

Interim Condensed Consolidated
Financial Statements of
FIERA CAPITAL CORPORATION

For the three and six-month periods ended June 30, 2018 and 2017
(unaudited)



FIERACAPITAL

Fiera Capital Corporation

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Fiera Capital Corporation

Interim Condensed Consolidated Statements of Earnings (Loss)

For the three and six-month periods ended June 30,

(Unaudited)

(In thousands of Canadian dollars, except per share data)

	Three-month periods		Six-month periods	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenues				
Base management fees	117,947	102,401	230,128	198,709
Performance fees	2,650	1,202	4,120	1,734
Other revenues (Notes 8 and 17)	5,635	5,746	11,965	9,480
	126,232	109,349	246,213	209,923
Expenses				
Selling, general and administrative expenses	99,254	87,346	196,774	164,498
External managers	373	451	740	1,347
Amortization of intangible assets (Note 7)	10,488	10,900	20,510	21,835
Depreciation of property and equipment	1,018	956	1,965	1,887
Restructuring, integration and other costs (Note 6)	2,389	4,851	3,317	5,927
Acquisition costs	2,508	1,659	5,526	3,377
	116,030	106,163	228,832	198,871
Earnings before under-noted items	10,202	3,186	17,381	11,052
Realized (gain) loss on investments	2	(8)	29	(12)
Loss on disposal of intangible assets	-	371	-	371
Interest on long-term debt and other financial charges	5,054	1,827	9,815	4,004
Accretion and change in fair value of purchase price obligations (Note 8)	5,720	1,289	10,187	2,597
Earnings (loss) before income taxes	(574)	(293)	(2,650)	4,092
Income tax expense (recovery)	1,641	(797)	1,658	(765)
Net earnings (loss) for the periods	(2,215)	504	(4,308)	4,857
Net earnings (loss) attributable to:				
Company's shareholders	(2,106)	877	(4,299)	5,305
Non-controlling interest	(109)	(373)	(9)	(448)
	(2,215)	504	(4,308)	4,857
Net earnings (loss) per share (Note 12)				
Basic	(0.02)	0.01	(0.05)	0.07
Diluted	(0.02)	0.01	(0.05)	0.06

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three and six-month periods ended June 30,

(Unaudited)

(In thousands of Canadian dollars)

	Three-month periods		Six-month periods	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net earnings (loss) for the periods	(2,215)	504	(4,308)	4,857
Other comprehensive income (loss):				
Items that may be reclassified subsequently to earnings:				
Unrealized (loss) gain on available-for-sale financial assets (net of income taxes of (\$1) and (\$4) for the three and six-month periods ended June 30, 2017, respectively)	-	8	-	25
Cash flow hedges (net of income taxes of \$211 and \$679 for the three and six-month periods ended June 30, 2018, respectively, and income taxes of nil for the three and six-month periods ended June 30, 2017) (Note 8)	1,372	(103)	4,438	(103)
Unrealized exchange differences on translating financial statements of foreign operations	4,860	(6,942)	11,439	(9,182)
Other comprehensive income (loss)	6,232	(7,037)	15,877	(9,260)
Comprehensive income (loss)	4,017	(6,533)	11,569	(4,403)
Comprehensive income (loss) attributable to:				
Company's shareholders	4,126	(6,160)	11,578	(3,955)
Non-controlling interest	(109)	(373)	(9)	(448)
	4,017	(6,533)	11,569	(4,403)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Fiera Capital Corporation
Interim Condensed Consolidated Statements of Financial Position
(Unaudited)
(In thousands of Canadian dollars)

	As at June 30, 2018	As at December 31, 2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	38,095	41,079
Restricted cash	972	930
Accounts receivable	131,741	128,398
Investments	4,734	5,408
Prepaid expenses and other assets	13,870	10,082
	189,412	185,897
Non-current assets		
Goodwill (Note 7)	579,657	523,885
Intangible assets (Note 7)	529,449	462,281
Property and equipment	16,305	16,572
Derivative financial instruments (Note 8)	8,724	3,484
Deferred income taxes	17,189	11,665
Deferred charges and other	779	1,131
	1,341,515	1,204,915
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	83,328	114,008
Current portion of purchase price obligations (Note 8)	36,892	31,050
Restructuring provisions (Note 6)	3,819	5,273
Derivative financial instruments (Note 8)	1,753	-
Current portion of long-term debt (Note 9)	647	1,354
Amounts due to related parties	2,277	1,241
Client deposits and deferred revenues	551	501
	129,267	153,427
Non-current liabilities		
Long-term debt (Note 9)	387,335	292,417
Convertible debentures (Note 10)	78,218	77,461
Purchase price obligations (Note 8)	59,558	58,086
Long-term restructuring provisions (Note 6)	715	715
Cash-settled share-based liabilities	8,235	3,087
Other non-current liabilities	4,634	3,338
Deferred lease obligations	3,867	3,939
Lease inducements	4,276	4,420
Deferred income taxes	19,930	16,014
Derivative financial instruments (Note 8)	111	-
	696,146	612,904
Equity attributable to:		
Company's shareholders	644,869	592,545
Non-controlling interest	500	(534)
	645,369	592,011
	1,341,515	1,204,915

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended June 30,

(Unaudited)

(In thousands of Canadian dollars)

	Share Capital	Restricted and holdback shares	Contributed surplus	Convertible debentures equity component	Retained earnings (Deficit)	Accumulated other comprehensive income	Equity attributable to Company's shareholders	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	691,586	(860)	18,660	3,330	(133,195)	13,024	592,545	(534)	592,011
Impact of IFRS 9 (Note 3)	-	-	-	-	161	(161)	-	-	-
Net earnings (loss)	-	-	-	-	(4,299)	-	(4,299)	(9)	(4,308)
Other comprehensive income (loss)	-	-	-	-	-	15,877	15,877	-	15,877
Comprehensive income (loss)	-	-	-	-	(4,299)	15,877	11,578	(9)	11,569
Share-based compensation expense	-	-	5,476	-	-	-	5,476	-	5,476
Shares issued as part of a business combination (Notes 5, 11)	55,136	5,501	-	-	-	-	60,637	-	60,637
Shares issued as settlement of purchase price obligations (Note 11)	4,077	-	-	-	-	-	4,077	-	4,077
Performance and restricted share units settled (Note 11)	5,543	-	(3,159)	-	-	-	2,384	-	2,384
Stock options exercised (Note 11)	3,584	-	(872)	-	-	-	2,712	-	2,712
Net change in non-controlling interest	-	-	-	-	-	-	-	1,043	1,043
Dividends (Note 11)	-	-	-	-	(34,540)	-	(34,540)	-	(34,540)
Balance, June 30, 2018	759,926	4,641	20,105	3,330	(171,873)	28,740	644,869	500	645,369
Balance, December 31, 2016	582,134	1,848	16,285	-	(62,129)	28,098	566,236	30,409	596,645
Net earnings (loss)	-	-	-	-	5,305	-	5,305	(448)	4,857
Other comprehensive income (loss)	-	-	-	-	-	(9,260)	(9,260)	-	(9,260)
Comprehensive income (loss)	-	-	-	-	5,305	(9,260)	(3,955)	(448)	(4,403)
Share-based compensation expense (Note 11)	-	-	3,640	-	-	-	3,640	113	3,753
Performance share and restricted share units settled (Note 11)	10,381	-	(6,074)	-	-	-	4,307	-	4,307
Stock options exercised (Note 11)	1,887	-	(454)	-	-	-	1,433	-	1,433
Conversion of holdback shares	3,566	(3,566)	-	-	-	-	-	-	-
Extinguishment of puttable financial instrument liabilities (Note 8)	-	-	2,747	-	-	-	2,747	-	2,747
Net change in non-controlling interest	-	-	-	-	-	-	-	(24,439)	(24,439)
Dividends (Note 11)	-	-	-	-	(27,824)	-	(27,824)	-	(27,824)
Balance, June 30, 2017	597,968	(1,718)	16,144	-	(84,648)	18,838	546,584	5,635	552,219

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Fiera Capital Corporation
Interim Condensed Consolidated Statements of Cash Flows
For the six-month periods ended June 30,
(Unaudited)
(In thousands of Canadian dollars)

	2018	2017
	\$	\$
Operating activities		
Net earnings (loss)	(4,308)	4,857
Adjustments for:		
Amortization of intangible assets and depreciation of property and equipment	22,475	23,722
Amortization of deferred charges	211	292
Loss on disposal of intangible assets	–	371
Accretion and change in fair value of purchase price obligations	10,187	2,597
Lease inducements	(311)	(308)
Deferred lease obligations	(250)	(89)
Share-based compensation expense	5,476	3,753
Cash-settled share-based compensation expense	7,368	5,848
Restructuring, integration and other costs	(1,454)	(1,520)
Interest on long-term debt and other financial charges	9,815	4,004
Income tax expense (recovery)	1,658	(765)
Income tax paid	(6,798)	(9,460)
Realized and unrealized (gain) loss on financial instruments	232	(1,079)
Settlement of derivative financial instruments	–	(74)
Realized (gain) loss on investments	27	(12)
Other non-current liabilities	1,363	897
Changes in non-cash operating working capital items (Note 14)	(30,705)	(6,957)
Net cash generated by (used in) operating activities	14,986	26,077
Investing activities		
Business combinations (Note 5)	(48,200)	–
Settlement of purchase price adjustments and obligations	(5,513)	(3,431)
Investments, net	618	4,859
Purchase of property and equipment	(840)	(1,347)
Purchase of intangible assets	(6,209)	(976)
Settlement of puttable financial instrument liabilities (Note 8)	–	(2,753)
Deferred charges and other	(38)	(110)
Restricted cash	(3)	(324)
Net cash generated by (used in) investing activities	(60,185)	(4,082)
Financing activities		
Settlement of share-based compensation	(585)	(894)
Dividends	(34,540)	(28,073)
Issuance of share capital	2,706	1,433
Contribution (purchase) of non-controlling interest	1,043	(6,492)
Long-term debt, net	82,937	13,241
Interest paid on long-term debt	(9,827)	(8,076)
Settlement of derivative financial instruments	774	–
Financing charges	(2,264)	(37)
Net cash generated by (used in) financing activities	40,244	(28,898)
Net decrease in cash and cash equivalents	(4,955)	(6,903)
Effect of exchange rate changes on cash denominated in foreign currencies	1,971	(995)
Cash and cash equivalents – beginning of period	41,079	40,110
Cash and cash equivalents – end of period	38,095	32,212

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2018 and 2017

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

1. Description of Business

Fiera Capital Corporation (“Fiera Capital” or the “Company”) was incorporated as Fry & Company (Investment Management) Limited in 1955 and is incorporated under the laws of the Province of Ontario. The Company is a global asset management firm which offers a wide range of traditional and alternative investment solutions, including depth and expertise in asset allocation. The Company provides investment advisory and related services to institutional investors, private wealth clients and retail investors. In the U.S., investment advisory services are provided by two of the Company’s U.S. affiliates, Fiera Capital Inc. and Bel Air Management, LLC, that are registered as investment advisors with the U.S. Securities and Exchange Commission (“SEC”). The Company’s affiliate Charlemagne Capital (UK) Limited is registered with the Financial Conduct Authority in the United Kingdom and as an investment advisor with the SEC and Charlemagne Capital (IOM) is registered with the Isle of Man Financial Services Authority and is also registered as an investment advisor with the SEC. The Company’s head office is located at 1501 McGill College Avenue, Suite 800, Montréal, Quebec, Canada. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “FSZ”.

The Company’s Board of Directors (the “Board”) approved the interim condensed consolidated financial statements for the three and six-month periods ended June 30, 2018 on August 9, 2018.

2. Basis of presentation

Statement of compliance

These 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 Standard Board (“IASB”) and accordingly, do not include all disclosures required under International Financial Reporting Standards (“IFRS”) for annual consolidated financial statements. The accounting policies and methods of computation applied in these interim condensed consolidated financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2017, except for the impact of the adoption of the standards, interpretations and amendments described in Note 3.

These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2017 and December 31, 2016.

The Company has prepared and presented these interim condensed consolidated financial statements in Canadian dollars, its functional and reporting currency.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2018 and 2017

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

3. Adoption of new IFRS

On January 1, 2018, the Company adopted the following new IFRS standards.

IFRS 9 – Financial Instruments

IFRS 9 replaced IAS 39 – *Financial Instruments: Recognition and Measurement* and was mandatorily effective for annual periods beginning on or after January 1, 2018. As permitted by IFRS 9, the Company has taken the exemption not to restate the comparative information in the consolidated financial statements with respect to classification and measurement requirements. The retrospective impact of applying IFRS 9 was accounted for through adjustments to the opening balance of retained earnings (deficit) and accumulated other comprehensive income as at January 1, 2018.

The adoption of IFRS 9 did not have a significant impact on the Company's interim condensed consolidated financial statements.

Classification and measurement

IFRS 9 retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale.

Under IFRS 9, all equity instrument financial assets must be classified as at fair value through profit or loss. However, the Company may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as at fair value through other comprehensive income with no subsequent reclassification of gains and losses to net earnings. This election is made on an investment-by-investment basis. Dividends will continue to be recognized in net earnings (loss). This designation is also available for existing non-trading equity instruments at the date of IFRS 9 adoption. Derivative financial instruments continue to be measured at fair value through profit or loss.

As a result of the application of the classification and measurement requirements of IFRS 9, on January 1, 2018, the Company reclassified its equity securities classified as available-for-sale under IAS 39 to fair value through profit or loss and therefore reclassified an unrealized gain of \$161 from accumulated other comprehensive income to retained earnings (deficit).

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2018 and 2017

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

3. Adoption of new IFRS (continued)

Impairment

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (“ECL”) model. The new ECL impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company’s financial assets subject to the new impairment model are cash and cash equivalents, accounts receivable and long-term receivable. The new impairment guidance using an expected credit loss model did not have a significant impact on the carrying amounts of the Company’s accounts receivable or long-term receivable as the Company has had negligible credit losses.

The following table presents the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets as at January 1, 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents and restricted cash	Loans and receivables	Amortized cost
Investments	Available-for-sale / Fair value through profit or loss	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost
Long-term receivable ⁽¹⁾	Loans and receivables	Amortized cost
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss

⁽¹⁾ Presented in deferred charges and other on the consolidated statements of financial position.

Financial assets will not be reclassified subsequent to their initial recognition, unless the Company identifies changes in the business model in managing financial assets.

There were no changes to the measurement categories under IFRS 9 for the Company’s financial liabilities as at January 1, 2018 and therefore the Company’s financial liabilities are not presented in the table above.

Hedge accounting

The hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. As permitted, the Company elected not to adopt the general hedge accounting requirements of IFRS 9 and instead chose to continue to apply the requirements in IAS 39 – *Financial instruments: recognition and measurement*.

The Company also adopted amendments to the revised hedge accounting disclosures required by IFRS 7 – *Financial Instruments: Disclosures*. This will result in the Company adding disclosure relating to its risk management strategies, where hedge accounting is applied, in its consolidated financial statements for the year ending December 31, 2018.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2018 and 2017

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

3. Adoption of new IFRS (continued)

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 – *Revenue* and was mandatorily effective for annual periods beginning on or after January 1, 2018. The new standard specifies a five-step approach to determine how and when to recognize revenue and requires additional disclosures. The Company completed an impact assessment for all major revenue streams, reviewed contracts and analyzed revenue recognized by the Company.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Company elected to adopt IFRS 15 using the modified retrospective approach with the effect of initially applying this standard at the date of initial application (January 1, 2018). However, the adoption of IFRS 15 did not have a significant impact on the ongoing recognition of the Company's revenues or net earnings (loss) and therefore there were no opening retained earnings (deficit) adjustments required as at January 1, 2018.

Revised IFRS, interpretations and amendments

The following revised standards are effective for annual periods beginning on January 1, 2018. Their adoption did not have a significant impact on the amounts reported or disclosures made in these financial statements.

Amendments to IFRS 2 – Share-based payments

In June 2016, the IASB published amendments to IFRS 2 – *Share-based payments*. The amendments clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published IFRIC 22 – *Foreign Currency Transactions and Advance Consideration* to clarify the exchange rate that should be used for transactions that include the receipt or payment of advance consideration in a foreign currency.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2018 and 2017

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

4. IFRS issued but not yet adopted

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases*. It supersedes the IASB's current lease standard, IAS 17 – *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. This new standard will come into effect for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 – *Uncertainty over Income Tax Treatments*. The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatment under IAS 12. It specifically considers whether tax treatments should be considered collectively, assumptions for taxation authorities' examinations, the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and the effect of changes in facts and circumstances. This new interpretation is applicable to annual reporting periods beginning on or after January 1, 2019. The Company is evaluating the impact of this standard on its consolidated financial statements.

Annual improvements to IFRS (2015-2017) cycle

In December 2017, the IASB issued *Annual Improvements to IFRS Standards 2015–2017 Cycle*. The pronouncement contains amendments to four International Financial Reporting Standards (IFRS) as result of the IASB's annual improvements project. The amendments to IFRS 3 – *Business combinations* clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 – *Joint arrangements* clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendments to IAS 12 – *Income taxes* clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises. The amendments to IAS 23 – *Borrowing costs* clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are effective for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact of these amendments on its consolidated financial statements.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2018 and 2017

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

5. Business combinations and other transactions

CGOV Asset Management

On May 31, 2018, the Company acquired substantially all of the assets and assumed certain liabilities of CGOV Asset Management ("CGOV"), an Ontario-based investment management firm focused on high-net-worth and institutional investors. With a client base in Ontario and Western Canada, the transaction allows Fiera Capital to be a competitive force in the high-net-worth segment across Canada.

On the date of closing, the total purchase consideration of \$112,285 included \$48,200 paid in cash to the seller, the issuance of Class A Shares with a fair value of \$55,136, fair value of contingent purchase price obligation of \$5,501 which will be settled in Class A Shares subject to certain terms and conditions and an initial net working capital adjustment of \$3,448.

At closing, 5,541,561 Class A Shares were issued at fair value of \$66,166 based on the closing share price on the closing date.

Of the total Class A Shares issued, 4,617,783 are held in escrow and will be released to the seller over 5-year period following the closing date, subject to certain terms and conditions, with 419,064 Class A Shares being released at the 18-month anniversary date of the closing, 2,519,231, 839,744 and 839,744 Class A Shares respectively being released to the seller on the third, fourth and fifth anniversary dates of the closing. These escrow shares are entitled to dividends.

The remaining 923,778 Class A Shares issued to the seller and held in escrow for contingent consideration will be released to the seller on the fifth anniversary date of the closing, contingent upon the Company retaining, at the end of a four-year period following the closing, at least 80% of the institutional assets under management of CGOV as at the signature date of the Asset Purchase Agreement. Contingently issuable Class A Shares with a fair value of \$5,501 are included in the initial purchase price consideration and are recorded as Holdback Shares in the consolidated statements of changes in equity. This value represents 50% of the total value of the contingently issuable shares held in escrow and is based on the Company's best estimate with regards to satisfaction of the performance condition. These escrow shares are entitled to dividends.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2018 and 2017

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

5. Business combinations and other transactions (continued)

The transaction was accounted for as a business combination using the acquisition method and the purchase price was preliminarily allocated to the assets acquired and liabilities assumed based on their estimated fair value at the acquisition date as follows:

	\$
Accounts receivable	3,380
Prepaid expenses and other assets	268
Property and equipment	69
Intangible assets	67,000
Goodwill (nil deductible for tax purposes)	46,552
Deferred income taxes	(4,984)
	112,285
<hr/>	
Purchase consideration	\$
Cash consideration	48,200
Share capital	55,136
Fair value of contingent purchase price obligation	5,501
Purchase price adjustment ⁽¹⁾	3,448
	112,285

⁽¹⁾ The purchase price is subject to other post-closing net working capital adjustments.

The goodwill is attributable to synergies expected as a result of the consolidation of the Company's operations. Management of Fiera Capital has identified intangible assets acquired from CGOV which have been accounted for separately from goodwill. These intangible assets include customer relationships valued at \$64,000 and non-compete agreements valued at \$3,000. The Company expects to finalize the accounting for this acquisition within the next twelve months.

The Company incurred acquisition-related costs of \$1,763 mainly composed of legal, financial advisor, compliance fees and due diligence costs. These costs were included in acquisition costs in the consolidated statement of earnings (loss).

The Company financed the cash portion of the acquisition price with its revolving credit facility (Note 9).

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2018 and 2017

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

5. Business combinations and other transactions (continued)

Pro forma impact

The impact of the acquisition for six-month period ended June 30, 2018 on the Company's base management fees and net earnings was as follows:

	\$
Base management fees	1,845
Net earnings (loss)	704

If the business combination would have occurred on January 1, 2018, the Company's consolidated base management fees and net earnings (loss) for the six-month period ended June 30, 2018 would have been as follows:

	\$
Base management fees	239,333
Net earnings (loss)	(1,280)

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a twelve-month period and that they provide a baseline against which to compare the financial performance of future periods.

The above pro forma net earnings includes selling, general and administrative expense, amortization of tangible and intangible assets, and the elimination of the acquisition, restructuring and integration costs, as well as related tax effects.

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6. Restructuring, integration and other costs

During the three and six-month periods ended June 30, the Company recorded the following:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Restructuring provisions related to severance	1,918	368	2,002	592
Other restructuring costs	22	30	33	176
Integration and other costs	449	4,453	1,282	5,159
	2,389	4,851	3,317	5,927

Restructuring charges are mainly composed of severance costs due to corporate reorganizations following business combinations and other transactions or as a result of the normal evolution of the business.

The change in the restructuring provisions for severance-related expenses during the six-month period ended June 30, 2018 is as follows:

	Severance
	\$
Balance, December 31, 2017	5,988
Additions during the period	2,002
Paid during the period	(3,456)
Balance, June 30, 2018	4,534

Provision for severance	As at June 30, 2018	As at December 31, 2017
	\$	\$
Current portion	3,819	5,273
Non-current portion	715	715
Total	4,534	5,988

Integration

Integration costs are mainly composed of professional fees, relocation and lease related costs and other expenses incurred as a result of the integration of businesses recently acquired.

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7. Goodwill and intangible assets

	Goodwill	Indefinite life	Finite-life			Total
		Asset management contracts	Asset management contracts	Customer relationships	Other	
	\$	\$	\$	\$	\$	\$
For the six-month period ended June 30, 2018						
Opening carrying amount	523,885	84,069	53,909	311,832	12,471	462,281
Business combinations and other transactions	46,552	513	-	64,000	3,000	67,513
Additions	-	-	-	2,384	1,575	3,959
Additions – internally developed	-	-	-	-	1,988	1,988
Amortization for the period	-	-	(5,256)	(13,067)	(2,187)	(20,510)
Foreign exchange difference	9,220	3,878	857	8,966	517	14,218
Closing carrying amount	579,657	88,460	49,510	374,115	17,364	529,449
Balance, June 30, 2018						
Cost	561,399	86,245	105,666	460,741	32,174	684,826
Accumulated amortization and impairment	(1,918)	-	(56,195)	(104,956)	(15,780)	(176,931)
Foreign exchange difference	20,176	2,215	39	18,330	970	21,554
Closing carrying amount	579,657	88,460	49,510	374,115	17,364	529,449

8. Financial instruments

Fair value

Investments

As a result of the adoption of IFRS 9 on January 1, 2018, the Company reclassified its equity securities classified as available-for-sale under IAS 39 to fair value through profit or loss and reclassified an unrealized gain of \$161 from accumulated other comprehensive income to retained earnings (deficit).

As at December 31, 2017, the cost and fair value of investments recorded as available-for-sale was \$2,296 and \$2,475 respectively. As at June 30, 2017, an unrealized gain of \$54 (net of income taxes of \$8) was recognized in accumulated other comprehensive income (loss).

The cost of and fair value of investments recorded at fair value through profit or loss is \$4,719 and \$4,734 respectively as at June 30, 2018 (\$2,848 and \$2,933 respectively as at December 31, 2017). An unrealized loss of \$289 and \$232 was recognized in other revenues during the three and six-month periods ended June 30, 2018 (gain of \$1,157 and \$925 during the three and six-month periods ended June 30, 2017).

Puttable financial instrument liabilities

On March 7, 2017, an amount of \$2,753 was paid to a management shareholder of one of the Company's subsidiaries and an amount of \$2,747 was extinguished with an offset to contributed surplus.

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8. Financial instruments (continued)

Convertible debentures

The convertible debentures are recorded at an amortized cost of \$78,218 as at June 30, 2018 (\$77,461 as at December 31, 2017). The fair value based on market quotes is \$88,665 as at June 30, 2018 (\$88,018 as at December 31, 2017).

Long-term debt

The fair value of long-term debt approximates its carrying amount, given that it is subject to terms and conditions, including variable interest rates, similar to those available to the Company for instruments with comparable terms.

Derivative financial instruments

The Company's derivative financial instruments consist of cross currency swap, interest rate swap and foreign exchange forward contracts which are presented at fair value on the statements of financial position.

The fair value of derivatives that are not traded on an active market is determined using valuation techniques which maximize the use of observable market inputs such as interest rate yield curves as well as available information on market transactions involving other instruments that are substantially the same, discounted cash flows analysis or other techniques, where appropriate. To the extent practicable, valuation techniques incorporate all factors that market participants would consider in setting a price and they are consistent with accepted economic methods for valuing financial instruments. The Company determines the fair value of foreign exchange forward contracts by calculating the difference between the forward exchange rates at the measurement date and the contractual forward price for the residual maturity of the contract. The Company determines the fair value of its cross currency and interest rate swap contracts by applying valuation techniques.

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8. Financial instruments (continued)

Net gains (losses), fair value and the notional amount of derivatives by term to maturity are as follows:

	For the three-month period ended June 30, 2018	For the six-month period ended June 30, 2018	As at June 30, 2018					
			Fair value		Notional amount: term to maturity			
			Net gain (loss) on derivatives	Net gain (loss) on derivatives	Asset	(Liability)	Less than 1 year	From 1 to 5 years
	\$	\$	\$	\$	\$	\$	\$	\$
Foreign exchange contracts								
a) Forward foreign exchange contracts								
– held for trading	(1,274)	(2,730)	-	(843)	56,600	-	-	-
b) Cross currency swaps								
– held for trading	646	1,126	-	(910)	80,000	-	-	-
Interest rate contracts								
c) Swap contracts								
– held for trading	14	12	1,193	(111)	-	127,000	-	-
d) Swap contracts								
– cash flow hedges	-	-	7,531	-	-	237,024	-	-

	For the three-month period ended June 30, 2017	For the six-month period ended June 30, 2017	As at December 31, 2017					
			Fair value		Notional amount: term to maturity			
			Net gain (loss) on derivatives	Net gain (loss) on derivatives	Asset	(Liability)	Less than 1 year	From 1 to 5 years
	\$	\$	\$	\$	\$	\$	\$	\$
Foreign exchange contracts								
a) Forward foreign exchange contracts								
– held for trading	259	896	497	-	51,875	-	-	-
b) Cross currency swaps								
– held for trading	(6,042)	(8,157)	-	-	-	-	-	-
Interest rate contracts								
c) Swap contracts								
– held for trading	1,548	1,753	1,070	-	-	30,000	-	-
d) Swap contracts								
– cash flow hedges	-	-	2,414	-	-	212,011	-	-

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8. Financial instruments (continued)

Financial statement presentation:

	As at June 30, 2018	As at December 31, 2017
	\$	\$
Current derivative financial instrument assets ⁽¹⁾	-	497
Non-current derivative financial instrument assets	8,724	3,484
Current derivative financial instrument liabilities	1,753	-
Non-current derivative financial instrument liabilities	111	-

⁽¹⁾ Included in prepaid expenses and other assets on the interim condensed consolidated statements of financial position.

a) Forward foreign exchange contracts – held for trading

Company

The Company enters into a series of forward exchange contracts to manage the currency fluctuation risk associated with estimated revenues denominated in US dollars.

In August 2017, the series of average rate forward foreign exchange contracts, which matured one-by-one on a monthly basis until December 2017, was converted into month-end spot rate forward exchange contracts. Since August 2017, the Company enters into month-end spot rate forward exchange contracts with various terms to maturity that aim to manage the currency fluctuation risk associated with up to twelve months of estimated future revenues in US dollars.

Forward foreign exchange contracts are recognized at fair value at the date the contracts are entered into and are subsequently remeasured to fair value through profit or loss at the end of each reporting period. The gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings (loss) in accordance with the nature of the hedged item and therefore, as other revenues

The Company recorded a loss of \$1,426 and \$2,653 during the three and six-month periods ended June 30, 2018, respectively (gain of \$563 and \$860 during the three and six-month periods ended June 30, 2017, respectively). A total of \$1,324 was paid during the six-month period ended June 30, 2018 as settlement of the contracts. As at June 30, 2018 the fair value of the derivative financial liability related to these contracts is \$833 (derivative financial asset of \$497 as at December 31, 2017).

Subsidiaries

One of the Company's subsidiaries enters into forward exchange contracts to manage the currency fluctuation risk associated with estimated revenues denominated in Euros. This subsidiary recorded a gain of \$152 and a loss of \$77 during the three and six-month periods ended June 30, 2018 (loss of \$304 and gain of \$36 for the three and six-month periods ended June 30, 2017, respectively). A total of \$63 was paid during the six-month period ended June 30, 2018 as settlement of the contracts. As at June 30, 2018, the fair value of the contracts is a derivative financial liability of \$10 (nil as at December 31, 2017).

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8. Financial instruments (continued)

b) Cross currency swaps – held for trading

Under the terms of the Company's revolving credit facility (Note 9), as at June 30, 2018, the Company can borrow either in US dollars based on US base or LIBOR rates plus 2.00% or in Canadian dollars based on CDOR plus 2.00% (the same credit spread). To benefit from interest cost savings, the Company has effectively created, as at June 30, 2018, a synthetic equivalent to a Canadian dollar revolving facility at CDOR plus 1.86% on CA\$80,000 (nil as at December 31, 2017) by borrowing against the US dollar revolving facility, the equivalent of CA\$80,000 (US\$59,900) (nil as at December 31, 2017) at Libor plus 2.00%, and swapping it into CDOR plus 1.86% with a one-month cross currency swap. The contract was entered into on June 29, 2018 and matures on July 31, 2018.

The objective of this strategy is to provide cost savings without currency risk since the terms of the US LIBOR financing and the cross currency swap are exactly matched (US dollar notional amount, LIBOR rate, trade and maturity dates). Losses (gains) on cross currency swaps are offset by equivalent gains (losses) on the translation of the US denominated economically hedged portion of the revolving facility since the financing terms are exactly matched.

The net gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings (loss) in accordance with the nature of the economically hedged item, the revolving facility, and therefore is presented in interest on long-term debt and other financial charges.

The Company recorded a gain of \$646 and \$1,126 during the three and six-month periods ended June 30, 2018, respectively, with no net impact on earnings as described above (loss of \$6,042 and \$8,157 during the three and six-month periods ended June 30, 2017, respectively). A total of \$2,035 was received during the six-month period ended June 30, 2018 as settlement of the contracts. The fair value of the cross currency swap contract is a liability of \$910 as at June 30, 2018 (nil as at December 31, 2017).

c) Interest rate swap contracts – held for trading

On May 31, 2017, the Company entered into an interest rate swap contract to manage the impact of the interest rate fluctuations on its revolving facility denominated in Canadian dollars. The interest rate swap contract had an original amortizing notional amount of CA\$100,000 at inception and matures on May 31, 2022. As at June 30, 2018, the notional amount was CA\$30,000. The contract consists of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 1.335%. Interest is settled on a monthly basis.

In March 2018, the Company entered into two interest rate swap contracts with original notional amounts of CA\$10,000 and CA\$40,000 at inception and maturing on May 31, 2022. The contracts consist of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 2.350% (on CA\$10,000 notional contract) and 2.358% (on CA\$40,000 notional contract). Interest is settled on a monthly basis.

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8. Financial instruments (continued)

In May 2018, the Company entered into an interest rate swap contract with an original notional amount of CA\$47,000 maturing on May 31, 2022. The contract consists of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 2.430%. Interest is settled on a monthly basis.

The net gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings (loss) with interest on long-term debt and other financial charges. The Company recorded a gain of \$14 and \$12 during the three and six-month periods ended June 30, 2018 (gain of \$1,548 and \$1,753 during the three and six-month periods ended June 30, 2017, respectively).

The fair value of the interest rate swap contracts recorded as an asset totals \$1,193 and as a liability totals \$111 as at June 30, 2018 (asset of \$1,070 as at December 31, 2017).

d) Interest rate swap contracts – Cash flow hedges

On May 31, 2017, the Company entered into two US dollar interest rate swap contracts to manage the impact of the interest rate fluctuations on the Company's credit facility (Note 9) denominated in US dollars. The interest rate swap contracts have an original notional amount of US\$125,000 and US\$44,000 respectively at inception and mature on May 31, 2022. The contracts consist of exchanging the variable interest rate based on a one-month LIBOR rate for a fixed rate of 1.84%. Interest is settled on a monthly basis.

On May 31, 2018, the Company entered into a US dollar interest rate swap contract with an original notional amount of US\$11,000 maturing on May 31, 2022. The contract consists of exchanging the variable interest rate based on a one-month LIBOR rate for a fixed rate of 2.655%. Interest is settled on a monthly basis.

These contracts are designated as cash flows hedges and satisfy the requirements for hedge accounting. The effective portion of changes in the fair value of these contracts are recognized in other comprehensive income and accumulated in a hedging reserve. The Company recorded a gain in other comprehensive income of \$1,372 and \$4,438 during the three and six-month periods ended June 30, 2018 (net of income taxes of \$211 and \$679 respectively). The Company recorded a loss in other comprehensive income of \$103 during the three and six-month periods ended June 30, 2017 (net of income taxes of nil).

The ineffective portion of changes in fair value is recognized immediately in profit or loss in the consolidated statement of earnings. There is no ineffective portion on these contracts for the three and six-month periods ended June 30, 2018 and 2017.

The fair value of the interest rate swap contracts designated as cash flow hedges is an asset of \$7,531 as at June 30, 2018 (asset of \$2,414 as at December 31, 2017).

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8. Financial instruments (continued)

The Company remains exposed to fluctuations in the US base or Libor rates on the difference between the US dollar credit facility and the notional amount of the US dollar interest rate swap contract. The drawings in US dollars on the credit facility are US\$241,385 as at June 30, 2018 (US\$50,000 on the revolving facility and US\$125,000 on the term facility under the previous credit agreement as at December 31, 2017).

Financial instruments by category:

	As at June 30, 2018 – classified under IFRS 9		
	Amortized cost	Fair value through profit or loss	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	38,095	-	38,095
Restricted cash	972	-	972
Investments			
Investment funds under the Company's management	-	4,734	4,734
Accounts receivable	131,741	-	131,741
Long-term receivable ⁽¹⁾	67	-	67
Derivative financial instruments	-	8,724	8,724
Total	170,875	13,458	184,333
Liabilities			
Accounts payable and accrued liabilities	83,328	-	83,328
Purchase price obligations	-	96,450	96,450
Derivative financial instruments	-	1,864	1,864
Amounts due to related parties	2,277	-	2,277
Client deposits ⁽²⁾	155	-	155
Long-term debt	387,982	-	387,982
Convertible debentures	78,218	-	78,218
Total	551,960	98,314	650,274

⁽¹⁾ Presented in deferred charges and other on the consolidated statements of financial position.

⁽²⁾ Presented in client deposits and deferred revenues on the consolidated statements of financial position.

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8. Financial instruments (continued)

	As at December 31, 2017 – classified under IAS 39				
	Loans and receivables	Available-for-sale	Fair value through profit or loss	Financial liabilities at amortized cost	Total
	\$	\$	\$	\$	\$
Assets					
Cash and cash equivalents	41,079	-	-	-	41,079
Restricted cash	930	-	-	-	930
Investments					
Investment funds under the Company's management	-	2,475	2,933	-	5,408
Accounts receivable	128,398	-	-	-	128,398
Long-term receivable ⁽¹⁾	69	-	-	-	69
Derivative financial instruments ⁽²⁾	-	-	3,981	-	3,981
Total	170,476	2,475	6,914	-	179,865
Liabilities					
Accounts payable and accrued liabilities	-	-	-	114,008	114,008
Purchase price obligations	-	-	89,136	-	89,136
Amounts due to related parties	-	-	-	1,241	1,241
Client deposits ⁽³⁾	-	-	-	155	155
Long-term debt	-	-	-	293,771	293,771
Convertible debentures	-	-	-	77,461	77,461
Total	-	-	89,136	486,636	575,772

⁽¹⁾ Presented in deferred charges and other on the consolidated statements of financial position.

⁽²⁾ The amount presented at fair value through profit or loss includes \$497 presented in prepaid expenses and other assets on the consolidated statements of financial position.

⁽³⁾ Presented in client deposits and deferred revenues on the consolidated statements of financial position.

Fair value hierarchy

The financial assets and liabilities that are recognized on the consolidated statements of financial position at fair value are classified using a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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8. Financial instruments (continued)

The following table presents the financial instruments recorded at fair value in the consolidated statements of financial position, classified using the fair value hierarchy:

	As at June 30, 2018			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial assets				
Investments	-	4,723	11	4,734
Derivative financial instruments	-	8,724	-	8,724
Total financial assets	-	13,447	11	13,458
Financial liabilities				
Purchase price obligations	-	-	96,450	96,450
Derivative financial instruments	-	1,864	-	1,864
Total financial liabilities	-	1,864	96,450	98,314

	As at December 31, 2017			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial assets				
Investments	-	5,397	11	5,408
Derivative financial instruments	-	3,981	-	3,981
Total financial assets	-	9,378	11	9,389
Financial liabilities				
Purchase price obligations	-	-	89,136	89,136
Derivative financial instruments	-	-	-	-
Total financial liabilities	-	-	89,136	89,136

Level 3

The fair value of purchase price obligations is determined using a discounted cash flow analysis which makes use of unobservable inputs such as expected cash flows and risk adjusted discount rates. Expected cash flows are estimated based on the terms of the contractual arrangements and the Company's knowledge of the business and how the current economic environment is likely to impact it.

Purchase price obligations are Level 3 financial liabilities. The Company has used valuation techniques to record the fair value of the liabilities at the reporting date.

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8. Financial instruments (continued)

A reasonable change in unobservable inputs would not result in a significant change in the fair value of purchase price obligations other than for City National Rochdale (“CNR”), which is presented below.

Purchase price obligation - CNR:

Financial liabilities	Fair value June 30, 2018 \$	Fair value December 31, 2017 \$	Valuation technique	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Purchase price obligation - CNR	CA\$68,424 (US\$51,962)	CA\$60,574 (US\$47,000)	Discounted cash flow method was used to measure the present value of the expected future cash flows to be paid to CNR as contingent consideration.	<ul style="list-style-type: none"> Discount rate Market rate of return AUM short-term growth rate (next 1-2 years) and long-term growth rate (up to 10 years) 	<p>While holding all other variables constant:</p> <p>A 2.5% increase (decrease) in the market rate of return would result in an increase (decrease) of US\$2,500 in the fair value of the contingent consideration.</p> <p>A 3% increase (decrease) in AUM would result in an increase (decrease) of US\$3,050 in the fair value of the contingent consideration.</p>

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8. Financial instruments (continued)

Reconciliation of Level 3 fair value measurements:

	Investments	Purchase price obligations	Total
	\$	\$	\$
Fair value as at December 31, 2017	11	(89,136)	(89,125)
Addition from business combination	-	(3,448)	(3,448)
Settlement of purchase price obligations	-	9,596	9,596
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(10,187)	(10,187)
Total realized and unrealized exchange differences on foreign operations included in other comprehensive income	-	(3,275)	(3,275)
Fair value as at June 30, 2018	11	(96,450)	(96,439)

	Investments	Purchase price obligations	Total
	\$	\$	\$
Fair value as at December 31, 2016	9	(34,968)	(34,959)
Settlement of purchase price obligations	-	1,863	1,863
Total realized and unrealized gains included in other revenues	2	-	2
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(2,597)	(2,597)
Total realized and unrealized exchange differences on foreign operations included in other comprehensive income	-	112	112
Fair value as at June 30, 2017	11	(35,590)	(35,579)

There were no transfers between levels during the three and six-month periods ended June 30, 2018 and 2017.

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9. Long-term debt

	As at June 30, 2018	As at December 31, 2017
	\$	\$
Credit facility		
Revolving facility	389,216	136,725
Term facility	–	156,813
Other facilities	1,257	1,585
Deferred financing charges	(2,491)	(1,352)
	387,982	293,771
Less current portion	647	1,354
Non-current portion	387,335	292,417

Credit Facility

On May 28, 2018, the Company entered into the Fifth Amended and Restated Credit Agreement (“Credit Agreement”) with a Canadian banking syndicate of lenders. The Facility is used for general corporate purposes. It is comprised of a CA\$600,000 senior unsecured revolving facility (“Facility”) which can be drawn in Canadian or US dollars at the discretion of the Company.

Under the terms of the Credit Agreement, there are no minimum repayments until June 30, 2022, the date at which the amount drawn is repayable in full. At any time, subject to certain terms and conditions, the Company may request an increase in the available Facility by an amount of up to CA\$200,000 subject to the acceptance of the individual lenders in the banking syndicate. The Credit Agreement allows for extensions of the Facility’s maturity date, in one-year increments, at the request of the Company and subject to the acceptance of a group of lenders within the banking syndicate whose commitments amount in the aggregate, to more than 66 2/3%, subject to certain terms and conditions.

The Facility bears interest, payable monthly, at variable rates based on the currency in which an amount is drawn and on the quarterly Funded Debt to EBITDA ratio as defined in the Credit Agreement. The interest rate is based on the Canadian prime rate plus a spread which varies from 0.0% to 1.5% or, at the discretion of the Company for amounts drawn in US Dollars, based either on the US base rate plus a spread varying from 0.0% to 1.5% or the LIBOR rate plus a spread varying from 1.0% to 2.5%.

Prior to May 28, 2018, the Fourth Amended and Restated Credit Agreement (the “Previous Credit Agreement”) included a US\$125,000 term (non-revolving) facility and a CA\$350,000 senior unsecured revolving facility which could be drawn in Canadian or US dollars at the discretion of the Company.

Under the terms of the Previous Credit Agreement, there were no minimum repayments on the term facility until May 31, 2019, and until March 25, 2020 for the revolving facility, at which dates the amounts drawn were repayable in full. On May 28, 2018, the term facility was terminated and balances drawn on that date were converted to the Facility.

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9. Long-term debt (continued)

There were no changes to the interest rates applicable on the Previous Credit Facility. As at June 30, 2018, the total amount drawn on the Facility was CA\$71,360 and US\$241,385 (CA\$317,856) (CA\$74,000 and US\$50,000 (CA\$62,725) on the revolving facility, and US\$125,000 (CA\$156,813) on the term facility under the Previous Credit Agreement at December 31, 2017).

The renegotiation of the Credit Agreement was treated as a modification under IFRS 9 – *Financial Instruments* and transaction fees of \$1,466 associated with the Facility and \$1,034 associated with the Previous Credit Agreement were capitalized to the Facility as long-term debt in the consolidated statements of financial position.

Under the terms of the Credit Agreement and the Previous Credit Agreement, the Company must satisfy certain restrictive covenants including minimum financial ratios. These restrictions include maintaining a maximum ratio of Funded Debt to EBITDA and a minimum Interest Coverage Ratio as defined in the Credit Agreement and the Previous Credit Agreement. EBITDA, a non-IFRS financial measure, includes consolidated earnings (losses) before interest, income taxes, depreciation, amortization and other non-cash items, and excludes extraordinary and unusual items including non-recurring items and certain purchase price obligations as well as certain other adjustments outlined in the Credit Agreement. As at June 30, 2018 all restrictive covenants under the Credit Agreement were met. The Credit Agreement also includes covenants that limit the ability of the Company and certain of its subsidiaries that are specifically included in the Credit Agreement as borrowing parties and therefore are guarantors to the Facility, to engage in specified types of transactions and thus imposes certain operating and financing restrictions on these entities. The financial ratios under the terms of the Previous Credit Agreement were met at December 31, 2017.

Other Facilities

As at June 30, 2018 one of the Company's subsidiaries has an outstanding bank loan in the amount of \$493 of which quarterly payments of CA\$131 are required (respectively \$756 and CA\$131 as at December 31, 2017). The loan bears interest at prime plus 0.25% to 1.25% which is based on the ratio of senior debt to EBITDA (a non-IFRS financial measure defined in the loan agreement), and matures on June 30, 2019. All debt covenant requirements were met as at June 30, 2018 and December 31, 2017. In March 2017, this subsidiary amended its credit agreement to include a leasing facility. As at June 30, 2018, the outstanding balance of this loan is CA\$764, of which monthly payments of CA\$15 are required. As at June 30, 2018, the current and non-current portions of the loan are \$153 and \$610 respectively. This subsidiary also has a line of credit with a limit of CA\$750. It bears interest at prime plus up to 0.25% to 1.25% which is also based on the ratio of senior debt EBITDA and has no fixed maturity date. As at June 30, 2018 the subsidiary had not drawn on the line of credit (nil as at December 31, 2017).

Another subsidiary of the Company has a line of credit with a dollar limit of CA\$950. It bears interest at prime plus 1.50% and has no fixed maturity date. As at June 30, 2018 the subsidiary had not drawn on the line of credit (nil as at December 31, 2017).

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(Unaudited)

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10. Convertible debentures

	As at June 30, 2018	As at December 31, 2017
	\$	\$
Face value	86,250	86,250
Less:		
Issuance costs ⁽¹⁾	(4,168)	(4,269)
Equity component (net of issuance costs of \$237)	(4,555)	(4,555)
Cumulative accretion expense on equity component	691	35
Balance, end of period	78,218	77,461

⁽¹⁾ During the three-month period ended June 30, 2018, the Company revised the issuance costs and effective interest rate in order to reflect differences between issuance costs estimated at the date of issuance of the unsecured convertible debentures and the invoices subsequently received.

On December 21, 2017, the Company issued 86,250 unsecured convertible debentures at 5% maturing on June 23, 2023, with interest payable semi-annually in arrears on June 30 and December 31 of each year starting June 30, 2018, for gross proceeds of CA\$86,250. The convertible debentures are convertible at the option of the holder at a conversion price of \$18.85 per Class A subordinate shares ("Class A Shares"). The convertible debentures are not redeemable by the Company before June 30, 2021. The convertible debentures are redeemable by the Company at a price of \$1 per convertible debenture, plus accrued and unpaid interest, on or after June 30, 2021 and prior to June 30, 2022 (provided that the weighted average trading price of the Class A Shares on the TSX for the 20 consecutive trading days ending five days preceding the date on which the notice of redemption is given, is not less than 125% of the conversion price of \$18.85 per share). On or after June 30, 2022 but prior to the maturity date, the Company may redeem on not more than 60 days and not less than 30 days prior notice, at a price of \$1 per convertible debenture, plus accrued and unpaid interest.

During the three-month period ended June 30, 2018, an amount of \$2,274 was paid representing the accrued interest from the issuance date of the unsecured convertible debentures to June 30, 2018.

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11. Share capital and accumulated other comprehensive income

	Class A subordinate voting shares ("Class A Shares")		Class B special voting shares ("Class B Shares")		Total	
	Number	\$	Number	\$	Number	\$
As at December 31, 2017	70,249,199	660,644	19,444,490	30,942	89,693,689	691,586
Issuance of shares						
Shares issued as part of a business combination (Note 5)	4,617,783	55,136	-	-	4,617,783	55,136
Shares issued as settlement of purchase price obligations	335,838	4,077	-	-	335,838	4,077
Performance and restricted share units settled	629,239	5,543	-	-	629,239	5,543
Stock options exercised	336,606	3,584	-	-	336,606	3,584
Transfers from Class B Shares to Class A Shares	32,089	51	(32,089)	(51)	-	-
As at June 30, 2018 ⁽¹⁾	76,200,754	729,035	19,412,401	30,891	95,613,155	759,926
As at December 31, 2016	60,800,655	550,609	19,810,903	31,525	80,611,558	582,134
Issuance of shares						
Performance and restricted share units settled	1,085,232	10,381	-	-	1,085,232	10,381
Stock options exercised	180,121	1,887	-	-	180,121	1,887
Conversion of holdback shares	353,928	3,566	-	-	353,928	3,566
Transfers from Class B Shares to Class A Shares	20,278	32	(20,278)	(32)	-	-
As at June 30, 2017	62,440,214	566,475	19,790,625	31,493	82,230,839	597,968

⁽¹⁾ Includes 4,125,055 Class A Shares held in escrow in relation with the Apex acquisition (4,950,066 as at December 31, 2017), nil Class A Shares held in escrow in relation with the Fiera Private Lending acquisition (formerly "Centria Commerce") (338,124 as at December 31, 2017), 74,735 restricted shares held in escrow in relation to the restricted share plan (81,496 as at December 31, 2017) and 4,617,783 in relation with the CGOV acquisition.

Issuance of shares

Shares issued as settlement of purchase price obligations

On February 22, 2018, in connection with the asset purchase agreement of Fiera Private Lending, the Company issued 335,838 Class A Shares for \$4,083 as settlement of purchase price obligations, less issuance costs of \$6.

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11. Share capital and accumulated other comprehensive income (continued)

Performance shares and restricted shares settled

During the six-month period ended June 30, 2018, 629,239 Class A Shares were issued following the vesting of performance share units and restricted share units. During the six-month period ended June 30, 2017, 1,085,232 Class A Shares were issued following the vesting of performance share units at December 31, 2016.

Stock option exercised

During the six-month period ended June 30, 2018, 336,606 stock options were exercised and 336,606 Class A Shares were issued for \$3,584. During the six-month period ended June 30, 2017, 180,121 stock options were exercised and 180,121 Class A Shares were issued for \$1,887.

Conversion of holdback shares

As part of the acquisition of Samson, 353,928 Class A Shares were issued on May 1, 2017, and an amount of CA\$3,566 was transferred from restricted and holdback shares to share capital in the consolidated statements of changes in equity.

Transfers

During the six-month period ended June 30, 2018, 32,089 Class B Shares were converted into Class A Shares on a one-for-one basis (2017 – 20,278 shares).

Dividends

During the six-month period ended June 30, 2018, the Company declared and paid dividends on Class A shares and Class B shares totalling \$34,540 (\$0.38 per share) (\$27,706 for the six-month period ended June 30, 2017 (\$0.34 per share)) and nil on holdback shares (\$118 for the six-month period ended June 30, 2017).

Accumulated other comprehensive income

The components of accumulated other comprehensive income include:

	As at June 30, 2018	As at December 31, 2017
	\$	\$
Unrealized gain on available-for-sale financial assets	-	161
Cash flow hedges	6,532	2,094
Unrealized exchange differences on translating financial statements of foreign operations	22,208	10,769
	28,740	13,024

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12. Earnings (loss) per share

Basic and diluted earnings (loss) per share and the reconciliation of the number of shares used to calculate basic and diluted earnings (loss) per share are as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net earnings (loss) attributable to the Company's shareholders for the periods	(2,106)	877	(4,299)	5,305
Weighted average shares outstanding – basic	92,504,396	81,854,126	91,341,276	81,563,081
Effect of dilutive share-based awards and contingent consideration payable in shares	–	2,660,504	–	2,644,882
Weighted average shares outstanding – diluted	92,504,396	84,514,630	91,341,276	84,207,963
Basic earnings (loss) per share	(0.02)	0.01	(0.05)	0.07
Diluted earnings (loss) per share	(0.02)	0.01	(0.05)	0.06

For the three and six-month periods ended June 30, 2018, the share-based awards and contingent consideration payable in shares of 10,502,266 and the 86,250 convertible debentures were all anti-dilutive. For the three and six-month period ended June 30, 2017, the calculation of hypothetical conversions does not include 1,484,379 stock options with an anti-dilutive effect.

13. Share-based payments

a) Stock option plan:

A summary of the changes that occurred in the Company's stock option plans during the six-month periods ended June 30, 2018 and 2017, is presented below:

	2018		2017	
	Number of Class A Share options	Weighted-average exercise price	Number of Class A Share options	Weighted average exercise price
		\$		\$
Outstanding – beginning of periods	4,183,852	11.86	2,799,345	10.25
Granted	20,000	11.23	347,000	13.64
Exercised	(336,606)	8.06	(180,121)	7.96
Forfeited	(110,252)	13.63	(20,645)	13.44
Outstanding – end of periods	3,756,994	12.15	2,945,579	10.76
Options exercisable – end of periods	598,615	8.15	989,901	7.73

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13. Share-based payments (continued)

The following table presents the weighted average assumptions used to determine the fair value of options granted using the Black-Scholes option pricing model during the three and six-month periods ended June 30, 2018 and 2017:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2018	2017	2018	2017
Dividend yield (%)	7.13	5.05	7.13	5.05
Risk-free interest rate (%)	2.08	1.32	2.08	1.32
Expected life (years)	7.50	7.20	7.50	7.20
Expected volatility for the share price (%)	26.84	30.10	26.84	30.10
Weighted-average fair values (\$)	1.09	2.15	1.09	2.15
Share-based compensation expense (\$)	392	352	832	673

The expected volatility is based on the historical volatility of the Company's share price. The risk-free interest rate used is equal to the yield available on government of Canada bonds at the date of grant with a term that approximates the expected life of options.

b) Deferred share unit ("DSU") plan

DSU units are equivalent to one Class A Share of the Company. The Company recorded an expense (recovery) of \$18 and (\$13) for this plan during the three and six-month periods ended June 30, 2018, respectively (\$6 and \$21 during the three and six-month periods ended June 30, 2017, respectively). As at June 30, 2018, the Company had a liability for an amount of \$192 for the 16,277 units outstanding under the DSU plan (\$205 for 15,767 units as at December 31, 2017).

c) Restricted share unit ("RSU") plan

The following table presents transactions that occurred in the Company's RSU Plan during the six-month periods ended June 30, 2018 and 2017.

	2018	2017
Outstanding units – beginning of period	608,635	456,303
Reinvestments in lieu of dividends	14,111	10,311
Vested	(248,694)	(70,996)
Outstanding units – end of period	374,052	395,618

RSU units are equivalent to one Class A Share of the Company. The Company recorded an expense of \$1,039 and \$2,041 for these grants during the three and six-month periods ended June 30, 2018, respectively (\$3,873 and \$4,633 during the three and six-month periods ended June 30, 2017, respectively). 201,442 Class A Shares were issued during the six-month period ended June 30, 2018 as settlement of RSU vested and \$585 was paid in cash. As at June 30, 2018, the Company had a liability in the amount of \$2,201 for the 374,052 units outstanding under the RSU Plan (\$3,075 for 608,635 units as at December 31, 2017).

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13. Share-based payments (continued)

d) Restricted share unit plan – cash

The following table presents transactions that occurred in the Company's cash-settled RSU Plan during the six-month periods ended June 30, 2018 and 2017.

	2018	2017
Outstanding units – beginning of period	504,380	316,133
Granted	76,873	128,521
Reinvestments in lieu of dividends	17,165	9,350
Vested	(9,917)	-
Outstanding units – end of period	588,501	454,004

RSU cash units are equivalent to one Class A Share of the Company. The Company recorded an expense of \$630 and \$817 for these grants during the three and six-month periods ended June 30, 2018, respectively (\$490 and \$934 during the three and six-month periods ended June 30, 2017, respectively). During the six-month period ended June 30, 2018, 9,917 units vested (2017 – nil) and an amount of \$391 was paid as settlement of these units. As at June 30, 2018, the Company had a liability in the amount of \$2,864 for the 588,501 units outstanding under this RSU Plan (\$2,435 for 504,380 units as at December 31, 2017).

e) Restricted share plan

The Company recorded an expense of \$88 and \$172 for the restricted share plan during the three and six-month periods ended June 30, 2018, respectively (\$184 and \$362 during the three and six-month periods ended June 30, 2017, respectively).

f) Performance share unit (“PSU”) plan

PSU plan applicable to business units (“PSU plan applicable to BU”)

The Company recorded the following expense relating to PSU plans applicable to BU during the three and six-month periods ended June 30, 2018 and 2017:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Equity-settled grants	854	1,782	3,690	2,605
Cash-settled grants	1,595	-	3,692	-
Total expense	2,449	1,782	7,382	2,605

During the six-month periods ended June 30, 2018, the total award value granted under the Company's PSU plans applicable to BU was \$6,575 and no PSU applicable to BU vested during the period. 407,978 Class A Shares were issued during the six-month period ended June 30, 2018 as settlement of PSU applicable to BU vested in 2017.

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13. Share-based payments (continued)

During the six-month periods ended June 30, 2017, the total award value granted under the Company's PSU plans applicable to BU was \$6,566 and no PSU applicable to BU vested during the period. 730,285 Class A Shares were issued during the six-month period ended June 30, 2017 as settlement of PSU applicable to BU vested in 2016.

PSU plan

PSU units are equivalent to one Class A Share of the Company. The Company recorded the following expense relating to PSU plans during the three and six-month periods ended June 30, 2018 and 2017:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Equity-settled grants	646	-	658	-
Cash-settled grants	577	324	642	732
Total expense	1,223	324	1,300	732

During the six-month periods ended June 30, 2018, the total award value granted under the Company's PSU plans was \$4,398 and no PSU vested during the period. 19,819 Class A Shares were issued during the six-month period ended June 30, 2018 as settlement of PSU vested in 2017.

During the six-month periods ended June 30, 2017, the total award value granted under the Company's PSU plans was \$1,200 and no PSU vested during the period. 73,030 Class A Shares were issued during the six-month period ended June 30, 2017 as settlement of PSU vested in 2016 and \$475 was paid in cash.

g) Unit appreciation right plan applicable to business units (UAR plan applicable to BU)

In 2018, the Company amended the PSU BU plan to include a UAR plan applicable to BU. Under this plan, eligible employees are entitled to receive Class A Shares of the Company for an amount equivalent to the difference between the business value per unit on the vesting date and the exercise price determined on the grant date. The Company recorded an expense of \$123 during the three and six-month periods ended June 30, 2018.

h) Stock option plans in the Company's subsidiaries

One of the Company's subsidiaries has a stock option plan which is based on the shares of the respective subsidiary entity. This plan is accounted for as a cash-settled plan. During the year ended December 31, 2017, another subsidiary's stock option plan was discontinued. The Company's subsidiaries stock option expense in the consolidated statements of earnings (loss) for the three and six-month periods ended June 30, 2018 was \$765 and \$1,006, respectively (\$406 and \$575 for the three and six-month periods ended June 30, 2017). The cash settled share-based liability is \$3,045 in the statements of financial position as at June 30, 2018 (\$2,039 as at December 31, 2017).

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14. Additional information relating to interim condensed consolidated statements of cash flows

	For the six-month periods ended June 30,	
	2018	2017
	\$	\$
Changes in non-cash operating working capital items		
Accounts receivable	2,707	19,003
Prepaid expenses and other assets	(2,897)	(7,504)
Accounts payable and accrued liabilities	(31,432)	(19,004)
Amounts due to related parties	1,036	594
Deferred revenues	(119)	(46)
	(30,705)	(6,957)

The following are non-cash items: during the six-month period ended June 30, 2018, the Company issued Class A Shares of \$5,543 as settlement for PSUs and RSUs which vested in 2017 and Class A Shares of \$4,083 related to the acquisition of Fiera Private Lending.

The changes in non-cash working capital for accounts payable and accrued liabilities exclude the difference between current income tax expense of \$8,456 (2017 – \$5,688) and income taxes paid of \$6,798 (2017 – \$9,460) for a net impact of \$1,658 (2017 – (\$3,772)).

15. Capital management

The Company's capital comprises share capital, retained earnings (deficit), long-term debt and convertible debentures, less cash and cash equivalents. The Company manages its capital to ensure there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance and to maintain compliance with regulatory requirements and certain restrictive covenants required by the lenders of the debt. As at June 30, 2018, the Company and one of its subsidiaries subject to calculations of excess working capital as required by National Instrument 31-103 *Registration Requirements and Exemptions*, calculated on a non-consolidated basis, have complied with their respective calculations. The Company and its subsidiaries have complied with their restrictive debt covenants under the various credit facilities.

In order to maintain or adjust its capital structure, the Company may issue shares or proceed to the issuance of or repayment of debt.

16. Contingent liabilities

In the normal course of business, the Company and its subsidiaries may be party to business and employee-related claims. The potential outcomes related to existing matters faced by the Company are not determinable at this time. The Company intends to defend these actions, and management believes that the resolution of these matters will not have a material adverse effect on the Company's financial condition.

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17. Related party transactions

In the normal course of business, the Company carries out transactions with related parties which include two related shareholders or with entities under the same common control as these related shareholders.

One of the related shareholders has significant influence over the Company. Under an agreement, this related shareholder is entitled to appoint two of the four directors of the Company that the holders of Class A Shares are entitled to elect, as long as it holds, directly or indirectly, at least 20% of the outstanding Class A Shares and Class B Shares, together, on a non-diluted basis. Following the closing of the Company's bought deal financing comprised of unsecured convertible debentures (Note 10) and of a Class A Share issuance on December 21, 2017 and subsequent shareholder transactions, the related party's beneficial ownership is approximately 18.2% of the Company's issued and outstanding shares as at June 30, 2018 (20.7% as at June 30, 2017) and as a result, the related party no longer has the right to designate two appointees to the Company's Board. This related shareholder is the lead arranger to the Company's Credit Facility and is the counterparty to the derivative financial instruments presented as being with a related entity in the table below.

At June 30, 2018, the other related shareholder has significant influence over the Company since it indirectly owns Class B Special Voting Shares representing approximately 7.5% of the Company's issued and outstanding shares (8.8% as at June 30, 2017) and pursuant to the terms of a shareholders' agreement between this related shareholder and an entity related to the Company, the related shareholder is entitled to appoint two of the eight directors of the Company that the holders of Class B Shares are entitled to elect. In order to maintain the rights described above, the related shareholder is required to maintain a minimum ownership level in the Company and a specified minimum level of assets under management.

The following table presents transactions either directly with the two related shareholders or with entities under the same common control as these related shareholders:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Base management and performance fees and other revenues	10,694	14,256	23,548	25,602
Selling, general & administrative expenses				
Reference fees	409	410	883	819
Other	137	93	349	215
Interest on long-term debt	3,523	3,932	7,153	7,624
Acquisition costs	-	252	-	252
Net (gain) loss in fair value of derivative financial instruments included in interest on long-term debt and other financial charges	(660)	4,494	(1,138)	6,404

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17. Related party transactions (continued)

The transactions were made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Fees are at prevailing market prices and are settled on normal trade terms.

18. Segment reporting

The Company has determined that there is one reportable segment, asset management services in Canada, the United States of America and Europe and other.

Geographical information:

Revenues:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Canada	62,523	56,376	120,866	108,039
United States of America	47,735	40,243	93,873	77,647
Europe and other	15,974	12,730	31,474	24,237
	126,232	109,349	246,213	209,923

Non-current assets:

	As at June 30,	As at December 31
	2018	2017
	\$	\$
Canada	621,240	514,222
United States of America	464,367	450,032
Europe and other	40,515	39,546
	1,126,122	1,003,800

Revenues are attributed to countries on the basis of the customer's location. As at June 30, 2018, geographical non-current assets presented above exclude deferred income taxes of \$17,189 and financial instruments of \$8,791 (\$11,665 and \$3,553 respectively as at December 31, 2017).

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19. Subsequent events

Clearwater Capital Partners LLC

On August 9, 2018, the Company acquired Clearwater Capital Partners LLC, an Asia focused credit and special situations investment firm headquartered in Hong Kong. The aggregate consideration paid at closing, subject to various post-closing adjustments, was US\$14,895, including US\$5,895 in cash and US\$9,000 in newly issued Class A Shares. Additional contingent payments of up to US\$44,000 (undiscounted amount) will be payable over five years if certain performance conditions are achieved.

Dividends declared

On August 9, 2018, the Board declared a quarterly dividend of \$0.20 per share to shareholders of record as at August 22, 2018 and payable on September 19, 2018.

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