Ag Growth Announces Second Quarter 2017 Results;
Declares Dividends

Winnipeg, MB, August 10, 2017 – Ag Growth International Inc. (TSX: AFN) ("AGI", the "Company", "we" or "our") today announced its financial results for the three and six-month periods ended June 30, 2017, and declared dividends for September, October and November 2017.

Overview of Results

	Three Months Ended June 30		**Six Months Ended June 30**	
(thousands of dollars except per share amounts)	**2017**	**2016**	**2017**	**2016**
Trade sales [(1)]	222,241	143,538	376,930	257,210
Adjusted EBITDA [(1)]	40,099	26,017	66,001	45,790
Profit	14,749	5,285	19,876	10,982
Diluted profit per share	$0.88	$0.35	$1.22	$0.73
Adjusted profit [(1)]	13,903	9,862	21,614	15,302
Diluted adjusted profit per share [(2)]	$0.84	$0.66	$1.33	$1.02

(1) See "Non-IFRS Measures".
(2) See "Diluted profit per share and Diluted adjusted profit per share".

Trade sales and adjusted EBITDA significantly exceeded previous highs due to AGI's strong market position in the robust Canadian Farm and Commercial markets, improving demand for portable grain handling equipment in the U.S. and the contribution of recent acquisitions as AGI continues to diversify its geographic and end market exposure. Higher sales and a continued focus on operating margins resulted in a significant increase in adjusted EBITDA, profit and profit per share compared to the prior year.

"Strong performance in our Farm and Commercial business units resulted in record second quarter results." said Tim Close, President and CEO of AGI. "We are seeing positive year-over-year increases in many parts of AGI as we focus on our customers and realize the benefit of both organic investment and recent acquisitions. Acquisitions in 2016 and 2017 added meaningful contribution to these results however we are just starting to see the potential of our investments in Brazil, our Fertilizer and Seed platform, our global Commercial platform and our Food equipment division. We have made substantial investments in these initiatives, we are making good progress on each, and we are excited about the near-term growth potential as we pursue our Field to Consumer strategy. We are also continuing to invest in these initiatives in terms of people and capital while exploring new opportunities to expand each platform."

Diluted profit per share and Diluted adjusted profit per share

A reconciliation of profit and diluted adjusted profit per share to adjusted profit and adjusted diluted profit per share is below.

	Three Months Ended June 30		**Six Months Ended June 30**	
(thousands of dollars except per share amounts)	**2017**	**2016**	**2017**	**2016**
Profit as reported	14,749	5,285	19,876	10,982
Diluted profit per share as reported	$0.88	$0.35	$1.22	$0.73
(Gain) loss on foreign exchange	(4,034)	2,807	(4,616)	2,578
Fair value of inventory from acquisition	2,503	-	2,731	-
M&A expenses [(2)]	3,870	732	5,499	950
Contingent consideration expense	361	385	713	449
Gain on financial instruments	(3,576)	(3,105)	(2,601)	(3,425)
Loss (gain) on sale of PP&E [(3)]	30	(38)	12	(28)
Impairment charge [(3)]	-	3,796	-	3,796
Adjusted profit [(1)]	**13,903**	**9,862**	**21,614**	**15,302**
Diluted adjusted profit per share [(1)]	**$0.84**	**$0.66**	**$1.33**	**$1.02**

(1) See "Non-IFRS Measures"
(2) Includes transaction costs, non-cash expenses related to recording inventory at fair value when acquiring companies and non-cash transaction costs.
(3) A loss on sale of PP&E was reported at June 30, 2016, as AGI performed a strategic review of its Mepu and Applegate divisions and recorded the assets of each at fair value. Both Applegate and Mepu were subsequently classified as discontinued operations and, accordingly, the loss on sale of PP&E has been reclassified as an impairment, and the impairment charge add-back in 2016 now includes all impairment items related to the dispositions. As a result, adjusted profit per share for the three and six-month periods increased from $0.59 and $0.99, respectively, to $0.66 and $1.02.

OUTLOOK

Sales of Farm equipment in Canada remain very strong and order backlogs are well above the prior year. As a result, management anticipates third quarter Canadian Farm sales to exceed a very strong 2016 comparative. Hot and dry weather in certain areas of western Canada has the potential to lower yields and expedite harvest, which may lead to higher inventory carryover at some dealers, however the impact in Q4 is not currently expected to be significant. In the United States, improving Farm market dynamics have resulted in higher sales of portable grain handling equipment compared to 2016. Although crop conditions in the U.S. are not as favourable as at the same time a year ago, management anticipates improving demand dynamics and pent up demand for portable equipment should more than offset the impact of potentially lower crop volumes, and sales in the third and fourth quarters of 2017 are expected to exceed the prior year.

AGI anticipates growth in its Canadian Commercial business will result from significant near-term investment in Canadian grain handling infrastructure, which has resulted in part due to the dissolution of the Canadian Wheat Board, and the continued evolution of Canadian fertilizer distribution. In the

United States, Commercial backlogs remain steady and management anticipates sales levels in the second half of 2017 will approximate those of the prior year. Offshore, AGI's project sales backlog has increased significantly in recent months, particularly in the Black Sea region and South America. Management anticipates second half international sales will be well above the prior year due to higher project sales, continued robust demand in Europe, the Middle East and Africa ("EMEA") and international sales from recently acquired Yargus Manufacturing, Inc. ("Yargus") and Global Industries ("Global").

AGI acquired Global on April 4, 2017. AGI has completed the first phase of the integration of Global and management expects synergies to be higher than initially anticipated, largely due to purchasing synergies and the rationalization of the combined entities' senior management and sales teams. In addition, management believes there is a significant opportunity for future margin expansion through increased adoption of lean manufacturing and improved manufacturing processes. In the first six months of 2017, AGI experienced increased demand for portable grain handling equipment, which is expected to also benefit certain Global product lines. However, U.S. demand for grain storage systems, which represent the majority of Global's sales, is expected to remain at cyclical lows for the balance of 2017.

AGI completed several acquisitions in 2016 and the inclusion of a full twelve months of results from NuVision Industries Inc. ("NuVision") (April 2016), Mitchell Mill Systems ("Mitchell") (July 2016) and Yargus (November 2016) in fiscal 2017 is expected to increase EBITDA compared to the prior year. In addition, management believes the combination of these entities has created a market leading fertilizer platform and accordingly expects to organically grow sales for each of these businesses.

The construction of AGI's manufacturing facility in Brazil is largely complete. AGI is currently manufacturing storage equipment at the new facility and expects to manufacture grain handling, drying and other equipment before the end of 2017. AGI has focused efforts in 2017 on growing its Farm and Commercial business in Brazil while at the same time transferring product knowledge from North America to Brazil, and investing in people to prepare for future growth. AGI's Brazilian operations are not expected to generate positive EBITDA in the second half of 2017, largely because Commercial projects have not materialized as quickly as anticipated. Management maintains a favourable outlook for 2018 due to increasing Farm sales, a high level of Commercial quoting activity and improving economic conditions in Brazil, including rapidly decreasing interest rates.

Demand in 2017 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Certain areas of western Canada and the United States have experienced hot and dry weather in 2017, which may lower crop yields and impact demand for AGI equipment. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets may influence sales, primarily of Commercial grain handling and storage products. Consistent with prior periods, Commercial sales are subject to the timing of customer commitment and delivery considerations. A weaker Canadian dollar relative to its U.S. counterpart positively impacts AGI's profit and adjusted EBITDA, and future results may be impacted if the recent strengthening of the Canadian dollar is sustained. A number of factors, including U.S. trade action, may impact input pricing in 2017. The Company has mitigated its exposure to higher input costs through strategic procurement of steel, sales price increases and limiting the length of time commercial quotes remain valid.

In summary, management anticipates record sales and adjusted EBITDA in the second half of 2017 will result from strength in the Canadian Farm and Commercial markets, a modest recovery in the U.S. Farm market, an increase in international sales and contributions from acquisitions. Management expects sales and EBITDA in the second half of 2017 to be well above strong 2016 comparatives, however the timing of domestic and international Commercial projects may result in the more significant increase occurring in the fourth quarter.

Dividends

AGI today announced the declaration of cash dividends of $0.20 per common share for the months of September, October and November 2017. The dividends are eligible dividends for Canadian income tax purposes. AGI's current annualized cash dividend rate is $2.40 per share.

The table below sets forth the scheduled payable and record dates:

Monthly dividend	Payable date	Record date
September 2017	October 13, 2017	September 29, 2017
October 2017	November 15, 2017	October 31, 2017
November 2017	December 15, 2017	November 30, 2017

MD&A and Financial Statements

AGI's financial statements and management's discussion and analysis (the "Q2 MD&A") for the three and six month periods ended June 30, 2017 can be obtained at http://www.newswire.ca/en/releases/archive/August2017/10/c6076.html and will also be available electronically on SEDAR (www.sedar.com) and on AGI's website (www.aggrowth.com).

Conference Call

Management will hold a conference call on Thursday, August 10, 2017, at 9:00 a.m. EST to discuss the Company's results for the three and six-month periods ended June 30, 2017. To participate in the conference call, please dial 1-888-390-0605 or for local access dial 416-764-8609. An audio replay of the call will be available for seven days. To access the audio replay, please dial 1-888-390-0541 or for local access dial 416-764-8677. Please quote passcode 434798# for the audio replay.

Company Profile

Ag Growth International Inc. is a leading manufacturer of portable and stationary grain handling, storage and conditioning equipment, including augers, belt conveyors, grain storage bins, grain handling accessories, grain aeration equipment and grain drying systems. AGI has manufacturing facilities in Canada, the United States, Italy, Brazil, South Africa and the United Kingdom, and distributes its products globally.

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NON-IFRS MEASURES

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

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

In this press release, we discuss the non-IFRS financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable, and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-IFRS financial measures to the most directly comparable IFRS financial measures are contained in the Q2 MD&A.

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

References to "EBITDA" are to profit from continuing operations before income taxes, finance costs, depreciation, and amortization. References to "adjusted EBITDA" are to EBITDA before the Company's gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, gains or losses on financial instruments, non-cash contingent consideration expenses, provisions related to the cancellation of a U.S. distributor expenses related to corporate acquisition activity, fair value of inventory from acquisitions and impairment. Adjusted EBITDA excludes the results of former AGI divisions Applegate and Mepu as the previously announced strategic review of these assets resulted in their sale in 2016. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company's performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. See "Operating Results - EBITDA and Adjusted EBITDA" in the Q2 MD&A for the reconciliation of EBITDA and Adjusted EBITDA to profit from continuing operations before income taxes.

References to “trade sales” are to sales net of the gain or loss on foreign exchange. Management cautions investors that trade sales should not replace sales as an indicator of performance. See "Operating Results - Trade Sales" in the Q2 MD&A for the reconciliation of trade sales to sales.

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for losses on foreign exchange, transaction costs, non-cash loss (profit) on discontinued operations, contingent consideration expense and gain (loss) on sale of property, plant and equipment. See "Detailed Operating Results – Diluted profit per share and Diluted adjusted profit per share” in the Q2 MD&A for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit as reported.

FORWARD-LOOKING INFORMATION

This press release contains forward-looking statements and information ("forward-looking information") within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, "postulates", "predict", “will” or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. This 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 press release 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 press release includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for sales and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including changes in international, national and local macroeconomic and business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition and AGI’s failure to achieve the expected benefits of recent acquisitions. These risks and uncertainties are described under "Risks and Uncertainties" in the Q2 MD&A, in our MD&A for the year ended December 31, 2016 and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR (www.sedar.com). These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this press release is made as of the date of this press release 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.

AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: August 10, 2017

This Management's Discussion and Analysis ("MD&A") of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes of the Company for the three and six month periods ended June 30, 2017 and the MD&A (the "Annual MD&A") and audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2016. Results are reported in Canadian dollars unless otherwise stated.

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

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

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

SUMMARY OF RESULTS

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars except per share amounts)	**2017**	**2016**	**2017**	**2016**
Trade sales (1)(2)	222,241	143,538	376,930	257,210
Adjusted EBITDA (1)(2)(3)	40,099	26,017	66,001	45,790
Profit	14,749	5,285	19,876	10,982
Diluted profit per share	$0.88	$0.35	$1.22	$0.73
Adjusted profit (1)	13,903	9,862	21,614	15,302
Diluted adjusted profit per share (1)(4)	$0.84	$0.66	$1.33	$1.02

(1) See "Non-IFRS Measures".
(2) See "Basis of Presentation".
(3) See "Operating Results - EBITDA and Adjusted EBITDA".
(4) See "Detailed Operating Results - Diluted profit per share and Diluted adjusted profit per share".

Trade sales and adjusted EBITDA significantly exceeded previous highs due to AGI's strong market position in the robust Canadian Farm and Commercial markets, improving demand for portable grain handling equipment in the U.S. and the contribution of recent acquisitions as AGI continues to diversify its geographic and end market exposure. Higher sales and a continued focus on operating margins resulted in a significant increase in adjusted EBITDA, profit and profit per share compared to the prior year.

OUTLOOK

Sales of Farm equipment in Canada remain very strong and order backlogs are well above the prior year. As a result, management anticipates third quarter Canadian Farm sales to exceed a very strong 2016 comparative. Hot and dry weather in certain areas of western Canada has the potential to lower yields and expedite harvest, which may lead to higher inventory carryover at some dealers, however the impact in Q4 is not currently expected to be significant. In the United States, improving Farm market dynamics have resulted in higher sales of portable grain handling equipment compared to 2016. Although crop conditions in the U.S. are not as favourable as at the same time a year ago, management anticipates improving demand dynamics and pent up demand for portable equipment should more than offset the impact of potentially lower crop volumes, and sales in the third and fourth quarters of 2017 are expected to exceed the prior year.

AGI anticipates growth in its Canadian Commercial business will result from significant near-term investment in Canadian grain handling infrastructure, which has resulted in part due to the dissolution of the Canadian Wheat Board, and the continued evolution of Canadian fertilizer distribution. In the United States, Commercial backlogs remain steady and management anticipates sales levels in the second half of 2017 will approximate those of the prior year. Offshore, AGI's project sales backlog has increased significantly in recent months, particularly in the Black Sea region and South America. Management anticipates second half international sales will be well above the prior year due to higher project sales, continued robust demand in Europe, the Middle East and Africa ("EMEA") and international sales from recently acquired Yargus Manufacturing, Inc. ("Yargus") and Global Industries ("Global").

AGI acquired Global on April 4, 2017 (see "Acquisition of Global Industries, Inc."). AGI has completed the first phase of the integration of Global and management expects synergies to be higher than initially anticipated, largely due to purchasing synergies and the rationalization of the combined entities' senior management and sales teams. In addition, management believes there is a significant opportunity for future margin expansion through increased adoption of lean manufacturing and improved manufacturing processes. In the first six months of 2017, AGI experienced increased demand for portable grain handling equipment, which is expected to also benefit certain Global product lines. However, U.S. demand for grain storage systems, which represent the majority of Global's sales, is expected to remain at cyclical lows for the balance of 2017.

AGI completed several acquisitions in 2016 and the inclusion of a full twelve months of results from NuVision Industries Inc. ("NuVision") (April 2016), Mitchell Mill Systems ("Mitchell") (July 2016) and Yargus (November 2016) in fiscal 2017 is expected to increase EBITDA compared to the prior year. In addition, management believes the combination of these entities has created a market leading fertilizer platform and accordingly expects to organically grow sales for each of these businesses.

The construction of AGI's manufacturing facility in Brazil is largely complete. AGI is currently manufacturing storage equipment at the new facility and expects to manufacture grain handling, drying and other equipment before the end of 2017. AGI has focused efforts in 2017 on growing its Farm and Commercial business in Brazil while at the same time transferring product knowledge from North America to Brazil, and investing in people to prepare for future growth. AGI's Brazilian operations are not expected to generate positive EBITDA in the second half of 2017, largely because Commercial projects have not materialized as quickly as anticipated. Management maintains a favourable outlook for 2018 due to increasing Farm sales, a high level of Commercial quoting activity and improving economic conditions in Brazil, including rapidly decreasing interest rates.

Demand in 2017 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Certain areas of western Canada and the United States have experienced hot and dry weather in 2017, which may lower crop yields and impact demand for AGI equipment. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets may influence sales, primarily of Commercial grain handling and storage products. Consistent with prior periods, Commercial sales are subject to the timing of customer commitment and delivery considerations. A weaker Canadian dollar relative to its U.S. counterpart positively impacts AGI's profit and adjusted EBITDA, and future results may be impacted if the recent strengthening of the Canadian dollar is sustained. A number of factors, including U.S. trade action, may impact input pricing in 2017. The Company has mitigated its exposure to higher input costs through strategic procurement of steel, sales price increases and limiting the length of time commercial quotes remain valid.

In summary, management anticipates record sales and adjusted EBITDA in the second half of 2017 will result from strength in the Canadian Farm and Commercial markets, a modest recovery in the U.S. Farm market, an increase in international sales and contributions from acquisitions. Management expects sales and EBITDA in the second half of 2017 to be well above strong 2016 comparatives, however the timing of domestic and international Commercial projects may result in the more significant increase occurring in the fourth quarter.

BASIS OF PRESENTATION

AGI is organized into Farm and Commercial segments that are broadly defined along the lines of the end-use customer. AGI's Farm business encompasses product categories where the end user is typically a farmer, while its Commercial business typically serves larger customers that require higher capacity storage and handling products. Commercial applications include port facilities, inland terminals and retail fertilizer distribution, among others.

Farm

Our Farm products include on-farm storage products, portable grain handling equipment and lower capacity aeration products. The primary demand driver for AGI's Farm business is the volume of grain produced as this dictates on-farm storage requirements and drives the product replacement cycle for portable equipment. Farmer net income and weather conditions during harvest may also impact short-term demand. The majority of our Farm business is in North America, however we also sell Farm equipment overseas, primarily in Europe and Australia, and more recently in South America with our expansion into Brazil.

Commercial

AGI's Commercial business is comprised primarily of high capacity grain handling equipment, larger diameter grain storage, and equipment utilized in commercial fertilizer applications. Demand for Commercial equipment is less sensitive to a specific harvest than demand for Farm products but rather is driven primarily by macro factors including the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in mature markets and, more recently in Canada, the dissolution of the Canadian Wheat Board. Offshore, the commercial infrastructure in many grain producing and importing countries remains vastly underinvested resulting in significant global opportunities for AGI's Commercial business. AGI addresses the offshore market from its facilities in Brazil, Italy and North America.

Farm and Commercial – Gross Margin

The gross margin of individual product lines within both the Farm and Commercial categories may vary significantly depending on the sales mix and as a result, quarterly margins may vary from period to period. Generally, when aggregated, gross margin in the Farm segment is slightly higher than gross margin in the Commercial segment.

Farm and Commercial trade sales – 2017

(thousands of dollars)	**Q1**	**Q2**	**YTD 2017**
Farm	76,275	120,853	197,128
Commercial	78,414	101,388	179,802
Total	**154,689**	**222,241**	**376,930**

Farm and Commercial trade sales – 2016

(thousands of dollars)	**Q1**	**Q2**	**Q3**	**Q4**	**2016**
Farm	63,769	67,542	77,116	59,260	267,687
Commercial	49,903	75,996	85,854	67,176	278,929
Total	**113,672**	**143,538**	**162,970**	**126,436**	**546,616**

Acquisitions

When comparing current year results to 2016, we have in some cases noted the impact of recent acquisitions. This is a reference to the acquisitions of Entringer Industrial S.A. ("Entringer")(March 15, 2016), NuVision (April 1, 2016), Mitchell (July 18, 2016), Yargus (November 15, 2016) and Global (April 4, 2017). Unless otherwise noted, all current year results include the results from the above acquisitions.

Acquisition of Global Industries, Inc. (April 4, 2017)

AGI acquired Global for U.S. $100 million. Global is a diversified manufacturer of grain storage bins, portable and stationary grain handling equipment, grain drying and aeration equipment, structural components, and steel buildings. Global has four divisions located in Nebraska and Kansas, production capacity in South Africa, and warehouses in the U.S., Europe, Australia and Africa. Global's product catalogue and domestic and offshore geographic sales are highly complementary to AGI's existing footprint, and are expected to substantially expand AGI's North American and international grain handling, drying and storage platforms in both Farm and Commercial segments.

Global's normalized EBITDA averaged approximately U.S. $11.5 million over the three years ended November 30, 2016, with fiscal 2016 being below the three-year average. In the four years prior to 2015, being the years before the current downturn in the U.S. farm market, Global's normalized EBITDA averaged approximately U.S. $17 million. Three of Global's four operating divisions, representing approximately 85% of sales, will be categorized as Farm divisions in this

MD&A. Global's sales have historically been weighted approximately 75% in the U.S. with the majority of the balance overseas, and for their year-ended November 30, 2016, total sales were U.S. $112 million.

OPERATING RESULTS

Trade Sales (see "Non-IFRS Measures" and "Basis of Presentation")

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars)	**2017**	**2016**	**2017**	**2016**
Trade sales	222,241	143,538	376,930	257,210
Foreign exchange gain (loss)	(1,176)	(2,701)	(1,329)	(4,650)
Sales	**221,065**	**140,837**	**375,601**	**252,560**

Trade Sales by Region

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars)	**2017**	**2016**	**2017**	**2016**
Canada	89,661	65,332	154,982	116,531
US	92,844	47,636	150,874	92,987
International	39,736	30,570	71,074	47,692
Total	**222,241**	**143,538**	**376,930**	**257,210**

Trade sales in Canada, excluding acquisitions, increased 23% over Q2 2016 and were 17% higher compared to the first six months of 2016. Total trade sales in Canada increased 37% and 33%, respectively, in the three and six months ended June 30, 2017. Positive farmer economics and favourable early season crop conditions led to strong sales across all Farm product categories, most notably grain storage. Trade sales from acquisitions in the three and six months ended June 30, 2017, were $16 million and $25 million, respectively, and reflect ongoing Commercial investment in fertilizer distribution and grain handling facilities as well as AGI's increased presence in the design, equipment fabrication and installation of food processing systems.

In the United States, excluding acquisitions, sales of Farm equipment in the three and six months of 2017 increased 33% and 25% over 2016, respectively, as improving Farm market dynamics, particularly for product categories with lower price points, resulted in higher sales of portable grain handling equipment. Total sales related to acquisitions in the three and six months ended June 30, 2017 were $38 million and $53 million, respectively. Sales from recently acquired Global remained near industry cyclical lows as Farm demand for storage and stationary handling equipment remains subdued, however total sales from acquisitions benefited significantly from AGI's recent diversification into fertilizer and food processing equipment markets.

AGI's international sales, excluding acquisitions, increased $8.1 million in the first six months of 2017 as compared to 2016, largely due to robust demand in EMEA and projects in Argentina and the Black Sea region. AGI's international project sale backlog has increased significantly in recently months and international project sales in the second half of 2017 and early 2018 are expected to be considerably higher than the comparative periods. International sales from acquisitions in the first six months of 2017 of $16.5 million related largely to the acquisitions of Yargus and Global.

Trade Sales by Category

(thousands of dollars)		Three Months Ended June 30			Six months Ended June 30	
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
Farm	120,853	67,542	53,311	197,128	131,311	65,817
Commercial	101,388	75,996	25,392	179,802	125,899	53,903
Total	**222,241**	**143,538**	**78,703**	**376,930**	**257,210**	**119,720**

Farm sales increased compared to 2016 due to robust demand in the Canadian market, increasing demand in the U.S. Farm market for portable grain handling equipment and the acquisition of Global. Higher Commercial sales compared to 2016 reflects continued investment in the Canadian grain handling and fertilizer infrastructure, higher international sales and AGI's recent diversification into fertilizer handling and storage equipment and the design, equipment fabrication and installation of food processing systems.

See also "Outlook".

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

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars)	**2017**	**2016**	**2017**	**2016**
Trade sales	222,241	143,538	376,930	257,210
Cost of inventories	152,252	95,170	252,776	166,955
Gross margin	**69,989**	**48,378**	**124,154**	**90,255**
Gross margin as a % of trade sales	**31.5%**	**33.7%**	**32.9%**	**35.1%**

Gross margin as a percentage of trade sales remained strong in the second quarter of 2017 due to efficient labour utilization, strategic procurement of steel and the positive impact of a weaker Canadian dollar. The decrease from 2016 in the six-month period is largely due to lower Commercial margins in Q1 2017 that resulted from project sales mix.

EBITDA and Adjusted EBITDA (see "Non-IFRS Measures" and “Basis of Presentation”)

(thousands of dollars)	Three Months Ended June 30 2017	2016	Six Months Ended June 30 2017	2016
Profit from continuing operations before income taxes	**21,044**	**7,214**	**29,217**	**14,855**
Finance costs	9,116	5,927	15,452	11,886
Depreciation and amortization	8,259	5,650	14,712	11,409
EBITDA (1)	**38,419**	**18,791**	**59,381**	**38,150**
Gain on foreign exchange	(4,034)	2,807	(4,616)	2,578
Share based compensation	2,526	2,704	4,882	3,320
Cost related to divestitures	-	(55)	-	-
Loss (gain) on financial instruments (2)	(3,576)	(3,105)	(2,601)	(3,425)
Contingent consideration	361	385	713	449
M&A expenses (3)	3,870	732	5,499	950
(Gain) loss on sale of PP&E	30	(38)	12	(28)
Fair value of inventory from acquisitions	2,503	-	2,731	-
Impairment	-	3,796	-	3,796
Adjusted EBITDA (1)	**40,099**	**26,017**	**66,001**	**45,790**

(1) See “Non-IFRS Measures”.
(2) See “Equity Compensation Hedge”.
(3) Includes transaction costs, non-cash expenses related to recording inventory at fair value when acquiring companies and non-cash transaction costs.

EBITDA and adjusted EBITDA increased significantly compared to 2016 due to robust Farm and Commercial demand in Canada, higher sales of portable grain handling equipment in the U.S. and the impact of acquisitions. As a percentage of sales, adjusted EBITDA was 18% in both the three and six month periods ended June 30, 2017 (2016 – 18% for both periods).

DETAILED OPERATING RESULTS

(thousands of dollars)	Three Months Ended June 30 2017	2016	Six Months Ended June 30 2017	2016
Sales				
Trade sales (1)	222,241	143,538	376,930	257,210
Foreign exchange loss	(1,176)	(2,701)	(1,329)	(4,650)
	221,065	140,837	375,601	252,560
Cost of goods sold				
Cost of inventories	152,252	95,170	252,776	166,955
Depreciation/amortization	5,484	3,438	10,199	7,234
	157,736	98,608	262,975	174,189

Selling, general and administrative expenses				
SG&A expenses	32,930	22,921	61,842	45,289
Share-based compensation	2,526	2,704	4,882	3,320
M&A expenses	3,870	732	5,499	950
Contingent consideration expense	361	385	713	449
Depreciation/amortization	2,775	2,212	4,513	4,175
	42,462	28,954	77,449	54,183
Other operating (income) expenses				
Net loss (gain) on disposal of PP&E	30	(22)	12	(12)
Net (gain) on assets held for sale	-	(16)	-	(16)
Other	(4,157)	(3,708)	(3,535)	(4,204)
	(4,127)	(3,746)	(3,523)	(4,232)
Impairment charge	-	3,796	-	3,796
Finance costs	9,116	5,927	15,452	11,886
Finance (income) loss	(5,166)	84	(5,969)	(2,117)
Profit from continuing operations before income taxes	21,044	7,214	29,217	14,855
Income tax expense	6,316	2,969	9,367	4,353
Profit for the period from continuing operations	14,728	4,245	19,850	10,502
Profit (loss) from discontinued operations	21	1,040	26	480
Profit for the period	**14,749**	**5,285**	**19,876**	**10,982**
Profit per share				
Basic	0.92	0.36	1.26	0.75
Diluted	0.88	0.35	1.22	0.73

(1) See "Non-IFRS Measures".

Impact of Foreign Exchange

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three and six months ended June 30, 2017 was \$1.35 (2016 - \$1.29) and \$1.34 (2016 - \$1.33), respectively. A lower Canadian dollar results in an increase in reported sales for AGI as U.S. dollar denominated sales are translated into Canadian dollars at a higher rate. Similarly, a lower Canadian dollar results in increased costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a lower Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA benefits from a lower Canadian dollar.

Gains and Losses on Foreign Exchange

AGI's realized loss on foreign exchange forward contracts in the three and six-month periods ended June 30, 2017 were nil and $0.7 million, respectively (2016 - $2.7 million and $6.3 million, respectively). As at June 30 2017, AGI has no outstanding foreign exchange contracts and U.S. $18.0 million of put options with 2017 maturities at a strike price of $1.25. Currency fluctuations also result in non-cash gains or losses on foreign exchange. See "Financial Instruments – Foreign exchange contracts".

General and Administrative Expenses

SG&A expenses in the three and six month periods ended June 30, 2017 were $35.5 million (16% of trade sales) and $66.8 million (18%), respectively 2016 - $25.6 million (18%) and $48.6 million (19%), respectively. Excluding acquisitions, SG&A expenses in the three and six months ended June 30, 2017 were $23.8 million and $50.0 million, respectively (2016 - $24.6 million and $47.4 million, respectively).

The increase in the three-month period ended June 30, 2017 compared to 2016 is the result of a number of variances, none of which exceed $0.5 million. The increase in the six-month period ended June 30, 2017 compared to 2016 is largely due to a $1.5 million increase in share based compensation expense that resulted from a change in estimated achievement. No other variances exceed $0.5 million.

Finance Costs

Finance costs in the three and six months ended June 30, 2017 were $9.1 million and $15.5 million, respectively (2016 – $5.9 million and $11.9 million, respectively). The higher expense in 2017 relates primarily to financing the acquisitions of Yargus (November 2016) and Global (April 2017). Finance costs in both periods include non-cash interest related to convertible debenture accretion, the amortization of deferred finance costs related to the convertible debentures, stand-by fees and other sundry cash interest.

Finance Income

Finance income in the three and six months ended June 30, 2017 was $5.2 million and $6.0 million, respectively (2016 – $nil and $2.1 million) and in both periods relates primarily to non-cash gains on the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the quarter.

Other Operating Expense (Income)

Other operating income in the three and six months ended June 30, 2017 was $4.1 million and $3.5 million, respectively (2016 – $3.7 million and $4.2 million) and in both periods relate primarily to gains on financial instruments (see "Equity Compensation Hedge").

Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets are categorized on the income statement in accordance with the function to which the underlying asset is related. The increase in 2017 primarily relates to acquisitions made throughout 2016 and the Global acquisition made in April 2017.

Income tax expense

For the three and six month periods ended June 30, 2017 the Company recorded current tax expense of $1.8 million (2016 – $4.4 million) and $4.2 million (2016 - $5.8 million). Current tax expense relates primarily to Ag Growth U.S. and Italy subsidiaries.

For the three and six month periods ended June 30, 2017 the Company recorded deferred tax expense of $4.4 million (2016 –recovery of ($1.4) million) and $5.2 million (2016 – recovery of ($1.5) million). Deferred tax expense in 2017 relates to the decrease of deferred tax assets plus an increase in deferred tax liabilities that related to recognition of temporary differences between the accounting and tax treatment of tax loss carryforwards and Canadian exploration expenses.

Upon conversion to a corporation from an income trust in June 2009 (the "Conversion") the Company received certain tax attributes that may be used to offset tax otherwise payable in Canada. The Company's Canadian taxable income is based on the results of its divisions domiciled in Canada, including the corporate office, and realized gains or losses on foreign exchange. For the six month period ended June 30, 2017, the Company offset $8.5 million of Canadian tax otherwise payable (2016 – $0.1 million). Through the use of these attributes and since the date of Conversion a cumulative amount of $46.7 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company's income statement. As at June 30, 2017, the balance sheet asset related to these unused attributes was $8.3 million.

Effective tax rate

	Three Months Ended June 30		**Six Months Ended June 30**	
(thousands of dollars)	**2017**	**2016**	**2017**	**2016**
Current tax expense	$1,891	$4,355	$4,184	$5,804
Deferred tax expense (recovery)	4,425	(1,386)	5,183	(1,451)
Total tax	$6,316	$2,969	$9,367	$4,353
Profit (loss) before taxes	$21,044	$7,214	$29,217	$14,855
Total tax %	30.0%	41.1%	32.1%	29.3%

The effective tax rate in 2016 and 2017 was impacted by items that were expensed for accounting purposes but were not deductible for tax purposes. These include non-cash losses on foreign exchange. See "Diluted profit per share and Diluted adjusted profit per share". The effective tax rate in 2017 was also impacted by tax losses not being recognized as a deferred tax asset related to the Brazilian operations.

Diluted profit per share and Diluted adjusted profit per share

Diluted profit per share in 2017 was $1.22 (2016 - $0.73). The increase is largely due to higher adjusted EBITDA being offset by transaction costs related to the acquisitions. Profit per share in 2016 and 2017 has been impacted by the items below:

	Three Months Ended June 30		**Six Months Ended June 30**	
(thousands of dollars except per share amounts)	**2017**	**2016**	**2017**	**2016**
Profit as reported	14,749	5,285	19,876	10,982
Diluted profit per share as reported	$0.88	$0.35	$1.22	$0.73
(Gain) loss on foreign exchange	(4,034)	2,807	(4,616)	2,578
Fair value of inventory from acquisition	2,503	-	2,731	-
M&A expenses (2)	3,870	732	5,499	950
Contingent consideration expense	361	385	713	449
Gain on financial instruments	(3,576)	(3,105)	(2,601)	(3,425)
Loss (gain) on sale of PP&E (3)	30	(38)	12	(28)
Impairment charge (3)	-	3,796	-	3,796
Adjusted profit (1)	**13,903**	**9,862**	**21,614**	**15,302**
Diluted adjusted profit per share (1)	**$0.84**	**$0.66**	**$1.33**	**$1.02**

(1) See "Non-IFRS Measures".
(2) Includes transaction costs, non-cash expenses related to recording inventory at fair value when acquiring companies and non-cash transaction costs.
(3) A loss on sale of PP&E was reported at June 30, 2016, as AGI performed a strategic review of its Mepu and Applegate divisions and recorded the assets of each at fair value. Both Applegate and Mepu were subsequently classified as discontinued operations and, accordingly, the loss on sale of PP&E has been reclassified as an impairment, and the impairment charge add-back in 2016 now includes all impairment items related to the dispositions. As a result, adjusted profit per share for the three and six-month periods increased from $0.59 and $0.99, respectively, to $0.66 and $1.02.

QUARTERLY FINANCIAL INFORMATION

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

2017					
	Average USD/CAD Exchange Rate	**Sales**	**Profit**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	1.32	154,536	5,127	0.33	0.33
Q2	1.35	221,065	14,749	0.92	0.88
YTD	**1.34**	**375,601**	**19,876**	**1.26**	**1.22**

2016								
			From Continuing Operations			Total[1]		
	Avg USD / CAD FX Rate	Sales	Profit	Basic Profit per Share	Diluted Profit per Share	Profit	Basic Profit per Share	Diluted Profit per Share
Q1	1.38	111,723	6,257	$0.43	$0.42	5,697	$0.39	$0.38
Q2	1.29	140,837	4,245	$0.29	$0.28	5,285	$0.36	$0.35
Q3	1.34	158,680	12,952	$0.87	$0.84	13,034	$0.88	$0.85
Q4	1.32	120,376	(4,501)	($0.30)	($0.30)	(4,710)	($0.32)	($0.32)
YTD	**1.32**	**531,616**	**18,953**	**$1.29**	**$1.27**	**19,306**	**$1.31**	**$1.29**

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

2015[1]					
	Average USD/CAD Exchange Rate	Sales	Profit / (Loss)	Basic Profit (loss) per Share	Diluted Profit (loss) per Share
Q1	1.23	87,259	(3,409)	($0.26)	($0.26)
Q2	1.24	122,396	8,173	$0.60	$0.58
Q3	1.30	125,590	(8,638)	($0.60)	($0.60)
Q4	1.33	114,239	(21,355)	($1.48)	($1.48)
YTD	**1.27**	**449,484**	**(25,229)**	**($1.81)**	**($1.81)**

(1) As reported. AGI divisions Applegate and Mepu were classified as discontinued operations in 2016.

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

- AGI's acquisition of Westeel (Q2 2015), VIS (Q4 2015), Entringer (Q1 2016), NuVision (Q2 2016), Mitchell (Q3 2016), Yargus (Q4 2016) and Global (Q2 2017) significantly impacts comparisons between periods of assets, liabilities and operating results. See "Basis of Presentation - Acquisitions".
- The loss and loss per share in the fourth quarter of 2015 was significantly impacted by an asset impairment charge of $13.4 million at the Mepu and Applegate divisions.
- Sales, gain (loss) on foreign exchange, profit, and profit per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial 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.

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOW AND LIQUIDITY

(thousands of dollars)	**Three Months Ended June 30** 2017	2016	**Six Months Ended June 30** 2017	2016
Profit before tax from continuing operations	21,044	7,214	29,217	14,855
Items not involving current cash flows	3,926	11,511	12,074	12,712
Cash provided by operations	24,970	18,725	41,291	27,567
Costs related to put-option	(48)		(48)	
Net change in non-cash working capital	(11,408)	(10,010)	(10,476)	(15,520)
Income tax paid	(5,729)	(931)	(7,823)	(1,063)
Cash flows provided by operating activities	7,785	7,784	22,944	10,984
Cash used in investing activities	(159,664)	(7,584)	(184,416)	(25,892)
Cash provided by (used in) financing activities	181,652	(7,609)	233,852	(15,074)
Net increase (decrease) in cash from continuing operations during the period	29,773	(7,409)	72,380	(29,982)
Net decrease in cash from discontinued operations	39	19	26	(126)
Cash, beginning of period	45,368	35,516	2,774	58,234
Cash, end of period	**75,180**	**28,126**	**75,180**	**28,126**

Cash provided by operations increased compared to the prior year due to higher EBITDA. Cash used in investing activities includes the acquisition of Global in Q2 2017 and capital expenditures. Cash provided by financing activities includes $60.8 million net proceeds from AGI's February 2017 equity offering, a portion of the proceeds of which were used to partially finance the acquisition of Global, and long-term debt drawn to partially finance the acquisition of Global.

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the second and third quarters that result from seasonality, typically lead to accounts receivable levels increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. Requirements for 2017 are expected to be generally consistent with historical patterns however recent acquisitions have had the effect of increasing working capital requirements in Q4 and Q1. Growth in international business may result in an increase in the number of days accounts receivable remain outstanding and result in increased usage of working capital in certain quarters. Working capital may also be deployed to secure steel supply and pricing. The acquisition of Global is not expected to significantly impact AGI's working capital requirements.

Capital Expenditures

Maintenance capital expenditures in the three and six months ended June 30, 2017 were $2.6 million (1.2% of trade sales) and $5.6 million (1.5%), respectively [2016 - $1.1 million (0.7%) and $2.0 million (0.8%)]. Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. Maintenance capital expenditures in 2017 relate primarily to purchases of manufacturing equipment and building repairs and were funded through cash on hand, bank indebtedness and cash from operations.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures of $30.9 million in 2017 (2016 - $1.6 million). In 2017, non-maintenance capital expenditures relate primarily to the construction of AGI's production facility in Brazil ($17.3 million) and the purchase of a previously leased manufacturing facility in Italy ($9.6 million). Management estimates an additional $5 million will be required to complete the project in Brazil. Non-maintenance capital expenditures for the balance of 2017 are expected to approximate $10 million.

Maintenance and non-maintenance capital expenditures in 2017 are expected to be financed through bank indebtedness, cash on hand or through the Company's Credit Facility (see "Capital Resources").

CONTRACTUAL OBLIGATIONS

(thousands of dollars)	**Total**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022+**
2013 Debentures	86,250	0	86,250	0	0	0	0
2014 Debentures	51,750	0	0	51,750	0	0	0
2015 Debentures	75,000	0	0	0	75,000	0	0
2017 Debentures	86,250	0	0	0	0	0	86,250
Long-term debt	310,953	0	0	0	0	213,510	97,443
Finance lease	1,620	256	1,065	142	129	28	0
Operating leases	8,501	1,421	2,126	1,581	1,119	835	1,419
Due to vendor	31,782	5,059	9,089	10,647	4,158	2,829	0
Contingent considerations	9,908	3,000	3,000	3,908	0	0	0
Purchase obligations[1]	2,673	2,673	0	0	0	0	0
Total obligations	**664,687**	**12,409**	**101,530**	**68,028**	**80,406**	**217,202**	**185,112**

(1) Net of deposit.

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

CAPITAL RESOURCES

Assets and Liabilities

(thousands of dollars)	June 30 2017	June 30 2016
Total assets	1,148,385	755,971
Total liabilities	846,282	518,838

Cash

The Company's cash balance at June 30, 2017 was $75.2 million (December 31, 2016 - $2.8 million; June 30, 2016 - $28.1 million). The increase in cash is partially the result of financing activities in the first half of 2017 exceeding investing requirements.

Debt Facilities

(thousands of dollars)	Currency	Maturity	Total Facility (CAD)	Amount Drawn	Interest Rate (3)
Operating Facility	CAD	2021	20,000	0	4.10%
Operating Facility	USD	2021	9,084	0	5.00%
Revolver (1)(2)	CAD/USD	2021	168,000(2)	163,510	3.73% - 4.50%
Term Loan A (1)	CAD	2021	50,000	50,000	3.60%
Term Loan B (1)	CAD	2022	40,000	40,000	4.32%
Series B Notes	CAD	2025	25,000	25,000	4.44%
Series C Notes	USD	2026	32,443	32,443	3.70%
Accordion	CAD	2021	75,000	0	5.00%
Total			**419,527**	**310,953**	

(1) Interest rate fixed via interest rate swaps. See "Interest Rate Swaps".
(2) Revolver facilities have a maximum combined total of $168 million and can be drawn in CAD or USD.
(3) As at June 30, 2017.

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of $168 million from which CAD or USD can be drawn and a $75 million accordion feature which is undrawn. The Company's Term Loans A and B are with the same chartered banks with which it has the Credit Facility. Amounts drawn under the Credit Facility bear interest at LIBOR plus 1.50% to LIBOR plus 3.00%, prime plus 0.2% to prime plus 1.75%, BA plus 1.50% to BA plus 3.0%, or BA plus 2.50% per annum based on performance calculations. In the second quarter of 2017, the Company extended the maturity date of the Credit Facility, on largely the same terms and conditions, from 2019 to 2021.

The Company has issued US $25.0 million and CAD $25.0 million aggregate principal amount secured notes through a note purchase and private shelf agreement (the "Series B and Series C Notes"). The Series B and C Notes are non-amortizing. AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

Convertible Debentures

Summary of key terms

Year Issued	Aggregate Principal Amount	Coupon	Conversion Price	Maturity Date	Redeemable at Par (1)(2)
2013 (AFN.DB.A)	86,250,000	5.25%	55.00	Dec 31, 2018	Jan 1, 2018
2014 (AFN.DB.B)	51,750,000	5.25%	65.57	Dec 31, 2019	Jan 1, 2019
2015 (AFN.DB.C)	75,000,000	5.00%	60.00	Dec 31, 2020	Jan 1, 2020
2017 (AFN.DB.D)	86,250,000	4.85%	83.45	Jun 30, 2022	Jun 30, 2021

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

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

COMMON SHARES

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

	# Common Shares
December 31, 2016	14,781,643
Share issuance in February 2017	1,150,000
Shares issued under EIAP	112,302
Shares issued under DRIP	44,442
June 30, 2017	16,088,387
Shares issued under DRIP in July 2017	7,221
August 10, 2017	16,095,608

A total of 915,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan (the “EIAP”). As at June 30, 2017, a total of 329,921 restricted Share Awards (“RSUs”) have been granted and 168,423 remain outstanding. As at June 30, 2017, 406,771 performance Share Awards (“PSUs”) have been granted and 213,157 remain outstanding.

A total of 66,790 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan and 18,436 Common Shares have been issued.

A total of 4,640,966 Common Shares are issuable on conversion of the outstanding convertible debentures.

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

DIVIDENDS

In the three months ended June 30, 2017 AGI declared dividends to shareholders of $9.6 million (2016 - $8.8 million) and in the six months ended June 30, 2017 AGI declared dividends to shareholders of $19.0 million (2016 - $17.6 million). AGI's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines, and through the DRIP. In the three-month period ended June 30, 2017, dividends paid to shareholders were financed $8,325 (2016 – $7,522) from cash on hand and $1,323 (2016 – $1,291) by the DRIP. In the six-month period ended June 30, 2017, dividends paid to shareholders were financed $16,662 (2016 – $14,842) from cash on hand and $2,342 (2016 – $2,749) by the DRIP.

FUNDS FROM OPERATIONS AND PAYOUT RATIO

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

(thousands of dollars)	Six Months Ended June 30 2017	2016	Last Twelve Months Ended June 30 2017	2016
Adjusted EBITDA	66,001	45,790	120,640	79,570
Interest expense	(15,452)	(11,886)	(27,591)	(23,300)
Non-cash interest	2,471	2,153	4,681	4,006
Cash taxes	(7,823)	(1,063)	(16,480)	(3,517)
Maintenance CAPEX	(5,648)	(2,041)	(7,358)	(2,593)
Realized loss on FX contracts	(710)	(6,251)	(8,867)	(17,842)
Funds from operations	**38,839**	**26,702**	**65,025**	**36,324**
Dividends	19,004	17,591	36,710	34,021
Payout Ratio	**49%**	**66%**	**56%**	**94%**

The Company's LTM payout ratio as at both June 30, 2016 and June 30, 2017 was negatively impacted by realized losses on foreign exchange contracts. Excluding these losses, the Company's LTM payout ratio as at June 30, 2017 and 2016 was 50% and 63%, respectively. See "Financial Instruments - Foreign exchange contracts".

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 foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no forward foreign exchange contracts outstanding and as at June 30, 2017 had outstanding contracts for U.S. $18 million of Put options with maturities in 2017 and a strike price of $1.25. The Company has elected to apply hedge accounting for these contracts and the unrealized gain has been recognized in other comprehensive income.

Interest Rate Swaps

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

	Currency	Maturity	Amount of Swap (000's)	Fixed Rate(2)
Term Loan A	CAD	2021	50,000	3.59%
Term Loan B	CAD	2022	40,000	4.32%
Revolver (1)	USD	2021	49,313	3.73%

(1) USD $38.0 million converted at the rate of exchange at June 30, 2017.
(2) With performance adjustments.

The change in fair value of the interest rate swap contracts in place as at June 30, 2017 was an unrealize gain of $0.1 million. The Company has elected to apply hedge accounting for these contracts and the unrealized gain has been recognized in other comprehensive income.

Equity Compensation hedge

The Company holds an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at June 30, 2017, the equity swap agreement covered 500,000 Common Shares at a price of $34.10. The agreement matures on March 22, 2019.

RELATED PARTIES

Burnet, Duckworth & Palmer LLP provides legal services to the Company and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to an equity offering and general matters were $261 during the six months ended June 30, 2017 [2016 – $60], and $50 is included in accounts payable and accrued liabilities as at June 30, 2017. These transactions are measured at the exchange amount and were incurred during the normal course of business.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the owner of Salthammer Inc. The total cost of these consulting services related to international plant expansion project was $104 during the six-month period ended June 30, 2017 [2016 – nil], and $12 is included in accounts payable and accrued liabilities as at June 30, 2017.

CRITICAL ACCOUNTING ESTIMATES

Described in the notes to the Company's 2016 audited annual consolidated financial statements and management's discussion and analysis are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 in the audited consolidated financial statements for the year ended December 31, 2016 for a discussion regarding the significant accounting judgments, estimates and assumptions.

RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in the Company's Annual MD&A and most recent Annual Information Form, which are available under the Company's profile on SEDAR (www.sedar.com). These risks and uncertainties are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of these risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected. Except as described under "Risks and Uncertainties" in the Company's (final) prospectus dated April 8, 2017, which is available under the Company's profile on SEDAR (www.sedar.com), no changes or additional risks and uncertainties have been identified by the Company in the current period.

CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

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

Financial instruments: classification and measurement ["IFRS 9"]

In July 2014, on completion of the impairment phase of the project to reform accounting for financial instruments and replace IAS 39, Financial Instruments: Recognition and Measurement, the IASB issued the final version of IFRS 9, Financial Instruments. IFRS 9 includes guidance on the classification and measurement of financial assets and financial liabilities, impairment of financial assets [i.e., recognition of credit losses], and a new hedge accounting model. Under the classification and measurement requirements for financial assets, financial assets must be classified and measured at either amortized cost or at FVTPL or through other comprehensive income, depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification requirements for financial liabilities are unchanged from IAS 39. IFRS 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in other comprehensive income, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focused on how an entity manages its risks, replaces the IAS 39 effectiveness testing requirements with the principle of an economic relationship, and eliminates the requirement for retrospective assessment of hedge effectiveness. The new requirements for impairment of financial assets introduce an expected loss impairment model that requires more timely recognition of expected credit losses. IAS 39 impairment requirements are based on an incurred loss model where credit losses are not recognized until there is evidence of a trigger event. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Revenue from Contracts with Customers ["IFRS 15"]

IFRS 15, Revenue from Contracts with Customers, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach.

The Company has commenced its assessment of IFRS 15 and developed its implementation project plan. The Company has identified and reviewed its significant revenue contracts and is in the process of assessing the quantitative impact as a result of the adoption of IFRS 15. The Company will continue its review and finalize quantifying the effects in the latter half of 2017.

Leases ["IFRS 16"]
In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer [lessee] and the supplier [lessor]. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating lease or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for the Company's fiscal year beginning on January 1, 2019, with earlier application permitted only if the Company applies IFRS 15. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Share-based Payment ["IFRS 2"]
In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the amendments to IFRS 2 on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

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

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

Subsequent to June 30, 2016 AGI acquired Mitchell, Yargus, and Global. See "Basis of Presentation - Acquisitions". Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these acquired businesses. Since the acquisitions occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of these acquisitions, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Mitchell, Yargus, and Global. The following is the summary financial information pertaining to Mitchell, Yargus and Global that were included in AGI's consolidated financial statements for the six-month ended June 30, 2017:

(thousands of dollars)	**Mitchell**	**Yargus**	**Global**
Revenue	17,741	26,294	37,373
Profit (loss)	2,479	(1,156)	(2,882)
Current assets[1]	12,361	18,400	59,807
Non-current assets[1]	23,821	59,827	97,699
Current liabilities[1]	4,940	15,584	21,628
Non-current liabilities[1]	6,695	435	0

Note 1 - Balance sheet as at June 30, 2017, net of intercompany

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

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

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

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

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

References to “EBITDA” are to profit from continuing operations before income taxes, finance costs, depreciation and amortization. References to “adjusted EBITDA” are to EBITDA before the Company’s gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, gains or losses on financial instruments, non-cash contingent consideration expenses, provisions related to the cancellation of a U.S. distributor, expenses related to corporate acquisition activity, fair value of inventory from acquisitions and impairment.. Adjusted EBITDA excludes the results of former AGI divisions Applegate and Mepu as the previously announced strategic review of these assets resulted in their sale in 2016. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows. See “Operating Results - EBITDA and Adjusted EBITDA” for the reconciliation of EBITDA and Adjusted EBITDA to profit from continuing operations before income taxes.

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

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

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

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for losses on foreign exchange, transaction costs, non-cash loss (profit) on discontinued operations, contingent consideration expense and gain (loss) on sale of property, plant and equipment. See "Detailed Operating Results – Diluted profit per share and Diluted adjusted profit per share” for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit as reported.

In addition, this MD&A refers to: "normalized EBITDA" of Global for certain financial periods, which is earnings of Global before income taxes, finance costs, depreciation and amortization, and one-time events, and after certain normalization adjustments including owner/manager compensation structure, related party transactions, and rationalizations. The financial information in this MD&A relating to Global including normalized EBITDA is derived from Global's financial statements, which are prepared in accordance with United States generally accepted accounting principles, which differ in some material respects from IFRS, and accordingly may not be comparable to the financial statements of AGI or other Canadian public companies.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information ("forward-looking information") within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, "postulates", "predict", “will” or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for sales and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services.. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including changes in international, national and local macroeconomic and business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company’s business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition and AGI’s failure to achieve the expected benefits of recent acquisitions. These risks and uncertainties are described under “Risks and Uncertainties” in this MD&A, the Annual MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR (www.sedar.com). These factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

ADDITIONAL INFORMATION

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

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

June 30, 2017

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	June 30, 2017 $	December 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents	**75,180**	2,774
Cash held in trust	**11,420**	5,093
Accounts receivable *[note 6]*	**124,432**	81,033
Inventory	**148,561**	99,479
Prepaid expenses and other assets	**16,251**	7,734
Due from vendor	**—**	342
Current portion of note receivable	**68**	82
Income taxes recoverable	**1,358**	738
	377,270	197,275
Non-current assets		
Property, plant and equipment, net *[note 7]*	**306,240**	209,457
Goodwill *[note 8]*	**227,888**	227,450
Intangible assets, net *[note 9]*	**212,040**	197,215
Available-for-sale investment	**900**	900
Other assets *[note 16]*	**—**	382
Non-current accounts receivable *[note 6]*	**1,141**	—
Note receivable	**689**	725
Income taxes recoverable	**4,129**	4,079
Derivative instruments *[note 20[c]]*	**12,066**	9,289
Deferred tax asset	**169**	231
	765,262	649,728
Assets held for sale *[note 10]*	**5,853**	3,148
Total assets	**1,148,385**	850,151
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 21]*	**109,784**	64,402
Customer deposits	**29,525**	22,428
Dividends payable	**3,218**	2,956
Current portion of contingent consideration	**3,000**	4,023
Due to vendor	**31,031**	16,415
Acquisition, transaction and financing costs payable	**860**	262
Income taxes payable	**3,176**	6,411
Current portion of obligations under finance lease	**1,069**	353
Current portion of derivative instruments	**—**	862
Provisions	**6,953**	6,654
	188,616	124,766
Non-current liabilities		
Long-term debt *[note 11]*	**308,704**	206,849
Due to vendor	**750**	776
Contingent consideration	**6,554**	16,201
Other liabilities *[note 16]*	**841**	—
Convertible unsecured subordinated debentures *[note 12]*	**281,384**	201,210
Obligations under finance lease	**553**	1,379
Derivative instruments	**—**	715
Deferred tax liability	**58,880**	53,691
	657,666	480,821
Total liabilities	**846,282**	605,587
Shareholders' equity *[note 13]*		
Common shares	**318,862**	251,698
Accumulated other comprehensive income	**42,113**	56,027
Equity component of convertible debentures	**9,893**	6,912
Contributed surplus	**18,161**	16,940
Deficit	**(86,926)**	(87,013)
Total shareholders' equity	**302,103**	244,564
Total liabilities and shareholders' equity	**1,148,385**	850,151

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income

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

	Three-month period ended		Six-month period ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
	$	$	$	$
Sales	**221,065**	140,837	**375,601**	252,560
Cost of goods sold *[note 15[d]]*	**157,736**	98,608	**262,975**	174,189
Gross profit	**63,329**	42,229	**112,626**	78,371
Expenses				
Selling, general and administrative *[note 15[e]]*	**42,462**	28,954	**77,449**	54,183
Other operating income *[note 15[a]]*	**(4,127)**	(3,746)	**(3,523)**	(4,232)
Impairment charge	**—**	3,796	**—**	3,796
Finance costs *[note 15[c]]*	**9,116**	5,927	**15,452**	11,886
Finance expense (income) *[note 15[b]]*	**(5,166)**	84	**(5,969)**	(2,117)
	42,285	35,015	**83,409**	63,516
Profit from continuing operations before income taxes	**21,044**	7,214	**29,217**	14,855
Income tax expense (recovery) *[note 17]*				
Current	**1,891**	4,355	**4,184**	5,804
Deferred	**4,425**	(1,386)	**5,183**	(1,451)
	6,316	2,969	**9,367**	4,353
Profit from continuing operations	**14,728**	4,245	**19,850**	10,502
Profit from discontinued operations, net of income taxes *[note 5]*	**21**	1,040	**26**	480
Profit for the period	**14,749**	5,285	**19,876**	10,982
Profit per share from continuing operations *[note 18]*				
Basic	**0.92**	0.29	**1.26**	0.72
Diluted	**0.88**	0.28	**1.22**	0.70
Profit per share from discontinued operations *[note 18]*				
Basic	**0.00**	0.07	**0.00**	0.03
Diluted	**0.00**	0.07	**0.00**	0.03
Profit per share *[note 18]*				
Basic	**0.92**	0.36	**1.26**	0.75
Diluted	**0.88**	0.35	**1.22**	0.73

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
	$	$	$	$
Profit for the period	**14,749**	5,285	**19,876**	10,982
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	**663**	374	**843**	7,246
(Gains) losses on derivatives designated as cash flow hedges recognized in net earnings in the current period	**(4)**	2,853	**858**	6,658
Exchange differences on translation of foreign operations	**(12,745)**	1,933	**(14,059)**	(8,963)
Income tax effect on cash flow hedges	**(171)**	(871)	**(453)**	(3,754)
Other comprehensive income (loss) from discontinued operations *[note 5]*	**6**	217	**(201)**	(300)
	(12,251)	**4,506**	**(13,012)**	**887**
Items that will not be reclassified to profit or loss				
Actuarial loss on defined benefit plans	**(1,052)**	(947)	**(1,236)**	(1,124)
Income tax effect on defined benefit plans	**284**	304	**334**	304
	(768)	**(643)**	**(902)**	**(820)**
Other comprehensive income (loss) for the period	**(13,019)**	**3,863**	**(13,914)**	**67**
Total comprehensive income for the period	**1,730**	**9,148**	**5,962**	**11,049**

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2017

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

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2016

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total equity $
As at January 1, 2016	244,840	6,912	10,193	(66,787)	(17,358)	59,761	157	237,718
Profit for the period	—	—	—	10,982	—	—	—	10,982
Other comprehensive income (loss)	—	—	—	—	10,150	(9,263)	(820)	67
Share-based payment transactions *[note 14]*	849	—	3,505	—	—	—	—	4,354
Dividend reinvestment plan *[notes 13[c]]*	2,749	—	—	—	—	—	—	2,749
Dividends to shareholders *[note 13[c]]*	—	—	—	(17,586)	—	—	—	(17,586)
Dividends on share-based compensation awards *[note 13[c]]*	—	—	—	(1,151)	—	—	—	(1,151)
As at June 30, 2016	248,438	6,912	13,698	(74,542)	(7,208)	50,498	(663)	237,133

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

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

	Three-month period ended		Six-month period ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
	$	$	$	$
Operating activities				
Profit before income taxes for the period	**21,044**	7,214	**29,217**	14,855
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	**4,442**	2,871	**7,404**	5,530
Amortization of intangible assets	**3,817**	2,779	**7,308**	5,879
Non-cash investment tax credit	**—**	51	**—**	—
Translation loss (gain) on foreign exchange	**(7,757)**	946	**(10,733)**	(4,899)
Non-cash component of interest expense	**1,347**	1,084	**2,471**	2,153
Share-based compensation expense	**2,526**	2,704	**4,882**	3,320
Loss (gain) on sale of property, plant and equipment	**30**	(22)	**12**	(12)
Gain on sale of assets held for sale	**—**	(16)	**—**	(16)
Defined benefit plan expense	**83**	156	**219**	313
Employer contribution to defined benefit plans	**(78)**	(118)	**(232)**	(221)
Non-cash investment in derivative instruments	**(3,576)**	(3,105)	**(2,601)**	(3,425)
Dividends receivable on equity swap	**—**	—	**(100)**	(100)
Dividends on share-based compensation	**—**	—	**—**	(55)
Contingent consideration	**361**	385	**713**	449
Non-cash transaction costs	**2,731**	—	**2,731**	—
Impairment charge	**—**	3,796	**—**	3,796
	24,970	18,725	**41,291**	27,567
Costs related to put option	**(48)**	—	**(48)**	—
Net change in non-cash working capital balances related to operations *[note 19[a]]*	**(11,408)**	(10,010)	**(10,476)**	(15,520)
Income taxes paid	**(5,729)**	(931)	**(7,823)**	(1,063)
Cash provided by operating activities	**7,785**	7,784	**22,944**	10,984
Investing activities				
Acquisition of property, plant and equipment	**(16,256)**	(2,424)	**(36,595)**	(3,577)
Acquisition of Global, net of cash acquired *[note 4[e]]*	**(133,706)**	—	**(133,706)**	—
Acquisition of Entringer, net of cash acquired *[note 4[a]]*	**—**	—	**—**	(9,711)
Acquisition of NuVision *[note 4[b]]*	**—**	(6,000)	**—**	(6,000)
Acquisition of European subsidiary	**—**	(8,775)	**—**	(8,775)
Transfer from (to) cash held in trust	**(6,661)**	6,000	**(6,661)**	—
Transaction costs paid and payable	**(1,993)**	(152)	**(5,775)**	(1,055)
Proceeds from sale of property, plant and equipment	**115**	213	**290**	239
Proceeds from sale of assets held for sale	**—**	1,202	**—**	1,202
Proceeds on disposal of business	**—**	3,107	**—**	3,107
Development and purchase of intangible assets	**(1,163)**	(755)	**(1,969)**	(1,322)
Cash used in investing activities	**(159,664)**	(7,584)	**(184,416)**	(25,892)
Financing activities				
Repayment of obligations under capital lease	**(46)**	(87)	**(110)**	(222)
Costs related to issuance of long-term debt	**(192)**	—	**(421)**	(10)
Issuance of long-term debt	**107,908**	—	**107,908**	—
Issuance of convertible unsecured subordinated debentures *[note 12]*	**82,307**	—	**82,307**	—
Common share issuance	**—**	—	**60,830**	—
Dividends paid in cash	**(8,325)**	(7,522)	**(16,662)**	(14,842)
Cash provided by (used in) financing activities	**181,652**	(7,609)	**233,852**	(15,074)
Net increase (decrease) in cash and cash equivalents from continuing operations	**29,773**	(7,409)	**72,380**	(29,982)
Net increase (decrease) in cash and cash equivalents from discontinued operations *[note 5]*	**39**	19	**26**	(126)
Net increase (decrease) in cash and cash equivalents during the period	**29,812**	(7,390)	**72,406**	(30,108)
Cash and cash equivalents, beginning of period	**45,368**	35,516	**2,774**	58,234
Cash and cash equivalents, end of period	**75,180**	28,126	**75,180**	28,126
Supplemental cash flow information				
Interest paid	**9,266**	7,861	**11,787**	10,000

See accompanying notes

1. Organization

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

2. Statement of compliance and basis of presentation

[a] Statement of compliance

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

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["AGI" or the "Company"] for the three-month and six-month periods ended June 30, 2017 were authorized for issuance in accordance with a resolution of the directors on August 9, 2017.

[b] Basis of presentation

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

These unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year-end and do not include all the information and notes required by IFRS for annual financial statements and, therefore, should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2016, which are available on SEDAR at www.sedar.com.

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2016, except for the adoption of new standards and interpretations effective as of January 1, 2017. As required by IAS 34, the nature and effect of those changes are disclosed below.

Amendments to IAS 7, Statement of Cash Flows

The IASB issued amendments to IAS 7, *Statement of Cash Flows,* which are effective as of January 1, 2017. The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments require additional disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The adoption of these amendments has resulted in additional disclosures in the unaudited interim condensed consolidated financial statements.

[c] Standards issued but not yet effective

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

Financial instruments: classification and measurement

In July 2014, the IASB amended IFRS 9, *Financial Instruments* ["IFRS 9"] to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard supersedes all previous versions of IFRS 9 and will be effective on January 1, 2018 for the Company, with early application permitted. The Company is currently evaluating the impact of adopting this standard on its unaudited interim condensed consolidated financial statements.

Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ["IFRS 15"], issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company has commenced its assessment of IFRS 15 and developed its implementation project plan. The Company has identified and reviewed its significant revenue contracts and is in the process of assessing the quantitative impact as a result of the adoption of IFRS 15. The Company will continue its review and finalize quantifying the effects in the latter half of 2017.

Leases

In January 2016, the IASB released IFRS 16, *Leases* ["IFRS 16"], to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 replaces IAS 17, Leases, and related Interpretations. The standard will be effective for the Company on January 1, 2019, with earlier application permitted only if the Company applies IFRS 15. The Company has not yet assessed the impact of the adoption of this standard on its unaudited interim condensed consolidated financial statements.

Share-based Payment

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment* ["IFRS 2"], clarifying how to account for certain types of share-based payment transactions. The amendments will apply on or after January 1, 2018 for the Company. The Company is currently evaluating the impact of the amendments to IFRS 2 on its unaudited interim condensed consolidated financial statements.

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

3. Seasonality of business

Interim period sales and earnings historically reflect some seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction projects and higher in-season demand at the farm level. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the second and third quarters, results in accounts receivable levels increasing throughout the year and normally peaking in the third quarter. As a result of these working capital movements, historically, AGI's use of its operating facilities is typically highest in the first and second quarters, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year. As at June 30, 2017, AGI did not require use of its operating facilities as cash proceeds from financing activities in 2017 exceeded investing requirements, resulting in a higher than typical cash balance.

4. Business combinations

[a] Entringer Industrial S.A. ["Entringer"]

Effective March 9, 2016, the Company acquired 100% of the outstanding shares of Entringer, a Brazilian-based manufacturer of grain bins, bucket elevators, dryers and cleaners. The acquisition of Entringer provides a strategic position for AGI's entry into the expanding agricultural market in Brazil.

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

	$
Cash and cash equivalents	—
Accounts receivable	1,246
Inventory	748
Prepaid expenses and other assets	160
Property, plant and equipment	4,123
Intangible assets	
Distribution network	443
Brand name	968
Goodwill	8,636
Accounts payable and accrued liabilities	(4,198)
Income taxes payable	(500)
Provisions	(250)
Deferred tax liability	(94)
Other liabilities	(301)
Purchase consideration	10,981

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

The impacts on the cash flows on the acquisition of Entringer are as follows:

	$
Cash paid	9,342
Due to vendor	1,639
Purchase consideration	10,981

During the three-month period ended March 31, 2017, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the Entringer acquisition in the three- and six-month periods ended June 30, 2017 were nil and $186, respectively [2016 – $90 and $206] and are included in selling, general and administrative expenses.

[b] NuVision Industries Inc. ["NuVision"]

Effective April 1, 2016, the Company acquired 100% of the outstanding shares of NuVision, a Canadian-based designer and builder of complete turnkey fertilizer blending plants and material handling facilities. The acquisition of NuVision provides a significant additional step in AGI's strategic entry into the fertilizer sector.

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

	$
Cash	56
Accounts receivable	3,604
Inventory	1,205
Prepaid expenses and other assets	35
Property, plant and equipment	492
Intangible assets	
Distribution network	6,408
Brand name	3,627
Order backlog	741
Goodwill	11,039
Accounts payable and accrued liabilities	(2,590)
Customer deposits	(1,476)
Income taxes payable	(327)
Provisions	(75)
Deferred tax liability	(2,915)
Purchase consideration	19,824

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

The impacts on the cash flows on the acquisition of NuVision are as follows:

	$
Cash paid	6,000
Fair value of equipment to be provided to vendor	6,000
Contingent consideration	8,166
Due from vendor	(342)
Purchase consideration	19,824

During the three-month period ended March 31, 2017, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the NuVision acquisition in the three- and six-month periods ended June 30, 2017 were nil and $13, respectively [2016 – $66 and $66] and are included in selling, general and administrative expenses.

The contingent consideration is based on NuVision's earnings in 2015, 2016, 2017 and 2018. Payments totaling $14 million between 2017 and 2019 would be required if NuVision meets the targets. The Company believes the likelihood of the maximum payment is moderate. The present value of the contingent consideration was determined using a 5% discount rate. $1,348 was recorded in current liabilities and $6,818 was recorded in non-current liabilities as at the date of acquisition.

During the three and six-month period ended June 30, 2017, the Company agreed in principle on a settlement with the vendor of NuVision that resulted in the elimination of all contingent consideration and all amounts due from vendor. Management believes the agreement in principle reflects the most likely settlement amount, and these financial statements have been adjusted accordingly. At the time of this agreement in principle, the contingent consideration including all accreted amounts was $9,466 and the amount due from vendor was $342. The agreement in principle also resulted in the Company recording a new $12,150 due to vendor. The increase in the amount ultimately payable to the vendor has been recorded in selling, general and administrative expenses.

[c] Mitchell Mill Systems Canada Ltd. and Mitchell Mill Systems USA

Effective July 18, 2016, the Company acquired 100% of the outstanding shares of Mitchell Mill Systems Canada Ltd., and its U.S. affiliate Mitchell Mill Systems USA [collectively, "Mitchell"]. Based in Canada with a second facility in the U.S., Mitchell manufactures handling equipment for grain, fertilizer, animal feed, food processing and industrial applications. The acquisition expands AGI's commercial business into eastern Canada and the U.S. and also provides an expanded product offering.

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

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

	$
Accounts receivable	6,184
Inventory	3,319
Prepaid expenses and other assets	95
Property, plant and equipment	6,923
Intangible assets	
Brand name	3,607
Distribution network	6,485
Order backlog	223
Goodwill	7,806
Accounts payable and accrued liabilities	(1,977)
Customer deposits	(1,340)
Income taxes payable	(483)
Provisions	(100)
Deferred tax liability	(4,374)
Purchase consideration	26,368

The impacts on the cash flows on the acquisition of Mitchell are as follows:

	$
Cash paid	16,300
Due to vendor	500
Contingent consideration	9,091
Working capital adjustment payable	477
Purchase consideration	26,368

During the six-month period ended June 30, 2017, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the Mitchell acquisition in the three- and six-month periods ended June 30, 2017 were nil and nil, respectively [2016 – $119 and $119] and are included in selling, general and administrative expenses.

The contingent consideration is based on Mitchell meeting predetermined earnings targets in 2017 through 2019. A maximum payment of $4,200 in 2017, $4,200 in 2018, and $4,800 in 2019 would be required if Mitchell meets the targets for a total of $13,200. The Company believes the likelihood of the maximum payment is moderate. The present value of the contingent consideration was determined using a 5% discount rate. $3,914 was recorded in current liabilities and $5,177 was recorded in non-current liabilities as at the date of acquisition. Subsequent to the six-months ended June 30, 2017, Mitchell met its 2017 predetermined earnings target and became entitled to a payment of $3.0 Million, which is included in the current portion of contingent considerations as at June 30, 2017.

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

[d] Yargus Manufacturing Inc.

Effective November 18, 2016, the Company acquired 100% of the outstanding shares of Yargus Manufacturing Inc. and selected assets of the real estate holding company Clark Center Properties Inc. [collectively “Yargus”]. Based in the U.S., Yargus manufactures handling equipment for grain, fertilizer, feed, food processing and industrial applications. The acquisition continues AGI’s commercial business expansion into the U.S. and also provides an expanded product offering.

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

	$
Accounts receivable	2,901
Inventory	7,226
Prepaid expenses and other assets	443
Property, plant and equipment	13,120
Intangible assets	
Brand name	12,868
Distribution network	6,572
Order backlog	2,556
Goodwill	30,462
Bank indebtedness	(91)
Accounts payable and accrued liabilities	(8,105)
Customer deposits	(5,595)
Deferred revenue	(1,723)
Due to vendor	(2,285)
Provisions	(540)
Capital leases	(597)
Notes payable	(98)
Deferred tax liability	1,083
Purchase consideration	58,197

During the measurement period, commission liabilities relating to projects completed prior to acquisition were identified in the amount of $256. As well, $89 of revenue was added to accounts receivable for project billings that should have occurred prior to acquisition. These two items resulted in a net increase to goodwill of $167 in the three-month period ended March 31, 2017.

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

The impacts on the cash flows on the acquisition of Yargus are as follows:

	$
Purchase consideration	58,197
Add: bank indebtedness acquired	91
Less cash held in trust	(5,093)
Purchase consideration transferred	53,195

The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Transaction costs related to the Yargus acquisition in the three- and six-month periods ended June 30, 2017 were $70 and $206, respectively [2016 – nil and nil] and are included in selling, general and administrative expenses.

[e] Global Industries, Inc.

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

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

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

	$
Cash and cash equivalents	1,935
Accounts receivable	15,118
Inventory [and used equipment]	43,862
Prepaid expenses and other assets	4,773
Property, plant and equipment	76,547
Intangible assets	
Brand name	9,296
Distribution network	11,227
Order backlog	1,356
Goodwill	2,698
Deferred tax asset	798
Accounts payable and accrued liabilities	(19,462)
Customer deposits	(5,240)
Purchase consideration	142,908

The goodwill of $2,698 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $15,118. This consists of the gross contractual value of $15,763 less the estimated amount not expected to be collected of $645.

From the date of acquisition, Global contributed to the 2017 results $37,373 of revenue and $2,882 of net loss. If the acquisition had taken place as at January 1, 2017, revenue from continuing operations in 2017 would have increased by an additional $42,577 and profit from continuing operations in 2017 would have increased by an additional $2.

The impacts on the cash flows on the acquisition of Global are as follows:

	$
Cash paid, net of cash acquired	133,706
Cash acquired	1,935
Cash held in trust	6,661
Due to vendor	606
Purchase consideration	142,908

The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

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

Costs related to the Global acquisition in the three- and six-month periods ended June 30, 2017 were $177 and $508, respectively [2016 – nil and nil] and are included in selling, general and administrative expenses.

5. Discontinued operations

During the second quarter of 2016, the Company sold selected assets of its wholly owned subsidiary Mepu Oy [“Mepu”] for proceeds of $3,107, of which $1,050 is payable in ten annual payments of $105 commencing in June 2017.

During the third quarter of 2016, the Company sold selected assets of its wholly owned subsidiaries Applegate Livestock Equipment Inc. and Applegate Trucking Inc. [collectively “Applegate”] for cash proceeds of $4,102.

The financial results attributable to Mepu and Applegate have been presented as discontinued operations.

The results of discontinued operations for the three- and six- month periods ended June 30, 2017 are as follows:

Statement of profit from discontinued operations

	Three-month period ended		**Six-month period ended**	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
	$	$	$	$
Sales	**—**	7,528	**—**	13,565
Cost of goods sold	**—**	6,104	**1**	11,280
Gross profit	**—**	1,424	**(1)**	2,285
Expenses				
Selling, general and administrative	**(39)**	1,190	**(25)**	2,612
Other operating income	**—**	(10)	**(2)**	(11)
Impairment charge (recovery)	**18**	(796)	**—**	(796)
	(21)	384	**(27)**	1,805
Profit from discontinued operations for the period	**21**	1,040	**26**	480

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

Statement of comprehensive income (loss) from discontinued operations

	Three-month period ended		Six-month period ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
	$	$	$	$
Profit from discontinued operations for the period	**21**	1,040	**26**	480
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or (loss)				
Exchange difference on translating foreign operations	**6**	217	**(201)**	(300)
Other comprehensive income (loss) from discontinued operations for the period	**6**	217	**(201)**	(300)
Total comprehensive income (loss) from discontinued operations for the period	**27**	1,257	**(175)**	180

Statement of cash flows from discontinued operations for the period

	Three-month period ended		Six-month period ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
	$	$	$	$
Cash provided by (used in) from operating activities	**39**	127	**26**	(15)
Cash provided by (used in) from investing activities	**—**	(108)	**—**	(111)
Cash provided by (used in) from discontinued operations	**39**	19	**26**	(126)

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

6. Accounts receivable

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

	June 30, 2017	**December 31, 2016**
	$	$
Total current accounts receivable	**125,838**	82,852
Less allowance for doubtful accounts	**(1,406)**	(1,819)
	124,432	81,033
Non-current accounts receivable	**1,141**	—
Total accounts receivable, net	**125,573**	81,033
Of which		
Neither impaired nor past due	**89,152**	54,790
Not impaired and past the due date as follows		
Within 30 days	**17,797**	13,844
31 to 60 days	**6,335**	3,227
61 to 90 days	**2,625**	2,312
Over 90 days	**11,070**	8,679
Less allowance for doubtful accounts	**(1,406)**	(1,819)
Total accounts receivable, net	**125,573**	81,033

7. Property, plant, and equipment

	June 30, 2017	**December 31, 2016**
	$	$
Balance, beginning of period	**209,457**	165,687
Additions	**36,595**	40,203
Acquisition *[note 4]*	**76,547**	24,657
Disposals	**(302)**	(708)
Amortization	**(7,404)**	(10,923)
Impairment	**—**	(2,439)
Discontinued operations	**—**	(4,040)
Exchange differences	**(8,653)**	(2,980)
Balance, end of period	**306,240**	209,457

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

8. Goodwill

	June 30, 2017	December 31, 2016
	$	$
Balance, beginning of period	**227,450**	170,262
Acquisition *[note 4]*	**2,865**	57,472
Impairment	**—**	(67)
Exchange differences	**(2,427)**	(217)
Balance, end of period	**227,888**	227,450

9. Intangible assets

	June 30, 2017	December 31, 2016
	$	$
Balance, beginning of period	**197,215**	163,781
Internal development	**1,969**	2,938
Acquisition *[note 4]*	**21,879**	44,514
Amortization	**(7,308)**	(11,061)
Impairment	**—**	(2,059)
Discontinued operations	**—**	(51)
Exchange differences	**(1,715)**	(847)
Balance, end of period	**212,040**	197,215

10. Assets held for sale

As at June 30, 2017, assets held for sale consist of land, grounds, buildings and selected equipment in Winnipeg, Manitoba; Regina, Saskatchewan; and Decatur, Illinois. Subsequent to June 30, 2017, the Company sold the land and equipment in Decatur, Illinois at its carrying amount and the assets were removed from assets held for sale. In addition, subsequent to June 30, 2017, the Company entered into an agreement to sell the property in Winnipeg, Manitoba.

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

11. Long-term debt

	Interest rate %	Maturity	June 30, 2017 $	December 31, 2016 $
Non-current portion of long-term debt				
Series B secured notes	4.4	2025	**25,000**	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	**32,443**	33,568
Term A secured loan	3.2	2021	**50,000**	50,000
Term B secured loan	3.4	2022	**40,000**	40,000
Revolver line	3.0	2021	**49,313**	51,023
U.S. revolver line	4.5	2021	**114,197**	9,399
			310,953	208,990
Less deferred financing costs			**2,249**	2,141
Total non-current long-term debt			**308,704**	206,849
Long-term debt			**308,704**	206,849

[a] Bank indebtedness

AGI has operating facilities of $20.0 million and U.S. $7.0 million. The facilities bear interest at prime plus 0.2% to prime plus 1.8% per annum based on performance calculations. As at June 30, 2017, there was nil [December 31, 2016 – nil] outstanding under these facilities.

[b] Long-term debt

AGI has revolver facilities of $168 million from which Canadian or U.S. funds can be drawn and a $75 million accordion feature which is undrawn. The facilities bear interest at LIBOR plus 1.5% to LIBOR plus 3.0% and prime plus 0.2% to prime plus 1.8% per annum based on performance calculations. As at June 30, 2017, there was $164 million [December 31, 2016 – $60 million] outstanding under these facilities. In April 2017, the Company amended its credit facilities to extend the maturity to 2021.

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements that must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.25 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at June 30, 2017 and December 31, 2016, AGI was in compliance with all financial covenants. In April 2017, the credit facilities were amended to, among other things, require AGI to maintain a debt to EBITDA ratio of less than 3.75, until January 1, 2018, when it returns to 3.25.

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

12. Convertible unsecured subordinated debentures

	June 30, 2017 $	**December 31, 2016** $
Principal amount	**299,250**	213,000
Equity component	**(14,212)**	(9,922)
Accretion	**5,136**	4,039
Financing fees, net of amortization	**(8,790)**	(5,907)
Convertible unsecured subordinated debentures	**281,384**	201,210

On April 4, 2017, the Company entered into an agreement with a syndicate of underwriters pursuant to which AGI issued, on a “bought deal” basis, $75 million aggregate principal amount of convertible unsecured subordinated debentures [2017 Debentures] at a price of $1,000 per 2017 Debenture. AGI also granted 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 $11.25 million aggregate amount of 2017 Debentures at the same price. The over-allotment option was fully exercised, and accordingly, the total gross proceeds to AGI were $86.25 million.

The 2017 Debentures bear interest at 4.85% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2017. The 2017 Debentures have a maturity date of June 30, 2022.

The 2017 Debentures will be 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 2017 Debentures into fully paid and non-assessable common shares of the Company at a conversion price of $83.45 per common share, being a conversion rate of approximately 11.9832 common shares for each $1,000 principal amount of 2017 Debentures.

On April 25, 2017, the Company closed the offering of $75 million aggregate principal amount of convertible unsecured subordinated debentures. On April 28, 2017, the Company closed the over-allotment option.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2017 Debentures, the Company recorded a liability of $86,250 less related offering costs of $3,943 and the estimated fair value of the holder’s conversion option. The liability component has been accreted using the effective interest rate method, and during the six-month period ended June 30, 2017, the Company recorded accretion of $132 [2016 – nil], non-cash interest expense relating to finance costs of $121 [2016 – nil] and interest expense on the 4.85% coupon of $852 [2016 – nil]. The estimated fair value of the holder’s option to convert the 2017 Debentures to common shares in the total amount of $4,290 has been separated from the fair value of the liability and is included in shareholders’ equity, net of income tax of $1,103 and its pro rata share of financing costs of $206.

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

13. Shareholders' equity

[a] Common shares

	Shares	Amount
	#	$
Balance, January 1, 2016	14,590,368	244,840
Dividend reinvestment shares issued from treasury	144,006	5,218
Settlement of 2012 EIAP obligation	47,269	1,640
Balance, December 31, 2016	14,781,643	251,698
Dividend reinvestment shares issued from treasury	44,442	2,342
Settlement of 2012 EIAP obligation	112,302	4,411
Issuance of common shares	1,150,000	60,438
Dividend reinvestment plan costs	—	(27)
Balance, June 30, 2017	**16,088,387**	**318,862**

On January 26, 2017, the Company entered into an agreement with a syndicate of underwriters pursuant to which AGI issued, on a "bought deal" basis, 1,100,000 common shares at a price of $55.10 per share to raise gross proceeds of approximately $60 million. Also, the Company granted the underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase an additional 165,000 common shares at the same offering price. On February 15, 2017, the Company closed the public offering for 1,150,000 common shares at a price of $55.10 per share, which includes 50,000 common shares issued pursuant to the over-allotment option, for gross proceeds of approximately $63 million. Net proceeds after fees were approximately $60 million.

[b] Contributed surplus

	Six-month period ended June 30, 2017	Year ended December 31, 2016
	$	$
Balance, beginning of period	**16,940**	10,193
Equity-settled director compensation *[note 14[b]]*	**171**	375
Dividends on 2012 EIAP	**785**	1,672
Obligation under 2012 EIAP *[note 14[a]]*	**4,711**	6,517
Settlement of 2012 EIAP obligation	**(4,446)**	(1,823)
2015 convertible unsecured subordinated debentures	**—**	6
Balance, end of period	**18,161**	16,940

[c] Dividends paid and proposed

In the three-month period ended June 30, 2017, the Company declared dividends of $9,648 or $0.60 per common share [2016 – $8,808 or $0.60 per common share] and dividends on share compensation awards of $246 [2016 – $235]. In the six-month period ended June 30, 2017, the Company declared dividends of $19,004 or $1.20 per common share [2016 – $17,586 or $1.20 per common share] and dividends on share compensation awards of $785 [2016 – $1,151]. For the three- and six-month periods ended June 30, 2017, 24,600 and 44,442 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the “DRIP”]. In the three-month period ended June 30, 2017, dividends paid to shareholders were financed $8,325 [2016 – $7,522] from cash on hand and $1,323 [2016 – $1,291] by the DRIP. In the six-month period ended June 30, 2017, dividends paid to shareholders were financed $16,662 [2016 – $14,842] from cash on hand and $2,342 [2016 – $2,749] by the DRIP.

AGI’s dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company’s current monthly dividend rate is $0.20 per common share. Subsequent to June 30, 2017, the Company declared dividends of $0.20 per common share on July 31, 2017.

14. Share-based compensation plans

[a] Equity incentive award plan [“EIAP”]

During the three-month period ended June 30, 2017, no Restricted Awards and Performance Awards were granted [2016 – nil]. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures. As at June 30, 2017, a total of 329,921 [December 31, 2016 – 321,000] Restricted Awards and 406,771 [December 31, 2016 – 357,500] Performance Awards had been granted under the plan.

During the three- and six-month periods ended June 30, 2017, AGI expensed $2,444 and $4,711 for the 2012 EIAP [2016 – $2,612 and $3,120].

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

A summary of the status of the options under the 2012 EIAP is presented below:

	2012 EIAP	
	Restricted Awards	**Performance Awards**
	#	#
Outstanding, January 1, 2016	194,334	—
Granted	58,000	247,500
Vested	(34,974)	—
Forfeited	(4,359)	—
Balance, December 31, 2016	213,001	247,500
Granted	8,921	39,640
Vested	(49,969)	(73,983)
Forfeited	(3,530)	—
Balance, June 30, 2017	**168,423**	**213,157**

There is no exercise price on the 2012 EIAP awards.

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

For the three- and six-month periods ended June 30, 2017, an expense of $82 and $171 [2016 – $92 and $200] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the three- and six-month periods ended June 30, 2017, 1,399 and 3,148 [2016 – 2,487 and 5,337] common shares were granted under the DDCP and as at June 30, 2017, a total of 66,790 [2016 – 59,909] common shares had been granted under the DDCP and 18,436 [2016 – 18,436] common shares had been issued.

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

15. Other expenses (income)

	Three-month period ended		Six-month period ended	
	June 30, 2017 $	**June 30, 2016** $	**June 30, 2017** $	**June 30, 2016** $
[a] Other operating expense (income)				
Net loss (gain) on disposal of property, plant and equipment	**30**	(22)	**12**	(12)
Net gain on disposal of assets held for sale	**—**	(16)	**—**	(16)
Other	**(4,157)**	(3,708)	**(3,535)**	(4,204)
	(4,127)	(3,746)	**(3,523)**	(4,232)
[b] Finance expense (income)				
Interest income from banks	**44**	(11)	**(24)**	(39)
Loss (gain) on foreign exchange	**(5,210)**	95	**(5,945)**	(2,078)
	(5,166)	84	**(5,969)**	(2,117)
[c] Finance costs				
Interest on overdrafts and other finance costs	**48**	27	**223**	60
Interest, including non-cash interest, on debts and borrowings	**4,069**	2,296	**6,528**	4,544
Interest, including non-cash interest, on convertible unsecured subordinated debentures *[note 12]*	**4,999**	3,604	**8,701**	7,282
	9,116	5,927	**15,452**	11,886
[d] Cost of goods sold				
Depreciation	**3,996**	2,554	**6,753**	5,022
Amortization of intangible assets	**1,488**	884	**3,446**	2,212
Warranty provision (recovery)	**357**	(152)	**299**	(62)
Cost of inventory recognized as an expense	**151,895**	95,322	**252,477**	167,017
	157,736	98,608	**262,975**	174,189
[e] Selling, general and administrative expenses				
Depreciation	**446**	317	**651**	508
Amortization of intangible assets	**2,329**	1,895	**3,862**	3,667
Minimum lease payments recognized as an operating lease expense	**757**	672	**1,428**	1,370
Transaction costs	**4,231**	1,117	**6,212**	1,399
Selling, general and administrative	**34,699**	24,953	**65,296**	47,239
	42,462	28,954	**77,449**	54,183
[f] Employee benefits expense				
Wages and salaries	**37,450**	33,578	**72,653**	65,124
Share-based payment transaction expense *[notes 14[a] and [b]]*	**2,526**	2,704	**4,882**	3,320
Pension costs	**1,212**	854	**2,135**	1,616
	41,188	37,136	**79,670**	70,060
Included in cost of goods sold	**25,672**	22,672	**49,973**	43,742
Included in selling general and administrative expense	**15,516**	14,464	**29,697**	26,318
	41,188	37,136	**79,670**	70,060

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

16. Retirement benefit plans

During the three- and six-month periods ended June 30, 2017, the expense associated with the Company's defined pension benefit was $83 and $219, respectively [2016 – $156 and $313]. As at June 30, 2017, the accrued pension liability (benefit) was $841 [December 31, 2016 – $(382)], which is included in other liabilities on the unaudited interim condensed consolidated statements of financial position.

17. Income taxes

The major components of income tax expense for the three- and six-month periods ended June 30, 2017 and 2016 are as follows:

	Three-month period ended		**Six-month period ended**	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
	$	$	$	$
Profit from continuing operations before income taxes	**21,044**	7,214	**29,217**	14,855
Tax expense at the statutory rate of 27% [2016 – 27%]	**5,682**	1,948	**7,889**	4,011
Tax rate changes	**(36)**	(17)	**(67)**	(34)
Additional deductions allowed in a foreign jurisdiction	**(112)**	(213)	**(273)**	(300)
Tax losses not recognized as a deferred tax asset	**951**	668	**1,772**	842
Foreign rate differential	**134**	297	**269**	517
Non-deductible EIAP expense	**125**	143	**255**	281
State income taxes, net of federal tax benefit	**66**	209	**208**	292
Unrealized foreign exchange loss (gain)	**(1,328)**	56	**(1,502)**	(1,223)
Permanent differences and others	**834**	(122)	**816**	(33)
Tax expense at the effective rate of 32.1% [2016 – 29.3%]	**6,316**	2,969	**9,367**	4,353

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

18. Profit per share

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

	Three-month period ended		Six-month period ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
	$	$	$	$
Net profit from continuing operations	**14,728**	4,245	**19,850**	10,502
Net profit from discontinued operations	**21**	1,040	**26**	480
Dilutive effect of 2017 convertible debenture interest	**948**	—	**948**	—
Dilutive effect of 2015 convertible debenture interest	**901**	—	—	—
Dilutive effect of 2013 convertible debenture interest	**1,144**	—	**—**	—
Dilutive effect of 2014 convertible debenture interest	**663**	—	**—**	—
Net profit attributable to shareholders for basic and diluted profit per share	**18,405**	5,285	**20,824**	10,982
Basic weighted average number of shares	**16,070,380**	14,680,742	**15,733,158**	14,650,161
Dilutive effect of DDCP	**46,970**	39,013	**46,103**	37,590
Dilutive effect of RSU	**172,085**	212,429	**174,984**	216,637
Dilutive effect of 2017 convertible debentures	**1,033,551**	—	**1,033,551**	—
Dilutive effect of 2015 convertible debentures	**1,250,000**	—	—	—
Dilutive effect of 2013 convertible debentures	**1,568,180**	—	**—**	—
Dilutive effect of 2014 convertible debentures	**789,234**	—	**—**	—
Diluted weighted average number of shares	**20,930,400**	14,932,184	**16,987,796**	14,904,388
Profit per share from continuing operations				
Basic	**0.92**	0.29	**1.26**	0.72
Diluted	**0.88**	0.28	**1.22**	0.70
Profit per share from discontinued operations				
Basic	**0.00**	0.07	**0.00**	0.03
Diluted	**0.00**	0.07	**0.00**	0.03
Profit per share				
Basic	**0.92**	0.36	**1.26**	0.75
Diluted	**0.88**	0.35	**1.22**	0.73

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

During the three- and six-month periods ended June 30, 2017, the Company issued convertible unsecured subordinated debentures *[note 12].* Other than the aforementioned, there have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these unaudited interim condensed consolidated financial statements.

19. Statement of cash flows

[a] Net change in non-cash working capital

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

	Three-month period ended		Six-month period ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
	$	$	$	$
Accounts receivable	**(10,899)**	(15,851)	**(29,333)**	(19,819)
Inventory	**(117)**	7,224	**(5,220)**	881
Prepaid expenses and other assets	**73**	(178)	**(3,744)**	(932)
Accounts payable and accrued liabilities	**4,781**	1,299	**25,665**	8,324
Customer deposits	**(5,603)**	(2,277)	**1,857**	(3,587)
Provisions	**357**	(227)	**299**	(387)
	(11,408)	(10,010)	**(10,476)**	(15,520)

[b] Reconciliation of liabilities arising from financing activities

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

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

	December 31, 2015	Cash flows	Non-cash changes: Acquisitions	Foreign exchange	Accretion	Amortization	Fair value	June 30, 2016
	$	$	$	$	$	$	$	$
Long-term debt	146,931	(10)	—	(2,075)	—	360	—	145,206
Convertible unsecured subordinated debentures	197,585	—	(16)	—	909	884	—	199,362
Finance leases	1,386	(222)	101	—	—	—	—	1,265
Derivatives held to hedge long-term borrowings	2,001	—	—	—	—	—	823	2,824
Total liabilities from financing activities	347,903	(232)	85	(2,075)	909	1,244	823	348,657

20. Financial instruments and financial risk management

[a] Foreign exchange contracts

To mitigate exposure to the fluctuating rate of exchange, AGI may enter into foreign exchange forward contracts. As at June 30, 2017, AGI's U.S. dollar denominated debt totaled $146.6 million [December 31, 2016 – $43.0 million]. The Company had no outstanding foreign exchange forward contracts at June 30, 2017.

Realized gains or losses are included in net earnings, and for the three- and six-month periods ended June 30, 2017, the Company realized a loss on its foreign exchange contracts of nil and $710 [2016 – $2,668 and $6,251].

To mitigate exposure to fluctuating rate of exchange, during the six-month period ended June 30, 2017 the Company entered into an agreement with financial institutions to purchase put options at a premium price of $48. Each put option gives the Company the right, but not the obligation, to sell $1.0 million U.S. dollars at a rate of $1.25. The options have maturity dates ranging between May 2017 and December 2017. The put options are derivative financial instruments designated as cash flow hedges, and changes in the fair value are recognized as a component of other comprehensive income to the extent that it has been assessed to be effective. As at June 30, 2017, there are $22.5 million options outstanding. During the three- and six-month period ended June 30, 2017, realized losses and unrealized gains of $3 and $29 were recognized in profit and loss and other comprehensive income, respectively.

[b] Interest rate swap contracts

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. The interest rate swap contracts are derivative financial instruments designated as cash flow hedges, and changes in the fair value were recognized as a component of other comprehensive income to the extent that it has been assessed to be effective. The amount of gain recorded in other comprehensive income during the three- and six-month periods ended June 30, 2017 was $634 and $814 [2016 – loss of $55 and $823].

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

[c] Equity swap

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

As at June 30, 2017, the equity swap agreement covered 500,000 common shares of the Company at a price of $34.10, and the agreement matures on March 22, 2019.

As at June 30, 2017, the unrealized gain on the equity swap was $11,890, and in the three- and six-month periods ended June 30, 2017, the Company has recorded a loss in the unaudited interim condensed consolidated statements of income of $3,576 and $2,601 [2016 – loss of $3,105 and $3,425].

[e] Fair value

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

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

		June 30, 2017		December 31, 2016	
	Level	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		$	$	$	$
Financial assets					
Derivative instruments	**2**	**12,066**	**12,066**	9,289	9,289
Available-for-sale investment	**3**	**900**	**900**	900	900
Note receivable	**2**	**757**	**757**	807	807
Financial liabilities					
Other financial liabilities					
Interest-bearing loans and borrowings	**2**	**310,326**	**310,842**	208,581	208,916
Contingent consideration	**3**	**9,554**	**9,554**	20,224	20,224
Derivative instruments	**2**	**—**	**—**	1,577	1,577
Convertible unsecured subordinated debentures	**2**	**281,384**	**305,317**	201,210	198,150

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

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

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

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

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

21. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to general matters was $261 during the six-month period ended June 30, 2017 [2016 – $60], and $50 is included in accounts payable and accrued liabilities as at June 30, 2017.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the owner of Salthammer Inc. The total cost of these consulting services related to international plant expansion project was $104 during the six-month period ended June 30, 2017 [2016 – nil], and $12 is included in accounts payable and accrued liabilities as at June 30, 2017.

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

22. 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 $2,673 [2016 – $3,890].

[b] Letters of credit

As at June 30, 2017, the Company has outstanding letters of credit in the amount of $1,195 [December 31, 2016 – $2,414].

[c] Legal actions

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