AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: August 7, 2024

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2023, the MD&A of the Company for the year ended December 31, 2023 and the unaudited interim condensed consolidated financial statements of the Company and accompanying notes for the three- and six-month periods ended June 30, 2024. Results are reported in Canadian dollars unless otherwise stated.

This MD&A is based on the Company's unaudited interim condensed consolidated financial statements for the three- and six-month periods ended June 30, 2024 ("consolidated financial statements") based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), unless otherwise noted.

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

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

SUMMARY OF RESULTS

[thousands of dollars except per share amounts, percentages and basis points ("bps")]	Three-months ended June 30			
	2024	2023	Change	Change
	$	$	$	%
Revenue [1]	351,781	390,269	(38,488)	(10%)
Adjusted EBITDA [2][3]	68,042	88,174	(20,132)	(23%)
Adjusted EBITDA Margin % [4]	19.3%	22.6%	(325) bps	(14%)
Profit (loss) before income taxes	(7,650)	18,068	(25,718)	(142%)
Profit (loss)	(7,394)	16,095	(23,489)	(146%)
Diluted profit (loss) per share	(0.39)	0.81	(1.20)	(148%)
Adjusted profit [2][5]	30,164	49,395	(19,231)	(39%)
Diluted adjusted profit per share [4][5]	1.42	2.24	(0.82)	(37%)

[thousands of dollars except per share amounts, percentages and basis points ("bps")]	Six-months ended June 30			
	2024	2023	Change	Change
	$	$	$	%
Revenue [1]	666,377	737,285	(70,908)	(10%)
Adjusted EBITDA [2][3]	118,106	136,286	(18,180)	(13%)
Adjusted EBITDA Margin % [4]	17.7%	18.5%	(76) bps	(4%)
Profit (loss) before income taxes	(3,801)	39,694	(43,495)	(110%)
Profit (loss)	(5,455)	32,452	(37,907)	(117%)
Diluted profit (loss) per share	(0.29)	1.63	(1.92)	(118%)
Adjusted profit [2][5]	37,806	54,249	(16,443)	(30%)
Diluted adjusted profit per share [4][5]	1.87	2.59	(0.72)	(28%)

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

Consolidated Operating Segment Results Summary

[thousands of dollars except percentages]	Three-months ended June 30			
	2024	2023	Change	Change
	$	$	$	%
Revenue [1][2]				
Farm	194,455	233,438	(38,983)	(17%)
Commercial	157,326	156,831	495	0%
Total	**351,781**	**390,269**	**(38,488)**	**(10%)**

[thousands of dollars except percentages]	Six-months ended June 30			
	2024	2023	Change	Change
	$	$	$	%
Revenue [1][2]				
Farm	383,441	415,820	(32,379)	(8%)
Commercial	282,936	321,465	(38,529)	(12%)
Total	**666,377**	**737,285**	**(70,908)**	**(10%)**

[1] See "BASIS OF PRESENTATION".
[2] The revenue information in this table are supplementary financial measures and are used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on these supplementary financial measures.

[thousands of dollars except percentages]	2024	2023	Three-months ended June 30 Change	Change
	$	$	$	%
Adjusted EBITDA [1] [2] [3]				
Farm	53,236	70,086	(16,850)	(24%)
Commercial	23,248	28,939	(5,691)	(20%)
Other [4]	(8,442)	(10,851)	2,409	22%
Total	**68,042**	**88,174**	**(20,132)**	**(23%)**

[thousands of dollars except percentages]	2024	2023	Six-months ended June 30 Change	Change
	$	$	$	%
Adjusted EBITDA [1] [2] [3]				
Farm	98,244	108,538	(10,294)	(9%)
Commercial	36,466	50,817	(14,351)	(28%)
Other [4]	(16,604)	(23,069)	6,465	28%
Total	**118,106**	**136,286**	**(18,180)**	**(13%)**

[1] See "BASIS OF PRESENTATION".

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

[3] See "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA" and "DETAILED OPERATING RESULTS – Profit (loss) before income taxes and Adjusted EBITDA by Segment".

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

	2024	2023	Three-months ended June 30 Change	Change
	%	%	basis points ("bps")	%
Adjusted EBITDA Margin % [1] [2]				
Farm	27.4%	30.0%	(265) bps	(9%)
Commercial	14.8%	18.5%	(368) bps	(20%)
Other [3]	(2.4%)	(2.8%)	38 bps	N/A
Consolidated	**19.3%**	**22.6%**	**(325) bps**	**(14%)**

	Six-months ended June 30			
	2024	2023	Change	Change
	%	%	basis points ("bps")	%
Adjusted EBITDA Margin % [1] [2]				
Farm	25.6%	26.1%	(48) bps	(2%)
Commercial	12.9%	15.8%	(292) bps	(18%)
Other [3]	(2.5%)	(3.1%)	64 bps	N/A
Consolidated	**17.7%**	**18.5%**	**(76) bps**	**(4%)**

[1] See "BASIS OF PRESENTATION".

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

[3] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments. The Adjusted EBITDA Margin % for Other is calculated based on total revenue since it does not generate revenue without the segments.

AGI's second quarter ("Q2") consolidated revenue and Adjusted EBITDA were $352 million and $68 million respectively, lower than the prior years' record Q2 performance largely due to the anticipated softness in the Farm segment. Apart from the year-over-year ("YOY") comparable period, Adjusted EBITDA margins of 19.3% are well above typical Q2 performance and highlight the structural improvements we have made which enable margins to track higher across the majority of the operating businesses within AGI. In addition to ongoing operational excellence initiatives previously disclosed such as supplier consolidation, revenue management, and manufacturing efficiencies, the Company recently launched additional strategic initiatives aimed at supporting margins and growth. For example, we accelerated a significant product standardization program that enables consolidation across several North American facilities. These additional initiatives contributed favorably to Q2 results with increasing benefits anticipated to materialize in the second half of 2024 and into 2025.

At the segment level, softness in U.S. and Brazil Farm markets led to Farm revenue and Adjusted EBITDA decreases of 17% and 24% YOY, respectively. Recently, market conditions in the U.S. and Brazil exhibited early signs of improvement. For example, increasing inventory turnover of portable equipment across our North American dealer network bodes well for an overall ramp-up in demand. In addition, growing confidence in the realization of a large crop yield is driving more positive overall farmer sentiment. These improving dynamics support the outlook for stronger Farm segment performance during the second half of the year.

Our Commercial segment anchored second quarter performance, driven by international regions and a steady U.S. performance. Our international operations continue to benefit from high demand for large-scale projects which are now contributing directly to our results. On a YOY basis, Commercial segment margins were impacted by a higher proportion of lower margin installation and third-party service work in South America. That said, on a sequential basis, Commercial segment Adjusted EBITDA margin % increased by 430 bps due to higher volumes and ongoing operational excellence initiatives, signaling a positive trend that is expected to continue through the remainder of the year. The substantial Commercial order book established at the end of 2023 is well progressed through engineering and manufacturing. With robust ongoing order intake continuing through the first half of 2024, we anticipate a strong Commercial segment performance into the second half of the year.

Our order book[1] increased 8% YOY to $651 million, representing a record level for the Company when entering the second half of the year. Demand for large-scale projects and engineered solutions remained robust, enabling strong order intake, particularly across international regions. The strength of our order book supports optimism for the remainder of the year, especially as several major projects within our international Commercial segment are on pace to meaningfully contribute to full year results. Continued progress across our key strategic growth initiatives including product transfers and a focus on emerging markets, provide further momentum towards accelerated growth. Of particular note, product transfers are tracking well above our initial expectations and are on pace to be a meaningful contributor to full year results.

While the first half of the year presented challenges in certain areas, we are well positioned for a strong overall 2024 performance. We see significant momentum across the business including considerable activity in our international Commercial segment, meaningful contributions from our product transfer and emerging market growth strategies, accelerated operational excellence initiatives, and early signs of improving market conditions in the Farm segment. As a result of our performance in the first half of the year and our expectations for the second half of the year, we are updating our full year 2024 Adjusted EBITDA outlook to a range of $300 million to $310 million supported by full year 2024 Adjusted EBITDA margins greater than 19%[2].

BASIS OF PRESENTATION

The Company has identified its reportable segments as Farm and Commercial, each of which are supported by the corporate office. These segments are strategic business units that offer specific products and services to their respective markets. Certain corporate overheads are allocated to each segment based on revenue as well as applicable cost drivers. Taxes and certain other expenses are managed at a consolidated level and are not allocated to the reportable operating segments. Financial information for the comparative period has been restated to reflect the new presentation.

During the year ended December 31, 2023, AGI replaced the term "sales" with "revenue"; however there has been no change to the underlying calculation. Revenue is the sale of goods primarily recognized at a point in time when the Company satisfies a performance obligation and control of the goods is transferred from AGI to its customer. Revenue from contracts with customers is recognized at an amount that reflects the consideration to which the Company is entitled to in exchange for those goods. Additionally, we have simplified the disclosure on revenue to Canada, U.S., and International; removing further regional breakdown. Financial information for the comparative period has been updated to reflect the new presentation.

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

[2] Our previous outlook was for full year Adjusted EBITDA of at least $310 million. Adjusted EBITDA for the year ended December 31, 2023 was $293.9 million. See "Reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the years ended December 31, 2023 and 2022", “BASIS OF PRESENTATION”, “RISKS AND UNCERTAINTIES”, “FORWARD-LOOKING INFORMATION”, "FINANCIAL OUTLOOK" and “NON-IFRS AND OTHER FINANCIAL MEASURES.

Description of Business Segments

Farm Segment

AGI's Farm segment focuses on the needs of on-farm customers, and its product offerings include: grain, seed, and fertilizer handling equipment; aeration products; grain and fuel storage solutions; and grain management technologies (see "BASIS OF PRESENTATION").

Commercial Segment

AGI's Commercial segment focuses on commercial customers such as port facility operators, food processors and elevators. Its product offerings include: larger diameter grain storage bins and high-capacity grain handling equipment; high-capacity seed and fertilizer storage and handling systems; food and feed handling storage and processing equipment; aeration products; automated blending systems and control systems; and project management services and food engineering solutions (see "BASIS OF PRESENTATION").

OPERATING RESULTS

Revenue by Geography [3]

				Three-months ended June 30
[thousands of dollars except percentages]	2024 $	2023 $	Change $	Change %
Canada	94,364	102,836	(8,472)	(8%)
U.S.	146,366	171,431	(25,065)	(15%)
International	111,051	116,002	(4,951)	(4%)
Total Revenue	**351,781**	**390,269**	**(38,488)**	**(10%)**

				Six-months ended June 30
[thousands of dollars except percentages]	2024 $	2023 $	Change $	Change %
Canada	173,328	189,979	(16,651)	(9%)
U.S.	294,685	321,776	(27,091)	(8%)
International	198,364	225,530	(27,166)	(12%)
Total Revenue	**666,377**	**737,285**	**(70,908)**	**(10%)**

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

Revenue by Segment and Geography [2]

Farm Segment

[thousands of dollars except percentages]	2024 $	2023 $	Three-months ended June 30 Change $	Change %
Canada	77,796	82,788	(4,992)	(6%)
U.S.	94,312	120,162	(25,850)	(22%)
International	22,347	30,488	(8,141)	(27%)
Total Revenue	**194,455**	**233,438**	**(38,983)**	**(17%)**

[thousands of dollars except percentages]	2024 $	2023 $	Six-months ended June 30 Change $	Change %
Canada	144,516	150,530	(6,014)	(4%)
U.S.	188,857	215,156	(26,299)	(12%)
International	50,068	50,134	(66)	(0%)
Total Revenue	**383,441**	**415,820**	**(32,379)**	**(8%)**

Commercial Segment

[thousands of dollars except percentages]	2024 $	2023 $	Three-months ended June 30 Change $	Change %
Canada	16,568	20,048	(3,480)	(17%)
U.S.	52,054	51,269	785	2%
International	88,704	85,514	3,190	4%
Total Revenue	**157,326**	**156,831**	**495**	**0%**

[thousands of dollars except percentages]	2024 $	2023 $	Six-months ended June 30 Change $	Change %
Canada	28,812	39,449	(10,637)	(27%)
U.S.	105,828	106,620	(792)	(1%)
International	148,296	175,396	(27,100)	(15%)
Total Revenue	**282,936**	**321,465**	**(38,529)**	**(12%)**

The following table presents YOY changes in the Company's order book[1] as at June 30, 2024:

[thousands of dollars except percentages]	2024 $	2023 $	As at June 30 Change $	Change %
Order book	651,366	603,216	48,150	8%

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

Farm Segment

Farm segment's financial performance by separate geographic region is detailed below. For a summary of Farm segment's performance overall, please see page 3.

Canada

Farm segment revenue from our Canada region decreased 6% YOY mostly due to timing and comparison to a record result from last year. With a notable uptick in demand for portable grain handling equipment in Q2, we remain optimistic for Canada Farm as we see this shift in demand continuing into the rest of the year.

United States

As expected, U.S. Farm segment revenue declined 22% YOY in Q2 as the general hesitation across the farming community to commit to purchases persisted. This was primarily due to unclear harvest conditions and crop prices near multi-year lows, both of which have had an impact on overall farmer sentiment. We continue to closely monitor U.S. Farm sales activity and note that harvest conditions are generally trending favorably, in addition to some positive inventory turnover trends within our dealer network, which could provide some upside in the second half of 2024.

International

Farm segment revenue from our international regions decreased 27% YOY in Q2. This was primarily due to timing in South America after an extremely strong first quarter ("Q1"), which saw growth YOY of 190%, pulling some orders ahead from Q2. While some signals of a pick-up in demand have emerged, conditions in Brazil remain challenging amid high interest rates and lower crop prices. Independent of near-term conditions, we remain confident that the longer-term outlook for Brazil is strong and that AGI is well positioned within this strategically vital market.

Commercial Segment

Commercial segment's financial performance by separate geographic region is detailed below. For a summary of Commercial segment's performance overall, please see page 3.

Canada

Commercial segment revenue from our Canada region decreased by 17% YOY in Q2. While this is an improvement relative to Q1 where sales declined 37% YOY, we continue to focus on rebuilding the order book and remain cautiously optimistic about a sustainable turnaround in this market.

United States

Commercial segment revenue from our U.S. region increased slightly YOY in Q2, primarily as a result of our Food platform business which is now towards the end of a comprehensive reorganization exercise. Successfully repositioning our Food platform for growth provides positive momentum for our U.S. Commercial business in the second half of 2024 and beyond.

International

Commercial segment revenue from our international regions increased 4% YOY in Q2, a significant improvement from the first quarter, and the beginning of an expected meaningful uptrend in performance and contribution for this segment throughout 2024. This expectation is supported by an extremely strong order book with a weighting towards second half deliveries. Many of our key large-scale projects within the international Commercial order book are now underway in our international regions.

Success in our international Commercial region is supported by focused strategic planning in several key areas. The EMEA region continues to secure meaningful long-term project work from emerging markets, reflecting success in our strategic planning and execution efforts. In our APAC region, significant wins in India and new long-term project awards were directly attributable to product transfer activities. Finally, South America has begun to ramp up long-term projects after an initial slow start to the year.

DETAILED OPERATING RESULTS

	Three-months ended June 30		Six-months ended June 30	
[thousands of dollars except per share amounts]	2024 $	2023 $	2024 $	2023 $
Revenue [1]	351,781	390,269	666,377	737,285
Cost of goods sold				
Cost of inventories	226,166	243,264	430,677	475,728
Equipment rework [2]	—	4,900	—	4,900
Remediation [2]	—	15,608	—	15,608
Depreciation and amortization	10,004	8,535	18,974	16,653
	236,170	272,307	449,651	512,889
Selling, general and administrative expenses				
Selling, general & administrative expenses	63,269	63,978	130,698	136,906
Mergers and acquisitions expense [3]	—	—	—	50
Transaction, transitional and other costs [4]	11,929	8,795	16,379	12,674
Enterprise Resource Planning ("ERP") system transformation costs [5]	4,925	—	9,050	—
Accounts receivable reserve (recovery) for RUK	—	1,733	(268)	1,733

Depreciation and amortization	8,302	7,896	16,477	15,818
	88,425	82,402	172,336	167,181
Other operating expense (income)				
Net loss on disposal of property, plant and equipment	198	19	323	193
Net loss (gain) on sale of assets held for sale [6]	—	—	(325)	25
Net gain on settlement of lease liability	(188)	(7)	(194)	(7)
Loss (gain) on financial instruments [7]	3,812	8,184	(4,004)	(5,020)
Other	(2,844)	(3,020)	(5,686)	(5,155)
	978	5,176	(9,886)	(9,964)
Finance costs	17,060	18,337	36,011	36,018
Finance expense (income)	13,707	(6,622)	18,975	(9,324)
Impairment charge [8]	3,091	601	3,091	791
Profit (loss) before income taxes	(7,650)	18,068	(3,801)	39,694
Income tax expense (recovery)	(256)	1,973	1,654	7,242
Profit (loss) for the year	(7,394)	16,095	(5,455)	32,452
Profit (loss) per share				
Basic	(0.39)	0.85	(0.29)	1.71
Diluted	(0.39)	0.81	(0.29)	1.63

[1] See “BASIS OF PRESENTATION”.
[2] See “Remediation costs and equipment rework”.
[3] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[4] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[5] Expenses incurred in connection with a global multi-year ERP transformation project.
[6] See “Note 7 – Assets held for sale” in our consolidated financial statements.
[7] See “Equity swap”.
[8] See “Note 8 – Impairment charge” in our consolidated financial statements.

Gross Profit and Adjusted Gross Margin

	Three-months ended June 30		Six-months ended June 30	
	2024	2023	2024	2023
[thousands of dollars except percentages]	$	$	$	$
Revenue [1]	351,781	390,269	666,377	737,285
Cost of goods sold	236,170	272,307	449,651	512,889
Gross Profit	**115,611**	**117,962**	**216,726**	**224,396**
Gross Profit as a % of Revenue [2]	32.9%	30.2%	32.5%	30.4%
Equipment rework [3]	—	4,900	—	4,900
Remediation [3]	—	15,608	—	15,608
Depreciation and amortization	10,004	8,535	18,974	16,653
Adjusted Gross Margin [4]	125,615	147,005	235,700	261,557
Adjusted Gross Margin as a % of Revenue [5]	35.7%	37.7%	35.4%	35.5%

[1] See “BASIS OF PRESENTATION”.
[2] This is a supplementary financial measure and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each supplementary financial measure.
[3] See “Remediation costs and equipment rework”.
[4] This is a non-IFRS measure and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS measure.
[5] This is a non-IFRS ratio and is used throughout this MD&A. See “NON-IFRS AND OTHER FINANCIAL MEASURES” for more information on each non-IFRS ratio.

AGI’s adjusted gross margin as a percentage of revenue for the three-month period ended June 30, 2024 remains strong despite a slight decrease YOY. This is attributed to the general slowdown in our Farm segment during the quarter, as explained on pages 4 and 8, as well as a higher proportion of lower margin installation services and third-party service work in South America in our Commercial segment.

Impact of Foreign Exchange

Gains and Losses on Foreign Exchange

The gain and loss on foreign exchange for the three- and six-month periods ended June 30, 2024 was a loss of $13.8 million and $19.2 million, respectively, [2023 – gain of $6.5 million and $9.2 million]. The loss is primarily comprised of non-cash items related to the translation of the Company’s U.S. dollar denominated long-term debt at the rate of exchange in effect as of June 30, 2024. See also “Financial Instruments – Foreign exchange contracts”.

Revenue and Adjusted EBITDA

The average U.S. dollar rate of exchange for the three- and six-month periods ended June 30, 2024, was $1.35 and $1.36, respectively, [2023 - $1.36 and $1.36]. A weaker Canadian dollar relative to the U.S. dollar results in higher reported revenue for AGI, as U.S. dollar denominated revenue are translated into Canadian dollars at a higher rate. Similarly, a weaker Canadian dollar results in higher costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, Adjusted EBITDA increases when the Canadian dollar weakens relative to the U.S. dollar.

Remediation costs and equipment rework

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and legal claims related to the incident were initiated against AGI. In 2023, the terms of a settlement agreement were finalized. As at June 30, 2024, the warranty provision for remediation costs is nil [December 31, 2023 – $0.1 million].

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at June 30, 2024, the warranty provision for the equipment rework is $0.1 million [December 31, 2023 – $2.0 million].

Selling, General and Administrative Expenses [“SG&A”]

SG&A expenses for the three-months ended June 30, 2024, excluding merger and acquisition (recovery) expenses [“M&A”], transaction, transitional and other costs, ERP system transformation costs, accounts receivable reserve for the conflict between Russia and Ukraine ("RUK"), and depreciation and amortization, were $63.3 million [18% of revenue] [Q2 2023 – $64.0 million [16.4% of revenue]]. YOY variances are primarily the result of a $2.7 million decrease in salaries and wages attributed to workforce optimization efforts partially offset by a $1.0 million increase in share-based compensation expense. No other individual variance was greater than $1.0 million.

Transaction, transitional and other expense is comprised of 1) transitional costs related to reorganizations; 2) legal costs related to our defense of our Farmobile PUC patent and other litigation; and 3) accretion and other movement in amounts due to vendors related to past acquisitions.

Other operating expense (income)

Other operating expense (income) for the three- and six-month periods ended June 30, 2024, was expense of $1.0 million and income of $9.9 million, respectively [2023 – expense of $5.2 million and income of $10.0 million]. Other operating expense (income) includes non-cash gains and losses on financial instruments, including AGI’s equity compensation hedge, and interest income from customer financing arrangements. The change in other operating expense (income) is mainly attributable to the unrealized change in fair value of the equity swap [see “Equity swap”].

Finance costs

Finance costs which represent interest incurred, including non-cash interest, on all debt for the three- and six-month periods ended June 30, 2024 were $17.1 million and $36.0 million, respectively, [2023 – $18.3 million and $36.0 million].

Finance expense (income)

Finance expense (income) which represents interest income earned and foreign exchange on long term debt for the three- and six-month periods ended June 30, 2024, was expense of $13.7 million and $19.0 million, respectively [2023 – income of $6.6 million and $9.3 million]. The change in finance expense (income) relates primarily to the effect of non-cash translation of the Company’s U.S. dollar denominated long-term debt as the exchange rate increased from 1.3550 at March 31, 2024 to 1.3687 at June 30, 2024.

Profit (loss) before income taxes and Adjusted EBITDA

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

	Three-months ended June 30		Six-months ended June 30	
	2024	2023	2024	2023
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	(7,650)	18,068	(3,801)	39,694
Finance costs	17,060	18,337	36,011	36,018
Depreciation and amortization	18,306	16,431	35,451	32,471
Loss (gain) on foreign exchange [1]	13,791	(6,533)	19,209	(9,150)
Share-based compensation [2]	2,768	2,038	7,184	6,306
Loss (gain) on financial instruments [3]	3,812	8,184	(4,004)	(5,020)
Mergers and acquisition expense [4]	—	—	—	50
Transaction, transitional and other costs [5]	11,929	8,795	16,379	12,674
ERP system transformation costs [6]	4,925	—	9,050	—
Net loss on disposal of property, plant and equipment	198	19	323	193
Net loss (gain) on assets held for sale [7]	—	—	(325)	25
Net gain on settlement of lease liability	(188)	(7)	(194)	(7)
Equipment rework [8]	—	4,900	—	4,900
Remediation [8]	—	15,608	—	15,608
Accounts receivable reserve (recovery) for RUK	—	1,733	(268)	1,733
Impairment charge [9]	3,091	601	3,091	791
Adjusted EBITDA [10]	**68,042**	**88,174**	**118,106**	**136,286**

[1] See "Note 13[e] – Finance expenses (income)" in our consolidated financial statements.
[2] The Company's share-based compensation expense pertains to our equity incentive award plan ("EIAP") and directors' deferred compensation plan ("DDCP"). See "Note 12 – Share-based compensation plans" in our consolidated financial statements.
[3] See "Equity swap".
[4] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[5] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[6] Expenses incurred in connection with a global multi-year ERP transformation project.
[7] See "Note 7 – Assets held for sale" in our consolidated financial statements.
[8] See "Remediation costs and equipment rework".
[9] See "Note 8 – Impairment charge" in our consolidated financial statements.
[10] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

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

			Three-months ended June 30, 2024	
	Farm	Commercial	Other [12]	Total
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	38,193	14,910	(60,753)	**(7,650)**
Finance costs	—	—	17,060	**17,060**
Depreciation and amortization [1]	7,889	8,581	1,836	**18,306**
Loss on foreign exchange [2]	—	—	13,791	**13,791**
Share-based compensation [3]	—	—	2,768	**2,768**
Loss on financial instruments [4]	—	—	3,812	**3,812**
Transaction, transitional and other costs [6]	3,785	—	8,144	**11,929**
ERP system transformation costs [7]	—	—	4,925	**4,925**
Net loss (gain) on disposal of property, plant and equipment [1]	355	(132)	(25)	**198**
Net gain on settlement of lease liability	—	(188)	—	**(188)**
Impairment charge [10]	3,014	77	—	**3,091**
Adjusted EBITDA [11]	**53,236**	**23,248**	**(8,442)**	**68,042**

			Three-months ended June 30, 2023	
	Farm	Commercial	Other [12]	Total
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	62,764	19,777	(64,473)	**18,068**
Finance costs	—	—	18,337	**18,337**
Depreciation and amortization [1]	6,724	7,425	2,282	**16,431**
Gain on foreign exchange [2]	—	—	(6,533)	**(6,533)**
Share-based compensation [3]	—	—	2,038	**2,038**
Loss on financial instruments [4]	—	—	8,184	**8,184**
Transaction, transitional and other costs [6]	—	—	8,795	**8,795**
Net loss (gain) on disposal of property, plant and equipment [1]	(3)	11	11	**19**
Net loss (gain) on settlement of lease liability	2	(9)	—	**(7)**
Equipment rework [9]	—	—	4,900	**4,900**
Remediation [9]	—	—	15,608	**15,608**
Accounts receivable reserve for RUK	—	1,733	—	**1,733**
Impairment charge [10]	599	2	—	**601**
Adjusted EBITDA [11]	**70,086**	**28,939**	**(10,851)**	**88,174**

				Six-months ended June 30, 2024
	Farm	Commercial	Other [12]	Total
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	76,451	20,064	(100,316)	**(3,801)**
Finance costs	—	—	36,011	**36,011**
Depreciation and amortization [1]	14,853	16,907	3,691	**35,451**
Loss on foreign exchange [2]	—	—	19,209	**19,209**
Share-based compensation [3]	—	—	7,184	**7,184**
Gain on financial instruments [4]	—	—	(4,004)	**(4,004)**
Transaction, transitional and other costs [6]	3,785	—	12,594	**16,379**
ERP system transformation costs [7]	—	—	9,050	**9,050**
Net loss (gain) on disposal of property, plant and equipment [1]	466	(120)	(23)	**323**
Net gain on assets held for sale [8]	(325)	—	—	**(325)**
Net gain on settlement of lease liability	—	(194)	—	**(194)**
Accounts receivable recovery for RUK	—	(268)	—	**(268)**
Impairment charge [10]	3,014	77	—	**3,091**
Adjusted EBITDA [11]	**98,244**	**36,466**	**(16,604)**	**118,106**

				Six-months ended June 30, 2023
	Farm	Commercial	Other [12]	Total
[thousands of dollars]	$	$	$	$
Profit (loss) before income taxes	94,410	34,224	(88,940)	**39,694**
Finance costs	—	—	36,018	**36,018**
Depreciation and amortization [1]	13,262	14,735	4,474	**32,471**
Gain on foreign exchange [2]	—	—	(9,150)	**(9,150)**
Share-based compensation [3]	—	—	6,306	**6,306**
Gain on financial instruments [4]	—	—	(5,020)	**(5,020)**
Mergers and acquisition expense [5]	—	—	50	**50**
Transaction, transitional and other costs [6]	—	—	12,674	**12,674**
Net loss on disposal of property, plant and equipment [1]	74	108	11	**193**
Net loss on assets held for sale [8]	—	25	—	**25**
Net loss (gain) on settlement of lease liability	3	(10)	—	**(7)**
Equipment rework [9]	—	—	4,900	**4,900**
Remediation [9]	—	—	15,608	**15,608**
Accounts receivable reserve for RUK	—	1,733	—	**1,733**
Impairment charge [10]	789	2	—	**791**
Adjusted EBITDA [11]	**108,538**	**50,817**	**(23,069)**	**136,286**

[1] Allocated based on the segment of the underlying asset's cash generating unit ("CGU").
[2] See "Note 13[e] – Finance expenses (income)" in our consolidated financial statements.
[3] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 12 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[6] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[7] Expenses incurred in connection with a global multi-year ERP transformation project.
[8] See "Note 7 – Assets held for sale" in our consolidated financial statements.
[9] See "Remediation costs and equipment rework".
[10] See "Note 8 – Impairment charge" in our consolidated financial statements.
[11] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[12] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

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

			Three-months ended June 30, 2024		
	Canada	US	International	Other [12]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	17,481	25,563	10,051	(60,745)	**(7,650)**
Finance costs	—	—	—	17,060	17,060
Depreciation and amortization [1]	5,718	6,287	4,473	1,828	18,306
Loss on foreign exchange [2]	—	—	—	13,791	13,791
Share-based compensation [3]	—	—	—	2,768	2,768
Loss on financial instruments [4]	—	—	—	3,812	3,812
Transaction, transitional and other costs [6]	—	3,785	—	8,144	11,929
ERP system transformation costs [7]	—	—	—	4,925	4,925
Net loss (gain) on disposal of property, plant and equipment [1]	157	201	(135)	(25)	198
Net gain on settlement of lease liability	(188)	—	—	—	(188)
Impairment charge [10]	77	3,014	—	—	3,091
Adjusted EBITDA [11]	**23,245**	**38,850**	**14,389**	**(8,442)**	**68,042**

					Three-months ended June 30, 2023
	Canada	US	International	Other [12]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	25,515	43,678	13,341	(64,466)	18,068
Finance costs	—	—	—	18,337	18,337
Depreciation and amortization [1]	5,006	5,178	3,972	2,275	16,431
Gain on foreign exchange [2]	—	—	—	(6,533)	(6,533)
Share-based compensation [3]	—	—	—	2,038	2,038
Loss on financial instruments [4]	—	—	—	8,184	8,184
Transaction, transitional and other costs [6]	—	—	—	8,795	8,795
Net loss (gain) on disposal of property, plant and equipment [1]	(39)	44	3	11	19
Net gain on settlement of lease liability	—	(7)	—	—	(7)
Equipment rework [9]	—	—	—	4,900	4,900
Remediation [9]	—	—	—	15,608	15,608
Accounts receivable reserve for RUK	—	—	1,733	—	1,733
Impairment charge [10]	599	—	2	—	601
Adjusted EBITDA [11]	**31,081**	**48,893**	**19,051**	**(10,851)**	**88,174**

					Six-months ended June 30, 2024
	Canada	US	International	Other [12]	Total
[thousands of dollars]	$	$	$	$	$
Profit (loss) before income taxes	29,633	55,674	11,191	(100,299)	**(3,801)**
Finance costs	—	—	—	36,011	36,011
Depreciation and amortization [1]	10,564	12,405	8,808	3,674	35,451
Loss on foreign exchange [2]	—	—	—	19,209	19,209
Share-based compensation [3]	—	—	—	7,184	7,184
Gain on financial instruments [4]	—	—	—	(4,004)	(4,004)
Transaction, transitional and other costs [6]	—	3,785	—	12,594	16,379
ERP system transformation costs [7]	—	—	—	9,050	9,050
Net loss (gain) on disposal of property, plant and equipment [1]	185	286	(125)	(23)	323
Net gain on assets held for sale [8]	—	(325)	—	—	(325)
Net gain on settlement of lease liability	(188)	(6)	—	—	(194)
Accounts receivable recovery for RUK	—	—	(268)	—	(268)
Impairment charge [10]	77	3,014	—	—	3,091
Adjusted EBITDA [11]	**40,271**	**74,833**	**19,606**	**(16,604)**	**118,106**

[thousands of dollars]	Canada $	US $	International $	Other [12] $	Total $
					Six-months ended June 30, 2023
Profit (loss) before income taxes	37,241	66,304	25,072	(88,923)	39,694
Finance costs	—	—	—	36,018	36,018
Depreciation and amortization [1]	9,870	10,340	7,804	4,457	32,471
Gain on foreign exchange [2]	—	—	—	(9,150)	(9,150)
Share-based compensation [3]	—	—	—	6,306	6,306
Gain on financial instruments [4]	—	—	—	(5,020)	(5,020)
Mergers and acquisition expense [5]	—	—	—	50	50
Transaction, transitional and other costs [6]	—	—	—	12,674	12,674
Net loss (gain) on disposal of property, plant and equipment [1]	(54)	133	103	11	193
Net loss on assets held for sale [8]	—	25	—	—	25
Net gain on settlement of lease liability	—	(7)	—	—	(7)
Equipment rework [9]	—	—	—	4,900	4,900
Remediation [9]	—	—	—	15,608	15,608
Accounts receivable reserve for RUK	—	—	1,733	—	1,733
Impairment charge [10]	599	190	2	—	791
Adjusted EBITDA [11]	**47,656**	**76,985**	**34,714**	**(23,069)**	**136,286**

[1] Allocated based on the geographical region of the facilities with the exception of expenses noted in Other.
[2] See "Note 13[e] – Finance expenses (income)" in our consolidated financial statements.
[3] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 12– Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap".
[5] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[6] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[7] Expenses incurred in connection with a global multi-year ERP transformation project.
[8] See "Note 7 – Assets held for sale" in our consolidated financial statements.
[9] See "Remediation costs and equipment rework".
[10] See "Note 8 – Impairment charge" in our consolidated financial statements.
[11] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[12] Included in Other is the corporate office which provides finance, treasury, legal, human resources and other administrative support to the geographical regions.

AGI's Adjusted EBITDA for the three-month period ended June 30, 2024 decreased to $68.0 million from $88.2 million for the same period in 2023. This was largely due to the anticipated softness in the Farm segment while timing of large-scale projects impacted growth in our Commercial segment. For further details, on both segments, refer to pages [4-9] of this MD&A.

Depreciation and amortization

Depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets are categorized in the income statement in accordance with the function to which the underlying asset is related. Depreciation and amortization expense for the three- and six-month periods ended June 30, 2024, was expense of $17.8 million and $34.4 million, respectively [2023 – $15.9 million and $31.5 million]. The increase in depreciation and amortization expense relates to additions during the periods and the amortization of tradename, which began in 2024.

Income tax expense

Current income tax expense

Current income tax expense for the three- and six-month periods ended June 30, 2024 was $3.2 million and $5.2 million, respectively [2023 – $1.2 million and $6.1 million].

Deferred income tax expense (recovery)

Deferred income tax expense for the three- and six-month periods ended June 30, 2024, was a recovery of $3.4 million and $3.5 million, respectively [2023 – expense of $0.8 million and $1.2 million]. The deferred income tax recovery in the 2024 periods related to the recognition of temporary differences between the accounting and tax treatment of EIAP liability, equity swap, and accruals and long-term provisions.

[thousands of dollars except percentages]	Three-months ended June 30 2024 $	Three-months ended June 30 2023 $	Six-months ended June 30 2024 $	Six-months ended June 30 2023 $
Current tax expense	3,180	1,185	5,196	6,063
Deferred tax expense (recovery)	(3,436)	788	(3,542)	1,179
Total income tax expense (recovery)	**(256)**	**1,973**	**1,654**	**7,242**
Profit (loss) before income taxes	(7,650)	18,068	(3,801)	39,694
Effective income tax rate	3.3%	10.9%	(43.5%)	18.2%

The effective tax rate in the 2024 periods was impacted by items that were included in the calculation of profit (loss) before income taxes for accounting purposes but were not included or deducted for tax purposes. The decreased effective tax rate for the three-month period ended June 30, 2024 was specifically attributable to unrealized foreign exchange gains and (losses), as well as differences in tax rates and deductions allowed in foreign jurisdictions.

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

The Company’s diluted adjusted profit per share for the three- and six-month periods ended June 30, 2024, was a profit of $1.42 and $1.87 per share, respectively [2023 – profit of $2.24 and $2.59 per share]. Diluted adjusted profit per share has been impacted by the items enumerated in the table below, which reconciles profit (loss) to adjusted profit.

[thousands of dollars except per share amounts]	Three-months ended June 30 2024 $	Three-months ended June 30 2023 $	Six-months ended June 30 2024 $	Six-months ended June 30 2023 $
Profit (loss)	(7,394)	16,095	(5,455)	32,452
Diluted profit (loss) per share	(0.39)	0.81	(0.29)	1.63
Loss (gain) on foreign exchange [1]	13,791	(6,533)	19,209	(9,150)
Loss (gain) on financial instruments [2]	3,812	8,184	(4,004)	(5,020)
Mergers and acquisition expense [3]	—	—	—	50
Transaction, transitional and other costs [4]	11,929	8,795	16,379	12,674
ERP system transformation costs [5]	4,925	—	9,050	—
Net loss on disposal of property, plant and equipment	198	19	323	193
Net loss (gain) on sale of assets held for sale [6]	—	—	(325)	25
Net gain on settlement of lease liability	(188)	(7)	(194)	(7)
Equipment rework [7]	—	4,900	—	4,900
Remediation [7]	—	15,608	—	15,608
Accounts receivable reserve (recovery) for RUK	—	1,733	(268)	1,733
Impairment charge [8]	3,091	601	3,091	791
Adjusted profit [9]	30,164	49,395	37,806	54,249
Diluted adjusted profit per share [10]	1.42	2.24	1.87	2.59

[1] See "Note 13[e] – Finance expenses (income)" in our consolidated financial statements.
[2] See "Equity swap".
[3] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[4] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[5] Expenses incurred in connection with a global multi-year ERP transformation project.
[6] See "Note 7 – Assets held for sale" in our consolidated financial statements.
[7] See "Remediation costs and equipment rework".
[8] See "Note 8 – Impairment charge" in our consolidated financial statements.
[9] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.
[10] This is a non-IFRS ratio and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS ratio.

QUARTERLY FINANCIAL INFORMATION

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

2024					
	Average USD/CAD Exchange Rate	Revenue [1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q1	1.35	314,596	1,939	0.10	0.10
Q2	1.35	351,781	(7,394)	(0.39)	(0.39)
YTD	**1.36**	**666,377**	**(5,455)**	**(0.29)**	**(0.29)**

2023					
	Average USD/CAD Exchange Rate	Revenue [1] $	Profit $	Basic Profit per Share $	Diluted Profit per Share $
Q1	1.37	347,016	16,357	0.86	0.82
Q2	1.36	390,269	16,095	0.85	0.81
Q3	1.35	410,067	25,059	1.32	1.21
Q4	1.36	379,317	11,378	0.60	0.58
FY 2023	**1.35**	**1,526,669**	**68,889**	**3.63**	**3.44**

2022					
	Average USD/CAD Exchange Rate	Revenue [1] $	Profit (Loss) $	Basic Profit (Loss) per Share $	Diluted Profit (Loss) per Share $
Q3	1.29	402,074	6,972	0.37	0.36
Q4	1.36	374,034	(67,811)	(3.59)	(3.59)
FY 2022	**1.30**	**1,458,082**	**(50,583)**	**(2.68)**	**(2.68)**

[1] See "BASIS OF PRESENTATION".

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

- Revenue, gain (loss) on foreign exchange, profit (loss), and basic and diluted profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.
- Certain quarters include items that management believes do not necessarily arise as part of the Company's day-to-day operations; see "Profit (loss) before income taxes and Adjusted EBITDA" for such items.

Interim period revenue and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial grain and fertilizer projects and higher in-season demand at the farm level. The seasonality of AGI's business may be impacted by several factors including weather and the timing and quality of harvest in North America.

In the longer-term, AGI's continued expansion internationally as well as into the seed, fertilizer, feed and food verticals should lessen the seasonality related to annual grain volumes and harvest conditions.

LIQUIDITY AND CAPITAL RESOURCES

AGI's financing requirements are subject to variations due to the seasonal and cyclical nature of its business. Revenues historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and cash flow has been lower in the first half of each calendar year. However, the Company's geographic diversity has increased over time, leading to a more balanced distribution of revenue and corresponding collections throughout the year. Internally generated funds are supplemented, when necessary, from external sources, primarily the Company's senior credit facilities, to fund the Company's working capital requirements, capital expenditures, acquisitions, dividends and other items. The Company believes that the senior credit facilities and debentures described under "Capital Resources", together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditure, dividend and debt service requirements.

CASH FLOW AND LIQUIDITY

	Three-months ended June 30		Six-months ended June 30	
	2024	2023	2024	2023
[thousands of dollars]	$	$	$	$
Profit (loss) before tax	(7,650)	18,068	(3,801)	39,694
Items not involving current cash flows	34,776	10,623	55,791	23,920
Cash flows provided by operations	27,126	28,691	51,990	63,614
Net change in non-cash working capital	1,675	(3,976)	(34,637)	(35,353)
Transfer from (to) restricted cash	(4,255)	166	(4,336)	928
Proceeds from settlement of financial instrument	—	—	7,008	—
Non-current accounts receivable and other	6,872	(5,863)	2,259	(4,732)
Other assets	1,819	—	—	—
Long-term payables	33	52	118	274
Settlement of equity incentive award plan obligation	(2,745)	(4,801)	(6,947)	(14,009)
Post-combination payments	—	(1,399)	(1,699)	(2,399)
Income tax recovered (paid)	1,801	1,095	395	(7,055)
Cash provided by operating activities	32,326	13,965	14,151	1,268
Cash used in investing activities	(9,765)	(5,515)	(14,472)	(9,114)
Cash provided by (used in) financing activities	(25,963)	(10,619)	(1,812)	18,885
Net increase (decrease) in cash during the period	(3,402)	(2,169)	(2,133)	11,039
Cash, beginning of period	89,311	72,852	88,042	59,644
Cash, end of period	**85,909**	**70,683**	**85,909**	**70,683**

Cash provided by operating activities for the three- and six-month periods ended June 30, 2024 as compared to the 2023 periods increased due to changes in non-cash working capital balances, change in non-current accounts receivable and proceeds from settlement of financial instruments [see "Equity swap"] offset by losses before income taxes.

Cash used in investing activities for the three- and six-month periods ended June 30, 2024 increased primarily due to our investments through capital expenditures and internally generated intangibles.

Cash provided by (used in) financing activities for the three- and six-month periods ended June 30, 2024, excluding the impact of foreign exchange, relates primarily to a net increase in the balance outstanding on our senior credit facilities of $71.8 million in Q2 2024 [Q2 2023 – net increase of $0.3 million], net of fees, and changes in interest accrual. A draw of $86.3 million from the Company's credit facilities was made during the three-month period ended June 30, 2024 and was used to repay its 5.40% senior debentures that matured on June 30, 2024.

Free Cash Flow

Free cash flow demonstrates AGI's cash generation capabilities. Free cash flow is defined as cash provided by operating activities less capital expenditures (or acquisition of property, plant and equipment) and intangible asset investments (or development and purchase of intangible assets). This measure represents cash generated by AGI's business that could be directed to fund ongoing and prospective strategic initiatives, reduce debt, or pursue other initiatives to enhance shareholder value after investing in capital expenditures that are required to maintain and grow the Company. Management monitors and discloses free cash flow to highlight AGI's operational efficiency and financial flexibility.

	Three-months ended June 30		Last Twelve-months ended June 30	
	2024	2023	2024	2023
[thousands of dollars]	$	$	$	$
Cash provided by operating activities	32,326	13,965	118,510	163,087
Less: acquisition of property, plant and equipment	(7,952)	(2,888)	(44,970)	(32,270)
Less: development and purchase of intangible assets	(2,088)	(3,351)	(8,681)	(20,157)
Free cash flow [1]	**22,286**	**7,726**	**64,859**	**110,660**

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

For the three-month period ended June 30, 2024, free cash flow improved to $22.3 million from $7.7 million in the same period last year. This growth was primarily driven by a substantial increase in cash provided by operations, which rose to $32.3 million from $14.0 million.

For the twelve-month period ended June 30, 2024, free cash flow decreased to $64.9 million from $110.7 million in the prior year. This decline is attributed to lower cash provided by operations in the current period, which decreased to $118.5 million from $163.1 million, coupled with an increased and strategic investment in property, plant, and equipment in the current period to drive long-term growth. Partially offsetting these factors was a reduction in intangible asset development in the current period.

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable in North America are weighted towards the third and fourth quarters. This collection pattern, combined with historically high revenue in the second and third quarters that result from seasonality, typically lead to accounts receivable levels in North America increasing throughout the year and peaking in the third quarter. Inventory levels in North America typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as revenue levels exceed production offset by the seasonality of our operations in India that is opposite of that described above. In addition, our business in Brazil is less seasonal due to the existence of two growing seasons in the country and the increasing importance of Commercial business in the region. Growth in overall international business which typically has longer payment terms than North America may result in an increase in the number of days accounts receivable remain outstanding and may result in increased usage of working capital in certain quarters.

Capital Expenditures

	Three-months ended June 30		Six-months ended June 30	
	2024	2023	2024	2023
[thousands of dollars except percentages]	$	$	$	$
Maintenance capital expenditures [1]	4,313	1,955	5,939	5,746
Non-maintenance capital expenditures [1]	3,639	933	5,526	3,774
Acquisition of property plant and equipment	**7,952**	**2,888**	**11,465**	**9,520**
Maintenance capital expenditures as % of Revenue [1]	1.2%	0.5%	0.9%	0.8%

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

The acquisition of property, plant and equipment in the three- and six-month periods ended June 30, 2024, was $8.0 million and $11.5 million, respectively [2023 – $2.9 million and $9.5 million].

Maintenance capital expenditures in the three- and six-month periods ended June 30, 2024, were $4.3 million and $5.9 million, respectively; 1.2% and 0.9% of revenue [2023 – $2.0 million and 5.7 million; 0.5% and 0.8% of revenue]. Maintenance capital expenditures in Q2 2024 relate primarily to purchases of manufacturing equipment and building repairs and historically have approximated 1.0% - 1.5% of revenue.

AGI had non-maintenance capital expenditures in the three- and six-month periods ended June 30, 2024, of $3.6 million and $5.5 million, respectively [2023 – $0.9 million and $3.8 million]. The Q2 2024 expenditures relate primarily to capital projects in India and Brazil.

The acquisition of property, plant and equipment and its components of maintenance and non-maintenance capital expenditures in Q2 2024 were financed through equipment financing programs, cash on hand, or through the Company's senior credit facilities [see "Capital Resources"].

CONTRACTUAL OBLIGATIONS

The following table shows, as at June 30, 2024, the Company's contractual obligations for the periods indicated:

[thousands of dollars]	Total $	2024 $	2025 $	2026 $	2027 $	2028+ $
2019 Debentures – 2	**86,250**	86,250	—	—	—	—
2020 Debentures	**85,000**	—	—	85,000	—	—
2021 Convertible Debentures [1]	**114,995**	—	—	—	114,995	—
2022 Convertible Debentures	**103,900**	—	—	—	103,900	—
Long-term Debt [2][4]	**528,096**	197	277	527,207	212	203
Lease liability [2]	**58,229**	6,366	11,256	9,263	7,481	23,863
Short term and low value leases [2]	**84**	77	3	2	1	1
Due to vendor [2]	**4,893**	2,844	2,049	—	—	—
Purchase obligations [3]	**6,960**	6,960	—	—	—	—
Total obligations	**988,407**	**102,694**	**13,585**	**621,472**	**226,589**	**24,067**

[1] During the year ended December 31, 2023, a holder of the 2021 Convertible Debentures converted $0.005 million of the principal amount outstanding into common shares of AGI.
[2] Undiscounted.
[3] Net of deposit.
[4] Subsequent to June 30, 2024, the maturity date of the senior credit facilities was extended from May 11, 2026 to July 3, 2028 [see "Debt Facilities"].

The debentures relate to the aggregate principal amount of the debentures [see "Capital Resources – Debentures"] and long-term debt is comprised of the Company's senior credit facilities [see "Capital Resources – Debt Facilities"].

CAPITAL RESOURCES

Assets and Liabilities

[thousands of dollars]	June 30, 2024 $	June 30, 2023 $
Total assets	1,647,979	1,678,897
Total liabilities	1,355,318	1,392,567

Cash

The Company's cash balance as at June 30, 2024 was $85.9 million [June 30, 2023 - $70.7 million].

Debt Facilities

As at June 30, 2024:

[thousands of dollars except interest rate]	Currency	Maturity	Total Facility [CAD][1][2] $	Amount Drawn[1] $	Effective Interest Rate
Senior Credit Facilities	CAD / USD	2026[3]	726,393	526,988	6.75%
Equipment Financing	various	various	1,099	1,099	various
Total			**727,492**	**528,087**	

[1] USD denominated amounts translated to CAD at the rate of exchange in effect on June 30, 2024 of $1.3687.
[2] Excludes the $300 million accordion available under AGI's credit facility.
[3] Subsequent to June 30, 2024, the maturity date of the senior credit facilities was extended from May 11, 2026 to July 3, 2028 [see "Debt Facilities"].

AGI's senior credit facilities of $350 million and U.S. $275 million are inclusive of amounts that may be allocated to the Company's swing-line facilities and can be drawn in Canadian or U.S. funds. AGI has swing-line facilities of $50 million and U.S. $10 million. On March 11, 2024, the Company amended its senior credit facilities to transition from the Canadian Dollar Offered Rate ("CDOR") to the Canadian Overnight Repo Rate ("CORRA"). The senior credit facilities bear interest at CORRA/SOFR ("Secured Overnight Financing Rate") plus 1.2% – 2.75% and prime plus 0.2% – 1.75% per annum based on performance calculations. As at June 30, 2024, there was $228.9 million [June 30, 2023 – $193.3 million] and U.S. $217.8 million [June 30, 2023 – U.S. $205.8 million] outstanding under the facilities. As at June 30, 2024, the portion of drawings from the senior credit facilities recorded on the swing-line was $11.2 million [June 30, 2023 - $20.5 million]. Debt facilities noted above, excluding deferred financing costs, increased by $60.7 million as compared to Q2 2023. The increase was driven by re-financing activity. On June 30, 2024, the Company's 5.40% senior unsecured subordinated debentures issued in 2019 matured. The Company drew from its senior credit facilities to repay the principal amount of $86.3 million due at maturity.

Subsequent to June 30, 2024, the Company and its lenders completed an amendment to the senior credit facilities on July 3, 2024. The amendment extended the maturity date of the senior credit facilities from May 11, 2026 to July 3, 2028.

Debentures

Convertible Unsecured Subordinated Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures [the "Convertible Debentures"] of the Company that were outstanding as at June 30, 2024:

Year Issued / TSX Symbol	Aggregate Principal Amount $	Coupon	Conversion Price $	Maturity Date	Redeemable at Par
2021 [AFN.DB.I]	114,995,000 [3]	5.00%	45.14	Jun 30, 2027	Jun 30, 2025[1]
2022 [AFN.DB.J]	103,900,000	5.20%	70.50	Dec 31, 2027	Dec 31, 2025[2]

[1] On and after June 30, 2025 and prior to June 30, 2026, the 2021 Convertible Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On and after June 30, 2026, the 2021 Convertible Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount, plus accrued and unpaid interest, regardless of the trading price of the Common Shares.

[2] On and after December 31, 2025 and prior to December 31, 2026, the 2022 Convertible Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On and after December 31, 2026, the 2022 Convertible Debentures may be redeemed in whole or in part from time to time at AGI's option at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the Common Shares.

[3] During the year ended December 31, 2023, a holder of the 2021 Convertible Debentures converted $0.005 million of the principal amount outstanding into common shares of AGI.

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

Senior Unsecured Subordinated Debentures

The following table summarizes the key terms of the Senior Unsecured Subordinated Debentures [the "Senior Debentures"] that were outstanding as at June 30, 2024:

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

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Senior Debentures by issuing and delivering Common Shares. The Company may also elect to satisfy its obligation to pay interest on the Senior Debentures by delivering sufficient Common Shares to the trustee of the Senior Debentures to be sold, with the proceeds used to satisfy the obligation to pay interest. The number of Common Shares issued would be determined based on market prices at the time of issuance. On June 30, 2024, the Company's 5.40% senior unsecured subordinated debentures issued in 2019 matured. See "Debt Facilities" above.

COMMON SHARES

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

	# Common Shares
December 31, 2023	**19,005,846**
Settlement of EIAP obligations	64,852
June 30, 2024 and August 7, 2024	**19,070,698**

At August 7, 2024:

- 19,070,698 Common Shares are outstanding;
- 2,265,000 Common Shares are available for issuance under the Company's equity-settled Equity Incentive Award Plan [the "EIAP"], of which 1,171,289 Common Shares have been issued under the EIAP, 636,743 Common Shares are issuable on the settlement of outstanding awards and 456,968 Common Shares are reserved for issuance on the settlement of awards that are available for grant;
- 120,000 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan, of which 21,998 Common Shares have been issued and;
- 4,021,279 Common Shares are issuable on conversion of the outstanding Convertible Debentures, of which there are an aggregate principal amount of $218.9 million outstanding.

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

DIVIDENDS

AGI declared dividends of $2.9 million or $0.15 per common share [Q2 2023 – $2.8 million or $0.15 per common share] in the three-month period ended June 30, 2024. The dividend declared in Q2 2024 was paid on July 15, 2024 to common shareholders of record at the close of business on June 28, 2024. Dividends paid to common shareholders of $2.9 million [Q2 2023 – $2.8 million] during the three-month period ended June 30, 2024 were financed from cash on hand.

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 senior credit facilities.

FINANCIAL INSTRUMENTS

Interest rate swaps contracts

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

	Currency	Effective	Maturity	Amount of Swap [000's] $	Fixed Rate [1]
Canadian dollar contracts	CAD	June 11, 2023	2026	75,000	3.707 %

[1] Excludes performance adjustment.

On June 16, 2022, the Company entered into a forward interest rate swap contract effective June 11, 2023 and expiring on May 11, 2026. On March 11, 2024, the Company amended its interest rate swap contract to transition from CDOR to CORRA. The fixed rate on the Company's interest rate swap changed from 3.972% to 3.707%. The Company receives interest based on the variable rates from the counterparty and pays interest based on a fixed rate. The notional amounts are $75 million in aggregate, resetting each month. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that it has been assessed to be effective. During the three- and six-month periods ended June 30, 2024, an unrealized loss of $0.5 million and $0.2 million, respectively [2023 – gain of $2.2 million and $1.8 million] was recorded in other comprehensive income (loss) and a realized gain of $0.2 million and $0.5 million, respectively [2023 – nil and nil] was recorded in finance costs. As at June 30, 2024, the fair value of the interest rate swap was an asset of $0.4 million [December 31, 2023 – asset of $0.06 million].

Equity swap

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. During the six-month period ended June 30, 2024, AGI reduced the size of its equity hedge position by 300,000 shares resulting in proceeds of $7.0 million and a realized gain of $3.5 million. As at June 30, 2024, the equity swap agreement covered 422,000 common shares of the Company at a price of $38.76. In addition, the Company also extended the maturity date of the swap agreement from May 7, 2024 to May 5, 2026. During the three- and six-month periods ended June 30, 2024, an unrealized loss of $3.7 million and gain of $0.8 million [2023 – loss of $7.7 million and gain of $5.3 million] was recorded in loss (gain) on financial instruments in other operating expense (income). As at June 30, 2024, the fair value of the equity swap is an asset of $5.8 million [December 31, 2023 – asset of $8.5 million].

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.

In 2023, the Company entered into a series of short-term forward contracts with notional amounts of U.S. $10.8 million in aggregate, which mature on October 31, 2024. During the three- and six-month periods ended June 30, 2024, an unrealized loss of $0.09 million and $0.3 million, respectively [2023 – gain of $0.03 million and $0.2 million] was recorded in loss (gain) on financial instruments. As at June 30, 2024, the fair value of the forward contracts was a liability of $0.2 million [December 31, 2023 – asset of $0.1 million].

Debenture put options

In March 2020, the Company issued $85 million of senior unsecured subordinated debentures with an option of early redemption beginning December 31, 2022. At the time of issuance, the Company's redemption option resulted in an embedded derivative with a fair value of $0.8 million. During the three- and six-month periods ended June 30, 2024, there were no material unrealized gains (losses). As at June 30, 2024, the fair value of the embedded derivative is an asset of $0.6 million [December 31, 2023 – asset of $0.6 million].

OTHER RELATIONSHIPS

A law firm in which a Director of AGI is a partner provides legal services to the Company. During the three- and six-month periods ended June 30, 2024, the total cost of these legal services was $0.06 million and $0.5 million, respectively [2023 – $0.02 million and $0.4 million], and $0.3 million is included in accounts payable and accrued liabilities as at June 30, 2024.

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

CRITICAL ACCOUNTING ESTIMATES

Described in the notes to the Company's 2023 consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the 2023 consolidated financial statements 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 is available under the Company's profile on SEDAR+ [www.sedarplus.ca]. These risks and uncertainties include but are not limited to the following: general economic and business conditions and changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, including as a result of conflicts in the Middle East and the conflict between Russia and Ukraine and the responses thereto from other countries and institutions (including trade sanctions and financial controls), which has created volatility in the global economy and could continue to adversely impact economic and trade activity; the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent coronavirus (COVID-19) pandemic, including on our operations, our personnel, our supply chain, the demand for our products and services, our ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels; the ability of management to execute the Company's business plan; fluctuations in agricultural and other commodity prices, interest rates, inflation rates and currency exchange rates; crop planting, crop conditions and crop yields; weather patterns, the timing of harvest and conditions during harvest; volatility of production costs, including the risk of production cost increases that may arise as a result of ongoing high inflation rates and/or supply chain disruptions and/or labour actions, and the risk that we may not be able to pass along all or any portion of increased costs to customers; governmental regulation of the agriculture and manufacturing industries, including environmental and climate change regulation; actions taken by governmental authorities, including increases in taxes, changes in government regulations and incentive programs, and actions taken in connection with local or global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent COVID-19 pandemic; risks inherent in marketing operations; credit risk; the availability of credit for customers; seasonality and industry cyclicality; potential delays or changes in plans with respect to capital expenditures; the cost and availability of sufficient financial resources to fund the Company's capital expenditures; failure of the Company to realize the benefits of its operational excellence initiatives; incorrect assessments of the value of acquisitions, failure of the Company to realize the anticipated benefits of acquisitions, including to realize anticipated synergies and margin improvements, and the assumption of liabilities associated with acquisitions and/or the provision of indemnities to vendors in respect of any such assumed liabilities or otherwise; volatility in the stock markets including the market price of the Common Shares and in market valuations; competition for, among other things, customers, supplies, acquisitions, capital and skilled personnel; the availability of capital on acceptable terms; dependence on suppliers; changes in labour costs and the labour market, including the risk of labour cost increases that may arise as a result of ongoing high inflation rates and/or a scarcity of labour and/or labour activities; the impact of climate change and related laws and regulations; changes in trade relations between the countries in which the Company does business, including between Canada and the United States; cyber security risks; adjustments to and delays or cancellation of one or more orders comprising our order book; the requirement to re-supply equipment or re-complete work previously supplied or completed at AGI's cost, and the risk that AGI's assumptions and estimates made in respect of such costs and underlying the provision for warranty accrual and remediation in our consolidated financial statements related thereto and insurance coverage therefor (including for the matters disclosed herein under "Remediation costs and equipment rework") will prove to be incorrect as further information becomes available to AGI; and the risk of litigation or unsuccessful defense of litigation in respect of equipment or work previously supplied or completed or in respect of other matters and the risk that AGI incurs material liabilities in connection with such litigation that are not covered by insurance in whole or in part. These 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.

ADOPTION OF NEW ACCOUNTING POLICIES

Amendments to IAS 1

In January 2020 and October 2022, amendments were issued to IAS 1, which provide requirements for classifying liabilities as current or non-current. Specifically, the amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification; and
- Disclosures.

The amendments must be applied retrospectively for annual periods beginning after January 1, 2024. The Company's adoption of these amendments did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in AGI's internal controls over financial reporting that occurred in the three-month period ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS AND OTHER FINANCIAL MEASURES

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

We use the following (i) non-IFRS financial measures: "adjusted earnings before interest, taxes, depreciation, and amortization ("Adjusted EBITDA")", "adjusted gross margin", "free cash flow", and "adjusted profit"; (ii) non-IFRS ratios: "Adjusted EBITDA margin %", "adjusted gross margin as a % of revenue", "gross profit as a % of revenue", and "diluted adjusted profit per share"; and (iii) supplementary financial measures: “order book”, “revenue by geography”, “revenue by segment and geography”, “maintenance capital expenditures”, “maintenance capital expenditures as % of revenue”, and “non-maintenance capital expenditures”; to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS financial measures, non-IFRS ratios and supplementary financial measures in order to prepare annual operating budgets and to determine components of management compensation. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure or ratio.

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

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

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

“Adjusted EBITDA” is defined as profit (loss) before income taxes before finance costs, depreciation and amortization, gain or loss on foreign exchange, non-cash share-based compensation expenses, gain or loss on financial instruments, M&A recovery or expenses, transaction, transitional and other costs, ERP system transformation costs, net gain or loss on the sale of property, plant & equipment, net gain or loss on assets held for sale, net gain or loss on settlement of lease liability, equipment rework, remediation, accounts receivable reserve (recovery) for RUK, non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost and impairment charge. Adjusted EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit (loss) before income taxes. Management believes Adjusted EBITDA is a useful measure to assess the performance and cash flow of the Company as it excludes the effects of interest, taxes, depreciation, amortization and expenses that management believes are not reflective of the Company’s underlying business performance. Management cautions investors that Adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows. See “Detailed Operating Results – Profit (loss) before income taxes and Adjusted EBITDA” for the reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the current and comparative periods. Adjusted EBITDA guidance is a forward-looking non-IFRS financial measure. We do not provide a reconciliation of such forward-looking measure to the most directly comparable financial measure calculated and presented in accordance with IFRS due to unknown variables and the uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value that may be inherently difficult to determine without unreasonable efforts. Guidance for Adjusted EBITDA is calculated in the same manner as described above for historical Adjusted EBITDA, as applicable.

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

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

“Adjusted Gross Margin as a % of revenue” is defined as adjusted gross margin divided by revenue. Adjusted gross margin as a % of revenue is a non-IFRS ratio because one of its components, adjusted gross margin, is a non-IFRS financial measure. Management believes adjusted gross margin as a % of revenue is a useful measure to assess the performance of the Company.

“Adjusted profit” is defined as profit or loss adjusted for gain or loss on foreign exchange, gain or loss on financial instruments, M&A recovery or expenses, transaction, transitional and other costs, ERP system transformation costs, net gain or loss on the sale of property, plant & equipment, net gain or loss on the sale of assets held for sale, net gain or loss on the settlement of lease liability, equipment rework, remediation, accounts receivable reserve (recovery) for RUK, and impairment charge. Adjusted profit is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit or loss. Management believes adjusted profit is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performances. See “Detailed Operating Results – Diluted profit (loss) per share and diluted adjusted profit per share” for the reconciliation of adjusted profit to profit (loss) for the current and comparative periods.

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

"Free cash flow" is defined as cash provided by operating activities less acquisition of property, plant and equipment and less development and purchase of intangible assets. Free cash flow is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is cash provided by operating activities. Management believes that free cash flow provides useful information because about the Company's ability to generate available cash that can be used to pursue opportunities to fund ongoing and prospective strategic initiatives, reduce debt, or pursue other initiatives to enhance shareholder value after investing in capital expenditures that are required to maintain and grow the Company. Management uses free cash flow to help monitor the operational efficiency and financial flexibility of the Company. See “Free Cash Flow” above for a reconciliation of free cash flow to cash provided by operating activities for the current and comparative periods.

“Gross Profit as a % of revenue” is defined as gross profit divided by revenue. Gross profit as a % of revenue is a supplementary financial measure.

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

“Order book” is defined as the total value of committed sales orders that have not yet been fulfilled that: (a) have a high certainty of being performed as a result of the existence of a purchase order, an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to the Company or its divisions, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Order book is a supplementary financial measure. AGI previously used the term ‘backlogs’ instead of ‘order book”, however there has been no change to the definition or underlying calculation.

“Revenue by Geography” and “Revenue by Segment and Geography”: The revenue information presented under “Revenue by Geography” and “Revenue by Segment and Geography” are supplementary financial measures used to present the Company’s revenue by geography and by segment and geography.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information [collectively, “forward-looking information”] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words “anticipate”, “estimate”, “believe”, “continue”, “could”, “expects”, “intend”, “trend”, “plans”, “will”, “may” or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to: our belief that the structural improvements we have made enable margins to track higher across the majority of the operating businesses within AGI; our belief that recently launched additional strategic initiatives, such as a product standardization program, will provide increasing benefits in the second half of 2024 and into 2025; our belief that recent market conditions in the Farm segment in U.S. and Brazil exhibited early signs of improvement; our belief that increasing inventory turnover of portable equipment across our North American dealer network bodes well for an overall ramp-up in demand; our belief that growing confidence in the realization of a large crop yield is driving more positive overall farmer sentiment; our belief that improving dynamics support the outlook for stronger Farm segment performance during the second half of the year; our belief that our Commercial segment results are signaling a positive trend that is expected to continue through the remainder of the year; that we anticipate a strong Commercial segment performance into the second half of the year; our belief that the strength of our order book supports optimism for the remainder of the year, especially as several major projects within our international Commercial segment are on pace to meaningfully contribute to full year results; our belief that continued progress across our key strategic growth initiatives provides further momentum towards accelerated growth; our belief that product transfers are tracking well above our initial expectations and are on pace to be a meaningful contributor to full year results; our belief that we are well positioned for a strong overall 2024 performance; that we see significant momentum across the business and early signs of improving market conditions in the Farm segment; our full year 2024 Adjusted EBITDA outlook of $300 million to $310 million supported by full year 2024 Adjusted EBITDA margins greater than 19%; that we remain optimistic for Canada Farm as we see the shift in demand continuing into the rest of the year; our belief that harvest conditions are generally trending favorably in addition to some positive inventory turnover trends within our dealer network, which could provide some upside in the second half of 2024 for the U.S. Farm segment; that we remain confident that the longer-term outlook for Brazil is strong and that AGI is well positioned within this strategically vital market; that we remain cautiously optimistic about a sustainable turnaround in the Canada Commercial segment; our belief that we have successfully repositioned our Food platform for growth which helps to provide positive momentum for our U.S. Commercial business in the second half of 2024 and beyond; our belief that our International Commercial segment is at the beginning of an expected meaningful uptrend in performance and contribution for this segment throughout 2024; our belief that in the longer-term, AGI's continued expansion internationally as well as into the seed, fertilizer, feed and food verticals should lessen the seasonality related to annual grain volumes and harvest conditions; our belief that AGI's senior credit facilities and debentures, together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditure, dividend and debt service requirements; our outlook for our financial and operating performance in the second half of 2024 and fiscal 2024, including by segment, product type and geographic region, and including our expectations for our future financial results, industry demand, market conditions, and industry and market trends; our business strategies and strategic priorities; the long-term fundamentals and growth drivers of our business; the estimated costs to the Company that may result from the remediation work and/or equipment rework described herein under "Remediation costs and equipment rework"; the factors that may impact our working capital requirements; and our dividend policy and how dividend payments may be funded. 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 crop yields and production in our market areas; the financial and operating attributes of acquired businesses and the anticipated future performance thereof; the value of acquired businesses and assets and the liabilities assumed (and indemnities provided) by AGI in connection therewith; anticipated financial performance; future debt levels; business prospects and strategies, including the success of our operational excellence initiatives; product and input pricing; the scope, nature, timing and cost of re-supplying certain equipment and re-completing certain work that has previously been supplied or completed pursuant to warranty obligations or otherwise; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; currency exchange rates, inflation rates and interest rates; the cost of materials, labour and services and the impact of inflation rates and/or supply chain disruptions and/or labour activity thereon; the impact of competition; the general stability of the economic and regulatory environments 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 amount and timing of the dividends that we expect to pay; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; the ability of the Company to successfully market its products and services; and that a pandemic or other public health emergency will not have a material impact on our business, operations, and financial results going forward. 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. These risks and uncertainties are described under “Risks and Uncertainties” in this MD&A and in our most recently filed Annual Information Form, which is available under the Company’s profile on SEDAR+ [www.sedarplus.ca]. These factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Further, AGI cannot guarantee that the anticipated revenue from its order book will be realized or, if realized, will result in profits or Adjusted EBITDA. Delays, cancellations and scope adjustments occur from time-to-time with respect to contracts reflected in AGI’s order book, which can adversely affect the revenue and profit that AGI actually receives from its order book. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities. These estimates and related assumptions may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. Without limitation of the foregoing, the provisions for remediation costs and equipment rework disclosed herein required significant estimates, judgments and assumptions about the scope, nature, timing and cost of work that will be required. It is based on management’s estimates, judgments and assumptions at the current date and is subject to revision in the future as further information becomes available to the Company. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

FINANCIAL OUTLOOK

Also included in this MD&A are estimates of AGI's 2024 Adjusted EBITDA and Adjusted EBITDA margin %, which are based on, among other things, the various assumptions disclosed in this MD&A including under "Forward-Looking Information" and including our assumptions regarding the Adjusted EBITDA contribution that AGI anticipates receiving from revenue growth in 2024 in part as a result of the 8% YOY increase in AGI's order book as of June 30, 2024 and the benefits of operational excellence initiatives. To the extent such estimates constitute financial outlooks, they were approved by management on August 7, 2024, and are included to provide readers with an understanding of AGI's anticipated 2024 Adjusted EBITDA and Adjusted EBITDA margin % based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

RECONCILIATION OF ADJUSTED EBITDA TO PROFIT (LOSS) BEFORE INCOME TAXES FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

The following table reconciles profit (loss) before income taxes to Adjusted EBITDA for the years ended December 31, 2023, and 2022:

	Year ended December 31	
	2023	2022
[thousands of dollars]	$	$
Profit (loss) before income taxes	86,067	(45,313)
Finance costs	73,667	61,067
Depreciation and amortization	65,316	76,945
Loss (gain) on foreign exchange [1]	(7,571)	8,941
Share-based compensation [2]	12,159	15,620
Gain on financial instruments [3]	(5,369)	(9,629)
Mergers and acquisition expense (recovery) [4]	50	(144)
Transaction, transitional and other costs [5]	27,124	44,301
ERP system transformation costs [6]	14,001	—
Net loss on disposal of property, plant and equipment [7]	768	340
Net gain on assets held for sale [8]	(314)	—
Equipment rework [9]	7,900	6,100
Remediation [9]	16,208	—
Accounts receivable reserve for RUK	1,651	—
Fair value of inventory from acquisition [10]	—	609
Impairment charge [11]	2,237	75,846
Adjusted EBITDA [12]	**293,894**	**234,683**

[1] See "Note 25[e] – Finance expenses (income)" in our consolidated financial statements for the years ended December 31, 2023 ("2023 Statements") and 2022.

[2] The Company's share-based compensation expense pertains to our EIAP and DDCP. See "Note 24 – Share-based compensation plans" in our 2023 Statements.

[3] See "Equity swap".

[4] Transaction costs (recoveries) associated with completed and ongoing mergers and acquisitions activities.
[5] Includes legal expense, legal provision, transitional costs related to reorganizations and other acquisition related transition costs, as well as the accretion and other movement in amounts due to vendors.
[6] Expenses incurred in connection with a global multi-year ERP transformation project.
[7] Includes loss (gain) on settlement of lease liabilities. See "Note 11 – Property, plant and equipment" in our 2023 Statements.
[8] See "Note 16 – Assets held for sale" in our 2023 Statements.
[9] See "Remediation costs and equipment rework"; includes legal fees associated with remediation settlement in our 2023 Statements.
[10] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[11] Impairment charge related to property, plant, and equipment, right-of-use assets, goodwill, intangible assets and assets held for sale. See "Note 11 – Property, plant and equipment", "Note 12 – Right-of-use assets", "Note 13 – Goodwill", "Note 14 – Intangible assets" and "Note 16 – Assets held for sale" in our 2023 Statements.
[12] This is a non-IFRS measure and is used throughout this MD&A. See "NON-IFRS AND OTHER FINANCIAL MEASURES" for more information on each non-IFRS measure.

ADDITIONAL INFORMATION

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

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

June 30, 2024

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	June 30, 2024 $	December 31, 2023 $
Assets		
Current assets		
Cash and cash equivalents	85,909	88,042
Restricted cash	7,062	2,619
Accounts receivable	260,155	265,604
Inventory	230,227	214,763
Prepaid expenses and other assets	59,678	65,584
Current portion of notes receivable	5,955	5,658
Current portion of derivative instruments	—	8,621
Income taxes recoverable	12,007	11,357
	660,993	662,248
Non-current assets		
Property, plant and equipment, net	337,515	344,386
Right-of-use assets, net	36,819	32,810
Goodwill	343,834	339,607
Intangible assets, net	201,650	211,117
Derivative instruments *[note 17[c]]*	6,877	700
Non-current accounts receivable	49,504	51,763
Notes receivable	96	191
Deferred tax asset	9,076	10,086
	985,371	990,660
Assets held for sale *[note 7]*	1,615	2,068
Total assets	1,647,979	1,654,976
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	224,529	252,941
Customer deposits	91,632	88,068
Dividends payable *[note 11[c]]*	2,861	2,851
Derivative instruments *[note 17[c]]*	196	—
Income taxes payable	9,950	4,371
Current portion of EIAP liability	203	—
Current portion of due to vendor	4,561	4,447
Current portion of lease liability	8,822	6,711
Current portion of long-term debt *[note 10]*	356	549
Current portion of senior unsecured subordinated debentures	85,827	171,249
Provisions *[note 9]*	13,588	16,813
	442,525	548,000
Non-current liabilities		
Other financial liabilities	1,008	863
EIAP liability	431	1,540
Due to vendor	29	1,459
Lease liability	37,232	34,960
Long-term debt *[note 10]*	523,371	419,908
Convertible unsecured subordinated debentures *[note 17]*	193,479	190,064
Senior unsecured subordinated debentures *[note 17]*	83,732	83,507
Deferred tax liability	53,511	56,691
	892,793	788,992
Total liabilities	1,335,318	1,336,992
Shareholders' equity *[note 11]*		
Common shares	12,347	10,303
Accumulated other comprehensive income	17,591	12,229
Equity component of convertible debentures	22,868	22,868
Contributed surplus	497,872	499,217
Deficit	(238,017)	(226,633)
Total shareholders' equity	312,661	317,984
Total liabilities and shareholders' equity	1,647,979	1,654,976

See accompanying notes

On behalf of the Board of Directors:

(signed) Janet Giesselman
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income (loss)

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

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	$	$	$	$
Revenue *[note 6]*	**351,781**	390,269	**666,377**	737,285
Cost of goods sold *[note 13[a]]*	**236,170**	272,307	**449,651**	512,889
Gross profit	**115,611**	117,962	**216,726**	224,396
Expenses				
Selling, general and administrative *[note 13[b]]*	**88,425**	82,402	**172,336**	167,181
Other operating expense (income) *[note 13[c]]*	**978**	5,176	**(9,886)**	(9,964)
Impairment charge *[note 8]*	**3,091**	601	**3,091**	791
Finance costs *[note 13[d]]*	**17,060**	18,337	**36,011**	36,018
Finance expense (income) *[note 13[e]]*	**13,707**	(6,622)	**18,975**	(9,324)
	123,261	99,894	**220,527**	184,702
Profit (loss) before income taxes	**(7,650)**	18,068	**(3,801)**	39,694
Income tax expense (recovery) *[note 14]*				
Current	**3,180**	1,185	**5,196**	6,063
Deferred	**(3,436)**	788	**(3,542)**	1,179
	(256)	1,973	**1,654**	7,242
Profit (loss) for the period	**(7,394)**	16,095	**(5,455)**	32,452
Profit (loss) per share *[note 15]*				
Basic	**(0.39)**	0.85	**(0.29)**	1.71
Diluted	**(0.39)**	0.81	**(0.29)**	1.63

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income (loss)

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	$	$	$	$
Profit (loss) for the period	(7,394)	16,095	(5,455)	32,452
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 *[note 17[c]]*	(498)	2,161	(156)	1,802
Realized gains on derivatives designated as cash flow hedges recognized in net earnings *[note 17[c]]*	249	—	514	—
Income tax effect on cash flow hedges	67	(578)	(96)	(483)
Exchange differences on translation of foreign operations	(5,978)	(7,295)	4,592	(807)
	(6,160)	(5,712)	4,854	512
Items that will not be reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plans	(25)	34	694	276
Income tax effect on defined benefit plans	7	(10)	(186)	(74)
	(18)	24	508	202
Other comprehensive income (loss) for the period	(6,178)	(5,688)	5,362	714
Total comprehensive income (loss) for the period	(13,572)	10,407	(93)	33,166

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2024

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency translation reserve $	Cash flow hedge reserve $	Defined benefit plan reserve $	Equity investment $	Total shareholders' equity $
As at January 1, 2024	10,303	22,868	499,217	(226,633)	10,352	41	2,736	(900)	317,984
Loss for the period	—	—	—	(5,455)	—	—	—	—	(5,455)
Other comprehensive income	—	—	—	—	4,592	262	508	—	5,362
Share-based payment transactions *[notes 12[a] and [b]]*	2,044	—	(1,345)	—	—	—	—	—	699
Dividends paid and payable to shareholders *[note 12[c]]*	—	—	—	(5,720)	—	—	—	—	(5,720)
Dividends on share-based compensation awards *[note 12[c]]*	—	—	—	(209)	—	—	—	—	(209)
As at June 30, 2024	12,347	22,868	497,872	(238,017)	14,944	303	3,244	(900)	312,661

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders’ equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2023

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency translation reserve $	Cash flow hedge reserve $	Defined benefit plan reserve $	Equity investment $	Total shareholders' equity $
As at January 1, 2023	9,644	22,851	501,741	(283,682)	13,767	(259)	2,508	(900)	265,670
Profit for the period	—	—	—	32,452	—	—	—	—	32,452
Other comprehensive income (loss)	—	—	—	—	(807)	1,319	202	—	714
Share-based payment transactions *[notes 12[a] and [b]]*	636	—	(7,187)	—	—	—	—	—	(6,551)
Dividends paid and payable to shareholders *[note 12[c]]*	—	—	—	(5,694)	—	—	—	—	(5,694)
Dividends on share-based compensation awards *[note 12[c]]*	—	—	—	(283)	—	—	—	—	(283)
Conversion of 2021 convertible debentures *[note 12[a]]*	5	17	—	—	—	—	—	—	22
As at June 30, 2023	10,285	22,868	494,554	(257,207)	12,960	1,060	2,710	(900)	286,330

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	$	$	$	$
Operating activities				
Profit (loss) before income taxes	(7,650)	18,068	(3,801)	39,694
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	7,109	7,056	14,325	14,209
Depreciation of right-of-use assets	2,453	1,855	4,435	3,535
Amortization of intangible assets	8,227	7,032	15,667	13,771
Loss on sale of property, plant and equipment	198	19	323	193
Loss (gain) on sale of assets held for sale	—	—	(325)	25
Gain on settlement of lease liability	(188)	(7)	(194)	(7)
Impairment charge	3,091	601	3,091	791
Non-cash component of interest expense	2,559	2,374	5,075	4,668
Non-cash movement in derivative instruments	3,812	8,184	(4,004)	(5,020)
Non-cash investment tax credits	(62)	(10)	(73)	(113)
Share-based compensation expense	2,768	2,038	7,184	6,306
Defined benefit plan expense (income)	70	(6)	111	(12)
Other	4,789	(12,212)	1,011	(10,401)
Translation loss (gain) on foreign exchange	(50)	(6,301)	9,165	(4,025)
	27,126	28,691	51,990	63,614
Changes in non-cash working capital balances related to operations *[note 16]*	1,675	(3,976)	(34,637)	(35,353)
Transfer from (to) restricted cash	(4,255)	166	(4,336)	928
Proceeds from settlement of financial instruments *[note 17[c]]*	—	—	7,008	—
Change in non-current accounts receivable	6,872	(5,863)	2,259	(4,732)
Change in other assets	1,819	—	—	—
Change in long-term payables	33	52	118	274
Settlement of EIAP obligation	(2,745)	(4,801)	(6,947)	(14,009)
Post-combination payments	—	(1,399)	(1,699)	(2,399)
Income taxes refunded (paid)	1,801	1,095	395	(7,055)
Cash provided by operating activities	32,326	13,965	14,151	1,268
Investing activities				
Acquisition of property, plant and equipment	(7,952)	(2,888)	(11,465)	(9,520)
Proceeds from sale of property, plant and equipment	257	223	501	315
Proceeds from sale of assets held for sale *[note 7]*	—	501	778	9,321
Development and purchase of intangible assets	(2,088)	(3,351)	(4,256)	(9,230)
Sublease income, net of costs	18	—	(30)	—
Cash used in investing activities	(9,765)	(5,515)	(14,472)	(9,114)
Financing activities				
Increase in senior credit facilities	71,795	257	94,487	28,128
Repayment of obligation under lease liabilities	(2,449)	(1,833)	(4,339)	(3,387)
Non-cash change in interest accrued	(6,200)	(6,200)	—	—
Repayment of senior unsecured subordinated debentures, net of costs	(86,250)	—	(86,250)	—
Issuance of convertible unsecured subordinated debentures, net of costs	—	—	—	(178)
Dividends paid in cash *[note 11[c]]*	(2,859)	(2,843)	(5,710)	(5,678)
Cash provided by (used in) financing activities	(25,963)	(10,619)	(1,812)	18,885
Net increase (decrease) in cash during the period	(3,402)	(2,169)	(2,133)	11,039
Cash and cash equivalents, beginning of period	89,311	72,852	88,042	59,644
Cash and cash equivalents, end of period	85,909	70,683	85,909	70,683
Supplemental cash flow information				
Interest paid	22,701	22,110	30,055	31,089

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2024

1. Organization

Ag Growth International Inc. ["AGI" or the "Company"] and its subsidiaries are providers of equipment solutions for bulk agriculture commodities, including seed, fertilizer, grain, rice, feed and food processing systems. AGI has manufacturing facilities in Canada, the United States, Brazil, Italy, France and India, and distributes its product globally. AGI is a listed company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Statement of compliance and basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ["IAS"] 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board and using the same accounting policies and methods as were used for the Company's consolidated financial statements and the notes thereto for the year ended December 31, 2023.

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, AGI. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments resulting from business combinations and assets held for sale, which are measured at fair value.

These unaudited interim condensed consolidated financial statements do not include all the information and notes required by International Financial Reporting Standards ["IFRS"] for annual financial statements and, therefore, should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2023, which are available on SEDAR+ at www.sedarplus.ca.

The unaudited interim condensed consolidated financial statements of AGI for the six-month period ended June 30, 2024 were authorized for issuance in accordance with a resolution of the Directors on August 7, 2024.

3. Seasonality of business

Interim period revenues and earnings historically reflect some seasonality as the agricultural equipment business is highly seasonal, which causes the Company's quarterly results and its cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in the spring and fall in conjunction with the major planting and harvesting seasons; as a result, the second and third quarters are typically the strongest for revenues primarily due to the timing of construction projects and higher in-season demand at the farm level. The Company's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high revenues in the second and third quarters, results in accounts receivable peaking, typically, in the second and third quarters. In addition, the Company's products include various materials and components purchased from others, some or all of which may be subject to wide price variation. Consistent with industry practice, the Company seeks to manage its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis and through the alignment of material input pricing with the terms of contractual revenue commitments, resulting in significant working capital requirements in the first and second quarters. Historically, the Company's use of its senior credit facilities is typically highest in the first and second quarters and declines in the third and fourth quarters as collections of accounts receivable increase.

4. Adoption of new accounting policies

Amendments to IAS 1*, Classification of Liabilities as Current or Non-current*

In January 2020 and October 2022, amendments were issued to IAS 1, *Classification of Liabilities as Current or Non-current* ["IAS 1"] which provide requirements for classifying liabilities as current or non-current. Specifically, the amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification; and
- Disclosures.

The amendments must be applied retrospectively for annual periods beginning after January 1, 2024. The Company's adoption of these amendments did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

5. Standards issued but not effective

IFRS 18, *Presentation and Disclosure in Financial Statements*

In April 2024, IFRS 18, *Presentation and Disclosure in Financial Statements* [“IFRS 18”] was issued. IFRS 18 replaces IAS 1, *Presentation of Financial Statements*. This new standard:

- Introduces new categories and subtotals in the statement of profit and loss where all income and expenses are categorized into one of five categories: operating, investing, financing, income taxes and discontinued operation.
- Requires disclosure of management-defined performance measures [“MPM”]. MPM is a subtotal of income and expenses that a Company uses in public communications outside financial statements. IFRS 18 requires disclosure of information for all of the Company’s MPMs within a single note to the financial statements that includes a description of each MPM, how the measure is calculated and a reconciliation to the most comparable line item in the statement of profit or loss.
- Introduces a principle for presentation of information in the primary financial statements versus the financial statement notes including the aggregation and disaggregation of such information.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027 and must be applied retrospectively. Early adoption is permitted. The Company will assess the impact, if any, of adoption of IFRS 18.

6. Reportable business segments

The Company has identified its reportable segments as Farm and Commercial, each of which is supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker [“CODM”] in monitoring segment performance and allocating resources between segments. Discrete financial information, which includes revenue, operating expenses and assets, is only available at the segments level to the CODM for the purpose of reviewing performance and in determining how resources should be allocated. Certain corporate overheads are included in the segments based on revenue. Taxes and certain other expenses are managed at a consolidated level and are not allocated to the reportable segments. The CODM assesses segment performance based on adjusted earnings before interest, taxes, depreciation and amortization [“Adjusted EBITDA”], a non-IFRS measure, which is measured differently than profit (loss) from operations in the unaudited interim condensed consolidated financial statements.

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

The Company's reportable segments can be described as follows:

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

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

The following tables set forth information by segment:

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	$	$	$	$
Farm	**194,455**	233,438	**383,441**	415,820
Commercial	**157,326**	156,831	**282,936**	321,465
Revenue	**351,781**	390,269	**666,377**	737,285

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2024

	Three-month period ended June 30, 2024			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	38,193	14,910	(60,753)	(7,650)
Finance costs	—	—	17,060	17,060
Depreciation and amortization	7,889	8,581	1,836	18,306
Loss on foreign exchange	—	—	13,791	13,791
Share-based compensation	—	—	2,768	2,768
Loss on financial instruments	—	—	3,812	3,812
Transaction, transitional and other costs[2]	3,785	—	8,144	11,929
Enterprise Resource Planning ["ERP"] system transformation costs	—	—	4,925	4,925
Net loss (gain) on sale of property, plant and equipment	355	(132)	(25)	198
Net gain on settlement of lease liability	—	(188)	—	(188)
Impairment charge	3,014	77	—	3,091
Adjusted EBITDA[4]	53,236	23,248	(8,442)	68,042

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

	Three-month period ended June 30, 2023			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	62,764	19,777	(64,473)	18,068
Finance costs	—	—	18,337	18,337
Depreciation and amortization	6,724	7,425	2,282	16,431
Gain on foreign exchange	—	—	(6,533)	(6,533)
Share-based compensation	—	—	2,038	2,038
Loss on financial instruments	—	—	8,184	8,184
Transaction, transitional and other costs[2]	—	—	8,795	8,795
Net loss (gain) on sale of property, plant and equipment	(3)	11	11	19
Net loss (gain) on settlement of lease liability	2	(9)	—	(7)
Equipment rework[3]	—	—	4,900	4,900
Remediation[3]	—	—	15,608	15,608
Accounts receivable reserve for Russia and Ukraine ["RUK"]	—	1,733	—	1,733
Impairment charge	599	2	—	601
Adjusted EBITDA[4]	70,086	28,939	(10,851)	88,174

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2024

	Six-month period ended June 30, 2024			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	76,451	20,064	(100,316)	(3,801)
Finance costs	—	—	36,011	36,011
Depreciation and amortization	14,853	16,907	3,691	35,451
Loss on foreign exchange	—	—	19,209	19,209
Share-based compensation	—	—	7,184	7,184
Gain on financial instruments	—	—	(4,004)	(4,004)
Transaction, transitional and other costs[2]	3,785	—	12,594	16,379
ERP system transformation costs	—	—	9,050	9,050
Net loss (gain) on sale of property, plant and equipment	466	(120)	(23)	323
Net gain on assets held for sale	(325)	—	—	(325)
Net gain on settlement of lease liability	—	(194)	—	(194)
Accounts receivable reserve for RUK	—	(268)	—	(268)
Impairment charge	3,014	77	—	3,091
Adjusted EBITDA[4]	98,244	36,466	(16,604)	118,106

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2024

	Six-month period ended June 30, 2023			
	Farm	Commercial	Other[1]	Total
	$	$	$	$
Profit (loss) before income taxes	94,410	34,224	(88,940)	39,694
Finance costs	—	—	36,018	36,018
Depreciation and amortization	13,262	14,735	4,474	32,471
Gain on foreign exchange	—	—	(9,150)	(9,150)
Share-based compensation	—	—	6,306	6,306
Gain on financial instruments	—	—	(5,020)	(5,020)
Mergers and acquisitions expense	—	—	50	50
Transaction, transitional and other costs[2]	—	—	12,674	12,674
Net loss on sale of property, plant and equipment	74	108	11	193
Net loss on assets held for sale	—	25	—	25
Net loss (gain) on settlement of lease liability	3	(10)	—	(7)
Equipment rework[3]	—	—	4,900	4,900
Remediation[3]	—	—	15,608	15,608
Accounts receivable reserve for RUK	—	1,733	—	1,733
Impairment charge	789	2	—	791
Adjusted EBITDA[4]	108,538	50,817	(23,069)	136,286

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

[2] Includes legal expense, legal provision and transitional costs related to reorganizations and other acquisition-related transition costs, as well as the accretion and other movement in amounts due to vendor.

[3] See Note 9 – Provisions.

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

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

The Company's operations are geographically diverse, summarized within three areas: Canada, the United States and International. The following table details revenues by geographical area, reconciled to the Company's unaudited interim condensed consolidated financial statements:

	Three-month period ended		Six-month period ended	
	June 30, 2024 $	June 30, 2023 $	June 30, 2024 $	June 30, 2023 $
Canada	**94,364**	102,836	**173,328**	189,979
United States	**146,366**	171,431	**294,685**	321,776
International	**111,051**	116,002	**198,364**	225,530
Revenue	**351,781**	390,269	**666,377**	737,285

The revenue 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 revenues.

7. Assets held for sale

In 2023, in the Farm segment, a building in Nebraska met the definition of assets held for sale and was recorded at the lower of cost and fair value less cost to sell. The carrying amount of $453 was recorded as assets held for sale. During the six-month period ended June 30, 2024, the building was sold, resulting in a gain of $325.

8. Impairment charge

In June 2024, the Company announced the closure of its Nebraska facility and the transfer of its production lines to other AGI facilities. This reorganization is part of its strategic plan in standardizing its bin format to align with customer demand and to strengthen market share opportunities across North America. As a result, an impairment charge of $3.0 million was recorded during the three-month period ended June 30, 2024 primarily related to property, plant and equipment.

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

9. Provisions

Provisions consist of the Company's warranty and other provisions. A provision is recognized for expected claims on products sold based on past experience of the level of repairs and returns. It is expected that these costs will be paid within the next 12 months. Assumptions used to calculate the provision for warranties were based on current revenue levels and current information available about returns.

	June 30, 2024 $	December 31, 2023 $
Balance, beginning of period	**16,813**	75,233
Additional provisions recognized	**6,231**	32,163
Amounts utilized	**(9,456)**	(90,583)
Balance, end of period	**13,588**	16,813

Remediation costs

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and legal claims related to the incident were initiated against AGI. In 2023, the Company reached a settlement agreement with the customer at the site where the bin collapsed for its claims related to the incident and the terms of the settlement agreement were finalized. As at June 30, 2024, the warranty provision for remediation costs is nil [December 31, 2023 – $0.1 million].

Equipment rework

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to one commercial facility. As at June 30, 2024, the warranty provision for the equipment rework is $0.1 million [December 31, 2023 – $2.0 million], with $1.9 million of the provision having been utilized during the period.

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

10. Long-term debt

	Effective interest rate %	Maturity	June 30, 2024 $	December 31, 2023 $
Current portion of long-term debt				
Equipment financing	various	various	356	549
			356	549
Non-current portion of long-term debt				
Equipment financing	various	various	743	797
Senior credit facilities	6.8–9.5	2026	526,988	422,134
			527,731	422,931
Less deferred financing costs			(4,360)	(3,023)
			523,371	419,908
Long-term debt			523,727	420,457

AGI's senior credit facilities of $350 million and U.S. $275 million are inclusive of amounts that may be allocated to the Company's swingline facilities and can be drawn in Canadian or U.S. funds. AGI has swingline facilities of $50 million and U.S. $10 million. On March 11, 2024, the Company amended its senior credit facilities to transition from the Canadian Dollar Offered Rate ["CDOR"] to the Canadian Overnight Repo Rate ["CORRA"]. The senior credit facilities bear interest at CORRA/SOFR ["Secured Overnight Financing Rate"] plus 1.2% – 2.75% and prime plus 0.2% – 1.75% per annum based on performance calculations. As at June 30, 2024, there is $228.9 million [December 31, 2023 – $149.9 million] and U.S. $217.8 million [December 31, 2023 – U.S. $205.8 million] outstanding under the facilities. As at June 30, 2024, the portion of drawings from the senior credit facilities recorded on the swingline is $11.2 million [December 31, 2023 – $20.1 million].

On June 30, 2024, the Company's 5.40% senior unsecured subordinated debentures issued in 2019 matured. The Company drew from its senior credit facilities to repay the principal amount of $86.3 million due at maturity.

Subsequent to June 30, 2024, the Company and its lenders completed an amendment to the senior credit facilities on July 3, 2024. The amendment extended the maturity date of the senior credit facilities from May 11, 2026 to July 3, 2028.

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

11. Shareholders' equity

[a] Common shares

	Shares #	Amount $
Balance, January 1, 2023	18,900,958	9,644
Settlement of EIAP obligation	104,778	654
Conversion of convertible unsecured subordinated debentures	110	5
Balance, December 31, 2023	19,005,846	10,303
Settlement of EIAP obligation	**64,852**	**2,044**
Balance, June 30, 2024	**19,070,698**	**12,347**

[b] Contributed surplus

	June 30, 2024 $	December 31, 2023 $
Balance, beginning of period	**499,217**	501,741
Dividends on EIAP	**209**	444
Obligation under EIAP *[note 12[a]]*	**7,184**	9,969
Settlement of EIAP obligation	**(8,738)**	(12,937)
Balance, end of period	**497,872**	499,217

[c] Dividends paid and declared

In the three-month period ended June 30, 2024, the Company declared dividends of $2,861 or $0.15 per common share [2023 – $2,851 or $0.15 per common share] and dividends on share-based compensation awards of $121 [2023 – $188]. The dividend was paid on July 15, 2024 to common shareholders of record at the close of business on June 28, 2024.

In the six-month period ended June 30, 2024, the Company declared dividends of $5,720 or $0.30 per common share [2023 – $5,694 or $0.30 per common share] and dividends on share-based compensation awards of $209 [2023 – $283].

In the three- and six-month periods ended June 30, 2024, dividends paid to common shareholders of $2,860 and $5,710 [2023 – $2,843 and $5,678] were financed from cash on hand.

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

12. Share-based compensation plans

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

During the six-month period ended June 30, 2024, 128,202 [2023 – 153,038] Restricted Awards ["RSUs"] were granted and 82,753 [2023 – 72,760] Performance Awards ["PSUs"] were granted. The fair values of the RSUs and the PSUs were based on the share price as at the grant date and the assumption that there will be no forfeitures associated with employee terminations, resignations or retirements. As at June 30, 2024, 636,743 awards have been granted and outstanding under the EIAP.

During the six-month period ended June 30, 2024, AGI expensed $6,279 for the EIAP [2023 – $5,226].

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

	EIAP	
	Restricted Awards #	Performance Awards #
Balance, beginning of period	348,669	240,627
Granted	128,202	82,753
Vested	(82,961)	(58,025)
Forfeited	(20,492)	(2,030)
Balance, end of period	373,418	263,325

There is no exercise price on the EIAP awards.

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

For the three- and six-month periods ended June 30, 2024, expenses (recoveries) of $(404) and $906 [2023 – $(132) and $1,080] were recorded for the cash settled DDCP for non-employee directors in selling, general and administrative expenses, and accounts payable and accrued liabilities. The share grants were measured with the contractual agreed amount of service fees for the respective period.

Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2024

13. Other expenses (income)

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	$	$	$	$
[a] Cost of goods sold				
Depreciation of property, plant and equipment	6,624	6,511	13,297	13,027
Depreciation of right-of-use assets	1,103	726	1,892	1,196
Amortization of intangible assets	2,277	1,298	3,785	2,430
Warranty expense	3,989	22,222	6,231	24,469
Cost of inventory recognized as an expense	222,177	241,550	424,446	471,767
	236,170	272,307	449,651	512,889
[b] Selling, general and administrative expenses				
Depreciation of property, plant and equipment	1,002	1,033	2,052	2,138
Depreciation of right-of-use assets	1,350	1,129	2,543	2,339
Amortization of intangible assets	5,950	5,734	11,882	11,341
Transaction costs and post-combination expense	11,929	8,795	16,379	12,724
ERP system transformation costs	4,925	—	9,050	—
Selling, general and administrative	63,269	65,711	130,430	138,639
	88,425	82,402	172,336	167,181
[c] Other operating expense (income)				
Net loss on disposal of property, plant and equipment	198	19	323	193
Net gain on sale of assets held for sale	—	—	(325)	25
Net gain on settlement of lease liability	(188)	(7)	(194)	(7)
Loss (gain) on financial instruments	3,812	8,184	(4,004)	(5,020)
Other	(2,844)	(3,020)	(5,686)	(5,155)
	978	5,176	(9,886)	(9,964)
[d] Finance costs				
Interest on overdrafts and other finance costs	(193)	874	1,801	1,949
Interest, including non-cash interest, on leases	862	732	1,631	1,363
Interest, including non-cash interest, on debts and borrowings	7,936	8,425	15,710	16,150
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures	8,455	8,306	16,869	16,556
	17,060	18,337	36,011	36,018
[e] Finance expense (income)				
Interest income	(84)	(89)	(234)	(174)
Loss (gain) on foreign exchange	13,791	(6,533)	19,209	(9,150)
	13,707	(6,622)	18,975	(9,324)

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

14. Income taxes

The Company's effective tax rate for the six-month period ended June 30, 2024 was (43.5)% [2023 – 18.3%]. The difference between the effective tax rate and the Company's domestic statutory tax rate of 26.7% [2023 – 26.8%] is attributable to unrealized foreign exchange gains (losses), as well as differences in tax rates and deductions allowed in foreign tax jurisdictions.

15. Profit per share

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

	Three-month period ended		Six-month period ended	
	June 30, 2024 $	June 30, 2023 $	June 30, 2024 $	June 30, 2023 $
Profit (loss) attributable to shareholders for basic profit (loss) per share	**(7,394)**	16,095	**(5,455)**	32,452
Convertible debentures	**—**	1,668	**—**	3,326
Profit (loss) attributable to shareholders for diluted profit (loss) per share	**(7,394)**	17,763	**(5,455)**	35,778
Basic weighted average number of shares	**19,065,404**	18,983,081	**19,043,233**	18,960,135
Dilutive effect of DDCP	**—**	100,212	**—**	100,212
Dilutive effect of RSUs	**—**	349,112	**—**	332,453
Dilutive effect of convertible unsecured subordinated debentures	**—**	2,547,630	**—**	2,547,630
Diluted weighted average number of shares	**19,065,404**	21,980,035	**19,043,233**	21,940,430
Profit (loss) per share				
Basic	**(0.39)**	0.85	**(0.29)**	1.71
Diluted	**(0.39)**	0.81	**(0.29)**	1.63

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

The 2021 convertible debentures were excluded from the calculation of diluted profit per share in the three- and six-month periods ended June 30, 2024 and June 30, 2023 because their effect is anti-dilutive. The 2022 convertible debentures, the DDCP and RSUs were excluded from the calculation of diluted profit per share in the three- and six-month periods ended June 30, 2024 because their effect was anti-dilutive.

16. Statement of cash flows

Net change in non-cash working capital

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

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	$	$	$	$
Accounts receivable	**2,633**	(50,392)	**5,449**	(65,129)
Inventory	**6,520**	17,896	**(18,322)**	26,696
Prepaid expenses and other assets	**4,610**	(1,627)	**6,906**	7,831
Accounts payable and accrued liabilities	**(4,538)**	9,352	**(29,137)**	(15,137)
Customer deposits	**(7,132)**	9,229	**3,563**	5,095
Provisions	**(418)**	11,566	**(3,096)**	5,291
	1,675	(3,976)	**(34,637)**	(35,353)

17. Financial instruments and financial risk management

The Company's financial assets and liabilities recorded at fair value in the unaudited interim condensed consolidated financial statements have been categorized into three categories based on a fair value hierarchy. Financial assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. During the six-month period ended June 30, 2024 and year ended December 31, 2023, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

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

[a] Short-term financial instruments

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

[b] Long-term financial instruments

The fair value of unquoted instruments and loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the liability. The carrying amount and fair value of the Company's long-term debt are as follows:

	June 30, 2024		December 31, 2023	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Interest-bearing loans and borrowings	**523,727**	**523,727**	420,457	420,457
Convertible unsecured subordinated debentures[1]	**193,479**	**205,901**	190,064	187,513
Senior unsecured subordinated debentures	**169,559**	**166,771**	254,756	247,548

[1] Convertible unsecured subordinated debentures, net of deferred fees and equity component.

[c] Derivative financial instruments

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

Interest rate swap contracts

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. On June 16, 2022, the Company entered into a forward interest rate swap contract starting June 11, 2023 and expiring on May 11, 2026. On March 11, 2024, the Company amended its interest rate swap contract to transition from CDOR to CORRA. The fixed rate on the Company's interest rate swap changed from 3.972% to 3.707%. The Company receives interest based on the variable rates from the counterparty and pays interest based on a fixed rate. The notional amounts are $75,000 in aggregate, resetting each month. The Company has elected to apply hedge accounting for this contract and, therefore, unrealized gains (losses) are recognized in other comprehensive income (loss) to the extent that it has been assessed to be effective. During the three- and six-month periods ended June 30, 2024, an unrealized loss of $498 and $156 [2023 – gain of $2,161 and $1,802] was recorded in other comprehensive income (loss) and a realized gain of $249 and $514 [2023 – nil and nil] was recorded in finance costs. As at June 30, 2024, the fair value of the interest rate swap is an asset of $414 [December 31, 2023 – asset of $56].

Equity swap

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. During the six-month period ended June 30, 2024, AGI reduced the size of its equity hedge position by 300,000 shares resulting in proceeds of $7,008 and a realized gain of $3,481. As at June 30, 2024, the equity swap agreement covered 422,000 common shares of the Company at a price of $38.76. In addition, the Company also extended the maturity date of the swap agreement from May 7, 2024 to May 5, 2026. During the three- and six-month periods ended June 30, 2024, an unrealized loss of $3,730 and gain of $844 [2023 – loss of $7,689 and gain of $5,285] was recorded in loss (gain) on financial instruments in other operating expense (income). As at June 30, 2024, the fair value of the equity swap is an asset of $5,838 [December 31, 2023 – asset of $8,517].

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 June 30, 2024, AGI's U.S. dollar denominated debt totals U.S. $217.8 million [December 31, 2023 – U.S. $205.8 million].

In 2023, the Company entered into a series of short-term forward contracts with notional amounts of U.S. $10,832 in aggregate, which mature on October 31, 2024. During the three- and six-month periods ended June 30, 2024, an unrealized loss of $85 and $301 [2023 – gain of $34 and $151] was recorded in loss (gain) on financial instruments. As at June 30, 2024, the fair value of the forward contracts is a liability of $196 [December 31, 2023 – asset of $104].

Debenture put options

On March 5, 2020, the Company issued the 2020 Debentures with an option of early redemption beginning on and after December 31, 2023. At the time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of $754. During the three- and six-month periods ended June 30, 2024, there were no material unrealized gains (losses). As at June 30, 2024, the fair value of the embedded derivative is an asset of $624 [December 31, 2023 – asset of $644].

18. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and six-month periods ended June 30, 2024, the total cost of these legal services was $61 and $465 [2023 – $18 and $415], and $275 is included in accounts payable and accrued liabilities as at June 30, 2024.

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

19. Commitments and contingencies

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

As at June 30, 2024, the Company has commitments to purchase property, plant and equipment of $6,960 [December 31, 2023 – $4,245].

[b] Letters of credit

As at June 30, 2024, the Company has outstanding letters of credit in the amount of $34,273 [December 31, 2023 – $35,027].

[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.