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

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated comparative financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2017, the Management Discussion and Analysis (the "Annual MD&A") of the Company for the year ended December 31, 2017 and the unaudited interim condensed consolidated comparative financial statements of the Company and accompanying notes for the three-month period ended March 31, 2018. 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

	First Quarter March 31	
(thousands of dollars except per share amounts)	2018 $	2017 $
Trade sales (1)(2)(4)	214,097	154,689
Adjusted EBITDA (1)(3)(4)	30,727	25,674
Profit	4,943	5,127
Diluted profit per share	0.30	0.33
Adjusted profit (1)	11,463	7,483
Diluted adjusted profit per share (1)(5)	0.70	0.48

(1) See "Non-IFRS Measures".
(2) See "Operating Results – Trade Sales"
(3) See "Operating Results - EBITDA and Adjusted EBITDA".
(4) The Company adopted IFRS 15 in 2018 and as a result recorded sales and adjusted EBITDA of $4.4 million and $1.5 million, respectively, that under IAS 18 had also previously been recognized in 2017. For the purposes of its MD&A, AGI will adjust 2017 results by corresponding amounts accordingly.
(5) See "Detailed Operating Results - Diluted profit per share and diluted adjusted profit per share".

Trade sales and adjusted EBITDA increased significantly over 2017 due to strong demand for Commercial equipment in Canada, a significant increase in international sales and improved demand for portable equipment in the United States. Sales order backlogs in these areas remain high and sales momentum is expected to continue throughout 2018. In addition, adjusted EBITDA in Q1 2018 benefited from the recent acquisitions of CMC, Junge and Danmare, and was negatively impacted by results from AGI's Brazilian operations. Adjusted EBITDA as a percentage of sales declined compared to Q1 2017, largely due to the April 4, 2017 acquisition of Global Industries Inc. ("Global"), where sales volumes and margin percentages are expected to improve along with increasing demand in the U.S. Farm sector and the further implementation of AGI's lean manufacturing, purchasing programs and restructured sales strategies. Higher adjusted EBITDA was offset by an increase in finance costs related to the Global acquisition and a translation loss on foreign exchange, resulting in lower profit and profit per share, while adjusted profit and adjusted profit per share increased compared to 2017.

BASIS OF PRESENTATION - ACQUISITIONS

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

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

OUTLOOK

Management anticipates sales of Farm equipment will increase compared to 2017, particularly in the U.S. where pent-up demand for portable equipment has resulted in sales order backlogs significantly higher than in the prior year. Demand is expected to remain strong in Canada, however an early harvest resulted in a degree of inventory carryover, and Canadian Farm sales in fiscal 2018 may not reach the record sales of 2017. Planting progress in most areas of North America is well behind historical averages due to a late spring, which may result in a later than typical harvest, which is generally a positive for AGI. Sales at MFS and Hutch are expected to benefit from increasing demand for grain storage and handling systems in the United States, while sales of NECO grain dryers are expected to increase, primarily due to increasing market penetration in Canada. Gross margins at MFS, Hutch and NECO are expected to improve along with higher sales, further integration into AGI's steel procurement program and the further adoption of lean manufacturing practices. Overall, Farm backlogs are significantly higher than the prior year, and based on current conditions management anticipates that Farm sales and EBITDA in fiscal 2018 will be above 2017 levels.

Commercial sales in Canada are expected to increase significantly in 2018 due to strong demand for grain, feed and fertilizer storage and handling facilities. In the United States, Commercial activity is expected to be stable, due to ongoing maintenance capital expenditure programs and investments to increase capacity and productivity. International sales will benefit from a very strong, geographically diverse sales order backlog, with particular strength in EMEA and South America. In addition, results at recently acquired divisions CMC, Junge and Danmare are tracking to expectations, and accordingly contributions from these divisions will benefit 2018 sales and EBITDA. Overall, management anticipates sales and EBITDA related to Commercial equipment in 2018 will be higher than the prior year.

Management anticipates a positive contribution from AGI Brazil in the second half of 2018, as sales volumes in both the Farm and Commercial sectors are increasing, and manufacturing practices have improved subsequent to the final commissioning of AGI's new manufacturing facility. Sales order backlogs in Brazil are well above the levels of a year ago. Access to capital and a cautious approach to capital investment continue to contribute to a competitive marketplace in Brazil, however AGI anticipates an increase in sales and manufacturing efficiencies will lead to a positive EBITDA contribution in the second half of the fiscal year.

Steel prices have increased significantly in recent months and volatility in steel markets may be exacerbated by U.S. trade actions, including potential import tariffs under Section 232 of the Trade Expansion Act (USA). The Company endeavors to mitigate its exposure to higher input costs through strategic procurement of steel, sales price increases and limiting the length of time commercial quotes remain valid, however the pace and volatility of input price increases may negatively impact earnings.

On balance, management anticipates trade sales and adjusted EBITDA in fiscal 2018 will increase compared to 2017, due to strong demand for Commercial equipment in Canada, a significant increase in international sales and improved demand for Farm equipment in the United States. Existing backlogs are high, particularly with respect to the Company's Farm business in the U.S. and its Canadian and international Commercial business. Trade sales and EBITDA in 2018 are expected to benefit from the recent acquisitions of CMC, Junge and Danmare. In addition, improving results in Brazil and a higher contribution from MFS, Hutch and NECO are also expected to contribute to higher EBITDA in 2018.

Trade sales and adjusted EBITDA in 2018 will be influenced by, among other factors, weather patterns, crop conditions, the timing of harvest and conditions during harvest and changes in input prices, including steel. Other factors that may impact results in 2018 include trade actions, the rate of exchange between the Canadian and U.S. dollars, changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets, and the timing of Commercial customer commitments and deliveries.

OPERATING RESULTS

Trade Sales[(1)] (see "Non-IFRS Measures" and "Basis of Presentation - Acquisitions")

	First Quarter March 31		
(thousands of dollars)	**2018 $**	**2017 $**	**Change $**
Trade Sales[(1)]	214,097	154,689	59,408
Foreign exchange loss[(2)]	(431)	(153)	(278)
Total sales[(1)]	**213,666**	**154,536**	**59,130**

Trade Sales[(1)] by Geography

	First Quarter Ending March 31		
(thousands of dollars)	**2018 $**	**2017 $**	**Change $**
Canada, excluding acquisitions	72,135	65,321	6,814
Acquisitions	1,188	-	1,188
Total Canada	**73,323**	**65,321**	**8,002**

U.S., excluding acquisitions	55,444	58,030	(2,586)
Acquisitions	31,509	-	31,509
Total U.S.	**86,953**	**58,030**	**28,923**
International, excluding acquisitions	39,823	31,338	8,485
Acquisitions	13,998	-	13,998
Total International	**53,821**	**31,338**	**22,483**
Total excluding acquisitions	167,402	154,689	12,713
Total acquisitions	46,695	-	46,695
Total Trade Sales(1)	**214,097**	**154,689**	**59,408**

Trade Sales(1) by Category

	First Quarter Ending March 31		
(thousands of dollars)	**2018** **$**	**2017** **$**	**Change** **$**
Farm	73,174	76,275	(3,101)
Farm – acquisitions	36,074	-	36,074
Total Farm	**109,248**	**76,275**	**32,973**
Commercial	94,228	78,414	15,814
Commercial – acquisitions	10,621	-	10,621
Total Commercial	**104,849**	**78,414**	**26,435**
Total Trade Sales(1)	**214,097**	**154,689**	**59,408**

(1) The Company adopted IFRS 15 in 2018 and as a result recorded sales and adjusted EBITDA of $4.4 million and $1.5 million, respectively, that under IAS 18 had also previously been recognized in 2017. For the purposes of its MD&A, AGI will adjust 2017 results by corresponding amounts accordingly.

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

Canada

- Trade sales in Canada, excluding acquisitions, increased 10% over 2017 due to higher Commercial sales in both the grain and fertilizer markets. AGI's Commercial backlog in Canada remains at record levels.
- Farm sales in Canada decreased against a very strong 2017 comparative due to the impact of a late spring in 2018 and the anticipated Q1 2018 impact of the early 2017 harvest.
- Sales from acquisitions relate primarily to sales of grain dryers and the acquisitions of Danmare and CMC.

United States

- Excluding acquisitions, trade sales in the United States decreased 4% compared to 2017, as a 17% increase in Farm sales was offset by lower Commercial sales.
- The recent trend of higher year-over-year Farm sales continued in 2018, as strong opening backlogs and an improving marketplace translated into strong sales of portable handling equipment.
- Lower Commercial sales compared to the first quarter of 2017 were the result of a number of factors that are not expected to persist throughout 2018. Commercial backlogs in the United States are consistent with the prior year.
- Trade sales from acquisitions in the United States were $32 million. Sales of MFS equipment increased compared to pre-acquisition levels, despite the impact of a late

spring, due to improving market dynamics for grain storage systems and other handling equipment. Sales from Junge, CMC and Danmare were in line with expectations.

International

- International sales, excluding acquisitions, increased 8% over the prior year as AGI delivered on projects awarded in 2017. Sales in 2018 reflect AGI's broadening geographic reach, with significant sales in EMEA, including the Black Sea region, and South America.
- Our international sales order backlog is significantly higher than at the same time in 2017. The backlog is geographically diverse, with particular strength in EMEA and South America.
- International sales from acquisitions of $14 million relate to offshore sales from MFS and Sentinel, which were concentrated in EMEA and Southeast Asia.

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

	First Quarter March 31	
(thousands of dollars)	**2018** **$**	**2017** **$**
Trade sales [(1)]	214,097	154,689
Cost of inventories	147,344	100,524
Gross margin [(1)]	**66,753**	**54,165**
Gross margin as a % of trade sales	**31.2%**	**35.0%**

(1) See "Non-IFRS measures".

Gross margin as a percentage of trade sales decreased compared to 2017 primarily due to the impact of AGI's Brazilian operations and the inclusion of Global, which was acquired April 4, 2017. Excluding these items, gross margin for Q1 2018 was 34.2% (2017 – 35.4%). As anticipated, the Q1 2018 gross margin percentage in Brazil was lower than management's near-term expectations, as sales volumes continue to ramp-up and manufacturing practices improve subsequent to final commissioning of the new manufacturing facility. Gross margin percentages at MFS, Hutch and NECO are anticipated to move towards AGI's consolidated margin percentage in the short-term, as higher sales volumes are expected to result from a recovery in the U.S. Farm market, further integration in AGI's steel procurement program and due to AGI's continued focus on the implementation of lean manufacturing practices.

Excluding Brazil and Global, the decrease in gross margin percentage was largely related to lower Farm sales volumes in Canada and the impact of higher steel prices on AGI's Farm business. The Company remains well positioned with respect to its steel inventory and has increased sales prices to reflect higher input costs, however as anticipated margins were negatively impacted as AGI honors committed pricing on its sales order backlog. AGI's Commercial margin percentages were consistent with the prior year, as our Commercial business is quoted using current input prices and accordingly is less susceptible to fluctuations in steel costs.

EBITDA and Adjusted EBITDA[6] (see "Non-IFRS Measures" and “Basis of Presentation - Acquisitions”)

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

	First Quarter March 31	
(thousands of dollars)	2018 $	2017 $
Profit from continuing operations before income taxes	**6,173**	**8,173**
Finance costs	8,401	6,336
Depreciation and amortization	7,931	6,453
EBITDA [1]	**22,505**	**20,962**
Loss (gain) on foreign exchange	5,701	(582)
Share based compensation	1,702	2,356
Loss (gain) on financial instruments [2]	(233)	975
M&A expenses	168	610
Other transaction expenses [3]	136	1,371
Gain on sale of PP&E	(70)	(18)
Fair value of inventory from acquisitions [4]	586	-
Impairment [5]	232	-
Adjusted EBITDA [1][6]	**30,727**	**25,674**

(1) See “Non-IFRS Measures”.
(2) See “Equity Compensation Hedge”.
(3) Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
(4) Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
(5) To record assets held for sale at estimated fair value.
(6) The Company adopted IFRS 15 in 2018 and as a result recorded sales and adjusted EBITDA of $4.4 million and $1.5 million, respectively, that under IAS 18 had also previously been recognized in 2017. For the purposes of its MD&A, AGI will adjust 2017 results by corresponding amounts accordingly.

DETAILED OPERATING RESULTS

	First Quarter March 31	
(thousands of dollars)	2018 $	2017 $
Sales		
Trade sales [1][3]	214,097	154,689
Foreign exchange loss	(431)	(153)
	213,666	154,536
Cost of goods sold		
Cost of inventories	147,344	100,524
Depreciation/amortization	4,940	4,715
	152,284	105,239

Selling, general and administrative expenses		
SG&A expenses	38,848	31,268
M&A expenses	168	610
Other transaction expenses (2)	136	1,371
Depreciation/amortization	2,991	1,738
	42,143	34,987
Other operating income		
Net gain on disposal of PP&E	(70)	(18)
Net (gain) loss on financial instruments	(233)	975
Other	(481)	(353)
	(784)	604
Impairment charge	232	-
Finance costs	8,401	6,336
Finance (income) expense	5,217	(803)
Profit from continuing operations before income taxes	6,173	8,173
Income tax expense	1,230	3,051
Profit for the period from continuing operations	4,943	5,122
Profit from discontinued operations	-	5
Profit for the period	**4,943**	**5,127**
Profit per share		
Basic	0.30	0.33
Diluted	0.30	0.33

(1) See "Non-IFRS Measures".
(2) Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
(3) The Company adopted IFRS 15 in 2018 and as a result recorded sales and adjusted EBITDA of $4.4 million and $1.5 million, respectively, that under IAS 18 had also previously been recognized in 2017. For the purposes of its MD&A, AGI will adjust 2017 results by corresponding amounts accordingly.

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The Q1 2018 loss on foreign exchange was a non-cash loss and related primarily to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the quarter. The gain on foreign exchange in 2017 also related to the impact of non-cash translation, partially offset by a realized loss on foreign exchange forward contracts of $0.7 million. As at March 31, 2018, AGI has no outstanding foreign exchange contracts. See also "Financial Instruments – Foreign exchange contracts".

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three months ended March 31, 2018 was $1.26 (2017 - $1.32). A stronger Canadian dollar relative to the U.S. dollar results in lower reported sales for AGI, as U.S. dollar denominated sales are translated into Canadian dollars at a lower rate. Similarly, a stronger Canadian dollar results in lower costs for U.S. dollar denominated inputs and SG&A

expenses. In addition, a stronger Canadian dollar may result in lower input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA decreases when the Canadian dollar strengthens relative to the U.S. dollar.

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

SG&A expenses in Q1 2018, excluding M&A expenses, other transaction expenses and depreciation/amortization, were $38.8 million (18.1% of trade sales) versus $31.3 million in 2017 (20.2%). Excluding acquisitions, SG&A expenses in 2018 were $29.2 million (18.4% of trade sales) versus $29.1 million in 2017 (20.3%). The decrease of $0.5 million compared to 2017 was in part the result of accounting expenses in Q1 2017 related to the Global acquisition. The remaining variance resulted from several offsetting factors with no individual variance larger than $0.75 million.

Finance Costs

Finance costs in Q1 2018 were $8.4 million versus $6.3 million in 2017. The expense in 2018 is net of a $0.4 million reversal of interest expense related to an income tax provision that was reversed in the quarter. The higher expense in 2018 relates primarily to financing the acquisition of Global in April 2017. Finance costs in both periods include non-cash interest related to convertible debenture accretion, the amortization of deferred finance costs related to the convertible debentures, stand-by fees and other sundry cash interest.

Finance Expense (income)

Finance expense in Q1 2018 was $5.2 million, compared to income of $0.8 million in 2017. The expense (income) in both periods relates primarily to non-cash translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the year.

Other Operating Income

Other operating income in 2018 was $0.8 million (2017 – expense of $0.6 million) and includes non-cash gains and loses on financial instruments (see "Equity Compensation Hedge") and gains on the sale of property plant and equipment. The increase in 2018 is primarily the result of income related to the delivery of equipment in accordance with the share purchase agreement with NuVision.

Depreciation and amortization

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

Income tax expense

Current income tax expense

For the three-month period ended March 31, 2018 the Company recorded current tax expense of $0.4 million (2017 – $2.3 million). Current tax expense relates primarily to Ag Growth's U.S. and Italian subsidiaries.

Deferred income tax expense

For the three-month period ended March 31, 2018, the Company recorded deferred tax expense of $0.8 million (2017 – $0.8 million). Deferred tax expense in 2018 relates to the decrease of deferred tax assets plus an increase in deferred tax liabilities that relate to recognition of temporary differences between the accounting and tax treatment of property, plant and equipment, deferred financing costs, 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 three-month period ended March 31, 2018, the Company offset $nil of Canadian tax otherwise payable (2017 – $2.4 million). Through the use of these attributes and since the date of Conversion a cumulative amount of $50.5 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company's income statement. As at March 31, 2018, the balance sheet asset related to these unused attributes was $4.5 million.

Effective tax rate

	First Quarter March 31	
(thousands of dollars)	**2018 $**	**2017 $**
Current tax expense	426	2,293
Deferred tax expense	804	758
Total tax	**1,230**	**3,051**
Profit from continuing operations before income taxes	6,173	8,173
Total tax %	19.9%	37.3%

The effective tax rate in 2018 and to a lesser extent in 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. The effective tax rate in 2018 was impacted by the reversal of certain income tax accruals recorded in prior periods. See "Diluted profit per share and Diluted adjusted profit per share".

Diluted profit per share and diluted adjusted profit per share

Diluted profit per share in Q1 2018 was $0.30 (2017 - $0.33). The decrease is largely due to higher adjusted EBITDA and a lower tax expense being offset by higher finance costs and a loss on foreign exchange. Profit per share in 2018 and 2017 has been impacted by the items enumerated in the table below, which reconciles profit to adjusted profit:

(thousands of dollars except per share amounts)	First Quarter March 31 2018 $	 2017 $
Profit	4,943	5,127
Diluted profit per share	0.30	0.33
Loss (gain) on foreign exchange	5,701	(582)
Fair value of inventory from acquisition (2)	586	-
M&A expenses	168	610
Other transaction expenses (3)	136	1,371
Gain on financial instruments	(233)	975
(Gain) on sale of PP&E	(70)	(18)
Impairment charge (4)	232	-
Adjusted profit (1)	**11,463**	**7,483**
Diluted adjusted profit per share (1)	**0.70**	**0.48**

(1) See "Non-IFRS Measures".
(2) Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
(3) Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
(4) To record assets held for sale at estimated fair value.

QUARTERLY FINANCIAL INFORMATION

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

2018	Average USD/CAD Exchange Rate	Sales(1) $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.26	213,666	4,943	0.30	0.30
YTD	**1.26**	**213,666**	**4,943**	**0.30**	**0.30**

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

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

(1) The Company adopted IFRS 15 in 2018 and as a result recorded sales and adjusted EBITDA of $4.4 million and $1.5 million, respectively, that under IAS 18 had also previously been recognized in 2017. For the purposes of its MD&A, AGI will adjust 2017 results by corresponding amounts accordingly.

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

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

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

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial 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)	First Quarter March 31 2018 $	2017 $
Profit before tax from continuing operations	6,173	8,173
Items not involving current cash flows	17,868	8,148
Cash provided by operations	24,041	16,321
Net change in non-cash working capital	(24,352)	932
Non-current accounts receivable and other	(703)	-
Long-term payables	(135)	-
Settlement of EIAP obligation	(1,950)	-
Income tax recovered (paid)	(49)	(2,094)
Cash flows (used in) provided by operating activities	(3,148)	15,159
Cash used in investing activities	(31,047)	(24,752)
Cash (used in) provided by financing activities	(9,004)	52,200
Net increase (decrease) in cash from continuing operations during the period	(43,199)	42,607
Net (decrease) in cash from discontinued operations	-	(13)
Cash, beginning of period	63,981	2,774
Cash, end of period	**20,782**	**45,368**

The decrease in cash provided by operating activities compared to the first quarter of 2017 is primarily related to the change in net working capital. In Q1 2018, the net change in working capital was negative $24.4 million, compared to a positive $0.9 million in Q1 2017. The change in 2018 is related primarily to an increase in inventory, the result of higher input costs, a higher level of business activity and the strategic procurement of steel, as well as an increase in accounts receivable related to higher sales. Offsetting these increases were an increase in accounts payable and the timing of customer deposits. Cash used in investing activities relates to the acquisitions of Junge and Danmare. Cash used in financing activities relates primarily to dividends paid and the redemption of the 2013 Convertible Debentures net of the issuance of the 2018 Convertible Debentures.

Working Capital Requirements

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

Capital Expenditures

Maintenance capital expenditures in the quarter ended March 31, 2018 were $3.0 million (1.4% of trade sales) and in Q1 2017 were $3.0 million (2.0%). Maintenance capital expenditures in 2018 relate primarily to purchases of manufacturing equipment and building repairs.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures of $4.9 million in Q1 2018 (2017 - $17.3 million). In 2018, non-maintenance capital expenditures relate primarily to the purchase of manufacturing equipment.

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

CONTRACTUAL OBLIGATIONS

The following table shows, as at March 31, 2018 the Company's contractual obligations for the periods indicated:

(thousands of dollars)	**Total $**	**2018 $**	**2019 $**	**2020 $**	**2021 $**	**2022 $**	**2023+ $**
2014 Debentures	51,750	-	51,750	-	-	-	-
2015 Debentures	75,000	-	-	75,000	-	-	-
2017 Debentures	86,250	-	-	-	-	86,250	-
2018 Debentures	86,250	-	-	-	-	86,250	-
Long-term debt	310,198	113	136	122	212,586	40,006	57,235
Finance lease (1)	62	18	25	19	-	-	-
Operating leases	12,168	5,905	2,156	1,577	1,045	758	727
Due to vendor (2)	16,039	9,592	6,447	-	-	-	-
Contingent consideration	10,427	6,579	3,848	-	-	-	-
Purchase obligations (3)	10,643	10,643	-	-	-	-	-
Total obligations	**658,787**	**32,850**	**64,362**	**76,718**	**213,631**	**213,264**	**57,962**

(1) Includes interest.
(2) Partially settled with AGI inventory.
(3) Net of deposit.

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

CAPITAL RESOURCES

Assets and Liabilities

(thousands of dollars)	March 31 2018 $	March 31 2017 $
Total assets	1,169,547	933,324
Total liabilities	856,578	630,945

Cash

The Company's cash balance at March 31, 2018 was $20.8 million (December 31, 2017 - $64.0 million; March 31, 2017 – 45.4 million). The Company's cash balance at March 31, 2017 included a portion of the proceeds of AGI's February 2017 equity offering, which were subsequently used to finance the acquisition of Global.

Debt Facilities

(thousands of dollars)	Currency	Maturity	Total Facility (CAD) $	Amount Drawn $	Effective Interest Rate
Operating Facility	CAD	2021	20,000	-	4.10%
Operating Facility	USD	2021	9,026	-	5.00%
Revolver (1)(2)	USD	2021		48,997	3.73%
Revolver (2)	USD	2021	168,000	25,788	5.78%
Revolver (2)	USD	2021		87,679	5.28%
Term Loan A (1)	CAD	2021	50,000	50,000	3.59%
Term Loan B (1)	CAD	2022	40,000	40,000	4.32%
Series B Notes (3)	CAD	2025	25,000	25,000	4.44%
Series C Notes (3)	USD	2026	32,235	32,235	3.70%
Equipment Financing (3)	CAD	2021	499	499	0.00%
Accordion	CAD	2021	75,000	-	5.00%
Total			**419,516**	**310,198**	

(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) Fixed interest rate.

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of $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 covenant calculations.

The Company has issued US $25.0 million and CAD $25.0 million aggregate principal amount of secured notes through a note purchase and private shelf agreement (the "Series B and Series C Notes"). The Series B and C Notes are non-amortizing.

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

Convertible Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures of the Company that were outstanding as at March 31, 2018:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par (1)(2)
2014 (AFN.DB.B)	51,750,000	5.25%	65.57	Dec 31, 2019	Jan 1, 2019
2015 (AFN.DB.C)	75,000,000	5.00%	60.00	Dec 31, 2020	Jan 1, 2020
2017 (AFN.DB.D)	86,250,000	4.85%	83.45	Jun 30, 2022	Jun 30, 2021
2018 (AFN.DB.E)	86,250,000	4.50%	88.15	Dec 31, 2022	Jan 1, 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 the series of convertible debentures, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred with respect to such series of debentures, elect to satisfy its obligation to pay the principal amount of such debentures, in whole or in part, by issuing and delivering for each $100 due that number of freely tradeable Common Shares obtained by dividing $100 by 95% of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred with respect to the applicable series of debentures, to satisfy all or part of its obligation to pay interest on such debentures by delivering sufficient freely tradeable Common Shares to satisfy its interest obligation.

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

On January 3, 2018 (and January 9, 2018, with respect to the over-allotment portion), the Company issued a new series of convertible unsecured subordinated debentures (the "2018 Debentures") (AFN.DB.E)) with an aggregate principal amount of $86.25 million, a coupon of 4.50% and a maturity date of December 31, 2022. The 2018 Debentures have substantially the same terms as the other Debentures described above including being convertible at the holder's option at a conversion price of $88.15 per common share, being redeemable at par on and after December 31, 2020 (and during the preceding twelve-month period, provided that the volume weighted average trading price of the Common Shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price, and the principal and interest thereon may be satisfied through the issue of Common Shares in certain circumstances.

COMMON SHARES

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

	# Common Shares
December 31, 2017	16,160,916
Conversion of 2013 Debentures	157,781
Shares issued under EIAP	124,882
Shares issued under DRIP	20,225
March 31, 2018	**16,463,804**
Shares issued under DRIP	5,907
May 9, 2018	**16,469,711**

At May 9, 2018:

- 16,469,711 Common Shares are outstanding;
- 915,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan (the "EIAP"), 846,678 have been granted of which 351,339 remain unvested;
- 72,278 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan and 18,436 Common Shares have been issued; and
- 4,051,231 Common Shares are issuable on conversion of the outstanding convertible debentures, of which there are an aggregate principal amount of $281.1 million outstanding.

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

DIVIDENDS

In the quarter ended March 31, 2018, AGI declared dividends to shareholders of $9.9 million (2017 - $9.4 million). AGI's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines, and through the DRIP. In the three-months ended March 31, 2018, dividends paid to shareholders were financed $8.8 million (2017 – $8.3 million) from cash on hand and $1.1 million (2017 – $1.0 million) 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)	First Quarter March 31 2018 $	 2017 $	Last Twelve Months March 31 2018 $	 2017 $
Adjusted EBITDA[1]	30,727	25,674	128,154	102,412
Interest expense	(8,401)	(6,336)	(37,773)	(24,402)
Non-cash interest	886	1,124	7,000	4,418
Cash taxes	(49)	(2,094)	(6,422)	(11,682)
Maintenance CAPEX	(3,029)	(3,043)	(11,203)	(5,859)
IFRS 15 RE adjustment[1]	N/A	N/A	(1,532)	N/A
Realized loss on FX contracts	-	(710)	-	(11,535)
Funds from operations	**20,134**	**14,615**	**78,224**	**53,352**
Dividends	9,860	9,356	38,869	35,875
Payout Ratio	**49%**	**64%**	**50%**	**67%**

(1) The Company adopted IFRS 15 in 2018 and as a result recorded sales and adjusted EBITDA of $4.4 million and $1.5 million, respectively, that under IAS 18 had also previously been recognized in 2017. For the purposes of its MD&A, AGI will adjust 2017 results by corresponding amounts accordingly.

The Company's payout ratio in the LTM ended March 31, 2017 was negatively impacted by realized losses on foreign exchange contracts. Excluding these losses, the Company's payout ratio for this LTM period was 55%. 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 into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at March 31, 2018.

Interest Rate Swaps

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

	Currency	Maturity	Amount of Swap (000's) $	Fixed Rate [2]
Term Loan A	CAD	2021	50,000	3.59%
Term Loan B	CAD	2022	40,000	4.32%
Revolver [1]	USD	2021	48,997	4.04%

(1) USD $38.0 million converted at the rate of exchange at March 31, 2018.
(2) With performance adjustments.

The change in fair value of the interest rate swap contracts in place as at March 31, 2018 was an unrealized gain of $0.6 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 March 31, 2018, the equity swap agreement covered 530,000 Common Shares at a weighted average price of $35.17. Subsequent to March 31, 2018, the maturity date of the agreement was extended to April 1, 2021..

2017 ACQUISITIONS

Global Industries, Inc.

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

CMC Industrial Electronics Ltd. and Junge Control, Inc.

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

2018 ACQUISITIONS

Danmare

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

RELATED PARTIES

Burnet, Duckworth & Palmer LLP provides legal services to the Company and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to an offering of convertible debentures and general matters were $0.6 million during the quarter ended March 31, 2018 [2017 – $0.2 million], and $0.1 million is included in accounts payable and accrued liabilities as at March 31, 2018. These transactions are measured at the exchange amount and were incurred during the normal course of business.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the owner of Salthammer Inc. The total cost of these consulting services, related primarily to our operations in Brazil, was $0.1 million during the three-month period ended March 31, 2018 [2017 – $0.1 million], and $0.1 million is included in accounts payable and accrued liabilities as at March 31, 2018.

CRITICAL ACCOUNTING ESTIMATES

Described in the notes to the Company's 2017 audited annual consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the audited consolidated financial statements for the year ended December 31, 2017 for a discussion of the significant accounting judgments, estimates and assumptions.

RISKS AND UNCERTAINTIES

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which are available under the Company's profile on SEDAR (www.sedar.com). 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 STANDARDS AND FUTURE ACCOUNTING CHANGES

Adoption of new accounting standards

IFRS 9, Financial instruments

The Company adopted IFRS 9 with a date of application of January 1, 2018. The Company adopted IFRS 9 retrospectively without restatement of prior periods, other than the hedge accounting provisions of IFRS 9 that have been applied prospectively effective January 1, 2018, and accordingly elected to not restate the comparative figures. IFRS 9 introduces new requirements for the classification and measurement of financial assets, introduces a forward-looking expected loss impairment model, and amends the requirements related to hedge accounting.

The standard contains three classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ["FVOCI"] and fair value through profit or loss ["FVTPL"]. The classification of financial assets under IFRS 9 is based on its contractual cash flow characteristics and the business model in which the financial asset is managed. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, with the exception of long term debt. In 2017, the Company amended its credit facilities to extend the maturity from May 2019 to April 2021, and as result of the change in maturity and adoption of IFRS 9 an adjustment to increase opening retained earnings by $175 was recorded.

For additional information, please refer to Note 3 of the accompanying notes of the unaudited interim condensed consolidated comparative financial statements for the three-month period ended March 31, 2018.

IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 15 with an application date of January 1, 2018. The Company applied the modified retrospective method for adopting IFRS 15 and therefore, the comparative information has not been restated and continue to be reported under IAS 18, Revenue and IAS 11, Construction Contracts. Under the modified approach, the cumulative effect of initially applying IFRS 15 is an adjustment to decrease opening retained earnings by $1,532. The adjustment results from the change in the basis of revenue recognition from the transfer of risk and rewards of ownership to the transfer of control. Consequently, revenue recognition was delayed until completion of the performance obligations. During the period ended March 31, 2018, $1,435 of the opening adjustment of $1,532 was recorded into income upon the Company's completion of its performance obligations in accordance with IFRS 15.

For additional information, please refer to Note 3 of the accompanying notes of the unaudited interim condensed consolidated comparative financial statements for the three-month period ended March 31, 2018.

IFRS 2, Share-based payment

In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment ["IFRS 2"], clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company's assessment has not identified significant classification, recognition or measurement differences. The Company adopted IFRS 2 as at January 1, 2018.

Standards issued but not yet effective

IFRS 16, Leases

In January 2016, the IASB released IFRS 16, Leases ["IFRS 16"], to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract.

The standard will be effective for the Company on January 1, 2019, with earlier application permitted only if the Company applies IFRS 15. The Company has not yet assessed the impact of the adoption of this standard on its unaudited interim condensed consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

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

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

Subsequent to December 31, 2016 AGI acquired Global, CMC, Junge and Danmare. See "Basis of Presentation - Acquisitions". Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these acquired businesses. Since the acquisitions occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of these acquisitions, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Global, CMC, Junge and Danmare. The following is the summary financial information pertaining to Global, CMC, Junge and Danmare that was included in AGI's consolidated financial statements for the quarter ended March 31, 2018:

(thousands of dollars)	**Global/CMC/Junge/Danmare $**
Revenue [(1)]	46,695
Profit (loss) [(1)]	1,839
Current assets [(1)(2)]	83,151
Non-current assets [(1)(2)]	120,975
Current liabilities [(1)(2)]	30,887
Non-current liabilities [(1)(2)]	3,237

(1) Net of intercompany
(2) Balance sheet as at March 31, 2018

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS with a number of non-IFRS financial measures including “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, expenses related to corporate acquisition activity, fair value of inventory from acquisitions and impairment. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows. See “Operating Results - EBITDA and Adjusted EBITDA” for the reconciliation of EBITDA and Adjusted EBITDA to profit from continuing operations before income taxes.

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

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

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

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

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

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information (collectively, "forward-looking information") within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, "postulates", "predict", “will” or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for our future financial results including sales, EBITDA and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom including from purchasing and personnel synergies and margin improvement initiatives. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product and input pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including changes in international, national and local macroeconomic and business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; and changes in trade relations between the countries in which the Company does business including between Canada and the United States. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A, our MD&A for the year ended December 31, 2017 and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR (www.sedar.com). These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

ADDITIONAL INFORMATION

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

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

March 31, 2018

Ag Growth International Inc.

Unaudited interim condensed statements of financial position

[in thousands of Canadian dollars]

As at

	March 31, 2018 $	December 31, 2017 $
Assets		
Current assets		
Cash and cash equivalents	20,782	63,981
Cash held in trust and restricted cash	17,193	15,182
Accounts receivable *[note 6]*	127,525	99,017
Inventory	182,280	158,635
Prepaid expenses and other assets	20,030	17,616
Current portion of note receivable	104	89
Derivative instruments *[note 20[c]]*	9,934	—
Income taxes recoverable	769	885
	378,617	355,405
Non-current assets		
Property, plant and equipment, net *[note 7]*	313,437	304,543
Goodwill *[note 8]*	241,008	234,669
Intangible assets, net *[note 9]*	221,487	218,156
Available-for-sale investment *[note 3]* [1]	n/a	900
Investment *[note 3]* [1]	900	n/a
Non-current accounts receivable *[note 6]*	4,883	4,180
Note receivable	738	700
Income taxes recoverable	4,281	4,230
Derivative instruments *[note 20[c]]*	2,358	11,466
Deferred tax asset	225	183
	789,317	779,027
Assets held for sale *[note 10]*	1,613	2,842
Total assets	1,169,547	1,137,274
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 21]*	109,268	96,071
Customer deposits	54,675	40,662
Dividends payable	3,293	3,232
Current portion of contingent consideration	5,883	5,306
Due to vendor	15,294	33,309
Income taxes payable	4,955	4,945
Current portion of long-term debt *[note 11]*	113	117
Current portion of obligations under finance lease	24	983
Current portion of convertible unsecured subordinated debentures	—	86,155
Provisions	6,226	5,909
	199,731	276,689
Non-current liabilities		
Long-term debt *[note 11]*	308,034	302,859
Due to vendor	745	725
Contingent consideration	4,344	3,731
Other financial liabilities	3,415	3,378
Convertible unsecured subordinated debentures *[note 12]*	281,188	199,903
Obligations under finance lease	38	19
Deferred tax liability	59,083	57,758
	656,847	568,373
Total liabilities	856,578	845,062
Shareholders' equity *[note 13]*		
Common shares	337,984	323,199
Accumulated other comprehensive income	44,379	29,638
Equity component of convertible debentures	11,336	9,903
Contributed surplus	17,265	20,956
Deficit	(97,995)	(91,484)
Total shareholders' equity	312,969	292,212
Total liabilities and shareholders' equity	1,169,547	1,137,274

See accompanying notes

[1] *Not applicable - certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.*

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income

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

	Three-month period ended	
	March 31, 2018 $	March 31, 2017 $
Sales *[note 22]*	213,666	154,536
Cost of goods sold *[note 15[d]]*	152,284	105,239
Gross profit	61,382	49,297
Expenses		
Selling, general and administrative *[note 15[e]]*	42,143	34,987
Other operating expense (income) *[note 15[a]]*	(784)	604
Impairment	232	—
Finance costs *[note 15[c]]*	8,401	6,336
Finance expense (income) *[note 15[b]]*	5,217	(803)
	55,209	41,124
Profit before income taxes	6,173	8,173
Income tax expense *[note 17]*		
Current	426	2,293
Deferred	804	758
	1,230	3,051
Profit from continuing operations	4,943	5,122
Profit from discontinued operations, net of income taxes	—	5
Profit for the period	4,943	5,127
Profit per share from continuing operations *[note 18]*		
Basic	0.30	0.33
Diluted	0.30	0.33
Profit (loss) per share from discontinued operations *[note 18]*		
Basic	0.00	0.00
Diluted	0.00	0.00
Profit per share *[note 18]*		
Basic	0.30	0.33
Diluted	0.30	0.33

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income

[in thousands of Canadian dollars]

	Three-month period ended	
	March 31, 2018	March 31, 2017
	$	$
Profit for the period	4,943	5,127
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of derivatives designated as cash flow hedges	590	180
Gains on derivatives designated as cash flow hedges recognized in net earnings in the current period	—	862
Exchange differences on translation of foreign operations	14,350	(1,314)
Income tax effect on cash flow hedges	(160)	(282)
Other comprehensive income (loss) from discontinued operations	—	(207)
	14,780	(761)
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plan	(54)	(184)
Income tax effect on defined benefit plan	15	50
	(39)	(134)
Other comprehensive income (loss) for the period	14,741	(895)
Total comprehensive income for the period	19,684	4,232

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2018

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total equity $
As at January 1, 2018	323,199	9,903	20,956	(92,842)	1,283	28,618	(263)	290,854
Profit for the period	—	—	—	4,943	—	—	—	4,943
Other comprehensive income (loss)	—	—	—	—	430	14,350	(39)	14,741
Share-based payment transactions *[note 13]*	5,022	—	(3,691)	—	—	—	—	1,331
Dividend reinvestment plan *[note 13[c]]*	1,085	—	—	—	—	—	—	1,085
Dividends paid to shareholders *[note 13[c]]*	—	—	—	(9,860)	—	—	—	(9,860)
Dividends on share-based compensation awards *[note 13[c]]*	—	—	—	(236)	—	—	—	(236)
Issuance of convertible unsecured subordinated debentures *[note 12]*	—	1,433	—	—	—	—	—	1,433
Conversion of convertible unsecured subordinated debentures *[note 12]*	8,678	—	—	—	—	—	—	8,678
As at March 31, 2018	337,984	11,336	17,265	(97,995)	1,713	42,968	(302)	312,969

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2017

	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, 2017	251,698	6,912	16,940	(87,013)	(1,160)	56,769	418	244,564
Profit for the period	—	—	—	5,127	—	—	—	5,127
Other comprehensive income (loss)	—	—	—	—	760	(1,521)	(134)	(895)
Share-based payment transactions *[note 13]*	2,946	—	(602)	—	—	—	—	2,344
Dividend reinvestment plan *[note 13[c]]*	1,019	—	—	—	—	—	—	1,019
Dividends paid to shareholders *[note 13[c]]*	—	—	—	(9,356)	—	—	—	(9,356)
Dividends on share-based compensation awards *[note 13[c]]*	—	—	—	(539)	—	—	—	(539)
Common share issuance *[note 13[a]]*	60,115	—	—	—	—	—	—	60,115
As at March 31, 2017	315,778	6,912	16,338	(91,781)	(400)	55,248	284	302,379

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

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

	Three-month period ended March 31, 2018 $	Three-month period ended March 31, 2017 $
Operating activities		
Profit before income taxes for the period	6,173	8,173
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	4,791	2,962
Amortization of intangible assets	3,140	3,491
Loss on sale of property, plant and equipment	(70)	(18)
Impairment charge	232	—
Non-cash component of interest expense	886	1,124
Non-cash movement in derivative instruments	(233)	975
Share-based compensation expense	1,702	2,356
Dividend receivable on equity swap	—	(100)
Employer contribution to defined benefit plan	(4)	(154)
Defined benefit plan expense	34	136
Contingent consideration	99	352
Equipment provided to vendor	(115)	—
Translation loss (gain) on foreign exchange	7,406	(2,976)
	24,041	16,321
Net change in non-cash working capital balances related to operations *[note 19[a]]*	(24,352)	932
Non-current accounts receivable	(703)	—
Long-term payables	(135)	—
Settlment of EIAP obligation	(1,950)	—
Income taxes paid	(49)	(2,094)
Cash provided by (used in) operating activities from continuing operations	(3,148)	15,159
Investing activities		
Acquisition of property, plant and equipment	(7,974)	(20,339)
Acquisitions, net of cash acquired *[notes 5[c], 5[d]]*	(25,132)	—
Transfer to cash held in trust	(525)	—
Transfer to restricted cash	(1,126)	—
Proceeds from sale of property, plant and equipment	116	175
Proceeds from sale of assets held for sale *[note 10]*	2,031	—
Development and purchase of intangible assets	(1,141)	(806)
Transaction costs paid and payable	2,704	(3,782)
Cash used in investing activities from continuing operations	(31,047)	(24,752)
Financing activities		
Repayment of long-term debt	(60)	—
Costs related to issuance of long-term debt	—	(229)
Repayment of obligation under finance leases	(940)	(64)
Change in interest accrued	(3,948)	—
Issuance of convertible unsecured subordinated debentures	82,196	—
Redemption of convertible unsecured subordinated debentures	(77,477)	—
Common share issuance, net of issuance costs	—	60,830
Dividends paid in cash *[note 13[c]]*	(8,775)	(8,337)
Cash provided by (used in) financing activities from continuing operations	(9,004)	52,200
Net increase (decrease) in cash and cash equivalents from continuing operations	(43,199)	42,607
Net decrease in cash and cash equivalents from discontinued operations	—	(13)
Net increase (decrease) in cash and cash equivalents during the period	(43,199)	42,594
Cash and cash equivalents, beginning of period	63,981	2,774
Cash and cash equivalents, end of period	20,782	45,368
Supplemental cash flow information		
Interest paid	9,876	2,521

See accompanying notes

March 31, 2018

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 period ended March 31, 2018 were authorized for issuance in accordance with a resolution of the directors on May 8, 2018.

[b] Basis of preparation

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, assets held for sale and investment, 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, 2017, 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, 2017, except for the adoption of new standards and interpretations effective as of January 1, 2018. As required by IAS 34, the nature and effect of those changes are disclosed in note 3.

[c] Standards issued but not yet effective

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

Leases

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

3. Adoption of new accounting standards and policies

IFRS 9, *Financial instruments*

The Company adopted IFRS 9 with a date of application of January 1, 2018. The Company adopted IFRS 9 retrospectively without restatement of prior periods, other than the hedge accounting provisions of IFRS 9 that have been applied prospectively effective January 1, 2018, and accordingly elected to not restate the comparative figures. IFRS 9 introduces new requirements for the classification and measurement of financial assets, introduces a forward-looking expected loss impairment model, and amends the requirements related to hedge accounting.

The standard contains three classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ["FVOCI"] and fair value through profit or loss ["FVTPL"]. The classification of financial assets under IFRS 9 is based on its contractual cash flow characteristics and the business model in which the financial asset is managed. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, with the exception of long term debt. In 2017, the Company amended its credit facilities to extend the maturity from May 2019 to April 2021, and as result of the change in maturity and adoption of IFRS 9 an adjustment to increase opening retained earnings by $175 was recorded.

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

The classification changes are summarized in the following table:

	IAS 39	IFRS 9	IFRS 9 Carrying value as at January 1, 2018 $
Financial assets			
Cash and cash equivalents	Loans and receivables	Amortized Cost	63,981
Cash held in trust	Loans and receivables	Amortized Cost	15,182
Accounts receivable	Loans and receivables	Amortized Cost	99,017
Derivative instruments - equity swap	Fair value through profit or loss	Fair value through profit or loss	9,698
Derivative instruments - interest rate swap contracts [1]	Fair value through OCI	Fair value through OCI	1,769
Investment	Available-for-sale	Fair value through OCI	900
Note receivable	Loans and receivables	Amortized cost	789
Financial liabilities			
Interest-bearing loans and borrowings	Loans and receivables	Amortized Cost	303,804
Trade payables and provisions	Loans and receivables	Amortized Cost	101,980
Dividends payable	Loans and receivables	Amortized Cost	3,232
Due to vendor	Loans and receivables	Amortized Cost	33,309
Convertible unsecured subordinated debentures	Loans and receivables	Amortized Cost	286,058

[1]Hedge accounting applied.

The Company adopted the expected loss impairment model under which the lifetime expected credit losses are recognized on initial recognition. The Company's impairment assessment considers historical and current conditions, and reasonable supportable forecasts. There were no additional impairment charge recorded as a result of the Company's adoption of the expected loss impairment model.

The Company adopted the new general hedge accounting model in IFRS 9. The adoption of IFRS 9 did not result in any changes in the eligibility of existing hedge relationships, the accounting for derivative financial instruments designed as effective hedging instruments or the line items in which they are included in the unaudited interim condensed consolidated statements of financial position or statements of income.

IFRS 15, *Revenue from Contracts with Customers*

The Company adopted IFRS 15 with an application date of January 1, 2018. The Company applied the modified retrospective method for adopting IFRS 15 and therefore, the comparative information has not been restated and continue to be reported under IAS 18, *Revenue* and IAS 11, *Construction Contracts*. Under the modified approach, the cumulative effect of initially applying IFRS 15 is an adjustment to decrease opening retained earnings by $1,532. The adjustment results from the change in the basis of revenue recognition from the transfer of risk and rewards of ownership to the transfer of control. Consequently, revenue recognition was delayed until completion of the performance obligations. During the period ended March 31, 2018, $1,435 of the opening adjustment of $1,532 was recorded into income upon the Company's completion of its performance obligations in accordance with IFRS 15.

The Company changed its accounting policy for revenue recognition upon adoption of IFRS 15 as detailed below.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to AGI and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. AGI assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. AGI has concluded that it is acting as a principal in all of its revenue arrangements.

Sale of goods and services

Revenue from the sale of goods and/or services is in general recognized when the Company satisfies a performance obligation and control of the goods and/or service is transferred from Seller to Buyer. A performance obligation is a good or service or a series of goods and services that are distinct. A contract with various distinct goods and services are considered to have multiple performance obligations for which revenue is recognized as each performance obligation is satisfied. If a promised good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is distinct, resulting in accounting for all the goods or services promised in a contract as a single performance obligation. In determining satisfaction of the performance obligation and point of revenue recognition, the Company considers the terms of the underlying contracts including, but not limited to, shipping terms, transfer of title and risk of loss, and acceptance/performance testing. Customer deposits are recorded as a current liability when cash is received from the customer and recognized as revenue at the time product is shipped.

AGI applies bill and hold sales accounting in specific situations provided all appropriate conditions are met as of the reporting date.

IFRS 2, *Share-based Payment*

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment* ["IFRS 2"], clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company's assessment has not identified significant classification, recognition or measurement differences. The Company adopted IFRS 2 as at January 1, 2018.

4. Seasonality of business

Interim period sales and earnings historically reflect some seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction projects and higher in-season demand at the farm level. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the second and third quarters, results in accounts receivable levels increasing throughout the year and normally peaking in the third quarter. As a result of these working capital movements, historically, AGI's use of its operating facilities is typically highest in the first and second quarters, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year. In the three-month period ended at March 31, 2018, AGI did not require use of its operating facilities as its opening cash balance included proceeds from financing activities undertaken in 2017.

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

5. Business combinations

[a] 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 expands AGI's North American and international grain handling, drying and storage platforms.

	$
Purchase Price ($100,000 US)	133,220
Cash acquired	1,935
Working capital adjustment	2,462
Tax gross up to vendor	5,291
Purchase consideration	142,908

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:

	$
Cash and cash equivalents	1,935
Accounts receivable	15,118
Inventory	45,776
Prepaid expenses and other assets	4,773
Property, plant and equipment	74,535
Intangible assets	
Brand name	9,296
Distribution network	11,563
Order backlog	1,406
Goodwill	2,135
Deferred tax asset	1,973
Accounts payable and accrued liabilities	(20,362)
Customer deposits	(5,240)
Purchase consideration	142,908

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

During the measurement period, further payroll liabilities existing at acquisition were identified, resulting in a $586 increase in accounts payable and accrued liabilities and an offsetting increase in goodwill, in the period ended March 31, 2018.

The components of the purchase consideration are as follows:

	$
Cash paid	135,641
Cash held in trust	6,661
Due to vendor	606
Purchase consideration	142,908

During the period ended March 31, 2018, the allocation of the purchase price to acquired assets and liabilities was finalized.

[b] CMC Industrial Electronics Ltd.

Effective December 22, 2017, the Company acquired 100% of the outstanding shares of CMC Industrial Electronics Ltd. ["CMC"]. Based in Canada and the U.S., CMC manufactures industry-leading Hazard Monitoring Systems for industrial applications. The acquisition expands AGI's product catalogue and strengthens AGI's applied technology platform.

	$
Purchase Price	6,500
Cash acquired	974
Working capital adjustment	193
Purchase consideration	7,667

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

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

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

	$
Cash	974
Accounts receivable	947
Inventory	1,741
Prepaid expenses and other assets	201
Income taxes recoverable	127
Property, plant and equipment	142
Intangible assets	2,158
Goodwill	3,057
Deferred tax liability	(604)
Accounts payable and accrued liabilities	(926)
Customer deposits	(56)
Capital leases	(94)
Purchase consideration	7,667

During the measurement period, the fair value of acquired inventory was increased by $94 with an offsetting decrease to goodwill in the period ended March 31, 2018.

The components of the purchase consideration are as follows:

	$
Cash paid	5,850
Cash held in trust	650
Due to vendor	1,167
Purchase consideration	7,667

Transaction costs related to the CMC acquisition in the three-month period ended March 31, 2018 were a recovery of $21 [2017 – nil] and are included in selling, general and administrative expenses.

[c] Junge Control Inc.

Effective December 28, 2017, the Company acquired 100% of the outstanding shares of Junge Control Inc. ["Junge"]. Based in the U.S., Junge manufactures automation, measurement and blending equipment for agriculture, fuel, and aerial applications. The acquisition expands AGI's product catalogue and strengthens AGI's applied technology platform.

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

	$
Purchase Price ($15,000 US)	18,818
Cash acquired	3,994
Working capital adjustment	210
Contingent consideration	2,318
Purchase consideration	25,340

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

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

	$
Cash	3,994
Accounts receivable	892
Inventory	2,689
Prepaid expenses and other assets	47
Property, plant and equipment	1,901
Intangible assets	8,588
Goodwill	8,075
Deferred tax asset	85
Accounts payable and accrued liabilities	(458)
Customer deposits	(473)
Purchase consideration	25,340

During the measurement period, the fair value of acquired inventory was increased by $121 with an offsetting decrease to goodwill in the period ended March 31, 2018.

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

The components of the purchase consideration are as follows:

	$
Cash paid	1,882
Cash held in trust	1,882
Due to vendor	19,258
Contingent consideration	2,318
Purchase consideration	25,340

Transaction costs related to the Junge acquisition in the three-month period ended March 31, 2018 were $86 [2017 – nil] and are included in selling, general and administrative expenses.

During the three-month period ended March 31, 2018, the amount due to vendor of $19,258 was paid in full.

[d] Danmare Group Inc. and Danmare, Inc.

Effective February 22, 2018, the Company acquired 100% of the outstanding shares of Danmare Group Inc. and its affiliate Danmare, Inc. [collectively "Danmare"]. Based in Canada and the U.S., Danmare provides engineering solutions and project management services to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase Price	9,000
Cash acquired	126
Working capital adjustment	85
Contingent consideration	1,000
Total purchase price	10,211
Post-combination expense	(3,000)
Purchase consideration	7,211

Terms of the purchase agreement included $6 million payable upon closing and $3 million payable in three annual instalments contingent on certain earnings targets and continued employment. The $3 million is expected to be expensed as over the required post-combination employment period of approximately 3 years. An additional $1 million is payable based on an earnings target. In April 2018, the purchase agreement was amended such that the $1 million and $3 million payments are guaranteed; however, the $3 million payments remain contingent on continued employment and will be expensed over the employment period.

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

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

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

	$
Cash	126
Accounts receivable	1,112
Prepaid expenses and other assets	40
Income taxes recoverable	56
Property, plant and equipment	237
Intangible assets	3,430
Goodwill	3,609
Deferred tax liability	(876)
Accounts payable and accrued liabilities	(278)
Customer deposits	(245)
Purchase consideration	7,211

The goodwill of $3,609 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,112. This consists of the gross contractual value of $1,162 less the estimated amount not expected to be collected of $50.

From the date of acquisition, Danmare contributed to the results $705 of revenue and $109 of net income. If the acquisition had taken place as at January 1, 2018, revenue from continuing operations in 2018 would have increased by an additional $1,057 and profit from continuing operations in 2018 would have increased by an additional $129.

The components of the purchase consideration are as follows:

	$
Cash paid	6,000
Cash held in trust	525
Due to vendor	686
Purchase consideration	7,211

Transaction costs related to the Danmare acquisition in the three-month period ended March 31, 2018 were $70 [2017 – nil] and are included in selling, general and administrative expenses.

[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:

	March 31, 2018	December 31, 2017
	$	$
Total accounts receivable	**128,995**	100,863
Less allowance for doubtful accounts	**(1,470)**	(1,846)
	127,525	99,017
Non-current accounts receivable	**4,883**	4,180
Total accounts receivable, net	**132,408**	103,197
Of which		
Neither impaired nor past due	**102,534**	74,382
Not impaired and past the due date as follows		
Within 30 days	**13,751**	15,419
31 to 60 days	**4,791**	4,538
61 to 90 days	**2,356**	2,229
Over 90 days	**10,446**	8,475
Less allowance for doubtful accounts	**(1,470)**	(1,846)
Total accounts receivable, net	**132,408**	103,197

7. Property, plant, and equipment

	March 31, 2018	December 31, 2017
	$	$
Balance, beginning of period	**304,543**	209,457
Additions	**7,974**	51,299
Acquisition *[note 5]*	**237**	76,578
Disposals	**(46)**	(704)
Classification as held for sale *[note 10]*	**(786)**	(3,522)
Depreciation	**(4,791)**	(16,471)
Impairment	**(226)**	(820)
Exchange differences	**6,532**	(11,274)
Balance, end of period	**313,437**	304,543

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

8. Goodwill

	March 31, 2018 $	December 31, 2017 $
Balance, beginning of period	234,669	227,450
Acquisition *[note 5]*	3,980	11,770
Exchange differences	2,359	(4,551)
Balance, end of period	241,008	234,669

9. Intangible assets

	March 31, 2018 $	December 31, 2017 $
Balance, beginning of period	218,156	197,215
Internal development	1,141	4,910
Acquisition *[note 5]*	3,430	33,011
Amortization	(3,140)	(13,003)
Impairment	—	(395)
Exchange differences	1,900	(3,582)
Balance, end of period	221,487	218,156

10. Assets held for sale

In 2015, AGI acquired Westeel, which included land and building in Regina, Saskatchewan that met the definition of assets held for sale. During the period ended March 31, 2018, the assets were sold for $2,031 resulting in a further impairment of $6 being recorded.

In 2017, AGI built a new facility in Candido Mota, Sao Paolo, Brazil, and transferred all production activities from its existing facility in Assis, Sao Paulo, Brazil. AGI concluded that the land, grounds, and building at the existing Assis, Sao Paulo, Brazil facility met the definition of assets held for sale and was recorded at the lower of cost and fair value. As at March 31, 2018, the carrying amount of the assets held for sale is $827.

During the period ended March 31, 2018, buildings in Oakland Coles County, Illinois and Latimer, Iowa, met the definition of assets held for sale. An impairment charge of $226 was recorded and the carrying amount of $786 was recorded as assets held for sale.

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

11. Long-term debt

	Interest rate %	Maturity	March 31, 2018 $	December 31, 2017 $
Current portion of long-term debt				
Equipment financing	nil	2021	113	117
Non-current portion of long-term debt				
Equipment financing	nil	2021	387	443
Series B secured notes	4.4	2025	25,000	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	32,235	31,363
Term A secured loan	3.2	2021	50,000	50,000
Term B secured loan	3.4	2022	40,000	40,000
Revolver line	3.7–6.0	2021	162,464	158,067
			310,086	304,873
Less deferred financing costs			2,052	2,014
Total non-current long-term debt			308,034	302,859
Long-term debt			308,147	302,976

[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 March 31, 2018, there was nil [December 31, 2017 – 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. The combined effective interest rate for the three-month ended March 31, 2018 on AGI's revolver facilities was 4.9%. As at March 31, 2018, there was $162 million [December 31, 2017 – $158 million] outstanding under these facilities. The facilities mature on April 4, 2021. Interest on the Term A, Term B and a portion of the revolver line has been fixed through an interest rate swap contract *[note 20]*.

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

[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 March 31, 2018 and December 31, 2017, AGI was in compliance with all financial covenants.

12. Convertible unsecured subordinated debentures

	March 31, 2018	December 31, 2017
	$	$
Current portion of convertible unsecured subordinated debentures	—	86,155
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	299,250	213,000
Equity component	(11,794)	(14,212)
Accretion	3,555	7,498
Financing fees, net of amortization	(9,823)	(6,383)
Total non-current convertible unsecured subordinated debentures	281,188	199,903
Convertible unsecured subordinated debentures	281,188	286,058

On December 6, 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 [the "2018 Debentures"] at a price of $1,000 per 2018 Debenture. AGI also granted the underwriters an over-allotment option, exercisable in whole or in part for a period of 30 days following closing, to purchase up to an additional $11.25 million aggregate principal amount of 2018 Debentures. The over-allotment option was fully exercised, and accordingly, the total gross proceeds to AGI were $86.25 million. On January 3, 2018, the Company closed the offering of $75 million aggregate principal amount of the 2018 Debentures. On January 9, 2018, the Company closed the over-allotment option.

The 2018 Debentures bear interest at 4.50% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2018. The 2018 Debentures has a maturity date of December 31, 2022.

The 2018 Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date and the date specified by AGI for redemption of the 2018 Debentures into fully paid and non-assessable common shares of the Company at a conversion price of $88.15 per common share, being a conversion rate of approximately 11.3443 common shares for each $1,000 principal amount of the 2018 Debentures.

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

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2018 Debentures, the Company recorded a liability of $86,250 less related offering costs of $4,054 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 three-month period ended March 31, 2018, the Company recorded accretion of $88, non-cash interest expense relating to finance costs of $170 and interest expense on the 4.50% coupon of $1,250. The estimated fair value of the holder's option to convert the 2018 Debentures to common shares in the total amount of $2,063 has been separated from the fair value of the liability and is included in shareholders' equity, net of income taxes of $530 and its pro rata share of financing costs of $100.

The net proceeds of the offering was used to partially fund the redemption of the Company's 5.25% convertible unsecured subordinated debentures due December 18, 2018.

On January 8, 2018, holders of $8,678 2013 Debentures exercised the conversion option and were issued 157,781 common shares. On January 9, 2018, the Company redeemed its 2013 Debentures in accordance with the terms of the supplemental trust indenture dated December 17, 2013. Upon redemption, AGI paid to the holders of the 2013 Debentures the redemption price of $77,477 equal to the outstanding principal amount of the 2013 Debentures redeemed including accrued and unpaid interest up to, but excluding the Redemption date, less taxes deducted or withheld.

13. Equity

[a] Common shares

	Shares #	Amount $
Balance, January 1, 2017	14,781,643	251,698
Dividend reinvestment shares issued from treasury	93,976	4,909
Settlement of EIAP obligation	133,570	5,300
Issuance of common shares	1,150,000	61,224
Convertible unsecured subordinated debentures	1,727	95
Dividend reinvestment plan costs	—	(27)
Balance, December 31, 2017	16,160,916	323,199
Dividend reinvestment shares issued from treasury	20,225	1,085
Settlement of EIAP obligation	124,882	5,022
Convertible unsecured subordinated debentures	157,781	8,678
Balance, March 31, 2018	**16,463,804**	**337,984**

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

[b] Contributed surplus

	Three-month period ended March 31, 2018	Year ended December 31, 2017
	$	$
Balance, beginning of period	**20,956**	16,940
Equity-settled director compensation *[note 14[b]]*	**104**	361
Dividends on EIAP	**235**	1,302
Obligation under EIAP *[note 14[a]]*	**1,598**	7,698
Settlement of EIAP obligation	**(5,628)**	(5,345)
Balance, end of period	**17,265**	20,956

[c] Dividends paid and proposed

In the three-month period ended March 31, 2018, the Company declared dividends of $9,860 or $0.60 per common share [2017 – $9,356 or $0.60 per common share] and dividends on share compensation awards of $236 [2017 – $539]. For the three-month period ended March 31, 2018, 20,225 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the "DRIP"]. In the three-month period ended March 31, 2018, dividends paid to shareholders of $8,775 [2017 – $8,337] were financed from cash on hand and $1,085 [2017 – $1,019] 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 March 31, 2018, the Company paid previously declared dividends of $0.20 per common share with a record date of April 30, 2018.

14. Share-based compensation plans

[a] Equity incentive award plan ["EIAP"]

During the three-month period ended March 31, 2018, 68,585 [2017 – 9,921] Restricted Awards ["RSU"] and 33,883 [2017 – 39,658] Performance Awards ["PSU"] were granted. 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 March 31, 2018, a total of 406,006 [December 31, 2017 – 336,421] Restricted Awards and 440,672 [December 31, 2017 – 406,789] Performance Awards had been granted under the plan.

During the three-month period ended March 31, 2018, AGI expensed $1,598 for the EIAP [2017 – $2,267].

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

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

	EIAP	
	Restricted Awards	Performance Awards
	#	#
Outstanding, January 1, 2017	223,030	247,500
Granted	9,921	39,658
Vested	(72,942)	(73,983)
Forfeited	(3,530)	—
Balance, December 31, 2017	156,479	213,175
Granted	68,585	33,883
Vested	(47,502)	(73,281)
Balance, March 31, 2018	**177,562**	**173,777**

There is no exercise price on the EIAP awards.

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

For the three-month period ended March 31, 2018, an expense of $104 [2017 – $89] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the three-month period ended March 31, 2018, 1,946 [2017 – 1,749] common shares were granted under the DDCP and as at March 31, 2018, a total of 72,278 [2017 – 65,391] common shares had been granted under the DDCP and 18,436 [2017 – 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 March 31, 2018 $	Three-month period ended March 31, 2017 $
[a] Other operating expense (income)		
Net gain on disposal of property, plant and equipment	(70)	(18)
Other	(714)	622
	(784)	604
[b] Finance expense (income)		
Interest income from banks	(53)	(68)
Loss (gain) on foreign exchange	5,270	(735)
	5,217	(803)
[c] Finance costs (recovery)		
Interest on overdrafts and other finance costs	(314)	175
Interest, including non-cash interest, on debts and borrowings	3,819	2,459
Interest, including non-cash interest, on convertible debentures *[note 12]*	4,896	3,702
	8,401	6,336
[d] Cost of goods sold		
Depreciation	4,420	2,757
Amortization of intangible assets	520	1,958
Warranty provision (recovery)	317	(58)
Cost of inventory recognized as an expense	147,027	100,582
	152,284	105,239
[e] Selling, general and administrative expenses		
Depreciation	371	205
Amortization of intangible assets	2,620	1,533
Minimum lease payments recognized as an operating lease expense	752	671
Selling, general and administrative	38,096	30,597
Transaction costs	304	1,981
	42,143	34,987
[f] Employee benefits expense		
Wages and salaries	52,157	35,203
Share-based payment expense *[notes 14[a] and [b]]*	1,702	2,356
Pension costs	1,269	923
	55,128	38,482
Included in cost of goods sold	34,261	24,301
Included in selling, general and administrative expenses	20,867	14,181
	55,128	38,482

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

16. Retirement benefit plans

During the three-month period ended March 31, 2018, the expense associated with the Company's defined pension benefit was $34 [2017 – $136]. At March 31, 2018, the accrued pension benefit liability was $266 [December 31, 2017 – $182], 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-month periods ended March 31, 2018 and 2017 are as follows:

	Three-month period ended	
	March 31, 2018 $	March 31, 2017 $
Profit from continuing operations before income taxes	**6,173**	8,173
Tax expense at the statutory rate of 27% [2017 – 27%]	**1,666**	2,206
Tax rate changes	**44**	(31)
Additional deductions allowed in a foreign jurisdiction	**—**	(161)
Tax losses not recognized as a deferred tax asset	**848**	821
Foreign rate differential	**(670)**	135
Non-deductible EIAP expense	**87**	130
State income taxes, net of federal tax benefit	**262**	142
Unrealized foreign exchange loss (gain)	**1,343**	(174)
IFRS 15 transition adjustment *[note 3]*	**(395)**	—
Change in uncertain tax position	**(2,305)**	—
Permanent differences and others	**350**	(17)
Tax expense at the effective rate of 19.92% [2017 – 37.33%]	**1,230**	3,051

[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:

	March 31, 2018 $	March 31, 2017 $
Profit from continuing operations	4,943	5,122
Profit from discontinued operations	—	5
Profit attributable to shareholders for basic and diluted profit per share	4,943	5,127
Basic weighted average number of shares	16,400,939	15,392,189
Dilutive effect of DDCP	51,918	45,226
Dilutive effect of RSU	182,297	177,915
Diluted weighted average number of shares	16,635,154	15,615,330
Profit per share from continuing operations		
Basic	0.30	0.33
Diluted	0.30	0.33
Profit per share from discontinued operations		
Basic	0.00	0.00
Diluted	0.00	0.00
Profit per share		
Basic	0.30	0.33
Diluted	0.30	0.33

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

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:

	March 31, 2018 $	March 31, 2017 $
Accounts receivable	(27,395)	(18,434)
Inventory	(24,465)	(5,103)
Prepaid expenses and other assets	(2,374)	(3,817)
Accounts payable and accrued liabilities	15,797	20,884
Customer deposits	13,768	7,460
Provisions	317	(58)
	(24,352)	932

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

[b] Reconciliation of liabilities arising from financing activities

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

	December 31, 2016	Cash flows	Non-cash changes: Foreign exchange	Non-cash changes: Accretion	Non-cash changes: Amortization	Non-cash changes: Fair value	March 31, 2017
	$	$	$	$	$	$	$
Long-term debt	206,849	(229)	(736)	—	179	—	206,063
Convertible unsecured subordinated debentures	201,210	—	—	479	466	—	202,155
Obligations under finance lease	1,732	(64)	—	—	—	—	1,668
Derivatives held to hedge long-term borrowings	715	—	—	—	—	(180)	535
Total liabilities from financing activities	410,506	(293)	(736)	479	645	(180)	410,421

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 and denominate a portion of its debt in U.S. dollars. As at March 31, 2018, AGI's U.S. dollar denominated debt totaled $195 million.

The Company had no outstanding foreign exchange forward contracts at March 31, 2018.

[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. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rates between 3.6% and 4.32%. The underlying risk of the interest rate swaps is identical to the hedged risk component of the Company's borrowings. Therefore, the Company has established a hedge ratio of 1:1 for its hedging relationships. The notional amounts are $138,997 in aggregate, resetting the last business day of each month. The contracts expire between May 2019 and May 2022.

During the three-month period ended March 31, 2018, a gain of $590 [2017 - $180] was recorded in other comprehensive income (loss).

[c] Equity swap

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

As at March 31, 2018, the equity swap agreement covered 530,000 common shares of the Company at a price of $35.17, and the agreement matures on March 21, 2019.

As at March 31, 2018, the unrealized gain on the equity swap was $9,934, and in the three-month period ended March 31, 2018, the Company has recorded a gain in the unaudited interim condensed consolidated statements of income of $233 [2017 – loss of $975].

[d] Fair value

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

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:

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

		March 31, 2018		December 31, 2017	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$
Financial assets					
Cash and cash equivalents	1	20,782	20,782	63,981	63,981
Cash held in trust	1	17,193	17,193	15,182	15,182
Accounts receivable	2	127,525	127,525	99,017	99,017
Derivative instruments	2	12,292	12,292	11,466	11,466
Available-for-sale investment	3	—	—	900	900
Investment	3	900	900	—	—
Note receivable	2	842	842	789	789
Assets held for sale	2	1,613	1,613	2,842	2,842
Financial liabilities					
Interest-bearing loans and borrowings	2	308,209	307,509	303,978	304,306
Trade payables and provisions	2	115,494	115,494	101,980	101,980
Dividends payable	2	3,293	3,293	3,232	3,232
Due to vendor	2	16,039	16,039	33,309	33,309
Contingent consideration	3	10,227	10,227	9,037	9,037
Convertible unsecured subordinated debentures	2	281,188	395,156	286,058	314,129

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 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 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.

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

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 $564 during the three-month period ended March 31, 2018 [2017 – $246], and $50 is included in accounts payable and accrued liabilities as at March 31, 2018.

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 AGI's international plant expansion project was $66 during the three-month period ended March 31, 2018 [2017 – $59], and $30 is included in accounts payable and accrued liabilities as at March 31, 2018.
These transactions are measured at the exchange amount and were incurred during the normal course of business.

22. Reportable business segment

The Company manufactures agricultural equipment with a focus on grain handling, storage and conditioning products. As at March 31, 2018, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included the similar long-term average gross margins and growth rates across the segments, the nature of the products manufactured by the segments all being related to the handling, storage and conditioning of agricultural commodities, and the similarity in the production processes of the segments.

The Company operates primarily within three geographical areas: Canada, United States and International. The following details the sales by geographical area, reconciled to the Company's unaudited interim condensed consolidated financial statements:

	Sales	
	March 31, 2018	March 31, 2017
	$	$
Canada	73,322	65,321
United States	86,521	57,877
International	53,823	31,338
	213,666	154,536

The sales information above is based on the location of the customer. The Company has no single customer that represents 10% or more of the Company's sales.

23. 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 $10,643 [2017 – $16,112].

[b] Letters of credit

As at March 31, 2018, the Company has outstanding letters of credit in the amount of $4,314 [December 31, 2017 – $2,474].

[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.