

**AG GROWTH INTERNATIONAL INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Dated: August 9, 2018**

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, 2017, the Management Discussion and Analysis (the "Annual MD&A") of the Company for the year ended December 31, 2017 and the unaudited interim condensed consolidated comparative financial statements of the Company and accompanying notes for the three and six month periods ended June 30, 2018.

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, the 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](http://www.sedar.com)).

**SUMMARY OF RESULTS**

(thousands of dollars except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade sales <sup>(1)(2)(4)</sup>	262,651	222,241	476,748	376,930
Adjusted EBITDA <sup>(1)(3)(4)</sup>	49,220	40,099	79,947	66,001
Profit	12,792	14,749	17,735	19,876
Diluted profit per share	\$0.75	\$0.88	\$1.06	\$1.22
Adjusted profit <sup>(1)</sup>	22,282	13,903	33,745	21,614
Diluted adjusted profit per share <sup>(1)(5)</sup>	\$1.21	\$0.84	\$1.91	\$1.33

(1) See "Non-IFRS Measures".

(2) See "Operating Results – Trade Sales".

(3) See "Operating Results - EBITDA and Adjusted EBITDA".

(4) The Company adopted IFRS 15 in 2018 without retrospective application and as a result in Q1 2018 recorded sales and adjusted EBITDA of \$4.4 million and \$1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, these amounts have been adjusted for in the 2017 figures in the above table and elsewhere in this MD&A.

(5) See "Detailed Operating Results - Diluted profit per share and diluted adjusted profit per share".

Trade sales and adjusted EBITDA were at record levels in both the three and six-month periods ended June 30, 2018 due to continued momentum in international sales, a robust Canadian Commercial market and strong portable grain handling sales in the U.S. Excluding acquisitions, international sales increased 44% compared to the prior year, easily surpassing record highs due to continued strength in EMEA and higher sales in Brazil. Commercial activity in the Canadian

fertilizer and grain segments remains very high due to the evolution of fertilizer distribution and expansion of the Canadian grain handling infrastructure. In the United States, prospects of another large crop and pent up demand have resulted in recovering sales of portable grain handling equipment. Adjusted EBITDA as a percentage of sales in Q2 increased to 18.7%, up significantly compared to Q1 2018 due to higher sales volumes, sales mix and a narrowing of the operating loss in Brazil. Higher adjusted EBITDA was offset by a translation loss on foreign exchange, resulting in lower profit and profit per share, while adjusted profit and adjusted profit per share increased significantly compared to 2017.

## **BASIS OF PRESENTATION - ACQUISITIONS**

When comparing current year results to 2017, we have in some cases noted the impact of acquisitions made in 2017 and 2018. When noted, both the 2017 and 2018 periods exclude results from the acquisitions of Global Industries, Inc. ("Global") (April 4, 2017), CMC Industrial Electronics Ltd. and CMC Industrial Electronics USA, Inc. (collectively, "CMC") (December 22, 2017), Junge Control, Inc. ("Junge") (December 28, 2017) and Danmare Group Inc. and its affiliate Danmare, Inc. (collectively, "Danmare") (February 22, 2018).

In the disclosure that follows, CMC, Junge and Danmare are categorized as Commercial divisions. Three of the four operating divisions of Global are categorized as Farm divisions – MFS, York and Brownie (collectively, "MFS") (storage bins, stationary grain handling equipment, and structural components), Hutchinson and Mayrath ("Hutch") (portable and stationary grain handling equipment) and NECO (grain dryers and aeration equipment). Sentinel Building Systems (steel buildings) is categorized as a Commercial division.

### **Subsequent Event – Acquisition**

On July 26, 2018, AGI announced the acquisition of the Sabe group of companies (collectively, "Sabe"), a provider of processing solutions to the food, pet food, animal feed, fertilizer and biomass industries. Based in Chauché, France, Sabe's sales and adjusted EBITDA in its most recently completed fiscal year were approximately €16.4 million and €2.5 million, respectively. Sabe serves a global client base and has a turnkey approach that typically involves engineering, project management, manufacturing of equipment, and installation. Sabe joins Mitchell Mill Systems and Danmare as recent additions to AGI's growing Food platform.

## **OUTLOOK**

Crop conditions in North America are generally very positive and recent reports from both the USDA and Statistics Canada are supportive of market expectations of a large North American crop, particularly in the U.S. Demand for portable grain handling equipment in the U.S. remains very high due to underinvestment in recent years and the expectation of a favourable harvest in 2018. Order backlogs in the U.S. for both portable grain handling equipment and grain storage systems remain strong. Farm demand in Canada is stable and consistent with longer-term averages, however is not at the very high levels experienced in 2017. Favourable growing conditions in North America have compensated for a later than average planting and the benefit to AGI of a late harvest is no longer anticipated. Based on current conditions, management anticipates that Farm sales and EBITDA in the second half of fiscal 2018 will approximate 2017 levels.

Management anticipates that strong Commercial sales in North America in the second half of 2018 will result from robust demand in Canada for fertilizer and grain systems, offset by lower year-over-year activity in the U.S. In addition, management expects results to benefit from the recent

acquisitions of CMC, Junge and Danmare. AGI's Commercial backlog in North America is substantially higher than the prior year. International sales momentum is expected to continue in the second half due to a very strong backlog with particular strength in EMEA and South America. The recent addition of Sabe in France is also expected to contribute to strong international results. Overall, management anticipates sales and EBITDA related to Commercial equipment in 2018 will be higher than the prior year.

Second quarter results in Brazil improved over previous quarters due to higher sales volumes, improving manufacturing processes and a less significant impact from start-up related costs. Commercial sales and backlog have grown significantly, as AGI's local presence and growing brand recognition in South America is leading to increasing opportunities with local and multinational participants. Farm sales in Brazil increased over the prior year, however access to capital and a cautious approach to capital investment continue to contribute to a competitive marketplace. AGI's backlog in Brazil is substantially higher than the prior year, and management anticipates results will continue to improve in the second half of 2018. Net of start-up related costs, management anticipates a positive contribution from AGI Brazil in the second half of 2018.

On balance, management anticipates trade sales and adjusted EBITDA in the second half of fiscal 2018 will increase compared to 2017. AGI's platform expansion, most significantly to date into the fertilizer and food segments, is resulting in a reduction in our seasonality and cyclicity, and a lower correlation to grain volumes and harvest in a particular season. Accordingly, a higher proportion of our sales and EBITDA are falling into the first half of our fiscal year. Results in the second half of 2018 are expected to benefit from strong demand for Commercial equipment in Canada, a significant increase in international sales and improved demand for Farm equipment in the United States. In addition, trade sales and EBITDA in 2018 are expected to benefit from the recent acquisitions of CMC, Junge, Danmare and Sabe, as well as from improving results in Brazil.

Trade sales and adjusted EBITDA in 2018 will be influenced by, among other factors, weather patterns, crop conditions, the timing of harvest and conditions during harvest and changes in input prices, including steel. Steel prices have increased significantly over the last number of quarters and volatility in steel markets may be exacerbated by additional U.S. trade actions. The Company endeavors to mitigate its exposure to higher input costs through strategic procurement of steel, sales price increases and limiting the length of time commercial quotes remain valid, however the pace and volatility of input price increases may negatively impact financial results. Other factors that may impact results in 2018 include the impact of existing and potential future trade actions, the rate of exchange between the Canadian and U.S. dollars, changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets, and the timing of Commercial customer commitments and deliveries.

## OPERATING RESULTS

**Trade Sales<sup>(1)</sup>** (see "Non-IFRS Measures" and "Basis of Presentation - Acquisitions")

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
(thousands of dollars)	\$	\$	\$	\$
Trade sales <sup>(1)</sup>	262,651	222,241	476,748	376,930
Foreign exchange loss <sup>(2)</sup>	(2,496)	(1,176)	(2,927)	(1,329)
<b>Total sales <sup>(1)</sup></b>	<b>260,155</b>	<b>221,065</b>	<b>473,821</b>	<b>375,601</b>

## Trade Sales<sup>(1)</sup> by Geography

(thousands of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Canada, excluding acquisitions	100,611	89,041	172,746	154,362
Acquisitions	2,308	620	3,496	620
<b>Total Canada</b>	<b>102,919</b>	<b>89,661</b>	<b>176,242</b>	<b>154,982</b>
U.S., excluding acquisitions	55,196	64,594	110,640	122,624
Acquisitions	45,871	28,250	77,380	28,250
<b>Total U.S.</b>	<b>101,067</b>	<b>92,844</b>	<b>188,020</b>	<b>150,874</b>
International, excluding acquisitions	50,484	31,233	90,307	62,571
Acquisitions	8,181	8,503	22,179	8,503
<b>Total International</b>	<b>58,665</b>	<b>39,736</b>	<b>112,486</b>	<b>71,074</b>
Total excluding acquisitions	206,291	184,868	373,693	339,557
Total acquisitions	56,360	37,373	103,055	37,373
<b>Total Trade Sales<sup>(1)</sup></b>	<b>262,651</b>	<b>222,241</b>	<b>476,748</b>	<b>376,930</b>

## Trade Sales<sup>(1)</sup> by Category

(thousands of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Farm	93,930	88,260	167,104	164,535
Farm - acquisitions	44,028	32,593	80,102	32,593
<b>Total Farm</b>	<b>137,958</b>	<b>120,853</b>	<b>247,206</b>	<b>197,128</b>
Commercial	112,361	96,608	206,589	175,022
Commercial - acquisitions	12,332	4,780	22,953	4,780
<b>Total Commercial</b>	<b>124,693</b>	<b>101,388</b>	<b>229,542</b>	<b>179,802</b>
<b>Total Trade Sales<sup>(1)</sup></b>	<b>262,651</b>	<b>222,241</b>	<b>476,748</b>	<b>376,930</b>

(1) The Company adopted IFRS 15 in 2018 without retrospective application and as a result in Q1 2018 recorded sales and adjusted EBITDA of \$4.4 million and \$1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, these amounts have been adjusted for in the 2017 figures in the above table and elsewhere in this MD&A.

(2) A portion of foreign exchange gains and losses are allocated to sales.

## Canada

- Trade sales in Canada, excluding acquisitions, increased over 2017 due to strong Commercial sales in both the grain and fertilizer markets, partially offset by lower farm sales compared against a very strong 2017 comparative. AGI's Commercial backlog in Canada remains at record levels.
- Sales from acquisitions relate primarily to sales of NECO grain dryers, which have increased significantly in Canada subsequent to our acquisition of Global, and due to the additions of Danmare and CMC whose results were in line with expectations.

## United States

- Excluding acquisitions, trade sales in the United States decreased compared to 2017 as strong sales of portable grain handling equipment were more than offset by lower activity in the Commercial sector.
- Trade sales from acquisitions in the United States remained strong as demand for MFS and Hutch equipment increased compared to pre-acquisition levels due to improving market dynamics for grain storage systems and other handling equipment. Sales from Junge, CMC and Danmare were in line with expectations.

## International

- International sales, excluding acquisitions, for the three and six-month periods increased 62% and 44% over the same periods in 2017. Strong sales in EMEA, including the Black Sea region, and higher sales in Brazil contributed to the strong results. Our international sales order backlog is significantly higher than at the same time in 2017. The backlog is geographically diverse, with particular strength in EMEA and South America.
- International sales from acquisitions relate primarily to offshore sales from MFS and Sentinel, which were concentrated in EMEA and Southeast Asia.

## Gross Margin (see "Non-IFRS Measures" and "Basis of Presentation - Acquisitions")

(thousands of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade sales <sup>(1)</sup>	262,651	222,241	476,748	376,930
Cost of inventories	179,836	152,252	327,180	252,776
<b>Gross margin <sup>(1)</sup></b>	<b>82,815</b>	<b>69,989</b>	<b>149,568</b>	<b>124,154</b>
<b>Gross margin as a % of trade sales</b>	<b>31.5%</b>	<b>31.5%</b>	<b>31.4%</b>	<b>32.9%</b>

(1) See "Non-IFRS measures".

Gross margin as a percentage of trade sales for the three months ended June 30, 2018 increased over Q1 2018 and was consistent with the prior year. The higher gross margin compared to Q1 2018 is attributable to higher sales volumes, sales mix, and improved results at MFS and in Brazil. For the six-month period ended June 30, 2018, gross margin as percentage of trade sales decreased compared to 2017, primarily due to lower margins in Brazil and at MFS in Q1 2018, and due to the impact of lower Farm sales volumes in Canada and the impact of higher steel prices on AGI's Farm business. The Company remains well positioned with respect to its steel inventory and has increased sales prices to reflect higher input costs, however as anticipated margins were negatively impacted as AGI honors committed pricing on its sales order backlog. AGI's Commercial gross margin percentages were consistent with the prior year, in part because our Commercial business is quoted using current input prices and accordingly is less susceptible to fluctuations in steel costs.

**EBITDA and Adjusted EBITDA** <sup>(6)</sup> (see “Non-IFRS Measures” and “Basis of Presentation – Acquisitions”)

The following table reconciles profit from continuing operations before income taxes to EBITDA and Adjusted EBITDA.

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
(thousands of dollars)	\$	\$	\$	\$
<b>Profit from continuing operations before income taxes</b>	<b>19,950</b>	<b>21,044</b>	<b>26,123</b>	<b>29,217</b>
Finance costs	8,815	9,116	17,216	15,452
Depreciation and amortization	7,993	8,259	15,924	14,712
<b>EBITDA</b>	<b>36,758</b>	<b>38,419</b>	<b>59,263</b>	<b>59,381</b>
Loss (gain) on foreign exchange	6,632	(4,034)	12,333	(4,616)
Share based compensation	2,972	2,526	4,674	4,882
Gain on financial instruments <sup>(2)</sup>	(1,012)	(3,576)	(1,245)	(2,601)
M&A expenses	700	477	868	1,087
Other transaction expenses <sup>(3)</sup>	2,287	3,754	2,423	5,125
Loss on sale of PP&E	286	30	216	12
Fair value of inventory from acquisitions <sup>(4)</sup>	597	2,503	1,183	2,731
Impairment <sup>(5)</sup>	-	-	232	-
<b>Adjusted EBITDA</b> <sup>(1)(6)</sup>	<b>49,220</b>	<b>40,099</b>	<b>79,947</b>	<b>66,001</b>

(1) See “Non-IFRS Measures”.

(2) See “Equity Compensation Hedge”.

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

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

(5) To record assets held for sale at estimated fair value.

(6) The Company adopted IFRS 15 in 2018 without retrospective application and as a result in Q1 2018 recorded sales and adjusted EBITDA of \$4.4 million and \$1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, these amounts have been adjusted for in the 2017 figures in the above table and elsewhere in this MD&A.

**DETAILED OPERATING RESULTS**

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
(thousands of dollars)	\$	\$	\$	\$
<b>Sales</b>				
Trade sales	262,651	222,241	476,748	376,930
Foreign exchange loss	(2,496)	(1,176)	(2,927)	(1,329)
	260,155	221,065	473,821	375,601

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
(thousands of dollars)	\$	\$	\$	\$
<b>Cost of goods sold</b>				
Cost of inventories	179,836	152,252	327,180	252,776
Depreciation /amortization	4,878	5,484	9,818	10,199
	184,714	157,736	336,998	262,975
<b>Selling, general and administrative expenses</b>				
SG&A expenses	37,666	35,456	76,514	66,724
M&A expenses	700	477	868	1,087
Other transaction expenses <sup>(2)</sup>	2,287	3,754	2,423	5,125
Depreciation /amortization	3,115	2,775	6,106	4,513
	43,768	42,462	85,911	77,449
<b>Other operating expenses</b>				
Net loss on disposal of PP&E	286	30	216	12
Net gain on financial instruments	(979)	(3,576)	(1,245)	(2,601)
Other	(492)	(581)	(940)	(934)
	(1,185)	(4,127)	(1,969)	(3,523)
Impairment charge	-	-	232	-
Finance costs	8,815	9,116	17,216	15,452
Finance expense (income)	4,093	(5,166)	9,310	(5,969)
<b>Profit from continuing operations before income taxes</b>	19,950	21,044	26,123	29,217
Income tax expense	7,158	6,316	8,388	9,367
<b>Profit for the period from continuing operations</b>	12,792	14,728	17,735	19,850
Profit from discontinued operations	-	21	-	26
<b>Profit for the period</b>	<b>12,792</b>	<b>14,749</b>	<b>17,735</b>	<b>19,876</b>
<b>Profit per share</b>				
Basic	0.78	0.92	1.08	1.26
Diluted	0.75	0.88	1.06	1.22

(1) See "Non-IFRS Measures".

(2) Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

(3) The Company adopted IFRS 15 in 2018 without retrospective application and as a result in Q1 2018 recorded sales and adjusted EBITDA of \$4.4 million and \$1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, these amounts have been adjusted for in the 2017 figures in the above table and elsewhere in this MD&A.

## **Impact of Foreign Exchange**

### *Gains and Losses on Foreign Exchange*

The 2018 loss on foreign exchange was a non-cash loss and related primarily to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the quarter. The gain on foreign exchange in 2017 also related to the impact of non-cash translation, partially offset by a realized loss on foreign exchange forward contracts of \$0.7 million. As at June 30, 2018, AGI has no outstanding foreign exchange contracts. See also "Financial Instruments – Foreign exchange contracts".

### *Sales and Adjusted EBITDA*

AGI's average rate of exchange for the three and six months ended June 30, 2018 was \$1.29 (2017 - \$1.35) and \$1.27 (2017 – \$1.34), respectively. A stronger Canadian dollar relative to the U.S. dollar results in lower reported sales for AGI, as U.S. dollar denominated sales are translated into Canadian dollars at a lower rate. Similarly, a stronger Canadian dollar results in lower costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a stronger Canadian dollar may result in lower input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA decreases when the Canadian dollar strengthens relative to the U.S. dollar.

## **Selling, General and Administrative Expenses ("SG&A")**

SG&A expenses in the three and six-month periods ended June 30, 2018, excluding M&A expenses, other transaction expenses and depreciation/amortization, were \$37.7 million (14% of trade sales) and \$76.5 million (16%), respectively, versus \$35.5 million (16%) and \$66.8 million (18%), respectively, in 2017. Excluding acquisitions, SG&A expenses in 2018 were \$29.8 million (14% of trade sales) and \$60.6 million (16%), respectively, versus \$28.7 million (16%) and \$60.0 million (18%) in 2017.

Excluding acquisitions, the increase in the three and six-month periods in 2018 is primarily the result of recurring expenses related to recent investments in AGI's technology platform, offset by a one-time bad debt recovery of \$0.6 million. Compared to 2017, the six-month period ended June 30, 2018 also benefited from lower accounting and legal expenses in Q1 2018 of \$0.8 million. No other variances exceeded \$0.5 million.

## **Finance Costs**

Finance costs in the three and six-month periods ended June 30, 2018 were \$8.8 million and \$17.2 million, respectively, versus \$9.1 million and 15.5 million, respectively, in 2017. The lower expense in the three-month period ended June 30, 2018 is largely the result of the Q1 2018 refinancing of a convertible debenture series at a lower interest rate. The higher expense for the six months ended June 30, 2018 relates primarily to financing the acquisition of Global in April 2017. Finance costs in both periods include non-cash interest related to convertible debenture accretion, the amortization of deferred finance costs related to the convertible debentures, stand-by fees and other sundry cash interest.

### **Finance Expense (income)**

Finance expenses in the three and six-month periods ended June 30, 2018 were \$4.1 million and \$9.3 million, respectively, versus finance income of \$5.2 million and \$6.0 million, respectively, in 2017. 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.

### **Other Operating Income**

Other operating income in the three and six-month periods ended June 30, 2018 were \$1.2 million and \$2.0 million, respectively, versus \$4.1 million and \$3.5 million, respectively, in 2017. The income includes non-cash gains and losses on financial instruments (see "Equity Compensation Hedge") and gains on the sale of property plant and equipment. The increase in 2018 is primarily the result of income related to the delivery of equipment in accordance with the share purchase agreement with NuVision.

### **Depreciation and amortization**

Depreciation of property, plant and equipment and amortization of intangible assets are categorized in the income statement in accordance with the function to which the underlying asset is related. The increase in 2018 primarily relates to the acquisitions of Global, CMC, Junge and Danmare.

### **Income tax expense**

#### *Current income tax expense*

For the three and six-month periods ended June 30, 2018, the Company recorded current tax expense of \$4.7 million and \$5.1 million, respectively, versus \$1.9 million and \$4.2 million, respectively, in 2017. Current tax expense relates primarily to AGI's U.S. and Italian subsidiaries.

#### *Deferred income tax expense*

For the three and six-month periods ended June 30, 2018, the Company recorded deferred tax expense of \$2.5 million and \$3.3 million, respectively, versus \$4.4 million and 5.2 million, respectively, in 2017. Deferred tax expense in 2018 relates to the decrease of deferred tax assets plus an increase in deferred tax liabilities that relate to recognition of temporary differences between the accounting and tax treatment of property, plant and equipment, Intangible assets, Canadian exploration expenses and EIAP liability.

Upon conversion to a corporation from an income trust in June 2009 (the "Conversion") the Company received certain tax attributes that may be used to offset tax otherwise payable in Canada. The Company's Canadian taxable income is based on the results of its divisions domiciled in Canada, including the corporate office, and realized gains or losses on foreign exchange. For the six-month period ended June 30, 2018, the Company offset \$4.2 of Canadian tax otherwise payable (2017 – \$8.5 million). Through the use of these attributes and since the date of Conversion a cumulative amount of \$54.7 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company's income statement. As at June 30, 2018, the balance sheet asset related to these unused attributes was \$0.3 million.

### Effective tax rate

(thousands of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current tax expense	4,672	1,891	5,098	4,184
Deferred tax expense	2,486	4,425	3,290	5,183
<b>Total tax</b>	<b>7,158</b>	<b>6,316</b>	<b>8,388</b>	<b>9,367</b>

Profit from continuing operations before income taxes	19,950	21,044	26,123	29,217
Total tax %	35.9%	30.0%	32.1%	32.1%

The effective tax rate in 2018 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 per share and Diluted adjusted profit per share". The effective tax rate in 2018 was also impacted by the United States corporate income tax rate decrease.

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

Diluted profit per share in Q2 2018 was \$0.75 (2017 - \$0.88) and for the six-months ended June 30, 2018 was \$1.06 (2017 - \$1.22). The decrease is largely due to higher adjusted EBITDA being offset by higher finance costs and a loss on foreign exchange. Profit per share in 2018 and 2017 has been impacted by the items enumerated in the table below, which reconciles profit to adjusted profit:

(thousands of dollars except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Profit	12,792	14,749	17,735	19,876
Diluted profit per share	0.75	0.88	1.06	1.22
Loss (gain) on foreign exchange	6,632	(4,034)	12,333	(4,616)
Fair value of inventory from acquisition <sup>(2)</sup>	597	2,503	1,183	2,731
M&A expenses	700	477	868	1,087
Other transaction expenses <sup>(3)</sup>	2,287	3,754	2,423	5,125
Gain on financial instruments	(1,012)	(3,576)	(1,245)	(2,601)
Loss on sale of PP&E	286	30	216	12
Impairment charge <sup>(4)</sup>	-	-	232	-
<b>Adjusted profit <sup>(1)</sup></b>	<b>22,282</b>	<b>13,903</b>	<b>33,745</b>	<b>21,614</b>
Diluted adjusted profit per share <sup>(1)</sup>	1.21	0.84	1.91	1.33

(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 assets held for sale at estimated fair value.

## QUARTERLY FINANCIAL INFORMATION

(thousands of dollars other than per share amounts and exchange rate):

2018					
	Average USD/CAD Exchange Rate	Sales <sup>(1)</sup> \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q1	1.26	213,666	4,943	0.30	0.30
Q2	1.29	260,155	12,792	0.78	0.75
<b>YTD</b>	<b>1.27</b>	<b>473,821</b>	<b>17,735</b>	<b>1.08</b>	<b>1.06</b>

2017					
	Average USD/CAD Exchange Rate	Sales <sup>(1)</sup> \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q1	1.32	154,536	5,127	0.33	0.33
Q2	1.35	221,065	14,749	0.92	0.88
Q3	1.26	206,614	15,588	0.97	0.92
Q4 <sup>(1)</sup>	1.27	167,182	(1,800)	(0.11)	(0.11)
<b>YTD<sup>(1)</sup></b>	<b>1.31</b>	<b>749,397</b>	<b>33,664</b>	<b>2.11</b>	<b>2.08</b>

2016								
	From Continuing Operations						Total <sup>(2)</sup>	
	Avg USD / CAD FX Rate	Sales	Profit (Loss)	Basic Profit (Loss) per Share	Diluted Profit (Loss) per Share	Profit (Loss)	Basic Profit (Loss) per Share	Diluted Profit (Loss) per Share
Q1	1.38	111,723	6,257	\$0.43	\$0.42	5,697	\$0.39	\$0.38
Q2	1.29	140,837	4,245	\$0.29	\$0.28	5,285	\$0.36	\$0.35
Q3	1.34	158,680	12,952	\$0.87	\$0.84	13,034	\$0.88	\$0.85
Q4	1.32	120,376	(4,501)	(\$0.30)	(\$0.30)	(4,710)	(\$0.32)	(\$0.32)
<b>YTD</b>	<b>1.32</b>	<b>531,616</b>	<b>18,953</b>	<b>\$1.29</b>	<b>\$1.27</b>	<b>19,306</b>	<b>\$1.31</b>	<b>\$1.29</b>

(1) The Company adopted IFRS 15 in 2018 without retrospective application and as a result in Q1 2018 recorded sales and adjusted EBITDA of \$4.4 million and \$1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, these amounts have been adjusted for in the 2017 figures in the above table and elsewhere in this MD&A.

(2) Include results from Applegate and Mepu which were classified as discontinued operations in 2016.

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

- AGI's acquisitions of Entringer (Q1 2016), NuVision (Q2 2016), Mitchell (Q3 2016), Yargus (Q4 2016), Global (Q2 2017), CMC (Q4 2017), Junge (Q4 2017) and Danmare (Q1 2018) significantly impacts comparisons between periods of assets, liabilities and operating results. See "Basis of Presentation - Acquisitions".
- Sales, gain (loss) on foreign exchange, profit (loss), and profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial grain and fertilizer projects and higher in-season demand at the farm level. The seasonality of AGI's business may be impacted by several factors including weather and the timing and quality of harvest in North America. 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. Our sales historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and our 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 convertible debentures described under "Capital Resources", together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditure, dividend and debt service requirements.

## CASH FLOW AND LIQUIDITY

(thousands of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Profit before tax from continuing operations	19,950	21,044	26,123	29,217
Items not involving current cash flows	19,030	3,717	36,898	11,729
Cash provided by operations	38,980	24,761	63,021	40,946
Net change in non-cash working capital	(15,555)	(9,331)	(39,907)	(10,488)
Non-current accounts receivable and other	1,165	(262)	462	(1,141)
Long-term payables	-	-	(135)	-
Settlement of EIAP obligation	(60)	-	(2,010)	-
Costs related to put-option	-	(48)	-	(48)
Income tax recovered (paid)	(4,074)	(5,729)	(4,123)	(7,823)
Cash flows (used in) provided by operating activities	20,456	9,391	17,308	21,466
Cash used in investing activities	(9,666)	(158,798)	(40,713)	(183,205)
Cash (used in) provided by financing activities	(13,099)	179,180	(22,103)	234,139

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
(thousands of dollars)	\$	\$	\$	\$
Net increase (decrease) in cash from continuing operations during the period	(2,309)	29,773	(45,508)	72,380
Net (decrease) in cash from discontinued operations	-	39	-	26
Cash, beginning of period	20,782	45,368	63,981	2,774
<b>Cash, end of period</b>	<b>18,473</b>	<b>75,180</b>	<b>18,473</b>	<b>75,180</b>

Cash provided by operating activities in the three-month period ended June 30, 2018 increased compared to 2017 as a higher adjusted EBITDA was partially offset by increased use of working capital. For the six-month period then ended, cash provided by operating activities decreased compared to 2017 as the investment in working capital more than offset higher adjusted EBITDA in 2018. The change in 2018 is related primarily to an increase in inventory, the result of higher input costs, a higher level of business activity and the strategic procurement of steel, as well as an increase in accounts receivable related to higher sales. Offsetting these increases were an increase in accounts payable and the timing of customer deposits. Cash used in investing activities relates to the acquisitions of Junge and Danmare. Cash used in financing activities relates primarily to dividends paid and the redemption of the 2013 Convertible Debentures net of the issuance of the 2018 Convertible Debentures.

### Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable 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 increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. Requirements for 2018 have been generally consistent with historical patterns however recent acquisitions have had the effect of increasing working capital requirements in Q4 and Q1. Growth in international business has resulted in an increase in the number of days accounts receivable remain outstanding and result in increased usage of working capital in certain quarters. Working capital has also been deployed to secure steel supply and pricing. Recent acquisitions have not significantly impacted AGI's working capital requirements.

### Capital Expenditures

Maintenance capital expenditures in the three and six months ended June 30, 2018 were \$2.5 million (1.0% of trade sales) and \$5.5 million (1.2%), respectively, versus \$2.6 million (1.2%) and \$5.6 million (1.5%), respectively, in 2017. Maintenance capital expenditures in 2018 relate primarily to purchases of manufacturing equipment and building repairs.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures in the

three and six months ended June 30, 2018 of \$5.8 million and \$10.7 million, respectively, versus \$13.7 million and \$30.9 million, respectively, in 2017. In 2018, non-maintenance capital expenditures relate primarily to the purchase of manufacturing equipment and facility expansions.

Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. Non-maintenance capital expenditures are expected to approximate \$25 million in fiscal 2018. Maintenance and non-maintenance capital expenditures in 2018 are anticipated to be financed through bank indebtedness, cash on hand or through the Company's Credit Facility (see "Capital Resources").

## CONTRACTUAL OBLIGATIONS

The following table shows, as at June 30, 2018 the Company's contractual obligations for the periods indicated:

(thousands of dollars)	<b>Total</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023+</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
2014 Debentures	51,750	-	51,750	-	-	-	-
2015 Debentures	75,000	-	-	75,000	-	-	-
2017 Debentures	86,250	-	-	-	-	86,250	-
2018 Debentures	86,250	-	-	-	-	86,250	-
Long-term debt	314,309	83	134	125	216,042	40,005	57,920
Finance lease <sup>(1)</sup>	58	12	26	20	-	-	-
Operating leases	8,547	1,660	2,419	1,731	1,162	823	752
Due to vendor <sup>(2)</sup>	16,916	8,185	7,660	310	761	-	-
Contingent consideration	10,151	6,694	3,457	-	-	-	-
Purchase obligations <sup>(3)</sup>	11,266	11,266	-	-	-	-	-
<b>Total obligations</b>	<b>660,497</b>	<b>27,900</b>	<b>65,446</b>	<b>77,186</b>	<b>217,965</b>	<b>213,328</b>	<b>58,672</b>

(1) Includes interest.

(2) Partially settled with AGI inventory.

(3) Net of deposit.

The Debentures relate to the aggregate principal amount of the convertible debentures (see "Capital Resources - Convertible Debentures") and long-term debt is comprised of a revolver facility, term debt and non-amortizing notes (see "Capital Resources - Debt Facilities").

## CAPITAL RESOURCES

### Assets and Liabilities

(thousands of dollars)	<b>Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Total assets	1,182,897	1,148,385
Total liabilities	865,304	846,282

## Cash

The Company's cash balance at June 30, 2018 was \$18.5 million (December 31, 2017 - \$64.0 million; June 30, 2017 -75.2 million). The Company's cash balance at June 30, 2017 included a portion of the proceeds of AGI's February 2017 equity offering, which were subsequently used to finance the acquisition of Global.

## Debt Facilities

(thousands of dollars)	Currency	Maturity	Total Facility (CAD) \$	Amount Drawn \$	Effective Interest Rate
Operating Facility	CAD	2021	20,000	-	4.68%
Operating Facility	USD	2021	9,218	-	5.91%
Revolver <sup>(1)(2)</sup>	USD	2021		50,038	3.73%
Revolver <sup>(2)</sup>	USD	2021	170,000	26,336	5.91%
Revolver <sup>(2)</sup>	USD	2021		89,543	5.41%
Term Loan A <sup>(1)</sup>	CAD	2021	50,000	50,000	3.59%
Term Loan B <sup>(1)</sup>	CAD	2022	40,000	40,000	4.32%
Series B Notes <sup>(3)</sup>	CAD	2025	25,000	25,000	4.44%
Series C Notes <sup>(3)</sup>	USD	2026	32,920	32,920	3.70%
Equipment Financing <sup>(3)</sup>	CAD	2021	472	472	0.00%
Accordion	CAD	2021	75,000	-	5.00%
<b>Total</b>			<b>422,610</b>	<b>314,309</b>	

(1) Interest rate fixed via interest rate swaps. See "Interest Rate Swaps".

(2) Revolver facilities have a maximum combined total of \$170 million and can be drawn in CAD or USD.

(3) Fixed interest rate.

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of \$170 million from which CAD or USD can be drawn and a \$75 million accordion feature which is undrawn. The Company's Term Loans A and B are with the same chartered banks with which it has the Credit Facility. Amounts drawn under the Credit Facility bear interest at LIBOR plus 1.50% to LIBOR plus 3.00%, prime plus 0.2% to prime plus 1.75%, BA plus 1.50% to BA plus 3.0%, or BA plus 2.50% per annum based on covenant calculations.

The Company has issued US \$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.

AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

## Convertible Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures of the Company that were outstanding as at June 30, 2018:

<b>Year Issued / TSX Symbol</b>	<b>Aggregate Principal Amount \$</b>	<b>Coupon</b>	<b>Conversion Price \$</b>	<b>Maturity Date</b>	<b>Redeemable at Par <sup>(1)(2)</sup></b>
2014 (AFN.DB.B)	51,750,000	5.25%	65.57	Dec 31, 2019	Jan 1, 2019
2015 (AFN.DB.C)	75,000,000	5.00%	60.00	Dec 31, 2020	Jan 1, 2020
2017 (AFN.DB.D)	86,250,000	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, 2021

(1) At the option of the Company, at par plus accrued and unpaid interest.

(2) 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 of any series of convertible debentures, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred with respect to such series of debentures, elect to satisfy its obligation to pay the principal amount of such debentures, in whole or in part, by issuing and delivering for each \$100 due that number of freely tradeable Common Shares obtained by dividing \$100 by 95% of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred with respect to the applicable series of debentures, to satisfy all or part of its obligation to pay interest on such debentures by delivering sufficient freely tradeable Common Shares to satisfy its interest obligation.

On January 8, 2018, holders of the 2013 Debentures exercised the conversion option for \$8,679,000 aggregate principal amount, and were issued 157,781 common shares. On January 9, 2018, the Company redeemed the remaining 2013 Debentures.

On January 3, 2018 (and January 9, 2018, with respect to the over-allotment portion), the Company issued a new series of convertible unsecured subordinated debentures (the "2018 Debentures") (AFN.DB.E)) with an aggregate principal amount of \$86.25 million, a coupon of 4.50% and a maturity date of December 31, 2022. The 2018 Debentures have substantially the same terms as the other Debentures described above including being convertible at the holder's option at a conversion price of \$88.15 per common share, being redeemable at par on and after December 31, 2020 (and during the preceding twelve-month period, provided that the volume weighted average trading price of the Common Shares 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, and the principal and interest thereon may be satisfied through the issue of Common Shares in certain circumstances.

## COMMON SHARES

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

	<b># Common Shares</b>
December 31, 2017	16,160,916
Conversion of 2013 Debentures	157,781
Shares issued under EIAP	129,487
Shares issued under DRIP	26,132
<b>June 30, 2018</b>	<b>16,474,316</b>

At August 9, 2018:

- 16,474,316 Common Shares are outstanding;
- 1,215,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan (the "EIAP"), of which 846,678 have been granted and 368,322 remain unallocated;
- 73,985 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
- 4,640,965 Common Shares are issuable on conversion of the outstanding convertible debentures, of which there are an aggregate principal amount of \$282.5 million outstanding.

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

## DIVIDENDS

In the three months ended June 30, 2018, AGI declared dividends to shareholders of \$9.9 million (2017 - \$9.6 million). AGI's policy is to pay monthly dividends. 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, and through the DRIP. In the three-months ended June 30, 2018, dividends paid to shareholders were financed \$9.6 million (2017 - \$8.3 million) from cash on hand and \$0.3 million (2017 - \$1.3 million) by the DRIP. AGI suspended its DRIP in Q2 2018.

## FUNDS FROM OPERATIONS AND PAYOUT RATIO

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.

	Six Months Ended June 30		Last Twelve Months Ended June 30	
	2018	2017	2018	2017
(thousands of dollars)	\$	\$	\$	\$
Adjusted EBITDA <sup>(1)</sup>	79,947	66,001	137,275	120,640
Interest expense	(17,216)	(15,452)	(37,472)	(27,591)
Non-cash interest	1,813	2,471	6,580	4,681
Cash taxes	(4,123)	(7,823)	(4,767)	(16,480)
Maintenance CAPEX	(5,515)	(5,648)	(11,084)	(7,358)
IFRS 15 adjustment <sup>(1)</sup>	-	-	(1,532)	-
Realized loss on FX contracts	-	(710)	-	(8,867)
<b>Funds from operations</b>	<b>54,906</b>	<b>38,839</b>	<b>89,000</b>	<b>65,025</b>
Dividends	19,745	19,004	39,106	36,710
<b>Payout Ratio</b>	<b>36%</b>	<b>49%</b>	<b>44%</b>	<b>56%</b>

(1) The Company adopted IFRS 15 in 2018 without retrospective application and as a result in Q1 2018 recorded sales and adjusted EBITDA of \$4.4 million and \$1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, these amounts have been adjusted for in the 2017 figures in the above table and elsewhere in this MD&A.

## FINANCIAL INSTRUMENTS

### Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at June 30, 2018.

### 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 <sup>(2)</sup>
Term Loan A	CAD	2021	50,000	3.59%
Term Loan B	CAD	2022	40,000	4.32%
Revolver <sup>(1)</sup>	USD	2021	50,033	3.73%

(1) USD \$38.0 million converted at the rate of exchange at March 31, 2018.

(2) With performance adjustments.

The change in fair value of the interest rate swap contracts in place as at June 30, 2018 was an unrealized gain of \$0.1 million. The Company has elected to apply hedge accounting for these contracts and the unrealized gain has been recognized in other comprehensive income.

## **Equity Compensation hedge**

The Company holds an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at June 30, 2018, the equity swap agreement covered 590,000 Common Shares at a weighted average price of \$36.95 and the maturity date of the agreement is April 6, 2021.

## **2017 ACQUISITIONS**

### **Global Industries, Inc.**

On April 4, 2017, AGI acquired Global for U.S. \$100 million, subject to customary closing adjustments. Global is a diversified manufacturer of grain storage bins, portable and stationary grain handling equipment, grain drying and aeration equipment, structural components, and steel buildings. Global's normalized EBITDA averaged approximately U.S. \$11.5 million over the three years ended November 30, 2016, with fiscal 2016 being below the three-year average. In the four years prior to 2015, being the years before the current downturn in the U.S. farm market, Global's normalized EBITDA averaged approximately U.S. \$17 million. Three of Global's four operating divisions, representing approximately 85% of sales, are categorized as Farm divisions in this MD&A. Global's sales have historically been weighted approximately 75% in the U.S. with the majority of the balance overseas, and for its year-ended November 30, 2016, total sales were U.S. \$112 million.

### **CMC Industrial Electronics Ltd. and Junge Control, Inc.**

In December 2017, AGI acquired CMC and Junge. CMC is a leading supplier of hazard monitoring sensors and systems used in agricultural material handling applications. CMC also manufactures commercial bin monitoring sensors and systems. Junge is a leading manufacturer of automation, measurement and blending systems for the agriculture and fuel industries. Combined sales and adjusted EBITDA for the two entities in their most recently completed fiscal years were approximately \$15 million and \$4 million, respectively.

## **2018 ACQUISITIONS**

### **Danmare**

In February 2018, AGI acquired 100% of the shares of Danmare. Danmare provides engineering solutions and project management services to the food industry, with a specialization in automated systems for pet food, rice and pasta, confectionery, ready-to-eat foods, sauces and meat processing. Sales and adjusted EBITDA for Danmare in its most recently completed fiscal year were \$6.4 million and \$1.7 million, respectively.

## **RELATED PARTIES**

Burnet, Duckworth & Palmer LLP provides legal services to the Company and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to an offering of convertible debentures and general matters were \$0.6 million during the six-month period ended June 30, 2018 [2017 – \$0.3 million], and \$0.1 million 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.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the owner of Salthammer Inc. The total cost of these consulting services, related primarily to operations in Brazil, was \$0.1 million during the six-month period ended June 30, 2018 [2017 – \$0.1 million], and nil is included in accounts payable and accrued liabilities as at June 30, 2018.

## **CRITICAL ACCOUNTING ESTIMATES**

Described in the notes to the Company's 2017 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, 2017 for a discussion of the significant accounting judgments, estimates and assumptions.

## **RISKS AND UNCERTAINTIES**

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which are available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)). 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**

#### *IFRS 9, Financial instruments*

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 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.

For additional information, please refer to Note 3 of the accompanying notes of the unaudited interim condensed consolidated comparative financial statements for the three and six-month periods ended June 30, 2018.

#### *IFRS 15, Revenue from Contracts with Customers*

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.

For additional information, please refer to Note 3 of the accompanying notes of the unaudited interim condensed consolidated comparative financial statements for the three and six month periods ended June 30, 2018.

#### *IFRS 2, Share-based payment*

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.

### **Standards issued but not yet effective**

#### *IFRS 16, 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, with earlier application permitted only if the Company applies IFRS 15. The Company has not yet assessed the impact of the adoption of this standard on its unaudited interim condensed consolidated financial statements.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

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

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

Subsequent to June 30, 2017 AGI acquired CMC, Junge and Danmare. See "Basis of Presentation - Acquisitions". Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these acquired businesses. Since the acquisitions occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of these acquisitions, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of CMC, Junge and Danmare. The following is the summary financial information pertaining to CMC, Junge and Danmare that was included in AGI's consolidated financial statements for the six-month ended June 30, 2018:

(thousands of dollars)	CMC/Junge/Danmare \$
Revenue <sup>(1)</sup>	12,515
Profit (loss) <sup>(1)</sup>	(678)
Current assets <sup>(1)(2)</sup>	10,843
Non-current assets <sup>(1)(2)</sup>	30,286
Current liabilities <sup>(1)(2)</sup>	6,033
Non-current liabilities <sup>(1)(2)</sup>	85

(1) Net of intercompany

(2) Balance sheet as at June 30, 2018

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended June 30, 2018, 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 from continuing operations before income taxes, finance costs, depreciation and amortization. References to “adjusted EBITDA” are to EBITDA before the Company's gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, gains or losses on financial instruments, non-cash contingent consideration expenses, expenses related to corporate acquisition activity, fair value of inventory from acquisitions and impairment. 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 from continuing operations 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 and amortization 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 cash taxes, cash interest expense, realized losses on foreign exchange 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 (gain) loss on foreign exchange, fair value of inventory from acquisitions, transaction costs, non-cash loss (profit) on discontinued operations, contingent consideration expense and gain (loss) on sale of property, plant and equipment. See "Detailed Operating Results – Diluted profit per share and Diluted adjusted profit per share” for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit as reported.

In addition, this MD&A refers to: "normalized EBITDA" of Global for certain financial periods, which is earnings of Global before income taxes, finance costs, depreciation and amortization, and one-time events, and after certain normalization adjustments including owner/manager compensation structure, related party transactions, and rationalizations. The financial information in this MD&A relating to Global including normalized EBITDA is derived from Global's financial statements, which are prepared in accordance with United States generally accepted accounting principles, 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, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom including from purchasing and personnel synergies and margin improvement initiatives. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: 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 changes in international, national and local macroeconomic and business conditions, 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; and changes in trade relations between the countries in which the Company does business including between Canada and the United States. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A, our MD&A for the year ended December 31, 2017 and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)). These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

#### **ADDITIONAL INFORMATION**

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