AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: May 7, 2020

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated comparative financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2019, the Management's Discussion and Analysis (the "Annual MD&A") of the Company for the year ended December 31, 2019 and the unaudited interim condensed consolidated comparative financial statements of the Company and accompanying notes for the three-month period ended March 31, 2020. Results are reported in Canadian dollars unless otherwise stated.

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

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

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

SUMMARY OF RESULTS

	Three-months Ended March 31	
[thousands of dollars except per share amounts]	2020 $	2019 $
Trade sales [1][2]	228,875	216,198
Adjusted EBITDA [1][3]	25,650	30,637
(Loss) Profit	(48,844)	13,222
Diluted (loss) profit per share	(2.61)	0.70
Adjusted profit [1][4]	7,281	4,991
Diluted adjusted profit per share [1][4]	0.38	0.27

[1] See "Non-IFRS Measures".
[2] See "OPERATING RESULTS – THREE-MONTHS ENDED MARCH 31, 2020 – Trade Sales".
[3] See "OPERATING RESULTS – THREE-MONTHS ENDED MARCH 31, 2020 – EBITDA and Adjusted EBITDA".
[4] See "Diluted (loss) profit per share and diluted adjusted profit per share".

AGI results in Q1 2020 were impacted by the COVID-19 crisis as government or internally mandated production suspensions resulted in temporary plant closures in Italy, France, Brazil and India. In addition, prior to the emergence of COVID-19, management anticipated first quarter adjusted EBITDA would be lower than the prior year due largely to a Commercial backlog weighted towards the second half of 2020. Notwithstanding, AGI trade sales in the quarter increased $12.7 million or 6% over Q1 2019 due to strong Farm sales in the U.S. and the recent acquisition of Milltec in India. The Company's adjusted EBITDA margin decreased to 11.2% (2019 – 14.2%) in a seasonally weak quarter due to the production, supply chain and delivery inefficiencies caused by COVID-19 as well as the impact of lower Commercial sales volumes in the quarter and AGI's continued investment in its technology platform. Loss and loss per share were negatively impacted by non-cash losses on foreign exchange translation and the Company's equity compensation swap, while adjusted profit and adjusted profit per share increased over the prior year.

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

The Company's diluted loss per share for the three-month period ended March 31, 2020 was $2.61 versus profit of $0.70 in 2019. (Loss) profit per share in 2020 and 2019 has been impacted by the items enumerated in the table below, which reconciles (loss) profit to adjusted profit. Most significantly, in Q1 2020 a sharp drop in the Canadian dollar resulted in non-cash foreign exchange translation losses and the decline in the Company's share price late in the quarter led to a non-cash loss on AGI's equity compensation swap, which in the table below is included in the Loss on financial instruments.

	Three-months Ended March 31	
	2020	**2019**
[thousands of dollars except per share amounts]	**$**	**$**
(Loss) profit	(48,844)	13,222
Diluted (loss) profit per share	(2.61)	0.70
Loss (gain) on foreign exchange	22,090	(2,524)
Fair value of inventory from acquisition [2]	-	24
(Recovery of) M&A expenses	(226)	2,137
Other transaction and transitional costs [3]	4,740	2,624
Loss (gain) on financial instruments	24,264	(10,438)
Loss (gain) on sale of PP&E	57	(54)
Equipment rework [4]	4,000	-
Share of associate's net loss	1,200	-
Adjusted profit [1]	**7,281**	**4,991**
Diluted adjusted profit per share [1]	0.38	0.27

[1] See "Non-IFRS Measures".
[2] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[3] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[4] To record the pre-tax charge for the estimated cost of rework including additional time, material and services.

OUTLOOK

COVID-19

The emergence of COVID-19 is having an adverse impact on AGI's business, including the disruption of production, its supply chain and product delivery. The extent, duration and ultimate impact of COVID-19 and governmental and societal responses thereto is unknown, and accordingly management is unable to provide specific guidance on its impact on AGI. We can comment on the business fundamentals as they stand today to provide context to the continuing uncertainty going forward. To date, we have experienced temporary production suspensions in Italy, France, Brazil, India and the United States. Engineering, design and quoting activity continued at all of these businesses during the suspension periods and all plants have resumed production. AGI operations were captured as essential services in many regions throughout North America highlighting the important role we play in the global food supply chain. Although AGI's business is being substantially impacted by the COVID-19 related disruptions, management believes that post crisis demand will be positively impacted as the world builds additional redundancy into the global food infrastructure to account for similar events in the future.

Q2 2020

International production suspensions due to COVID-19 lasted between 2 and 4 weeks and impacted part of Q1 and into Q2. Manufacturing activity resumed after the suspensions were lifted at different points in April, and AGI is currently manufacturing at 50%-80% capacity at these locations. In the United States, internal safety protocols required AGI to temporarily suspend production on several occasions in Q2, and these plant closures have generally lasted three to ten days. To date, there have been no production suspensions in Canada.

Prior to the COVID-19 crisis, management expected adjusted EBITDA in Q2 2020 to fall slightly below the record results of Q2 2019, for 2020 adjusted EBITDA to be weighted to the second half and for annual growth in fiscal 2020 over 2019. Early in Q2, with all production facilities currently operating, and a backlog that is 9% over this point in 2019, we expect the COVID-19 impact to be significant but relatively contained assuming no additional extended lockdowns are required. The impact on the second half remains subject to COVID-19 impacts on our markets and customers.

CURRENT FUNDAMENTALS

Farm

Dealer pull through for portable grain handling equipment in 2020 has been very strong and based on current conditions management anticipates robust demand for Farm products to continue as we progress through the 2020 growing season. With AGI's recent expansion into the U.S., permanent grain storage system space management believes conditions are favourable to grow our relatively small market share in 2020 and going forward. Overall, management anticipates strong demand for Farm products in 2020 based on the following factors, assuming limited additional COVID-19 impact on farm operations:

- Planted corn acres in the United States are expected to approximate 95-97 million acres, a significant increase over the 89 million acres planted in 2019. Importantly, planting conditions are significantly better than in 2019 when widespread and historic flooding severely impacted farming operations.
- In western Canada, cool weather has delayed seeding in most areas. Conditions have recently improved, and the late spring is not expected to significantly impact crop volumes. The timing of order intake for Farm products in Canada has likewise been impacted by the late spring.
- Total Farm new order intake in April 2020 is similar to 2019 levels.
- As at April 30, 2020, our Farm backlog in the United States was 10% higher than at the same time in 2019, while in Canada the backlog is flat to the prior year.

Commercial North America

In the United States, Commercial Grain handling activity has been stable but for the last number of years has been restrained by depressed agricultural markets and international trade disputes. In addition, the emergence of COVID-19 has delayed decisions with respect to capital deployment. Nonetheless, largely due to higher backlogs of Fertilizer and Food projects, our sales order backlog is 27% higher than the relatively low backlog of a year ago.

In Canada, the Commercial market was very active over the last several years due to increased investment in grain infrastructure, however our Canadian Commercial backlog has decreased compared to the high levels of a year ago.

Commercial new order intake is subject to monthly fluctuation as the business is generally comprised of a relatively small number of higher dollar value projects. As at April 30, 2020, our Commercial backlog in North America was 2% lower than at the same time in 2019.

Commercial International

Global trade uncertainties in 2019 created an environment of uncertainty that lasted through much of the year. Capital projects were largely put on hold as our customers paused to assess what facilities they needed by geography to account for the changes in trade flows. This pause in spending started to impact our sales intake in the first quarter of 2019 and persisted until the fourth quarter. The late pickup in project activity in 2019 impacted the timing of our backlog once it did pick up, pushing project deliveries out to the back half of 2020.

The increased pace of new order intake experienced in Q4 2019 continued in 2020 and in the first four months of 2020 new international orders, excluding Milltec (acquired March 29, 2019) increased 21% compared to the prior year. As a result of increased new orders in late 2019 and YTD in 2020, our international sales order backlog at April 30, 2020, excluding Milltec, is 42% higher compared to the same time in 2019. Backlog increases are most significant in EMEA, Southeast Asia (excluding India) and Brazil.

Performance at Milltec, our platform acquisition in India, met expectations in Q1 2020 and is well positioned for long-term growth. New orders and backlog at Milltec in April 2020 have been impacted by the government mandated country-wide closure of businesses, however the impact is expected to be transient and new orders jumped dramatically with a partial reopening of certain businesses late in the month.

Capital decisions related to Commercial projects, particularly in international markets, appear to be slowing due to the uncertainty surrounding COVID-19. Management anticipates these delays will impact Commercial sales in Q3 2020 and Q4 2020, however the extent and duration of the crisis will determine the extent of the impact on the pace of project pipeline development and the subsequent timing of revenue recognition.

Technology

In 2019, AGI demonstrated the success of its AGI SureTrack subscription model as demand exceeded our capacity and we increased retail equivalent sales by 70%. In the first quarter of 2020, retail sales increased by over 200% compared to the prior year and management anticipates the recent release of AGI SureTrack version 2.0 will facilitate continued growth. In addition, AGI added ERP functionality to the platform via the acquisition of Affinity and its Compass product suite in January 2020. AGI SureTrack will move to a new facility in Lenexa, Kansas, in Q2 2020 to accommodate the rapid increase in demand. Continued growth in the SureTrack platform is expected to deepen AGI's relationships with processors, merchandisers, grain buyers and producers throughout North America and provide a significant opportunity for equipment cross-sales.

Summary

As it stands today, planting conditions in North America are substantially better than a year ago, our Farm backlog is higher than it was at this time in 2019 and Farm new order intake in April 2020 is consistent with the prior year. Likewise, our Commercial backlogs are significantly higher than the prior year, with particular strength internationally. Our adjusted EBITDA margin for the balance of 2020 will be influenced by sales product mix and investments in our technology business and internal projects. COVID-19 related production suspensions and related expenses have impacted Q2 2020 and we expect continuing impacts as we move through the balance of Q2 and H2 2020. Commercial order intake for the balance of the year is uncertain as the world continues to respond to the COVID-19 pandemic. Overall, our total sales order backlog is 9% higher than a year ago and we are positive on the resilience of the business in a difficult period.

See also, "Risks and Uncertainties" and "Forward-Looking Information".

EQUIPMENT REWORK

In the quarter ended March 31, 2020 the Company added $4 million to the estimate of total costs related to the previously disclosed equipment rework. The revised estimate is based on new information obtained as the project progresses towards completion. Initial estimates were based on extensive investigation using the preliminary information that was available, and additional costs have now been identified as we fully assessed the site and progressed through the rehabilitation work. We have substantially completed the design and engineering work and material fabrication, we have factored in increased labour and material cost and management is satisfied that this increased amount is a comprehensive estimate of the entire project.

OPERATING RESULTS – THREE-MONTHS ENDED MARCH 31, 2020

Trade Sales [see "Non-IFRS Measures"]

	Three-months Ended March 31		
	2020	**2019**	**Change**
[thousands of dollars]	**$**	**$**	**$**
Trade sales	228,875	216,198	12,677
Foreign exchange gain (loss) [1]	232	(1,163)	1,395
Total Sales	**229,107**	**215,035**	**14,072**

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

Trade Sales by Geography

	Three-months Ended March 31		
	2020	**2019**	**Change**
[thousands of dollars]	**$**	**$**	**$**
Canada	68,108	77,411	(9,303)
U.S.	98,051	94,697	3,354
International	62,716	44,090	18,626
Total Trade Sales [1]	**228,875**	**216,198**	**12,677**

[1] See "Non-IFRS Measures".

Trade Sales by Category

	Three-months Ended March 31		
	2020	**2019**	**Change**
[thousands of dollars]	**$**	**$**	**$**
Farm	117,273	111,731	5,542
Commercial	111,602	104,467	7,135
Total Trade Sales [1]	**228,875**	**216,198**	**12,677**

[1] See "Non-IFRS Measures".

The movement in trade sales for the three-month period ended March 31, 2020 compared to the prior year is summarized below:

Canada

- Trade sales in Canada decreased 12% from 2019:
  - Farm sales were down slightly as higher sales of portable grain augers were offset by a decrease in storage and conditioning sales. As anticipated, a challenging 2019 growing and harvest season in western Canada impacted Q1 2020 sales. In addition, a late spring has impacted the timing of new order intake in western Canada.
  - Commercial sales decreased against a very strong Q1 2019 comparative as Q1 sales in the prior year included significant revenue recognition related to large Commercial projects in western Canada.

United States

- Trade sales in the U.S. increased 4% over 2019:
  - Farm sales increased compared to 2019 due to strength across most product categories including portable grain handling equipment, drying equipment and grain storage systems.
  - Sales of Commercial equipment decreased as higher sales in non-grain verticals including Fertilizer and Food were offset by a decrease in Commercial grain handling sales, which were negatively impacted by a poor 2019 growing season and challenging macro conditions.

International

- International trade sales increased 42% over 2019:
  - International sales in Q1 2020 were impacted by the COVID-19 crisis as government or internally mandated production suspensions resulted in temporary plant closures in Italy, France, Brazil and India.
  - Despite the impact of COVID-19, International sales, excluding recently acquired Milltec, were above the prior year. AGI entered 2020 with a higher backlog compared to 2019, however the sales order backlog is weighted towards H2 2020. AGI's international backlog as at April 30, 2020 is 23% higher than at the same time in 2019.
  - Sales in Brazil increased 47% over the prior year as AGI delivered on a strong opening backlog. AGI's backlog in Brazil remains higher than at the same time last year with a weighting towards the second half of 2020.

Gross Margin [see "Non-IFRS Measures"]

	Three-months Ended March 31	
	2020	**2019**
[thousands of dollars]	**$**	**$**
Trade sales [1]	228,875	216,198
Cost of inventories [1]	157,127	145,858
Gross margin [1]	**71,748**	**70,340**
Gross margin as a % of trade sales	**31.3%**	**32.5%**

[1] See "Non-IFRS measures".

AGI's gross margin percentage decreased compared to 2019. Stable to increasing gross margins at most Farm divisions were offset by lower Commercial margins, as strong operational performances in India and Brazil were offset by lower margins in North America, which resulted from a competitive landscape and lower sales volumes in the quarter.

EBITDA and Adjusted EBITDA [see "Non-IFRS Measures"]

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

	Three-months Ended March 31	
	2020	**2019**
[thousands of dollars]	**$**	**$**
(Loss) Profit before income taxes	**(57,563)**	**17,821**
Finance costs	10,819	9,899
Depreciation and amortization	13,514	9,758
Share of associate's net loss	1,200	-
EBITDA	**(32,030)**	**37,478**
Loss (gain) on foreign exchange	22,090	(2,525)
Share based compensation	2,755	1,391
Loss (gain) on financial instruments [2][3]	24,264	(10,438)
(Recovery of) M&A expenses	(226)	2,137
Other transaction and transitional costs [4]	4,740	2,624
Loss (gain) on sale of PP&E	57	(54)
Equipment rework [5]	4,000	-
Fair value of inventory from acquisitions [6]	-	24
Adjusted EBITDA [1]	**25,650**	**30,637**

[1] See "Non-IFRS Measures".
[2] See "Interest rate swaps" and "Equity compensation hedge".
[3] Includes loss on early redemption of convertible unsecured subordinated debentures and embedded derivative from the senior subordinated unsecured debentures offering on March 5, 2020. "See "Debentures".
[4] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[5] To record the pre-tax charge for the estimated cost of rework including time, material and services.
[6] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.

DETAILED OPERATING RESULTS

	Three-months Ended March 31	
	2020	2019
[thousands of dollars]	$	$
Sales		
Trade sales[1]	228,875	216,198
Foreign exchange gain (loss)[2]	232	(1,163)
	229,107	215,035
Cost of goods sold		
Cost of inventories[1]	157,127	145,834
Fair value of inventory from acquisitions[3]	-	24
Equipment rework[4]	4,000	-
Depreciation /amortization	6,818	5,422
	167,945	151,280
Selling, general and administrative expenses		
SG&A expenses	49,990	42,040
(Recovery of) M&A expenses	(226)	2,137
Other transaction and transitional costs [5]	4,740	2,624
Depreciation /amortization	6,696	4,336
	61,200	51,137
Other operating expense (income)		
Net loss (gain) on disposal of PP&E	57	(54)
Net loss (gain) on financial instruments[6] [7]	24,264	(10,438)
Other	(1,078)	(870)
	23,243	(11,362)
Finance costs	10,819	9,899
Finance expense (income)	22,263	(3,740)
Share of associate's net loss	1,200	-
(Loss) Profit before income taxes	**(57,563)**	**17,821**
Income tax (recovery) expense	(8,719)	4,599
(Loss) Profit for the period	**(48,844)**	**13,222**
(Loss) Profit per share		
Basic	(2.61)	0.71
Diluted	(2.61)	0.70

[1] See "Non-IFRS Measures".
[2] A portion of foreign exchange gains and losses are allocated to sales.
[3] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[4] To record the pre-tax charge for the estimated cost of rework including time, material and services.
[5] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[6] See "Interest rate swaps" and "Equity compensation hedge".
[7] Includes loss on early redemption of convertible unsecured subordinated debentures and embedded derivative from the senior subordinated unsecured debentures offering on March 5, 2020. "See "Debentures".

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The 2020 loss on foreign exchange in finance expense (income) was a non-cash loss and related primarily to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect as at March 31, 2020. 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, 2020 was $1.32 [2019 - $1.33]. A weaker Canadian dollar relative to the U.S. dollar results in higher reported sales for AGI, as U.S. dollar denominated sales are translated into Canadian dollars at a higher rate. Similarly, a weaker Canadian dollar results in higher costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA increases when the Canadian dollar weakens relative to the U.S. dollar. Towards the end of Q1 2020, the Canadian dollar weakened against its US counterpart, and the rate of exchange in effect as at March 31, 2020 was $1.42.

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

SG&A expenses for the three-month period ended March 31, 2020 excluding M&A expenses, other transaction and transitional expenses and depreciation/amortization, were $50.0 million [21.8% of trade sales] versus $42.0 million [19.4% of trade sales] in 2019. Salaries & wages and share based compensation expense increased $2.3 million in total compared to the prior year. The increase relates largely to the inclusion in Q1 2020 of expenses related to acquisitions and certain senior management hired throughout fiscal 2019 and is partially reflected in share-based compensation as certain short-term management incentives are now share based. This higher expense was partially offset by the cancellation of certain share award grants that resulted in a lower expense in Q1 2020 compared to the prior year. Further share awards grants are anticipated later in 2020. No other individual variance was greater than $1.0 million.

Finance costs

Finance costs for the three-month period ended March 31, 2020 were $10.8 million versus $9.9 million in 2019. In 2020, finance costs have increased due to new debt drawn in conjunction with new investments, most significantly the March 2019 acquisition of Milltec.

Finance expense (income)

Finance expense (income) for the three-month period ended March 31, 2020 was an expense of $22.3 million, versus income of $3.7 million in 2019. The expense (income) in both periods relates primarily to non-cash translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the year.

Share of associate's net loss

Share of associate's net loss for the three-month period ended March 31, 2020 was $1.2 million versus nil in 2019. The net loss relates to AGI's proportionate share of the net loss of the associate.

Other operating expense (income)

Other operating expense (income) for the three-month period ended March 31, 2020 was an expense of $23.2 million, versus income of $11.4 million in 2019. Other operating expense (income) includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity compensation hedge"], and interest income. The expense in Q1 2020 relates largely to a non-cash loss on the equity compensation hedge.

Depreciation and amortization

Depreciation of property, plant and equipment; depreciation of right-of-use assets and amortization of intangible assets are categorized in the income statement in accordance with the function to which the underlying asset is related. The increase of $3.8 million compared to Q1 2019 relates largely to the March 28, 2019 acquisition of Milltec and the amortization of internally generated intangibles, including those related to AGI's technology platform.

Income tax (recovery) expense

Current income tax expense

Current tax expense for the three-month period ended March 31, 2020 was $0.9 million [2019 - $1.3 million]. Current tax expense relates primarily to AGI's Canada, U.S., India, Netherlands and France subsidiaries.

Deferred income tax (recovery) expense

AGI recorded a deferred tax recovery for the three-month period ended March 31, 2020 of $9.6 million, versus an expense of $3.3 million in 2019. The deferred tax recovery in 2020 related to the recognition of temporary differences between the accounting and tax treatment of equity swaps, tax loss carryforwards and derivative instruments.

Effective tax rate

	Three-months Ended March 31	
	2020	**2019**
[thousands of dollars]	**$**	**$**
Current tax expense	879	1,286
Deferred tax (recovery) expense	(9,598)	3,313
Total tax	**(8,719)**	**4,599**
(Loss) Profit before income taxes	(57,563)	17,821
Total tax %	15.1%	25.8%

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

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

2020					
	Average USD/CAD Exchange Rate	Sales $	Loss $	Basic Loss per Share $	Diluted Loss per Share $
Q1	1.32	229,107	(48,844)	(2.61)	(2.61)
YTD	**1.32**	**229,107**	**(48,844)**	**(2.61)**	**(2.61)**

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

2018					
	Average USD/CAD Exchange Rate	Sales $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
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)
FY 2018	**1.29**	**931,664**	**26,618**	**1.58**	**1.56**

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOW AND LIQUIDITY

	Three-months Ended March 31	
	2020	**2019**
[thousands of dollars]	**$**	**$**
(Loss) Profit before tax	(57,563)	17,821
Items not involving current cash flows	70,132	(1,621)
Cash provided by operations	12,569	16,200
Net change in non-cash working capital	(15,878)	(29,858)
Non-current accounts receivable	116	(736)
Long-term payables	73	-
Settlement of EIAP obligation	(1,640)	(2,098)
Income tax paid	(1,082)	(673)
Cash used in operating activities	(5,842)	(17,165)
Cash used in investing activities	(23,397)	(129,689)
Cash (used in) provided by financing activities	(15,579)	203,323
Net increase (decrease) in cash during the period	(44,818)	56,469
Cash and cash equivalents, beginning of period	48,421	33,610
Cash and cash equivalents, end of period	**3,603**	**90,709**

AGI used less cash in operating activities compared to 2019 largely due to an improvement in cash used by working capital. Cash used in investing activities relates primarily to capital expenditures ["CAPEX"], internally generated intangibles and acquisitions. Cash (used in) provided by financing activities relates to debenture issuances, debenture redemptions, movement in long-term debt and dividends paid.

Working Capital Requirements

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

Capital Expenditures

Maintenance capital expenditures in the three-month period ended March 31, 2020 were $2.6 million [1.2% of trade sales] versus $3.3 million [1.5% of trade sales] in 2019. Maintenance capital expenditures in 2020 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of sales.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures in the three-month period ended March 31, 2020 of $7.3 million versus $6.8 million in 2019. The non-maintenance CAPEX items in 2020 relate primarily to initiatives started in fiscal 2019 or pre-COVID-19 in 2020 and include manufacturing capacity expansions in EMEA and at certain plants in North America and the addition of manufacturing equipment to support key business units.

Subsequent to the emergence of COVID-19, management analyzed budgeted growth CAPEX projects and deferred most projects indefinitely. Growth CAPEX for the balance of 2020 is expected to approximate $15.0 million and will include the completion of projects currently underway and the expansion of AGI's manufacturing and operational capabilities at AGI SureTrack.

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

CONTRACTUAL OBLIGATIONS

The following table shows, as at March 31, 2020 the Company's contractual obligations for the periods indicated:

[thousands of dollars]	**Total** **$**	**2020** **$**	**2021** **$**	**2022** **$**	**2023** **$**	**2024** **$**	**2025+** **$**
2017 Debentures	86,225	-	-	86,225	-	-	-
2018 Debentures	86,250	-	-	86,250	-	-	-
2019 Debentures - 1	86,250	-	-	-	-	86,250	-
2019 Debentures - 2	86,250	-	-	-	-	86,250	-
2020 Debentures	85,000	-	-	-	-	-	85,000
Long-term debt[1]	407,022	322	381	228	124	102	405,865
Lease liability[1]	13,315	2,759	2,824	2,196	1,316	1,037	3,183
Short term and low value leases	47	30	10	6	1	-	-
Due to vendor	14,891	9,275	4,250	1,171	83	62	50
Preferred shares liability	31,288	-	18,773	12,515	-	-	-
Purchase obligations [2]	11,988	11,988	-	-	-	-	-
Leases committed not yet commenced	8,833	481	848	836	848	860	4,960
Total obligations	**917,359**	**24,855**	**27,086**	**189,427**	**2,372**	**174,561**	**499,058**

[1] Undiscounted
[2] Net of deposit.

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

CAPITAL RESOURCES

Assets and Liabilities

(thousands of dollars)	March 31 2020 $	March 31 2019 $
Total assets	1,493,520	1,520,009
Total liabilities	1,153,708	1,097,647

Cash

The Company's cash balance at March 31, 2020 was $3.6 million [2019 - $90.1 million]. On April 2, 2019, the Company redeemed from cash its $51.8 million principal amount 2014 Debentures.

Debt Facilities

As at March 31, 2020:

[thousands of dollars]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Canadian Swing Line	CAD	2025	40,000	33,992	5.02%
USD Swing Line	USD	2025	14,187	11,350	3.71%
Canadian Revolver Tranche A[3]	CAD	2025	135,000	35,533	5.02%
Canadian Revolver Tranche B	USD	2025	56,748	50,000	4.95%
U.S. Revolver [4]	USD	2025	219,899	214,507	3.76%
Series B Secured Notes [5]	CAD	2025	25,000	25,000	4.44%
Series C Secured Notes [5]	USD	2026	35,468	35,468	3.70%
Equipment Financing [5]	various	2025	1,149	1,149	Various
Total			**527,451**	**406,999**	

(1) USD denominated amounts translated to CAD at the rate of exchange in effect on March 31, 2020 of $1.4187.
(2) Excludes the $200 million accordion available under AGI's Credit Facility. In conjunction with the Credit Facility expansion announced on April 29, 2020 (see below) the amount of the accordion was reduced to $100 million.
(3) Interest rate fixed for $40 Million via interest rate swaps. See "Interest Rate Swaps".
(4) Interest rate fixed for USD $38 Million via interest rate swaps. See "Interest Rate Swaps".
(5) Fixed interest rate.

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

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

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

Debentures

Convertible Unsecured Subordinated Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the "Convertible Debentures"] of the Company that were outstanding as at March 31, 2020:

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

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

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

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

Senior Unsecured Subordinated Debentures

The following table summarizes the key terms of the Senior Unsecured Subordinated Debentures [the "Senior Debentures"] that were outstanding as at March 31, 2020:

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

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

On March 5, 2020, the Company closed the offering of $85 million aggregate principal amount of senior subordinated unsecured debentures [the "2020 Debentures"] at a price of $1,000 per Debenture. The Debentures bear interest from the date of issue at 5.25% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2020. The Debentures have a maturity date of December 31, 2026.

The Debentures will not be redeemable by the Company before December 31, 2022, except upon the occurrence of a change of control of the Company in accordance with the terms of the indenture governing the Debentures. On and after December 31, 2022 and prior to December 31, 2023, the Debentures may be redeemed at the Company's option at a price equal to 103.9375% of their principal amount plus accrued and unpaid interest. On and after December 31, 2023 and prior to December 31, 2024, the Debentures may be redeemed at the Company's option at a price equal to 102.625% of their principal amount plus accrued and unpaid interest. On and after December 31, 2024 and prior to December 31, 2025, the Debentures may be redeemed at the Company's option at a price equal to 101.3125% of their principal amount plus accrued and unpaid interest. On and after December 31, 2025 and prior to maturity, the Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $754. During the three-month period ended March 31, 2020, a loss of $751 [2019 – nil] was recorded in loss on financial instruments in other operating expense. As at March 31, 2020, the fair value of the embedded derivative was $3 [December 31, 2019 – nil].

COMMON SHARES

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

	# Common Shares
December 31, 2019	**18,658,479**
Settlement of EIAP obligations	47,317
March 31, 2020	**18,705,796**
Settlement of EIAP obligations	1,254
May 7, 2020	**18,707,050**

At May 7, 2020

- 18,707,050 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 1,179,601 have been granted and 35,399 remain unallocated
- 96,584 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan and 18,436 Common Shares have been issued; and
- 2,011,697 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of $248 million outstanding.

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

DIVIDENDS

AGI declared dividends to shareholders in the three-month period ended March 31, 2020 of $11.2 million versus $11.1 million in the same period in 2019. On April 14, 2020, AGI announced a reduction of its dividend to an annual level of $0.60 and at the same time moved the dividend from monthly to quarterly payments. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines. In the three-month period ended March 31, 2020, dividends paid to shareholders of $11.2 million [2019 – $11.1 million] were financed from the Company's operating lines and by cash on hand.

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

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

[thousands of dollars]	Three-Months Ended March 31 2020 $	2019 $	Last Twelve Months Ended March 31 2020 $	2019 $
Adjusted EBITDA[1]	25,650	30,637	139,292	148,105
Interest expense	(10,819)	(9,899)	(45,713)	(38,565)
Non-cash interest	1,131	1,892	5,724	7,212
Cash taxes	(1,082)	(673)	(10,303)	(10,599)
Maintenance CAPEX	(2,640)	(3,269)	(14,180)	(11,532)
Funds from operations	12,240	18,688	74,820	94,621
Dividends	11,213	11,128	44,790	41,917
Payout Ratio	**92%**	**60%**	**60%**	**44%**

[1] See "Non-IFRS Measures".

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at March 31, 2020.

Interest rate swaps

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

	Currency	Maturity	Amount of Swap [000's] $	Fixed Rate [1]
Canadian dollar contracts	CAD	2022	40,000	3.6 – 4.1%
U.S. dollar contracts	USD	2020	38,000	3.8%

[1] With performance adjustments.

The interest rate swap contracts are derivative financial instruments and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating income. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rates between 3.6% and 4.1%. The notional amounts are $93.9 million in aggregate, resetting the last business day of each month. The contracts expire between November 2020 and May 2022.

During the three-month period ended March 31, 2020, a loss of $1.5 million [2019 - $892,000] was recorded in gain (loss) 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, 2020, the equity swap agreement covered 722,000 Common Shares at a weighted average price of $38.76 and the maturity date of the agreement is April 6, 2021.

As at March 31, 2020, the fair value of the equity swap was a $15.6 million liability [2019 - $17.1 million asset], and in the three-month period ended March 31, 2020, the Company recorded a loss in the consolidated statements of income of $21.3 million [2019 – $11.1 million].

Debenture redemption options

On March 5, 2020, the Company issued the 2020 Debentures. Beginning on and after December 31, 2022, the Company has the option of early redemption. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $754,000. During the three-month period ended March 31, 2020, a loss of $751,000 [2019 – nil] was recorded in loss on financial instruments in other operating expense. As at March 31, 2020, the fair value of the embedded derivative was $3,000 [December 31, 2019 – nil].

2019 ACQUISITIONS

Improtech

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

IntelliFarms

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

Milltec

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

2020 ACQUISITIONS

Affinity

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

SUBSEQUENT EVENT

On April 29, 2020 the Company amended its credit facility agreement to include Farm Credit Canada ("FCC") to its Canadian lending syndicate, increase the Company's senior revolving facility by $50 million and create a separate one-year revolving facility of $50 million to provide increased short-term flexibility during the COVID-19 crisis.

The amendments to the credit facility include a suspension of all financial covenant requirements for the six-month period ending October 31, 2020 as well as the ability to normalize Q1 2020 and Q2 2020 financial results for certain COVID-19 impacts when calculating trailing EBITDA in future covenant calculations. Following October 31, 2020, AGI's minimum leverage ratio covenant will return to 3.75x up to and including the calculation as at March 31, 2021. The minimum leverage ratio decreases to 3.50x for the quarter ended June 30, 2021 and returns to 3.25x thereafter. During the financial covenant suspension period AGI is subject to a minimum liquidity covenant. The maturity date of the facility remains March 20, 2025. The amendments do not impact terms of AGI's Series B and C secured notes that total $60 million.

OTHER RELATIONSHIPS

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three-month period ended March 31, 2020, the total cost of these legal services related to general matters was $0.6 million [2019 – $0.3 million], and $0.2 million is included in accounts payable and accrued liabilities as at March 31, 2020.

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

CRITICAL ACCOUNTING ESTIMATES

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

RISKS AND UNCERTAINTIES

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

CHANGES IN ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES

Adoption of new accounting standards

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

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

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

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

AGI acquired Affinity Management Limited on January 16, 2020. Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for this acquired business. Since the acquisition occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of this acquisition, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Affinity. The following is the summary financial information pertaining to Affinity that was included in AGI's consolidated financial statements for the three-month period ended March 31, 2020:

[thousands of dollars]	**Affinity $**
Revenue [1]	57
Loss[1][2]	(1,028)
Current assets [1][3]	(185)
Non-current assets [1][3]	10,312
Current liabilities [1][3]	773
Non-current liabilities [1][3]	2,884

[1] Net of intercompany.
[2] Includes acquisition and related transactions costs.
[3] Statement of financial position as at March 31, 2020.

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

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

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

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

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

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

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

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

References to "funds from operations" are to adjusted EBITDA less 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 or recoveries, other transaction and transitional costs, gain or loss on financial instruments, gain or loss on sale of property, plant and equipment impairment charges, cost of equipment rework and share of associate's net loss. See

"Detailed Operating Results – Diluted profit (loss) per share and diluted adjusted profit per share" for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit.

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

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "anticipate", "believe", "continue", "could", "expects", "intend", "plans", "postulates", "predict", "will" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for our future financial results including sales, EBITDA and adjusted EBITDA including our expectations for adjusted EBITDA in Q2 2020, industry demand and market conditions, the anticipated impacts of the coronavirus (COVID-19) outbreak on our business, operations and financial results; the sufficiency of our liquidity; the launch of V2.0 of our AGI SureTrack platform and the impact thereof; long-term fundamentals and growth drivers of our business; future payment of dividends and the amount thereof; and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: the anticipated impacts of the COVID-19 outbreak on our business, operations and financial results; anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product and input pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent COVID-19 pandemic, including the effects on the Company's operations, personnel, and supply chain, the demand for its products and services, its ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels, changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; 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, 2020

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	March 31, 2020	December 31, 2019
	$	$
Assets		
Current assets		
Cash and cash equivalents	3,603	48,421
Cash held in trust and restricted cash	5,601	5,416
Accounts receivable *[note 6]*	188,776	162,543
Inventory	189,371	174,356
Prepaid expenses and other assets	34,159	34,333
Current portion of note receivable	112	97
Derivative instruments *[note 25[b] and [c]]*	—	5,865
Income taxes recoverable	8,148	7,425
	429,770	438,456
Non-current assets		
Property, plant and equipment, net *[note 7]*	377,496	363,678
Right-of-use assets, net *[note 8]*	11,690	9,353
Goodwill *[note 9]*	367,061	351,573
Intangible assets, net *[note 10]*	272,276	264,858
Investment in associate *[note 11]*	17,630	17,312
Non-current accounts receivable *[note 6]*	16,066	16,182
Note receivable	561	525
	1,062,780	1,023,481
Assets held for sale *[note 12]*	970	1,043
Total assets	1,493,520	1,462,980
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 26]*	126,076	105,378
Customer deposits	46,689	39,583
Dividends payable	3,741	3,732
Derivative instruments *[note 25[b] and [c]]*	371	—
Income taxes payable	2,164	2,010
Current portion of due to vendor	12,060	4,541
Current portion of contingent consideration	—	5,270
Current portion of lease liability *[note 14]*	3,123	2,562
Current portion of long-term debt *[note 15]*	45,716	693
Current portion of convertible unsecured subordinated debentures *[note 16]*	—	74,298
Provisions	18,786	17,539
	258,726	255,606
Non-current liabilities		
Other financial liabilities	794	484
Due to vendor	2,831	3,829
Derivative instruments *[note 25[b] and [c]]*	16,521	—
Optionally convertible redeemable preferred shares *[note 5[c]]*	27,837	26,320
Lease liability *[note 14]*	8,799	6,787
Long-term debt *[note 15]*	358,219	392,435
Convertible unsecured subordinated debentures *[note 16]*	165,216	164,535
Senior unsecured subordinated debentures *[note 17]*	247,789	165,474
Deferred tax liability	66,976	74,115
	894,982	833,979
Total liabilities	1,153,708	1,089,585
Shareholders' equity *[note 18]*		
Common shares	459,564	455,857
Accumulated other comprehensive income	47,668	22,375
Equity component of convertible debentures	4,427	6,707
Contributed surplus	27,029	27,113
Deficit	(198,876)	(138,657)
Total shareholders' equity	339,812	373,395
Total liabilities and shareholders' equity	1,493,520	1,462,980

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 (loss)

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

	Three-month period ended	
	March 31, 2020	March 31, 2019
	$	$
Sales *[note 27]*	229,107	215,035
Cost of goods sold *[note 20[a]]*	167,945	151,280
Gross profit	61,162	63,755
Expenses		
Selling, general and administrative *[note 20[b]]*	61,200	51,137
Other operating expense (income) *[note 20[c]]*	23,243	(11,362)
Finance costs *[note 20[d]]*	10,819	9,899
Finance expense (income) *[note 20[e]]*	22,263	(3,740)
Share of associate's net loss *[note 11]*	1,200	—
	118,725	45,934
Profit (loss) before income taxes	(57,563)	17,821
Income tax expense (recovery) *[note 22]*		
Current	879	1,286
Deferred	(9,598)	3,313
	(8,719)	4,599
Profit (loss) for the period	(48,844)	13,222
Profit (loss) per share *[note 23]*		
Basic	(2.61)	0.71
Diluted	(2.61)	0.70

See accompanying notes

Unaudited interim condensed consolidated statements of comprehensive loss

[in thousands of Canadian dollars]

	Three-month period ended	
	March 31, 2020	March 31, 2019
	$	$
Profit (loss) for the period	(48,844)	13,222
Other comprehensive income (loss)		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	25,433	(13,667)
	25,433	(13,667)
Items that will not be reclassified to profit or loss		
Change in the fair value of equity investment	—	(900)
Actuarial losses on defined benefit plan	(192)	(170)
Income tax effect on defined benefit plan	52	46
	(140)	(1,024)
Other comprehensive income (loss) for the period	25,293	(14,691)
Total comprehensive loss for the period	(23,551)	(1,469)

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, 2020

	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, 2020	455,857	6,707	27,113	(138,657)	23,337	(900)	(62)	373,395
Loss for the period	—	—	—	(48,844)	—	—	—	(48,844)
Other comprehensive income (loss)	—	—	—	—	25,433	—	(140)	25,293
Share-based payment transactions *[note 18]*	3,707	—	(2,388)	—	—	—	—	1,319
Dividends paid to shareholders *[note 18[c]]*	—	—	—	(11,213)	—	—	—	(11,213)
Dividends on share-based compensation awards *[note 18[c]]*	—	—	—	(162)	—	—	—	(162)
Redemption of convertible unsecured subordinated debentures	—	(2,280)	2,304	—	—	—	—	24
As at March 31, 2020	459,564	4,427	27,029	(198,876)	48,770	(900)	(202)	339,812

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 18]*	4,162	—	(3,247)	—	—	—	—	915
Dividends paid to shareholders *[note 18[c]]*	—	—	—	(11,128)	—	—	—	(11,128)
Dividends on share-based compensation awards *[note 18[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 statements of cash flows

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

	Three-month period ended	
	March 31, 2020	March 31, 2019
	$	$
Operating activities		
Profit (loss) before income taxes	(57,563)	17,821
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	6,393	5,196
Depreciation of right-of-use assets	912	704
Amortization of intangible assets	6,209	3,858
Loss (gain) on sale of property, plant and equipment	57	(54)
Share of associate's net loss	1,200	—
Loss on redemption of convertible debentures	746	—
Non-cash component of interest expense	1,131	1,892
Non-cash movement in derivative instruments	23,518	(10,203)
Non-cash investment tax credits	(64)	—
Share-based compensation expense	2,755	1,391
Defined benefit plan expense	33	33
Contingent consideration and due to vendor	3,226	1,848
Translation loss (gain) on foreign exchange	24,016	(6,286)
	12,569	16,200
Net change in non-cash working capital balances related to operations *[note 24[a]]*	(15,878)	(29,858)
Non-current accounts receivable	116	(736)
Long-term payables	73	—
Settlement of EIAP obligation	(1,640)	(2,098)
Income taxes paid	(1,082)	(673)
Cash used in operating activities	(5,842)	(17,165)
Investing activities		
Acquisition of property, plant and equipment	(9,927)	(10,110)
Acquisitions, net of cash acquired *[note 5[d]]*	(7,301)	(112,619)
Transfer from restricted cash	—	557
Proceeds from sale of property, plant and equipment	94	176
Development and purchase of intangible assets	(3,380)	(3,229)
Transaction costs paid and payable	(2,883)	(4,464)
Cash used in investing activities	(23,397)	(129,689)
Financing activities		
Issuance of long-term debt, net of issuance costs	102,774	128,649
Repayment of long-term debt	(116,617)	(77)
Repayment of obligation under lease liabilities	(820)	(710)
Change in interest accrued	4,127	3,734
Issuance of convertible unsecured subordinated debentures	81,192	82,800
Redemption of convertible unsecured subordinated debentures	(75,031)	—
Dividends paid in cash *[note 18[c]]*	(11,204)	(11,073)
Cash provided by (used in) financing activities	(15,579)	203,323
Net increase (decrease) in cash during the period	(44,818)	56,469
Cash and cash equivalents, beginning of period	48,421	33,610
Cash and cash equivalents, end of period	3,603	90,079
Supplemental cash flow information		
Interest paid	5,200	3,446

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

March 31, 2020

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, 2020 were authorized for issuance in accordance with a resolution of the directors on May 6, 2020.

[b] Basis of preparation

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, assets held for sale, and contingent consideration resulting from business combinations, 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, 2019, 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, 2019, except for the adoption of new standards and interpretations effective as at January 1, 2020. As required by IAS 34, the nature and effect of those changes are disclosed in note 3.

3. Adoption of new accounting standards and policies

IFRS 3, Business Combinations ["IFRS 3"]

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

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

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

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 addition, the outbreak of the novel strain of coronavirus ["COVID-19"] continues to have material impact on the global economic slowdown and the significant volatility and weakness of global equity markets. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Global demand have been impacted at various levels by COVID-19 related uncertainties. The emergence of COVID-19 has had an adverse impact on the Company, including the disruption of production, its supply chain and product delivery. The Company has experienced temporary production suspensions in Italy, France, Brazil, India and North America. Engineering, design and quoting activity continued in all locations during the suspension periods. Management has undertaken appropriate steps to mitigate the disruptions; however, the full extent, depth, and trailing impacts of COVID-19 is unknown at this time including the impact on the financial results and condition of the Company in future periods.

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

5. Business combinations

[a] 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, 2020, $139 [2019 – $306] related to certain terms of the purchase agreement was expensed and $667 was paid.

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

The following table summarizes the 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

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

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.

The components of the purchase consideration are as follows:

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

In 2019, the amount due to vendor was paid in full and the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs (recovery) related to the Improtech acquisition in the three-month period ended March 31, 2020 were $(30) [2019 – $110] and are included in selling, general and administrative expenses.

[b] 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	87
Contingent consideration	5,105
Customer deposits	(1,566)
Total purchase price	23,029
Post-combination expense	(7,340)
Purchase consideration	15,689

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, 2020, $797 [2019 – $324] related to certain terms of the purchase agreement was expensed. In addition, the earn-out target was met and as a result, the contingent consideration of $5.1 million is payable to the vendor. Subsequent to the three-month period ended March 31, 2020, the amounts due to vendor was paid.

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

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

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

	$
Cash	53
Accounts receivable	225
Inventory	1,235
Prepaid expenses and other assets	61
Property, plant and equipment	803
Right-of-use assets	289
Intangible assets	
Trade name	1,768
Customer relationships	1,603
Customer backlog	380
Software	3,336
Goodwill	13,358
Accounts payable and accrued liabilities	(4,153)
Customer deposits	(2,740)
Lease liability	(65)
Long-term debt	(464)
Purchase consideration	15,689

The goodwill of $13,358 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.

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

The components of the purchase consideration are as follows:

	$
Cash paid	12,010
Due from vendor	(1,426)
Contingent consideration	5,105
Purchase consideration	15,689

In 2019, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs (recovery) related to the IntelliFarms acquisition in the three-month period ended March 31, 2020 were $(20) [2019 – $174] and are included in selling, general and administrative expenses.

[c] 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	32
Due to vendor	4,917
Optionally convertible redeemable preferred shares ["OCRPS"]	26,494
Purchase consideration	151,268

The due to vendor and OCRPS redemption value of $31.4 million is payable based on earnings targets from 2020 through 2024.

The purchase has been accounted for by the acquisition method, with the results of Milltec 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	6,746
Restricted cash	1,425
Accounts receivable	11,796
Inventory	8,809
Prepaid expenses and other assets	4,489
Income taxes recoverable	87
Property, plant and equipment	20,456
Right-of-use assets	24
Intangible assets	
Trade name	12,764
Customer relationships	23,599
Customer backlog	3,835
Goodwill	92,297
Accounts payable and accrued liabilities	(16,347)
Other liabilities	(172)
Customer deposits	(2,533)
Lease liability	(24)
Deferred tax liability	(15,693)
Long-term payables	(290)
Purchase consideration	151,268

The goodwill of $92,297 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $11,796. This consists of the gross contractual value of $12,281 less the estimated amount not expected to be collected of $485.

The components of the purchase consideration are as follows:

	$
Cash paid	106,845
Due to vendor	17,929
Optionally convertible redeemable preferred shares	26,494
Purchase consideration	151,268

[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 of April 1, 2020 to 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.

During the three-month period ended March 31, 2020, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs (recovery) related to the Milltec acquisition in the three-month period ended March 31, 2020 were $(205) [2019 – $1,790] and are included in selling, general and administrative expenses.

[d] Affinity Management Ltd.

Effective January 16, 2020, the Company acquired 100% of the outstanding shares of Affinity Management Ltd. ["Affinity"]. Based in Canada, Affinity is a provider of software solutions to the agriculture industry under the brand name Compass®. The Compass product suite is highly complementary to AGI's current offering and will be a key component of the full AGI SureTrack platform.

	$
Purchase price	12,500
Cash acquired	199
Due to vendor	119
Total purchase price	12,818
Post-combination expense	(5,000)
Purchase consideration	7,818

The $5 million of post-combination expense is expected to be expensed over a five-year period, contingent on certain conditions. During the three-month period ended March 31, 2020, $571 [2019 – nil] related to certain terms of the purchase agreement was expensed.

The purchase has been accounted for by the acquisition method, with the results of Affinity included in the Company's net earnings from the date of acquisition. The fair values of the assets acquired and the liabilities assumed have 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 and deferred taxes. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the

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

Company's valuation and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date.

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

	$
Cash	199
Accounts receivable	18
Prepaid expenses and other assets	15
Income taxes recoverable	119
Property, plant and equipment	63
Right-of-use assets	2,066
Intangible assets	
Software	3,322
Goodwill	5,044
Accounts payable and accrued liabilities	(92)
Customer deposits	(5)
Lease liability	(2,066)
Deferred tax liability	(865)
Purchase consideration	7,818

The goodwill of $5,044 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $18. This consists of the gross contractual value of $20 less the estimated amount not expected to be collected of $2.

From the date of acquisition, Affinity contributed to the results $57 of revenue and $1,029 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 Affinity historically reporting under differing reporting standards and differing year-end.

The components of the purchase consideration are as follows:

	$
Cash paid	7,500
Due to vendor	318
Purchase consideration	7,818

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

Transaction costs related to the Affinity acquisition in the three-month period ended March 31, 2020 were $22 [2019 – 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, 2020	December 31, 2019
	$	$
Total accounts receivable	**190,524**	164,301
Allowance for doubtful accounts	**(1,748)**	(1,758)
	188,776	162,543
Non-current accounts receivable	**16,066**	16,182
Total accounts receivable, net	**204,842**	178,725
Of which		
Neither impaired nor past due	**160,092**	132,022
Not impaired and past the due date as follows		
Within 30 days	**19,241**	18,200
31 to 60 days	**7,497**	5,877
61 to 90 days	**3,859**	8,051
Over 90 days	**15,901**	16,333
Allowance for doubtful accounts	**(1,748)**	(1,758)
Total accounts receivable, net	**204,842**	178,725

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

7. Property, plant, and equipment

	March 31, 2020 $	December 31, 2019 $
Balance, beginning of period	363,678	332,645
Additions	9,927	48,539
Acquisition *[note 5]*	63	21,276
Disposals	(151)	(1,052)
Transfer to right-of-use assets	—	(280)
Depreciation	(6,393)	(22,431)
Impairment	—	(187)
Exchange differences	10,372	(14,832)
Balance, end of period	377,496	363,678

8. Right-of-use assets

	March 31, 2020 $	December 31, 2019 $
Balance, beginning of period	9,353	9,071
Additions	1,108	2,968
Acquisition *[note 5]*	2,066	444
Disposals	(7)	—
Depreciation	(912)	(3,027)
Exchange differences	82	(103)
Balance, end of period	11,690	9,353

9. Goodwill

	March 31, 2020 $	December 31, 2019 $
Balance, beginning of period	351,573	256,619
Acquisition *[note 5]*	5,044	107,308
Exchange differences	10,444	(12,354)
Balance, end of period	367,061	351,573

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

10. Intangible assets

	March 31, 2020 $	December 31, 2019 $
Balance, beginning of period	**264,858**	233,199
Internal development	**3,380**	13,257
Acquisition *[note 5]*	**3,322**	48,033
Amortization	**(6,209)**	(22,730)
Exchange differences	**6,925**	(6,901)
Balance, end of period	**272,276**	264,858

11. Investment in associate

	March 31, 2020 $	December 31, 2019 $
Carrying value, beginning of period	**17,312**	—
Additions in the year	**—**	19,720
Share of net loss for the period before adjustments	**(1,058)**	(1,598)
Amortization of fair value adjustments	**(142)**	(754)
Share of net loss for the period	**(1,200)**	(2,352)
Share of other comprehensive loss (income)	**1,518**	(56)
Carrying value, end of period	**17,630**	17,312

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, 2020, the carrying amount of the assets held for sale is $970.

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

13. Provisions

Provisions consist of the Company's warranty provision. A provision is recognized for expected claims on products sold based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns.

	March 31, 2020	December 31, 2019
	$	$
Balance, beginning of period	**17,539**	7,685
Warranty expense	**5,862**	20,725
Amounts utilized	**(4,615)**	(13,588)
Acquisitions	**—**	2,717
Balance, end of period	**18,786**	17,539

14. Lease liability

	Interest rate	Maturity	March 31, 2020	December 31, 2019
	%		$	$
Current	1.9 – 29.3	2020 - 2021	**3,123**	2,562
Non-current	1.9 – 29.3	2021 – 2029	**8,799**	6,787
Lease liability			**11,922**	9,349

The Company has various lease contracts that have not yet commenced as at March 31, 2020. The future lease payments for the non-cancellable lease contracts are $710 within one year, $4,089 within five years and $4,744 thereafter.

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

15. Long-term debt

	Interest rate %	Maturity	March 31, 2020 $	December 31, 2019 $
Current portion of long-term debt				
Swing line	3.8 – 6.5	2025	45,342	345
Equipment financing	Nil	2025	374	348
			45,716	693
Non-current portion of long-term debt				
Equipment financing	Nil	2025	775	773
Series B secured notes	4.4	2025	25,000	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	35,468	32,470
Canadian Revolver	3.8 – 6.5	2025	85,533	140,511
U.S. Revolver	3.7 – 3.8	2025	214,507	196,379
			361,283	395,133
Less deferred financing costs			(3,064)	(2,698)
			358,219	392,435
Long-term debt			403,935	393,128

[a] Bank indebtedness

AGI has a swing line of $40.0 million and U.S. $10.0 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, 2020, there was $45,342 [December 31, 2019 – $345] 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, 2020 on AGI's revolver facilities was 4.34%. As at March 31, 2020, there was $300 million [December 31, 2019 – $337 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 25[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 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 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 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.

[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 3.75 for fiscal 2020 and 3.25 thereafter, the calculation of which excludes the convertible unsecured subordinated debentures and the senior 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 debt to EBITDA ratio requirement increases to 3.75 or less for the financial quarter and the three following financial quarters in which the acquisition occurred. As at March 31, 2020 and December 31, 2019, AGI was in compliance with all financial covenants. Subsequent to the three-month period ended March 31, 2020, the credit facility was amended *[note 29]*.

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

16. Convertible unsecured subordinated debentures

	March 31, 2020 $	December 31, 2019 $
Current portion of convertible unsecured subordinated debentures	—	74,298
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	172,475	172,475
Equity component	(6,351)	(6,351)
Accretion	3,136	2,827
Financing fees, net of amortization	(4,044)	(4,416)
	165,216	164,535
Convertible unsecured subordinated debentures	165,216	238,833

On January 2, 2020, the Company redeemed its 5.00% convertible unsecured subordinated debentures due December 31, 2020 [“2015 Debentures”] in accordance with the terms of the supplemental trust indenture dated September 29, 2015. Upon redemption, AGI paid to the holders of the 2015 Debentures the redemption price of $75,031 equal to the outstanding principal amount of the 2015 Debentures redeemed including accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. A loss of $746 was recorded to loss on financial instruments and the equity component of the 2015 Debentures was reclassified to contributed surplus

In 2019, the Company expensed the remaining unamortized balance of $723 of deferred fees related to the 2015 Debentures.

17. Senior unsecured subordinated debentures

	March 31, 2020 $	December 31, 2019 $
Principal amount	258,254	172,500
Financing fees, net of amortization	(10,465)	(7,026)
Senior unsecured subordinated debentures	247,789	165,474

On March 5, 2020, the Company closed the offering of $85 million aggregate principal amount of senior subordinated unsecured debentures [the “2020 Debentures”] at a price of $1,000 per Debenture [the “Offering”].

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

The net proceeds of the Offering were used to repay indebtedness and for general corporate purposes.

The Debentures bear interest from the date of issue at 5.25% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2020. The Debentures have a maturity date of December 31, 2026.

The Debentures will not be redeemable by the Company before December 31, 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 Debentures. On and after December 31, 2022 and prior to December 31, 2023, the Debentures may be redeemed at the Company's option at a price equal to 103.9375% of their principal amount plus accrued and unpaid interest. On and after December 31, 2023 and prior to December 31, 2024, the Debentures may be redeemed at the Company's option at a price equal to 102.625% of their principal amount plus accrued and unpaid interest. On and after December 31, 2024 and prior to December 31, 2025, the Debentures may be redeemed at the Company's option at a price equal to 101.3125% of their principal amount plus accrued and unpaid interest. On and after December 31, 2025 and prior to maturity, the Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest *[note 25[d]]*.

The Company will have the option to satisfy its obligation to repay the principal amount of the 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.

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

18. Equity

[a] Common shares

	Shares	Amount
	#	$
Balance, January 1, 2019	18,363,780	450,645
Settlement of equity incentive award plan ["EIAP"] obligation	294,400	5,187
Convertible unsecured subordinated debentures	299	25
Balance, December 31, 2019	18,658,479	455,857
Settlement of EIAP obligation	47,317	3,707
Balance, March 31, 2020	18,705,796	459,564

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

[b] Contributed surplus

	March 31, 2020	December 31, 2019
	$	$
Balance, beginning of period	**27,113**	26,045
Equity-settled director compensation *[note 19[b]]*	**170**	497
Dividends on EIAP	**162**	567
Obligation under EIAP *[note 19[a]]*	**2,585**	5,471
Settlement of EIAP obligation	**(5,305)**	(6,617)
Redemption of convertible unsecured subordinated debentures	**2,304**	1,150
Balance, end of period	**27,029**	27,113

[c] Dividends paid and proposed

In the three-month period ended March 31, 2020, the Company declared dividends of $11,213 or $0.60 per common share [2019 – $11,128 or $0.60 per common share] and dividends on share-based compensation awards of $162 [2019 – $155]. In the three-month period ended March 31, 2019, dividends paid to shareholders of $11,204 [2019 – $11,073] were financed from cash on hand.

On April 14, 2020, the Company announced a reduction of its dividend to an annual level of $0.60 per common share. At the same time, the dividend will move from monthly to quarterly payments, and accordingly the next dividend of $0.15 per share will relate to the months of April, May and June 2020, and is expected to be declared in June 2020 and payable on July 15, 2020.

19. Share-based compensation plans

[a] EIAP

During the three-month period ended March 31, 2020, 85,452 [2019 – 125,435] Restricted Awards ["RSUs"] were granted and 58,502 Performance Awards ["PSUs"] were cancelled [2019 – granted 203,125]. As at March 31, 2020, a total of 686,304 [December 31, 2019 – 600,852] RSUs and 663,408 [December 31, 2019 – 663,408] PSUs had been granted under the plan. The fair values of the RSUs and the PSUs 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, 2020, AGI expensed $2,585 for the EIAP [2019 – $1,451].

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

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

	EIAP	
	Restricted Awards	Performance Awards
	#	#
Balance, January 1, 2019	138,980	156,777
Granted	194,846	222,736
Vested	(80,918)	(249,762)
Forfeited	(8,500)	(20,254)
Balance, December 31, 2019	244,408	109,497
Granted	85,452	—
Vested	(39,105)	—
Cancelled	—	(58,502)
Balance, March 31, 2020	**290,755**	**50,995**

There is no exercise price on the EIAP awards.

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

For the three-month period ended March 31, 2020, an expense of $170 [2019 – $118] 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, 2020, 8,638 [2019 – 1,929] common shares were granted under the DDCP and as at March 31, 2020, a total of 96,584 [December 31, 2019 – 87,946] common shares had been granted under the DDCP and 18,436 [December 31, 2019 – 18,436] common shares had been issued.

Notes to unaudited interim condensed consolidated financial statements

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

March 31, 2020

20. Other expenses (income)

	Three-month period ended March 31, 2020 $	March 31, 2019 $
[a] Cost of goods sold		
Depreciation of property, plant, and equipment	5,712	4,711
Depreciation of right-of-use assets	322	273
Amortization of intangible assets	784	438
Warranty expense	5,862	1,733
Cost of inventory recognized as an expense	155,265	144,125
	167,945	151,280
[b] Selling, general and administrative expenses		
Depreciation of property, plant, and equipment	681	485
Depreciation of right-of-use assets	590	431
Amortization of intangible assets	5,425	3,420
Minimum lease payments recognized as an operating lease expense	41	184
Transaction costs	4,514	4,761
Selling, general and administrative	49,949	41,856
	61,200	51,137
[c] Other operating loss (income)		
Net loss (gain) on disposal of property, plant and equipment	57	(54)
Loss (gain) on financial instruments	24,264	(10,438)
Other	(1,078)	(870)
	23,243	(11,362)
[d] Finance costs		
Interest on overdrafts and other finance costs	605	141
Interest, including non-cash interest, on leases	119	64
Interest, including non-cash interest, on debts and borrowings	4,943	4,262
Interest, including non-cash interest, on convertible debentures *[note 16]*	5,152	5,432
	10,819	9,899
[e] Finance expense (income)		
Interest income from banks	(59)	(52)
Loss (gain) on foreign exchange	22,322	(3,688)
	22,263	(3,740)
[f] Employee benefits expense		
Wages and salaries	65,158	58,269
Share-based payment expense *[notes 19[a] and [b]]*	2,755	1,391
Pension costs	1,748	1,643
	69,661	61,303
Included in cost of goods sold	41,465	39,387
Included in selling, general and administrative expenses	28,196	21,916
	69,661	61,303

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

21. Retirement benefit plans

During the three-month period ended March 31, 2020, the expense associated with the Company's defined pension benefit was $33 [2019 – $33]. At March 31, 2020, the accrued pension benefit liability was $372 [December 31, 2019 – $146], which is included in other financial liabilities on the unaudited interim condensed consolidated statements of financial position.

22. Income taxes

The reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the three-month periods ended March 31, 2020 and 2019 is as follows:

	Three-month period ended	
	March 31, 2020 $	March 31, 2019 $
Profit (loss) before income taxes	(57,563)	17,821
At the Company's statutory income tax rate of 27% [2019 – 27%]	(15,542)	4,812
Tax rate changes	(334)	(53)
Additional deductions allowed in a foreign jurisdiction	5	—
Tax losses not recognized as a deferred tax asset	555	334
Foreign rate differential	235	(486)
Non-deductible EIAP expense	92	111
State income taxes, net of federal tax benefit	19	84
Unrealized foreign exchange loss (gain)	5,151	(831)
Permanent differences and others	1,100	628
Tax expense (recovery) at the effective rate of 15.15% [2019 – 25.81%]	(8,719)	4,599

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

23. Profit (loss) per share

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

	Three-month period ended	
	March 31, 2020	March 31, 2019
	$	$
Profit (loss) attributable to shareholders for basic and diluted profit (loss) per share	(48,844)	13,222
Basic weighted average number of shares	18,682,359	18,494,444
Dilutive effect of DDCP	—	59,737
Dilutive effect of RSU	—	202,051
Diluted weighted average number of shares	18,682,359	18,756,232
Profit (loss) per share		
Basic	(2.61)	0.71
Diluted	(2.61)	0.70

The 2017 and 2018 Debentures were excluded from the calculation of diluted profit (loss) per share in the three-month period ended March 31, 2020 because their effect is anti-dilutive.

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

24. 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, 2020	March 31, 2019
	$	$
Accounts receivable	(26,215)	(11,732)
Inventory	(17,140)	(14,688)
Prepaid expenses and other assets	2,540	(2,526)
Accounts payable and accrued liabilities	16,817	2,848
Customer deposits	7,100	(4,445)
Provisions	1,020	685
	(15,878)	(29,858)

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

[b] Reconciliation of liabilities arising from financing activities

	December 31, 2019	Cash flows	Non-cash changes						March 31, 2020
			Acquisition	Foreign exchange	Accretion	Amortization	Fair value	Other	
	$	$	$	$	$	$	$	$	$
Long-term debt	393,128	(13,843)	—	24,556	—	94	—	—	403,935
Convertible unsecured subordinated debentures	238,833	(75,031)	—	—	320	372	—	722	165,216
Senior unsecured subordinated debentures	165,474	81,192	—	—	—	351	754	18	247,789
Lease liabilities	9,349	(820)	2,066	227	—	—	—	1,100	11,922
Total liabilities from financing activities	806,784	(8,502)	2,066	24,783	320	817	754	1,840	828,862

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

	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

25. 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, 2020, AGI's U.S. dollar denominated debt totalled $205 million.

The Company had no outstanding foreign exchange forward contracts at March 31, 2020.

[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 4.1%. The notional amounts are $93,911 in aggregate, resetting the last business day of each month. The contracts expire between November 2020 and May 2022.

During the three-month period ended March 31, 2020, a realized loss of $1,511 [2019 – $892] was recorded in loss on financial instruments in other operating expense. As at March 31, 2020, the fair value of the interest rate swap was $(1,287) [December 31, 2019 – $224].

[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, 2020, 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.

During the three-month ended March 31, 2020, a realized loss of $21,256 [2019 – gain of $11,095] was recorded in loss on financial instruments in other operating expense. As at March 31, 2020, the fair value of the equity swap was $(15,608) [December 31, 2019 – $5,641].

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

[d] Debenture put options

On March 5, 2020, the Company issued the 2020 Debentures. Beginning on and after December 31, 2022, the Company has the option of early redemption. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $754. During the three-month period ended March 31, 2020, a loss of $751 [2019 – nil] was recorded in loss on financial instruments in other operating expense. As at March 31, 2020, the fair value of the embedded derivative was $3 [December 31, 2019 – nil].

[e] Fair value

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, 2020		December 31, 2019	
	Level	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets					
Amortized cost:					
Cash and cash equivalents	1	3,603	3,603	48,421	48,421
Cash held in trust and restricted cash	1	5,601	5,601	5,416	5,416
Accounts receivable	2	188,776	188,776	162,543	162,543
Note receivable	2	673	673	622	622
Fair value through profit or loss:					
Derivative instruments	2	—	—	5,865	5,865
Financial liabilities					
Amortized cost:					
Interest-bearing loans and borrowings	2	415,857	412,091	402,477	402,931
Accounts payable and accrued liabilities	2	126,076	126,076	105,378	105,378
Dividends payable	2	3,741	3,741	3,732	3,732
Due to vendor	2	14,891	14,891	8,370	8,370
Contingent consideration	3	—	—	5,270	5,270
Convertible unsecured subordinated debentures	2	165,216	147,091	238,833	246,128
Senior unsecured subordinated debentures	2	247,789	220,360	165,474	166,456
Fair value through profit or loss:					
Derivative instruments	2	16,892	16,892	—	—
Optionally convertible redeemable preferred shares	3	27,837	27,837	26,320	26,320

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

During the three-month period ended March 31, 2020 and year ended December 31, 2019, 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 and 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 that are marked-to-market at each reporting period. The fair values of derivatives are determined by the derivative counterparty using a discounted cash flow technique, which incorporates various inputs including the related interest rate swap curves and/or the Company's stock price for the equity swaps.

- The fair value of the embedded derivatives related to the senior unsecured subordinated debentures is determined by the Company's consultants using valuations models, which incorporates various inputs including the contractual contract terms, market interest rates and volatility.

- 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.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	March 31, 2020 $	December 31, 2019 $
Contingent consideration and OCRPS:		
Balance, beginning of year	**31,590**	6,386
Acquisitions	**—**	31,599
Fair value change	**682**	173
Reclassification to due to vendor	**(5,270)**	(4,000)
Exchange differences	**835**	(2,568)
Balance, end of year	**27,837**	31,590

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

Set out below are the significant unobservable inputs to valuation as at March 31, 2020:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Contingent consideration and OCRPS	Discounted cash flow method	• Probability of achieving earnings target	0%–100% achievement	Increase (decrease) in the probability would increase (decrease) the fair value
		• Weighted average cost of capital ["WACC"]	5.0%–9.2%	Increase (decrease) in the WACC would result in decrease (increase) in fair value

26. 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, 2020, the total cost of these legal services related to general matters was $642 [2019 – $265], and $215 is included in accounts payable and accrued liabilities as at March 31, 2020.

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

27. 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, 2020, 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, 2020	March 31, 2019
	$	$
Sales		
Canada	68,108	77,411
United States	98,283	93,619
International	62,716	44,005
	229,107	215,035

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.

28. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of $11,988 [2019 – $14,270].

[b] Letters of credit

As at March 31, 2020, the Company has outstanding letters of credit in the amount of $27,075 [December 31, 2019 – $16,885].

[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.

29. Subsequent event

On April 29, 2020 the Company amended its credit facility agreement to include Farm Credit Canada ("FCC") to its Canadian lending syndicate, increase the Company's senior revolving facility by $50 million and create a separate one-year revolving facility of $50 million to provide increased short-term flexibility during the COVID-19 crisis.

The amendments to the credit facility include a suspension of all financial covenant requirements for the six-month period ending October 31, 2020 as well as the ability to normalize Q1 2020 and Q2 2020 financial results for certain COVID-19 impacts when calculating trailing EBITDA in future covenant calculations. Following October 31, 2020, AGI's minimum leverage ratio covenant will return to 3.75x up to and including the calculation as at March 31, 2021. The minimum leverage ratio decreases to 3.50x for the quarter ended June 30, 2021 and returns to 3.25x thereafter. During the financial covenant suspension period AGI is subject to a minimum liquidity covenant. The maturity date of the facility remains March 20, 2025. The amendments do not impact terms of AGI's Series B and C secured notes that total $60 million.