AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: November 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 nine-month periods ended September 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 September 30**		**Nine-months Ended September 30**	
	2020 $	**2019 $**	**2020 $**	**2019 $**
Trade sales [1][2]	282,450	261,134	772,745	770,344
Adjusted EBITDA [1][3]	51,769	39,091	121,513	121,083
Profit (loss)	(12,261)	(2,819)	(46,633)	22,919
Diluted profit (loss) per share	(0.66)	(0.15)	(2.49)	1.21
Adjusted profit [1]	32,276	17,542	51,522	42,739
Diluted adjusted profit per share [1][4]	1.62	0.91	2.70	2.26

[1] See "Non-IFRS Measures".
[2] See "OPERATING RESULTS – Trade Sales".
[3] See "OPERATING RESULTS – EBITDA and Adjusted EBITDA".
[4] See "OPERATING RESULTS – Diluted profit (loss) per share and diluted adjusted profit per share".

Continued robust performance in North American Farm markets, EMEA, Brazil, and India was offset by lower results in North American Commercial markets resulting in a record third quarter for sales and adjusted EBITDA despite ongoing COVID-19 challenges. As indicated throughout 2020, Commercial backlogs had been weighted to Q3. Sales in the quarter were also augmented by a relatively early harvest across North America. COVID-19 has had a material impact on North American Commercial markets as customers have delayed projects or are facing challenges in project progress. AGI's Q3 2020 trade sales of $282.5 million grew 8.1% from Q3 2019 and adjusted EBITDA of $51.8 million grew 32.4% over Q3 2019. Farm sales in Q3 were up 24% over Q3 2019 and 9% year-to-date ('YTD'). North America Commercial sales were down 20% and 23% respectively in the three and nine months ended 2020 versus 2019. The International business continues to excel over the previous year despite the obstacles of COVID-19 with a sales increase of 10% in the quarter and 16% YTD. Excluding the Milltec acquisition, international sales in the nine- months ended September 30, 2020 increased 5% over 2019.

Gross margin grew in the quarter to 33.7%, an increase of 240 basis points ('bps') over Q3 2019. The strong results in Q3 also delivered a 70 bps gain in gross margin on a YTD basis as compared to September 30, 2019. The Adjusted EBITDA result in Q3 represents a record quarter for AGI, slightly higher than the prior high water mark in Q2 2019. Q3 Adjusted EBITDA margin of 18.3% increased 336 bps over Q3 2019 bringing the YTD total Adjusted EBITDA margin to a 1 bps improvement over September 2019 results despite the significant and ongoing impact of COVID-19 and the negative contribution of AGI's growing technology platform. Adjusted profit increased 84% in the quarter while Adjusted Profit per share increased 78% over Q3 2019. Adjusted profit and Adjusted Profit per share grew 19% YTD. Loss and loss per share were negatively impacted by the Company's estimated warranty accrual, non-cash losses on the Company's equity compensation swap, non-cash losses on foreign exchange translation, other transaction and transitional costs, non-cash asset impairment charge and the Company's share of associate's net loss, while adjusted profit and adjusted profit per share increased over the prior year.

WARRANTY ACCRUAL

Insurance Coverage Expected to Partially Offset Accrual Charge

The Company has taken a $40.0 million accrual in the third quarter 2020 due to the collapse of a commercial grain storage bin (a large hopper storage product (the "Hopper") as described below) manufactured by the Company at a customer's commercial project, which was previously reported in September 2020 (the "Incident"). While the cause of, and the responsibility for, the Incident has not been determined, the Company is taking this accrual, in accordance with accounting and other disclosure obligations, on the basis of potential required remediation to the equipment that was supplied by AGI to this commercial facility and one other facility.

While AGI has accrued $40.0 million in this quarter, the Company believes that this amount will be partially offset by insurance coverage and result in a lower net impact. AGI is working with insurance providers and external advisors to determine the extent of this cost offset. The accrual represents AGI's probability weighted estimate, in consultation with our external advisors, of the direct costs involved, including clean up and equipment remediation, at the two sites. AGI's contract contain exclusions for indirect or consequential damages.

The investigation of the Incident is ongoing and if the investigation determines that AGI contributed to or caused the Incident, the Company will take responsibility for its actions and the related remediation. The safety and security of our customers and products is our top priority and AGI has responded with a thorough analysis of the relevant processes, procedures, people and products.

Unrelated Rework Costs and Accruals

This Incident accrual is in addition to the $20.0 million in cost and accruals taken over 2019 and 2020 due to rework of equipment supplied by AGI to the same commercial facility where the reported bin Incident occurred (the "Rework"). The Rework was required to address issues with the equipment designed and supplied only to this facility, and as disclosed in the Company's Q3 and Q4 2019 MD&As. This Rework did not involve the Hopper product.

The Incident and the Rework are Isolated

AGI manufactures thousands of bins each year. The Company is involved in hundreds of projects each year, supplying a variety of equipment solutions to customers around the world. The AGI engineering team has access to the world's top resources and significant experience designing and providing leading products in our industry.

The Incident and the Rework are isolated and discrete. AGI will manage, mitigate, learn and grow from addressing these two issues, irrespective of the results of the ongoing investigation. Quality control has and will continue to be of paramount importance for AGI.

AGI follows industry leading and all applicable engineering, building, safety codes and standards, and regularly reviews its internal design and manufacturing processes to maintain optimal product quality. Despite our robust talent and procedures across AGI, we will go further to ensure the root causes involved are addressed.

Important Context for Hopper Design and Installation

Over the past three years, and in response to market demand, AGI developed the Hopper as an extension of our storage product line. These Hoppers are used to increase throughput capacity and minimize clean out time to increase productivity of a commercial facility.

Similar to any new product line, AGI carefully considered and developed the Hopper based on extensive analysis from our engineering teams. AGI's design and engineering teams utilized their decades of experience and considered all applicable code and standards in developing the Hopper.

The Hopper was first sold to a customer for use in a frac sand operation, a niche application. This customer purchased two Hoppers. AGI was not retained to construct and install the Hoppers. Rather, the Hoppers were constructed and installed by an independent third party. One of these two Hoppers failed during start-up of the facility. An investigation was commenced immediately and is currently ongoing. This failure prompted AGI to conduct additional and robust reviews of the Hopper design. While the cause of the failure has not yet been identified, AGI's review indicates that there were clear indications of improper construction and installation of the Hopper at this facility that led to or contributed to this failure.

Subsequent to the additional review and design work, AGI sold 35 Hoppers to two different customers constructing grain storage projects. On September 11, 2020, the Incident occurred when one Hopper at one of the facilities collapsed during the commissioning process. AGI immediately issued a demand to each customer to suspend use of the Hopper at both sites.

There are a total of 15 Hoppers on the site of the Incident and 20 Hoppers on the second site. The second site has yet to be commissioned. The site with the Incident is still being cleaned up to enable a proper investigation.

OUTLOOK

Farm

Year-over-year increases in planted acreage and generally favourable weather contributed to strong crop volumes across North America. A relatively early harvest further underpinned strong momentum in Farm results in the quarter. Demand was broad based across regions and products driven by positive dynamics and has led to relatively lower inventory levels across our dealers and stocking points. The backlog for Farm sales at the end of the third quarter is down 11% year-over- year ('YOY'), however, the majority of this decrease is due to a positive reduction in our AGI SureTrack backlog, a business with distinctly different fundamentals. We have increased automation and inventory at SureTrack to substantially reduce lead times for customers. Our annual early order programs that launched across Farm products in September are expected to be positive as dealers replenish inventory in preparation for 2021 and consequently management anticipates Farm Sales to be slightly higher than 2019 levels in Q4 and positioning us well for H1 2021.

Commercial North America

COVID-19 has had a substantial impact on project activity, quoting, project development and project progression across North America. We expect a rebound in Commercial activity post COVID-19 as customers move to address mandatory maintenance, facility automation, capacity expansion, and loading efficiencies.

In Canada over the last few years there has been a cycle of increased spend in infrastructure due to new entrants in the market which we expect to normalize in the coming years. That moderation will be offset by pent up demand from incumbents investing in their infrastructure to address competitive dynamics including operational and logistical efficiencies. We expect a continued trend towards increased capacity, and a relocating of facilities for better rail access to improve logistics which will require continued investment in the commercial solutions that AGI supplies. The Canadian Commercial backlog is down 44% compared to 2019 due to a tough comparable period driven by several large projects in the prior year and the impact of COVID-19. Moving into 2021, we expect a rebound in activity across Canada as our customers address pent up capital projects for maintenance, expansion, automation, and productivity.

In the United States we expect Commercial projects to continue at recent levels in the near term with a steady flow of maintenance and smaller capital projects. Trade tensions over the last two years have further contributed to delays in the US Commercial space however as the market dynamics are better understood and we move through COVID-19 we expect a pick-up in investment across the US grain infrastructure. The US Commercial backlog is slightly up compared to September 30, 2019 and we expect intake to increase the gap to 2019 in Q4. We are seeing particular strength in our Food platform with backlog in this segment offsetting any decrease in grain and fertilizer sales backlog. Quoting activity remains strong in the Food segment as our customers respond to increased demand for certain processed food products.

Overall, we expect lower sales in North American Commercial as we head into our seasonally slower fourth quarter and see the ongoing impact of COVID-19 on this segment. Management expects a slow rebound in North American Commercial activity going into 2021.

International

The International group continued to demonstrate strength and resiliency in light of the headwinds created by the COVID-19 crisis. Our International sales grew 10% over Q3 2019 and overall international sales increased 16% YTD over 2019. Quoting activity is rebounding across all regions leading to an increase in order intake post Q3 resulting in solid backlogs that are equal to a strong 2019 comparative.

In India, a favourable monsoon season and increasing rice exports are offsetting a challenging environment due to COVID-19. Recent product launches have expanded our addressable markets in India and adjacent rice focused regions with development of products targeted at both larger and smaller rice processors. Expansion into these adjacent markets has been augmented with a rebound in our exports to pre-COVID-19 levels. Backlogs are consistent year over year as order intake has increased significantly to make up for earlier quarters which were more heavily impacted by the uncertainties created by COVID-19.

Momentum remains strong in Brazil where the macro environment continues to be supportive for investment with historically low interest rates and inflation. The favourable environment extends to the fundamentals for AGI's end markets with large and growing crop volumes, increasing global demand for Brazil agriculture products, and supportive crop prices setting up positive and sustainable structural conditions. Favourable weather augmented crop volumes in 2020 contributing to the tailwinds we have experienced YTD. Backlogs are up 76% in Brazil and order intake continues to grow as we move to the end of 2020.

Our platform in EMEA contributed a strong Q3 with sales increasing 15% YOY and this region posted margin improvement driven by our recent investments in automation and successful product launches. Despite the aforementioned COVID-19 challenges and strong YTD sales, our backlogs are equal to the prior year with positive order intake. Pipeline activity is rebounding as customers resume capital projects across the region. Management expects results to be above prior year in Q4 and backlog to grow through the end of the year positioning us well for 2021.

Technology

AGI SureTrack continues to grow significantly with retail equivalent sales increasing 42% in Q3 YOY against a robust comparative in 2019. From an earnings perspective, if we normalized for a retail equivalent sales method as opposed to the current hardware as a service subscription model, SureTrack (inclusive of Affinity) would have represented a positive EBITDA despite significant continued investments, including expansion of the sales team, engineering, software developers, product management and facilities. Our move to our new facility in Lenexa, Kansas has significantly increased our capacity leading to strategically lower backlog to substantially reduce customer lead times. We are forecasting continued robust growth following an extensive internal review and incorporating product, sales and channel development recommendations from a leading third-party consulting firm.

Summary

Management is very pleased with how resilient AGI has been through the challenges that COVID-19 has presented. AGI's 5-6-7 strategy to provide system solutions across five platforms, 6 continents, and across 7 components has led to the diversification in terms of products, geographies, and customers which has proven valuable during these uncertain times.

Based on existing conditions, management anticipates adjusted EBITDA for 2020 to approximate 2019 results and continued momentum going into 2021.

OPERATING RESULTS

Trade Sales [see "Non-IFRS Measures"]

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
[thousands of dollars]	$	$	$	$
Trade sales	282,450	261,134	772,745	770,344
Foreign exchange loss[1]	(1,042)	(936)	(4,292)	(3,173)
Total Sales	**281,408**	**260,198**	**768,453**	**767,171**

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

Trade Sales by Geography

[thousands of dollars]	Three Months Ended September 30 2020 $	 2019 $	Nine Months Ended September 30 2020 $	 2019 $
Canada	79,751	78,796	223,185	264,630
U.S.	132,312	118,485	344,682	328,984
International	70,387	63,853	204,878	176,730
Total Trade Sales [1]	**282,450**	**261,134**	**772,745**	**770,344**

[1] See "Non-IFRS Measures".

Trade Sales by Category

[thousands of dollars]	Three Months Ended September 30 2020 $	 2019 $	Nine Months Ended September 30 2020 $	 2019 $
Farm	155,207	125,408	414,804	381,613
Commercial	127,243	135,726	357,941	388,731
Total Trade Sales [1]	**282,450**	**261,134**	**772,745**	**770,344**

[1] See "Non-IFRS Measures".

Canada

- Trade sales in Canada increased 1% from Q3 2019:
  - Farm sales are up 35% as a result of an early harvest and change in customer buying patterns from 2019. Overall, there is a sustained annual investment in farm infrastructure.
  - Commercial sales are down significantly by 43% due to COVID-19 impacts on large commercial projects. Quoting activity remains steady with the focus on maintenance, plant upgrades and plant expansions. There are some regional areas of strength such as Eastern Canada.

United States

- Trade sales in the U.S. increased 12% over Q3 2019:
  - Farm sales increased 23% due to a natural replenishment cycle that occurred in the first half or 2020 and continued into Q3. The order intake continued to grow and be shipped in Q3 and the unfortunate Derecho storm that hit the Midwest required damaged farm equipment to be replaced. Additionally, harvest was earlier in 2020 than 2019 due to more suitable weather conditions.
  - Commercial sales decreased 4% over the previous year as many customers delayed installation and delivery of equipment due to COVID-19.

International

- International trade sales increased 10% over Q3 2019:
  - COVID-19 had a significant impact on International sales with customers delaying the closing of projects regionally and lags with installation of equipment on customer sites. As well, some International sales in Q3 had to be pushed into future quarters.
  - Despite COVID-19, Milltec, located in India, and AGI Brazil continue to have increased sales (44% and 50% increased levels, respectively). There is continued strong backlogs at the end of September for these locations.

Gross Margin [see "Non-IFRS Measures"]

[thousands of dollars]	Three Months Ended September 30 2020 $	2019 $	Nine Months Ended September 30 2020 $	2019 $
Trade sales	282,450	261,134	772,745	770,344
Cost of inventories	187,372	179,314	521,800	525,390
Gross margin [1]	**95,078**	**81,820**	**250,945**	**244,954**
Gross margin as a % of trade sales	**33.7%**	**31.3%**	**32.5%**	**31.8%**

[1] See "Non-IFRS measures".

AGI's gross margin percentages in Q3 2020 increased over the prior year. Higher gross margins at most Farm divisions and significant operational gains in Brazil and EMEA were offset by lower Commercial margins in North America from the challenging 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.

[thousands of dollars]	Three Months Ended September 30 2020 $	2019 $	Nine Months Ended September 30 2020 $	2019 $
Profit (loss) before income taxes	**(18,717)**	**(7,605)**	**(57,916)**	**26,891**
Finance costs	11,740	11,626	34,754	33,464
Depreciation and amortization	13,820	13,321	41,315	36,266
Share of associate's net loss	1,060	788	3,367	788
EBITDA[1]	**7,903**	**18,130**	**21,520**	**97,409**
Loss (gain) on foreign exchange	(5,333)	4,006	10,663	(2,413)
Share based compensation[2]	389	1,388	5,205	4,642
Loss (gain) on financial instruments [3]	(290)	7,592	16,477	3,060
M&A expenses (recovery)	75	(18)	1,346	3,046
Other transaction and transitional costs [4]	3,927	301	11,077	6,427
Loss (gain) on sale of PP&E	(10)	124	119	124
Gain on settlement of leases	(3)	-	(5)	-
Equipment rework [5]	40,000	7,000	50,000	7,000
Fair value of inventory from acquisitions [6]	-	522	-	1,742
Impairment [7]	5,111	46	5,111	46
Adjusted EBITDA [1]	**51,769**	**39,091**	**121,513**	**121,083**

[1] See “Non-IFRS Measures”.
[2] Excludes expenses related to the cash-settled short-term incentive plan.
[3] See “Equity compensation hedge”.
[4] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[5] To record the pre-tax charge for the estimated cost of rework including time, material and services.
[6] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[7] See “Impairment Charge”.

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

The Company’s diluted profit (loss) per share for the three and nine-month periods ended September 30, 2020 was loss of $(0.66) and loss of $(2.49), respectively, versus $(0.15) and $1.21, 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.

[thousands of dollars except per share amounts]	**Three-months Ended September 30**		**Nine-months Ended September 30**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Profit (loss)	(12,261)	(2,819)	(46,633)	22,919
Diluted profit (loss) per share	(0.66)	(0.15)	(2.49)	1.21
Loss (gain) on foreign exchange	(5,333)	4,006	10,663	(2,413)
Fair value of inventory from acquisition [2]	-	522	-	1,742
M&A expenses (recovery)	75	(18)	1,346	3,046
Other transaction and transitional costs [3]	3,927	301	11,077	6,427
Loss (gain) on financial instruments	(290)	7,592	16,477	3,060
Loss (gain) on sale of PP&E	(10)	124	119	124
Gain on settlement of leases	(3)	-	(5)	-
Equipment rework [4]	40,000	7,000	50,000	7,000
Share of associate's net loss	1,060	788	3,367	788
Impairment [5]	5,111	46	5,111	46
Adjusted profit [1]	**32,276**	**17,542**	**51,522**	**42,739**
Diluted adjusted profit per share [1]	1.62	0.91	2.70	2.26

[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.
[5] See “Impairment Charge”.

DETAILED OPERATING RESULTS

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
[thousands of dollars]	**$**	**$**	**$**	**$**
Sales				
Trade sales	282,450	261,134	772,745	770,344
Foreign exchange loss	(1,042)	(936)	(4,292)	(3,173)
	281,408	260,198	768,453	767,171
Cost of goods sold				
Cost of inventories	187,372	179,314	521,800	525,390
Fair value of inventory from acquisitions	-	522	-	1,742
Equipment rework	40,000	7,000	50,000	7,000
Depreciation /amortization	7,181	7,852	21,287	21,139
	234,553	194,688	593,087	555,271
Selling, general and administrative expenses				
SG&A expenses	44,647	45,008	137,675	131,244
M&A expenses (recovery)	75	(18)	1,346	3,046
Other transaction and transitional costs [1]	3,927	301	11,077	6,427
Depreciation /amortization	6,639	5,469	20,028	15,127
	55,288	50,760	170,126	155,844
Other operating expense (income)				
Net loss (gain) on disposal of PP&E	(10)	124	119	124
Net gain on settlement of leases	(3)	-	(5)	-
Net loss (gain) on financial instruments	(290)	7,592	16,477	3,060
Other	(814)	(846)	(2,732)	(2,573)
	(1,117)	6,870	13,859	611
Impairment charge	5,111	46	5,111	46
Finance costs	11,740	11,626	34,754	33,464
Finance expense (income)	(6,510)	3,025	6,065	(5,744)
Share of associate’s net loss	1,060	788	3,367	788
Profit (loss) before income taxes	**(18,717)**	**(7,605)**	**(57,916)**	**26,891**
Income tax expense (recovery)	(6,456)	(4,786)	(11,283)	3,972
Profit (loss) for the period	**(12,261)**	**(2,819)**	**(46,633)**	**22,919**
Profit (loss) per share				
Basic	(0.66)	(0.15)	(2.49)	1.23
Diluted	(0.66)	(0.15)	(2.49)	1.21

[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 September 30, 2020. See also "Financial Instruments – Foreign exchange contracts".

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three- and nine-month periods ended September 30, 2020 was $1.34 [2019 - $1.32] and $1.35 [2019 - $1.33]. 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 nine-month periods ended September 30, 2020 excluding M&A expenses, other transaction and transition expenses and depreciation/amortization, were $44.6 million [15.8% of trade sales] and $137.7 million [17.8% of trade sales], respectively, versus $45.0 million [17.2% of trade sales] and $131.2 million [17.0% of trade sales], respectively, in 2019. Variances to the prior year include the following:

- The higher dollar amount in the nine-month period ended September 30, 2020 relates in part to the March 29, 2019 acquisition of Milltec.
- Salaries & wages and share-based compensation expense for the three and nine-months ended September 30, 2020 increased $3.3 million and $5.9 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, salary increases, and share award grants.
- Commissions and engineering services costs increased largely due to sales mix.
- Office, marketing, and travel expenses decreased largely due to the impact of COVID-19.
- No other individual variance was greater than $1.0 million.

Finance costs

Finance costs which represents interest incurred on all debt for the three and nine-month periods ended September 30, 2020 were $11.7 million and $34.8 million, respectively, versus $11.6 million and $33.4 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) which represent interest income earned and foreign exchange on long term debt for the three and nine-month periods ended September 30, 2020 was income of $6.5 million and expense of $6.1 million, respectively, versus loss of $3.0 million and income of $5.7 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 nine-month periods ended September 30, 2020 was $1.1 million and $3.4 million, respectively versus $0.8 million and $0.8 million, 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 nine-month periods ended September 30, 2020 was income of $1.1 million and an expense of $13.9 million, respectively, versus expense of $6.9 million and $0.6 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 expense amount in 2020 relates largely to a non-cash loss on the equity compensation hedge.

Impairment Charge

An impairment test is performed at least annually under IFRS for goodwill and indefinite-life intangible assets, that compares the recoverable amount of the asset to its carrying value. During the three-month period ended September 30, 2020, the Company decided to discontinue the Union Iron brand name (indefinite-life intangible asset) which consequently, triggered an impairment test to be performed for Union Iron, a division of the Company. As result of the value-in-use calculation, as at September 30, 2020, it was determined, using a discount rate of 9.0%, that the recoverable amount of Union Iron was less than its carrying value. The impairment amount calculated was applied on a pro rata basis over the division's identifiable assets and consequently, an impairment charge of $1,957 against property, plant, and equipment and $3,154 against intangible assets was recognized. While reducing reported results under IFRS, the non-cash impairment charge will not impact the Company's business operations, cash position or cash flows from operating activities.

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 $5.0 million during the nine-month period ended September 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 nine-month periods ended September 30, 2020 was $1.5 million and $3.5 million, respectively, versus $3.2 million and $8.1 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

Deferred tax recovery for the three and nine-month periods ended September 30, 2020 was $8.0 million and $14.8 million, respectively, versus $8.0 million and $4.1 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, convertible debentures, intangible assets, accruals and long-term provisions.

Effective tax rate

[thousands of dollars]	Three Months Ended September 30 2020 $	 2019 $	Nine Months Ended September 30 2020 $	 2019 $
Current tax expense	1,521	3,225	3,496	8,089
Deferred tax recovery	(7,977)	(8,011)	(14,779)	(4,117)
Total tax expense (recovery)	**(6,456)**	**(4,786)**	**(11,283)**	**3,972**
Profit (loss) before income taxes	(18,717)	(7,605)	(57,916)	26,891
Total tax %	34.5%	62.9%	19.5%	14.8%

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 $	Adjusted Profit[1] $	Diluted Adjusted Profit per Share[1] $
Q1	1.32	229,107	(48,844)	(2.61)	(2.61)	7,281	0.38
Q2	1.40	257,938	14,472	0.77	0.76	11,965	0.63
Q3	1.34	281,408	(12,261)	(0.66)	(0.66)	32,276	1.62
YTD	**1.35**	**768,453**	**(46,633)**	**(2.49)**	**(2.49)**	**51,522**	**2.70**

2019	Average USD/CAD Exchange Rate	Sales $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $	Adjusted Profit (Loss)[1] $	Diluted Adjusted Profit (Loss) per Share[1] $
Q1	1.33	215,035	13,222	0.71	0.70	4,990	0.27
Q2	1.34	291,938	12,516	0.68	0.67	20,206	1.04
Q3	1.32	260,198	(2,819)	(0.15)	(0.15)	17,542	0.91
Q4	1.32	228,616	(8,286)	(0.44)	(0.44)	(1,180)	(0.06)
YTD	**1.33**	**995,787**	**14,633**	**0.79**	**0.77**	**41,558**	**2.20**

2018	Average USD/CAD Exchange Rate	Sales $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $	Adjusted Profit[1] $	Diluted Adjusted Profit per Share[1] $
Q4	1.31	215,677	(11,861)	(0.66)	(0.66)	11,766	0.66
YTD	**1.29**	**931,664**	**26,618**	**1.58**	**1.56**	**58,148**	**3.38**

[1] See "Non-IFRS Measures".

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

- AGI's acquisitions of 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), adjusted profit (loss), diluted profit (loss) per share, and diluted adjusted profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.
- Profit (loss) and Diluted Profit (loss) per share from 2019 Q3 to 2020 Q3 were negatively impacted by the Company's estimated warranty accrual [see – "Warranty Accrual"].

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 September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
[thousands of dollars]	$	$	$	$
Profit (loss) before tax	(18,717)	(7,605)	(57,916)	26,891
Items not involving current cash flows	16,943	25,706	82,576	41,179
Cash provided by (used in) operations	(1,774)	18,101	24,660	68,070
Net change in non-cash working capital	32,962	27,147	16,816	(40,405)
Non-current accounts receivable and other	741	42	(1,197)	(187)
Long-term payables	28	-	189	-
Settlement of EIAP	(917)	(296)	(2,796)	(2,461)
Income tax paid	(1,526)	(5,114)	(3,278)	(8,084)
Cash flows provided by operating activities	29,514	39,880	34,394	16,933
Cash used in investing activities	(12,499)	(47,681)	(53,042)	(197,738)
Cash provided by financing activities	9,079	18,882	45,052	199,665

Net increase in cash during the period	26,094	11,081	26,404	18,860
Cash, beginning of period	48,731	41,389	48,421	33,610
Cash, end of period	74,825	52,470	74,825	52,470

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 and Q3 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 sales in accounts receivable and may result in increased usage of working capital in certain quarters. The continuation of the COVID-19 pandemic may impact the Company's working capital requirements.

Capital Expenditures

Maintenance capital expenditures in the three and nine-month periods ended September 30, 2020 were $0.7 million [0.3% of trade sales] and $5.1 million [0.7% of trade sales], respectively versus $4.1 million [1.6% of trade sales] and $10.5 million [1.4% 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 nine-month periods ended September 30, 2020 of $3.8 million and $17.5 million, respectively versus $11.6 million and $26.4 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. Growth CAPEX for the balance of 2020 is expected to approximate $3.5 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 September 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 [1]	458,210	139	507	356	255	223	456,730
Lease liability	21,919	1,119	3,863	3,291	2,400	2,105	9,141
Short term and low value leases	37	8	23	5	1	-	-
Due to vendor	8,698	2,827	3,957	1,326	250	188	150
Preferred shares liability	31,728	-	19,037	12,691	-	-	-
Purchase obligations [2]	5,514	5,514	-	-	-	-	-
Total obligations	**956,081**	**9,607**	**27,387**	**190,144**	**2,906**	**175,016**	**551,021**

[1] Undiscounted
[2] Net of deposit.

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

CAPITAL RESOURCES

Assets and Liabilities

(thousands of dollars)	September 30 2020 $	September 30 2019 $
Total assets	1,556,828	1,498,026
Total liabilities	1,258,905	1,102,143

Cash

The Company's cash balance at September 30, 2020 was $74.8 million [2019 - $20.9 million].

Debt Facilities

As at September 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	33,171	4.44%
USD Swing Line	USD	2025	13,339	-	3.30%
Total Swing Line			**53,339**	**33,171**	
Canadian Revolver Tranche A[3][4]	CAD	2025	185,000	102,778	4.48%
Canadian Revolver Tranche B	USD	2025	53,356	50,000	4.23%
Liquidity Facility [4]	CAD	2021	50,000	-	-
U.S. Revolver [5]	USD	2025	220,094	212,357	3.30%
Series B Notes [6]	CAD	2025	25,000	25,000	4.79%
Series C Notes [6]	USD	2026	33,348	33,348	4.05%
Equipment Financing	various	2025	1,500	1,500	Various
Total Long-Term Debt			**568,298**	**424,983**	
Total			**621,637**	**458,154**	

(1) USD denominated amounts translated to CAD at the rate of exchange in effect on September 30, 2020 of $1.3339.
(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.

AGI has swing line facilities of $40.0 million and U.S. $10.0 million as at September 30, 2020. The facilities bear interest at prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. As at September 30, 2020, there was $33,171 [December 31, 2019 – $345] outstanding under the swing line.

On April 29, 2020, AGI announced the expansion of its credit facility and the amendment of certain of its terms [the "Credit Facility"]. The Credit Facility is now with a syndicate of six Canadian chartered and other lenders that includes committed revolver facilities of CAD $225 million and 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 nine-month period ending October 31, 2020 as well as the ability to normalize Q1 2020 and Q2 2020 financial results for certain COVID-19 impacts when calculating trailing EBITDA in future covenant calculations. Following October 31, 2020, AGI's minimum leverage ratio covenant 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.

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 September 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 September 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	**54,555**
September 30, 2020	**18,713,034**
Settlement of EIAP obligations	**-**
November 12, 2020	**18,713,034**

At November 12, 2020:

- 18,713,034 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 1,258,139 have been granted and 506,861 remain unallocated
- 107,841 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 $172 million outstanding.

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

DIVIDENDS

AGI declared dividends to shareholders in the three and nine-month periods ended September 30, 2020 of $2.8 million and $16.8 million, respectively versus $11.2 million and $33.5 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 nine-month periods ended September 30, 2020 dividends paid to shareholders of $2.8 million and $17.8 million, [2019 – $11.2 million and $33.5 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]	Nine-Months Ended September 30 2020 $	2019 $	Last Twelve Months Ended September 30 2020 $	2019 $
Adjusted EBITDA	121,513	121,083	144,709	149,097
Interest expense	(34,754)	(33,464)	(46,083)	(42,432)
Non-cash interest	3,709	4,417	5,777	5,581
Cash taxes	(3,278)	(8,084)	(5,088)	(11,840)
Maintenance CAPEX	(5,131)	(10,475)	(9,466)	(13,998)
Funds from operations[1]	82,059	73,477	89,849	86,408
Dividends	16,827	33,510	28,028	44,527
Payout Ratio	**21%**	**46%**	**31%**	**52%**

[1] See “Non-IFRS Measures”.

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at September 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	3.8% – 4.1%
U.S. dollar contracts	USD	2020	38,000	3.4% – 3.7%

[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 $90.7 million in aggregate, resetting the last business day of each month. The contracts expire between November 2020 and May 2022.

During the three- and nine-month periods ended September 30, 2020, the Company recorded a gain on financial instruments of $0.3 million and a loss of $1.2 million, respectively, versus a loss of $0.1 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 September 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 September 30, 2020, the unrealized loss on the equity swap was $8.4 million, and in the three-and nine-month periods ended September 30, 2020, the Company recorded in the consolidated statements of income a loss of $0.2 million and $14.0 million, respectively compared to a loss of $7.6 million and $1.7 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 nine-month periods ended September 30, 2020, the Company recorded a gain of $0.1 million and a loss of $0.6 million [2019 – nil and nil] on financial instruments in other operating expense. As at September 30, 2020, the fair value of the embedded derivative was $0.2 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 nine-month periods ended September 30, 2020, the total cost (recovery) of these legal services related to general matters was $0.1 million and $0.8 million, respectively [2019 – nil and $0.2 million], and $0.3 million is included in accounts payable and accrued liabilities as at September 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. In addition, the provision for warranty accrual and remediation [see – "Warranty Accrual") 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. Please refer to note 13 to the unaudited interim condensed consolidated financial statement for the quarter ended September 30, 2020 for a discussion of the significant accounting judgements, 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; product liability; contract liability; climate change risks and the risk that the assumptions and estimates underlying the provision for warranty accrual and remediation related thereto and insurance coverage for the Incident will prove to be incorrect as further information becomes available to the Company. These risks and uncertainties are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of these risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected.

CHANGES IN ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES

Adoption of new accounting standards

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 September 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 nine-month period ended September 30, 2020:

[thousands of dollars]	**Affinity $**
Revenue [1]	323
Loss[1]	(3,570)
Current assets [1][2]	(1,070)
Non-current assets [1][2]	9,999
Current liabilities [1][2]	1,051
Non-current liabilities [1][2]	3,584

[1] Net of intercompany
[2] Statement of financial position as at September 30, 2020

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended September 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 on settlement of leases, equipment rework costs, fair value of inventory from acquisitions and non-cash asset impairment charge. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows. See “Operating Results - EBITDA and Adjusted EBITDA” for the reconciliation of EBITDA and Adjusted EBITDA to profit before income taxes.

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

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

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

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for the gain or loss on foreign exchange, fair value of inventory from acquisitions, M&A expenses or recoveries, other transaction and transitional costs, gain or loss on financial instruments, gain or loss on sale of property, plant and equipment, cost of equipment rework, share of associate’s net loss and non-cash asset impairment charge. See "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 2020 year and fourth quarter, industry demand and market conditions, the anticipated ongoing impacts of the COVID-19 outbreak on our business, operations and financial results; the estimated costs to the Company that may result from the Incident and the availability of insurance coverage to offset such costs; the sufficiency of our liquidity; long-term fundamentals and growth drivers of our business; future payment of dividends and the amount thereof; and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: the anticipated impacts of the COVID-19 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; cyber security risks; the risk that the assumptions and estimates underlying the provision for warranty accrual and remediation related thereto and insurance coverage for the Incident will prove to be incorrect as further information becomes available to the Company. These risks and uncertainties are described under “Risks and Uncertainties" in this MD&A, 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. Without limitation of the foregoing, the provision for warranty accrual and remediation related to the Incident required significant estimates and judgements about the scope, nature, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

ADDITIONAL INFORMATION

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