Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

June 30, 2018

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	June 30, 2018 $	December 31, 2017 $
Assets		
Current assets		
Cash and cash equivalents	**18,473**	63,981
Cash held in trust and restricted cash	**16,381**	15,182
Accounts receivable *[note 6]*	**146,548**	99,017
Inventory	**181,875**	158,635
Prepaid expenses and other assets	**20,953**	17,616
Current portion of note receivable	**75**	89
Income taxes recoverable	**1,651**	885
	385,956	355,405
Non-current assets		
Property, plant and equipment, net *[note 7]*	**311,912**	304,543
Goodwill *[note 8]*	**240,653**	234,669
Intangible assets, net *[note 9]*	**220,774**	218,156
Available-for-sale investment *[note 3]*	**—**	900
Investment *[note 3]*	**900**	—
Non-current accounts receivable *[note 6]*	**3,718**	4,180
Note receivable	**640**	700
Income taxes recoverable	**3,017**	4,230
Derivative instruments *[note 20[b] and [c]]*	**13,445**	11,466
Other assets *[note 16]*	**239**	—
Deferred tax asset	**116**	183
	795,414	779,027
Assets held for sale *[note 10]*	**1,527**	2,842
Total assets	**1,182,897**	1,137,274
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 21]*	**117,067**	96,071
Customer deposits	**51,529**	40,662
Dividends payable	**3,295**	3,232
Current portion of contingent consideration	**6,694**	5,306
Due to vendor	**16,155**	33,309
Income taxes payable	**3,796**	4,945
Current portion of long-term debt *[note 11]*	**133**	117
Current portion of obligations under finance lease	**25**	983
Current portion of convertible unsecured subordinated debentures	**—**	86,155
Provisions	**6,146**	5,909
	204,840	276,689
Non-current liabilities		
Long-term debt *[note 11]*	**312,259**	302,859
Due to vendor	**761**	725
Contingent consideration	**3,457**	3,731
Other financial liabilities	**—**	3,378
Convertible unsecured subordinated debentures *[note 12]*	**282,453**	199,903
Obligations under finance lease	**33**	19
Deferred tax liability	**61,501**	57,758
	660,464	568,373
Total liabilities	**865,304**	845,062
Shareholders' equity *[note 13]*		
Common shares	**338,491**	323,199
Accumulated other comprehensive income	**42,599**	29,638
Equity component of convertible debentures	**11,336**	9,903
Contributed surplus	**20,603**	20,956
Deficit	**(95,436)**	(91,484)
Total shareholders' equity	**317,593**	292,212
Total liabilities and shareholders' equity	**1,182,897**	1,137,274

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income

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

	Three-month period ended		Six-month period ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	$	$	$
Sales *[note 22]*	**260,155**	221,065	**473,821**	375,601
Cost of goods sold *[note 15[d]]*	**184,714**	157,736	**336,998**	262,975
Gross profit	**75,441**	63,329	**136,823**	112,626
Expenses				
Selling, general and administrative *[note 15[e]]*	**43,768**	42,462	**85,911**	77,449
Other operating income *[note 15[a]]*	**(1,185)**	(4,127)	**(1,969)**	(3,523)
Impairment charge	**—**	—	**232**	—
Finance costs *[note 15[c]]*	**8,815**	9,116	**17,216**	15,452
Finance expense (income) *[note 15[b]]*	**4,093**	(5,166)	**9,310**	(5,969)
	55,491	42,285	**110,700**	83,409
Profit from continuing operations before income taxes	**19,950**	21,044	**26,123**	29,217
Income tax expense *[note 17]*				
Current	**4,672**	1,891	**5,098**	4,184
Deferred	**2,486**	4,425	**3,290**	5,183
	7,158	6,316	**8,388**	9,367
Profit from continuing operations	**12,792**	14,728	**17,735**	19,850
Profit from discontinued operations, net of income taxes	**—**	21	**—**	26
Profit for the period	**12,792**	14,749	**17,735**	19,876
Profit per share from continuing operations *[note 18]*				
Basic	**0.78**	0.92	**1.08**	1.26
Diluted	**0.75**	0.88	**1.06**	1.22
Profit per share from discontinued operations *[note 18]*				
Basic	**0.00**	0.00	**0.00**	0.00
Diluted	**0.00**	0.00	**0.00**	0.00
Profit per share *[note 18]*				
Basic	**0.78**	0.92	**1.08**	1.26
Diluted	**0.75**	0.88	**1.06**	1.22

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	$	$	$
Profit for the period	**12,792**	14,749	**17,735**	19,876
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss				
Change in fair value of derivatives designated as cash flow hedges	**136**	663	**726**	843
(Gains) losses on derivatives designated as cash flow hedges recognized in net earnings in the current period	**—**	(4)	**—**	858
Exchange differences on translation of foreign operations	**(2,092)**	(12,745)	**12,078**	(14,059)
Income tax effect on cash flow hedges	**(37)**	(171)	**(197)**	(453)
Other comprehensive income (loss) from discontinued operations	**—**	6	**—**	(201)
	(1,993)	(12,251)	**12,607**	(13,012)
Items that will not be reclassified to profit or loss				
Actuarial loss (gain) on defined benefit plans	**540**	(1,052)	**486**	(1,236)
Income tax effect on defined benefit plans	**(147)**	284	**(132)**	334
	393	(768)	**354**	(902)
Other comprehensive income (loss) for the period	**(1,600)**	(13,019)	**12,961**	(13,914)
Total comprehensive income for the period	**11,192**	1,730	**30,696**	5,962

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2018

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total equity $
As at January 1, 2018	**323,199**	**9,903**	**20,956**	**(92,842)** [1]	**1,283**	**28,618**	**(263)**	**290,854**
Profit for the period	**—**	**—**	**—**	**17,735**	**—**	**—**	**—**	**17,735**
Other comprehensive income	**—**	**—**	**—**	**—**	**529**	**12,078**	**354**	**12,961**
Share-based payment transactions *[note 13[a], [b]]*	**5,230**	**—**	**(353)**	**—**	**—**	**—**	**—**	**4,877**
Dividend reinvestment plan *[note 13[c]]*	**1,384**	**—**	**—**	**—**	**—**	**—**	**—**	**1,384**
Dividends paid to shareholders *[note 13[c]]*	**—**	**—**	**—**	**(19,742)**	**—**	**—**	**—**	**(19,742)**
Dividends on share-based compensation awards *[note 13[c]]*	**—**	**—**	**—**	**(587)**	**—**	**—**	**—**	**(587)**
Issuance of convertible unsecured subordinated debentures *[note 12]*	**—**	**1,433**	**—**	**—**	**—**	**—**	**—**	**1,433**
Conversion of convertible unsecured subordinated debentures *[note 12]*	**8,678**	**—**	**—**	**—**	**—**	**—**	**—**	**8,678**
As at June 30, 2018	**338,491**	**11,336**	**20,603**	**(95,436)**	**1,812**	**40,696**	**91**	**317,593**

See accompanying notes

[1] *Adjusted to reflect adoption of IFRS 15 and 9 [note 3].*

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2017

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Put option reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total equity $
As at January 1, 2017	251,698	6,912	16,940	(87,013)	(1,160)	—	56,769	418	244,564
Profit for the period	—	—	—	19,876	—	—	—	—	19,876
Other comprehensive income (loss)	—	—	—	—	1,223	25	(14,260)	(902)	(13,914)
Share-based payment transactions *[note 13[a)] and 13[b]]*	4,411	—	1,221	—	—	—	—	—	5,632
Dividend reinvestment plan *[notes 13[c]]*	2,342	—	—	—	—	—	—	—	2,342
Dividends to shareholders *[note 13[c]]*	—	—	—	(19,004)	—	—	—	—	(19,004)
Dividends on share-based compensation awards *[note 13[c]]*	—	—	—	(785)	—	—	—	—	(785)
Dividend reinvestment plan costs *[notes 13[c]]*	(27)	—	—	—	—	—	—	—	(27)
Common share issuance *[note 13(a)]*	60,438	—	—	—	—	—	—	—	60,438
Issuance of convertible unsecured subordinated debentures *[note 12]*	—	2,981	—	—	—	—	—	—	2,981
As at June 30, 2017	318,862	9,893	18,161	(86,926)	63	25	42,509	(484)	302,103

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

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

	Three-month period ended		Six-month period ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	$	$	$	$
Operating activities				
Profit before income taxes for the period	**19,950**	21,044	**26,123**	29,217
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	**4,631**	4,442	**9,422**	7,404
Amortization of intangible assets	**3,362**	3,817	**6,502**	7,308
Loss on sale of property, plant and equipment	**286**	30	**216**	12
Impairment charge	**—**	—	**232**	—
Non-cash component of interest expense	**927**	1,347	**1,813**	2,471
Non-cash investment in derivative instruments	**(1,012)**	(3,576)	**(1,245)**	(2,601)
Share-based compensation expense	**2,972**	2,526	**4,674**	4,882
Dividends receivable on equity swap	**—**	—	**—**	(100)
Employer contribution to defined benefit plans	**—**	(78)	**(4)**	(232)
Defined benefit plan expense	**34**	83	**68**	219
Contingent consideration	**849**	361	**948**	713
Equipment provided to vendor	**—**	(209)	**(115)**	(345)
Non-cash transaction costs	**1,360**	2,731	**1,360**	2,731
Translation loss (gain) on foreign exchange	**5,621**	(7,757)	**13,027**	(10,733)
	38,980	24,761	**63,021**	40,946
Costs related to put option	**—**	(48)	**—**	(48)
Net change in non-cash working capital balances related to operations *[note 19[a]]*	**(15,555)**	(9,331)	**(39,907)**	(10,488)
Non-current accounts receivable	**1,165**	(262)	**462**	(1,141)
Long-term payables	**—**	—	**(135)**	—
Settlement of EIAP obligation	**(60)**	—	**(2,010)**	—
Income taxes paid	**(4,074)**	(5,729)	**(4,123)**	(7,823)
Cash provided by operating activities	**20,456**	9,391	**17,308**	21,446
Investing activities				
Acquisition of property, plant and equipment	**(8,259)**	(16,256)	**(16,233)**	(36,595)
Acquisitions, net of cash acquired *[notes 5[c], 5[d]]*	**(1,211)**	(133,706)	**(26,343)**	(133,706)
Transfer from (to) cash held in trust	**525**	(6,661)	**—**	(6,661)
Transfer from (to) restricted cash	**569**	—	**(557)**	—
Proceeds from sale of property, plant and equipment	**221**	115	**337**	290
Proceeds from sale of assets held for sale	**—**	—	**2,031**	—
Development and purchase of intangible assets	**(1,536)**	(1,163)	**(2,677)**	(1,969)
Transaction costs paid and payable	**25**	(1,127)	**2,729**	(4,564)
Cash used in investing activities	**(9,666)**	(158,798)	**(40,713)**	(183,205)
Financing activities				
Issuance of long-term debt	**—**	107,908	**—**	107,908
Repayment of long-term debt	**(27)**	—	**(87)**	—
Costs related to issuance of long-term debt	**—**	(192)	**—**	(421)
Repayment of obligations under finance lease	**(4)**	(46)	**(944)**	(110)
Change in interest accrued	**(3,582)**	(2,472)	**(7,530)**	287
Issuance of convertible unsecured subordinated debentures, net of issuance costs *[note 12]*	**97**	82,307	**82,293**	82,307
Redemption of convertible unsecured subordinated debentures *[note 12]*	**—**	—	**(77,477)**	—
Common share issuance	**—**	—	**—**	60,830
Dividends paid in cash *[note 13[c]]*	**(9,583)**	(8,325)	**(18,358)**	(16,662)
Cash provided by (used in) financing activities	**(13,099)**	179,180	**(22,103)**	234,139
Net increase (decrease) in cash and cash equivalents from continuing operations	**(2,309)**	29,773	**(45,508)**	72,380
Net increase in cash and cash equivalents from discontinued operations	**—**	39	**—**	26
Net increase (decrease) in cash and cash equivalents during the period	**(2,309)**	29,812	**(45,508)**	72,406
Cash and cash equivalents, beginning of period	**20,782**	45,368	**63,981**	2,774
Cash and cash equivalents, end of period	**18,473**	75,180	**18,473**	75,180
Supplemental cash flow information				
Interest paid	**10,198**	9,266	**20,074**	11,787

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2018

1. Organization

Ag Growth International Inc. conducts business in the grain handling, storage and conditioning market. Ag Growth International Inc. is a listed company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Statement of compliance and basis of presentation

[a] Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ["IAS"] 34, *Interim Financial Reporting* ["IAS 34"] on a basis consistent with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["AGI" or the "Company"] for the three- and six-month periods ended June 30, 2018 were authorized for issuance in accordance with a resolution of the directors on August 8, 2018.

[b] Basis of preparation

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, assets held for sale and investment, which are measured at fair value.

These unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year-end and do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2017, which are available on SEDAR at www.sedar.com.

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2017, except for the adoption of new standards and interpretations effective as at January 1, 2018. As required by IAS 34, the nature and effect of those changes are disclosed in note 3.

[c] Standards issued but not yet effective

Standards issued, but not yet effective up to the date of issuance of the Company's unaudited interim condensed consolidated financial statements, are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Leases

In January 2016, the IASB released IFRS 16, Leases ["IFRS 16"], to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard will be effective for the Company on January 1, 2019. Under the new standard the Company will recognize new right-of-use assets and lease liabilities for its operating leases. In addition, the nature and timing of leasing expenses will change as operating lease expenses are replaced by a depreciation charge for right-of-use assets and interest expense on lease liabilities.

On transition the Company can either apply the standard using a retrospective approach or a modified retrospective approach with optional practical expedients. The Company plans to apply the modified retrospective approach and has commenced the process of identifying its leases and applying certain practical expedients, where applicable. The Company will continue to assess the potential impact of IFRS 16 on its consolidated statement of financial position, along with a change to the recognition, measurement and presentation of lease expense in the consolidated statement of earnings.

3. Adoption of new accounting standards and policies

IFRS 9*, Financial instruments* ["IFRS 9"]

The Company adopted IFRS 9 with a date of application of January 1, 2018. The Company adopted IFRS 9 retrospectively without restatement of prior periods, other than the hedge accounting provisions of IFRS 9 that have been applied prospectively effective January 1, 2018, and accordingly elected to not restate the comparative figures. IFRS 9 introduces new requirements for the classification and measurement of financial assets, introduces a forward-looking expected loss impairment model, and amends the requirements related to hedge accounting.

The standard contains three classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ["FVOCI"] and fair value through profit or loss ["FVTPL"]. The classification of financial assets under IFRS 9 is based on its contractual cash flow characteristics and the business model in which the financial asset is managed. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption as at January 1, 2018 had no impact on the measurement of financial instruments, with the exception of long-term debt. In 2017, the Company amended its credit facilities to extend the maturity from May 2019 to April 2021, and as result of the change in maturity and adoption of IFRS 9 an adjustment to increase opening retained earnings by $175 was recorded.

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

The classification changes are summarized in the following table:

	IAS 39	IFRS 9	IFRS 9 Carrying value as at January 1, 2018 $
Financial assets			
Cash and cash equivalents	Loans and receivables	Amortized Cost	63,981
Cash held in trust	Loans and receivables	Amortized Cost	15,182
Accounts receivable	Loans and receivables	Amortized Cost	99,017
Derivative instruments - equity swap	Fair value through profit or loss	Fair value through profit or loss	9,698
Derivative instruments - interest rate swap contracts [1]	Fair value through OCI	Fair value through OCI	1,768
Investment	Available-for-sale	Fair value through OCI	900
Note receivable	Loans and receivables	Amortized Cost	789
Financial liabilities			
Interest-bearing loans and borrowings	Loans and receivables	Amortized Cost	303,803
Trade payables and provisions	Loans and receivables	Amortized Cost	101,980
Dividends payable	Loans and receivables	Amortized Cost	3,232
Due to vendor	Loans and receivables	Amortized Cost	33,309
Convertible unsecured subordinated debentures	Loans and receivables	Amortized Cost	286,058

[1]Hedge accounting applied.

The Company adopted the expected loss impairment model under which the lifetime expected credit losses are recognized on initial recognition. The Company's impairment assessment considers historical and current conditions, and reasonable supportable forecasts. There were no additional impairment charge recorded as a result of the Company's adoption of the expected loss impairment model.

The Company adopted the new general hedge accounting model in IFRS 9. The adoption of IFRS 9 did not result in any changes in the eligibility of existing hedge relationships, the accounting for derivative financial instruments designed as effective hedging instruments or the line items in which they are included in the unaudited interim condensed consolidated statements of financial position or statements of income.

IFRS 15, *Revenue from Contracts with Customers* ["IFRS 15"]

The Company adopted IFRS 15 with an application date of January 1, 2018. The Company applied the modified retrospective method for adopting IFRS 15 and therefore, the comparative information has not been restated and continues to be reported under IAS 18, *Revenue* and IAS 11, *Construction Contracts*. Under the modified approach, the cumulative effect of initially applying IFRS 15 is an adjustment to decrease opening retained earnings by $1,532. The adjustment results from the change in the basis of revenue recognition from the transfer of risk and rewards of ownership to the transfer of control. Consequently, revenue recognition was delayed until completion of the performance obligations. As at June 30, 2018, $1,546, net of foreign exchange, has been recorded into income upon the Company's completion of its performance obligations in accordance with IFRS 15.

The Company changed its accounting policy for revenue recognition upon adoption of IFRS 15 as detailed below.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to AGI and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. AGI assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. AGI has concluded that it is acting as a principal in all of its revenue arrangements.

Sale of goods and services

Revenue from the sale of goods and/or services is in general recognized when the Company satisfies a performance obligation and control of the goods and/or service is transferred from Seller to Buyer. A performance obligation is a good or service or a series of goods and services that are distinct. A contract with various distinct goods and services are considered to have multiple performance obligations for which revenue is recognized as each performance obligation is satisfied. If a promised good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is distinct, resulting in accounting for all the goods or services promised in a contract as a single performance obligation. In determining satisfaction of the performance obligation and point of revenue recognition, the Company considers the terms of the underlying contracts including, but not limited to, shipping terms, transfer of title and risk of loss, and acceptance/performance testing. Customer deposits are recorded as a current liability when cash is received from the customer and recognized as revenue at the time product is shipped.

AGI applies bill and hold sales accounting in specific situations provided all appropriate conditions are met as of the reporting date.

IFRS 2*, Share-based Payment* ["IFRS 2"]

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment* ["IFRS 2"], clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company's assessment has not identified significant classification, recognition or measurement differences. The Company adopted IFRS 2 as at January 1, 2018.

4. Seasonality of business

Interim period sales and earnings historically reflect some seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction projects and higher in-season demand at the farm level. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the second and third quarters, results in accounts receivable levels increasing throughout the year and normally peaking in the third quarter. As a result of these working capital movements, historically, AGI's use of its operating facilities is typically highest in the first and second quarters, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year.

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

5. Business combinations

[a] Global Industries, Inc.

Effective April 4, 2017, the Company acquired 100% of the outstanding shares of Global Industries, Inc. ["Global"]. Based in the U.S., Global manufactures grain storage bins, portable and stationary grain handling equipment, grain drying and aeration equipment, structural components and steel buildings. Global has four divisions located in Nebraska and Kansas, production capacity in South Africa and warehouses in the U.S., Europe, Australia and Africa. The acquisition expands AGI's North American and international grain handling, drying and storage platforms.

	$
Purchase Price ($100,000 US)	133,220
Cash acquired	1,935
Working capital adjustment	2,462
Tax gross up to vendor	5,291
Purchase consideration	142,908

The purchase has been accounted for by the acquisition method, with the results of Global included in the net earnings from the date of acquisition. The assets and liabilities of Global on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

	$
Cash and cash equivalents	1,935
Accounts receivable	15,118
Inventory	45,776
Prepaid expenses and other assets	4,773
Property, plant and equipment	74,535
Intangible assets	
Brand name	9,296
Distribution network	11,563
Order backlog	1,406
Goodwill	2,135
Deferred tax asset	1,973
Accounts payable and accrued liabilities	(20,362)
Customer deposits	(5,240)
Purchase consideration	142,908

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

During the measurement period, further payroll liabilities existing at acquisition were identified, resulting in a $586 increase in accounts payable and accrued liabilities and an offsetting increase in goodwill, in the three-month period ended March 31, 2018.

The components of the purchase consideration are as follows:

	$
Cash paid	135,641
Cash held in trust	6,661
Due to vendor	606
Purchase consideration	142,908

During the three-month period ended March 31, 2018, the allocation of the purchase price to acquired assets and liabilities was finalized.

[b] CMC Industrial Electronics Ltd.

Effective December 22, 2017, the Company acquired 100% of the outstanding shares of CMC Industrial Electronics Ltd. ["CMC"]. Based in Canada and the U.S., CMC manufactures industry-leading Hazard Monitoring Systems for industrial applications. The acquisition expands AGI's product catalogue and strengthens AGI's applied technology platform.

	$
Purchase Price	6,500
Cash acquired	974
Working capital adjustment	(354)
Purchase consideration	7,120

The purchase has been accounted for by the acquisition method, with the results of CMC included in the net earnings from the date of acquisition. The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price may change when more information becomes available.

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

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

	$
Cash	974
Accounts receivable	947
Inventory	1,741
Prepaid expenses and other assets	201
Income taxes recoverable	127
Property, plant and equipment	142
Intangible assets	
Brand name	452
Distribution network	1,706
Goodwill	2,510
Deferred tax liability	(604)
Accounts payable and accrued liabilities	(926)
Customer deposits	(56)
Capital leases	(94)
Purchase consideration	7,120

During the measurement period, the fair value of acquired inventory was increased by $94 with an offsetting decrease to goodwill in the three-month ended March 31, 2018. During the measurement period, taxes refundable to the vendor was increased by $103 with an offsetting increase to goodwill in the three-month period ended June 30, 2018. In addition, a change in the measurement of the opening working capital calculation was identified resulting in a decrease of $650 to due to vendor with an offsetting decrease to goodwill.

The components of the purchase consideration are as follows:

	$
Cash paid	5,850
Cash held in trust	650
Due to vendor	620
Purchase consideration	7,120

Transaction costs related to the CMC acquisition in the three- and six-month periods ended June 30, 2018 were an expense of $26 and of $5 [2017 – nil and nil] and are included in selling, general and administrative expenses.

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

[c] Junge Control Inc.

Effective December 28, 2017, the Company acquired 100% of the outstanding shares of Junge Control Inc. ["Junge"]. Based in the U.S., Junge manufactures automation, measurement and blending equipment for agriculture, fuel, and aerial applications. The acquisition expands AGI's product catalogue and strengthens AGI's applied technology platform.

	$
Purchase Price ($15,000 US)	18,818
Cash acquired	3,994
Working capital adjustment	210
Contingent consideration	2,318
Purchase consideration	25,340

The purchase has been accounted for by the acquisition method, with the results of Junge included in the Company's net earnings from the date of acquisition. The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price may change when more information becomes available.

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

	$
Cash	3,994
Accounts receivable	892
Inventory	2,689
Prepaid expenses and other assets	47
Property, plant and equipment	1,901
Intangible assets	
Brand name	1,170
Distribution network	6,252
Customer backlog	516
Software	650
Goodwill	8,075
Deferred tax asset	85
Accounts payable and accrued liabilities	(458)
Customer deposits	(473)
Purchase consideration	25,340

During the measurement period, the fair value of acquired inventory was increased by nil and $121 with an offsetting decrease to goodwill in in the three- and six-month period ended June 30, 2018.

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

The components of the purchase consideration are as follows:

	$
Cash paid	1,882
Cash held in trust	1,882
Due to vendor	19,258
Contingent consideration	2,318
Purchase consideration	25,340

Transaction costs related to the Junge acquisition in the three- and six-month periods ended June 30, 2018 were $36 and $122 [2017 – nil and nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on Junge meeting predetermined earnings targets in 2018. A maximum payment of $2,509 would be required if Junge meets the targets. The Company believes the likelihood of the maximum payment is high. The present value of the contingent consideration was determined using a 5% discount rate. $2,318 was recorded in current liabilities as at the date of acquisition.

During the six-month period ended June 30, 2018, the amount due to vendor of $19,258 was paid in full.

[d] Danmare Group Inc. and Danmare, Inc.

Effective February 22, 2018, the Company acquired 100% of the outstanding shares of Danmare Group Inc. and its affiliate Danmare, Inc. [collectively "Danmare"]. Based in Canada and the U.S., Danmare provides engineering solutions and project management services to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	9,000
Cash acquired	126
Working capital adjustment	85
Contingent consideration	1,000
Total purchase price	10,211
Post-combination expense	(3,000)
Purchase consideration	7,211

Terms of the purchase agreement included $6.0 million payable upon closing and $3.0 million payable in annual instalments, contingent on certain conditions. The $3.0 million is expected to be expensed over the three year period. In addition, contingent consideration of $1.0 million was payable based on an earnings target. In April 2018, the purchase agreement was amended such that payment of the first annual instalment of $1.0 million and the contingent consideration of $1.0 million was guaranteed. During the six-month period ended June 30, 2018, $1,360 related to certain terms of the purchase agreement was expensed.

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

The purchase has been accounted for by the acquisition method, with the results of Danmare included in the net earnings from the date of acquisition. The fair value of the assets acquired and the liabilities assumed have been determined on a provisional basis utilizing information available at the time of the acquisition. Additional information is being gathered to finalize these provisional measurements, particularly with respect to intangible assets, working capital, and deferred income taxes. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the Company's valuation and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date.

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

	$
Cash	126
Accounts receivable	1,112
Prepaid expenses and other assets	40
Income taxes recoverable	56
Property, plant and equipment	237
Intangible assets	
Brand name	490
Distribution network	2,690
Customer backlog	250
Goodwill	3,651
Deferred tax liability	(918)
Accounts payable and accrued liabilities	(278)
Customer deposits	(245)
Purchase consideration	7,211

The goodwill of $3,651 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,112. This consists of the gross contractual value of $1,162 less the estimated amount not expected to be collected of $50.

From the date of acquisition, Danmare contributed to the results $2,760 of revenue and $351 of net loss. If the acquisition had taken place as at January 1, 2018, revenue from continuing operations in 2018 would have increased by an additional $1,057 and profit from continuing operations in 2018 would have increased by an additional $129.

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

The components of the purchase consideration are as follows:

	$
Cash paid	6,000
Cash held in trust	525
Due to vendor	686
Purchase consideration	7,211

During the three- and six-month ended June 30, 2018, the cash held in trust and the amounts due to vendor were paid.

Transaction costs related to the Danmare acquisition in the three- and six-month periods ended June 30, 2018 were $73 and $143 [2017 – nil and nil] and are included in selling, general and administrative expenses.

6. Accounts receivable

As is typical in the agriculture sector, AGI may offer extended terms on its accounts receivable to match the cash flow cycle of its customer. The following table sets forth details of the age of trade accounts receivable that are not overdue, as well as an analysis of overdue amounts and the related allowance for doubtful accounts:

	June 30, 2018 $	**December 31, 2017** $
Total accounts receivable	**147,953**	100,863
Less allowance for doubtful accounts	**(1,405)**	(1,846)
	146,548	99,017
Non-current accounts receivable	**3,718**	4,180
Total accounts receivable, net	**150,266**	103,197
Of which		
Neither impaired nor past due	**117,797**	74,382
Not impaired and past the due date as follows		
Within 30 days	**17,638**	15,419
31 to 60 days	**5,737**	4,538
61 to 90 days	**2,533**	2,229
Over 90 days	**7,966**	8,475
Less allowance for doubtful accounts	**(1,405)**	(1,846)
Total accounts receivable, net	**150,266**	103,197

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

7. Property, plant, and equipment

	June 30, 2018	December 31, 2017
	$	$
Balance, beginning of period	**304,543**	209,457
Additions	**16,233**	51,299
Acquisition *[note 5[d]]*	**237**	76,578
Disposals	**(553)**	(704)
Classification as held for sale *[note 10]*	**(786)**	(3,522)
Depreciation	**(9,422)**	(16,471)
Impairment *[note 10]*	**(226)**	(820)
Exchange differences	**1,886**	(11,274)
Balance, end of period	**311,912**	304,543

8. Goodwill

	June 30, 2018	December 31, 2017
	$	$
Balance, beginning of period	**234,669**	227,450
Acquisition *[note 5]*	**3,475**	11,770
Exchange differences	**2,509**	(4,551)
Balance, end of period	**240,653**	234,669

9. Intangible assets

	June 30, 2018	December 31, 2017
	$	$
Balance, beginning of period	**218,156**	197,215
Internal development	**2,677**	4,910
Acquisition *[note 5]*	**3,430**	33,011
Amortization	**(6,502)**	(13,003)
Impairment	**—**	(395)
Exchange differences	**3,013**	(3,582)
Balance, end of period	**220,774**	218,156

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

10. Assets held for sale

In 2015, AGI acquired Westeel, which included land and building in Regina, Saskatchewan that met the definition of assets held for sale. During the period ended March 31, 2018, the assets were sold for $2,031 resulting in a further impairment of $6 being recorded.

In 2017, AGI built a new facility in Candido Mota, Sao Paulo, Brazil, and transferred all production activities from its existing facility in Assis, Sao Paulo, Brazil. AGI concluded that the land, grounds, and building at the existing Assis, Sao Paulo, Brazil facility met the definition of assets held for sale and was recorded at the lower of cost and fair value. As at June 30, 2018, the carrying amount of the assets held for sale is $724.

During the period ended March 31, 2018, buildings in Oakland Coles County, Illinois and Latimer, Iowa, met the definition of assets held for sale. An impairment charge of $226 was recorded and the carrying amount of $786 was recorded as assets held for sale. As at June 30, 2018, the carrying amount of the assets held for sale is $803.

11. Long-term debt

	Interest rate	Maturity	June 30, 2018	December 31, 2017
	%		$	$
Current portion of long-term debt				
Equipment financing	nil	2021	**133**	117
Non-current portion of long-term debt				
Equipment financing	nil	2021	**339**	443
Series B secured notes	4.4	2025	**25,000**	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	**32,920**	31,363
Term A secured loan	3.2	2021	**50,000**	50,000
Term B secured loan	3.4	2022	**40,000**	40,000
Revolver line [U.S. and Canadian dollar denominated]	3.7–6.3	2021	**165,917**	158,067
			314,176	304,873
Less deferred financing costs			**1,917**	2,014
Total non-current long-term debt			**312,259**	302,859
Long-term debt			**312,392**	302,976

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

[a] Bank indebtedness

AGI has operating facilities of $20.0 million and U.S. $7.0 million. The facilities bear interest at prime plus 0.2% to prime plus 1.8% per annum based on performance calculations. As at June 30, 2018, there was nil [December 31, 2017 – nil] outstanding under these facilities.

[b] Long-term debt

AGI has revolver facilities of $170 million from which Canadian or U.S. funds can be drawn and a $75 million accordion feature, which as at June 30, 2018 was undrawn. The facilities bear interest at LIBOR plus 1.5% to LIBOR plus 3.0% and prime plus 0.2% to prime plus 1.8% per annum based on performance calculations. The combined effective interest rate for the three- and six-month periods ended June 30, 2018 on AGI's revolver facilities was 5.0%. As at June 30, 2018, there was $166 million [December 31, 2017 – $158 million] outstanding under these facilities. The facilities mature on April 4, 2021. Interest on the Term A, Term B and a portion of the revolver line has been fixed through an interest rate swap contract *[note 20]*.

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements that must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.25 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at June 30, 2018 and December 31, 2017, AGI was in compliance with all financial covenants.

12. Convertible unsecured subordinated debentures

	June 30, 2018	**December 31, 2017**
	$	$
Current portion of convertible unsecured subordinated debentures	**—**	86,155
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	**299,250**	213,000
Equity component	**(11,794)**	(14,212)
Accretion	**4,103**	7,498
Financing fees, net of amortization	**(9,106)**	(6,383)
Total non-current convertible unsecured subordinated debentures	**282,453**	199,903
Convertible unsecured subordinated debentures	**282,453**	286,058

On December 6, 2017, the Company entered into an agreement with a syndicate of underwriters pursuant to which AGI issued, on a "bought deal" basis, $75 million aggregate principal amount of convertible unsecured subordinated debentures [the "2018 Debentures"] at a price of $1,000 per 2018 Debenture. AGI also granted the underwriters an over-allotment option, exercisable in whole or in part for a period of 30 days following closing, to purchase up to an additional $11.25 million aggregate principal amount of 2018 Debentures. The over-allotment option was fully exercised, and accordingly, the total gross proceeds to AGI were $86.25 million. On January 3, 2018, the Company closed the offering of $75 million aggregate principal amount of the 2018 Debentures. On January 9, 2018, the Company closed the over-allotment option.

The 2018 Debentures bear interest at 4.50% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2018. The 2018 Debentures has a maturity date of December 31, 2022.

The 2018 Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date and the date specified by AGI for redemption of the 2018 Debentures into fully paid and non-assessable common shares of the Company at a conversion price of $88.15 per common share, being a conversion rate of approximately 11.3443 common shares for each $1,000 principal amount of the 2018 Debentures.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2018 Debentures, the Company recorded a liability of $86,250 less related offering costs of $3,957 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the six-month periods ended June 30, 2018, the Company recorded accretion of $179, non-cash interest expense relating to finance costs of $339 and interest expense on the 4.50% coupon of $2,524. The estimated fair value of the holder's option to convert the 2018 Debentures to common shares in the total amount of $2,063 has been separated from the fair value of the liability and is included in shareholders' equity, net of income taxes of $530 and its pro rata share of financing costs of $100.

The net proceeds of the offering was used to partially fund the redemption of the Company's 5.25% convertible unsecured subordinated debentures due December 18, 2018.

On January 8, 2018, holders of $8,678 2013 Debentures exercised the conversion option and were issued 157,781 common shares. On January 9, 2018, the Company redeemed its 2013 Debentures in accordance with the terms of the supplemental trust indenture dated December 17, 2013. Upon redemption, AGI paid to the holders of the 2013 Debentures the redemption price of $77,477 equal to the outstanding principal amount of the 2013 Debentures redeemed including accrued and unpaid interest up to, but excluding the Redemption date, less taxes deducted or withheld.

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

13. Equity

[a] Common shares

	Shares #	Amount $
Balance, January 1, 2017	14,781,643	251,698
Dividend reinvestment shares issued from treasury	93,976	4,909
Settlement of Equity incentive award plan ["EIAP"] obligation	133,570	5,300
Issuance of common shares	1,150,000	61,224
Convertible unsecured subordinated debentures	1,727	95
Dividend reinvestment plan costs	—	(27)
Balance, December 31, 2017	16,160,916	323,199
Dividend reinvestment shares issued from treasury	26,132	1,384
Settlement of EIAP obligation	129,487	5,230
Convertible unsecured subordinated debentures	157,781	8,678
Balance, June 30, 2018	**16,474,316**	**338,491**

[b] Contributed surplus

	Six-month period ended June 30, 2018 $	Year ended December 31, 2017 $
Balance, beginning of period	**20,956**	16,940
Equity-settled director compensation *[note 14[b]]*	**201**	361
Dividends on EIAP	**587**	1,302
Obligation under EIAP *[note 14[a]]*	**4,473**	7,698
Settlement of EIAP obligation	**(5,614)**	(5,345)
Balance, end of period	**20,603**	20,956

[c] Dividends paid and proposed

In the three-month period ended June 30, 2018, the Company declared dividends of $9,885 or $0.60 per common share [2017 – $9,648 or $0.60 per common share] and dividends on share compensation awards of $357 [2017 – $246]. In the six-month period ended June 30, 2018, the Company declared dividends of $19,742 or $1.20 per common share [2017 – $19,004 or $1.20 per common share] and dividends on share compensation awards of $587 [2017 – $785]. For the three- and six-month periods ended June 30, 2017, 5,907 and 26,132 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the "DRIP"]. In the three-month period ended June 30, 2018, dividends paid to shareholders of $9,583 [2017 – $8,325] were financed from cash on hand and $299 [2017 – $1,323] by the DRIP. In the six-month period ended June 30, 2018, dividends paid to shareholders were financed $18,358 [2017 – $16,662] from cash on hand and $1,384 [2017 – $2,342] by the DRIP.

In March 2018, the Company suspended the active operation of its DRIP. Accordingly, dividends starting with the April 2018 dividend, payable on May 15, 2018 to shareholders of record on April 30, 2018, will not be reinvested through the DRIP, and shareholders who were enrolled in the program will automatically receive dividend payments in the form of cash.

AGI's dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company's current monthly dividend rate is $0.20 per common share. Subsequent to June 30, 2018, the Company paid previously declared dividends of $0.20 per common share with record dates of June 29, 2018 and July 31, 2018.

14. Share-based compensation plans

[a] EIAP

During the three-month period ended June 30, 2018, nil [2017 – nil] Restricted Awards ["RSU"] and nil [2017 – nil] Performance Awards were granted. As at June 30, 2018, a total of 406,006 [December 31, 2017 – 336,421] Restricted Awards and 440,672 [December 31, 2017 – 406,789] Performance Awards had been granted under the plan. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures.

During the three- and six-month periods ended June 30, 2018, AGI expensed $2,875 and $4,473 for the EIAP [2017 – $2,444 and $4,711].

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

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

	EIAP	
	Restricted Awards	**Performance Awards**
	#	#
Outstanding, January 1, 2017	223,030	247,500
Granted	9,921	39,658
Vested	(72,942)	(73,983)
Forfeited	(3,530)	—
Balance, December 31, 2017	156,479	213,175
Granted	68,585	33,883
Vested	(52,250)	(73,281)
Forfeited	(2,500)	—
Balance, June 30, 2018	**170,314**	**173,777**

There is no exercise price on the EIAP awards.

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

For the three- and six-month periods ended June 30, 2018, an expense of $97 and $201 [2017 – $82 and $171] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the three- and six-month periods ended June 30, 2018, 1,707 and 3,653 [2017 – 1,399 and 3,148] common shares were granted under the DDCP and as at June 30, 2018, a total of 73,985 [2017 – 66,790] common shares had been granted under the DDCP and 18,436 [2017 – 18,436] common shares had been issued.

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

15. Other expenses (income)

	Three-month period ended		Six-month period ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	$	$	$	$
[a] Other operating expense (income)				
Net loss on disposal of property, plant and equipment	**286**	30	**216**	12
Other	**(1,471)**	(4,157)	**(2,185)**	(3,535)
	(1,185)	(4,127)	**(1,969)**	(3,523)
[b] Finance expense (income)				
Interest expense (income) from banks	**(44)**	44	**(97)**	(24)
Loss (gain) on foreign exchange	**4,137**	(5,210)	**9,407**	(5,945)
	4,093	(5,166)	**9,310**	(5,969)
[c] Finance costs				
Interest on overdrafts and other finance costs	**533**	48	**219**	223
Interest, including non-cash interest, on debts and borrowings	**3,482**	4,069	**7,301**	6,528
Interest, including non-cash interest, on convertible unsecured subordinated debentures *[note 12]*	**4,800**	4,999	**9,696**	8,701
	8,815	9,116	**17,216**	15,452
[d] Cost of goods sold				
Depreciation	**4,187**	3,996	**8,607**	6,753
Amortization of intangible assets	**691**	1,488	**1,211**	3,446
Warranty provision (recovery)	**(80)**	357	**237**	299
Cost of inventory recognized as an expense	**179,916**	151,895	**326,943**	252,477
	184,714	157,736	**336,998**	262,975
[e] Selling, general and administrative expenses				
Depreciation	**444**	446	**815**	651
Amortization of intangible assets	**2,671**	2,329	**5,291**	3,862
Minimum lease payments recognized as an operating lease expense	**1,047**	757	**1,799**	1,428
Transaction costs	**2,987**	4,231	**3,291**	6,212
Selling, general and administrative	**36,619**	34,699	**74,715**	65,296
	43,768	42,462	**85,911**	77,449
[f] Employee benefits expense				
Wages and salaries	**58,763**	48,242	**110,920**	87,992
Share-based payment transaction expense *[notes 14[a] and [b]]*	**2,972**	2,526	**4,674**	4,882
Pension costs	**1,281**	1,212	**2,550**	2,135
	63,016	51,980	**118,144**	95,009
Included in cost of goods sold	**42,479**	32,218	**76,740**	59,307
Included in selling general and administrative expense	**20,537**	19,762	**41,404**	35,702
	63,016	51,980	**118,144**	95,009

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

16. Retirement benefit plans

During the three- and six-month periods ended June 30, 2018, the expense associated with the Company's defined pension benefit was $34 and $68, respectively [2017 – $83 and $219]. At June 30, 2018, the accrued pension benefit asset (liability) was $239 [December 31, 2017 – ($182)], which is included in other assets (liabilities) on the unaudited interim condensed consolidated statements of financial position.

17. Income taxes

The major components of income tax expense for the three- and six-month periods ended June 30, 2018 and 2017 are as follows:

	Three-month period ended		**Six-month period ended**	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	$	$	$
Profit from continuing operations before income taxes	**19,950**	21,044	**26,123**	29,217
Tax expense at the statutory rate of 27% [2017 – 27%]	**5,386**	5,682	**7,053**	7,889
Tax rate changes	**184**	(36)	**228**	(67)
Additional deductions allowed in a foreign jurisdiction	**—**	(112)	**—**	(273)
Tax losses not recognized as a deferred tax asset	**497**	951	**1,345**	1,772
Foreign rate differential	**(789)**	134	**(1,459)**	269
Non-deductible EIAP expense	**10**	125	**97**	255
State income taxes, net of federal tax benefit	**257**	66	**519**	208
Unrealized foreign exchange loss (gain)	**1,054**	(1,328)	**2,397**	(1,502)
IFRS 15 transition adjustment *[note 3]*	**(19)**	—	**(414)**	—
Change in uncertain tax position	**—**	—	**(2,305)**	—
Permanent differences and others	**578**	834	**927**	816
Tax expense at the effective rate of 32.1% [2017 – 32.1%]	**7,158**	6,316	**8,388**	9,367

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

18. Profit per share

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

	Three-month period ended		Six-month period ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	$	$	$
Net profit from continuing operations	**12,792**	14,728	**17,735**	19,850
Net profit from discontinued operations	**—**	21	**—**	26
Dilutive effect of 2018 convertible debenture interest	**901**	—	**—**	—
Dilutive effect of 2015 convertible debenture interest	**914**	901	**—**	—
Dilutive effect of 2014 convertible debenture interest	**—**	663	**—**	—
Dilutive effect of 2017 convertible debenture interest	**—**	948	**—**	948
Dilutive effect of 2013 convertible debenture interest	**—**	1,144	**—**	—
Net profit attributable to shareholders for basic and diluted profit per share	**14,607**	18,405	**17,735**	20,824
Basic weighted average number of shares	**16,473,244**	16,070,380	**16,437,291**	15,733,158
Dilutive effect of DDCP	**53,861**	46,970	**52,895**	46,103
Dilutive effect of RSU	**171,865**	172,085	**177,052**	174,984
Dilutive effect of 2018 convertible debentures	**1,568,180**	—	**—**	—
Dilutive effect of 2015 convertible debentures	**1,250,000**	1,250,000	**—**	—
Dilutive effect of 2014 convertible debentures	**—**	789,234	**—**	—
Dilutive effect of 2017 convertible debentures	**—**	1,033,551	**—**	1,033,551
Dilutive effect of 2013 convertible debentures	**—**	1,568,180	**—**	—
Diluted weighted average number of shares	**19,517,150**	20,930,400	**16,667,238**	16,987,796
Profit per share from continuing operations				
Basic	**0.78**	0.92	**1.08**	1.26
Diluted	**0.75**	0.88	**1.06**	1.22
Profit per share from discontinued operations				
Basic	**0.00**	0.00	**0.00**	0.00
Diluted	**0.00**	0.00	**0.00**	0.00
Profit per share				
Basic	**0.78**	0.92	**1.08**	1.26
Diluted	**0.75**	0.88	**1.06**	1.22

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

19. Statement of cash flows

[a] Net change in non-cash working capital

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

	Three-month period ended		Six-month period ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	$	$	$
Accounts receivable	**(20,687)**	(10,637)	**(48,082)**	(28,192)
Inventory	**3,967**	(774)	**(20,498)**	(6,086)
Prepaid expenses and other assets	**(922)**	73	**(3,296)**	(3,744)
Accounts payable and accrued liabilities	**8,967**	7,253	**24,764**	25,378
Customer deposits	**(6,800)**	(5,603)	**6,968**	1,857
Provisions	**(80)**	357	**237**	299
	(15,555)	(9,331)	**(39,907)**	(10,488)

[b] Reconciliation of liabilities arising from financing activities

			Non-cash changes					
	December 31, 2017	**Cash flows**	**Conversion**	**Foreign exchange**	**Accretion**	**Amortization**	**Fair value**	**June 30, 2018**
	$	$	$	$	$	$	$	$
Long-term debt	302,802	(87)	—	9,407	—	270	—	**312,392**
Convertible unsecured subordinated debentures	286,058	4,816	(8,678)	—	1,086	1,234	(2,063)	**282,453**
Obligations under finance leases	1,002	(944)	—	—	—	—	—	**58**
Derivatives held to hedge long-term borrowings	(1,768)	—	—	—	—	—	(726)	**(2,494)**
Total liabilities from financing activities	588,094	3,785	(8,678)	9,407	1,086	1,504	(2,789)	**592,409**

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

			Non-cash changes				
	December 31, 2016	**Cash flows**	**Foreign exchange**	**Accretion**	**Amortization**	**Fair value**	**June 30, 2017**
	$	$	$	$	$	$	$
Long-term debt	206,849	107,487	(5,946)	—	314	—	**308,704**
Convertible unsecured subordinated debentures	201,210	82,307	—	1,097	1,060	(4,290)	**281,384**
Finance leases	1,732	(110)	—	—	—	—	**1,622**
Derivatives held to hedge long-term borrowings	715	—	—	—	—	(814)	**(99)**
Total liabilities from financing activities	410,506	189,684	(5,946)	1,097	1,374	(5,104)	**591,611**

20. Financial instruments and financial risk management

[a] Foreign exchange contracts

To mitigate exposure to the fluctuating rate of exchange, AGI may enter into foreign exchange forward contracts and denominate a portion of its debt in U.S. dollars. As at June 30, 2018, AGI's U.S. dollar denominated debt totaled $199 million.

The Company had no outstanding foreign exchange forward contracts at June 30, 2018.

[b] Interest rate swap contracts

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. The interest rate swap contracts are derivative financial instruments designated as cash flow hedges and changes in the fair value were recognized as a component of other comprehensive income to the extent that it has been assessed to be effective. 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 4.3%. The underlying risk of the interest rate swaps is identical to the hedged risk component of the Company's borrowings. Therefore, the Company has established a hedge ratio of 1:1 for its hedging relationships. The notional amounts are $140,038 in aggregate, resetting the last business day of each month. The contracts expire between May 2019 and May 2022.

During the three- and six-month periods ended June 30, 2018, a gain of $136 and $726 [2017 – $634 and $814] was recorded in other comprehensive income (loss).

[c] Equity swap

On March 18, 2016, the Company entered into an equity swap agreement with a financial institution ["Counterparty"] to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. Pursuant to this agreement, the Counterparty has agreed to pay the Company the total return of the defined underlying common shares, which includes both the dividend income they may generate and any capital appreciation. In return, the Company has agreed to pay the Counterparty a funding cost calculated daily based on floating rate option [CAD-BA-COOR] plus a spread of 2.0% and any administrative fees or expenses that are incurred by the Counterparty directly.

As at June 30, 2018, the equity swap agreement covered 590,000 common shares of the Company at a price of $36.95, and the agreement matures on April 6, 2021.

As at June 30, 2018, the unrealized gain on the equity swap was $10,951, and in the three- and six-month periods ended June 30, 2018, the Company has recorded a gain in the unaudited interim condensed consolidated statements of income of $1,012 and $1,245 [2017 – loss of $3,576 and $2,601].

[d] Fair value

The fair value of cash and cash equivalents, cash held in trust, accounts receivable, trade payables and provisions, dividends payable, acquisition, transaction and financing costs payable, and due to vendor approximates the carrying value due to the short-term maturities of these instruments.

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the unaudited interim condensed consolidated financial statements:

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

	Level	June 30, 2018 Carrying amount	June 30, 2018 Fair value	December 31, 2017 Carrying amount	December 31, 2017 Fair value
		$	$	$	$
Financial assets					
Cash and cash equivalents	**1**	**18,473**	**18,473**	63,981	63,981
Cash held in trust	**1**	**16,381**	**16,381**	15,182	15,182
Accounts receivable	**2**	**146,548**	**146,548**	99,017	99,017
Derivative instruments	**2**	**13,445**	**13,445**	11,466	11,466
Available-for-sale investment	**3**	**—**	**—**	900	900
Investment	**3**	**900**	**900**	—	—
Note receivable	**2**	**715**	**715**	789	789
Assets held for sale	**2**	**1,527**	**1,527**	2,842	2,842
Financial liabilities					
Interest-bearing loans and borrowings	**2**	**312,450**	**309,949**	303,978	304,306
Trade payables and provisions	**2**	**117,067**	**117,067**	101,980	101,980
Dividends payable	**2**	**3,295**	**3,295**	3,232	3,232
Due to vendor	**2**	**16,155**	**16,155**	33,309	33,309
Contingent consideration	**3**	**10,151**	**10,151**	9,037	9,037
Convertible unsecured subordinated debentures	**2**	**282,453**	**309,788**	286,058	314,129

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The fair value of unquoted instruments and loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and foreign exchange spot and forward rates.

- AGI includes its investment, which is in a private company, in Level 3 of the fair value hierarchy as it trades infrequently and has little price transparency. AGI reviews the fair value of this investment at each reporting period and when recent arm's length market transactions are not available, management's estimate of fair value is determined using a market approach based on external information and observable conditions where possible, supplemented by internal analysis as required.

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

21. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and six-month period ended June 30, 2018, the total cost of these legal services related to general matters was $10 and $574 [2017 – $15 and $261], and $50 is included in accounts payable and accrued liabilities as at June 30, 2018.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the owner of Salthammer Inc. During the three- and six-month period ended June 30, 2018, the total cost of these consulting services related to AGI's international plant expansion project was $14 and $80 [2017 – $45 and $104], and nil is included in accounts payable and accrued liabilities as at June 30, 2018.

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

22. Reportable business segment

The Company manufactures agricultural equipment with a focus on grain handling, storage and conditioning products. As at June 30, 2018, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included the similar long-term average gross margins and growth rates across the segments, the nature of the products manufactured by the segments all being related to the handling, storage and conditioning of agricultural commodities, and the similarity in the production processes of the segments.

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

	Three-month period ended		**Six-month period ended**	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	$	$	$
Canada	**102,920**	89,661	**176,242**	154,982
United States	**98,573**	91,668	**185,094**	149,545
International	**58,662**	39,736	**112,485**	71,074
	260,155	221,065	**473,821**	375,601

The sales information above is based on the location of the customer. The Company has no single customer that represents 10% or more of the Company's sales.

23. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of $11,266 [2017 – $2,673].

[b] Letters of credit

As at June 30, 2018, the Company has outstanding letters of credit in the amount of $4,229 [December 31, 2017 – $2,474].

[c] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

24. Subsequent Event

Effective July 26, 2018, the Company acquired 100% of the shares of Sabe Group Companies [collectively, "Sabe"] for a maximum purchase price of $27.3 million. Based in Chauche, France, Sabe is a provider of processing solutions to the food, pet food, animal feed, fertilizer and biomass industries. Upon acquisition, $19.8 million of the purchase price was paid to the vendors with funds available through existing credit facilities. The remaining payments are contingent on certain earnings targets and continued employment of key members of the company's senior management.