AG GROWTH INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated: May 7, 2019

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, 2018, the Management's Discussion and Analysis (the "Annual MD&A") of the Company for the year ended December 31, 2018 and the unaudited interim condensed consolidated comparative financial statements of the Company and accompanying notes for the three-month period ended March 31, 2019. Results are reported in Canadian dollars unless otherwise stated.

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

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

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

SUMMARY OF RESULTS

	Three-months Ended March 31	
	2019	**2018**
[thousands of dollars except per share amounts]	**$**	**$**
Trade sales [1][2]	216,198	214,097
Adjusted EBITDA [1][3]	30,637	30,727
Profit [4]	13,222	4,943
Diluted profit per share	0.70	0.30
Adjusted profit [1]	4,991	11,463
Diluted adjusted profit per share [1][4]	0.27	0.70

[1] See "Non-IFRS Measures".
[2] See "Operating Results – Three-Months Ended March 31, 2019 – Trade Sales".
[3] See "Operating Results – Three-Months Ended March 31, 2019 – EBITDA and Adjusted EBITDA".
[4] See "Detailed Operating Results –Diluted profit per share and diluted adjusted profit per share".

Trade sales increased over the prior year as robust demand for AGI Farm equipment and contributions from recent acquisitions offset the impact of challenging winter conditions in North America and the timing of international sales. Adjusted EBITDA was consistent with record 2018 levels as strong gross margins and improved results in Brazil were offset by SG&A expenses related to market growth, primarily branding and advertising initiatives. Adjusted profit and adjusted profit per share decreased compared to 2018, largely due to increases in 2019 in non-cash interest expense and intangible amortization, and due to an income tax recovery in 2018, however the positive impact of non-cash gains on foreign exchange and the Company's equity compensation swap resulted in a significant increase in profit and diluted profit per share compared to the prior year.

BASIS OF PRESENTATION - ACQUISITIONS

When comparing 2019 results to 2018, we have in some cases noted the impact of acquisitions made in 2019 and 2018. When noted, both the 2019 and 2018 periods exclude results from acquisitions made in those years, namely Danmare Group Inc. and its affiliate Danmare, Inc. [collectively, "Danmare"] [February 22, 2018], Cobalt Investissement and its wholly owned subsidiaries [collectively "Sabe"] [July 26, 2018], Improtech Ltd. ["Improtech"] [January 18, 2019], IntelliFarms, LLC ["IntelliFarms"] [March 5, 2019], and Milltec Machinery Limited ["Milltec"] [March 28, 2019].

In the disclosure that follows, Danmare, Sabe, Improtech and Milltec are categorized as Commercial divisions. IntelliFarms is categorized as a Farm division.

OUTLOOK

Successive large crops in North America have resulted in sustained demand for AGI Farm equipment, particularly for portable grain handling equipment, while sales and backlogs of grain drying and aeration equipment have benefited from market share growth and wet conditions throughout North America. Orders for grain storage systems in the U.S. have been negatively impacted by difficult winter conditions, however management anticipates backlogs to grow in the near-term as U.S. farmers remain incented to add storage due to low commodity prices and a shortfall in existing storage capacity. Overall, AGI's backlog for Farm equipment is higher than at the same time in 2018 and management anticipates Q2 2019 and fiscal 2019 sales to increase over the prior year.

AGI's Commercial backlog in Canada remains very strong due to continued investment in Canadian commercial grain handling infrastructure, including in port facilities and inland terminals. In the United States, Commercial activity is expected to remain stable compared to the prior year. Offshore, sales in Q1 2019 were the second highest on record and backlogs remain above the very strong levels of 2018 due largely to a higher backlog in Brazil and contributions from acquisitions. AGI's quoting pipeline in EMEA and elsewhere is very active and management anticipates the current backlog will increase in the near-term. Commercial sales growth is anticipated in Q2 2019 and fiscal 2019, however the expectation remains that sales growth in all regions, including Brazil, will be weighted towards the second half.

On March 28, 2019, AGI announced the completion of its acquisition of Milltec, a manufacturer of rice milling and processing equipment in India. For the twelve months ended January 31, 2019, Milltec's sales and EBITDA were $56.2 million and $10.1 million, respectively. Milltec's results in calendar 2019 will be impacted by, among other things, the Indian monsoon season which is currently expected to approximate historical averages. Milltec's sales reflect agricultural seasonality in India, and historically approximately 70% of their sales have occurred in the first and fourth calendar quarters, while sales have been lowest in the second quarter of the calendar year. Management anticipates Milltec's historical seasonality will continue in 2019.

Overall, positive demand drivers for AGI Farm equipment, including the expectation of another large crop in North America, are expected to drive sales growth across all Farm product categories in 2019. Commercial sales are expected to benefit from existing backlogs and near-term opportunities, as well as the recent addition of Milltec in India. Management anticipates AGI sales and adjusted EBITDA for Q2 2019 and fiscal 2019 will increase compared to the prior year, with the most significant growth expected to occur in the second half of the year.

Trade sales and adjusted EBITDA in 2019 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. 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 2019 include the impact of existing and potential future trade actions, the ability of our customers to access capital, 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.

IFRS 16, Leases [“IFRS 16”]

In 2019 the Company adopted IFRS 16 and recorded a right of use asset and a lease liability of $9,071 as at January 1, 2019. The Company applied IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated. In the comparative three-month period ending March 31, 2018, adjusted EBITDA included expenses related to operating leases of $752 of which $632 would have related to right of use assets under IFRS 16. In the three-month period ended March 31, 2019 under IFRS 16, these payments are not categorized as an operating expense and instead AGI has recorded depreciation expense of $704 related to its right of use assets.

OPERATING RESULTS – THREE-MONTHS ENDED MARCH 31, 2019

Trade Sales [see "Non-IFRS Measures" and “Basis of Presentation - Acquisitions”]

	Three-months Ended March 31		
	2019	**2018**	**Change**
[thousands of dollars]	**$**	**$**	**$**
Trade sales	216,198	214,097	2,101
Foreign exchange loss [1]	(1,163)	(431)	(732)
Total sales	215,035	213,666	1,369

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

Trade Sales by Geography

	Three-months Ended March 31		
	2019	2018	Change
[thousands of dollars]	$	$	$
Canada, excluding acquisitions	75,960	72,989	2,971
Acquisitions	1,451	334	1,117
Total Canada	77,411	73,323	4,088
U.S., excluding acquisitions	91,682	86,581	5,101
Acquisitions	3,015	372	2,643
Total U.S.	94,697	86,953	7,744
International, excluding acquisitions	38,557	53,821	(15,264)
Acquisitions	5,533	-	5,533
Total International	44,090	53,821	(9,731)
Total excluding acquisitions	206,199	213,391	(7,192)
Total acquisitions	9,999	706	9,293
Total Trade Sales	**216,198**	**214,097**	**2,101**

Trade Sales by Category

	Three-months Ended March 31		
	2019	2018	Change
[thousands of dollars]	$	$	$
Farm	110,708	109,248	1,460
Farm – acquisitions	1,023	-	1,023
Total Farm	111,731	109,248	2,483
Commercial	95,491	104,143	(8,652)
Commercial - acquisitions	8,976	706	8,270
Total Commercial	104,467	104,849	(382)
Total Trade Sales	**216,198**	**214,097**	**2,101**

Canada

- Trade sales in Canada, excluding acquisitions, increased 4% over Q1 2018 despite the impact of difficult winter conditions in western Canada:
    - Sales of Farm equipment increased across most product categories with particular strength in aeration and grain drying. Farm backlogs in Canada remain higher than 2018.
    - Commercial sales decreased as the prior year included certain fertilizer projects with low margin pass-through items. Excluding these projects from the March 31, 2018 backlog, the Canadian commercial backlog in the current year is higher than the strong backlogs recorded at the same time in 2018.
- Sales from acquisitions relate primarily to Danmare and Improtech.

United States

- Trade sales in the U.S., excluding acquisitions, increased 6% over 2018:
    - Demand for grain dryers and portable grain handling equipment resulted in increased sales compared to 2018, and backlogs for these products are higher than the prior year. Total Farm backlogs are lower than 2018 due to the impact of challenging winter conditions on the timing of sales of grain storage systems.
    - Sales of Commercial equipment in Q1 2019 were level compared to the prior year, while Commercial backlogs in the U.S. are lower compared to March 31, 2018. Demand for Commercial equipment in the United States is anticipated to remain stable.
- Trade sales from acquisitions in the United States increased as a result of Danmare and IntelliFarms.

International

- International trade sales, excluding acquisitions, decreased 28% compared to 2018:
    - Strong sales in Brazil and continued strength in EMEA resulted in Q1 2019 international sales being the second highest on record. The decrease compared to the record sales levels of Q1 2018 largely related to the timing of customer projects in the current year compared against Q1 2018 which included shipments to large projects in Ukraine.
- As noted in our Q4 2018 Outlook, international sales in the current year are expected to be weighted towards the second half of the year due to customer timing requirements. International backlogs are consistent with 2018 levels and management anticipates the current backlog will increase in the near-term.
- International sales from acquisitions relate primarily to Sabe.

Gross Margin [see "Non-IFRS Measures" and "Basis of Presentation - Acquisitions"]

	Three-months Ended March 31	
	2019	2018
[thousands of dollars]	$	$
Trade sales [1]	216,198	214,097
Cost of inventories	145,858	147,344
Gross margin [1]	**70,340**	**66,753**
Gross margin as a % of trade sales	**32.5%**	**31.2%**

[1] See "Non-IFRS measures".

The increase in gross margin compared to the prior was the result of a number of factors, including improved margins in Brazil and the inclusion in 2018 of lower margin pass-through items.

EBITDA and Adjusted EBITDA [see "Non-IFRS Measures" and "Basis of Presentation – Acquisitions"]

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

	Three-months Ended March 31	
	2019	2018
[thousands of dollars]	$	$
Profit before income taxes	**17,821**	**6,173**
Finance costs	9,899	8,401
Depreciation and amortization	9,758	7,931
EBITDA	**37,478**	**22,505**
Loss (gain) on foreign exchange	(2,525)	5,701
Share based compensation	1,391	1,702
Gain on financial instruments [2]	(10,438)	(233)
M&A expenses	2,137	168
Other transaction and transitional costs [3]	2,624	136

Loss on sale of PP&E	(54)	(70)
Fair value of inventory from acquisitions [4]	24	586
Impairment [5]	-	232
Adjusted EBITDA [1]	**30,637**	**30,727**

[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.

DETAILED OPERATING RESULTS

	Three-months Ended March 31	
	2019	**2018**
[thousands of dollars]	**$**	**$**
Sales		
Trade sales	216,198	214,097
Foreign exchange loss	(1,163)	(431)
	215,035	213,666
Cost of goods sold		
Cost of inventories	145,858	147,344
Depreciation and amortization	5,422	4,940
	151,280	152,284
Selling, general and administrative expenses		
SG&A expenses	42,040	38,848
M&A expenses	2,137	168
Other transaction and transitional costs [2]	2,624	136
Depreciation and amortization	4,336	2,991
	51,137	42,143
Other operating income		
Loss on disposal of PP&E	(54)	(70)
Gain on financial instruments	(10,438)	(233)
Other	(870)	(481)
	(11,362)	(784)

Impairment charge	-	232
Finance costs	9,899	8,401
Finance expense (income)	(3,740)	5,217
Profit before income taxes	17,821	6,173
Income tax expense	4,599	1,230
Profit for the period	**13,222**	**4,943**
Profit per share		
Basic	0.71	0.30
Diluted	0.70	0.30

[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.

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The 2019 gain on foreign exchange was a non-cash gain 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 three-month period ended March 31, 2019. As at March 31, 2019, 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-month period ended March 31, 2019 was $1.33 [2018 - $1.26]. A weaker Canadian dollar relative to the U.S. dollar results in higher reported sales for AGI, as U.S. dollar denominated sales are translated into Canadian dollars at a higher rate. Similarly, a weaker Canadian dollar results in higher costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA increases when the Canadian dollar weakens relative to the U.S. dollar.

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

SG&A expenses for the three-month period ended March 31, 2019 excluding M&A expenses, other transaction expenses and depreciation/amortization, were $42.0 million [19.4% of trade sales], versus $38.8 million [18.1% of trade sales] in 2018.

Excluding acquisitions, SG&A expenses in 2019 were $40.1 million [19.4% of trade sales] versus $38.7 million [18.1% of trade sales] in 2018. Variances to the prior year include the following:

- Sales & marketing expenses increased $1.0 million as AGI continued to invest in market growth initiatives including further investment in branding initiatives and its digital platform. Management anticipates these expenses will be ongoing however the year-over-year variance is expected to lessen later in 2019.
- No other individual variance greater was than $0.5 million.

Finance Costs

Finance costs for the three-month period ended March 31, 2019 were $9.9 million [2018 - $8.4 million]. Non-cash interest expense increased $1.0 million as deferred fees related to AGI's 2014 Debentures were expensed upon the announcement they would be redeemed in Q2 2019, and due to the amortization of fees related to the Company's debt refinancing in Q4 2018. The remaining increase relates primarily to higher interest rates.

Finance Expense (income)

Finance expense (income) for the three-month period ended March 31, 2019 was $(3.7) million [2018 - $5.2 million]. 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 for the three-month period ended March 31, 2019 was $11.4 million [2018 - $0.8 million]. Other operating income includes non-cash gains and losses on financial instruments and the increase in 2019 relates to a large gain on AGI's equity compensation hedge [see "Equity Compensation Hedge"].

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 the three-month period ended March 31, 2019 primarily relates to the acquisitions of Danmare, Sabe, Improtech and IntelliFarms as well as depreciation of $0.7 million that resulted from the adoption of IFRS 16.

Income tax expense

Current income tax expense

Current tax expense for the three-month period ended March 31, 2019 was $1.3 million [2018 - $0.4 million]. Current tax expense relates primarily to AGI's Canadian, U.S. and Italian subsidiaries.

Deferred income tax expense

Deferred tax expense for the three-month period ended March 31, 2019 was $3.3 million [2018 - $0.8 million]. Deferred tax expense in 2019 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 deferred finance fees, EIAP obligation, Canadian exploration expenses and equity swap.

Effective tax rate

	Three-months Ended March 31	
	2019	**2018**
[thousands of dollars]	**$**	**$**
Current tax expense	1,286	426
Deferred tax expense	3,313	804
Total tax	**4,599**	**1,230**
Profit before income taxes	17,821	6,173
Total tax %	25.8%	19.9%

The effective tax rate in 2019 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".

Diluted profit per share and diluted adjusted profit per share

Diluted profit per share in 2019 was $0.70 [2018 - $0.30]. Profit per share in 2019 and 2018 has been impacted by the items enumerated in the table below, which reconciles profit to adjusted profit. Adjusted diluted profit per share has decreased compared to 2018 largely due to a higher tax expense, the result of an income tax recovery in Q1 2018, and non-cash interest expense related to AGI's credit facility renewal in Q4 2018 and the redemption of AGI's 2014 Debentures.

	Three-months Ended March 31	
	2019	**2018**
[thousands of dollars except per share amounts]	**$**	**$**
Profit	13,222	4,943
Diluted profit per share	0.70	0.30
Loss (gain) on foreign exchange	(2,524)	5,701
Fair value of inventory from acquisition [2]	24	586
M&A expenses	2,137	168
Other transaction and transitional costs [3]	2,624	136
Gain on financial instruments	(10,438)	(233)
Loss on sale of PP&E	(54)	(70)
Impairment charge [4]	-	232
Adjusted profit [1]	**4,991**	**11,463**
Diluted adjusted profit per share [1]	0.27	0.70

[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]:

2019					
	Average USD/CAD Exchange Rate	**Sales $**	**Profit (Loss) $**	**Basic Profit per Share $**	**Diluted Profit per Share $**
Q1	1.33	215,035	13,222	0.71	0.70
YTD	**1.33**	**215,035**	**13.222**	**0.71**	**0.70**

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

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

- AGI's acquisitions of Danmare [Q1 2018], Sabe [Q3 2018], Improtech [Q1 2019], IntelliFarms [Q1 2019] and Milltec [Q1 2019] 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. Sales historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and cash flow has been lower in the first half of each calendar year. Internally generated funds are supplemented when necessary from external sources, primarily the Credit Facility [as defined below], to fund the Company's working capital requirements, capital expenditures, acquisitions and dividends. The Company believes that the debt facilities and debentures described under "Capital Resources", together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditure, dividend and debt service requirements.

CASH FLOW AND LIQUIDITY

	Three-months Ended March 31	
	2019	**2018**
[thousands of dollars]	**$**	**$**
Profit before tax	17,821	6,173
Items not involving current cash flows	(1,621)	17,868
Cash provided by operations	16,200	24,041
Net change in non-cash working capital	(29,858)	(24,352)
Non-current accounts receivable and other	(736)	(703)
Long-term payables	-	(135)
Settlement of EIAP obligation	(2,098)	(1,950)
Income tax paid	(673)	(49)
Cash flows used in operating activities	(17,165)	(3,148)
Cash used in investing activities	(129,689)	(31,047)
Cash provided by (used in) financing activities	203,323	(9,004)
Net increase (decrease) in cash during the period	56,469	(43,199)
Cash, beginning of period	33,610	63,981
Cash, end of period	**90,079**	**20,782**

Cash used in operating activities increased compared to 2018 largely due to an increase in non-cash working capital, as movement in customer deposits and accounts payable generated cash of $29.6 million in 2018 compared to a use of cash of $1.4 million in the current year. Cash used in investing activities relates to the acquisitions of Improtech, IntelliFarms and Milltec.

Cash provided by financing activities relates primarily to a draw on the Company's revolver facility to fund acquisitions and issuance of debentures in Q1 2019, less dividends paid.

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable in North America are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the second and third quarters that result from seasonality, typically lead to accounts receivable levels in North America increasing throughout the year and peaking in the third quarter. Inventory levels in North America typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. The recent expansion of AGI's fertilizer business has had the effect of increasing working capital requirements in Q4 and Q1, and Milltec's seasonality is opposite of that described above. In addition, AGI's growing business in Brazil is less seasonal due to the existence of two growing seasons in the country and the increasing importance of Commercial business in the region. Growth in overall international business has resulted in an increase in the number of days accounts receivable remain outstanding and may result in increased usage of working capital in certain quarters. Overall, requirements for AGI in 2019 are expected to be generally consistent with historical patterns.

Capital Expenditures

Maintenance capital expenditures in the three-month period ended March 31, 2019 were $3.3 million [1.5% of trade sales] versus 3.0 million [1.4% of trade sales] in 2018. Maintenance capital expenditures in 2019 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-month period ended March 31, 2019 of $6.8 million [2018 – $4.9 million]. In 2019, 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 $33 million in fiscal 2019. Maintenance and non-maintenance capital expenditures in 2019 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 March 31, 2019 the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total $	2019 $	2020 $	2021 $	2022 $	2023 $	2024+ $
2014 Debentures	51,750	51,750	-	-	-	-	-
2015 Debentures	75,000	-	75,000	-	-	-	-
2017 Debentures	86,250	-	-	-	86,250	-	-
2018 Debentures	86,250	-	-	-	86,250	-	-
2019 Debentures	86,250	-	-	-	-	-	86,250
Long-term debt	400,545	346	394	371	205	340,725	58,504
Lease liability	10,324	2,322	2,691	1,989	1,494	858	970
Short term and low value leases	612	244	162	133	71	2	-
Due to vendor	17,042	11,985	2,271	1,835	951	-	-
Contingent consideration	17,250	4,709	5,558	970	6,013	-	-
Preferred shares liability	32,120	-	-	19,272	12,848	-	-
Purchase obligations [1]	14,270	14,270	-	-	-	-	-
Total obligations	**877,663**	**85,626**	**86,076**	**24,570**	**194,082**	**341,585**	**145,724**

[1] Net of deposit.

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

CAPITAL RESOURCES

Assets and Liabilities

[thousands of dollars]	March 31 2019 $	March 31 2018 $
Total assets	1,520,009	1,169,547
Total liabilities	1,097,647	856,578

Cash

The Company's cash balance at March 31, 2019 was $90.1 million [2018 - $20.8 million]. On April 2, 2019, the Company redeemed from cash its $51.8 million principal amount 2014 Debentures.

Debt Facilities

[thousands of dollars]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Canadian Swing Line	CAD	2023	40,000	3,675	4.95%
Canadian Revolver Tranche A[4]	CAD	2023	135,000	104,953	5.06%
Canadian Revolver Tranche B	USD	2023	53,452	50,000	4.95%
U.S. Revolver [3][5]	USD	2023	233,852	182,004	5.73%
Series B Notes [6]	CAD	2025	25,000	25,000	4.44%
Series C Notes [6]	USD	2026	33,407	33,407	3.70%
Equipment Financing [6]	various	2025	1,436	1,436	Various
Total			**522,148**	**400,475**	

(1) USD denominated amounts translated to CAD at the rate of exchange in effect on March 31, 2019 of $1.3363.
(2) Excludes the $200 million accordion available under AGI's credit facility.
(3) Inclusive of USD $20 million swing-line facility.
(4) Interest rate fixed for $90 Million via interest rate swaps. See "Interest Rate Swaps".
(5) Interest rate fixed for US $38 Million via interest rate swaps. See "Interest Rate Swaps".
(6) Fixed interest rate.

The Company has a credit facility [the "Credit Facility"] with a syndicate of Canadian chartered and other banks that includes committed revolver facilities of $462 million from which CAD or USD can be drawn. Amounts drawn under the Credit Facility bear interest at BA or LIBOR plus 1.45% to BA or LIBOR plus 2.5% and prime plus 0.45% to prime plus 1.5% per annum based on performance 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.

Debentures

Convertible Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures of the Company that were outstanding as at March 31, 2019:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par (1)(2)
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, 2022

[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, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the Debentures by delivering sufficient common shares. The number of shares issued will be determined based on market prices at the time of issuance.

The Company redeemed its 2014 Debentures on April 2, 2019. Upon redemption, AGI paid to the holders of the 2014 Debentures $52,435 equal to the outstanding principal amount of the 2014 Debentures redeemed including all accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. Consequently, the Company expensed the remaining unamortized balance of $425 of deferred fees related to the 2014 Debentures. The expense was recorded to finance costs in the unaudited interim condensed consolidated statements of income.

Debentures

On March 19, 2019, the Company closed the offering of $75 million aggregate principal amount of senior subordinated unsecured debentures (the "2019 Debentures") and on March 26, 2019, closed the over-allotment option of $11.25 million. The following table summarizes the key terms of the 2019 Debentures that were outstanding as at March 31, 2019:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Maturity Date
2019 [AFN.DB.F]	86,250,000	5.40%	June 30 2024

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2019 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the 2019 Debentures by delivering sufficient common shares. The number of shares issued will be determined based on market prices at the time of issuance.

COMMON SHARES

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

	# Common Shares
December 31, 2018	18,363,780
Settlement of EIAP obligation	281,025
March 31, 2019	**18,644,805**
Conversion of 2017 Convertible Debentures	299
May 7, 2019	**18,645,104**

At May 7, 2019:

- 18,645,104 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 1,081,428 have been granted and 133,572 remain unallocated;
- 80,082 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
- 3,261,999 Common Shares are issuable on conversion of the outstanding convertible debentures, of which there are an aggregate principal amount of $247.5 million outstanding.

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

DIVIDENDS

AGI declared dividends to shareholders in the three-month period ended March 31, 2019 of $11.1 million [2018 - $9.9 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. In the three-month period ended March 31, 2019, dividends paid to shareholders of $11.1 million [2018 – $8.8 million] were financed from cash on hand and nil [2018 – $1.1 million] by the DRIP. AGI suspended its DRIP in Q2 2018.

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

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

	Three-Months Ended March 31		**Last Twelve Months Ended March 31**	
	2019	**2018**	**2019**	**2018**
[thousands of dollars]	**$**	**$**	**$**	**$**
Adjusted EBITDA	30,637	30,727	148,105	128,154
IFRS 15 adjustment [1]	-	-	-	(1,532)
Interest expense	(9,899)	(8,401)	(38,565)	(37,773)
Non-cash interest	1,892	886	7,212	7,000
Cash taxes	(673)	(49)	(10,599)	(6,422)
Maintenance CAPEX	(3,269)	(3,029)	(11,532)	(11,203)
Funds from operations	18,688	20,134	94,621	78,224
Dividends	11,128	9,860	41,917	38,869
Payout Ratio	**60%**	**49%**	**44%**	**50%**

[1] The Company adopted IFRS 15 in 2018 without retrospective application and as a result reversed sales and adjusted EBITDA of $5.3 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 last twelve months ended March 31, 2018 figures in the above table.

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 March 31, 2019.

Interest Rate Swaps

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

	Currency	Maturity	Amount of Swap [000's] $	Fixed Rate [1]
Canadian dollar contracts	CAD	2019	50,000	4.3%
Canadian dollar contracts	CAD	2022	40,000	3.8%
U.S. dollar contracts	USD	2020	38,000	3.8%

[1] With performance adjustments.

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 and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating income. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rates between 3.6% and 4.3%. The notional amounts are $140,779 in aggregate, resetting the last business day of each month. The contracts expire between May 2019 and May 2022.

During the three-month period ended March 31, 2019, a loss of $892 [2018 – gain of $590] was recorded on financial instruments.

Equity Compensation hedge

The Company is party to an equity swap agreement with a financial institution to manage the Company's cash flow exposure due to fluctuations in its share price related to the EIAP. As at March 31, 2019, the equity swap agreement covered 722,000 Common Shares at a weighted average price of $38.76 and the maturity date of the agreement is April 6, 2021.

As at March 31, 2019, the unrealized gain on the equity swap was $17,066, and in the three-month period ended March 31, 2019, the Company recorded a gain in other operating income of $11,096 [2018 – $233].

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 fiscal year-ended August 2017 were $6.4 million and $1.7 million, respectively.

Sabe

In July 2018, AGI acquired 100% of the outstanding shares of Sabe. Based in France, Sabe offers design, manufacturing, installation and commissioning of turnkey solutions to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base. Sales and adjusted EBITDA for Sabe in its fiscal year-ended May 2018 were €16.4 million and €2.2 million, respectively.

2019 ACQUISITIONS

Improtech

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

IntelliFarms

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

Milltec

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

SUBSEQUENT EVENT

On April 2, 2019, the Company redeemed its 2014 Debentures in accordance with the terms of the supplemental trust indenture dated December 1, 2014. Upon redemption, AGI paid to the holders of the 2014 Debentures the redemption price of $52,435 equal to the outstanding principal amount of the 2014 Debentures redeemed including accrued and unpaid interest up to but excluding the Redemption date, less taxes deducted or withheld.

Consequently, in the three-month period ended March 31, 2019, the Company expensed the remaining unamortized balance of $425 of deferred fees related to the 2014 Debentures. The expense was recorded to finance costs in the unaudited interim condensed consolidated statements of income.

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 general and other matters was $265 during the three-month period ended March 31, 2019

[2018 – $564], and $250 is included in accounts payable and accrued liabilities as at March 31, 2019. These transactions are measured at the exchange amount and were incurred during the normal course of business.

Salthammer Inc. previously provided consulting services to the Company, and a Director of AGI is a minority shareholder of Salthammer Inc. The total cost of these consulting services related to international plant expansion project was nil during the three-month period ended March 31, 2019 [2018 – $66], and nil is included in accounts payable and accrued liabilities as at March 31, 2019.

CRITICAL ACCOUNTING ESTIMATES

Described in the notes to the Company's 2018 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, 2018 for a discussion of the significant accounting judgments, estimates and assumptions.

RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which are available under the Company's profile on SEDAR [www.sedar.com]. These risks and uncertainties 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 16, Leases ["IFRS 16"]

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Effective January 1, 2019, the Company adopted IFRS 16 and the following are the policies for leases.

At inception of a contract, AGI assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset, which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, AGI has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant, and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. On adoption of IFRS 16, AGI used the incremental borrowing rate as required by the Standard.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rates, the amount expected to be payable under a residual value guarantee, or the Company's assessment of whether it will exercise a purchase, extension or termination option. Upon remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company has elected not recognize right of uses assets and lease liabilities for short-term leases (12 months or less) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a result of adoption of IFRS 16, the Company recorded a right of use asset and a lease liability of $9,071 as at January 1, 2019 on the consolidated statements of financial position.

IAS 19, Employee Benefits ["IAS 19"]

The Company adopted the amendments to IAS 19 with a date of application of January 1, 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

These amendments will be applied prospectively to any future plan amendments, curtailments or settlements of the Company; as at March 31, 2019, there were no such amendments.

IFRIC 23 – Uncertainty Over Income Tax Treatments

The Company adopted IFRIC 23 with a date of application of January 1, 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Company's adoption of IFRIC 23 did not have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

Standards issued but not yet effective

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

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

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

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 March 31, 2018 AGI acquired Sabe, Improtech, IntelliFarms and Milltec. 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 Sabe, Improtech, IntelliFarms and Milltec. The following is the summary financial information pertaining to Sabe, Improtech, IntelliFarms and Milltec that was included in AGI's consolidated financial statements for the three-month period ended March 31, 2019:

[thousands of dollars]	**Sabe/Improtech/IntelliFarms/Milltec** **$**
Revenue [1]	7,057
Profit (loss) [1]	(1,260)
Current assets [1][2]	45,363
Non-current assets [1][2]	184,504
Current liabilities [1][2]	48,349
Non-current liabilities [1][2]	40,792

[1] Net of intercompany

[2] Balance sheet as at March 31, 2019

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

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

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

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

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to “EBITDA” are to profit before income taxes, finance costs, depreciation and amortization. References to “adjusted EBITDA” are to EBITDA before the gain or loss on foreign exchange, non-cash share based compensation expenses, gain or loss on financial instruments, M&A expenses, other transaction and transitional costs, gain or loss on the sale of property, plant & equipment, gain or loss on disposal of assets held for sale and fair value of inventory from acquisitions and 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 – Three Months Ended March 31, 2019 - EBITDA and Adjusted EBITDA” for the reconciliation of EBITDA and Adjusted EBITDA to profit before income taxes.

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

References to “gross margin” are to trade sales less cost of inventories, and thereby exclude depreciation and amortization from cost of sales. Management believes that gross margin provides a useful supplemental measure in evaluating its performance. See "Operating Results – Three Months Ended March 31, 2019 – Gross Margin" for the calculation of gross margin.

References to “funds from operations” are to adjusted EBITDA less IFRS 15 adjustment, interest expense, non-cash interest, cash taxes and maintenance capital expenditures. Management believes that, in addition to cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating its performance. References to “payout ratio” are to dividends declared as a percentage of funds from operations. See "Funds from Operations and Payout Ratio" for the calculation of funds from operations and payout ratio.

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for the gain or loss on foreign exchange, fair value of inventory from acquisitions, M&A expenses, other transaction and transitional costs, gain or loss on financial instruments, gain or loss on sale of property, plant and equipment and impairment charge. 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.

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

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, "postulates", "predict", “will” or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for our future financial results including sales, EBITDA and adjusted EBITDA, 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, as well as sociopolitical conditions in certain local or regional markets, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company’s business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; 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 annual MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR [www.sedar.com]. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

ADDITIONAL INFORMATION

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

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

March 31, 2019

Ag Growth International Inc.

Unaudited interim condensed statements of financial position

[in thousands of Canadian dollars]

As at

	March 31, 2019 $	December 31, 2018 $
Assets		
Current assets		
Cash and cash equivalents	90,079	33,610
Cash held in trust and restricted cash	1,752	2,955
Accounts receivable *[note 6]*	160,361	134,239
Inventory	215,088	190,887
Prepaid expenses and other assets	33,230	26,031
Current portion of note receivable	99	85
Derivative instruments *[note 24[b] and [c]]*	55	185
Due from vendor	1,645	—
Income taxes recoverable	3,576	4,344
	505,885	392,336
Non-current assets		
Property, plant and equipment, net *[note 7]*	352,194	332,645
Right-of-use assets, net *[note 8]*	8,690	—
Goodwill *[note 9]*	347,470	256,619
Intangible assets, net *[note 10]*	276,328	233,199
Investment *[note 11]*	—	900
Non-current accounts receivable *[note 6]*	8,858	8,122
Note receivable	625	650
Derivative instruments *[note 24[b] and [c]]*	17,809	7,464
Deferred tax asset	1,008	455
	1,012,982	840,054
Assets held for sale *[note 12]*	1,142	1,169
Total assets	1,520,009	1,233,559
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 25]*	129,427	101,504
Customer deposits	49,046	47,941
Dividends payable	3,729	3,673
Income taxes payable	4,121	4,286
Current portion of due to vendor	13,517	7,973
Current portion of contingent consideration	8,900	4,552
Current portion of obligations under finance lease	—	65
Current portion of lease liability *[note 13]*	2,515	—
Current portion of long-term debt *[note 14]*	4,050	289
Current portion of convertible unsecured subordinated debentures *[note 15]*	51,750	51,750
Provisions	8,370	7,685
	275,425	229,718
Non-current liabilities		
Other financial liabilities	582	85
Due to vendor	3,525	1,376
Contingent consideration	6,918	1,834
Optionally convertible redeemable preferred shares *[note 5[e]]*	26,027	—
Obligations under finance lease	—	165
Lease liability *[note 13]*	5,998	—
Long-term debt *[note 14]*	393,452	271,132
Convertible unsecured subordinated debentures *[note 15]*	234,768	233,098
Senior unsecured subordinated debentures *[note 16]*	82,124	—
Deferred tax liability	68,828	61,952
	822,222	569,642
Total liabilities	1,097,647	799,360
Shareholders' equity *[note 17]*		
Common shares	454,807	450,645
Accumulated other comprehensive income	42,633	57,324
Equity component of convertible debentures	8,203	8,203
Contributed surplus	22,798	26,045
Deficit	(106,079)	(108,018)
Total shareholders' equity	422,362	434,199
Total liabilities and shareholders' equity	1,520,009	1,233,559

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income

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

	Three-month period ended	
	March 31, 2019	March 31, 2018
	$	$
Sales *[note 26]*	215,035	213,666
Cost of goods sold *[note 19[d]]*	151,280	152,284
Gross profit	63,755	61,382
Expenses		
Selling, general and administrative *[note 19[e]]*	51,137	42,143
Other operating income *[note 19[a]]*	(11,362)	(784)
Impairment	—	232
Finance costs *[note 19[c]]*	9,899	8,401
Finance expense (income) *[note 19[b]]*	(3,740)	5,217
	45,934	55,209
Profit before income taxes	17,821	6,173
Income tax expense *[note 21]*		
Current	1,286	426
Deferred	3,313	804
	4,599	1,230
Profit for the period	13,222	4,943
Profit per share *[note 22]*		
Basic	0.71	0.30
Diluted	0.70	0.30

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income (loss)

[in thousands of Canadian dollars]

	Three-month period ended	
	March 31, 2019	March 31, 2018
	$	$
Profit for the period	13,222	4,943
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	—	590
Exchange differences on translation of foreign operations	(13,667)	14,350
Income tax effect on cash flow hedges	—	(160)
	(13,667)	14,780
Items that will not be reclassified to profit or loss		
Change in the fair value of equity investment *[note 11]*	(900)	—
Actuarial losses on defined benefit plan	(170)	(54)
Income tax effect on defined benefit plan	46	15
	(1,024)	(39)
Other comprehensive income (loss) for the period	(14,691)	14,741
Total comprehensive income (loss) for the period	(1,469)	19,684

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2019

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency reserve $	Equity investment $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2019	450,645	8,203	26,045	(108,018)	57,417	—	(93)	434,199
Profit for the period	—	—	—	13,222	—	—	—	13,222
Other comprehensive loss	—	—	—	—	(13,667)	(900)	(124)	(14,691)
Share-based payment transactions *[note 17]*	4,162	—	(3,247)	—	—	—	—	915
Dividends paid to shareholders *[note 17[c]]*	—	—	—	(11,128)	—	—	—	(11,128)
Dividends on share-based						—		
compensation awards *[note 17[c]]*	—	—	—	(155)	—	—	—	(155)
As at March 31, 2019	454,807	8,203	22,798	(106,079)	43,750	(900)	(217)	422,362

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2018

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2018	323,199	9,903	20,956	(92,842)	1,283	28,618	(263)	290,854
Profit for the period	—	—	—	4,943	—	—	—	4,943
Other comprehensive income (loss)	—	—	—	—	430	14,350	(39)	14,741
Share-based payment transactions *[note 17]*	5,022	—	(3,691)	—	—	—	—	1,331
Dividend reinvestment plan *[note 17[c]]*	1,085	—	—	—	—	—	—	1,085
Dividends paid to shareholders *[note 17[c]]*	—	—	—	(9,860)	—	—	—	(9,860)
Dividends on share-based compensation awards *[note 17[c]]*	—	—	—	(236)	—	—	—	(236)
Issuance of convertible unsecured subordinated debentures *[note 15]*	—	1,433	—	—	—	—	—	1,433
Conversion of convertible unsecured subordinated debentures *[note 15]*	8,678	—	—	—	—	—	—	8,678
As at March 31, 2018	337,984	11,336	17,265	(97,995)	1,713	42,968	(302)	312,969

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

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

	Three-month period ended March 31, 2019 $	Three-month period ended March 31, 2018 $
Operating activities		
Profit before income taxes for the period	17,821	6,173
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	5,196	4,791
Depreciation of right-of-use assets	704	—
Amortization of intangible assets	3,858	3,140
Gain on sale of property, plant and equipment	(54)	(70)
Impairment charge	—	232
Non-cash component of interest expense	1,892	886
Non-cash movement in derivative instruments	(10,203)	(233)
Share-based compensation expense	1,391	1,702
Employer contribution to defined benefit plan	—	(4)
Defined benefit plan expense	33	34
Contingent consideration	1,848	99
Equipment provided to vendor	—	(115)
Translation loss (gain) on foreign exchange	(6,286)	7,406
	16,200	24,041
Net change in non-cash working capital balances related to operations *[note 23[a]]*	(29,858)	(24,352)
Non-current accounts receivable	(736)	(703)
Long-term payables	—	(135)
Settlement of EIAP obligation	(2,098)	(1,950)
Income taxes paid	(673)	(49)
Cash used in operating activities	(17,165)	(3,148)
Investing activities		
Acquisition of property, plant and equipment	(10,110)	(7,974)
Acquisitions, net of cash acquired *[notes 5[c], and 5[d]]*	(112,619)	(25,132)
Transfer to cash held in trust	—	(525)
Transfer from (to) restricted cash	557	(1,126)
Proceeds from sale of property, plant and equipment	176	116
Proceeds from sale of assets held for sale *[note 12]*	—	2,031
Development and purchase of intangible assets	(3,229)	(1,141)
Transaction costs paid and payable	(4,464)	2,704
Cash used in investing activities	(129,689)	(31,047)
Financing activities		
Issuance of long-term debt, net of issuance costs	128,649	—
Repayment of long-term debt	(77)	(60)
Repayment of obligation under finance leases	—	(940)
Repayment of obligation under lease liabilities	(710)	—
Change in interest accrued	3,734	(3,948)
Issuance of convertible unsecured subordinated debentures	82,800	82,196
Redemption of convertible unsecured subordinated debentures	—	(77,477)
Dividends paid in cash *[note 17[c]]*	(11,073)	(8,775)
Cash provided by (used in) financing activities	203,323	(9,004)
Net increase (decrease) in cash during the period	56,469	(43,199)
Cash and cash equivalents, beginning of period	33,610	63,981
Cash and cash equivalents, end of period	90,079	20,782
Supplemental cash flow information		
Interest paid	3,446	9,876

See accompanying notes

March 31, 2019

1. Organization

Ag Growth International Inc. ["AGI" or the "Company"] is a provider of solutions for the global food infrastructure, including seed, fertilizer, grain, feed, and food processing systems. AGI is a listed company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Statement of compliance and basis of presentation

[a] Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ["IAS"] 34, *Interim Financial Reporting* ["IAS 34"] 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 AGI for the three-month period ended March 31, 2019 were authorized for issuance in accordance with a resolution of the directors on May 6, 2019.

[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, investment, and optionally convertible redeemable preferred share ["OCRPS"] liability 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, 2018, 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, 2018, except for the adoption of new standards and interpretations effective as at January 1, 2019. 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.

IFRS 3, Business Combinations ["IFRS 3"]

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

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

3. Adoption of new accounting standards and policies

IFRS 16, *Leases* ["IFRS 16"]

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Effective January 1, 2019, the Company adopted IFRS 16 and the following are the policies for leases.

At inception of a contract, AGI assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, AGI has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant, and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. On adoption of IFRS 16, AGI used the incremental borrowing rate as required by the standard.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rates, the amount expected to be payable under a residual value guarantee, or the Company's assessment of whether it will exercise a purchase, extension or termination option. Upon remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use asset and lease liabilities for short-term leases [12 months or less] and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a result of adoption of IFRS 16, the Company recorded a right-of-use asset and a lease liability of $9,071 as at January 1, 2019 on the unaudited interim condensed consolidated statements of financial position.

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

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	$
Operating lease commitments as at December 31, 2018	**11,059**
Weighted average incremental borrowing rate as at January 1, 2019	5.02%
Discounted operating lease commitments at January 1, 2019	10,841
Less:	
Commitments relating to short-term and low-value leases	(1,770)
Lease liabilities as at January 1, 2019	**9,071**

Prior to January 1, 2019, the Company's policies under IAS 17 were as follows:

The determination of whether an arrangement is, or contains, a lease is based on whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset.

Finance leases, which transfer to AGI substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the unaudited interim condensed consolidated statements of income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that AGI will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in selling, general, and administrative expense in the unaudited interim condensed consolidated statements of income on a straight-line basis over the lease term.

IAS 19, *Employee Benefits* ["IAS 19"]

The Company adopted the amendments to IAS 19 with a date of application of January 1, 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

These amendments will be applied prospectively to any future plan amendments, curtailments, or settlements of the Company; as at March 31, 2019, there were no such amendments.

IFRIC 23, Uncertainty Over Income Tax Treatments ["IFRIC 23"]

The Company adopted IFRIC 23 with a date of application of January 1, 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Company's adoption of IFRIC 23 did not have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

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 second and 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] 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 contingent consideration of $1.0 million was guaranteed. Related to certain terms of the purchase agreement, $1,797 was expensed during the year ended December 31, 2018 and $219 was expensed during the three-month period ended March 31, 2019, of which $1,050 was paid during the three-month period ended March 31, 2019.

The purchase has been accounted for by the acquisition method, with the results of Danmare included in the Company's net earnings from the date of acquisition.

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

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

	$
Cash	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.

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 year ended December 31, 2018, the cash held in trust and the amounts due to vendor were paid and the allocation of the purchase price to acquired assets and liabilities was finalized. During the three-month period ended March 31, 2019, $1,050 of post combination expense was paid to the vendor.

Transaction costs related to the Danmare acquisition in the three-month period ended March 31, 2019 were $40 [2018 – $70] and are included in selling, general and administrative expenses.

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

[b] Sabe Group of Companies

Effective July 26, 2018, the Company acquired 100% of the outstanding shares of Cobalt Investissement and its wholly owned subsidiaries Sabe, Sabe Distribution, Agro Maintenance Système (AMS), Sabis and Société D'Études Techniques D'Installation (Setir) [collectively, "Sabe"]. Based in France, Sabe offers design, manufacturing, installation and commissioning of turnkey solutions to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	24,464
Cash acquired	3,708
Working capital adjustment	820
Contingent consideration	2,709
Employee loans	18
Long-term debt	(738)
Total purchase price	30,981
Post-combination expense	(4,436)
Purchase consideration	26,545

The $4.4 million of post-combination expense is expected to be expensed over the three-year period. During the three-month period ended March 31, 2019, $670 related to certain terms of the purchase agreement was expensed. In addition, contingent consideration of $2.7 million is payable based on an earnings target.

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

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

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

	$
Cash	3,708
Accounts receivable	2,090
Inventory	749
Prepaid expenses and other assets	135
Property, plant and equipment	4,233
Intangible assets	
Trade name	5,234
Customer relationships	6,493
Customer backlog	837
Goodwill	14,131
Accounts payable and accrued liabilities	(4,920)
Customer deposits	(585)
Income taxes payable	(123)
Deferred tax liability	(4,695)
Long-term payables	(4)
Long-term debt	(738)
Purchase consideration	26,545

The fair value of the accounts receivable acquired is $2,090. This consists of the gross contractual value of $2,332 less the estimated amount not expected to be collected of $242.

The goodwill of $14,131 comprises the value of the assembled workforce and other expected synergies arising from the acquisition. During the measurement period, further deferred tax liabilities existing at acquisition were identified, resulting in a $1,337 increase in deferred tax liability and an offsetting increase in goodwill, in the period ended March 31, 2019.

The components of the purchase consideration are as follows:

	$
Cash paid	23,432
Due to vendor	404
Contingent consideration	2,709
Purchase consideration	26,545

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

Transaction costs related to the Sabe acquisition in the three-month period ended March 31, 2019 were $73 [2018 – nil] and are included in selling, general and administrative expenses.

[c] Improtech Ltd.

Effective January 18, 2019, the Company acquired 100% of the outstanding shares of Improtech Ltd ["Improtech"]. Improtech is a professional engineering services firm specializing in providing engineering design, project management and integration of new machinery and processes within the food and beverage industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	3,000
Cash acquired	438
Working capital adjustment	479
Pre-paid tax instalments	124
Total purchase price	4,041
Post-combination expense	(2,000)
Purchase consideration	2,041

The $2 million of post-combination expense is expected to be expensed over a three-year period, contingent on certain conditions. During the three-month period ended March 31, 2019, $306 related to certain terms of the purchase agreement was expensed.

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

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

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

	$
Cash	438
Accounts receivable	1,422
Prepaid expenses and other assets	149
Property, plant and equipment	17
Right-of-use assets	131
Intangible assets	
Customer relationships	748
Goodwill	316
Accounts payable and accrued liabilities	(600)
Customer deposits	(249)
Lease liability	(131)
Deferred tax liability	(200)
Purchase consideration	2,041

The goodwill of $316 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,422. This consists of the gross contractual value of $1,447 less the estimated amount not expected to be collected of $25.

From the date of acquisition, Improtech contributed to the results $401 of revenue and $308 of net loss. If the acquisition had taken place as at January 1, 2019, revenue in 2019 would not have materially changed.

The components of the purchase consideration are as follows:

	$
Cash paid	1,000
Due to vendor	1,041
Purchase consideration	2,041

During the three-month period ended March 31, 2019, the amount due to vendor was paid in full.

Transaction costs related to the Improtech acquisition in the three-month period ended March 31, 2019 were $110 [2018 – nil] and are included in selling, general and administrative expenses.

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

[d] IntelliFarms LLC

Effective March 5, 2019, the Company acquired 100% of the LLC interests of IntelliFarms LLC [“IntelliFarms”]. IntelliFarms is a provider of hardware and software solutions that benefit grain growers, processors, and other participants in the agriculture market. IntelliFarms was founded in 2001 and is headquartered in Archie, Missouri.

	$
Purchase price	19,350
Cash acquired	53
Working capital adjustment	(131)
Contingent consideration	5,105
Customer deposits	(1,566)
Total purchase price	22,811
Post-combination expense	(7,340)
Purchase consideration	15,471

The $7.3 million of post-combination expense is expected to be expensed over a three-year period, contingent on certain conditions. During the three-month period ended March 31, 2019, $324 related to certain terms of the purchase agreement was expensed. In addition, contingent consideration of $5.1 million is payable based on an earnings target.

The purchase has been accounted for by the acquisition method, with the results of IntelliFarms included in the net earnings from the date of acquisition. The fair value of the assets acquired and the liabilities assumed has been determined on a provisional basis utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. Due to the proximity of the acquisition to the Company’s quarter end, accounting for the acquisition of IntelliFarms is still ongoing. The information presented below, with the exception of cash acquired, is preliminary and provisional, as the Company is still completing its measurement of: (i) the fair value of identifiable assets acquired and liabilities assumed, (ii) consideration transferred for the acquiree, which is subject to a potential purchase price adjustment based upon the final calculation of working capital, and (iii) as a result of the preceding items its measurement of goodwill recognized.

[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	53
Accounts receivable	225
Inventory	1,550
Prepaid expenses and other assets	61
Property, plant and equipment	803
Right-of-use assets	289
Intangible assets	
Trade name	387
Customer relationships	1,551
Customer backlog	378
Software	3,302
Goodwill	13,253
Accounts payable and accrued liabilities	(3,112)
Customer deposits	(2,740)
Lease liability	(65)
Long-term debt	(464)
Purchase consideration	15,471

The goodwill of $13,253 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $225. This consists of the gross contractual value of $359 less the estimated amount not expected to be collected of $134.

From the date of acquisition, IntelliFarms contributed to the results $1,023 of revenue and $536 of net loss. Revenue and net loss that occurred as though the acquisition date for the business had been as of the beginning of the annual reporting period is impracticable to disclose due to IntelliFarms historically reporting under differing reporting standards and differing year-end.

The components of the purchase consideration are as follows:

	$
Cash paid	12,010
Due from vendor	(1,644)
Contingent consideration	5,105
Purchase consideration	15,471

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

Transaction costs related to the IntelliFarms acquisition in the three-month period ended March 31, 2019 were $174 [2018 – nil] and are included in selling, general and administrative expenses.

[e] Milltec Machinery Limited

Effective March 28, 2019, the Company acquired 100% of the outstanding shares of Milltec Machinery Limited ["Milltec"]. Based in India, Milltec is a market leading manufacturer of rice milling and processing equipment. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	113,079
Cash acquired	6,746
Working capital adjustment	(155)
Contingent consideration	4,285
Optionally convertible redeemable preferred shares	26,486
Purchase consideration	150,441

The contingent consideration and OCRPS redemption value of $30.8 million is payable based on earnings targets from 2019 through 2024.

The purchase has been accounted for by the acquisition method, with the results of Milltec included in the net earnings from the date of acquisition. The fair value of the assets acquired and the liabilities assumed has been determined on a provisional basis utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. Due to the proximity of the acquisition to the Company's quarter end, accounting for the acquisition of Milltec is still ongoing. The information presented below, with the exception of cash acquired, is preliminary and provisional, as the Company is still completing its measurement of: (i) the fair value of identifiable assets acquired and liabilities assumed, (ii) consideration transferred for the acquiree, which is subject to a potential purchase price adjustment based upon the final calculation of working capital, and (iii) as a result of the preceding items its measurement of goodwill recognized.

[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	6,746
Restricted cash	1,425
Accounts receivable	12,742
Inventory	7,963
Prepaid expenses and other assets	4,463
Property, plant and equipment	20,327
Deferred tax liability	(3,243)
Intangible assets	
Trade name	12,764
Customer relationships	23,599
Customer backlog	3,638
Goodwill	79,638
Accounts payable and accrued liabilities	(16,445)
Other liabilities	(172)
Customer deposits	(2,561)
Income taxes payable	(153)
Long-term payables	(290)
Purchase consideration	150,441

The goodwill of $79,638 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $12,742. This consists of the gross contractual value of $13,227 less the estimated amount not expected to be collected of $485.

From the date of acquisition, Milltec contributed to the results $941 of revenue and $60 of net income. Revenue and net income that occurred as though the acquisition date for the business had been as of the beginning of the annual reporting period is impracticable to disclose due to Milltec historically reporting with a differing year-end.

The components of the purchase consideration are as follows:

	$
Cash paid	106,845
Due to vendor	12,825
Contingent consideration	4,285
Optionally convertible redeemable preferred shares	26,486
Purchase consideration	150,441

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

As part of the acquisition, a subsidiary of the Company issued 1,050 Series A1 and 700 Series A2 non-voting OCRPS at a price per share of INR 1,000. The Series A1 and A2 OCRPS have a cumulative preferential dividend rate of 0.00001% and must be redeemed by the nineteenth anniversary of their issuance. The OCRPS represent contingent consideration included within the acquisition agreement and the future value of the OCRPS, to a maximum of INR 1,750 million [$34.4 million CAD], will be based on the achievement of certain earning targets over the period April 1, 2020 until March 31, 2024 as set forth in the terms and conditions of the OCRPS agreement. The OCRPS can be redeemed by the Company for cash or the Company has the option to convert the OCRPS for shares and direct an affiliate of the Company to purchase the shares for cash. As such, the preferred shares are recorded as a financial liability at fair value through profit and loss.

Transaction costs related to the Milltec acquisition in the three-month period ended March 31, 2019 were $1,790 [2018 – 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:

	March 31, 2019	December 31, 2018
	$	$
Total accounts receivable	**161,776**	135,770
Allowance for doubtful accounts	**(1,415)**	(1,531)
	160,361	134,239
Non-current accounts receivable	**8,858**	8,122
Total accounts receivable, net	**169,219**	142,361
Of which		
Neither impaired nor past due	**120,791**	110,469
Not impaired and past the due date as follows		
Within 30 days	**27,389**	14,858
31 to 60 days	**8,158**	4,167
61 to 90 days	**290**	3,922
Over 90 days	**14,006**	10,476
Allowance for doubtful accounts	**(1,415)**	(1,531)
Total accounts receivable, net	**169,219**	142,361

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

7. Property, plant, and equipment

	March 31, 2019 $	December 31, 2018 $
Balance, beginning of period	**332,645**	304,543
Additions	**10,110**	36,549
Acquisition *[note 5]*	**21,147**	4,470
Disposals	**(122)**	(1,145)
Classification as held for sale *[note 12]*	**—**	(786)
Transfer to right-of-use assets	**(280)**	—
Depreciation	**(5,196)**	(19,200)
Impairment	**—**	(226)
Exchange differences	**(6,110)**	8,440
Balance, end of period	**352,194**	332,645

8. Right-of-use assets

	March 31, 2019 $
Balance, beginning of period[1]	**9,071**
Acquisition *[note 5]*	**420**
Depreciation	**(704)**
Exchange differences	**(97)**
Balance, end of period	**8,690**

[1] Includes $280 transferred from property, plant, and equipment for leases previously classified as finance lease under IAS 17 and IFRIC 4.

9. Goodwill

	March 31, 2019 $	December 31, 2018 $
Balance, beginning of period	**256,619**	234,669
Acquisition *[note 5]*	**94,544**	16,423
Exchange differences	**(3,693)**	5,527
Balance, end of period	**347,470**	256,619

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

10. Intangible assets

	March 31, 2019 $	December 31, 2018 $
Balance, beginning of period	**233,199**	218,156
Internal development	**3,229**	7,397
Acquisition *[note 5]*	**46,367**	15,994
Amortization	**(3,858)**	(13,831)
Exchange differences	**(2,609)**	5,483
Balance, end of period	**276,328**	233,199

11. Equity investment

In fiscal 2009, AGI invested $2 million in a privately held Canadian farming company ["Investco"]. In conjunction with AGI's investment, Investco made a $2 million deposit to AGI for future purchases of grain handling and storage equipment to support their farming operations, and AGI was to become a strategic supplier to Investco. AGI recorded a $1.1 million charge to reflect management's estimate of the fair value of its investment in Investco in 2014. In 2019, AGI concluded that it is unlikely to recover its investment in Investco based on externally available information and observable conditions, and as a result, recorded a decrease of $0.9 million in the fair value of the equity investment in other comprehensive income, which represented the remaining value of Investco.

12. Assets held for sale

Assets held for sale include a building in Illinois and land, grounds, and building in Brazil. As at March 31, 2019, the carrying amount of the assets held for sale is $1,142.

13. Lease liability

	Incremental borrowing rate %	Maturity	March 31, 2019 $
Current	2.7 – 13.1	2020	**2,515**
Non-current	2.7 – 13.1	2020 – 2025	**5,998**
Lease liability			**8,513**

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

14. Long-term debt

	Interest rate %	Maturity	March 31, 2019 $	December 31, 2018 $
Current portion of long-term debt				
Canadian swing line	3.8 – 6.8	2023	3,675	—
Equipment financing	nil	2025	375	289
			4,050	289
Non-current portion of long-term debt				
Equipment financing	nil	2025	1,061	809
Series B secured notes	4.4	2025	25,000	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	33,407	34,105
Canadian Revolver	3.8 – 6.8	2023	154,953	69,203
U.S. Revolver	3.7 – 6.3	2023	182,004	144,877
			396,425	273,994
Less deferred financing costs			2,973	2,862
Total non-current long-term debt			393,452	271,132
Long-term debt			397,502	271,421

[a] Bank indebtedness

AGI has a swing line of $40.0 million and U.S. $20.0 million. The facilities bear interest at prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. As at March 31, 2019, there was $3,675 [December 31, 2018 – nil] outstanding under the swing line.

Collateral for the swing line ranks pari passu with the Series B and C secured notes and includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

[b] Long-term debt

AGI's revolver facilities of $175 million and U.S. $215 million are inclusive of amounts that may be allocated to the Company's swing line and can be drawn in Canadian or U.S. funds. The facilities bear interest at BA or LIBOR plus 1.45% to BA or LIBOR plus 2.5% and prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. The combined effective interest rate for the three-month period ended March 31, 2019 on AGI's revolver facilities was 5.4%. As at March 31, 2019, there was $336 million [December 31, 2018 – $214 million] outstanding under these facilities. Interest on a portion of the revolver line has been fixed at 3.8% through an interest rate swap contract *[note 24[b]]*. Collateral for the revolving line ranks pari passu and includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Series B secured notes were issued on May 22, 2015. The non-amortizing notes bear interest at 4.4% payable quarterly and mature on May 22, 2025. Collateral for the Series B secured notes and term loans ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Series C secured notes were issued on October 29, 2016. The non-amortizing notes bear interest at 3.7% payable quarterly and mature on October 29, 2026. The Series C secured notes are denominated in U.S. dollars. Collateral for the Series C secured notes and term loans ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

[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, the calculation of which excludes the convertible unsecured subordinated debentures from debt, and to provide debt service coverage of a minimum of 1.0. In the event of an acquisition in respect of which the aggregate consideration is $75,000 or greater, the minimum debt to EBITDA ratio increases to 3.75 in the financial quarter in which the acquisition occurs and the three succeeding financial quarters, to 3.50 for the immediately succeeding quarter and subsequently will revert to 3.25. As at March 31, 2019 and December 31, 2018, AGI was in compliance with all financial covenants.

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

15. Convertible unsecured subordinated debentures

	March 31, 2019 $	December 31, 2018 $
Current portion of convertible unsecured subordinated debentures	**51,750**	51,750
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	**247,500**	247,500
Equity component	**(11,794)**	(11,794)
Accretion	**5,800**	5,222
Financing fees, net of amortization	**(6,738)**	(7,830)
Total non-current convertible unsecured subordinated debentures	**234,768**	233,098
Convertible unsecured subordinated debentures	**286,518**	284,848

16. Senior unsecured subordinated debentures

On March 19, 2019, the Company closed the offering of $75 million aggregate principal amount of senior subordinated unsecured debentures [the "2019 Debentures"] at a price of $1,000 per Debenture [the "Offering"]. On March 26, 2019, AGI closed the over-allotment option of $11.25 million aggregate principal amount of 2019 Debentures at the same price.

The net proceeds of the Offering of $82,100, net of fees, will be used to fund the redemption of the Company's 5.25% Convertible Unsecured Subordinated Debentures due December 31, 2019 ["2014 Debentures"], to repay existing indebtedness and for general corporate purposes *[note 28]*.

The 2019 Debentures bear interest from the date of issue at 5.40% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2019. The 2019 Debentures have a maturity date of June 30, 2024.

The 2019 Debentures will not be redeemable by the Company before June 30, 2022, except upon the occurrence of a change of control of the Company in accordance with the terms of the indenture [the "Indenture"] governing the 2019 Debentures. On and after June 30, 2022 and prior to June 30, 2023, the 2019 Debentures may be redeemed at the Company's option at a price equal to 102.70% of their principal amount plus accrued and unpaid interest. On or after June 30, 2023, the 2019 Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest.

The Company will have the option to satisfy its obligation to repay the principal amount of the 2019 Debentures due at redemption or maturity by issuing and delivering that number of freely tradeable common shares in accordance with the terms of the Indenture.

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

The 2019 Debentures will not be convertible into common shares of the Company at the option of the holders at any time.

17. Equity

[a] Common shares

	Shares	Amount
	#	$
Balance, January 1, 2018	**16,160,916**	323,199
Dividend reinvestment shares issued from treasury	**26,132**	1,384
Settlement of equity incentive award plan [“EIAP”] obligation	**144,451**	5,820
Issuance of common shares	**1,874,500**	111,564
Convertible unsecured subordinated debentures	**157,781**	8,678
Balance, December 31, 2018	**18,363,780**	450,645
Settlement of EIAP obligation	**281,025**	4,162
Balance, March 31, 2019	**18,644,805**	454,807

[b] Contributed surplus

	March 31, 2019	December 31, 2018
	$	$
Balance, beginning of period	**26,045**	20,956
Equity-settled director compensation *[note 18[b]]*	**118**	419
Dividends on EIAP	**155**	1,144
Obligation under EIAP *[note 18[a]]*	**1,451**	8,135
Settlement of EIAP obligation	**(4,971)**	(7,742)
Convertible unsecured subordinated debentures	**—**	3,133
Balance, end of period	**22,798**	26,045

[c] Dividends paid and proposed

In the three-month period ended March 31, 2019, the Company declared dividends of $11,128 or $0.60 per common share [2018 – $9,860 or $0.60 per common share] and dividends on share-based compensation awards of $155 [2018 – $236]. In the three-month period ended March 31, 2019, dividends paid to shareholders of $11,073 [2018 – $8,775] were financed from cash on hand and nil [2018 – $1,085] by the dividend reinvestment plan [the “DRIP”].

In 2018, the Company suspended the active operation of its DRIP. Accordingly, dividends payable to shareholders 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.

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

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 March 31, 2019, the Company declared dividends of $0.20 per common share on April 30, 2019.

18. Share-based compensation plans

[a] EIAP

During the three-month period ended March 31, 2019, 125,435 [2018 – 68,585] Restricted Awards ["RSUs"] and 203,125 [2018 – 33,883] Performance Awards were granted. As at March 31, 2019, a total of 531,441 [December 31, 2018 – 406,006] Restricted Awards and 643,797 [December 31, 2018 – 440,672] 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-month period ended March 31, 2019, AGI expensed $1,451 for the EIAP [2018 – $1,598].

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

	EIAP	
	Restricted Awards \#	Performance Awards \#
Outstanding, January 1, 2018	156,479	213,175
Granted	68,585	33,883
Vested	(70,918)	(73,281)
Forfeited	(15,166)	(17,000)
Balance, December 31, 2018	**138,980**	**156,777**
Granted	125,435	203,125
Vested	(26,000)	(247,151)
Forfeited	(7,000)	—
Balance, March 31, 2019	**231,415**	**112,751**

There is no exercise price on the EIAP awards.

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

For the three-month period ended March 31, 2019, an expense of $118 [2018 – $104] 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-month period ended March 31, 2019, 1,929 [2018 – 1,946] common shares were granted under the DDCP and as at March 31, 2019, a total of 80,082 [December 31, 2018 – 72,278] common shares had been granted under the DDCP and 18,436 [December 31, 2018 – 18,436] common shares had been issued.

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

19. Other expenses (income)

		Three-month period ended March 31, 2019 $	Three-month period ended March 31, 2018 $
[a]	**Other operating income**		
	Net gain on disposal of property, plant and equipment	(54)	(70)
	Gain on financial instruments	(10,438)	(233)
	Other	(870)	(481)
		(11,362)	(784)
[b]	**Finance expense (income)**		
	Interest income from banks	(52)	(53)
	Loss (gain) on foreign exchange	(3,688)	5,270
		(3,740)	5,217
[c]	**Finance costs (recovery)**		
	Interest on overdrafts and other finance costs	141	(314)
	Interest, including non-cash interest, on leases	64	—
	Interest, including non-cash interest, on debts and borrowings	4,262	3,819
	Interest, including non-cash interest, on convertible debentures *[note 15]*	5,432	4,896
		9,899	8,401
[d]	**Cost of goods sold**		
	Depreciation of property, plant, and equipment	4,711	4,420
	Depreciation of right-of-use assets	273	—
	Amortization of intangible assets	438	520
	Warranty provision	708	317
	Cost of inventory recognized as an expense	145,150	147,027
		151,280	152,284
[e]	**Selling, general and administrative expenses**		
	Depreciation of property, plant, and equipment	485	371
	Depreciation of right-of-use assets	431	—
	Amortization of intangible assets	3,420	2,620
	Minimum lease payments recognized as an operating lease expense	184	752
	Selling, general and administrative	41,856	38,096
	Transaction costs	4,761	304
		51,137	42,143
[f]	**Employee benefits expense**		
	Wages and salaries	58,269	52,157
	Share-based payment expense *[notes 18[a] and [b]]*	1,391	1,702
	Pension costs	1,643	1,269
		61,303	55,128
	Included in cost of goods sold	39,387	34,261
	Included in selling, general and administrative expenses	21,916	20,867
		61,303	55,128

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

20. Retirement benefit plans

During the three-month period ended March 31, 2019, the expense associated with the Company's defined pension benefit was $33 [2018 – $34]. At March 31, 2019, the accrued pension benefit liability was $288 [December 31, 2018 – $85], which is included in other financial liabilities on the unaudited interim condensed consolidated statements of financial position.

21. Income taxes

The major components of income tax expense for the three-month periods ended March 31, 2019 and 2018 are as follows:

	Three-month period ended	
	March 31, 2019	March 31, 2018
	$	$
Profit before income taxes	17,821	6,173
Tax expense at the statutory rate of 27% [2018 – 27%]	4,812	1,666
Tax rate changes	(53)	44
Tax losses not recognized as a deferred tax asset	334	848
Foreign rate differential	(486)	(670)
Non-deductible EIAP expense	111	87
State income taxes, net of federal tax benefit	84	262
Unrealized foreign exchange loss (gain)	(831)	1,343
IFRS 15 transition adjustment	—	(395)
Change in uncertain tax position	—	(2,305)
Permanent differences and others	628	350
Tax expense at the effective rate of 25.81% [2018 – 19.92%]	4,599	1,230

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

22. 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	
	March 31, 2019	March 31, 2018
	$	$
Profit attributable to shareholders for basic and diluted profit per share	**13,222**	4,943
Basic weighted average number of shares	**18,494,444**	16,400,939
Dilutive effect of DDCP	**59,737**	51,918
Dilutive effect of RSU	**202,051**	182,297
Diluted weighted average number of shares	**18,756,232**	16,635,154
Profit per share		
Basic	**0.71**	0.30
Diluted	**0.70**	0.30

The 2014, 2015, 2017 and 2018 Debentures were excluded from the calculation of diluted profit per share in the three-month periods ended March 31, 2019 and 2018 because their effect is anti-dilutive.

23. 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	
	March 31, 2019	March 31, 2018
	$	$
Accounts receivable	**(11,732)**	(27,395)
Inventory	**(14,688)**	(24,465)
Prepaid expenses and other assets	**(2,526)**	(2,374)
Accounts payable and accrued liabilities	**2,848**	15,797
Customer deposits	**(4,445)**	13,768
Provisions	**685**	317
	(29,858)	(24,352)

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

[b] Reconciliation of liabilities arising from financing activities

	December 31, 2018	Cash flows	Non-cash changes Acquisition	Foreign exchange	Accretion	Amortization	Fair value	Other	March 31, 2019
	$	$	$	$	$	$	$	$	$
Long-term debt	271,421	128,572	464	(3,701)	—	138	608	—	**397,502**
Convertible unsecured subordinated debentures	284,848	—	—	—	578	1,092	—	—	**286,518**
Senior unsecured subordinated debentures	—	82,800	—	—	—	24	—	(700)	**82,124**
Lease liabilities	8,791	(710)	196	(58)	64	—	—	230	**8,513**
Total liabilities from financing activities	**565,060**	**210,662**	**660**	**(3,759)**	**642**	**1,254**	**608**	**(470)**	**774,657**

	December 31, 2017	Cash flows	Non-cash changes Conversion	Foreign exchange	Accretion	Amortization	Fair value	March 31, 2018
	$	$	$	$	$	$	$	$
Long-term debt	302,802	(60)	—	5,270	—	135	—	**308,147**
Convertible unsecured subordinated debentures	286,058	4,719	(8,678)	—	538	614	(2,063)	**281,188**
Obligations under finance leases	1,002	(940)	—	—	—	—	—	**62**
Derivatives held to hedge long-term borrowings	(1,768)	—	—	—	—	—	(590)	**(2,358)**
Total liabilities from financing activities	588,094	3,719	(8,678)	5,270	538	749	(2,653)	**587,039**

24. 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 March 31, 2019, AGI's U.S. dollar denominated debt totalled $182 million.

During the three-month period ended March 31, 2019, the Company entered into a short-term forward contract that resulted in a gain of $235, which has been recorded in gain on financial instruments in the unaudited interim condensed consolidated statements of income.

The Company had no outstanding foreign exchange forward contracts at March 31, 2019.

[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 and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating income. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rates between 3.6% and 4.3%. The notional amounts are $140,779 in aggregate, resetting the last business day of each month. The contracts expire between May 2019 and May 2022.

The interest rate swap contracts were 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. In 2018, the hedge was discontinued as the forecasted cash flows were no longer probable. Consequently, the interest rate swap was reclassified from fair value through OCI to fair value through profit or loss. During the three-month period ended March 31, 2019, a loss of $892 was recorded in gain (loss) on financial instruments. During the three-month period ended March 31, 2018 a gain of $590 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 [the "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 March 31, 2019, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on April 6, 2021.

As at March 31, 2019, the unrealized gain on the equity swap was $17,066, and in the three-month period ended March 31, 2019, the Company recorded a gain in other operating income of $11,095 [2018 – $233].

[d] Fair value

The fair value of cash and cash equivalents, cash held in trust and restricted cash, 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.

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

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:

		March 31, 2019		December 31, 2018	
	Level	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets					
Amortized cost:					
Cash and cash equivalents	1	90,079	90,079	33,610	33,610
Cash held in trust and restricted cash	1	1,752	1,752	2,955	2,955
Accounts receivable	2	160,361	160,361	134,239	134,239
Note receivable	2	724	724	735	735
Assets held for sale	2	1,142	1,142	1,169	1,169
Fair value through profit or loss:					
Derivative instruments	2	17,864	17,864	7,649	7,649
Fair value through OCI:					
Equity investment	3	—	—	900	900
Financial liabilities					
Amortized cost:					
Interest-bearing loans and borrowings	2	406,015	402,444	271,651	269,685
Accounts payable and accrued liabilities	2	129,427	129,427	101,504	101,504
Dividends payable	2	3,729	3,729	3,673	3,673
Due to vendor	2	17,042	17,042	9,349	9,349
Contingent consideration	3	15,818	15,818	6,386	6,386
Convertible unsecured subordinated debentures	2	286,518	289,938	284,848	305,935
Senior unsecured subordinated debentures	2	82,124	79,536	—	—
Fair value through profit or loss:					
Optionally convertible redeemable preferred shares	3	26,027	26,027	—	—

During the period and year ended March 31, 2019 and December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

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:

- Cash and cash equivalents, cash held in trust, restricted cash, accounts receivable, dividends payable, accounts payable and accrued liabilities, due to vendor, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives include interest rate swaps and equity swaps which are marked-to-market at each reporting period.

- The fair value of contingent consideration and the OCRPS' arising from business combinations is estimated by discounting future cash flows based on the probability of meeting set performance targets.

- AGI included its equity investment, which is in a private company, in Level 3 of the fair value hierarchy as it traded 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.

25. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three-month period ended March 31, 2019, the total cost of these legal services related to refinancing of the Company's credit facility and general matters was $265 [2018 – $564], and $250 is included in accounts payable and accrued liabilities as at March 31, 2019.

Salthammer Inc. provides consulting services to the Company, and a Director of AGI is a minority shareholder of Salthammer Inc. During the three-month period ended March 31, 2019, the total cost of these consulting services related to AGI's international plant expansion project was nil [2018 – $66], and nil is included in accounts payable and accrued liabilities as at March 31, 2019.

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

26. Reportable business segment

The Company is a provider of solutions for the global food infrastructure, including seed, fertilizer, grain, feed, and food processing systems. As at March 31, 2019, 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.

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

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	
	March 31, 2019	March 31, 2018
	$	$
Sales		
Canada	77,411	73,322
United States	93,619	86,521
International	44,005	53,823
	215,035	213,666

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.

27. 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 $14,270 [2018 – $10,643].

[b] Letters of credit

As at March 31, 2019, the Company has outstanding letters of credit in the amount of $12,131 [December 31, 2018 – $11,020].

[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.

28. Subsequent event

On April 2, 2019, the Company redeemed its 2014 Debentures in accordance with the terms of the supplemental trust indenture dated December 1, 2014. Upon redemption, AGI paid to the holders of the 2014 Debentures the redemption price of $52,435 equal to the outstanding principal amount of the 2014 Debentures redeemed including accrued and unpaid interest up to but excluding the Redemption date, less taxes deducted or withheld.

Consequently, in the three-month period ended March 31, 2019, the Company expensed the remaining unamortized balance of $425 of deferred fees related to the 2014 Debentures. The expense was recorded to finance costs in the unaudited interim condensed consolidated statements of income.