | (23,271) | (900) | 1,372 | 268,751 |
| Profit for the period | — | — | — | 15,171 | — | — | — | 15,171 |
| Other comprehensive income | — | — | — | — | 4,562 | — | 739 | 5,301 |
| Share-based payment transactions *[notes 9[a] and [b]]* | 3,301 | — | (2,870) | — | — | — | — | 431 |
| Dividends paid to shareholders *[note 9[c]]* | — | — | — | (2,831) | — | — | — | (2,831) |
| Dividends on share-based compensation awards *[note 9[c]]* | — | — | — | (187) | — | — | — | (187) |
| As at March 31, 2022 | 8,534 | 12,905 | 491,814 | (209,119) | (18,709) | (900) | 2,111 | 286,636 |

*See accompanying notes*

Ag Growth International Inc.

## Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2021

| | Common shares<br>$ | Equity component of convertible debentures<br>$ | Contributed surplus<br>$ | Deficit<br>$ | Foreign currency reserve<br>$ | Equity investment<br>$ | Defined benefit plan reserve<br>$ | Total shareholders' equity<br>$ |
|---|---|---|---|---|---|---|---|---|
| As at January 1, 2021 | 1,730 | 4,427 | 487,540 | (220,298) | (8,938) | (900) | (424) | 263,137 |
| Profit for the period | — | — | — | 12,704 | — | — | — | 12,704 |
| Other comprehensive income (loss) | — | — | — | — | (17,503) | — | 1,150 | (16,353) |
| Share-based payment transactions *[notes 9[a] and [b]]* | 2,103 | — | (179) | — | — | — | — | 1,924 |
| Dividends paid to shareholders *[note 9[c]]* | — | — | | (2,817) | — | — | — | (2,817) |
| Dividends on share-based compensation awards *[note 9[c]]* | — | — | — | (144) | — | — | — | (144) |
| As at March 31, 2021 | 3,833 | 4,427 | 487,361 | (210,555) | (26,441) | (900) | 726 | 258,451 |

*See accompanying notes*

Ag Growth International Inc.

# Unaudited interim condensed consolidated statements of cash flows

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

| | Three-month period ended | |
|---|---|---|
| | March 31, 2022 | March 31, 2021 |
| | $ | $ |
| **Operating activities** | | |
| Profit before income taxes | 20,590 | 18,166 |
| Add (deduct) items not affecting cash | | |
| Depreciation of property, plant and equipment | 7,106 | 5,837 |
| Depreciation of right-of-use assets | 1,598 | 956 |
| Amortization of intangible assets | 10,408 | 6,716 |
| Loss (gain) on sale of property, plant and equipment | (86) | 119 |
| Impairment | 23 | — |
| Share of associate's net loss | — | 1,077 |
| Non-cash component of interest expense | 2,518 | 1,318 |
| Non-cash movement in derivative instruments | (8,680) | (10,658) |
| Non-cash investment tax credits | (36) | (12) |
| Share-based compensation expense | 2,718 | 1,931 |
| Defined benefit plan expense | 20 | 36 |
| Employer contributions to defined benefit plan | — | (9) |
| Due to vendor and optionally convertible redeemable preferred shares | 3,486 | 1,486 |
| Translation loss (gain) on foreign exchange | 3,747 | (8,410) |
| | 43,412 | 18,553 |
| Net change in non-cash working capital balances related to operations *[note 15]* | (79,545) | (24,995) |
| Transfer from (to) restricted cash | (1,426) | 2,921 |
| Non-current accounts receivable | (8,981) | (1,604) |
| Long-term payables | 114 | (79) |
| Settlement of equity incentive award plan obligation | (2,243) | (247) |
| Post-combination payments | (1,667) | (2,717) |
| Income taxes paid | (5,394) | (1,487) |
| Cash used in operating activities | (55,730) | (9,655) |
| **Investing activities** | | |
| Acquisition of property, plant and equipment | (4,483) | (6,173) |
| Acquisitions, net of cash acquired | (28,162) | — |
| Proceeds from sale of property, plant and equipment | 235 | 94 |
| Development and purchase of intangible assets | (3,182) | (3,264) |
| Cash used in investing activities | (35,592) | (9,343) |
| **Financing activities** | | |
| Draw from revolver facilities, net of costs | 60,936 | — |
| Repayment of long-term debt | (222) | (168) |
| Change in swing line | 29,027 | 3,730 |
| Repayment of obligation under lease liabilities | (1,318) | (889) |
| Change in interest accrued | 4,859 | 5,425 |
| Issuance of convertible unsecured subordinated debentures, net of costs | (214) | — |
| Dividends paid in cash *[note 9[c]]* | (2,819) | (2,808) |
| Cash provided by financing activities | 90,249 | 5,290 |
| Net decrease in cash during the period | (1,073) | (13,708) |
| Cash and cash equivalents, beginning of period | 61,307 | 62,456 |
| Cash and cash equivalents, end of period | 60,234 | 48,748 |
| **Supplemental cash flow information** | | |
| Interest paid | 4,137 | 4,200 |

*See accompanying notes*

March 31, 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 three-month period ended March 31, 2022, were authorized for issuance in accordance with a resolution of the directors on May 10, 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 are encouraging signs of recovery emerging, but given the unprecedented event of the COVID-19 pandemic, there is still uncertainty on when economies will fully return to normal. To date, there have been limited adverse effects on AGI's business and the Company remains fully operational across all manufacturing locations globally. New information which 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

Global financial markets continue to be volatile in the first quarter of 2022, in part due to Russia's military invasion of Ukraine and the related sanctions and economic fallout. The Company's exposure to Russia and Ukraine varies year-to-year and the Company has no production facilities in either country. 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 | 1,949 |
| Due from vendor | (133) |
| Total purchase price | 43,808 |
| Post-combination expense | (11,654) |
| **Purchase consideration** | 32,154 |

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 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 | 3,416 |
| 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 | 11,663 |
| Accounts payable and accrued liabilities | (1,933) |
| Customer deposits | (2,229) |
| Income taxes payable | (134) |
| Lease liability | (908) |
| Deferred income tax liability | (6,119) |
| **Purchase consideration** | 32,154 |

Goodwill of $11,663 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.

From the date of acquisition, Eastern contributed to the results $5,839 of revenue and $3,108 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 | 2,904 |
| **Purchase consideration** | 32,154 |

Transaction costs related to the Eastern acquisition in the three-month period ended March 31, 2022, were $636 [2021 – nil] 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 standalone offerings as well as in combination with larger farm or commercial systems from AGI.

The following tables sets forth information by segment:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Farm | **143,572** | 134,952 |
| Commercial | **141,203** | 114,281 |
| Digital | **7,256** | 6,744 |
| **Sales** | **292,031** | 255,977 |

# Notes to unaudited interim condensed consolidated financial statements

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

March 31, 2022

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Farm<br>$ | Commercial<br>$ | Digital<br>$ | Other[1]<br>$ | Total<br>$ |
| **Profit (loss) before income taxes** | 28,589 | 9,786 | (9,419) | (8,366) | 20,590 |
| Finance costs | — | — | — | 11,493 | 11,493 |
| Depreciation and amortization | 4,989 | 9,789 | 4,617 | 2 | 19,397 |
| Gain on foreign exchange | — | — | — | (10,728) | (10,728) |
| Share-based compensation | — | — | — | 2,718 | 2,718 |
| Gain on financial instruments | — | — | — | (8,680) | (8,680) |
| Mergers and acquisitions expense | — | — | — | 694 | 694 |
| Other transaction and transitional costs | — | — | — | 5,597 | 5,597 |
| Gain on sale of property, plant and equipment | (50) | (36) | — | — | (86) |
| Fair value of inventory from acquisition | — | 305 | — | — | 305 |
| Impairment | 23 | — | — | — | 23 |
| **Adjusted EBITDA[2]** | 33,551 | 19,844 | (4,802) | (7,270) | 41,323 |

[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.

# Notes to unaudited interim condensed consolidated financial statements

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

March 31, 2022

| | 2021[3] | | | | |
|---|---|---|---|---|---|
| | Farm<br>$ | Commercial<br>$ | Digital<br>$ | Other[1]<br>$ | Total<br>$ |
| **Profit (loss) before income taxes** | 29,082 | 7,082 | (2,918) | (15,080) | 18,166 |
| Finance costs | — | — | — | 10,320 | 10,320 |
| Depreciation and amortization | 4,963 | 7,044 | 1,498 | 4 | 13,509 |
| Share of associate's net loss | — | — | — | 1,077 | 1,077 |
| Loss on foreign exchange | — | — | — | 477 | 477 |
| Share-based compensation | — | — | — | 1,931 | 1,931 |
| Gain on financial instruments | — | — | — | (10,658) | (10,658) |
| Mergers and acquisitions expense | — | — | — | 437 | 437 |
| Other transaction and transitional costs | — | — | — | 3,706 | 3,706 |
| Loss on sale of property, plant and equipment | 82 | 27 | — | 10 | 119 |
| **Adjusted EBITDA[2]** | 34,127 | 14,153 | (1,420) | (7,776) | 39,084 |

[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.

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

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:

| | Sales | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Canada | 56,713 | 62,507 |
| United States | 139,055 | 116,969 |
| International | 96,263 | 76,501 |
| | 292,031 | 255,977 |

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

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | $ | $ |
| **Balance, beginning of period** | 19,211 | 14,342 |
| Additions | 12,224 | 8,304 |
| Acquisition | 908 | 1,671 |
| Termination | — | (151) |
| Depreciation | (1,598) | (4,619) |
| Exchange differences | (171) | (336) |
| **Balance, end of period** | 30,574 | 19,211 |

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

## 7. Provisions

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

| | **March 31, 2022** $ | **December 31, 2021** $ |
|---|---|---|
| **Balance, beginning of period** | **65,618** | 83,361 |
| Additional provisions recognized | **2,329** | 37,225 |
| Amounts written off and utilized | **(2,532)** | (54,968) |
| **Balance, end of period** | **65,415** | 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 March 31, 2022, the warranty provision for remediation costs is $42.7 million [December 31, 2021 – $42.4 million], resulting in a net change of $300 during the three-month period ended March 31, 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 March 31, 2022, the warranty provision for the equipment rework is $11.5 million [December 31, 2021 – $11.8 million], with $321 of the provision having been utilized during the period.

## 8. Long-term debt

During the three-month period ended March 31, 2022, the Company drew $61 million from its Canadian revolver and as at March 31, 2022, there was $29 million outstanding under the Company's swingline.

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

## 9. Equity

### [a] Common shares

| | Shares<br>\# | Amount<br>$ |
|---|---|---|
| **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 | **80,497** | **3,301** |
| **Balance, March 31, 2022** | **18,874,067** | **8,534** |

### [b] Contributed surplus

| | March 31, 2022<br>$ | December 31, 2021<br>$ |
|---|---|---|
| **Balance, beginning of period** | **494,684** | 487,540 |
| Equity-settled director compensation *[note 11[b]]* | — | 287 |
| Dividends on EIAP | **187** | 261 |
| Obligation under EIAP *[note 11[a]]* | **2,300** | 7,820 |
| Settlement of EIAP obligation | **(5,357)** | (4,193) |
| Redemption of convertible unsecured subordinated debentures | — | 2,969 |
| **Balance, end of period** | **491,814** | 494,684 |

### [c] Dividends paid and proposed

In the three-month period ended March 31, 2022, the Company declared dividends of $2,831 or $0.15 per common share [2021 – $2,817 or $0.15 per common share] and dividends on share-based compensation awards of $187 [2021 – $144]. In the three-month period ended March 31, 2022, dividends paid to shareholders of $2,819 [2021 – $2,808] were financed from cash on hand.

The dividend is payable on April 15, 2022 to common shareholders of record at the close of business on March 31, 2021.

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

## 10. Share-based compensation plans

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

During the three-month period ended March 31, 2022, 128,061 [2021 – 141,141] Restricted Awards [“RSUs”] were granted and 55,137 [2021 – 113,596] 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 March 31, 2022, 506,396 shares have been granted and outstanding under the EIAP.

During the three-month period ended March 31, 2022, AGI expensed $2,365 for the EIAP [2021 – $1,787].

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 | 128,061 | 55,137 |
| Vested | (54,386) | (22,847) |
| Modified | (41,609) | — |
| Forfeited | (11,881) | (1,952) |
| **Balance, end of period** | 405,619 | 100,777 |

There is no exercise price on the EIAP awards.

### [b] Directors’ deferred compensation plan [“DDCP”]

For the three-month period ended March 31, 2022, an expense of $353 [2021 – $144] was 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 three-month period ended March 31, 2022, nil [2021 – 3,104] common shares were granted under the DDCP, and as at March 31, 2022, a total of 120,000 common shares had been granted under the DDCP and 19,788 common shares had been issued.

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

## 11. Other expenses (income)

| | March 31, 2022 $ | March 31, 2021 $ |
|---|---|---|
| **[a] Cost of goods sold** | | |
| Depreciation of property, plant and equipment | 6,145 | 5,074 |
| Depreciation of right-of-use assets | 454 | 305 |
| Amortization of intangible assets | 4,777 | 1,287 |
| Amortization of contract assets | 285 | — |
| Warranty expense | 2,329 | 2,492 |
| Cost of inventory recognized as an expense | 193,445 | 168,532 |
| | 207,435 | 177,690 |
| **[b] Selling, general and administrative expenses** | | |
| Depreciation of property, plant and equipment | 961 | 763 |
| Depreciation of right-of-use assets | 1,144 | 651 |
| Amortization of intangible assets | 5,631 | 5,429 |
| Minimum lease payments recognized as an operating lease expense | 2 | 15 |
| Transaction costs and post-combination expense | 6,291 | 4,143 |
| Selling, general and administrative | 59,450 | 48,740 |
| | 73,479 | 59,741 |
| **[c] Other operating income** | | |
| Net loss (gain) on disposal of property, plant and equipment | (86) | 119 |
| Gain on financial instruments | (8,680) | (10,658) |
| Other | (1,495) | (804) |
| | (10,261) | (11,343) |
| **[d] Finance costs** | | |
| Interest on overdrafts and other finance costs | 221 | 132 |
| Interest, including non-cash interest, on leases | 536 | 245 |
| Interest, including non-cash interest, on debts and borrowings | 3,646 | 3,369 |
| Interest, including non-cash interest, on convertible debentures | 7,090 | 6,574 |
| | 11,493 | 10,320 |
| **[e] Finance expense (income)** | | |
| Interest income from banks | — | (151) |
| Gain on foreign exchange | (10,728) | 477 |
| | (10,728) | 326 |

## 12. Retirement benefit plans

During the three-month period ended March 31, 2022, the expense associated with the Company's defined pension benefit was $20 [2021 – $36]. As at March 31, 2022, the accrued pension benefit asset (liability) was $2,522 [December 31, 2021 – $1,536], which is included in other assets on the unaudited interim condensed consolidated statements of financial position.

## 13. Income taxes

The Company's effective tax rate for the three-month period ended March 31, 2022 was 26.3% [2021 – 30.1%]. 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.

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

## 14. 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 | |
|---|---|---|
| | March 31, 2022 | March 31, 2021 |
| | $ | $ |
| Profit attributable to shareholders for basic profit per share | 15,171 | 12,704 |
| 2021 Convertible debentures | 563 | — |
| Profit attributable to shareholders for diluted profit per share | 15,734 | 12,704 |
| | | |
| Basic weighted average number of shares | 18,817,381 | 18,755,582 |
| Dilutive effect of DDCP | 100,212 | 137,869 |
| Dilutive effect of RSU | 326,786 | 313,266 |
| Dilutive effect of 2021 convertible debenture | 2,547,630 | — |
| Diluted weighted average number of shares | 21,792,009 | 19,206,717 |
| | | |
| Profit per share | | |
| Basic | 0.81 | 0.68 |
| Diluted | 0.72 | 0.66 |

The 2018 Debentures were excluded from the calculation of diluted profit per share in the three-month periods ended March 31, 2022 and March 31, 2021 because their effect is anti-dilutive.

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

## 15. Statement of cash flows

### Net change in non-cash working capital

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

| | Three-month period ended | |
|---|---|---|
| | March 31, 2022 | March 31, 2021 |
| | $ | $ |
| Accounts receivable | (11,497) | (15,333) |
| Inventory | (47,833) | (20,634) |
| Prepaid expenses and other assets | (10,044) | (3,929) |
| Accounts payable and accrued liabilities | (12,323) | 12,105 |
| Customer deposits | 2,365 | 10,273 |
| Provisions | (213) | (7,477) |
| | (79,545) | (24,995) |

## 16. 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 three-month period ended March 31, 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:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Carrying amount<br>$ | Fair value<br>$ | Carrying amount<br>$ | Fair value<br>$ |
| Interest-bearing loans and borrowings | **520,465** | **516,578** | 434,541 | 431,299 |
| Convertible unsecured subordinated debentures | **181,293** | **183,047** | 179,533 | 195,646 |
| Senior unsecured subordinated debentures | **251,330** | **244,667** | 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 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 expires in May 2022. During the three-month period ended March 31, 2022, an unrealized gain of $148 [2021 – gain of $137] was recorded in gain on financial instruments in other operating expense (income). As at March 31, 2022, the fair value of the interest rate swap was $(51) [December 31, 2021 – $(199)].

*Equity swap*

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at March 31, 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-month ended March 31, 2022, an unrealized gain of $8,303 [2021 – gain of $10,520] was recorded in gain on financial instruments in other operating income. As at March 31, 2022, the fair value of the equity swap was $3,263 [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 March 31, 2022, AGI's U.S. dollar denominated debt totaled $205 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. The Company had no outstanding forward contracts as at March 31, 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-month period ended March 31, 2022, a gain of $91 [2021 – gain of $1] was recorded in gain on financial instruments in other operating income. As at March 31, 2022, the fair value of the embedded derivative was $365 [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 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:

| | March 31, 2022<br>$ | December 31, 2021<br>$ |
|---|---|---|
| **Balance, beginning of period** | **11,690** | 28,971 |
| Fair value change | **229** | 1,289 |
| Payments | **—** | (17,505) |
| Exchange differences | **(390)** | (1,065) |
| **Balance, end of period** | **11,529** | 11,690 |

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

March 31, 2022

## 17. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three-month period ended March 31, 2022, the total cost of these legal services related to general matters was $1,543 [2021 – $212], and $275 is included in accounts payable and accrued liabilities as at March 31, 2022.

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

## 18. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of $4,563 [December 31, 2021 – $3,204].

### [b] Letters of credit

As at March 31, 2022, the Company has outstanding letters of credit in the amount of $26,780 [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.

## 19. Subsequent event

### 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 has 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 was 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.

### Redemption of 2018 Debentures

Concurrent with the Offering, AGI has given notice of its intention to redeem its 2018 Debentures, due to mature December 2022, in accordance with the terms of the supplemental trust indenture dated January 3, 2018, governing the 2018 Debentures. The redemption of the 2018 Debentures was effective on May 2, 2022 [the “Redemption Date”]. Upon redemption, AGI paid to the holders of the 2018 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, less any taxes required to be deducted or withheld.

### Amendment to senior credit facilities agreement

On May 9, 2022, AGI amended its credit facilities agreement to increase availabilities under its Canadian revolver from $275 million to $350 million Canadian and its U.S. revolver from $215 million to $275 million USD. AGI's revolver facilities 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 will mature in May 2026. In addition, the amendments to the credit facility will increase AGI's leverage ratio covenant from 3.25x to 3.75x effective for quarter ending March 31, 2022.

Concurrent with the amendment to the senior credit facilities agreement the series B and series C secured notes, with a principal amount owing of approximately $57 million, will be retired through the expanded credit facilities.

Subsequent to the three-month period ending March 31, 2022, unamortized deferred fees of approximately $2.9 million will be expensed.