

Interim Condensed Consolidated Financial Statements of **FIERA CAPITAL CORPORATION**

For the periods ended September 30, 2014 and 2013
(unaudited)



FIERACAPITAL

Fiera Capital Corporation

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Fiera Capital Corporation

Interim Condensed Consolidated Statements of Earnings

For the three and nine-month periods ended September 30,
(Unaudited)

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

| | Three-month periods | | Nine-month periods | |
|---|---------------------|---------------|--------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Revenues | | | | |
| Base management fees | 50,647 | 34,197 | 148,110 | 96,595 |
| Performance fees | 277 | 723 | 4,848 | 1,138 |
| Other revenue | 1,447 | 191 | 5,096 | 772 |
| | 52,371 | 35,111 | 158,054 | 98,505 |
| Expenses | | | | |
| Selling, general and administrative expenses | 34,775 | 22,682 | 105,816 | 61,970 |
| External managers | 1,420 | 554 | 3,617 | 1,637 |
| Depreciation of property and equipment | 343 | 326 | 1,122 | 973 |
| Amortization of intangible assets | 6,411 | 4,384 | 19,045 | 12,918 |
| Acquisition costs | 561 | 1,662 | 1,254 | 3,695 |
| Restructuring and other integration costs (Note 6) | 654 | 270 | 1,953 | 1,442 |
| | 44,164 | 29,878 | 132,807 | 82,635 |
| Earnings before (gain) loss on disposal of investments, interest on long-term debt and other financial charges, accretion and change in fair value of purchase price obligations, (gain) loss on dilution of investments in joint ventures, changes in fair value of derivative financial instruments and share of earnings of joint ventures | 8,207 | 5,233 | 25,247 | 15,870 |
| (Gain) loss on disposal of investments | (1) | - | - | 98 |
| Interest on long-term debt and other financial charges | 2,164 | 1,742 | 5,695 | 4,902 |
| Accretion and change in fair value of purchase price obligations | 612 | 696 | 2,006 | 1,938 |
| (Gain) loss on dilution of investments in joint ventures | (2) | - | 23 | - |
| Changes in fair value of derivative financial instruments | 50 | 1,602 | 865 | (36) |
| Share of earnings of joint ventures | (361) | (907) | (1,305) | (691) |
| Earnings before income taxes | 5,745 | 2,100 | 17,963 | 9,659 |
| Income taxes | 1,226 | 606 | 3,836 | 3,465 |
| Net earnings for the period | 4,519 | 1,494 | 14,127 | 6,194 |
| Net earnings attributable to : | | | | |
| Company's shareholders | 5,053 | 1,508 | 15,402 | 6,458 |
| Non-controlling interest | (534) | (14) | (1,275) | (264) |
| | 4,519 | 1,494 | 14,127 | 6,194 |
| Net earnings per share (Note 9) | | | | |
| Basic | 0.07 | 0.03 | 0.23 | 0.11 |
| Diluted | 0.07 | 0.03 | 0.22 | 0.11 |

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Comprehensive Income

For the three and nine-month periods ended September 30,

(Unaudited)

(In thousands of Canadian dollars)

| | Three-month periods | | Nine-month periods | |
|---|---------------------|--------------|--------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Net earnings for the period | 4,519 | 1,494 | 14,127 | 6,194 |
| Other comprehensive income: | | | | |
| Items that may be reclassified subsequently to earnings: | | | | |
| Unrealized gain on available-for-sale financial assets (net of income taxes) | 91 | 21 | 175 | 35 |
| Reclassification of (gain) loss on disposal of investments | - | (1) | - | 97 |
| Share of other comprehensive (loss) income of joint ventures | (6) | 67 | (34) | 188 |
| Unrealized exchange differences on translating financial statements of foreign operations | 4,258 | - | 4,502 | - |
| Other comprehensive income for the period | 4,343 | 87 | 4,643 | 320 |
| Comprehensive income for the period | 8,862 | 1,581 | 18,770 | 6,514 |
| Comprehensive income attributable to: | | | | |
| Company's shareholders | 9,396 | 1,595 | 20,045 | 6,778 |
| Non-controlling interest | (534) | (14) | (1,275) | (264) |
| | 8,862 | 1,581 | 18,770 | 6,514 |

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 September 30, 2014 | As at December 31, 2013 |
|--|-----------------------------|----------------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 17,786 | 21,774 |
| Restricted cash | 742 | 689 |
| Investments | 7,765 | 9,711 |
| Accounts receivable | 49,248 | 56,072 |
| Prepaid expenses | 3,593 | 3,771 |
| Subscription receipts receivable (Note 8) | 1,705 | - |
| | 80,839 | 92,017 |
| Non-current assets | | |
| Deferred charges | 476 | 460 |
| Deferred income taxes | 346 | 1,349 |
| Subscription receipts receivable (Note 8) | 1,570 | - |
| Advance to a related shareholder | - | 1,211 |
| Investment in joint ventures | 9,532 | 8,284 |
| Property and equipment | 4,683 | 5,322 |
| Intangible assets | 302,868 | 310,151 |
| Goodwill | 369,207 | 357,773 |
| | 769,521 | 776,567 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 27,952 | 35,000 |
| Dividend payable | 244 | - |
| Restructuring provisions (Note 6) | - | 1,116 |
| Amount due to related companies (Note 14) | 758 | 956 |
| Purchase price obligations | 8,500 | 18,073 |
| Client deposits | 154 | 689 |
| Deferred revenues | 99 | 495 |
| Subscription receipts obligation (Note 8) | 1,705 | - |
| | 39,412 | 56,329 |
| Non-current liabilities | | |
| Deferred lease obligations | 559 | 588 |
| Lease inducements | 794 | 904 |
| Deferred income taxes | 22,205 | 24,636 |
| Long-term restructuring provisions (Note 6) | 979 | 193 |
| Value of option granted to non-controlling interest | 8,351 | 7,720 |
| Long-term debt (Note 7) | 232,285 | 228,262 |
| Purchase price obligations | 35,532 | 40,250 |
| Derivative financial instruments | 878 | 644 |
| Subscription receipts obligation (Note 8) | 1,570 | - |
| | 342,565 | 359,526 |
| Equity | | |
| Share capital, hold back shares, contributed surplus, (deficit) retained earnings and accumulated other comprehensive income | 427,273 | 416,083 |
| Non-controlling interest | 6,981 | 8,256 |
| Initial value of option granted to non-controlling interest | (7,298) | (7,298) |
| Total non-controlling interest | (317) | 958 |
| | 426,956 | 417,041 |
| | 769,521 | 776,567 |

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 nine-month periods ended September 30,

(Unaudited)

(In thousands of Canadian dollars)

| | Share Capital | Hold back shares | Contributed surplus | (Deficit) Retained earnings | Accumulated other compre- hensive income | Total | Related to Non- Controlling Interests | Total Equity |
|---|------------------|------------------------|------------------------|-----------------------------------|--|----------------|--|-----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| As at December 31, 2013 | 421,209 | 8,781 | 4,533 | (20,356) | 1,916 | 416,083 | 958 | 417,041 |
| Net earnings for the period | - | - | - | 15,402 | - | 15,402 | (1,275) | 14,127 |
| Other comprehensive income | - | - | - | - | 4,643 | 4,643 | - | 4,643 |
| Comprehensive income for the period | - | - | - | 15,402 | 4,643 | 20,045 | (1,275) | 18,770 |
| Issuance of shares | 1,830 | - | - | - | - | 1,830 | - | 1,830 |
| Conversion of hold back shares | 3,104 | (3,104) | - | - | - | - | - | - |
| Share-based compensation expense | - | - | 3,575 | - | - | 3,575 | - | 3,575 |
| Shares issued as settlement of the purchase price obligations | - | 8,500 | - | - | - | 8,500 | - | 8,500 |
| Stock options exercised | 765 | - | (196) | - | - | 569 | - | 569 |
| Dividends | - | - | - | (23,329) | - | (23,329) | - | (23,329) |
| As at September 30, 2014 | 426,908 | 14,177 | 7,912 | (28,283) | 6,559 | 427,273 | (317) | 426,956 |
| As at December 31, 2012 | 307,759 | - | 2,668 | (12,753) | 65 | 297,739 | - | 297,739 |
| Net earnings for the period | - | - | - | 6,458 | - | 6,458 | (264) | 6,194 |
| Other comprehensive income | - | - | - | - | 320 | 320 | - | 320 |
| Comprehensive income for the period | - | - | - | 6,458 | 320 | 6,778 | (264) | 6,514 |
| Share-based compensation expense | - | - | 1,069 | - | - | 1,069 | - | 1,069 |
| Stock options exercised | 568 | - | (122) | - | - | 446 | - | 446 |
| Shares issued as settlement of the purchase price obligations | 8,500 | - | - | - | - | 8,500 | - | 8,500 |
| Gain on dilution | - | - | - | 18 | - | 18 | - | 18 |
| Dividends | - | - | - | (15,852) | - | (15,852) | - | (15,852) |
| Non-controlling interest | - | - | - | - | - | - | 8,356 | 8,356 |
| Initial value of option granted to non-controlling interest | - | - | - | - | - | - | (7,298) | (7,298) |
| As at September 30, 2013 | 316,827 | - | 3,615 | (22,129) | 385 | 298,698 | 794 | 299,492 |

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 nine-month periods ended September 30,

(Unaudited)

(In thousands of Canadian dollars)

| | 2014 | 2013 |
|---|-----------------|-----------------|
| | \$ | \$ |
| Operating activities | | |
| Net earnings for the period | 14,127 | 6,194 |
| Adjustments for: | | |
| Depreciation of property and equipment | 1,122 | 973 |
| Amortization of intangible assets | 19,045 | 12,918 |
| Amortization of deferred charges | 241 | 240 |
| Accretion and change in fair value of purchase price obligations | 2,006 | 1,938 |
| Lease inducements | (110) | (111) |
| Deferred lease obligations | (29) | (1) |
| Share-based compensation | 3,575 | 1,069 |
| Restructuring provisions | (330) | (550) |
| Interest on long-term debt and other financial charges | 5,695 | 4,902 |
| Changes in fair value of derivative financial instruments | 865 | (36) |
| Loss on dilution of investments in joint ventures | 23 | - |
| Income tax expense | 3,836 | 3,465 |
| Income tax paid | (12,081) | (4,829) |
| Share of earnings of joint ventures | (1,305) | (691) |
| Loss on disposal of investments | - | 98 |
| Deferred revenues | (396) | (312) |
| Other | - | (48) |
| Changes in non-cash operating working capital items (Note 11) | 4,966 | (3,727) |
| Net cash generated by operating activities | 41,250 | 21,492 |
| Investing activities | | |
| Business combinations (less cash acquired in 2014 of \$107) (Note 5) | (9,893) | (10,698) |
| Payment of purchase price obligations (Note 5) | (9,484) | - |
| Investments, net | 2,756 | 311 |
| Purchase of property and equipment | (438) | (458) |
| Purchase of intangible assets | (2,470) | (48,203) |
| Repayment from (advance to) a related shareholder | 1,211 | (1,605) |
| Deferred charges | (257) | (366) |
| Restricted cash and clients deposits | (560) | - |
| Net cash used in investing activities | (19,135) | (61,019) |
| Financing activities | | |
| Bank loan | - | (9,800) |
| Dividends | (23,085) | (15,852) |
| Issuance of share capital | 2,399 | 446 |
| Issuance of subscription receipts | - | 105,146 |
| Issuance cost | - | (3,845) |
| Long-term debt, net | - | 68,100 |
| Interest paid on long-term debt | (5,903) | (4,711) |
| Financing charges | (19) | (698) |
| Net cash (used in) generated by financing activities | (26,608) | 138,786 |
| Net (decrease) increase in cash | (4,493) | 99,259 |
| Effect of exchange rate changes on cash denominated in foreign currencies | 505 | - |
| Cash – beginning of period | 21,774 | 6,016 |
| Cash – end of period | 17,786 | 105,275 |

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 nine-month periods ended September 30, 2014 and 2013

(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 Investment Management Limited in 1955 and is incorporated under the laws of the Province of Ontario. The Company is a full-service, multi-product investment firm, providing investment advisory and related services to institutional investors, private wealth clients and retail investors. Its head office is located at 1501 Avenue McGill College, office 800, Montreal, Quebec, Canada. The Company is listed on the Toronto Stock Exchange (“TSX”) under the symbol “FSZ”.

Fiera Capital is registered in the categories of exempt market dealer and portfolio manager in all provinces and territories of Canada. Fiera Capital is also registered in the category of investment fund manager in the provinces of Ontario and Quebec. In addition, as Fiera Capital manages derivatives portfolios, it is registered as a commodity trading manager pursuant to the *Commodity Futures Act* (Ontario), as an adviser under the *Commodity Futures Act* (Manitoba) and, in Quebec, as derivatives portfolio manager pursuant to the *Derivatives Act* (Quebec). In addition to the above, Bel Air Investment Advisors LLC, a subsidiary of Fiera Capital, is registered as an investment adviser with the United States Securities and Exchange Commission.

The Board of Directors approved the unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2014 on November 12, 2014.

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, 2013, except for the impact of the adoption of the standards, interpretations and amendment described in Note 3. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013.

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2014 and 2013

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

3. Adoption of new IFRS

The following revised standards are effective for annual periods beginning on January 1, 2014 and their adoption has not had any impact on the amounts reported or disclosures made in these financial statements but may affect the accounting for future transactions, arrangements, or disclosures in the Company's 2014 annual financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*

The amendments to IFRS 10 define an investment entity and require that a reporting entity that meets the definition of an investment entity measures its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements, instead of consolidating them.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

IFRIC Interpretation 21 – *Levies*

IFRIC Interpretation 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12 - *Income Taxes* and fines or other penalties imposed for breaches of the legislation. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

Amendments to IAS 36 – *Impairment of Assets*

The amendments to IAS 36 reduce the circumstances in which the recoverable amount of assets or cash generating units is required to be disclosed, clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2014 and 2013

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

4. IFRS issued but not yet adopted

IFRS 9 – *Financial Instruments*

In July 2014, the IASB finalized IFRS 9, bringing together the financial asset and financial liability classification and measurement, impairment of financial assets and hedge accounting phases of the IASB project. IFRS 9 provides a single model for financial asset classification and measurement that is based on contractual cash flow characteristics and on the business model for holding financial assets. IFRS 9 also introduces a new impairment model for financial assets not measured at fair value through profit or loss. This version adds a new expected loss impairment model and limited amendments to classification and measurement of financial assets and liabilities. IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and is mandatorily effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted.

Amendments to IFRS 11 – *Joint Arrangements*

In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendment is effective for annual periods beginning on or after January 1, 2016.

Amendments to IAS 38 - *Intangible Assets* and IAS 16 - *Property, Plant and Equipment*

In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

Annual improvements to IFRS (2010-2012) and (2011-2013) cycles

In December 2013, the IASB published annual improvements on the 2010-2012 and the 2011-2013 cycles which included narrow-scope amendments to a total of nine standards. Modifications of standards that may be relevant to the Company include amendments made to clarify items including the definition of vesting conditions in IFRS 2 – *Share-Based payment*, disclosure on the aggregation of operating segments in IFRS 8 – *Operating segments*, measurement of short-term receivables and payables under IFRS 13 – *Fair value measurement*, definition of related party in IAS 24 – *Related party disclosures*, and other amendments. Most of the amendments are effective for annual periods beginning on or after July 1, 2014. Early adoption is permitted.

The Company is still evaluating the impact of these standards on its consolidated financial statements.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2014 and 2013

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

5. Business combinations

Propel Capital Corporation

On September 2, 2014, the Company acquired all of the outstanding shares of Propel Capital Corporation (“Propel”), a prominent Toronto-based investment firm which develops, manages and distributes investment solutions to Canadians with a focus on closed-end funds. The acquisition will enhance the Company’s expertise, offering and distribution capabilities in the Canadian retail investor space.

Under the terms of the agreement, the purchase price for Propel includes \$9,000 paid in cash to sellers at closing plus \$1,000 paid to an escrow account which will be released in February 2016 provided there are no claims pursuant to the indemnification provisions of the share purchase agreement. In addition, the purchase price includes an amount of \$2,000 payable in February 2016 if a certain level of revenues generated from closed-end funds managed by the Company is reached. The transaction was accounted for as a business combination using the acquisition method and the assets and liabilities were recorded at their estimated fair value at the acquisition date as follows:

| | \$ |
|--|---------------|
| Cash | 107 |
| Other current assets | 1,073 |
| Intangible assets | 5,050 |
| Goodwill | 7,913 |
| Accounts payable and accrued liabilities | (911) |
| Deferred income tax liability | (1,346) |
| | 11,886 |

| Purchase consideration | \$ |
|---|---------------|
| Cash consideration | 10,000 |
| Fair value of purchase price obligation | 1,886 |
| | 11,886 |

The goodwill is attributable to the well-established network and trained work force of Propel and is not deductible for tax purposes. Management of Fiera Capital Corporation has identified certain intangible assets acquired from Propel which have been accounted for separately from goodwill. These intangible assets include customer relationships valued at \$5,050. The fair value of the purchase price obligation was calculated using the estimated discounted cash flows. The Company incurred acquisition-related costs of \$573 mainly composed of legal fees and due diligence costs. These costs have been included under the caption acquisition costs in the consolidated statement of earnings. The Company expects to finalize the accounting for this acquisition before the end of the fiscal year.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2014 and 2013

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

5. Business combinations (continued)

Pro forma Impact

The impact of the acquisition on the Company's nine-month base management fees, performance fees and net earnings is as follows:

| | \$ |
|----------------------|-----|
| Base management fees | 352 |
| Performance fees | - |
| Net earnings | 86 |

If the business combination would have occurred on January 1, 2014, the company's consolidated base management fees, performance fees and net earnings for the nine-month period ended September 30, 2014 would have been as follows:

| | \$ |
|----------------------|---------|
| Base management fees | 151,864 |
| Performance fees | 4,848 |
| Net earnings | 14,217 |

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a nine-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 costs, as well as related tax effects.

Bel Air

On October 31, 2013, the Company closed a transaction to acquire Los Angeles, California based Bel Air Investment Advisors, LLC as well as its affiliate Bel Air Securities LLC, (collectively "Bel Air"), a prominent U.S. wealth management firm.

During the quarter ended March 31, 2014, the Company reduced the purchase price obligation by US\$561 (CA\$623) after completing the calculation of the working capital adjustment and making the appropriate price adjustment payments of US\$8,439 (CA\$9,373). As a result, goodwill was reduced by US\$561 (CA\$623).

After giving effect to the above transaction, the estimated fair value of the assets and liabilities assumed are as follows:

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2014 and 2013

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

5. Business combinations (continued)

| | \$ |
|---|----------------|
| Cash | 9,629 |
| Other current assets | 5,503 |
| Property and equipment | 376 |
| Intangible assets | 66,112 |
| Goodwill (\$59,426 deductible for tax purposes) | 59,426 |
| Accounts payable and accrued liabilities | (3,117) |
| | 137,929 |

| | \$ |
|---------------------------|----------------|
| Purchase consideration | |
| Cash consideration | 120,371 |
| Purchase price obligation | 8,777 |
| Hold back shares | 8,781 |
| | 137,929 |

GMP Capital Inc.

During the quarter ended March 31, 2014, the Company paid the purchase price obligation outstanding of \$111.

6. Restructuring and other integration costs

With respect to the current and past business combinations, the Company recorded restructuring provisions and costs related to the termination of certain employees as part of the integration of the different businesses. During the nine-month period ended September 30, 2014, the Company paid \$330 of the restructuring provision. The remaining restructuring provision of \$979 is classified as a non-current liability as the Company does not expect to settle the provision within the next twelve months.

During the three and nine-month periods ended September 30, 2014 the Company recorded \$654 and \$1,953, respectively for integration costs related to the companies acquired. These costs include an onerous lease provision for vacated premises, cost for the termination of certain employees, professional fees and certain travelling expenses (\$270 and \$1,442 for the three and nine-month periods ended September 30, 2013, respectively).

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2014 and 2013

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

7. Long-term debt

| | September 30, 2014 | December 31, 2013 |
|----------------------------|--------------------|-------------------|
| | \$ | \$ |
| Term facility | 176,121 | 175,000 |
| Revolving facility | 57,181 | 54,563 |
| Deferred financing charges | (1,017) | (1,301) |
| | 232,285 | 228,262 |

Credit facilities

During the first quarter of 2014, the Company converted CA\$30,500 from its Term facility to US\$27,938. During the third quarter of 2014, the Company converted US\$14,000 from its Revolving facility to CA\$15,374. In addition, the Company converted an additional CA\$15,000 into US\$13,659 within its Term facility. As at September 30, 2014, the total amount of long-term debt included US\$41,597 outstanding on the Term facility and US\$37,300 outstanding on the Revolving facility (US\$51,300 was outstanding on the Revolving facility as at December 31, 2013).

Under the terms of the loan 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 minimal interest coverage ratio. EBITDA, a non IFRS measure, is defined in the Credit Facility on a consolidated basis, as earnings of the Borrower before interest, taxes, depreciation, amortization, non-recurring and one-time expenses related to acquisitions and other non-cash items. As at September 30, 2014, all debt covenant requirements have been respected.

On May 1, 2012, the Company entered into an interest rate swap agreement for a notional amount of \$108,000, to exchange its monthly variable interest rate payments for fixed interest payments at the rate of 1.835% until March 2017.

Fiera Capital Corporation

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2014 and 2013

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

8. 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, 2013 | 46,639,057 | 388,113 | 20,798,008 | 33,096 | 67,437,065 | 421,209 |
| Issuance of shares | 149,469 | 1,830 | - | - | 149,469 | 1,830 |
| Conversion of hold back shares | 277,578 | 3,104 | - | - | 277,578 | 3,104 |
| Stock options exercised | 102,821 | 765 | - | - | 102,821 | 765 |
| Transfer from Class B Shares to Class A Shares | 758,258 | 1,207 | (758,258) | (1,207) | - | - |
| As at September 30, 2014 | 47,927,183 | 395,019 | 20,039,750 | 31,889 | 67,966,933 | 426,908 |
| As at December 31, 2012 | 35,368,114 | 274,011 | 21,207,964 | 33,748 | 56,576,078 | 307,759 |
| Stock options exercised | 107,674 | 568 | - | - | 107,674 | 568 |
| Shares issued as settlement of the purchase price obligation | 764,602 | 8,500 | - | - | 764,602 | 8,500 |
| Transfer from Class B Shares to Class A Shares | 69,611 | 111 | (69,611) | (111) | - | - |
| As at September 30, 2013 | 36,310,001 | 283,190 | 21,138,353 | 33,637 | 57,448,354 | 316,827 |

Preferred Shares

On April 17, 2014, Directors of the Company approved the filings of articles of amendment to create a new class of shares to be designated as preferred shares ("Preferred Shares"). This amendment was approved by the Company's shareholders at the annual shareholders' meeting. The Preferred Shares would be issuable in series and would rank, both in regards to dividends and return on capital, in priority to the holders of the Class A Shares, the holders of the Class B Shares and over any other shares ranking junior to the holders of the Preferred Shares. Other conditions could also be applicable to the holders of the Preferred Shares.

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

Issuance of shares and conversion of hold back shares

As part of the acquisition of Bel Air, the Company committed to issue in three tranches over a 32-month period following closing, 832,755 Class A Shares worth US\$9,760. This commitment was considered an equity component and was recorded at a discounted value of US\$8,419 (\$8,781) under the caption: hold back shares. During the second quarter of 2014, the first tranche amounting to 277,578 of the hold back shares were issued and effectively converted into Class A Shares and a value of \$3,104 was transferred from the caption hold back shares to share capital.

On the same day as the conversion of the first tranche of the hold back shares into share capital in connection with a related agreement, the Company issued 149,469 Class A Shares to National Bank of Canada (“National Bank”) for \$1,830. The amount of \$1,830 was received on July 2, 2014. These shares were issued upon the exercise by National Bank of its anti-dilution rights, as defined in the Investor Rights Agreement. The National Bank anti-dilution rights allow National Bank to participate in future issuances of shares upon the occurrence of certain dilutive events in order for National Bank to maintain its ownership percentage.

In connection with the agreement described above, the Company also issued two subscription receipts to National Bank, each providing for the issuance of 149,469 Class A Shares, at a pre-determined price of \$12.24, to be exchanged into shares concurrently with the second and third conversion of hold back shares into share capital. The proceeds of these subscription receipts have been transferred to an escrow account but the release from the escrow is conditional on the issuance of the hold back shares. As such, the amounts have been recorded as an asset and a liability for an amount of \$3,275, of which \$1,705 is presented as a current asset/liability.

Shares issued as settlement of the purchase price obligations

On September 30, 2014, in connection with the asset purchase agreement of Natcan Investment Management Inc., the Company reclassified an amount of \$8,500 from purchase price obligations to hold back shares. The obligation is mandatorily payable in shares and all the conditions related to the share issuance were met at this date. The hold back shares have been converted into 642,275 Class A Shares on November 3, 2014.

Dividends

During the nine-month period ended September 30, 2014, the Company declared dividends of \$22,996 (\$0.34 per share) on Class A Shares and Class B Shares (\$15,852 for the nine-month period ended September 30, 2013 (\$0.28 per share)) and \$333 on hold back shares.

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

Components of accumulated other comprehensive income includes:

| | September 30, 2014 | December 31, 2013 |
|---|--------------------|-------------------|
| | \$ | \$ |
| Unrealized gain on available-for-sale financial assets | 376 | 201 |
| Share of other comprehensive income of joint ventures | 209 | 243 |
| Unrealized exchange differences on translating financial statements of foreign operations | 5,974 | 1,472 |
| | 6,559 | 1,916 |

9. Earnings per share

Earnings per share as well as the reconciliation of the number of shares used to calculate basic and diluted earnings per share are as follows:

| | For the three-month periods ended September 30, | | For the nine-month periods ended September 30, | |
|--|---|------------|--|------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Net earnings available to shareholders for the periods | 5,053 | 1,508 | 15,402 | 6,458 |
| Weighted average shares outstanding – basic | 68,518,637 | 56,896,795 | 68,368,116 | 56,696,187 |
| Effect of dilutive share-based awards | 943,560 | 520,215 | 1,013,447 | 539,723 |
| Weighted average shares outstanding – diluted | 69,462,197 | 57,417,010 | 69,381,563 | 57,235,910 |
| Basic earnings per share | 0.07 | 0.03 | 0.23 | 0.11 |
| Diluted earnings per share | 0.07 | 0.03 | 0.22 | 0.11 |

For the three and nine-month periods ended September 30, 2014, the calculation of hypothetical conversions does not include 585,427 stock options (nil for the three and nine-month ended September 30, 2013) with an anti-dilutive effect.

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10. Share-based payments

(a) Stock option plan:

The following table presents transactions that occurred during the nine-month period ended September 30, 2014 in the Company's stock option plans.

| | | September 30, 2014 |
|--|------------------------------------|------------------------------------|
| | Number of Class A Share options | Weighted-average exercise price |
| | | \$ |
| Outstanding – December 31, 2013 | 2,942,522 | 8.12 |
| Granted | 137,427 | 13.38 |
| Exercised | (102,821) | 5.53 |
| Forfeited | (32,176) | 8.10 |
| Outstanding – September 30, 2014 | 2,944,952 | 8.45 |
| Options exercisable – September 30, 2014 | 1,052,082 | 6.83 |

The following table presents the weighted average assumptions used during the three and nine-month periods ended September 30, to determine the share-based compensation expense using the Black-Scholes option pricing model:

| | For the three-month periods ended September 30, | | For the nine-month periods ended September 30, | |
|---|--|------|---|------|
| | 2014 | 2013 | 2014 | 2013 |
| Dividend yield (%) | 3.67 | - | 3.13 | 4.22 |
| Risk-free interest rate (%) | 1.79 | - | 2.01 | 1.70 |
| Expected life (years) | 7.5 | - | 7.5 | 7.5 |
| Expected volatility for the share price (%) | 43 | - | 44 | 45 |
| Weighted-average fair values (\$) | 3.70 | - | 4.44 | 2.19 |

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 equal to the expected life of options.

During the quarter ended June 30, 2014, the existing 2007 plan stock option was amended to decrease the shares reserved for issuance from 4,021,588 Class A shares to 3,510,118 shares.

An expense of \$333 and \$922 was recorded during the three and nine-month periods ended September 30, 2014, respectively for the stock option plan (\$457 and \$1,069 for the three and nine-month periods ended September 30, 2013)

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Notes to the Interim Condensed Consolidated Financial Statements

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10. Share-based payments (continued)

(b) Performance share unit (“PSU”) plan:

The following table summarizes the outstanding PSU awards as at September 30, 2014:

| Date of grant | Vesting schedule | Vesting Date | Key vesting performance conditions | Payout formula |
|-------------------|--|--------------------------|--|--|
| October 30, 2013 | 20% per year for 5 years | December 31 of each year | Annualized revenue growth objective for private wealth revenues | Multiple of the private wealth revenues |
| January 1, 2014 | 6.5% on year 1 and 7, 13.5% on year 2 and 6 and 20% on year 3, 4 and 5 | December 31 of each year | Annualized revenue growth objective for alternative revenues | Multiple of the non-traditional investment solution revenues |
| September 2, 2014 | 100% in 2017 | December 31, 2017 | Annualized revenues of the last quarter of 2017 for closed-end funds | Variable percentage of annualized revenue for closed-end funds |

All of the above awards are conditional on the continued employment of the participant with the Company. The Company has the option to settle the PSUs in cash or Class A shares of the Company.

The following table presents transactions that occurred during the nine-month period ended September 30, 2014 in the Company’s PSU plans.

| Date of grant | October 30, 2013 | January 1, 2014 |
|----------------------------------|------------------|-----------------|
| Outstanding – December 31, 2013 | 1,345,321 | - |
| Granted | 62,500 | 307,692 |
| Exercised | - | - |
| Forfeited | (25,000) | - |
| Outstanding – September 30, 2014 | 1,382,821 | 307,692 |

The above table excludes the September 2, 2014 grant given that this grant provides for a dollar payment at the time of vesting, which payment will then be divided into equivalent number of shares of the Company.

The value of the PSU granted was determined at inception using forecasted revenues of the different payout targets. The value of the October 30, 2013 PSU granted during the nine-month period ended September 30, 2014 was evaluated at \$675, the January 1, 2014 grant was evaluated at \$2,811 and the September 2, 2014 grant was evaluated at \$435. The compensation expense is based on the number of PSU expected to vest based on the attainment of the performance conditions and is recorded over the vesting period.

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10. Share-based payments (continued)

The attainment of the performance conditions and the estimated vesting of the PSUs is reassessed at the end of each reporting period. Consequently, during the second quarter of 2014, the Company revised its estimate with respect to the vesting period for the October 30, 2013 PSUs resulting in a \$215 reversal of previously recognized PSU expense.

An expense of \$1,130 and \$2,653 was recorded during the three and nine-month periods ended September 30, 2014, respectively for the different PSU plans (nil for the three and nine-month periods ended September 30, 2013).

(c) Restricted share unit plan:

During the second quarter of 2014, the Company issued 65,696 restricted share units (“RSU”). The RSU expense is recorded at fair value and is amortized over the vesting period on a straight-line basis. During the nine-month period ended September 30, 2014, 9,172 RSUs were forfeited and 10,548 RSUs were reinvested in lieu of dividends. As at September 30, 2014, the Company had 434,620 RSUs issued and outstanding.

11. Additional information relating to interim condensed consolidated statement of cash flows

| | For the nine-month periods ended September 30, | |
|--|---|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Changes in non-cash operating working capital items | | |
| Accounts receivable | 7,900 | (4,444) |
| Prepaid expenses | 321 | (531) |
| Accounts payable and accrued liabilities | (3,057) | 1,010 |
| Amount due to related companies | (198) | 238 |
| | 4,966 | (3,727) |

The following are non-cash items: subscription receipts receivable of \$3,275 (current and non-current), and subscription receipts obligation of \$3,275 (current and non-current).

The changes in non-cash working capital for accounts payable and accrued liabilities exclude the difference between income taxes paid and income tax expense of (\$5,123) (2013 – \$638).

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12. Capital management

The Company's capital comprises share capital, (deficit) retained earnings and long-term debt, including the current portion thereof, less cash. The Company manages its capital to ensure adequate capital resources while maximizing return to shareholders through optimization of the debt and equity mix and to maintain compliance with regulatory requirements and certain restrictive debt covenants.

To maintain its capital structure, the Company may issue additional shares, incur additional debt, repay existing debt and acquire or sell assets to improve its financial performance and flexibility.

To comply with Canadian Securities Administrators' regulations, the Company is required to maintain minimum capital of \$100 as defined in Regulation 31-103 respecting *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. As at September 30, 2014, the Company was in compliance with all regulatory requirements and exemptions.

13. Fair value of financial instruments

The fair value of the financial instruments represents the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The Company presents a fair value hierarchy with three levels that reflects the significance of inputs used in determining the fair value assessments. The fair value of financial assets and liabilities classified in these three levels is evaluated as follows:

- 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).

The fair value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, dividend payable, amount due to related companies and client deposits is approximately equal to their carrying values due to their short-term maturities.

The cost of mutual fund investments and pool funds is \$6,728 as at September 30, 2014 and \$5,890 as at December 31, 2013, while the fair value is \$7,104 as at September 30, 2014 and \$6,096 as at December 31, 2013. The unrealized gain of \$376 as at September 30, 2014 and \$201 as at December 31, 2013, are reflected in other comprehensive income. The Company measures the fair value of the mutual fund investments and pool funds using level 2 inputs in the fair value hierarchy.

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 currently available to the Company for instruments with comparable terms.

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(Unaudited)

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13. Fair value of financial instruments (continued)

The Company measures fair value of the subscription receipts receivable of \$3,275 and subscription receipts obligation of the same amount using level 2 inputs in the fair value hierarchy. The Company determines the fair value by using observable market inputs such as share price, volatility of the share price, dividend yield and discount rate.

The Company measures the fair value of the value of option granted to non-controlling interest using level 3 inputs in the fair value hierarchy. The value of the option granted to non-controlling interest is based on a formula that was agreed upon by all parties during the acquisition of the selected alternative asset management funds of GMP Capital Inc. This formula uses the present value of the sum of a multiple of the forecasted earnings before income taxes, depreciation, amortization and forecasted performance fees of the subsidiary. The actual performance of the subsidiary will affect the value of the option. Forecasts are monitored and updated on a monthly basis, and the value of the option is recalculated at the end of each reporting period. During the three and nine-month periods ended September 30, 2014, the Company recorded a charge of \$159 and \$631 respectively in changes in fair value of financial instruments in the statement of earnings to reflect the re-measurement of the value of the option to fair value.

The main assumptions developed internally to measure the fair value of the option include a discount rate of 8%, forecasted performance fees of the subsidiary and forecasted earnings before income taxes, depreciation and amortization. The impact of changing one or more of these assumptions on the fair value of the option is as follows:

| Change of assumption | Change of fair value September 30, 2014 |
|---|--|
| | \$ |
| Increase/decrease of 5% of performance fees | 155 |
| Increase/decrease of 5% of forecasted earnings before income taxes, depreciation and amortization | 247 |
| Increase/decrease of 1% of the discount rate | 98 |

Derivative financial instruments consist only of interest rate swap contracts and are presented at fair value on the statement of financial position. The Company measures the fair value of the interest rate swaps using level 2 inputs in the fair value hierarchy. The Company determines the fair value of its interest rate swap contracts by applying valuation techniques, using 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. The Company ensures, to the extent practicable, that its valuation technique incorporates all factors that market participants would consider in setting a price and that is consistent with accepted economic methods for pricing financial instruments.

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13. Fair value of financial instruments (continued)

Changes in fair value of derivative financial instruments presented in the statement of earnings include changes in the fair value of the interest rate swap contracts described above and the changes in the fair value of the option granted to non-controlling interest for a total of \$50 and \$865 for the three and nine-month periods ended September 30, 2014, respectively (\$1,602 and \$(36) for the three and nine-month periods ended September 30, 2013, respectively).

There was no transfer between the three levels of the fair value hierarchy during these periods.

14. Related party transactions

The Company has carried out the following principal transactions with shareholders and their related companies.

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|---|---|-------|--|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Base management and performance fees | 11,632 | 9,098 | 33,637 | 28,382 |
| Interest on long-term debt | 1,998 | 1,680 | 5,903 | 4,711 |

These 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. The amounts due under the Company's credit facility, presented as long-term debt and the derivative financial instruments are amounts due to a shareholder and their related companies as at September 30, 2014 and December 31, 2013.

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15. Segment reporting

The chief operating decision-maker of the Company has determined that the Company's reportable segment is investment management services in Canada and the United States of America.

Geographical information

| | Revenues | Revenues | Non-current assets |
|--------------------------|---|--|--------------------------|
| | For the three-month period ended September 30, 2014 | For the nine-month period ended September 30, 2014 | As at September 30, 2014 |
| | \$ | \$ | \$ |
| Canada | 39,333 | 118,674 | 526,399 |
| United States of America | 13,038 | 39,380 | 161,937 |

Revenues are attributed to countries on the basis of the customer's location. Non-current assets exclude deferred income taxes. The Company had no operations in the United States of America before October 31, 2013.

16. Commitments and contingent liabilities

Commitments

During the nine-month period ended September 30, 2014, the Company entered into two new non-cancellable operating leases for office space expiring at different dates until 2020. Future lease payments total \$2,931 for the next five years and thereafter.

Contingent liabilities

In the normal course of business, the Company is 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.

17. Subsequent events

On November 12, 2014, the Board of Directors declared a dividend of \$0.12 per share to shareholders of record as of November 25, 2014 and payable on December 19, 2014.

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