AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: November 8, 2022

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, 2021, the Management's Discussion and Analysis of the Company for the year ended December 31, 2021 and the unaudited interim condensed consolidated comparative financial statements of the Company and accompanying notes for the three- and nine-month periods ended September 30, 2022. Results are reported in Canadian dollars unless otherwise stated.

This MD&A is based on the Company's unaudited interim condensed consolidated comparative financial statements for the three- and nine-month periods ended September 30, 2022 ("consolidated financial statements") based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), unless otherwise noted.

This MD&A makes reference to certain specified financial measures, including non-IFRS financial measures, non-IFRS ratios and supplementary financial measures. These specified financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement our financial information reported under IFRS by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Please refer to the "NON-IFRS AND OTHER FINANCIAL MEASURES" section of this MD&A for more information on each specified financial measure.

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, which is available under the Company's profile on SEDAR [www.sedar.com].

SUMMARY OF RESULTS

	Three-months ended September 30			
	2022	2021	Change	Change
[thousands of dollars except per share amounts and percentages]	$	$	$	%
Sales	402,074	313,859	88,215	28%
Adjusted EBITDA [1][2]	76,287	46,298	29,989	65%
Adjusted EBITDA Margin % [3]	19.0%	14.8%	4.2%	29%
Profit (loss) before income taxes	12,885	(3,229)	16,114	N/A
Profit (loss)	6,972	(73)	7,045	N/A
Diluted profit (loss) per share	0.36	(0.00)	0.36	N/A
Adjusted profit [1][4]	29,746	19,784	9,962	50%
Diluted adjusted profit per share [3][4]	1.41	1.02	0.39	38%

[thousands of dollars except per share amounts and percentages]	2022 $	2021 $	Change $	Change %
		Nine-months ended September 30		
Sales	1,084,048	871,428	212,620	24%
Adjusted EBITDA [1][2]	183,686	131,614	52,072	40%
Adjusted EBITDA Margin % [3]	16.9%	15.1%	1.8%	12%
Profit before income taxes	31,213	31,083	130	0%
Profit	17,228	26,907	(9,679)	(36%)
Diluted profit per share	0.89	1.40	(0.51)	(36%)
Adjusted profit [1][4]	57,200	44,114	13,086	30%
Diluted adjusted profit per share [3][4]	2.81	2.29	0.52	23%

[1] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[2] See "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA".
[3] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.
[4] See "DETAILED OPERATING RESULTS – Diluted profit (loss) per share and diluted adjusted profit per share".

Consolidated Segment Results Summary

[thousands of dollars]	2022 $	2021 $	Change $	Change %
		Three-months ended September 30		
Sales [1]				
Farm	207,937	173,181	34,756	20%
Commercial	182,411	129,926	52,485	40%
Digital	11,726	10,752	974	9%
Total	402,074	313,859	88,215	28%

[1] The sales information in this section are supplementary financial measures and are used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on these supplementary financial measures.

[thousands of dollars]	2022 $	2021 $	Change $	Change %
		Three-months ended September 30		
Adjusted EBITDA [1] [2]				
Farm	54,646	36,050	18,596	52%
Commercial	32,473	16,520	15,953	97%
Digital	(4,009)	321	(4,330)	(1349%)
Other [3]	(6,823)	(6,593)	(230)	3%
Total	76,287	46,298	29,989	65%

[1] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[2] See "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA" and "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA by Segment".
[3] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

	Three-months ended September 30			
	2022	2021	Change	Change
	$	$	$	%
Adjusted EBITDA Margin % [1]				
Farm	26%	21%	5%	26%
Commercial	18%	13%	5%	40%
Digital	(34%)	3%	(37%)	(1245%)
Total	**19%**	**15%**	**4%**	**29%**

[1] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.

AGI continued its strong performance in the third quarter with another record for sales and Adjusted EBITDA, which increased 28% and 65% year-over-year ('YOY') for the three-months ended September 30, 2022 ("Q3"), respectively.

Farm segment sales and Adjusted EBITDA increased 20% and 52% YOY in Q3 with strong results from Canada, U.S., Asia Pacific, and South America. In particular, sales of our portable grain handling equipment remain robust as rising crop sizes and low dealer inventories combined to create solid demand. Commercial segment sales and Adjusted EBITDA increased 40% and 97% YOY in Q3 with significant growth in North America, Europe, Middle East and Africa ("EMEA"), South America, and Asia Pacific markets. The Brazil region continues to experience significant growth in both sales and Adjusted EBITDA achieving 30% and 67% YOY increases in Q3. With strong macroeconomic fundamentals, we expect the momentum to continue in the Brazil region in the fourth quarter ("Q4") of 2022. The India region reached an all-time quarterly record in Q3 with sales and Adjusted EBITDA growing 59% and 101% YOY.

The Digital segment sales increased 9% YOY in Q3 as a result of continued demand and strong order intake. Adjusted EBITDA was a loss of $4.0 million in Q3 2022 as compared to a gain of $0.3 million in Q3 2021. The loss was primarily due to the increase of subscription sales in proportion to retail sales in Q3 YOY as a new subscription program was introduced late in Q4 2021. This increase in proportion of subscription sales has a negative impact on the short-term performance of the Digital segment as sales and associated variable costs are deferred and spread out over the term of the subscription.

On a consolidated basis, the $30 million increase in our Adjusted EBITDA for Q3 was led by a significant increase in sales across all segments with notable contributions from U.S. Farm, Canada Farm, North America Commercial as well as Brazil and India. This was complemented by a notable improvement in gross margin driven by operational efficiencies, sales mix favoring portable grain handling equipment in the Farm segment, increased volume within the Commercial segment, and the benefit of lower steel prices YOY.

The demand for AGI equipment, systems, and solutions continues to grow across our segments and geographies. Consolidated backlog was up 4% YOY, just above the record level from the prior year which itself was up 99% from Q3 2020 levels. The moderation of backlog growth was expected as the backlog resets at higher levels relative to historic amounts given our increased mix of project-based work.

In recent years, our organization has adopted an operational excellence mindset and undertaken a number of initiatives with the goal of creating value for our customers. We strive to improve our customers' experience by further integration of our business teams and processes for all equipment in the AGI portfolio. By building this capability, we have vastly improved the efficiency of the business across the Commercial segment and are beginning to realize the benefits of our investments, most notably, the sales growth and margin expansion of our Canadian and U.S. Commercial segments.

Our pipelines remain robust and we are continuing to see strong interest from customers across all segments and regions as they continue to invest in critical infrastructure equipment and solutions. We now expect full year 2022 Adjusted EBITDA of at least $228 million which represents another very strong year, driven primarily by organic growth[1]. Our ability to capture the ongoing demand for agriculture equipment, infrastructure and solutions has positioned us to cap off another record year in sales and Adjusted EBITDA with good momentum heading into 2023.

BASIS OF PRESENTATION

For the year ended December 31, 2021, the effect of foreign currency translations arising from the settlement of accounts receivables and payables recorded in a currency other than the Company's functional currency have been presented within finance income (expenses); historically, the foreign exchange impact was presented in sales and a reconciliation was made to trade sales as presented in prior MD&As. This change in presentation effectively eliminates the need for trade sales and therefore sales is presented in this MD&A with the reclassification of comparative information.

The Company's change in presentation in its consolidated financial statements was made in accordance with IAS 1 and IFRS 8. Under IFRS 8, a change in accounting policy is permitted if the change results in the financial statements providing more reliable and relevant information about the effects of transactions on the entity's financial position. In addition, IAS 1 requires an entity to reclassify its comparative information when making such changes in presentation and therefore comparative figures have been restated accordingly.

Description of Business Segments and Platforms

AGI's demand drivers are closely linked to crop production volumes, global grain movement, and global food and feed consumption levels. A relative lack of investment in food infrastructure in developing regions along with required ongoing maintenance capital requirements in developed regions provide positive demand dynamics for AGI. These core demand drivers are further augmented by increasing population, changing dietary trends, and increased focus on food security infrastructure.

Farm Segment

AGI's Farm segment includes the sale of grain, seed, and fertilizer handling equipment. Our two main categories of products include portable grain handling solutions as well as permanent grain handling solutions including storage, drying, material handling, and conditioning equipment.

Commercial Segment

AGI's Commercial segment includes the sale of larger diameter grain storage bins, high-capacity grain handling equipment, seed and fertilizer storage and handling systems, feed handling and storage equipment, aeration products, automated blending systems, control systems, and food processing solutions.

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[1] Increased from our previous guidance of full year 2022 Adjusted EBITDA of at least $215 million. Adjusted EBITDA for the year ended December 31, 2021 was $176.3 million. See "Reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the years ended December 31, 2021 and 2020".

Food Platform

The AGI Food platform falls within AGI's Commercial segment and it provides full process design engineering, overall project engineering, project management services, and equipment supply for our customers in the food and beverage processing industry.

Digital Segment

AGI's Digital segment designs, manufactures, and supplies IoT (Internet of Things) hardware that monitors, operates, and automates our equipment and the collection of key operational data for our customers. These products are available both as standalone offerings, as well as in combination with larger farm or commercial systems from AGI.

OPERATING RESULTS and OUTLOOK [2]

Sales by Segment and Geography [3]

Farm Segment

		Three-months ended September 30		
	2022	2021	Change	Change
[thousands of dollars]	$	$	$	%
Canada	65,163	61,263	3,900	6%
U.S.	112,982	89,684	23,298	26%
International				
EMEA	1,437	1,484	(47)	(3%)
Asia Pacific	6,079	6,816	(737)	(11%)
South America	22,276	13,934	8,342	60%
Total International	29,792	22,234	7,558	34%
Total Sales	**207,937**	**173,181**	**34,756**	**20%**

		Nine-months ended September 30		
	2022	2021	Change	Change
[thousands of dollars]	$	$	$	%
Canada	175,152	180,057	(4,905)	(3%)
U.S.	299,188	242,062	57,126	24%
International				
EMEA	6,339	9,358	(3,019)	(32%)
Asia Pacific	20,742	16,468	4,274	26%
South America	65,493	28,307	37,186	131%
Total International	92,574	54,133	38,441	71%
Total Sales	**566,914**	**476,252**	**90,662**	**19%**

[2] See "BASIS OF PRESENTATION", "RISKS AND UNCERTAINTIES" AND "FORWARD-LOOKING INFORMATION"

[3] The sales information in this section are supplementary financial measures and are used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on these supplementary financial measures.

Commercial Segment

[thousands of dollars]	Three-months ended September 30 2022 $	2021 $	Change $	Change %
Canada	22,675	17,335	5,340	31%
U.S.	63,875	47,660	16,215	34%
International				
EMEA	26,235	19,539	6,696	34%
Asia Pacific	37,882	25,102	12,780	51%
South America	31,744	20,290	11,454	56%
Total International	95,861	64,931	30,930	48%
Total Sales	**182,411**	**129,926**	**52,485**	**40%**

[thousands of dollars]	Nine-months ended September 30 2022 $	2021 $	Change $	Change %
Canada	68,876	39,862	29,014	73%
U.S.	180,518	137,474	43,044	31%
International				
EMEA	80,416	66,573	13,843	21%
Asia Pacific	87,094	69,802	17,292	25%
South America	70,041	55,425	14,616	26%
Total International	237,551	191,800	45,751	24%
Total Sales	**486,945**	**369,136**	**117,809**	**32%**

We have included product groups in the table below in order to provide additional information that may be useful to the reader. The Commercial segment includes the Commercial platform and Food platform.

	Commercial Platform Three-months ended September 30				Food Platform Three-months ended September 30			
	2022	2021	Change	Change	2022	2021	Change	Change
[thousands of dollars]	$	$	$	%	$	$	$	%
Canada	18,379	13,743	4,636	34%	4,296	3,592	704	20%
U.S.	44,921	36,106	8,815	24%	18,954	11,554	7,400	64%
International								
EMEA	21,675	15,883	5,792	36%	4,560	3,656	904	25%
Asia Pacific	35,535	25,002	10,533	42%	2,347	100	2,247	2247%
South America	31,446	20,290	11,156	55%	298	—	298	N/A
Total International	88,656	61,175	27,481	45%	7,205	3,756	3,449	92%
Total Sales [1]	**151,956**	**111,024**	**40,932**	**37%**	**30,455**	**18,902**	**11,553**	**61%**

[thousands of dollars]	Commercial Platform Nine-months ended September 30 2022 $	2021 $	Change $	Change %	Food Platform Nine-months ended September 30 2022 $	2021 $	Change $	Change %
Canada	48,708	30,263	18,445	61%	20,168	9,599	10,569	110%
U.S.	130,756	108,218	22,538	21%	49,762	29,256	20,506	70%
International								
EMEA	64,735	52,469	12,266	23%	15,681	14,104	1,577	11%
Asia Pacific	80,547	69,564	10,983	16%	6,547	238	6,309	2651%
South America	69,298	55,425	13,873	25%	743	—	743	N/A
Total International	214,580	177,458	37,122	21%	22,971	14,342	8,629	60%
Total Sales [1]	**394,044**	**315,939**	**78,105**	**25%**	**92,901**	**53,197**	**39,704**	**75%**

[1] The aggregate of the Total Sales from the Commercial Platform and Food Platform equal the Total Sales of the Commercial Segment.

Digital Segment

[thousands of dollars]	Three-months ended September 30 2022 $	2021 $	Change $	Change %
Canada	747	518	229	44%
U.S.	10,958	10,238	720	7%
International				
EMEA	1	—	1	N/A
Asia Pacific	20	(5)	25	(500%)
South America	—	1	(1)	(100%)
Total International	21	(4)	25	(625%)
Total Sales	**11,726**	**10,752**	**974**	**9%**

[thousands of dollars]	Nine-months ended September 30 2022 $	2021 $	Change $	Change %
Canada	1,600	1,106	494	45%
U.S.	28,523	24,857	3,666	15%
International				
EMEA	13	3	10	333%
Asia Pacific	37	68	(31)	(46%)
South America	16	6	10	167%
Total International	66	77	(11)	(14%)
Total Sales	**30,189**	**26,040**	**4,149**	**16%**

Sales by Geography

[thousands of dollars]	2022 $	2021 $	Change $	Change %
		Three-months ended September 30		
Canada	88,585	79,116	9,469	12%
U.S.	187,815	147,582	40,233	27%
International				
EMEA	27,673	21,023	6,650	32%
Asia Pacific	43,981	31,913	12,068	38%
South America	54,020	34,225	19,795	58%
Total International	125,674	87,161	38,513	44%
Total Sales	**402,074**	**313,859**	**88,215**	**28%**

[thousands of dollars]	2022 $	2021 $	Change $	Change %
		Nine-months ended September 30		
Canada	245,628	221,025	24,603	11%
U.S.	508,229	404,393	103,836	26%
International				
EMEA	86,768	75,934	10,834	14%
Asia Pacific	107,873	86,338	21,535	25%
South America	135,550	83,738	51,812	62%
Total International	330,191	246,010	84,181	34%
Total Sales	**1,084,048**	**871,428**	**212,620**	**24%**

The following table presents YOY changes in the Company's backlogs[1] as at September 30, 2022:

	Region			
Segments and Platforms[2]	Canada %	United States %	International %	Overall %
Farm	16%	(3%)	(8%)	0%
Commercial				
Commercial Platform	6%	12%	13%	12%
Food Platform	88%	(35%)	19%	(17%)
Total Commercial Segment	23%	(10%)	13%	6%
Overall	**18%**	**(8%)**	**10%**	**4%**

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.

[2] Backlog for our Digital segment has been excluded as products and services are delivered on a just-in-time basis and therefore backlog is not a relevant indicator of committed sales.

The following table presents YOY changes in the Company's international backlogs[1] as at September 30, 2022 further segmented by region:

Farm and Commercial Segments [2]	EMEA[3] %	Asia Pacific[4] %	South America[5] %
International by region	(27%)	44%	41%

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on this supplementary financial measure.
[2] Backlog for our Digital segment has been excluded as products and services are delivered on a just-in-time basis and therefore backlog is not a relevant indicator of committed sales.
[3] "EMEA" is composed of Europe, Middle East and Africa.
[4] "Asia Pacific" is composed of Southeast Asia, Australia, India, and the rest of the world (other than Canada, the United States, EMEA and South America).
[5] "South America" is composed of Latin America and Brazil.

Farm Segment

Farm segment sales and Adjusted EBITDA increased 20% and 52% YOY in Q3 with strong results from Canada, the U.S., and South America. Robust demand for portable grain handling equipment in North America continued as many dealers report low inventory levels. Elevated crop prices generally leads growers to monetize crops shortly after harvest which resulted in lower overall demand for storage equipment and solutions throughout the 2022 season. Adjusted EBITDA benefited from the sales mix favoring higher margin portable grain handling equipment over lower margin permanent grain handling and storage products. In addition, there was some benefit of lower input costs associated with improved steel pricing YOY. Looking ahead, we anticipate Farm Segment's Q4 performance to be in line with Q4 2021.

Canada

Sales increased 6% and backlog increased 16% YOY in Q3 as improved crop yield drove demand for our grain handling equipment. Management expects that the Canadian Farm segment will continue to rebound in Q4 2022 as dealers continue to move their inventory in the upcoming months.

United States

Sales increased 26% in Q3 over a very strong Q3 2021 result as demand for portable grain handling equipment remains strong and inventory levels continue to remain low throughout our dealer network. This was offset by a decrease in demand for grain storage equipment as grain producers are generally motivated by high crop prices to monetize crops after harvest versus utilizing on-farm storage capacity. However, the trend of generally larger crop sizes and increasing farmer sophistication continues, providing an optimistic outlook for customer demand for permanent grain handling equipment and storage over time.

International

Farm segment sales increased 34% YOY in Q3, with continued growth in South America supported by strong demand for permanent grain handling equipment and storage as a result of increasing crop volumes and rising investment in critical grain handling infrastructure. Sales to Asia Pacific decreased 11% mainly due to timing of planned shipments being delayed into Q4 2022. EMEA's Q3 results were consistent with the prior year despite the impact of the Russia-Ukraine conflict (See "RISKS AND UNCERTAINTIES – Russia-Ukraine Conflict"). Our ability to temporarily pivot away from the Russia-

Ukraine region without significantly impacting our overall results highlights the benefit of our diversified growth strategy.

Commercial Segment

Commercial segment sales and Adjusted EBITDA increased 40% and 97% YOY in Q3 with a significant rebound in Canadian sales, continued growth in the U.S., and strong results in our international markets. Key contributors to the growth included the Food platform which continues to grow in response to strong customer demand with sales increasing 61% YOY, and 33% net of acquisitions [see "2022 ACQUISTION – Eastern Fabricators"] in Q3. The increase in Adjusted EBITDA is primarily due to scaling on an increased revenue base which helped capture incremental gross margin as well as a favorable steel pricing trend in 2022. In addition, the Canadian Commercial platform continued to rebound with sales and backlog up 34% and 6% YOY.

Looking ahead, we anticipate the momentum in the Commercial segment to continue into Q4 2022. A key focus remains on securing components on a timely and cost-effective basis amid supply chain disruptions which have been challenging. Many of AGI's Commercial segment contracts include provisions to pass along some or all of the key raw material cost increases and open sales quotes are continuously reviewed and updated for changes in market conditions.

Overall, the Commercial segment is seeing continued demand with backlogs up 6% YOY in Q3.

Canada

Commercial segment sales increased 31% YOY for the three-months ended September 30, 2022. Specifically:

- Commercial platform sales in Canada increased 34% YOY as increased quoting activities in Q4 2021 and the first six months of 2022 for grain terminal projects drove a recovery of this sector in 2022. We continue to expect the Canadian Commercial platform to perform well in Q4 2022.
- The grain terminal and grain processing markets resumed capital spending following a temporary decrease in spending after significant build out from 2015 through 2020. We are also seeing demand return in the fertilizer equipment market. Consequently, the Canadian Commercial platform's backlog is up 6% YOY in Q3.
- Food platform sales increased 20% YOY, with continued strong demand in Q3 2022 and the acquisition of Eastern Fabricators ("Eastern") which provided additional production capacity and resources to support the Food platform's sales growth trajectory.

Management anticipates the momentum will continue in Q4 2022 for the Canadian Commercial platform. We also anticipate strong Q4 2022 results from the Canadian Food platform driven by the significant backlog in this region, which is up 88% YOY in Q3.

United States

Commercial segment sales increased 34% YOY for the three-months ended September 30, 2022. Specifically:

- Commercial platform sales in the U.S. increased 24% YOY, with sales growth driven by the demand in commercial infrastructure and supported by a positive export outlook.
- Food platform sales in the U.S. increased 64% YOY, as a result of continued demand in the petfood market and our efforts to develop strategic relationships with key partners.

Overall, we anticipate the U.S. Commercial Segment's Q4 performance to be in line with Q4 2021.

International

Commercial segment sales increased 48% YOY for the three-months ended September 30, 2022. Specifically:

- Commercial platform sales increased 45% YOY with solid growth in all areas including EMEA despite the impact of the Russia-Ukraine conflict. We were able to replace lost volumes with other projects within the EMEA region given the broad demand for investment in food infrastructure globally. Additional information on the potential impact of the conflict between Russia and Ukraine can be found in "RISKS AND UNCERTAINTIES – Russia-Ukraine Conflict".
- Results from Brazil and India continued their momentum in Q3 as sales increased 30% and 59% YOY, respectively.
    - Brazil continued to see a strengthening demand for AGI products and systems in the Commercial segment, supported by a favorable macroeconomic environment and their backlog is up 79% YOY.
    - India delivered a record quarterly result in Q3 as demand for rice milling equipment continued to increase throughout 2022; the backlog for India increased 39% YOY.
    - We continue to anticipate both regions will be strong contributors to our Q4 2022 performance as well as going forward into 2023.
- Food platform sales increased 92% YOY in Q3, driven by growth across all regions. As noted in Q2 2022, both Asia Pacific and South America are relatively new markets for the Food platform and we expect their performance to fluctuate. However, we anticipate momentum to build in these regions given our sustained focus on pipeline building and quoting activities.

Overall, we continue to expect significant growth opportunities within the various international regions for our Commercial segment in Q4 2022, particularly Brazil and India, supported by favorable macroeconomic conditions. While the Russia-Ukraine conflict may impact our performance in the EMEA region, we anticipate the impact will be temporary as we have the ability to refocus our sales efforts to other regions.

Digital Segment

The Digital segment continues to make progress in market development with sales up 9% YOY in Q3, despite continued industry-wide component shortages of critical chips required for production. Initiatives to support Digital growth continued including adding dealer channels for Digital products, expanding direct sales channels, automating areas of production, and increasing capacity. Clear benefits from these efforts are materializing with the Digital segment securing record order intake in Q3 2022.

Digital segment Adjusted EBITDA was a loss of $4.0 million in Q3 2022 primarily due to the increase of subscription sales in proportion to retail sales in Q3 YOY as a new subscription program was introduced late in Q4 2021. This increase in proportion of subscription sales has a negative impact on the short-term performance of the Digital segment as sales and associated variable costs are deferred and spread out over the term of the subscription.

A clear trend of increasing demand for our Digital offerings is expected to continue in Q4 2022, as more end customers realize the value and efficiencies of digitizing aspects of their operations. However, the ongoing chip availability issues will continue to be a risk to our ability to produce some pieces of IoT hardware. Management is working on several initiatives to help proactively reduce the impact of supply chain bottlenecks on Digital's ability to grow and meet customer demand.

Summary

Our record third quarter results in sales and Adjusted EBITDA reflect our significant market share in North American portable grain handling equipment, the strength in our Commercial capabilities and product offerings as well as the continued growth in various international regions. Our strategy of product, geographic, and customer diversification has provided us with stability and resilience during the trade wars of 2019, the COVID crisis in 2020, the extreme supply chain environment in 2021, and the inflationary pressure and Russia-Ukraine conflict in 2022. Our focus on achieving operational excellence and creating value for our customers has led us to various efficiency improvements, particularly in the North America Commercial segment, resulting in sales growth and margin expansion. We expect the momentum and success from these efforts to carry across the organization more broadly and to further support our results going forward.

Our pipelines remain robust and we are continuing to see strong interest from customers across all segments and regions as they continue to invest in critical infrastructure equipment and solutions. We expect full year 2022 Adjusted EBITDA of at least $228 million which represents another very strong organic growth year. Our ability to capture the ongoing demand of agriculture equipment, infrastructure and solutions has positioned us to cap off another record year in sales and Adjusted EBITDA with good momentum heading into 2023.

See, "RISKS AND UNCERTAINTIES", “FORWARD-LOOKING INFORMATION” and “FINANCIAL OUTLOOK” for, among other things, a description of the risks, uncertainties and other factors to which the Company, its business and our full year 2022 Adjusted EBITDA guidance are subject and that may cause our actual results to differ materially from those anticipated in our guidance.

DETAILED OPERATING RESULTS

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
[thousands of dollars]	$	$	$	$
Sales	402,074	313,859	1,084,048	871,428
Cost of goods sold				
Cost of inventories	266,478	219,105	729,513	601,404
Equipment rework	—	—	—	7,500
Depreciation and amortization	11,689	9,082	34,927	24,404
	278,167	228,187	764,440	633,308
Selling, general and administrative expenses				
Selling, general & administrative expenses [1]	68,306	51,492	189,205	148,456
Mergers and acquisitions (recovery) expense [2]	(786)	52	(119)	2,073
Transaction, transitional and other costs [3]	15,695	1,726	28,906	7,295
Depreciation and amortization	7,649	7,429	22,994	21,271
	90,864	60,699	240,986	179,095

Other operating expense (income)				
Net loss (gain) on disposal of property, plant and equipment	56	(16)	352	83
Net (gain) loss on settlement of leases	—	(7)	—	11
Net (gain) loss on financial instruments	(2,173)	7,845	(1,418)	547
Net gain on disposal of foreign operation	—	(898)	—	(898)
Other	(3,814)	(765)	(6,808)	(3,738)
	(5,931)	6,159	(7,874)	(3,995)
Finance costs	16,195	11,004	43,870	31,651
Finance expense	9,427	7,523	10,923	2,471
Impairment [4]	467	3,516	490	3,516
Share of associate's net loss [5]	—	—	—	1,077
Revaluation gains [5]	—	—	—	(6,778)
Profit (Loss) before income taxes	12,885	(3,229)	31,213	31,083
Income tax expense (recovery)	5,913	(3,156)	13,985	4,176
Profit (Loss) for the year	**6,972**	**(73)**	**17,228**	**26,907**
Profit (Loss) per share				
Basic	0.37	(0.00)	0.91	1.43
Diluted	0.36	(0.00)	0.89	1.40

[1] Includes minimum lease payments recognized as lease expense. See "Note 13 [b] - Other expenses (income)" in our consolidated financial statements.
[2] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[3] Includes legal expense, legal provisions, movements in contingent considerations and due to vendors and transitional contractual employment expenses.
[4] Impairment is a result of a write-down in fixed assets and intangible assets.
[5] See "Share of associate's net loss and revaluation gains".

Gross Profit and Adjusted Gross Margin

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
[thousands of dollars]	$	$	$	$
Sales	402,074	313,859	1,084,048	871,428
Cost of goods sold	278,167	228,187	764,440	633,308
Gross Profit	**123,907**	**85,672**	**319,608**	**238,120**
Gross Profit as a % of sales [1]	30.8%	27.3%	29.5%	27.3%
Equipment rework and remediation	—	—	—	7,500
Fair value of inventory from acquisition [2]	—	—	609	—
Depreciation and amortization	11,689	9,082	34,927	24,404
Adjusted Gross Margin [3]	**135,596**	**94,754**	**355,144**	**270,024**
Adjusted Gross Margin as a % of sales [4]	33.7%	30.2%	32.8%	31.0%

[1] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each supplementary financial measure.
[2] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.

[3] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[4] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.

AGI's gross profit as a percentage of sales and Adjusted Gross Margin as a percentage of sales for the three-months ended September 30, 2022, increased over the prior year, which is attributable to improved operational efficiencies, sales mix favoring portable grain handling equipment in the Farm segment, the increased sales volume in the commercial segment and the improvement of steel pricing in 2022.

Remediation costs and equipment rework

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning and legal claims related to the incident were subsequently initiated against AGI. As at September 30, 2022, the warranty provision for remediation costs is $42.0 million [December 31, 2021 – $42.4 million], resulting in a net change of $0.4 million during the nine-month period ended September 30, 2022.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at September 30, 2022, the warranty provision for the equipment rework is $10.1 million [December 31, 2021 – $11.8 million], with $1.7 million of the provision having been utilized during the period.

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

SG&A expenses for the three-months ended September 30, 2022 excluding merger and acquisition (recovery) expenses ["M&A"]; transaction, transitional and other expenses; and depreciation and amortization were $68.3 million [17.0% of sales], versus $51.5 million [16.4% of sales] in 2021. Q3's SG&A variances from the prior year include the following:

- $6.0 million increase in salaries, wages and share-based compensation were related to performance-based awards and accelerated vesting.
- $2.4 million increase in sales and marketing expenses as a result of sales and marketing activities continue to return to pre-pandemic levels in 2022.
- $1.0 million increase in insurance expenses.
- $1.0 million increase in IT expenses related to investment in security and infrastructure.
- No other individual variance was greater than $1.0 million.

Transaction, transitional and other expense is comprised of 1) legal costs related to our defense of our Farmobile PUC patent; 2) legal provision costs related to customer claims; 3) contingent consideration expected to be paid for past acquisitions, and 4) one-time transitional contractual employment expenses.

Finance costs

Finance costs which represent interest incurred on all debt for the three-months ended September 30, 2022 were $16.2 million versus $11.0 million in 2021. Finance costs have significantly increased in 2022 primarily as a result of the increase in borrowings as well as the increase in borrowing costs.

Finance expense (income)

Finance expense (income) which represents interest income earned and foreign exchange on long term debt for the three-months ended September 30, 2022, was an expense of $9.4 million versus an expense of $7.5 million in 2021. The expense in 2022 relates primarily to the effect of non-cash translation of the Company's U.S. dollar denominated long-term debt as the exchange rate increased from 1.2886 as at June 30, 2022 to 1.3707 as at September 30, 2022 and foreign currency translations arising from the settlement of accounts receivables and payables recorded in a currency other than the Company's functional currency (see "BASIS OF PRESENTATION").

Share of associate's net loss and revaluation gains

Share of associate's net loss for the nine-months ended September 30, 2022 was nil versus a loss of $0.1 million in 2021 as the Company acquired a controlling interest in Farmobile in Q2 2021 [See "2021 Acquisition – Farmobile"]. In addition, the Company also recognized a gain of $6.8 million in Q2 2021 as a result of the remeasurement of its previously held equity investment at its acquisition-date fair value.

Other operating expense (income)

Other operating expense (income) for the three-months ended September 30, 2022, was income of $5.9 million versus expense of $6.2 million in 2021. Other operating expense (income) includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity swap"], and interest income from customer financing arrangements. A significant portion of the increase relates to the unrealized change in fair value of the equity swap, research and development tax credits and interest income from long term receivables.

Profit (loss) before income taxes and Adjusted EBITDA

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

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	**12,885**	**(3,229)**	**31,213**	**31,083**
Finance costs	16,195	11,004	43,870	31,651
Depreciation and amortization	19,338	16,511	57,921	45,675
Share of associate's net loss [1]	—	—	—	1,077
Revaluation gains [1]	—	—	—	(6,778)
Loss on foreign exchange [2]	9,515	7,639	11,152	2,781
Share-based compensation [3]	5,095	2,155	10,710	5,998
(Gain) loss on financial instruments [4]	(2,173)	7,845	(1,418)	547
M&A (recovery) expense [5]	(786)	52	(119)	2,073
Transaction, transitional and other costs [6]	15,695	1,726	28,906	7,295
Net loss (gain) on disposal of property, plant and equipment	56	(16)	352	83
(Gain) loss on settlement of lease liability	—	(7)	—	11
Equipment rework	—	—	—	7,500

Net gain on disposal of foreign operation	—	(898)	—	(898)
Fair value of inventory from acquisition [7]	—	—	609	—
Impairment [8]	467	3,516	490	3,516
Adjusted EBITDA [9]	**76,287**	**46,298**	**183,686**	**131,614**

[1] See "Share of associate's net loss and revaluation gains".
[2] See "Note 13 [e] - Other expenses (income)" in our consolidated financial statements.
[3] The Company's share-based compensation expense pertains to our equity incentive award plan ("EIAP") and directors' deferred compensation plan ("DDCP"). See "Note 12 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[6] Includes legal expense, legal provisions, movements in contingent considerations and due to vendors and transitional contractual employment expenses.
[7] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[8] Impairment is a result of a write-down in fixed assets and intangible assets.
[9] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

Profit (loss) before income taxes and Adjusted EBITDA by Segment

				Three-months ended September 30, 2022	
	Farm	Commercial	Digital	Other[11]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	**49,856**	**23,274**	**(9,876)**	**(50,369)**	**12,885**
Finance costs	—	—	—	16,195	16,195
Depreciation and amortization [1]	4,823	8,641	5,869	5	19,338
Loss on foreign exchange [3]	—	—	—	9,515	9,515
Share-based compensation [4]	—	—	—	5,095	5,095
Gain on financial instruments [5]	—	—	—	(2,173)	(2,173)
M&A recovery [6]	—	—	—	(786)	(786)
Transaction, transitional and other costs [7]	—	—	—	15,695	15,695
Net (gain) loss on disposal of property, plant and equipment [1]	(33)	91	(2)	—	56
Impairment [9]	—	467	—	—	467
Adjusted EBITDA [10]	**54,646**	**32,473**	**(4,009)**	**(6,823)**	**76,287**

				Three-months ended September 30, 2021	
	Farm	Commercial	Digital	Other[11]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	**30,967**	**6,234**	**(3,414)**	**(37,016)**	**(3,229)**
Finance costs	—	—	—	11,004	11,004
Depreciation and amortization [1]	5,098	7,676	3,735	2	16,511
Loss on foreign exchange [3]	—	—	—	7,639	7,639
Share-based compensation [4]	—	—	—	2,155	2,155

Loss on financial instruments [5]	—	—	—	7,845	7,845
M&A expense [6]	—	—	—	52	52
Transaction, transitional and other costs [7]	—	—	—	1,726	1,726
Net gain on disposal of property, plant and equipment [1]	(8)	(8)	—	—	(16)
Gain on settlement of lease liability	(7)	—	—	—	(7)
Net gain on disposal of foreign operation	—	(898)	—	—	(898)
Impairment [9]	—	3,516	—	—	3,516
Adjusted EBITDA [10]	36,050	16,520	321	(6,593)	46,298

	Nine-months ended September 30, 2022				
	Farm	Commercial	Digital	Other[11]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	126,057	46,584	(25,265)	(116,163)	31,213
Finance costs	—	—	—	43,870	43,870
Depreciation and amortization [1]	14,659	27,943	15,309	10	57,921
Loss on foreign exchange [3]	—	—	—	11,152	11,152
Share-based compensation [4]	—	—	—	10,710	10,710
Loss on financial instruments [5]	—	—	—	(1,418)	(1,418)
M&A recovery [6]	—	—	—	(119)	(119)
Transaction, transitional and other costs [7]	—	—	—	28,906	28,906
Net (gain) loss on disposal of property, plant and equipment [1]	(145)	499	(2)	—	352
Fair value of inventory from acquisition [8]	—	609	—	—	609
Impairment [9]	23	467	—	—	490
Adjusted EBITDA [10]	140,594	76,102	(9,958)	(23,052)	183,686

	Nine-months ended September 30, 2021				
	Farm	Commercial	Digital	Other[11]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	97,654	17,636	(11,421)	(72,786)	31,083
Finance costs	—	—	—	31,651	31,651
Depreciation and amortization [1]	15,045	22,174	8,446	10	45,675
Share of associate's net loss [2]	—	—	—	1,077	1,077
Revaluation gains [2]	—	—	—	(6,778)	(6,778)
Loss on foreign exchange [3]	—	—	—	2,781	2,781
Share-based compensation [4]	—	—	—	5,998	5,998
Loss on financial instruments [5]	—	—	—	547	547
M&A expense [6]	—	—	—	2,073	2,073

Transaction, transitional and other costs [7]	—	—	—	7,295	7,295
Net loss (gain) on disposal of property, plant and equipment [1]	69	7	(2)	9	83
Loss on settlement of lease liability	11	—	—	—	11
Equipment rework	—	—	—	7,500	7,500
Net gain on disposal of foreign operation	—	(898)	—	—	(898)
Impairment [9]	—	3,516	—	—	3,516
Adjusted EBITDA [10]	112,779	42,435	(2,977)	(20,623)	131,614

[1] Allocated based on the segment of the underlying asset's cash generating unit ("CGU").
[2] See "Share of associate's net loss and revaluation gains".
[3] See "Note 13 [e] - Other expenses (income)" in our consolidated financial statements.
[4] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 12 – Share-based compensation plans" in our consolidated financial statements.
[5] See "Equity swap".
[6] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[7] Includes legal expense, legal provisions, movements in contingent considerations and due to vendors and transitional contractual employment expenses.
[8] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[9] Impairment is a result of a write-down in fixed assets and intangible assets.
[10] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[11] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

Profit (loss) before income taxes and Adjusted EBITDA by Geography

	Three-months ended September 30, 2022				
	Canada	US	International	Other[11]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	**14,583**	**31,920**	**18,465**	**(52,083)**	**12,885**
Finance costs	—	—	—	16,195	16,195
Depreciation and amortization [1]	5,258	8,939	3,423	1,718	19,338
Loss on foreign exchange [3]	—	—	—	9,515	9,515
Share-based compensation [4]	—	—	—	5,095	5,095
Gain on financial instruments [5]	—	—	—	(2,173)	(2,173)
M&A recovery [6]	—	—	—	(786)	(786)
Transaction, transitional and other costs [7]	—	—	—	15,695	15,695
Net (gain) loss on disposal of property, plant and equipment [1]	(33)	56	32	1	56
Impairment [9]	—	467	—	—	467
Adjusted EBITDA [10]	19,808	41,382	21,920	(6,823)	76,287

[thousands of dollars]	Canada $	US $	International $	Other[11] $	Total $
	Three-months ended September 30, 2021				
Profit (loss) before income taxes	**7,538**	**20,241**	**10,217**	**(41,225)**	(3,229)
Finance costs	—	—	—	11,004	11,004
Depreciation and amortization [1]	5,217	7,011	2,689	1,594	16,511
Loss on foreign exchange [3]	—	—	—	7,639	7,639
Share-based compensation [4]	—	—	—	2,155	2,155
Loss on financial instruments [5]	—	—	—	7,845	7,845
M&A expense [6]	—	—	—	52	52
Transaction, transitional and other costs [7]	—	—	—	1,726	1,726
Net gain on disposal of property, plant and equipment [1]	(6)	(4)	(5)	(1)	(16)
Gain on settlement of lease liability	—	(7)	—	—	(7)
Net gain on disposal of foreign operation	—	—	—	(898)	(898)
Impairment [9]	—	—	—	3,516	3,516
Adjusted EBITDA [10]	**12,749**	**27,241**	**12,901**	**(6,593)**	**46,298**

[thousands of dollars]	Canada $	US $	International $	Other[11] $	Total $
	Nine-months ended September 30, 2022				
Profit (loss) before income taxes	**32,091**	**74,514**	**45,699**	**(121,091)**	**31,213**
Finance costs	—	—	—	43,870	43,870
Depreciation and amortization [1]	17,913	24,759	10,333	4,916	57,921
Loss on foreign exchange [3]	—	—	—	11,152	11,152
Share-based compensation [4]	—	—	—	10,710	10,710
Gain on financial instruments [5]	—	—	—	(1,418)	(1,418)
M&A recovery [6]	—	—	—	(119)	(119)
Transaction, transitional and other costs [7]	—	—	—	28,906	28,906
Net (gain) loss on disposal of property, plant and equipment [1]	(127)	443	14	22	352
Fair value of inventory from acquisition [8]	609	—	—	—	609
Impairment [9]	23	467	—	—	490
Adjusted EBITDA [10]	**50,509**	**100,183**	**56,046**	**(23,052)**	**183,686**

[thousands of dollars]	Canada $	US $	International $	Other[11] $	Total $
					Nine-months ended September 30, 2021
Profit (loss) before income taxes	**26,551**	**57,083**	**27,371**	**(79,922)**	**31,083**
Finance costs	—	—	—	31,651	31,651
Depreciation and amortization [1]	15,493	18,237	7,399	4,546	45,675
Share of associate's net loss [2]	—	—	—	1,077	1,077
Revaluation gains [2]	—	—	—	(6,778)	(6,778)
Loss on foreign exchange [3]	—	—	—	2,781	2,781
Share-based compensation [4]	—	—	—	5,998	5,998
Loss on financial instruments [5]	—	—	—	547	547
M&A expense [6]	—	—	—	2,073	2,073
Transaction, transitional and other costs [7]	—	—	—	7,295	7,295
Net loss (gain) on disposal of property, plant and equipment [1]	100	(10)	2	(9)	83
Loss on settlement of lease liability	—	11	—	—	11
Equipment rework	—	—	—	7,500	7,500
Net gain on disposal of foreign operation	—	—	—	(898)	(898)
Impairment [9]	—	—	—	3,516	3,516
Adjusted EBITDA [10]	42,144	75,321	34,772	(20,623)	131,614

[1] Allocated based on the geographical region of sales with the exception of expenses noted in Other.
[2] See “Share of associate's net loss and revaluation gains”.
[3] See “Note 13 [e] - Other expenses (income)” in our consolidated financial statements.
[4] The Company’s share-based compensation expense pertains to our EIAP and DDCP. See “Note 12 – Share-based compensation plans” in our consolidated financial statements.
[5] See “Equity swap”.
[6] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[7] Includes legal expense, legal provisions, movements in contingent considerations and due to vendors and transitional contractual employment expenses.
[8] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[9] Impairment is a result of a write-down in fixed assets and intangible assets.
[10] This is a non-IFRS measure and is used throughout this MD&A. See “NON-IFRS and OTHER FINANCIAL MEASURES” for more information on each non-IFRS measure.
[11] Included in Other is the corporate office which provides finance, treasury, legal, human resources and other administrative support to the geographical regions.

Adjusted EBITDA for the three-months ended September 30, 2022, increased 65% over 2021 driven primarily by sales mix, sales volume and improved steel pricing in 2022. The Farm segment’s Adjusted EBITDA for Q3 benefited from sales mix favoring higher margin grain handling equipment resulting in an increase of 52% over 2021 as well as sales volume recovery from the 2021 drought in Western Canada. The Commercial segment’s 97% Adjusted EBITDA increase in Q3 over 2021 is primarily due to a significant increase in sales volume.

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The loss on foreign exchange in finance expense is primarily comprised of non-cash items related to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect as at September 30, 2022.

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three-months ended September 30, 2022 was $1.29 [2021 - $1.25]. 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.

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 in depreciation and amortization expense in 2022 is due to the Eastern acquisition in Q1 2022 and amortization of internally developed intangible assets from our Digital segment.

Income tax expense

Current tax expense

Current tax expense for the three months ended September 30, 2022 was $0.1 million, versus $1.1 million in 2021.

Deferred tax expense (recovery)

Deferred tax expense (recovery) for the three-month period ended September 30, 2022 was an expense of $5.9 million, versus a recovery of $4.2 million in 2021. The deferred tax expense in 2022 related to the recognition of temporary differences between the accounting and tax treatment of property, plant and equipment, intangible assets, accruals and long-term provisions, and tax loss carryforwards.

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
[thousands of dollars]	$	$	$	$
Current tax expense	44	1,087	8,776	5,165
Deferred tax (recovery) expense	5,869	(4,243)	5,209	(989)
Total tax	**5,913**	**(3,156)**	**13,985**	**4,176**
Profit (loss) before income taxes	12,885	(3,229)	31,213	31,083
Effective income tax rate	45.9%	97.7%	44.8%	13.4%

The effective tax rate in 2022 was impacted by items that were included in the calculation of profit (loss) before income taxes for accounting purposes but were not included or deducted for tax purposes. The increased effective tax rate for the nine-months period ended September 30, 2022 was specifically attributable to unrealized foreign exchanges gains and (losses). The effective tax rate for the nine-months period ended September 30, 2021 was reduced as a result of the recognition of previously unrecognized deferred tax assets for Brazil.

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

The Company's diluted adjusted profit per share for the three-months ended September 30, 2022 was a profit of $1.41 compared to a profit of $1.02 in 2021. Profit per share in 2022 and 2021 has been impacted by the items enumerated in the table below, which reconciles profit (loss) to adjusted profit.

[thousands of dollars except per share amounts]	Three-months ended September 30 2022 $	2021 $	Nine-months ended September 30 2022 $	2021 $
Profit (loss)	6,972	(73)	17,228	26,907
Diluted profit (loss) per share	0.36	(0.00)	0.89	1.40
Share of associate's net loss [1]	—	—	—	1,077
Revaluation gains [1]	—	—	—	(6,778)
Loss on foreign exchange [2]	9,515	7,639	11,152	2,781
(Gain) on financial instruments [3]	(2,173)	7,845	(1,418)	547
M&A (recovery) expense [4]	(786)	52	(119)	2,073
Transaction, transitional and other costs [5]	15,695	1,726	28,906	7,295
Net loss (gain) on disposal of property, plant and equipment	56	(16)	352	83
(Gain) loss on settlement of lease liability	—	(7)	—	11
Equipment rework	—	—	—	7,500
Net gain on disposal of foreign operation	—	(898)	—	(898)
Fair value of inventory from acquisition [6]	—	—	609	—
Impairment [7]	467	3,516	490	3,516
Adjusted profit [8]	**29,746**	**19,784**	**57,200**	**44,114**
Diluted adjusted profit per share [9]	**1.41**	**1.02**	**2.81**	**2.29**

[1] See "Share of associate's net loss and revaluation gains".
[2] See "Note 13 [e] - Other expenses (income)" in our consolidated financial statements.
[3] See "Equity swap".
[4] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[5] Includes legal expense, legal provisions, movements in contingent considerations and due to vendors and transitional contractual employment expenses.
[6] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[7] Impairment is a result of a write-down in fixed assets and intangible assets.
[8] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[9] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.

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

2022	Average USD/CAD Exchange Rate	Sales[1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.27	292,031	15,171	0.81	0.72
Q2	1.27	389,943	(4,915)	(0.26)	(0.26)
Q3	1.29	402,074	6,972	0.37	0.36
YTD	**1.28**	**1,084,048**	**17,228**	**0.92**	**0.82**

2021	Average USD/CAD Exchange Rate	Sales[1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.27	255,977	12,704	0.68	0.66
Q2	1.23	301,592	14,276	0.76	0.74
Q3	1.25	313,859	(73)	—	—
Q4	1.27	327,095	(16,349)	(0.87)	(0.87)
YTD	1.25	1,198,523	10,558	0.57	0.53

2020	Average USD/CAD Exchange Rate	Sales[1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q4	1.32	227,385	(15,014)	(0.80)	(0.80)

[1] See "BASIS OF PRESENTATION".

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

- AGI's acquisitions of a controlling interest in Farmobile [Q2 2021] and Eastern [Q1 2022] impact comparisons between periods of assets, liabilities and operating results.
- Sales, gain (loss) on foreign exchange, profit (loss), and diluted profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.
- Profit (loss) and Diluted Profit (loss) per share from 2020 and 2021 were negatively impacted by the Company's estimated remediation costs [see – "Remediation costs and equipment rework"].

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 Company's credit facility, to fund the Company's working capital requirements, capital expenditures, acquisitions and dividends. The Company believes that the debt facilities and debentures described under "Capital Resources", together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditure, dividend and debt service requirements.

CASH FLOW AND LIQUIDITY

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
[thousands of dollars]	$	$	$	$
Profit (loss) before tax	12,885	(3,229)	31,213	31,083
Items not involving current cash flows	53,279	37,406	117,225	54,324
Cash provided by operations	66,164	34,177	148,438	85,407
Net change in non-cash working capital	614	8,658	(123,195)	(57,160)
Transfer from (to) restricted cash	—	3,884	(70)	7,068
Non-current accounts receivable and other	(1,747)	(1,011)	(9,200)	(10,222)
Long-term payables	26	24	167	(32)
Settlement of EIAP	(234)	(412)	(2,579)	(769)
Post-combination payments	(3,795)	(18,916)	(5,462)	(21,552)
Income tax paid	(2,787)	(2,599)	(9,507)	(5,409)
Cash flows provided by (used in) operating activities	58,241	23,805	(1,408)	(2,669)
Cash used in investing activities	(25,130)	(7,848)	(70,602)	(44,614)
Cash (used in) provided by financing activities	(45,928)	(22,522)	53,087	33,437
Net decrease in cash during the period	(12,817)	(6,565)	(18,923)	(13,846)
Cash, beginning of period	55,201	55,175	61,307	62,456
Cash, end of period	**42,384**	**48,610**	**42,384**	**48,610**

The increase in cash flows provided by operating activities for the three-months ended September 30, 2022, as compared to 2021 is due to cash provided by operations and non-current accounts receivables being offset by changes in net change in non-cash working capital while the decrease in cash flows used in operating activities for the nine-months ended September 30, 2022, as compared to 2021 is mainly due to cash provided by operations and decrease in post-combination payments offset by the net change in non-cash working capital, settlement of EIAP and income tax paid. The change in non-cash working capital in 2022 as compared to 2021 is largely due to the increase in accounts receivables as a result of increased sales as well as the increase in inventory on-hand. Specifically, the Company has made a decision to increase the level of inventory in 2022 in order to minimize the impact of supply chain disruptions and inflationary increases. In addition, the Company is also carrying excess inventory as a result of committed purchases from delayed or cancelled projects in the Russia-Ukraine region (See “RISKS AND UNCERTAINTIES – Russia-Ukraine Conflict”). We expect to fully reallocate these excess inventories in other upcoming projects.

Cash used in investing activities for both the three- and nine-months period relates primarily to capital expenditures, internally generated intangibles and the acquisition of Eastern Fabricators.

Cash used in financing activities for the three-months ended September 30, 2022 was primary related to the $33.0 million repayment of our Canadian revolver as management continue its efforts to actively manage the company’s working capital and overall debt level. Cash provided by financing activities for the nine-months ended September 30, 2022 relates to draws on our credit facilities and the issuance of the 2022 Convertible Debentures (defined below) offsetting the redemption of the 2018 Convertible Debentures (defined below).

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 offset by the seasonality of our operations in India that 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 which typically has longer payment terms than North America may result 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 impact of supply chain disruption as a result of the COVID-19 pandemic may impact the Company’s working capital requirements as the Company invests in excess inventory in order to minimize production interruptions.

Capital Expenditures

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
[thousands of dollars]	$	$	$	$
Maintenance capital expenditures [1]	3,344	1,873	7,618	7,885
Non-maintenance capital expenditures [1]	4,642	2,883	10,901	10,612
Acquisition of property plant and equipment	7,986	4,756	18,519	18,497

[1] This is a supplementary financial measure and is used throughout this MD&A. See “NON-IFRS and OTHER FINANCIAL MEASURES” for more information on each non-IFRS measure.

The acquisition of property, plant and equipment in the three-months ended September 30, 2022 was $8.0 million as compared to $4.8 million in 2021.

Maintenance capital expenditures in the three-months ended September 30, 2022, was $3.3 million [0.8% of sales] versus $1.9 million [0.6% of sales] in 2021. Maintenance capital expenditures in 2022 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of sales. However, maintenance capital expenditures as a percent of sales within a period can vary as a result of lead times required for each specific purchase.

AGI had non-maintenance capital expenditures in the three-months ended September 30, 2022, of $4.6 million versus $2.9 million in 2021. $2.9 million of the $4.6 million of non-maintenance capital expenditures were relating to leasehold improvements in various locations in North America.

The acquisition of property, plant and equipment and its components of maintenance and non-maintenance capital expenditures in 2022 were financed through bank indebtedness, cash on hand or through the Company's credit facility [see "Capital Resources"].

CONTRACTUAL OBLIGATIONS

The following table shows, as at September 30, 2022, the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total $	2022 $	2023 $	2024 $	2025 $	2026+ $
2019 Debentures – 1	86,250	—	—	86,250	—	—
2019 Debentures – 2	86,250	—	—	86,250	—	—
2020 Debentures	85,000	—	—	—	—	85,000
2021 Convertible Debentures	115,000	—	—	—	—	115,000
2022 Convertible Debentures	103,900	—	—	—	—	103,900
Long-term Debt[1]	508,775	10,187	441	409	271	497,467
Lease liability [1]	38,841	3,434	5,414	5,364	5,212	19,417
Short term and low value leases	5	2	2	1	—	—
Due to vendor	21,301	2,848	6,151	6,151	6,151	—
Purchase obligations [2]	5,856	5,856	—	—	—	—
Total obligations	**1,051,178**	**22,327**	**12,008**	**184,425**	**11,634**	**820,784**

[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 Company's credit facility [see "Capital Resources – Debt Facilities"].

CAPITAL RESOURCES

Assets and Liabilities

(thousands of dollars)	September 30 2022 $	September 30 2021 $
Total assets	1,768,688	1,611,315
Total liabilities	1,435,957	1,330,530

Cash

The Company's cash balance at September 30, 2022 was $42.4 million [2021 - $48.6 million].

(millions of dollars)	September 30 2022 $	September 30 2021 $
Cash	42.4	48.6

Debt Facilities

As at September 30, 2022:

[thousands of dollars]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Canadian Swing Line	CAD	2025	50,000	10,069	3.85%
USD Swing Line	USD	2025	13,707	—	3.19%
Canadian Revolver Tranche A[3]	CAD	2025	300,000	214,800	3.85%
Canadian Revolver Tranche B	USD	2025	68,535	—	2.78%
U.S. Revolver	USD	2025	294,701	282,090	3.19%
Equipment Financing	various	2025	1,786	1,786	Various
Total			728,729	508,745	

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on September 30, 2022 of $1.2886.
[2] Excludes the $300 million accordion available under AGI's credit facility.
[3] Interest rate fixed for $75 million via interest rate swaps. See "Interest Rate Swaps".

On May 9, 2022, AGI amended its senior credit facilities agreement to increase availabilities under its Canadian revolver from $275.0 million to $350.0 million Canadian and its U.S. revolver from $215.0 million to $275.0 million USD. Subsequent to the amendment, AGI has swing line facilities of $50 million and U.S. $10 million as at September 30, 2022. The swing line facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. As at September 30, 2022, there was $10.1 million [2021 – $nil million] outstanding under the swing lines.

AGI's revolver facilities of $350 million and U.S. $275 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 SOFR plus 1.2% to BA or SOFR plus 2.75% and prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. During the three-month ended September 30, 2022, the Company repaid $33.0 million of the principal amount of the Canadian revolver.

Concurrent with the amendment to the senior credit facilities agreement, the series B and series C secured notes, with principal amounts owing of CAD $25 million and US $25 million respectively, were retired through the expanded credit facilities.

Debentures

Convertible Unsecured Subordinated Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the "Convertible Debentures"] of the Company that were outstanding as at September 30, 2022:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par [(1)]
2021 [AFN.DB.I]	115,000,000	5.00%	45.14	Jun 30, 2027	Jun 30, 2026
2022 [AFN.DB.J]	103,900,000	5.20%	70.50	Dec 31, 2027	Dec 31, 2026

[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 redemption price equal to the principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the 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 of the Company ("Common Shares"). The Company may also elect to satisfy its obligation to pay interest on the Convertible Debentures by delivering sufficient Common Shares to the trustee of the Convertible Debentures to be sold, with the proceeds used to satisfy the obligation to pay interest. 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 Common Shares issued would be determined based on market prices at the time of issuance.

Issuance of 2022 Convertible Debentures

On April 19, 2022, AGI closed the offering of $100 million aggregate principal amount of convertible unsecured subordinated debentures [the "2022 Convertible Debentures"] at a price of $1,000 per 2022 Convertible Debenture [the "Offering"]. In addition, AGI granted to the underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase up to an additional $15 million aggregate principal amount of 2022 Convertible Debentures at the same price. On May 6, 2022, pursuant to the exercise of the over-allotment option, AGI issued an additional $3.9 million of 2022 Convertible Debentures for total gross proceeds from the Offering to AGI of $103.9 million.

The 2022 Convertible Debentures bear interest at 5.20% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2022. The 2022 Convertible Debentures have a maturity date of December 31, 2027 [the "Maturity Date"].

The 2022 Convertible Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and the date specified by AGI for redemption of the 2022 Convertible Debentures into fully paid and non-assessable common shares ["Common Shares"] of the Company at a conversion price of $70.50 per Common Share [the "Conversion Price"], being a conversion rate of approximately 14.1844 Common Shares for each $1,000 principal amount of Debentures.

Redemption of 2018 Convertible Debentures

Concurrent with the announcement of the Offering, AGI gave notice of its intention to redeem its 4.50% convertible unsecured subordinated debentures due December 31, 2022 [the “2018 Convertible Debentures”]. The redemption of the 2018 Convertible Debentures was effective on May 2, 2022 [the “Redemption Date”]. Upon redemption, AGI paid to the holders of the 2018 Convertible Debentures the redemption price equal to the outstanding principal amount, together with all accrued and unpaid interest thereon up to but excluding the Redemption Date.

Senior Unsecured Subordinated Debentures

The following table summarizes the key terms of the Senior Unsecured Subordinated Debentures [the “Senior Debentures”] that were outstanding as at September 30, 2022:

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 to the trustee of the Senior Debentures to be sold, with the proceeds used to satisfy the obligation to pay interest. The number of Common Shares issued would be determined based on market prices at the time of issuance.

COMMON SHARES

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

	# Common Shares
December 31, 2021	18,793,570
Settlement of EIAP obligations	95,773
September 30, 2022	18,889,343
Settlement of EIAP obligations	6,426
November 8, 2022	18,895,769

At November 08, 2022:

- 18,889,343 Common Shares are outstanding;
- 1,565,000 Common Shares are available for issuance under the Company's Equity Incentive Award Plan [the “EIAP”], of which 990,044 have been issued, 574,956 are issuable pursuant to outstanding awards and 0 remain unallocated. An additional 91,727 Common Shares are conditionally issuable subject to receipt of applicable regulatory and shareholder approvals.
- 500,000 Common Shares are available for issuance under the Company’s Stock Option Plan, of which, 500,000 remain unallocated;
- 120,000 deferred grants of Common Shares have been granted under the Company’s Directors’ Deferred Compensation Plan, of which 19,788 Common Shares have been issued; and

- 4,021,389 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of $219 million outstanding.

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

DIVIDENDS

AGI declared dividends of $2.8 million or $0.15 per common share [2021 – $2.8 million or $0.15 per common share] in the three-month period ended September 30, 2022. The dividend declared in Q3 was paid on October 14, 2022 to common shareholders of record at the close of business on September 30, 2021. Dividends paid to shareholders of $2.8 million [2021 – $2.8 million] during the three-month period ended September 30, 2022 were financed from cash on hand.

CASH PROVIDED BY OPERATIONS, FUNDS FROM OPERATIONS AND PAYOUT RATIOS

	Nine-months ended September 30		Last Twelve Months Ended September 30	
	2022	2021	2022	2021
[thousands of dollars]	$	$	$	$
Cash provided by operations	148,438	85,407	145,793	63,421
Items not involving current cashflows	(117,225)	(54,324)	(136,281)	(55,388)
Profit before income taxes	**31,213**	**31,083**	**9,512**	**8,033**
Combined adjustments to Adjusted EBITDA [1]	152,473	100,531	218,827	151,396
Adjusted EBITDA [2]	**183,686**	**131,614**	**228,339**	**159,429**
Interest expense	(43,870)	(31,651)	(55,818)	(43,589)
Non-cash interest	7,385	3,988	9,262	5,360
Cash taxes	(9,507)	(5,409)	(15,433)	(5,144)
Maintenance capital expenditures [3]	(7,618)	(7,885)	(10,107)	(10,895)
Funds from operations [2]	**130,076**	**90,657**	**156,243**	**105,161**
Dividends	8,482	8,451	14,118	11,260
Payout Ratio [3] from cash provided by operations	**6%**	**10%**	**10%**	**18%**
Payout Ratio [4] from funds from operations	**7%**	**9%**	**9%**	**11%**

[1] See "Profit (loss) before income taxes and Adjusted EBITDA".

[2] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

[3] This is a supplementary financial measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each supplementary financial measure.

[4] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at September 30, 2022.

Interest Rate Swaps

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

	Currency	Effective	Maturity	Amount of Swap [000's] $	Fixed Rate [1]
Canadian dollar contracts	CAD	June 11, 2023	2026	75,000	3.972%

[1] With performance adjustment.

On June 16, 2022, the Company entered into a forward interest rate swap contract starting June 11, 2023 and expiring on May 11, 2026. The Company will receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 3.97%. The notional amounts are $75 million in aggregate, resetting the last business day of each month. As at September 30, 2022, the fair value of the interest rate swap was a loss of $0.6 million. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that is has been assessed to be effective. During the three- and nine-month periods ended September 30, 2022, an unrealized gain of $0.4 million and loss of $0.6 million was recorded in other comprehensive income (loss).

Equity swap

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at September 30, 2022, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on May 7, 2024. During the three- and nine-month periods ended September 30, 2022, an unrealized gain of $1.8 million and $0.4 million [2021 – loss of $7.4 million and $1.1 million] was recorded in loss (gain) on financial instruments in other operating expense (income). As at September 30, 2022, the fair value of the equity swap was loss of $4.7 million [2021 – loss of $7.5 million].

Debenture redemption options

In March 2020, the Company issued $85 million of senior unsecured subordinated debentures with an option of early redemption beginning December 31, 2023. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $0.8 million. During the three-month period ended September 30, 2022, the Company recorded an unrealized gain of $0.4 million [2021 – loss of $0.6 million], on financial instruments in other operating income. As at September 30, 2022, the fair value of the embedded derivative was $0.4 million [2021 – $0.1 million].

2021 ACQUISITION

Farmobile

On April 16, 2021, AGI acquired additional outstanding shares of Farmobile pursuant to stock purchase agreements. The terms of the agreements facilitated the acquisition of all remaining outstanding shares of Farmobile, building on AGI's initial minority equity investment made in Farmobile in 2019. The acquisition was fully completed on February 1, 2022. Farmobile brings the market-leading, two-way, field data management device along with a robust platform for data standardization and management. The Farmobile PUC™ enables the real-time automation and standardization of critical data collection from equipment used in the field. This acquisition builds on AGI's robust IoT product portfolio as an addition to the AGI SureTrack platform.

2022 ACQUISITION

Eastern Fabricators

On January 4, 2022, AGI acquired Eastern Fabricators ("Eastern"). Eastern specializes in the engineering, design, fabrication, and installation of high-quality stainless-steel equipment and systems for food processors. Eastern operates three facilities in Canada with two in Prince Edward Island and one in Ontario. Eastern serves a range of customers across North America and has developed strong relationships with some of the world's largest multinational food processors. Consideration for the acquisition included an upfront purchase price of $29.3 million paid on closing plus working capital adjustments of $2.9 million and the potential for an additional $11.7 million in post-closing payments based on the achievement of financial targets in future years. The acquisition was funded primarily through AGI's senior debt facilities.

OTHER RELATIONSHIPS

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three and nine-month periods ended September 30, 2022, the total cost of these legal services related to the issuance of convertible unsecured debentures, the amendment of the senior credit facilities and general matters was $0.3 million and $1.9 million [2021 – $0.1 million and $0.7 million], and $0.3 million is included in accounts payable and accrued liabilities as at September 30, 2022.

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 2021 audited consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the 2021 audited consolidated financial statements for a discussion of the significant accounting judgments, estimates and assumptions. In addition, the provision for remediation [see – "Remediation costs" and Equipment rework" under "Note 18 – Provisions"] required significant estimates and judgments about the scope, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company.

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 is 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, including in North America, EMEA, South America, Asia Pacific 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; incorrect assessments of the value of acquisitions and failure of the Company to realize the anticipated benefits of acquisitions; volatility in the stock markets including the market price of the Common Shares and in market valuations; competition for, among other things, customers, supplies, acquisitions, capital and skilled personnel; the availability of capital on acceptable terms; dependence on suppliers; changes in labour costs and the labour market; product liability; contract liability; climate change risks; adjustment to and delays or cancellation of backlogs; volatility of production costs, including the risk of production cost increases that may arise as a result of ongoing high inflation rates and/or supply chain disruptions, and the risk that we may not be able to pass along all or any portion of increased production costs to customers; the requirement to re-supply equipment or re-complete work previously supplied or completed at AGI's cost; the risk that AGI will be unsuccessful in defending against any legal claims or potential litigation; and the risk that AGI's estimates of liabilities associated with potential and actual warranty and legal claims and other contingencies will prove to be incorrect, including, without limitation, AGI's assumptions and estimates made in respect of re-supply and re-complete costs and underlying the provision for warranty accrual and remediation in our consolidated financial statements related thereto and insurance coverage therefor (including for the matters disclosed herein under "Remediation costs and equipment rework"). 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.

COVID-19

The emergence of COVID-19 has had limited adverse impact on AGI's business, including the disruption of production, our supply chain, and product delivery. While AGI experienced temporary production suspensions early in the pandemic in 2020, there were no significant production suspensions or interruptions in Q3 2022 as a result of COVID-19.

AGI operations were considered "essential services" in many regions throughout North America, highlighting the important role the Company plays in the global food supply chain. Management continues to believe post pandemic demand will be positively impacted as the world builds additional redundancy into the global food infrastructure to account for similar events in the future.

AGI is currently fully operational across all manufacturing locations globally, with no loss of productive capacity owing to COVID-19 during Q3 2022. However, potential disruptions to the supply chain including steel supply, components, labour and logistics can cause significant delays on sales and projects which can impact the timing of revenue recognition. Our 2022 results remain subject to the effect of COVID-19 on our manufacturing facilities, markets, and customers as management continues to monitor for any emerging risks associated with COVID-19.

Russia-Ukraine Conflict

AGI's exposure to Russia and Ukraine varies year-to-year, but the region generally contributes about 3% of AGI's consolidated sales annually. AGI has no production facilities in either country. Given the contributions of Brazil, India, and the rest of the EMEA region, AGI is more diversified from the region than we were in years past. While the region is important to AGI, any negative impacts would not be material to AGI overall.

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 consolidated financial statements for external purposes in accordance with IFRS.

AGI acquired Eastern in Q1 2022. 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 Eastern. The following is the summary financial information pertaining to Eastern that was included in AGI's consolidated financial statements:

[thousands of dollars]	Eastern $
Revenue [1][2]	18,817
Loss[1][2]	(8,144)
Current assets [2][3][4]	11,134
Non-current assets [2][3][4]	29,755
Current liabilities [2][3]	6,428
Non-current liabilities [2][3]	8,662

[1] For the three-month period ended September 30, 2022.
[2] Net of intercompany.
[3] Statement of financial position as at September 30, 2022.

[4] Includes purchase price allocation adjustments identified such as intangible assets.

There have been no changes in AGI's internal controls over financial reporting that occurred in the three-month period ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A makes reference to certain specified financial measures, including non-IFRS financial measures, non-IFRS ratios and supplementary financial measures. Management uses these financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These specified financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement our financial information reported under IFRS by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use the following (i) non-IFRS financial measures: "adjusted earnings before interest, taxes, depreciation, and amortization ("Adjusted EBITDA")", "Adjusted Gross Margin", "funds from operations", and "adjusted profit"; (ii) non-IFRS ratios: "Adjusted EBITDA margin %", "Adjusted Gross Margin as a % of sales", "gross profit as a % of sales", "diluted adjusted profit per share" and "payout ratio"; and (iii) supplementary financial measures: "backlog", "sales by segment", "sales by geography", "maintenance capital expenditures" and "non-maintenance capital expenditures"; to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS financial measures, non-IFRS ratios and supplementary financial measures in order to prepare annual operating budgets and to determine components of management compensation. 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 or ratio.

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

In this MD&A, we discuss the specified 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.

The following is a list of non-IFRS financial measures, non-IFRS ratios and supplementary financial measures that are referenced throughout this MD&A:

"Adjusted EBITDA" is defined as profit (loss) before income taxes before finance costs, depreciation and amortization, share of associate's net loss, revaluation gains, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A (recovery) expenses, transaction, transitional and other costs, net loss or gain on the sale of property, plant &

equipment, loss or gain on settlement of lease liability, equipment rework, net gain on disposal of foreign operation, fair value of inventory from acquisition and impairment. Adjusted EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit (loss) before income taxes. Management believes Adjusted EBITDA is a useful measure to assess the performance and cash flow of the Company as it excludes the effects of interest, taxes, depreciation, amortization and expenses that management believes are not reflective of the Company's underlying business performance. Management cautions investors that 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 "Detailed Operating Results – Profit (loss) before income taxes and Adjusted EBITDA" for the reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the current and comparative periods. Adjusted EBITDA guidance is a forward-looking non-IFRS financial measure. We do not provide a reconciliation of such forward-looking measure to the most directly comparable financial measure calculated and presented in accordance with IFRS due to unknown variables and the uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value that may be inherently difficult to determine without unreasonable efforts. Guidance for Adjusted EBITDA excludes the impacts of finance costs, depreciation and amortization, share of associate's net loss, revaluation gains, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A (recovery) expenses, transaction, transitional and other costs, net loss or gain on the sale of property, plant & equipment, loss or gain on settlement of lease liability, equipment rework, net gain on disposal of foreign operation, fair value of inventory from acquisition and impairment.

"Adjusted EBITDA margin %" is defined as Adjusted EBITDA divided by sales. Adjusted EBITDA margin % is a non-IFRS ratio because one of its components, Adjusted EBITDA, is a non-IFRS financial measure. Management believes Adjusted EBITDA margin % is a useful measure to assess the performance and cash flow of the Company.

"Adjusted Gross Margin" is defined as gross profit before equipment rework and remediation, fair value of inventory from acquisition and depreciation and amortization. Adjusted Gross Margin is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is gross profit. Management believes that Adjusted Gross Margin is a useful measure to assess the performance of the Company as it excludes the effects of depreciation and amortization. See "Detailed Operating Results – Gross Profit and Adjusted Gross Margin" for the reconciliation of Adjusted Gross Margin to gross profit for the current and comparative periods.

"Adjusted Gross Margin as a % of sales" is defined as Adjusted Gross Margin divided by sales. Adjusted Gross Margin as a % of sales is a non-IFRS ratio because one of its components, Adjusted Gross Margin, is a non-IFRS financial measure. Management believe Adjusted Gross Margin as a % of sales is a useful measure to assess the performance of the Company.

"Adjusted profit" is defined as profit or loss adjusted for the share of associate's net loss, revaluation gains, gain or loss on foreign exchange, gain or loss on financial instruments, M&A (recovery) expenses, transaction, transitional and other costs, net gain or loss on sale of property, plant and equipment, loss or gain on settlement of lease liability, equipment rework, net gain on disposal of foreign operation, fair value of inventory from acquisition and impairment. Adjusted profit is a non-IFRS financial measures and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit or loss. Management believes adjusted profit is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performances. See "Detailed Operating Results – Diluted profit (loss) per share and diluted adjusted profit per share" for the reconciliation of adjusted profit to profit (loss) for the current and comparative periods.

“Backlogs” are defined as the total value of committed sales orders that have not yet been fulfilled that: (a) have a high certainty of being performed as a result of the existence of a purchase order, an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to the Company or its divisions, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Backlog is a supplementary financial measure.

“Diluted adjusted profit per share” is defined as adjusted profit divided by the total weighted average number of outstanding diluted shares of AGI at the end of the most recently completed quarter for the relevant period. Diluted adjusted profit per share is a non-IFRS ratio because one of its components, adjusted profit, is a non-IFRS financial measure. Management believes diluted adjusted profit per share is a useful measure to assess the performance of the Company.

“Funds from operations” is defined as cash provided by operations adjusted for items not involving current cashflows, combined adjustments to Adjusted EBITDA, interest expense, non-cash interest, cash taxes and maintenance capital expenditures. Funds from operations is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is cash provided by operations. Management believes that, in addition to cash provided by operations, funds from operations provide a useful supplemental measure in evaluating the Company's performance and liquidity. 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. See “CASH PROVIDED BY OPERATIONS, FUNDS FROM OPERATIONS AND PAYOUT RATIOS” for the reconciliation of funds from operations to cash provided by operations for the current and comparative periods and see also “Adjusted EBITDA” above and “Detailed Operating results – Profit (loss) before income taxes and Adjusted EBITDA” for the "combined adjustments to Adjusted EBITDA" for the current and comparative periods.

"Gross Profit as a % of sales" is defined as gross profit divided by sales. Gross profit as a % of sales is a supplementary financial measure.

“Maintenance capital expenditures” and “non-maintenance capital expenditures” are both components of the Company’s "acquisition of property, plant and equipment". Management defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels and non-maintenance capital expenditures as other investments, including cash outlays required to increase operating capacity or improve operating efficiency. Both “maintenance capital expenditures” and “non-maintenance capital expenditures” are supplementary financial measures. Management believes that in addition to acquisition of property, plant and equipment, maintenance capital expenditures and non-maintenance capital expenditures provide a useful supplemental measure in evaluating the Company's performance. See “Cash Flow and Liquidity - Capital Expenditures” for the reconciliation of maintenance capital expenditures and non-maintenance capital expenditures to acquisition of property plant and equipment for the current and comparative periods.

“Payout ratio” is defined as either cash provided by operations or funds from operations for the relevant period divided into the dividends declared during such period. "Payout ratio from cash provided by operations" is a supplementary financial measure. "Payout ratio from funds from operations" is a non-IFRS ratio because one of its components, funds from operations, is a non-IFRS financial measure. Management believes payout ratio is a useful measure to assess the performance and liquidity of the company and as an indicator of the sustainability of AGI's dividend.

"Sales by Segment and Geography": The sales information presented under "Consolidated Segment Results Summary" and "Sales by Segment and Geography" are supplementary financial measures used to present the Company's sales by segment, product group and geography.

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”, “estimate”, “believe”, “continue”, “could”, “expects”, “intend”, "trend", “plans”, “will”, “may” 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; our outlook for our financial and operating performance in Q4 2022 and fiscal 2022 and 2023, including by segment and by geographic region, and including our expectations for our future financial results (including our forecast for full year 2022 Adjusted EBITDA and our belief that fiscal 2022 will be another record year with good momentum heading into 2023), industry demand and market conditions, growth prospects, and the anticipated ongoing impacts of the COVID-19 pandemic on our business (including potential supply chain disruptions and temporary production suspensions), operations and financial results; the estimated costs to the Company that may result from the remediation work disclosed herein under “Remediation costs and equipment rework”, including the costs of remediation, and the availability of insurance coverage to offset such costs; matters relating to litigation arising as a result of the matters disclosed herein under “Remediation costs and equipment rework”; the estimated costs to the Company from ongoing equipment rework; our ability to mitigate the impact of inflation; our ability to lessen the seasonality of our business; the factors that may impact our working capital requirements; the sufficiency of our liquidity and capital resources; 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 pandemic on our business, operations and financial results; future debt levels; anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product and input pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials, labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent COVID-19 pandemic, including the effects on the Company's operations, personnel, and supply chain, the demand for its products and services, its ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels, changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; changes in trade relations between the countries in which the Company does business including between Canada and the United States; cyber security risks; the risk that the assumptions and estimates underlying the provision for remediation related to the matters disclosed herein under "Remediation costs and equipment rework" and insurance coverage for such matters will prove to be incorrect as further information becomes available to the Company; and the risk of litigation or unsuccessful defense of litigation in respect of equipment or work previously supplied or completed or in respect of other matters and the risk that AGI incurs material liabilities in connection with such litigation that are not covered by insurance in whole or in part. These and other risks and uncertainties are described under "Risks and Uncertainties" 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]. 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. Further, AGI cannot guarantee that the anticipated revenue from its backlogs will be realized or, if realized, will result in profits or Adjusted EBITDA. Delays, cancellations and scope adjustments occur from time-to-time with respect to contracts reflected in AGI's backlogs, which can adversely affect the revenue and profit that AGI actually receives from its backlogs. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. Without limitation of the foregoing, the provision for remediation related to the matters disclosed herein under "Remediation costs and equipment rework" required significant estimates and judgments about the scope, nature, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

FINANCIAL OUTLOOK

Also included in this MD&A is an estimate of AGI's 2022 Adjusted EBITDA, which is based on, among other things, the various assumptions disclosed in this MD&A including under "Forward-Looking Information" and including our assumptions regarding (i) the Adjusted EBITDA contribution that AGI anticipates receiving in 2022 from Eastern, which was acquired by AGI on January 4, 2022 (see "2022 ACQUISITION – Eastern Fabricators"), and (ii) the Adjusted EBITDA contribution that AGI anticipates receiving from revenue growth in 2022 in part from the YOY increase in AGI's backlogs at September 30, 2022. To the extent such estimate constitutes a financial outlook, it was approved by management on November 8, 2022 and is included to provide readers with an understanding of AGI's anticipated

2022 Adjusted EBITDA based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

RECONCILIATION OF ADJUSTED EBITDA TO PROFIT (LOSS) BEFORE INCOME TAXES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

The following table reconciles profit (loss) before income taxes to Adjusted EBITDA for the years ended December 31, 2021 and 2020:

	Year Ended December 31	
	2021	2020
[thousands of dollars]	$	$
Profit (loss) before income taxes	**9,383**	**(80,966)**
Finance costs	43,599	46,692
Depreciation and amortization	62,049	55,271
Share of associate's net loss [1]	1,077	4,314
Gain on remeasurement of equity investment [1]	(6,778)	—
Loss on foreign exchange [2]	2,992	1,730
Share-based compensation [3]	8,551	6,428
(Gain) loss on financial instruments [4]	(1,382)	14,502
M&A expense [5]	3,035	1,736
Change in estimate on variable considerations [6]	11,400	—
Other transaction and transitional costs [7]	12,058	14,326
Net loss on disposal of property, plant and equipment	23	187
Gain on settlement of right-of-use assets	(17)	(3)
Gain on disposal of foreign operation	(898)	—
Equipment rework and remediation [8]	26,100	80,000
Impairment [9]	5,074	5,111
Adjusted EBITDA [10]	**176,266**	**149,328**

[1] See "Share of associate's net loss (gain)" in our management discussion and analysis and consolidated financial statements for the year ended December 31, 2021 ("2021 Statements").
[2] See "Note 25 [e] - Other expenses (income)" in our 2021 Statements.
[3] The Company's share-based compensation expense pertains to our equity incentive award plan and directors' deferred compensation plan. See "Note 24 – Share-based compensation plans" in our 2021 Statements.
[4] See "Equity swap" in our 2021 Statements.
[5] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[6] The result of a change in management estimate on variable considerations for a one-time sales concessions related to previous sales contracts.
[7] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[8] See "Remediation costs and equipment rework" in our 2021 Statements.
[9] Impairment is a result of a write-down in property, plant and equipment ($1,558) and intangible assets ($3,516). See "Note 12 - Property, plant and equipment" and "Note 15 – Intangible assets" in our 2021 Statements.
[10] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS and OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

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.

September 30, 2022

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	September 30, 2022 $	December 31, 2021 $
Assets		
Current assets		
Cash and cash equivalents	**42,384**	61,307
Restricted cash	**2,390**	2,424
Accounts receivable	**267,590**	206,271
Inventory	**295,850**	243,250
Prepaid expenses and other assets *[note 14]*	**65,509**	44,788
Current portion of notes receivable	**5,860**	5,428
Income taxes recoverable	**14,024**	9,351
	693,607	572,819
Non-current assets		
Property, plant and equipment, net	**354,240**	349,310
Right-of-use assets, net *[note 6]*	**33,064**	19,211
Goodwill	**376,098**	358,610
Intangible assets, net	**260,283**	253,042
Non-current accounts receivable	**43,942**	34,742
Notes receivable	**364**	364
Deferred tax asset	**2,772**	5,556
	1,070,763	1,020,835
Assets held for sale *[note 7]*	4,318	—
Total assets	1,768,688	1,593,654
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**206,613**	195,646
Customer deposits	**89,546**	86,457
Dividends payable	**2,834**	2,819
Derivative instruments *[note 18[c]]*	—	337
Income taxes payable	**4,820**	6,350
Current portion of due to vendor	**7,731**	5,269
Current portion of lease liability	**5,530**	5,016
Current portion of long-term debt *[note 9]*	**435**	532
Current portion of convertible unsecured subordinated debentures *[note 10]*	—	84,913
Current portion of optionally convertible redeemable preferred shares *[note 18[d]]*	—	11,690
Provisions *[note 8]*	**68,544**	65,618
	386,053	464,647
Non-current liabilities		
Other financial liabilities	**811**	704
Derivative instruments *[note 18[c]]*	**5,262**	5,036
EIAP liability	**962**	—
Due to vendor	**4,519**	1,567
Lease liability	**31,808**	17,263
Other non-current liabilities	**5,400**	5,400
Long-term debt *[note 9]*	**504,031**	434,009
Convertible unsecured subordinated debentures *[note 10]*	**181,929**	94,620
Senior unsecured subordinated debentures	**252,269**	250,872
Deferred income tax liability	**62,913**	50,785
	1,049,904	860,256
Total liabilities	1,435,957	1,324,903
Shareholders' equity *[note 11]*		
Common shares	**8,738**	5,233
Accumulated other comprehensive income (loss)	**15,530**	(22,799)
Equity component of convertible debentures	**22,851**	12,905
Contributed surplus	**498,598**	494,684
Deficit	**(212,986)**	(221,272)
Total shareholders' equity	332,731	268,751
Total liabilities and shareholders' equity	1,768,688	1,593,654

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		Nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Sales *[note 5]*	402,074	313,859	1,084,048	871,428
Cost of goods sold *[note 13[a]]*	278,167	228,187	764,440	633,308
Gross profit	123,907	85,672	319,608	238,120
Expenses				
Selling, general and administrative *[note 13[b]]*	90,864	60,699	240,986	179,095
Other operating expense (income) *[notes 13[c] and 18[c]]*	(5,931)	6,159	(7,874)	(3,995)
Impairment *[note 7]*	467	3,516	490	3,516
Finance costs *[note 13[d]]*	16,195	11,004	43,870	31,651
Finance expense *[note 13[e]]*	9,427	7,523	10,923	2,471
Share of associate's net loss	—	—	—	1,077
Gain on remeasurement of equity investment	—	—	—	(6,778)
	111,022	88,901	288,395	207,037
Profit (loss) before income taxes	12,885	(3,229)	31,213	31,083
Income tax expense (recovery) *[note 15]*				
Current	44	1,087	8,776	5,165
Deferred	5,869	(4,243)	5,209	(989)
	5,913	(3,156)	13,985	4,176
Profit (loss) for the period	6,972	(73)	17,228	26,907
Profit per share *[note 16]*				
Basic	0.37	0.00	0.91	1.43
Diluted	0.36	0.00	0.89	1.40

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Profit (loss) for the period	6,972	(73)	17,228	26,907
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss				
Change in fair value of derivatives designated as cash flow hedges [gains (loss)]	445	—	(566)	—
Income tax effect on cash flow hedges	(118)	—	150	—
Exchange differences on translation of foreign operations	31,362	7,997	38,434	(7,465)
	31,689	7,997	38,018	(7,465)
Items that will not be reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plans	(209)	184	423	2,184
Income tax effect on defined plans	55	(49)	(112)	(579)
	(154)	135	311	1,605
Other comprehensive income (loss) for the period	31,535	8,132	38,329	(5,860)
Total comprehensive income for the period	38,507	8,059	55,557	21,047

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders’ equity

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2022

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency reserve $	Cash flow hedge $	Equity investment $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2022	5,233	12,905	494,684	(221,272)	(23,271)	—	(900)	1,372	268,751
Profit for the period	—	—	—	17,228	—	—	—	—	17,228
Other comprehensive income (loss)	—	—	—	—	38,434	(416)	—	311	38,329
Share-based payment transactions									—
[note 11[a] and [b]]	3,505	—	3,407	—	—	—	—	—	6,912
Dividends paid to shareholders *[note 11[c]]*	—	—	—	(8,497)	—	—	—	—	(8,497)
Dividends on share-based									—
compensation awards *[note 11[c]]*	—	—	—	(445)	—	—	—	—	(445)
Issuance of convertible debentures *[note 10]*	—	11,379	—	—	—	—	—	—	11,379
Redemption of convertible unsecured									—
subordinated debentures *[notes 10 and 11[b]]*	—	(1,433)	507	—	—	—	—	—	(926)
As at September 30, 2022	8,738	22,851	498,598	(212,986)	15,163	(416)	(900)	1,683	332,731

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2021

	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, 2021	1,730	4,427	487,540	(220,298)	(8,938)	(900)	(424)	263,137
Profit for the period	—	—	—	26,907	—	—	—	26,907
Other comprehensive income (loss)	—	—	—	—	(7,465)	—	1,605	(5,860)
Share-based payment transactions *[note 11[a] and [b]]*	3,225	—	1,974	—	—	—	—	5,199
Dividends paid to shareholders *[note 11[c]]*	—	—	—	(8,453)	—	—	—	(8,453)
Dividends on share-based compensation awards *[note 11[c]]*	—	—	—	(145)	—	—	—	(145)
As at September 30, 2021	4,955	4,427	489,514	(201,989)	(16,403)	(900)	1,181	280,785

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Operating activities				
Profit (loss) before income taxes	**12,885**	(3,229)	**31,213**	31,083
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	**6,806**	6,379	**20,770**	18,441
Depreciation of right-of-use assets	**1,667**	1,213	**4,967**	3,241
Amortization of intangible assets	**10,473**	8,919	**31,201**	23,993
Loss (gain) on sale of property, plant and equipment	**56**	(16)	**352**	83
Loss (gain) on settlement of lease liability	**—**	(7)	**—**	11
Gain on redemption of convertible debentures *[note 10]*	**—**	—	**(584)**	—
Impairment *[note 7]*	**467**	3,516	**490**	3,516
Share of associate's net loss	**—**	—	**—**	1,077
Gain on remeasurement of equity investment	**—**	—	**—**	(6,778)
Foreign exchange reclassification on disposal of foreign operation	**—**	(898)	**—**	(898)
Non-cash component of interest expense	**2,456**	1,334	**7,385**	3,988
Non-cash movement in derivative instruments	**(2,173)**	7,845	**(834)**	547
Non-cash investment tax credits	**(138)**	(58)	**(1,381)**	(447)
Share-based compensation expense	**5,095**	2,155	**10,710**	5,998
Defined benefit plan expense	**20**	36	**60**	108
Employer contributions to defined benefit plan	—	—	**—**	(9)
Due to vendor and OCRPS	**5,897**	621	**11,954**	2,680
Translation loss (gain) on foreign exchange	**22,653**	6,367	**32,135**	(1,227)
	66,164	34,177	**148,438**	85,407
Net change in non-cash working capital balances related to operations *[note 17]*	**614**	8,658	**(123,195)**	(57,160)
Transfer from (to) restricted cash	**—**	3,884	**(70)**	7,068
Non-current accounts receivable	**(1,747)**	(1,011)	**(9,200)**	(10,222)
Long-term payables	**26**	24	**167**	(32)
Settlement of EIAP obligation	**(234)**	(412)	**(2,579)**	(769)
Post-combination payments	**(3,795)**	(18,916)	**(5,462)**	(21,552)
Income taxes paid	**(2,787)**	(2,599)	**(9,507)**	(5,409)
Cash provided by (used in) operating activities	**58,241**	23,805	**(1,408)**	(2,669)
Investing activities				
Acquisitions, net of cash acquired *[note 4]*	**—**	—	**(28,162)**	(12,865)
Acquisition of property, plant and equipment	**(7,986)**	(4,756)	**(18,519)**	(18,497)
Proceeds from sale of property, plant and equipment	**60**	108	**1,373**	273
Development and purchase of intangible assets	**(5,892)**	(3,200)	**(13,982)**	(13,525)
Optionally convertible redeemable preferred shares	**(11,312)**	—	**(11,312)**	—
Cash used in investing activities	**(25,130)**	(7,848)	**(70,602)**	(44,614)
Financing activities				
Draw from revolver facilities, net of costs	**(483)**	(27)	**128,556**	39,761
Repayment of long-term debt	**(33,118)**	(101)	**(90,500)**	(397)
Change in swing line	**(14,263)**	(24,040)	**10,069**	(43)
Repayment of obligation under lease liabilities	**(1,432)**	(967)	**(4,400)**	(2,713)
Change in interest accrued	**6,200**	5,430	**4,932**	5,424
Issuance of senior unsecured subordinated debentures	**—**	—	**—**	(153)
Issuance of convertible unsecured subordinated debentures, net of costs	**—**	—	**99,162**	—
Redemption of convertible unsecured subordinated debentures	**—**	—	**(86,250)**	—
Dividends paid in cash *[note 11[c]]*	**(2,832)**	(2,817)	**(8,482)**	(8,442)
Cash provided by (used in) financing activities	**(45,928)**	(22,522)	**53,087**	33,437
Net decrease in cash during the period	**(12,817)**	(6,565)	**(18,923)**	(13,846)
Cash and cash equivalents, beginning of period	**55,201**	55,175	**61,307**	62,456
Cash and cash equivalents, end of period	**42,384**	48,610	**42,384**	48,610
Supplemental cash flow information				
Interest paid	**7,227**	3,940	**32,099**	22,751

See accompanying notes

September 30, 2022

1. Organization

Ag Growth International Inc. [“AGI” or the “Company”] is a provider of equipment solutions for agriculture bulk commodities, including seed, fertilizer, grain, rice, feed and food processing systems. AGI has manufacturing facilities in Canada, the United States, Brazil, Italy, France and India, and distributes its product globally. 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

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard [“IAS”] 34, *Interim Financial Reporting* [“IAS 34”] as issued by the International Accounting Standards Board and using the same accounting policies and methods as were used for the Company’s consolidated financial statements and the notes thereto for the year-end December 31, 2021.

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, AGI. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments and contingent consideration resulting from business combinations and optionally convertible redeemable preferred shares [“OCRPS”], 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 International Financial Reporting Standards [“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, 2021, which are available on SEDAR at www.sedar.com.

The unaudited interim condensed consolidated financial statements of AGI for the three- and nine-month periods ended September 30, 2022 were authorized for issuance in accordance with a resolution of the directors on November 8, 2022.

3. Seasonality of business

Interim period sales and earnings historically reflect some seasonality as the agricultural equipment business is highly seasonal, which causes the Company's quarterly results and its cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in the spring and fall in conjunction with the major planting and harvesting seasons; as a result, 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. The Company'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. In addition, the Company's products include various materials and components purchased from others, some or all of which may be subject to wide price variation. Consistent with industry practice, the Company seeks to manage its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis and through the alignment of material input pricing with the terms of contractual sales commitments resulting in significant working capital requirements in the first and second quarters. Historically, the Company'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.

Impact of COVID-19 pandemic

The COVID-19 pandemic has continued to evolve, and the global economic environment in which the Company operates could continue to be subject to sustained uncertainty. There have been limited adverse effects on AGI's business this fiscal year to date and the Company remains fully operational across all manufacturing locations globally. New information that may emerge concerning the severity, duration and actions by government authorities to contain the outbreak or manage its impact, increases the possibility that circumstances may arise, which causes actual results to differ from the estimates applied in these unaudited interim condensed consolidated financial statements and the Company's financial results and conditions in future periods.

Conflict between Russia and Ukraine

The conflict between Russia and Ukraine and the resulting imposition of sanctions and counter-sanctions have caused instability in the global economy. AGI has no production facilities in either country and its exposure to Russia and Ukraine varies year-to-year. The Company continues to monitor potential impacts of the conflict, including financial impacts, heightened cyber risks and risks of supply chain disruption.

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

4. Business combinations

Eastern Fabricators

On January 4, 2022, AGI completed the acquisition of 100% of Eastern Fabricators [“Eastern”]. Eastern specializes in the engineering, design, fabrication and installation of high-quality stainless-steel equipment and systems for food processors. Eastern operates three facilities in Canada, with two in Prince Edward Island and one in Ontario. Eastern’s market-leading products, services, manufacturing capacity and customer relationships will provide strong revenue synergies as Eastern is integrated into AGI’s commercial segment.

	$
Purchase price	40,904
Cash acquired	1,088
Working capital adjustment	1,951
Due from vendor	(133)
Total purchase price	43,810
Post-combination expense	(11,654)
Purchase consideration	32,156

The post-combination expense of $11.7 million is payable based on meeting earnings target in 2022, 2023 and 2024.

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

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

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

	$
Cash	1,088
Accounts receivable	5,083
Inventory	3,186
Prepaid expenses and other assets	25
Property, plant and equipment	1,094
Right-of-use assets	908
Intangible assets	
Trade name	900
Customer backlog	1,900
Customer relationships	17,400
Goodwill	11,831
Accounts payable and accrued liabilities	(1,933)
Customer deposits	(2,229)
Income taxes payable	(137)
Lease liability	(908)
Deferred income tax liability	(6,052)
Purchase consideration	32,156

Goodwill of $11,831 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $5,083. This consists of the gross contractual value of $6,149 less the estimated amount not expected to be collected of $1,066.

During the measurement period, inventory was decreased by $230 and deferred tax liability was decreased by $69 to account for the expected loss on an onerous contract identified. The change in inventory and deferred tax liability, in additional to other smaller adjustments, resulted in a net increase to goodwill of $168.

From the date of acquisition, Eastern contributed to the results $18,817 of revenue and $8,144 of net loss. If the acquisition had taken place as at January 1, 2022, revenue and net loss in 2022 would not have materially changed.

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

The components of the purchase consideration are as follows:

	$
Cash paid	29,250
Due to vendor	2,906
Purchase consideration	32,156

During the three-month period ended September 30, 2022, the due to vendor amount of $2,906 was paid.

Transaction costs related to the Eastern acquisition in the nine-month period ended September 30, 2022, were $55 [2021 – nil] and are included in selling, general and administrative expenses.

5. Reportable business segment

The Company's three reportable segments are Farm, Commercial and Digital, each of which are supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. Certain corporate overheads are included in the segments based on revenue. Taxes and certain other expenses are managed at a consolidated level and are not allocated to the reportable operating segments. Financial information for the comparative period has been restated to reflect the new presentation.

The operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ["CODM"] in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on adjusted earnings before income tax, depreciation, and amortization ["Adjusted EBITDA"], which is measured differently than profit (loss) from operations in the unaudited interim condensed consolidated financial statements.

The Company's reportable segments are as follows:

- Farm: AGI's Farm business includes the sale of grain and fertilizer handling equipment, aeration products and storage bins, primarily to farmers where on-farm storage practices are conducive to the sale of portable handling equipment and smaller diameter storage bins for grain and fertilizer.

- Commercial: AGI's Commercial business includes the sale of larger diameter storage bins, high-capacity stationary grain handling equipment, fertilizer storage and handling systems, feed handling and storage equipment, aeration products, hazard monitoring systems, automated blending systems, control systems and food processing solutions. AGI's Commercial customers include large multi-national agri-businesses, grain handlers, regional cooperatives, contractors, food and animal feed manufacturers, and fertilizer blenders and distributors. Commercial equipment is used at port facilities for both the import and export of grains, inland grain terminals, corporate farms, fertilizer distribution sites, ethanol production, oilseed crushing, commercial feed mills, rice mills and flour mills.

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

- Digital: AGI's Digital business is built on a foundation of Internet of Things products that are designed to monitor, operate and automate the Company's equipment, including the collection of key operation data. The Digital business offers monitoring, operation, measurement and blending controls, automation, hazard monitoring, embedded electronics, farm management, grain marketing and tools for agronomy, and Enterprise Resource Planning for agriculture retailers and grain buyers. These products are available both as stand-alone offerings as well as in combination with larger farm or commercial systems from AGI.

The following tables sets forth information by segment:

	Three-month period ended		Nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Farm	**207,937**	173,181	**566,914**	476,252
Commercial	**182,411**	129,926	**486,945**	369,136
Digital	**11,726**	10,752	**30,189**	26,040
Sales	**402,074**	313,859	**1,084,048**	871,428

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

	Three-month period ended September 30, 2022				
	Farm	Commercial	Digital	Other[1]	Total
	$	$	$	$	$
Profit (loss) before income taxes	49,856	23,274	(9,876)	(50,369)	12,885
Finance costs				16,195	16,195
Depreciation and amortization	4,823	8,641	5,869	5	19,338
Loss on foreign exchange	—	—	—	9,515	9,515
Share-based compensation	—	—	—	5,095	5,095
Gain on financial instruments	—	—	—	(2,173)	(2,173)
Mergers and acquisitions recovery	—	—	—	(786)	(786)
Transaction, transitional and other costs[4]	—	—	—	15,695	15,695
Loss (gain) on sale of property, plant and equipment	(33)	91	(2)	—	56
Impairment	—	467	—	—	467
Adjusted EBITDA[2]	54,646	32,473	(4,009)	(6,823)	76,287

	Three-month period ended September 30, 2021				
	Farm	Commercial	Digital	Other[1]	Total
	$	$	$	$	$
Profit (loss) before income taxes	30,967	6,234	(3,414)	(37,016)	(3,229)
Finance costs	—	—	—	11,004	11,004
Depreciation and amortization	5,098	7,676	3,735	2	16,511
Loss on foreign exchange	—	—	—	7,639	7,639
Share-based compensation	—	—	—	2,155	2,155
Loss on financial instruments	—	—	—	7,845	7,845
Mergers and acquisitions expense	—	—	—	52	52
Transaction, transitional and other costs	—	—	—	1,726	1,726
Gain on sale of property, plant and equipment	(8)	(8)	—	—	(16)
Gain on settlement of lease liability	(7)	—	—	—	(7)
Gain on disposal of foreign operation	—	(898)	—	—	(898)
Impairment	—	3,516	—	—	3,516
Adjusted EBITDA[2]	36,050	16,520	321	(6,593)	46,298

Notes to unaudited interim condensed consolidated financial statements

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

	Nine-month period ended September 30, 2022				
	Farm	Commercial	Digital	Other[1]	Total
	$	$	$	$	$
Profit (loss) before income taxes	126,057	46,584	(25,265)	(116,163)	31,213
Finance costs	—	—	—	43,870	43,870
Depreciation and amortization	14,659	27,943	15,309	10	57,921
Loss on foreign exchange	—	—	—	11,152	11,152
Share-based compensation	—	—	—	10,710	10,710
Gain on financial instruments	—	—	—	(1,418)	(1,418)
Mergers and acquisitions recovery	—	—	—	(119)	(119)
Transaction, transitional and other costs[4]	—	—	—	28,906	28,906
Loss (gain) on sale of property, plant and equipment	(145)	499	(2)	—	352
Fair value of inventory from acquisition	—	609	—	—	609
Impairment	23	467	—	—	490
Adjusted EBITDA[2]	140,594	76,102	(9,958)	(23,052)	183,686

	Nine-month period ended September 30, 2021[3]				
	Farm	Commercial	Digital	Other[1]	Total
	$	$	$	$	$
Profit (loss) before income taxes	97,654	17,636	(11,421)	(72,786)	31,083
Finance costs	—	—	—	31,651	31,651
Depreciation and amortization	15,045	22,174	8,446	10	45,675
Share of associate's net loss	—	—	—	1,077	1,077
Gain on remeasurement of equity investment	—	—	—	(6,778)	(6,778)
Loss on foreign exchange	—	—	—	2,781	2,781
Share-based compensation	—	—	—	5,998	5,998
Loss on financial instruments	—	—	—	547	547
Mergers and acquisitions expense	—	—	—	2,073	2,073
Transaction, transitional and other costs	—	—	—	7,295	7,295
Loss (gain) on sale of property, plant and equipment	69	7	(2)	9	83
Loss on settlement of lease liability	11	—	—	—	11
Equipment remediation and rework	—	—	—	7,500	7,500
Gain on disposal of foreign operation	—	(898)	—	—	(898)
Impairment	—	3,516	—	—	3,516
Adjusted EBITDA[2]	112,779	42,435	(2,977)	(20,623)	131,614

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

[1] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

[2] The CODM uses Adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Company's segments. Adjusted EBITDA is defined as net income before depreciation and amortization, financial expenses, operational restructuring costs and other, income taxes and share of income (loss) of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

[3] Financial information for the comparative year has been restated to reflect the new presentation.

[4] Includes legal expense, legal provisions, movement in due to vendor, and transitional contractual employment expenses.

The Company operates primarily within three geographical areas: Canada, the 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		Nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Canada	**88,585**	79,116	**245,628**	221,025
United States	**187,815**	147,582	**508,229**	404,393
International	**125,674**	87,161	**330,191**	246,010
Total sales	**402,074**	313,859	**1,084,048**	871,428

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.

6. Right-of-use assets

	September 30, 2022	December 31, 2021
	$	$
Balance, beginning of period	**19,211**	14,342
Additions	**16,382**	8,304
Acquisition	**908**	1,671
Termination	**—**	(151)
Depreciation	**(4,967)**	(4,619)
Exchange differences	**1,530**	(336)
Balance, end of period	**33,064**	19,211

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

7. Assets held for sale

Assets held for sale include a building, land, grounds and equipment in Kansas. These land, grounds and buildings met the definition of assets held for sale and were recorded at the lower of cost and fair value less cost to sell. During the three-month period ended September 30, 2022, an impairment loss of $467 was recorded. As at September 30, 2022, the carrying amount of the assets held for sale is $4,318.

Subsequent to the three-month period ended September 30, 2022, the assets held for sale were sold at their carrying amounts.

8. 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, with the exception of the equipment rework and remediation costs.

	September 30, 2022 $	**December 31, 2021** $
Balance, beginning of period	**65,618**	83,361
Additional provisions recognized	**13,797**	37,225
Amounts written off and utilized	**(10,871)**	(54,968)
Balance, end of period	**68,544**	65,618

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and legal claims related to the incident have been initiated against AGI. As at September 30, 2022, the warranty provision for remediation costs is $42.0 million [December 31, 2021 – $42.4 million], resulting in a net change of $0.4 million during the nine-month period ended September 30, 2022.

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to the one commercial facility. As at September 30, 2022, the warranty provision for the equipment rework is $10.1 million [December 31, 2021 – $11.8 million], with $1.7 million of the provision having been utilized during the period.

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

9. Long-term debt

	Interest rate %	Maturity	September 30, 2022 $	December 31, 2021 $
Current portion of long-term debt				
Equipment financing	nil		435	532
			435	532
Non-current portion of long-term debt				
Equipment financing	nil		1,351	1,774
Series B secured notes	4.4	2025	—	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	—	31,695
Revolver [Canadian dollar denominated]	2.1 – 6.5	2026	214,800	176,417
Canadian swing line	2.1 – 6.5	2026	10,069	—
Revolver [U.S. dollar denominated]	2.1 – 5.0	2026	282,090	201,834
			508,310	436,720
Less deferred financing costs			(4,279)	(2,711)
			504,031	434,009
Long-term debt			504,466	434,541

On May 9, 2022, AGI amended its senior credit facilities agreement to increase availabilities under its revolvers from $275 million to $350 million Canadian and $215 million to $275 million USD. Subsequent to the amendment, AGI has swing line facilities of $50 million and U.S. $10 million as at September 30, 2022. The swing line facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. As at September 30, 2022, there was $10.1 million [2021 – nil] outstanding under the swing line.

AGI's revolver facilities of $350 million and U.S. $275 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 SOFR plus 1.2% to BA or SOFR plus 2.75% and prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. During the three-month ended September 30, 2022, the Company repaid $33 million of the principal amount of the Canadian revolver.

Concurrent with the amendment to the senior credit facilities agreement, the series B and series C secured notes, with principal amounts owing of CAD $25 million and U.S. $25 million, respectively, were retired through the expanded credit facilities.

10. Convertible unsecured subordinated debentures

On April 19, 2022, AGI closed the offering of $100 million aggregate principal amount of convertible unsecured subordinated debentures [the "Debentures"] at a price of $1,000 per Debenture [the "Offering"]. In addition, AGI granted to the underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase up to an additional $15 million aggregate principal amount of Debentures at the same price. On May 6, 2022, the underwriters exercised the over-allotment option in part for additional proceeds of $3.9 million for total gross proceeds from the Offering to AGI of $103.9 million.

The Debentures bear interest from the date of issue at 5.20% per annum and are payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2022. The Debentures have a maturity date of December 31, 2027 [the "Maturity Date"].

The Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and the date specified by AGI for redemption of the Debentures into fully paid and non-assessable common shares ["Common Shares"] of the Company at a conversion price of $70.50 per Common Share [the "Conversion Price"], being a conversion rate of approximately 14.1844 Common Shares for each $1,000 principal amount of Debentures.

The Debentures are not redeemable by the Company before December 31, 2025. On and after December 31, 2025 and prior to December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option 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 on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On and after December 31, 2026, the Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the Common Shares.

The net proceeds of the Offering were used to redeem AGI's outstanding 4.50% convertible unsecured subordinated debentures due December 31, 2022 [the "2018 Debentures"] and for general corporate purposes.

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

Redemption of 2018 Debentures

On May 2, 2022, the Company redeemed the 2018 Debentures in accordance with the terms of the supplemental trust indenture. Upon redemption, AGI paid to the holders of the 2018 Debentures the redemption price of $87,547 equal to the outstanding principal amount of the 2018 Debentures redeemed including accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. A gain of $584 was recorded to gain on financial instruments, and the equity component of the 2018 Debentures was reclassified to contributed surplus.

The Company expensed the remaining unamortized balance of $666 of deferred fees related to the 2018 Debentures. The expense was recorded to finance costs in the unaudited interim condensed consolidated statements of income (loss).

11. Equity

[a] Common shares

	Shares #	Amount $
Balance, January 1, 2021	18,718,415	1,730
Settlement of EIAP obligation	74,653	3,461
Convertible unsecured subordinated debentures	502	42
Balance, December 31, 2021	18,793,570	5,233
Settlement of EIAP obligation	95,773	3,505
Balance, September 30, 2022	18,889,343	8,738

[b] Contributed surplus

	September 30, 2022 $	December 31, 2021 $
Balance, beginning of period	494,684	487,540
Equity-settled director compensation *[note 12[b]]*	—	287
Dividends on EIAP	445	261
Obligation under EIAP *[note 12[a]]*	9,368	7,820
Settlement of EIAP obligation	(6,406)	(4,193)
Redemption of convertible unsecured subordinated debentures	507	2,969
Balance, end of period	498,598	494,684

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

[c] Dividends paid and proposed

In the three-month period ended September 30, 2022, the Company declared dividends of $2,834 or $0.15 per common share [2021 – $2,819 or $0.15 per common share] and dividends on share-based compensation awards of $128 [2021 – $75]. In the nine-month period ended September 30, 2022, the Company declared dividends of $8,497 or $0.45 per common share [2021 – $8,453 or $0.45 per common share] and dividends on share-based compensation awards of $445 [2021 – $145]. In the three- and nine-month periods ended September 30, 2022, dividends paid to shareholders of $2,832 and $8,482 [2021 – $2,817 and $8,442] were financed from cash on hand.

The dividend is payable on October 15, 2022 to common shareholders of record at the close of business on September 30, 2022.

12. Share-based compensation plans

[a] Equity Incentive Award Plan ["EIAP"]

During the nine-month period ended September 30, 2022, 132,616 [2021 – 146,487] Restricted Awards ["RSUs"] were granted and 252,001 [2021 – 125,036] Performance Awards ["PSUs"] were granted. 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 associated with employee terminations, resignations or retirements. As at September 30, 2022, 666,683 shares have been granted and outstanding under the EIAP.

During the three- and nine-month period ended September 30, 2022, AGI expensed $4,647 and $9,666 for the EIAP [2021 – $1,950 and $5,459].

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

	EIAP	
	Restricted Awards #	Performance Awards #
Balance, beginning of period	385,434	70,439
Granted	132,616	252,001
Vested	(67,636)	(22,847)
Modified	(41,609)	—
Forfeited	(33,809)	(7,906)
Balance, end of period	**374,996**	**291,687**

There is no exercise price on the EIAP awards.

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

For the three- and nine-month periods ended September 30, 2022, expenses of $448 and $1,044 [2021 – $205 and $539] were recorded for the share grants, and a corresponding amount has been recorded to accounts payable and accrued liabilities. 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 nine-month period ended September 30, 2022, nil [2021 – 6,987] common shares were granted under the DDCP, and as at September 30, 2022, a total of 120,000 common shares had been granted under the DDCP and 19,788 common shares had been issued.

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

13. Other expenses (income)

	Three-month period ended		Nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
[a] Cost of goods sold				
Depreciation of property, plant and equipment	5,867	5,546	17,986	16,100
Depreciation of right-of-use assets	473	302	1,401	895
Amortization of intangible assets	4,957	3,234	14,557	7,409
Amortization of contract assets	392	—	983	—
Warranty expense	3,163	3,020	9,897	14,756
Cost of inventory recognized as an expense	263,315	216,085	719,616	594,148
	278,167	228,187	764,440	633,308
[b] Selling, general and administrative expenses				
Depreciation of property, plant and equipment	939	833	2,784	2,341
Depreciation of right-of-use assets	1,194	911	3,566	2,346
Amortization of intangible assets	5,516	5,685	16,644	16,584
Minimum lease payments recognized as lease expense	1	13	4	43
Transaction and transitional costs	11,009	1,778	24,887	9,368
Selling, general and administrative	72,205	51,479	193,101	148,413
	90,864	60,699	240,986	179,095
[c] Other operating expense (income)				
Net loss (gain) on disposal of property, plant and equipment	56	(16)	352	83
Net loss (gain) on settlement of lease liability	—	(7)	—	11
Loss (gain) on financial instruments	(2,173)	7,845	(1,418)	547
Gain on disposal of foreign operation	—	(898)	—	(898)
Other	(3,814)	(765)	(6,808)	(3,738)
	(5,931)	6,159	(7,874)	(3,995)
[d] Finance costs				
Interest on overdrafts and other finance costs	630	653	1,452	955
Interest on lease liabilities	535	268	1,585	760
Interest, including non-cash interest, on debts and borrowings	6,832	3,471	16,565	10,156
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures	8,198	6,612	24,268	19,780
	16,195	11,004	43,870	31,651
[e] Finance expense				
Interest income from banks	(88)	(116)	(229)	(310)
Loss on foreign exchange	9,515	7,639	11,152	2,781
	9,427	7,523	10,923	2,471

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

14. Retirement benefit plans

During the three- and nine-month periods ended September 30, 2022, the expense associated with the Company's defined pension benefit were $21 and $61, respectively [2021 – $36 and $108]. As at September 30, 2022, the accrued pension benefit asset was $1,899 [December 31, 2021 – $1,536], which is included in prepaid expense and other assets on the unaudited interim condensed consolidated statements of financial position.

15. Income taxes

The Company's effective tax rate for the nine-month period ended September 30, 2022 was 44.80% [2021 – 13.43%]. The difference between the effective tax rate and the Company's domestic statutory tax rate of 26.5% [2021 – 26.5%] is attributable to unrealized foreign exchanges gains (losses), as well as differences in tax rates and deductions allowed in foreign tax jurisdictions.

16. Profit per share

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

	Three-month period ended		Nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Profit (loss) attributable to shareholders for basic and dilutive profit per share	**6,972**	(73)	**17,228**	26,907
Basic weighted average number of shares	**18,887,306**	18,784,659	**18,862,184**	18,774,006
Dilutive effect of DDCP	**100,212**	—	**100,212**	111,578
Dilutive effect of RSUs	**374,995**	—	**351,148**	370,985
Diluted weighted average number of shares	**19,362,513**	18,784,659	**19,313,544**	19,256,569
Profit per share				
Basic	**0.37**	0.00	**0.91**	1.43
Diluted	**0.36**	0.00	**0.89**	1.40

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

The 2021 and 2022 Debentures were excluded from the calculation of diluted profit per share in the three- and nine-month periods ended September 30, 2022 and September 30, 2021 because their effect is anti-dilutive. The DDCP and RSU were excluded from calculation of diluted profit per share in the three-month period ended September 30, 2021 because their effect was anti-dilutive.

17. Statement of cash flows

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		Nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	$	$	$	$
Accounts receivable	(7,452)	3,785	(56,236)	(47,082)
Inventory	8,208	(33,875)	(53,040)	(65,790)
Prepaid expenses and other assets	(1,703)	(355)	(16,296)	(14,075)
Accounts payable and accrued liabilities	(7,632)	33,798	(1,127)	66,849
Customer deposits	5,426	22,108	859	37,975
Provisions	3,767	(16,803)	2,645	(35,037)
	614	8,658	(123,195)	(57,160)

18. Financial instruments and financial risk management

The Company's financial assets and liabilities recorded at fair value in the unaudited interim condensed consolidated financial statements have been categorized into three categories based on a fair value hierarchy. Financial assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. During the nine-month period ended September 30, 2022 and year ended December 31, 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

The following methods and assumptions were used to estimate the fair value of financial instruments:

[a] Short-term financial instruments

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

[b] Long-term debt financial 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 valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the liability. The carrying amount and fair value of the Company's long-term debt are as follows:

	September 30, 2022		December 31, 2021	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Interest-bearing loans and borrowings	**504,466**	**504,466**	434,541	431,299
Convertible unsecured subordinated debentures	**181,929**	**148,211**	179,533	195,646
Senior unsecured subordinated debentures	**252,269**	**232,180**	250,872	252,075

[c] Derivative financial instruments

Derivatives are marked-to-market at each reporting period and changes in fair value are recognized as a loss (gain) on financial instruments in other operating expense (income). The fair values of interest rate swaps, equity swaps and foreign exchange contracts are determined using discounted cash flow techniques, using Level 2 inputs, including interest rate swap curves, the Company's stock price and foreign exchange rates, respectively. The fair value of the embedded derivative related to the senior unsecured subordinated debentures is determined by the Company's consultants using valuations models, which incorporate various Level 2 inputs including the contractual contract terms, market interest rates and volatility.

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. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 4.1%. The notional amounts are $40,000 in aggregate, resetting the last business day of each month. The contract matured in May 2022. During the three- and nine-month periods ended September 30, 2022, a realized gain of nil and $199 [2021 – gain of $136 and $418] was recorded in loss (gain) on financial instruments in other operating expense (income). As at September 30, 2022, the fair value of the interest rate swap was nil [December 31, 2021 – $(199)].

On June 16, 2022, the Company entered into a forward interest rate swap contract starting June 11, 2023 and expiring on May 11, 2026. The Company will receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 3.97%. The notional amounts are $75,000 in aggregate, resetting the last business day of each month. As at September 30, 2022, the fair value of the interest rate swap was a loss of $566. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that is has been assessed to be effective. During the three- and nine-month periods ended September 30, 2022, an unrealized gain (loss) of $445 and $(566) [2021 – nil and nil] was recorded in other comprehensive income (loss).

Equity swap

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at September 30, 2022, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on May 7, 2024. During the three- and nine-month periods ended September 30, 2022, an unrealized gain of $1,812 and $375 [2021 – loss of $7,387 and $1,098] was recorded in loss (gain) on financial instruments in other operating expense (income). As at September 30, 2022, the fair value of the equity swap was $(4,696) [December 31, 2021 – $(5,036)].

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 September 30, 2022, AGI's U.S. dollar denominated debt totaled $206 million.

In 2021, the Company entered into a short-term forward contract which matured on January 5, 2022, resulting in a gain of $138 recorded in loss (gain) on financial instruments during the nine-month period ended September 30, 2022. The Company had no outstanding forward contracts as at September 30, 2022.

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

Debenture put options

On March 5, 2020, the Company issued the 2020 Debentures with an option of early redemption beginning on and after December 31, 2022. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $754. During the three- and nine-month periods ended September 30, 2022, a gain of $361 and $122 [2021 – gain (loss) of $(594) and $133] was recorded in loss (gain) on financial instruments in other operating expense (income). As at September 30, 2022, the fair value of the embedded derivative was $396 [December 31, 2021 – $274].

[d] Other liabilities at fair value through profit (loss)

OCRPS are recorded at fair value at each reporting period, and changes in fair value are recognized as a loss (gain) on financial instruments in other operating expense (income). The fair value of the OCRPS is valued using Level 3 inputs using a discounted cash flow technique, which incorporates various inputs including the probability of meeting set performance targets.

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

	September 30, 2022 $	December 31, 2021 $
Balance, beginning of period	**11,690**	28,971
Fair value change	**229**	1,289
Payments	**(11,312)**	(17,505)
Exchange differences	**(607)**	(1,065)
Balance, end of period	—	11,690

Set out below are the significant unobservable inputs to valuation as at September 30, 2022:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
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"]	8.0%–10%	Increase (decrease) in the WACC would result in decrease (increase) in fair value

During the three-month period ended September 30, 2022, the OCRPS was paid.

19. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and nine-month periods ended September 30, 2022, the total cost of these legal services related to general matters was $297 and $1,892 [2021 – $118 and $667], and $308 is included in accounts payable and accrued liabilities as at September 30, 2022.

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

20. 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 $8,814 [December 31, 2021 – $3,204].

[b] Letters of credit

As at September 30, 2022, the Company has outstanding letters of credit in the amount of $32,439 [December 31, 2021 – $21,066].

[c] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. Except as otherwise disclosed in these unaudited interim condensed consolidated financial statements, 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.