

AG GROWTH INTERNATIONAL INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
Dated: August 12, 2020

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, 2019, the Management’s Discussion and Analysis (the “Annual MD&A”) of the Company for the year ended December 31, 2019 and the unaudited interim condensed consolidated comparative financial statements of the Company and accompanying notes for the three- and six-month periods ended June 30, 2020. Results are reported in Canadian dollars unless otherwise stated.

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

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

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

SUMMARY OF RESULTS

[thousands of dollars except per share amounts]	Three-months Ended June 30		Six-months Ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Trade sales ^{[1][2]}	261,420	293,012	490,295	509,210
Adjusted EBITDA ^{[1][3]}	44,094	51,355	69,744	81,992
Profit (loss)	14,472	12,516	(34,372)	25,738
Diluted profit (loss) per share	0.76	0.67	(1.84)	1.37
Adjusted profit ^[1]	11,965	20,206	19,246	25,197
Diluted adjusted profit per share ^{[1][4]}	0.63	1.04	1.01	1.34

[1] See “Non-IFRS Measures”.

[2] See “OPERATING RESULTS – Trade Sales”.

[3] See “OPERATING RESULTS – EBITDA and Adjusted EBITDA”.

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

Robust demand for AGI Farm products and a solid operational performance across all regions resulted in strong Q2 2020 adjusted EBITDA of \$44.1 million, despite COVID-19 related headwinds. Strength in Farm sales was broad-based across product categories and reflects the resilience of our business in the face of COVID-19, trade uncertainty and sustained lower crop prices. AGI’s gross margin percentage increased compared to Q2 2019, despite numerous COVID-19 related production suspensions, due to strong Farm results, an improved operational performance internationally, particularly in Brazil, and the impact of recent strategic capital expenditures. Our EBITDA margin in Q2 2020 of 16.9% represents an increase of 570 bps over Q1 2020 and is

consistent with Q2 2019 (17.5%), despite the aforementioned challenges and a continued investment in AGI's technology platform. Adjusted EBITDA in Q2 2020, excluding the AGI SureTrack platform, was \$45.9 million or 17.8% of trade sales (Q2 2019 – 17.3%). Adjusted profit and adjusted profit per share decreased compared to Q2 2019, while the impact of non-cash gains on foreign exchange translation and the Company's equity compensation swap resulted in an increase in profit and profit per share compared to Q2 2019.

OUTLOOK

COVID-19

Prior to the COVID-19 crisis management expected adjusted EBITDA in Q2 2020 to fall slightly below the record results of Q2 2019, for 2020 sales and adjusted EBITDA to be weighted to the second half and for annual growth over 2019. The COVID-19 impact in Q2 2020, significant but relatively contained, was consistent with the communication included in our Q1 2020 MD&A. The impact on the second half remains subject to the effect of COVID-19 on our manufacturing facilities, markets and customers.

As previously reported, international production suspensions due to COVID-19 in the first half of 2020 lasted between two and four weeks and impacted Q1 and, more significantly, Q2. In the United States, internal safety protocols required AGI to temporarily suspend production on several occasions in Q2, and these plant closures generally lasted three to ten days. To date there have been no production suspensions in Canada. AGI is currently manufacturing at full capacity at all locations.

Below are our comments regarding current market fundamentals and our expectations for the second half of 2020, based on conditions as at the date of this MD&A.

Farm

Crop conditions in both Canada and the United States remain favourable and, based on existing conditions, strong crop yields are expected on both sides of the border. The primary demand driver for AGI Farm equipment remains crop volume, and accordingly end-user demand for our products has not been significantly impacted by COVID-19, which has negatively impacted corn prices due to a decrease in demand for ethanol, nor by continuing trade uncertainties with China. Our sales order backlog for Farm products as at June 30, 2020 is 25% higher than at the same time in 2019, and management anticipates strong Farm sales across all product categories in the second half of 2020.

Commercial North America

In the United States, commercial grain handling activity has been stable but for the last number of years has been restrained by depressed agricultural markets and international trade disputes, and more recently has been negatively impacted by the emergence of COVID-19 as some customers have delayed decisions with respect to capital deployment. In Canada, the Commercial market was very active over the last several years due to an increased investment in grain infrastructure, however, Commercial activity in Canada has begun to normalize and the Canadian backlog has now decreased compared to the high levels of a year ago. Nonetheless, in part due to higher backlogs of Fertilizer and Food projects, our Commercial sales order backlog in North America as at June 30, 2020 is flat to 2019.

International

AGI entered 2020 with an international sales order backlog weighted towards the second half of the fiscal year. However, international sales in the first six months of 2020 have significantly exceeded those of the prior year, largely due to strong performances in Brazil and India. Market conditions in Brazil are favourable as farmer economics have benefited from a depreciation in the Brazilian Reals, good crops and strong export demand, and results in Brazil in the second half of 2020 are expected to further reflect continued sales market development and improved operational metrics. In India, operational metrics remain very strong and we anticipate Milltec will leverage its market share and benefit from what is expected to be a large rice harvest later in the year. In many other regions capital decisions related to Commercial projects have slowed due to the uncertainty surrounding COVID-19. Management anticipates these delays will impact sales in Q3 2020 and Q4 2020, however the extent and duration of the crisis will determine the impact on the pace of project pipeline development and the subsequent timing of revenue recognition. On balance, new order intake has remained strong in certain regions, including Brazil and India, and AGI's international backlog as at June 30, 2020 is flat to 2019.

Technology

In 2019, AGI demonstrated the success of its AGI SureTrack subscription model as demand exceeded capacity and this momentum has continued in 2020 as retail equivalent sales increased by 80% compared against the first six months of 2019. Management anticipates the recent release of AGI SureTrack version 2.0 will facilitate continued growth. In addition, AGI added ERP functionality to the platform via the acquisition of Compass in January 2020. AGI SureTrack moved into a new facility in Lenexa, Kansas, in Q2 2020 to increase capacity to match rising demand. Continued growth in the SureTrack platform is expected to deepen AGI's relationships with processors, merchandisers, grain buyers and producers throughout North America and provide a significant opportunity for equipment cross-sales.

Summary

Management remains confident in the resilience of AGI's business as we progress through the COVID-19 crisis. The essential nature of farming and the food infrastructure continuum requires continued investment in AGI products, as evidenced by our performance in Q2 2020. AGI's Farm business remains very strong and has been largely unaffected by COVID-19. Diversification across our Feed, Fertilizer and Food platforms has supported our domestic Commercial business in a difficult environment, and as a result our North American Commercial backlogs are consistent with the prior year. Offshore, our regional diversity has allowed our business to perform well despite regional impacts related to COVID-19, and sales order backlogs remain consistent with the prior year. Based on existing conditions, management anticipates adjusted EBITDA in the second half of 2020 will exceed 2019 results.

PROJECT REWORK

In the quarter ended June 30, 2020 the Company added \$6 million to the estimate of total costs related to the previously disclosed equipment rework. The substantial increase in our estimate of the required rework as this project progressed toward completion was based on unforeseen expansion of the required scope of the refurbishment, and substantially higher costs for all associated materials, labour and third-party expenses. Our assessment of the original, and subsequently amended scope, was based on extensive assessment at the time however the issues leading to the rework cascaded throughout more of the project than was expected by our team and consultants. The site will soon move to the commissioning phase and as such

management is satisfied that this increased amount is a comprehensive estimate of the entire project.

OPERATING RESULTS

Trade Sales [see "Non-IFRS Measures"]

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
[thousands of dollars]	\$	\$	\$	\$
Trade sales	261,420	293,012	490,295	509,210
Foreign exchange loss ^[1]	(3,482)	(1,074)	(3,250)	(2,237)
Total Sales	257,938	291,938	487,045	506,973

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

Trade Sales by Geography

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
[thousands of dollars]	\$	\$	\$	\$
Canada	75,326	108,423	143,434	185,834
U.S.	114,319	115,802	212,370	210,499
International	71,775	68,787	134,491	112,877
Total Trade Sales^[1]	261,420	293,012	490,295	509,210

[1] See "Non-IFRS Measures".

Trade Sales by Category

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
[thousands of dollars]	\$	\$	\$	\$
Farm	142,324	144,474	259,597	256,205
Commercial	119,096	148,538	230,698	253,005
Total Trade Sales^[1]	261,420	293,012	490,295	509,210

[1] See "Non-IFRS Measures".

Canada

- Trade sales in Canada decreased 31% from Q2 2019:
 - Farm sales were down slightly due to a late spring in western Canada and a change in pre-season buying programs that resulted in strong order intake in June and certain sales being moved to Q3 2020. At June 30, 2020, AGI's Canadian Farm backlog was 33% higher than at the same time in 2019.
 - Commercial sales decreased against a very strong Q2 2019 comparative as the prior year included significant revenue recognition related to large Commercial projects in western Canada.

United States

- Trade sales in the U.S. decreased 1% over Q2 2019:
 - Farm sales increased compared to 2019 as improved planting conditions compared to the prior year, the anticipation of strong crop yields in most regions and new dealer relationships resulted in strong sales of portable grain handling equipment, drying equipment and grain storage systems.
 - Sales of Commercial equipment decreased slightly as higher sales in non-grain verticals including Fertilizer and Food were offset by a decrease in Commercial grain handling sales.

International

- International trade sales increased 4% over 2019:
 - International sales in Q2 2020 were impacted by the COVID-19 crisis as government or internally mandated production suspensions resulted in temporary plant closures in Italy, France, Brazil and India. Despite the impact of COVID-19, International sales were above the prior year due largely to strong sales in EMEA, robust demand in Brazil and higher International sales of Farm equipment.
 - Sales order intake was also impacted by COVID-19 as travel restrictions interrupted our sales process. In addition, our customers experienced mandated or voluntary closures and customer sentiment was temporarily dampened by COVID-19 related uncertainties. Nonetheless, our international sales order backlog as at June 30, 2020 is flat to 2019.

Gross Margin [see "Non-IFRS Measures"]

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
[thousands of dollars]	\$	\$	\$	\$
Trade sales	261,240	293,012	490,295	509,210
Cost of inventories	177,301	200,242	334,428	346,076
Gross margin ^[1]	84,119	92,770	155,867	163,134
Gross margin as a % of trade sales	32.2%	31.6%	31.8%	32.0%

[1] See "Non-IFRS measures".

AGI's gross margin percentage in Q2 2020 increased over the prior year while gross margin for the six-month period was consistent with 2019. Higher gross margins at most Farm divisions and significant operational gains in Brazil were offset by lower Commercial margins in North America, which resulted from a competitive landscape and lower sales volumes in the quarter.

EBITDA and Adjusted EBITDA [see “Non-IFRS Measures”]

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

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
[thousands of dollars]	\$	\$	\$	\$
Profit (loss) before income taxes	18,364	16,675	(39,199)	34,496
Finance costs	12,195	11,939	23,014	21,838
Depreciation and amortization	13,981	13,187	27,495	22,945
Share of associate’s net loss	1,107	-	2,307	-
EBITDA	45,647	41,801	13,617	79,279
Loss (gain) on foreign exchange	(6,094)	(3,894)	15,996	(6,419)
Share based compensation	2,061	1,863	4,816	3,254
Loss (gain) on financial instruments ^[2]	(7,497)	5,906	16,767	(4,532)
M&A expenses	1,497	927	1,271	3,064
Other transaction and transitional costs ^[3]	2,410	3,502	7,150	6,126
Loss on sale of PP&E	72	54	129	-
Gain on settlement of leases	(2)	-	(2)	-
Equipment rework ^[4]	6,000	-	10,000	-
Fair value of inventory from acquisitions ^[5]	-	1,196	-	1,220
Adjusted EBITDA ^[1]	44,094	51,355	69,744	81,992

[1] See “Non-IFRS Measures”.

[2] See “Equity compensation hedge”.

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

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

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

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

The Company’s diluted profit (loss) per share for the three and six-month periods ended June 30, 2020 was profit of \$0.76 and loss of \$(1.84), respectively, versus profit of \$0.67 and \$1.37, respectively in 2019. Profit (loss) per share in 2020 and 2019 has been impacted by the items enumerated in the table below, which reconciles profit (loss) to adjusted profit. Most significantly, fluctuations in the rate of exchange between the Canadian and U.S. dollar and volatility in the Company’s share price resulted in significant non-cash gains and losses on foreign exchange and on AGI’s equity compensation financial instrument.

[thousands of dollars except per share amounts]	Three-months Ended June 30		Six-months Ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Profit (loss)	14,472	12,516	(34,372)	25,738
Diluted profit (loss) per share	0.76	0.67	(1.84)	1.37
Loss (gain) on foreign exchange	(6,094)	(3,895)	15,996	(6,419)
Fair value of inventory from acquisition ^[2]	-	1,196	-	1,220
M&A expenses	1,497	927	1,271	3,064
Other transaction and transitional costs ^[3]	2,410	3,502	7,150	6,126
Loss (gain) on financial instruments	(7,497)	5,906	16,767	(4,532)
Loss on sale of PP&E	72	54	129	-
Gain on settlement of leases	(2)	-	(2)	-
Equipment rework ^[4]	6,000	-	10,000	-
Share of associate's net loss	1,107	-	2,307	-
Adjusted profit ^[1]	11,965	20,206	19,246	25,197
Diluted adjusted profit per share ^[1]	0.63	1.04	1.01	1.34

[1] See "Non-IFRS Measures".

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

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

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

DETAILED OPERATING RESULTS

[thousands of dollars]	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Sales				
Trade sales	261,420	293,012	490,295	509,210
Foreign exchange loss	(3,482)	(1,074)	(3,250)	(2,237)
	257,938	291,938	487,045	506,973
Cost of goods sold				
Cost of inventories	177,301	200,242	334,428	346,076
Fair value of inventory from acquisitions	-	1,196	-	1,220
Equipment rework	6,000	-	10,000	-
Depreciation /amortization	7,288	7,865	14,106	13,287
	190,589	209,303	358,534	360,583

Selling, general and administrative expenses				
SG&A expenses	43,038	44,197	93,028	86,237
M&A expenses	1,497	927	1,271	3,064
Other transaction and transitional costs ⁽¹⁾	2,410	3,502	7,150	6,126
Depreciation /amortization	6,693	5,321	13,389	9,657
	53,638	53,947	114,838	105,084
Other operating expense (income)				
Net loss on disposal of PP&E	72	54	129	-
Net gain on settlement of leases	(2)	-	(2)	-
Net loss (gain) on financial instruments	(7,497)	5,906	16,767	(4,532)
Other	(840)	(857)	(1,918)	(1,727)
	(8,267)	5,103	14,976	(6,259)
Finance costs	12,195	11,939	23,014	21,838
Finance expense (income)	(9,688)	(5,029)	12,575	(8,769)
Share of associate's net loss	1,107	-	2,307	-
Profit (loss) before income taxes	18,364	16,675	(39,199)	34,496
Income tax expense (recovery)	3,892	4,159	(4,827)	8,758
Profit (loss) for the period	14,472	12,516	(34,372)	25,738
Profit (loss) per share				
Basic	0.77	0.68	(1.84)	1.39
Diluted	0.76	0.67	(1.84)	1.37

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

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The 2020 loss (gain) on foreign exchange in finance expense (income) are primarily non-cash items related to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect as at June 30, 2020. See also "Financial Instruments – Foreign exchange contracts".

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three- and six-month periods ended June 30, 2020 was \$1.40 [2019 - \$1.34] and \$1.36 [2019 - \$1.34]. A weaker Canadian dollar relative to the U.S. dollar

results in higher reported sales for AGI, as U.S. dollar denominated sales are translated into Canadian dollars at a higher rate. Similarly, a weaker Canadian dollar results in higher costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA increases when the Canadian dollar weakens relative to the U.S. dollar.

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

SG&A expenses for the three and six-month periods ended June 30, 2020 excluding M&A expenses, other transaction and transitional expenses and depreciation/amortization, were \$43.0 million [16.5% of trade sales] and \$93.0 million [19.0% of trade sales], respectively, versus \$44.2 million [15.1% of trade sales] and \$86.2 million [16.9% of trade sales], respectively, in 2019. The higher dollar amount in the six-month period relates in part to the March 29, 2019 acquisition of Milltec. Salaries & wages and share based compensation expense for the three and six-months ended June 30, 2020 increased \$0.6 million and \$2.7 million in total, respectively, compared to the prior year. The increase relates largely to the inclusion in 2020 of certain senior management personnel hired throughout fiscal 2019 and salary increases. This higher expense was partially offset by the cancellation of certain share award grants that resulted in a lower expense in 2020 compared to the prior year. Further share awards grants are anticipated later in 2020. No other individual variance was greater than \$1.0 million.

Finance costs

Finance costs for the three and six-month periods ended June 30, 2020 were \$12.2 million and \$23.0 million, respectively, versus \$11.9 million and \$21.8 million, respectively, in 2019. In 2020, finance costs have increased largely due to new debt drawn in conjunction with new investments, most significantly the March 2019 acquisition of Milltec.

Finance expense (income)

Finance expense (income) for the three and six-month periods ended June 30, 2020 was income of \$9.7 million and an expense of \$12.6 million, respectively, versus income of \$5.0 million and \$8.8 million, respectively, in 2019. The expense (income) in both periods relates primarily to non-cash translation of the Company’s U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the year.

Share of associate's net loss

Share of associate’s net loss for the three and six-month periods ended June 30, 2020 was \$1.1 million and \$2.3 million, respectively versus nil and nil, respectively, in 2019. The net loss relates to AGI’s proportionate share of the net loss of the associate.

Other operating expense (income)

Other operating expense (income) for the three and six-month periods ended June 30, 2020 was income of \$8.3 million and an expense of \$15.0 million, respectively, versus an expense of \$5.1 million and income of \$6.3 million, respectively in 2019. Other operating expense (income) includes non-cash gains and losses on financial instruments, including AGI’s equity compensation hedge [see “Equity compensation hedge”], and interest income. The income amount in Q2 2020 relates largely to a non-cash gain on the equity compensation hedge.

Depreciation and amortization

Depreciation of property, plant and equipment; depreciation of right-of-use assets and amortization of intangible assets are categorized in the income statement in accordance with the function to which the underlying asset is related. The increase of \$4.6 million during the six-month period ended June 30, 2020 compared to 2019 is due to the depreciation related to increased capital asset expenditures and amortization of internally generated intangibles, including those related to AGI's technology platform.

Income tax (recovery) expense

Current income tax expense

Current tax expense for the three and six-month periods ended June 30, 2020 was \$1.1 million and \$2.0 million, respectively, versus \$3.6 million and \$4.9 million, respectively, in 2019. Current tax expense relates primarily to AGI's Canada, U.S., India, Netherlands, Italy and France subsidiaries.

Deferred income tax (recovery) expense

Deferred tax expense (recovery) for the three and six-month periods ended June 30, 2020 was \$2.8 million and \$(6.8) million, respectively, versus an expense of \$0.6 million and \$3.9 million, respectively, in 2019. The deferred tax recovery in 2020 related to the recognition of temporary differences between the accounting and tax treatment of equity swaps, tax loss carryforwards, convertible debentures and derivative instruments.

Effective tax rate

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
[thousands of dollars]	\$	\$	\$	\$
Current tax expense	1,096	3,578	1,975	4,864
Deferred tax expense (recovery)	2,796	581	(6,802)	3,894
Total tax	3,892	4,159	(4,827)	8,758
Profit (loss) before income taxes	18,364	16,675	(39,199)	34,496
Total tax %	21.2%	24.9%	12.3%	25.4%

The effective tax rate in 2020 was impacted by items that were included in the calculation of earnings before tax for accounting purposes but were not included or deducted for tax purposes. Significant items are included in the tables under "Diluted profit (loss) per share and diluted adjusted profit per share".

QUARTERLY FINANCIAL INFORMATION

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

2020					
	Average USD/CAD Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q1	1.32	229,107	(48,844)	(2.61)	(2.61)
Q2	1.40	257,938	14,472	0.77	0.76
YTD	1.36	487,045	(34,372)	(1.84)	(1.84)

2019					
	Average USD/CAD Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q1	1.33	215,035	13,222	0.71	0.70
Q2	1.34	291,938	12,516	0.68	0.67
Q3	1.32	260,198	(2,819)	(0.15)	(0.15)
Q4	1.32	228,616	(8,286)	(0.44)	(0.44)
YTD	1.33	995,787	14,633	0.79	0.77

2018					
	Average USD/CAD Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q3	1.31	242,166	20,744	1.26	1.14
Q4	1.31	215,677	(11,861)	(0.66)	(0.66)
YTD	1.29	931,664	26,618	1.58	1.56

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

- AGI's acquisitions of Sabe [Q3 2018], Improtech [Q1 2019], IntelliFarms [Q1 2019], Milltec [Q1 2019], and Affinity [Q1 2020] significantly impacts comparisons between periods of assets, liabilities and operating results.
- Sales, gain (loss) on foreign exchange, profit (loss), and profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.

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

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOW AND LIQUIDITY

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
[thousands of dollars]	\$	\$	\$	\$
Profit (loss) before tax	18,364	16,675	(39,199)	34,496
Items not involving current cash flows	(4,499)	17,094	65,633	15,473
Cash provided by operations	13,865	33,769	26,434	49,969
Net change in non-cash working capital	(268)	(37,694)	(16,146)	(67,552)
Non-current accounts receivable and other	(2,054)	507	(1,938)	(229)
Long-term payables	88	-	161	-
Settlement of EIAP	(239)	(67)	(1,879)	(2,165)
Income tax paid	(670)	(2,297)	(1,752)	(2,970)
Cash flows provided by (used in) operating activities	10,722	(5,782)	4,880	(22,947)
Cash used in investing activities	(17,146)	(20,368)	(40,543)	(150,057)
Cash provided by (used in) financing activities	25,718	(49,844)	10,139	153,479
Net increase (decrease) in cash during the period	19,294	(75,994)	(25,524)	(19,525)
Cash, beginning of period	3,603	90,079	48,421	33,610
Cash, end of period	22,897	14,085	22,897	14,085

Cash generated by operating activities increased compared to 2019 largely due to an improvement in the net change in non-cash working capital. Accounts receivable collection patterns in Q2 2020 did not appear to be significantly impacted by the emergence of COVID-19. Cash used in investing activities relates primarily to capital expenditures ["CAPEX"], internally generated intangibles and acquisitions. Cash provided by (used in) financing activities relates to debenture issuances, debenture redemptions, movement in long-term debt and dividends paid.

Working Capital Requirements

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

Capital Expenditures

Maintenance capital expenditures in the three and six-month periods ended June 30, 2020 were \$2.0 million [0.8% of trade sales] and \$4.4 million [1.0% of trade sales], respectively versus \$3.3 million [1.1% of trade sales] and \$6.6 million [1.3% of trade sales], respectively, in 2019. Maintenance capital expenditures in 2020 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of sales.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures in the three and six-month periods ended June 30, 2020 of \$6.1 million and \$13.7 million, respectively versus \$7.7 million and \$14.5 million, respectively in 2019. The non-maintenance CAPEX items in 2020 relate primarily to initiatives started in fiscal 2019 or pre-COVID-19 in 2020 and include manufacturing capacity expansions in EMEA and at certain plants in North America and the addition of manufacturing equipment to support key business units.

Subsequent to the emergence of COVID-19 management analyzed budgeted growth CAPEX projects and deferred most projects indefinitely. Growth CAPEX for the balance of 2020 is expected to approximate \$7.0 million and will include the completion of projects currently underway and the expansion of AGI's manufacturing and operational capabilities at AGI SureTrack.

Maintenance and non-maintenance capital expenditures in 2020 are anticipated to be financed through bank indebtedness, cash on hand or through the Company's Credit Facility [see "Capital Resources"].

CONTRACTUAL OBLIGATIONS

The following table shows, as at June 30, 2020 the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total	2020	2021	2022	2023	2024	2025+
	\$	\$	\$	\$	\$	\$	\$
2017 Debentures	86,225	-	-	86,225	-	-	-
2018 Debentures	86,250	-	-	86,250	-	-	-
2019 Debentures - 1	86,250	-	-	-	-	86,250	-
2019 Debentures - 2	86,250	-	-	-	-	86,250	-
2020 Debentures	85,000	-	-	-	-	-	85,000
Long-term debt	430,949	255	462	327	236	203	429,466
Lease liability	21,187	2,119	3,628	3,055	2,150	1,854	8,381
Short term and low value leases	22	7	9	5	1	-	-
Due to vendor	9,873	2,978	5,069	1,435	167	125	99
Preferred shares liability	29,992	-	17,995	11,997	-	-	-
Purchase obligations ⁽¹⁾	8,000	8,000	-	-	-	-	-
Leases committed not yet commenced	2,208	57	218	230	235	247	1,221
Total obligations	932,707	13,416	27,381	189,524	2,789	174,929	524,168

[1] Net of deposit.

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

CAPITAL RESOURCES

Assets and Liabilities

	June 30	June 30
	2020	2019
	\$	\$
(thousands of dollars)		
Total assets	1,514,063	1,182,897
Total liabilities	1,189,590	1,040,472

Cash

The Company's cash balance at June 30, 2020 was \$22.9 million [2019 - \$14.1 million].

Debt Facilities

As at June 30, 2020:

[thousands of dollars]	Currency	Maturity	Total Facility [CAD] ^{[1][2]} \$	Amount Drawn ^[1] \$	Effective Interest Rate
Canadian Swing Line	CAD	2025	40,000	25,834	4.54%
USD Swing Line	USD	2025	13,628	-	3.31%
Canadian Revolver Tranche A ^{[3][4]}	CAD	2025	185,000	77,540	4.54%
Canadian Revolver Tranche B	USD	2025	54,512	50,000	4.37%
Liquidity Facility ^[4]	CAD	2021	50,000	-	4.54%
U.S. Revolver ^[5]	USD	2025	211,234	216,958	3.31%
Series B Notes ^[6]	CAD	2025	25,000	25,000	4.44%
Series C Notes ^[6]	USD	2026	34,070	34,070	3.70%
Equipment Financing	various	2025	1,554	1,554	Various
Total			614,998	430,956	

- (1) USD denominated amounts translated to CAD at the rate of exchange in effect on June 30, 2020 of \$1.3628.
- (2) Excludes the \$200 million accordion available under AGI's Credit Facility. In conjunction with the Credit Facility expansion announced on April 29, 2020 (see below) the amount of the accordion was reduced to \$100 million.
- (3) Interest rate fixed for \$40 Million via interest rate swaps. See "Interest Rate Swaps".
- (4) The Company amended its credit facility agreement to increase its senior revolving facility by \$50 million and created a separate one-year revolving facility of \$50 million to provide increased short-term flexibility during the COVID-19 crisis.
- (5) Interest rate fixed for USD \$38 Million via interest rate swaps. See "Interest Rate Swaps".
- (6) Fixed interest rate.

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

The amendments to the Credit Facility announced on April 29, 2020 include a suspension of all financial covenant requirements for the six-month period ending October 31, 2020 as well as the ability to normalize Q1 2020 and Q2 2020 financial results for certain COVID-19 impacts when calculating trailing EBITDA in future covenant calculations. Following October 31, 2020, AGI's minimum leverage ratio covenant will return to 3.75x up to and including the calculation as at March 31, 2021. The minimum leverage ratio decreases to 3.50x for the quarter ended June 30, 2021 and returns to 3.25x thereafter. During the financial covenant suspension period AGI is subject to a minimum liquidity covenant of \$30 million. The maturity date of the Credit Facility remains March 20, 2025. See also "Subsequent Event".

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

Debentures

Convertible Unsecured Subordinated Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the “Convertible Debentures”] of the Company that were outstanding as at June 30, 2020:

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

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

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

The Company redeemed its 2015 Convertible Debentures on January 2, 2020. Upon redemption, AGI paid to the holders of the 2015 Convertible Debentures \$75,000,000 equal to the outstanding principal amount of the 2015 Convertible Debentures redeemed including all accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. Consequently, the Company expensed the remaining unamortized balance of \$722,616 of deferred fees related to the 2015 Convertible Debentures. The expense was recorded to finance costs in the consolidated statements of income.

Senior Unsecured Subordinated Debentures

The following table summarizes the key terms of the Senior Unsecured Subordinated Debentures [the “Senior Debentures”] that were outstanding as at June 30, 2020:

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

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

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

COMMON SHARES

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

	# Common Shares
December 31, 2019	18,658,479
Settlement of EIAP obligations	50,231
June 30, 2020	18,708,710
Settlement of EIAP obligations	-
August 12, 2020	18,708,710

At August 12, 2020

- 18,708,710 Common Shares are outstanding;
- 1,765,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan [the "EIAP"], of which 1,179,094 have been granted and 585,906 remain unallocated
- 102,448 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan and 18,436 Common Shares have been issued; and
- 2,011,697 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of \$248 million outstanding.

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

DIVIDENDS

AGI declared dividends to shareholders in the three and six-month periods ended June 30, 2020 of \$2.8 million and \$14.0 million, respectively versus \$11.2 million and \$22.3 million, respectively in 2019. On April 14, 2020, AGI announced a reduction of its dividend to an annual level of \$0.60 and at the same time moved the dividend from monthly to quarterly payments. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines. In the three and six-month periods ended June 30, 2020 dividends paid to shareholders of \$3.7 million and \$14.9 million, [2019 – \$11.2 million and \$22.3 million] were financed from the Company's operating lines and by cash on hand.

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

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

[thousands of dollars]	Six-Months Ended		Last Twelve Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Adjusted EBITDA	69,744	81,992	132,032	150,240
Interest expense	(23,014)	(21,838)	(45,969)	(41,689)
Non-cash interest	2,459	3,097	5,847	7,490
Cash taxes	(1,752)	(2,970)	(8,676)	(8,822)
Maintenance CAPEX	(4,391)	(6,564)	(12,637)	(12,340)
Funds from operations	43,046	53,717	70,597	94,879
Dividends	14,020	22,317	36,408	43,225
Payout Ratio	33%	42%	52%	46%

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at June 30, 2020.

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	3.6 – 4.1%
U.S. dollar contracts	USD	2020	38,000	3.8%

[1] With performance adjustments.

The interest rate swap contracts are derivative financial instruments and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating income. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rates between 3.6% and 4.1%. The notional amounts are \$91.8 million in aggregate, resetting the last business day of each month. The contracts expire between November 2020 and May 2022.

During the three- and six-month periods ended June 30, 2020, the Company recorded a gain on financial instruments of \$0.1 million and a loss of \$1.5 million, respectively, versus a loss of \$0.7 million and \$1.6 million, respectively, in 2019.

Equity compensation hedge

The Company is party to an equity swap agreement with a financial institution to manage the Company's cash flow exposure due to fluctuations in its share price related to the EIAP. As at June 30, 2020, the equity swap agreement covered 722,000 Common Shares at a weighted average price of \$38.76 and the maturity date of the agreement is April 6, 2021.

As at June 30, 2020, the unrealized loss on the equity swap was \$8.2 million, and in the three-and six-month periods ended June 30, 2020, the Company recorded in the consolidated statements of income a gain of \$7.5 million and loss \$13.8 million, respectively compared to a loss of \$5.2 million and \$5.9 million, respectively, in 2019.

Debenture redemption options

In March 2020, the Company issued \$85 million of senior unsecured subordinated debentures with an option of early redemption beginning December 31, 2023. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of \$0.8 million. During the three and six-month periods ended June 30, 2020, the Company recorded a gain of \$0.1 million and a loss of \$0.7 million [2019 – nil and nil] on financial instruments in other operating expense. As at June 30, 2020, the fair value of the embedded derivative was \$0.1 million [December 31, 2019 – nil].

2019 ACQUISITIONS

Improtech

In January 2019, AGI acquired 100% of the outstanding shares of Improtech. Improtech is a professional engineering services firm specializing in providing engineering design, project management and integration of new machinery and processes within the food and beverage industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

IntelliFarms

In March 2019, AGI acquired IntelliFarms, a provider of hardware and software solutions that benefit grain growers, processors, and other participants in the agriculture market. IntelliFarms was founded in 2001 and is headquartered in Archie, Missouri. Sales at IntelliFarms for the year ended December 31, 2018 were approximately \$11.0 million USD.

Milltec

In March 2019, AGI acquired 100% of the outstanding shares of Milltec. The purchase price for Milltec was \$113.1 million, plus the potential for up to an additional \$30.8 million based on the achievement of EBITDA targets. Milltec is headquartered in Bangalore, India, and is a market leading manufacturer of rice milling and processing equipment in India. For the twelve months ended January 31, 2019, Milltec's sales and EBITDA were \$56.2 million and \$10.1 million, respectively.

2020 ACQUISITIONS

Affinity

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

OTHER RELATIONSHIPS

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three and six-month periods ended June 30, 2020, the total cost of these legal services related to general matters was \$0.1 million and \$0.7 million, respectively [2019 – \$(0.1) million and \$0.2 million], and \$0.2 million is included in accounts payable and accrued liabilities as at June 30, 2020.

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 2019 audited annual consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the audited consolidated financial statements for the year ended December 31, 2019 for a discussion of the significant accounting judgments, estimates and assumptions.

RISKS AND UNCERTAINTIES

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

competition for, among other things, customers, supplies, acquisitions, capital and skilled personnel; the availability of capital on acceptable terms; dependence on suppliers; changes in labour costs and the labour market; and climate change risks. These risks and uncertainties are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of these risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected.

CHANGES IN ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES

Adoption of new accounting standards

Amendments to IFRS 3, *Business Combinations* ["IFRS 3"]

The Company adopted IFRS 3 with a date of application of January 1, 2020. The IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on January 1, 2020. Consequently, transactions that occurred in prior periods do not need to be reassessed.

The Company's adoption of IFRS 3 did not have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

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

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

Subsequent to June 30, 2019, AGI acquired Affinity. Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for this acquired business. Since the acquisition occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of this acquisition, as permitted under Section 3.3 of National Instrument 52-109 -

Certification of Disclosure in Issuer's Annual and Interim Filings. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Affinity. The following is the summary financial information pertaining to Affinity that was included in AGI's consolidated financial statements for the six-month period ended June 30, 2020:

[thousands of dollars]	Affinity \$
Revenue ^[1]	250
Loss ^[1]	(2,366)
Current assets ^{[1][2]}	(557)
Non-current assets ^{[1][2]}	10,053
Current liabilities ^{[1][2]}	1,156
Non-current liabilities ^{[1][2]}	3,204

[1] Net of intercompany

[2] Statement of financial position as at June 30, 2020

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS with a number of non-IFRS financial measures including "trade sales", "EBITDA", "Adjusted EBITDA", "gross margin", "funds from operations", "payout ratio", "adjusted profit", and "diluted adjusted profit per share". A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes [includes] amounts, or is subject to adjustments that have the effect of excluding [including] amounts, that are included [excluded] in the most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

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

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

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to

management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to “EBITDA” are to profit before income taxes, finance costs, depreciation, amortization and share of associate’s net loss. References to “adjusted EBITDA” are to EBITDA before the gain or loss on foreign exchange, non-cash share based compensation expenses, gain or loss on financial instruments, M&A expenses, other transaction and transitional costs, gain or loss on the sale of property, plant & equipment, gain or loss on disposal of assets held for sale and fair value of inventory from acquisitions and equipment rework costs. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows. See “Operating Results - EBITDA and Adjusted EBITDA” for the reconciliation of EBITDA and Adjusted EBITDA to profit before income taxes.

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

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

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

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

In addition, the financial information in this MD&A relating to Milltec's sales and EBITDA for periods prior to its acquisition by AGI was derived from Milltec's financial statements, which are prepared in accordance with generally accepted accounting principles in India, which differ in some material respects from IFRS, and accordingly may not be comparable to the financial statements of AGI or other Canadian public companies.

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", "believe", "continue", "could", "expects", "intend", "plans", "postulates", "predict", "will" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for our future financial results including sales, EBITDA and adjusted EBITDA including for the second half of 2020, industry demand and market conditions, the anticipated impacts of the coronavirus (COVID-19) outbreak on our business, operations and financial results; the sufficiency of our liquidity; the launch of version 2.0 of our AGI SureTrack platform and the impact thereof; 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 outbreak on our business, operations and financial results; 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; and cyber security risks. These risks and uncertainties are described under “Risks and Uncertainties” in this MD&A, our annual MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR [www.sedar.com]. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

ADDITIONAL INFORMATION

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