

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

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

(Unaudited)

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

	Three-month periods		Six-month periods	
	2014	2013	2014	2013
	\$	\$	\$	\$
Revenues				
Base management fees	49,746	32,430	97,463	62,398
Performance fees	4,073	318	4,571	415
Other revenue	1,901	430	3,649	581
	55,720	33,178	105,683	63,394
Expenses				
Selling, general and administrative expenses	35,011	20,724	71,041	39,288
External managers	1,112	375	2,197	1,083
Depreciation of property and equipment	392	327	779	647
Amortization of intangible assets	6,326	4,450	12,634	8,534
Acquisition costs	546	1,098	693	2,033
Restructuring and other integration costs (Note 6)	1,034	753	1,299	1,172
	44,421	27,727	88,643	52,757
Earnings before loss on disposal of investments, interest on long-term debt and other financial charges, accretion and change in fair value of purchase price obligations, loss on dilution of investments in joint ventures, changes in fair value of derivative financial instruments and share of (earnings) loss of joint ventures	11,299	5,451	17,040	10,637
Loss on disposal of investments	1	98	1	98
Interest on long-term debt and other financial charges	2,123	1,774	3,531	3,160
Accretion and change in fair value of purchase price obligations	697	620	1,394	1,242
Loss on dilution of investments in joint ventures	25	-	25	-
Changes in fair value of derivative financial instruments	276	(1,845)	815	(1,638)
Share of (earnings) loss of joint ventures	(558)	(115)	(944)	216
Earnings before income taxes	8,735	4,919	12,218	7,559
Income taxes	1,404	1,805	2,610	2,859
Net earnings for the period	7,331	3,114	9,608	4,700
Net earnings attributable to :				
Company's shareholders	7,671	3,364	10,349	4,950
Non-controlling interest	(340)	(250)	(741)	(250)
	7,331	3,114	9,608	4,700
Net earnings per share (Note 9)				
Basic and diluted	0.11	0.06	0.15	0.09

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 six-month periods ended June 30,

(Unaudited)

(In thousands of Canadian dollars)

	Three-month periods		Six-month periods	
	2014	2013	2014	2013
	\$	\$	\$	\$
Net earnings for the period	7,331	3,114	9,608	4,700
Other comprehensive income:				
Items that may be reclassified subsequently to earnings:				
Unrealized (loss) gain on available-for-sale financial assets (net of income taxes)	(11)	(49)	84	14
Reclassification of loss on disposal of investments	-	98	-	98
Share of other comprehensive (loss) income of joint ventures	(25)	77	(28)	121
Unrealized exchange differences on translating financial statements of foreign operations	(2,941)	-	244	-
Other comprehensive income for the period	(2,977)	126	300	233
Comprehensive income for the period	4,354	3,240	9,908	4,933
Comprehensive income attributable to:				
Company's shareholders	4,694	3,490	10,649	5,183
Non-controlling interest	(340)	(250)	(741)	(250)
	4,354	3,240	9,908	4,933

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, 2014	As at December 31, 2013
	\$	\$
Assets		
Current assets		
Cash	15,532	21,774
Restricted cash	691	689
Investments	9,072	9,711
Accounts receivable	53,890	56,072
Prepaid expenses	4,259	3,771
Subscription receipts receivable (Note 8)	1,594	-
	85,038	92,017
Non-current assets		
Deferred charges	559	460
Deferred income taxes	670	1,349
Subscription receipts receivable (Note 8)	1,471	-
Advance to a related shareholder	-	1,211
Investment in joint ventures	9,175	8,284
Property and equipment	4,857	5,322
Intangible assets	299,606	310,151
Goodwill	357,464	357,773
	758,840	776,567
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	24,942	35,000
Dividend payable (Note 8)	178	-
Restructuring provisions	-	1,116
Amount due to related companies (Note 14)	1,975	956
Purchase price obligations	8,500	18,073
Client deposits	155	689
Deferred revenues	233	495
Subscription receipts obligation (Note 8)	1,594	-
	37,577	56,329
Non-current liabilities		
Deferred lease obligations	569	588
Lease inducements	830	904
Deferred income taxes	22,482	24,636
Long-term restructuring provisions	979	193
Value of option granted to non-controlling interest	8,192	7,720
Long-term debt (Note 7)	227,978	228,262
Purchase price obligations	41,534	40,250
Derivative financial instruments	987	644
Subscription receipts obligation (Note 8)	1,471	-
	342,599	359,526
Equity		
Share capital, hold back shares, contributed surplus, (deficit)		
retained earnings and accumulated other comprehensive income	416,024	416,083
Non-controlling interest	7,515	8,256
Initial value of option granted to non-controlling interest	(7,298)	(7,298)
Total non-controlling interest	217	958
	416,241	417,041
	758,840	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 six-month periods ended June 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	-	-	-	10,349	-	10,349	(741)	9,608
Other comprehensive income	-	-	-	-	300	300	-	300
Comprehensive income for the period	-	-	-	10,349	300	10,649	(741)	9,908
Issuance of shares	1,830	-	-	-	-	1,830	-	1,830
Conversion of hold back shares	3,104	(3,104)	-	-	-	-	-	-
Share-based compensation expense	-	-	2,112	-	-	2,112	-	2,112
Stock options exercised	616	-	(154)	-	-	462	-	462
Dividends	-	-	-	(15,112)	-	(15,112)	-	(15,112)
As at June 30, 2014	426,759	5,677	6,491	(25,119)	2,216	416,024	217	416,241
As at December 31, 2012	307,759	-	2,668	(12,753)	65	297,739	-	297,739
Net earnings for the period	-	-	-	4,950	-	4,950	(250)	4,700
Other comprehensive income	-	-	-	-	233	233	-	233
Comprehensive income for the period	-	-	-	4,950	233	5,183	(250)	4,933
Share-based compensation expense	-	-	612	-	-	612	-	612
Stock options exercised	331	-	(87)	-	-	244	-	244
Gain on dilution	-	-	-	15	-	15	-	15
Dividends	-	-	-	(10,185)	-	(10,185)	-	(10,185)
Non-controlling interest	-	-	-	-	-	-	2,312	2,312
As at June 30, 2013	308,090	-	3,193	(17,973)	298	293,608	2,062	295,670

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)

	2014	2013
	\$	\$
Operating activities		
Net earnings for the period	9,608	4,700
Adjustments for:		
Depreciation of property and equipment	779	647
Amortization of intangible assets	12,634	8,534
Amortization of deferred charges	151	153
Accretion and change in fair value of purchase price obligations	1,394	1,242
Lease inducements	(74)	(74)
Deferred lease obligations	(19)	8
Share-based compensation	2,112	612
Restructuring provisions	(330)	(688)
Share-based liability	-	352
Interest on long-term debt and other financial charges	3,531	3,160
Changes in fair value of derivative financial instruments	815	(1,638)
Loss on dilution of investments in joint ventures	25	-
Income tax expense	2,610	2,859
Income tax paid	(9,584)	(2,602)
Share of (earnings) loss of joint ventures	(944)	216
Loss on disposal of investments	1	98
Deferred revenues	(262)	(202)
Other	-	(49)
Changes in non-cash operating working capital items (Note 11)	(40)	(4,997)
Net cash generated by operating activities	22,407	12,331
Investing activities		
Business combinations	-	(10,698)
Payment of purchase price obligations (Note 5)	(9,484)	-
Investments, net	880	-
Purchase of property and equipment	(310)	(305)
Purchase of intangible assets	(1,696)	(52,106)
Advance to a related shareholder	1,211	(2,000)
Deferred charges	(250)	(363)
Restricted cash and clients deposits	(534)	-
Net cash used in investing activities	(10,183)	(65,472)
Financing activities		
Bank loan	-	(9,800)
Dividends	(14,934)	(10,185)
Issuance of share capital	462	244
Long-term debt, net	-	72,000
Interest paid on long-term debt	(3,905)	(3,031)
Financing charges	(17)	(704)
Net cash (used in) generated by financing activities	(18,394)	48,524
Net decrease in cash	(6,170)	(4,617)
Effect of exchange rate changes on cash denominated in foreign currencies	(72)	-
Cash – beginning of period	21,774	6,016
Cash – end of period	15,532	1,399

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

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

1. Description of Business

Fiera Capital 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 six-month periods ended June 30, 2014 on August 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 Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – 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 recognise 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 Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

4. IFRS issued but not yet adopted

IFRS 9 – *Financial Instruments*

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. In November 2013, the IASB further amended IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The amendment also provides relief from restating comparative information and required disclosures in IFRS 7, *Financial Instruments: Disclosures*.

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.

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.

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

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

5. Business combinations

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. As a result, goodwill was reduced by this same amount.

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

	\$
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.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

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 six-month period ended June 30, 2014, the Company paid \$330 of the restructuring provision.

During the three and six-month periods ended June 30, 2014 the Company recorded \$1,034 and \$1,299, respectively for integration costs related to these business combinations, including an onerous lease provision for vacated premises, cost for the termination of certain employees, professional fees and certain travelling expenses (\$753 and \$1,172 for the three and six-month periods ended June 30, 2013, respectively).

7. Long-term debt

	June 30, 2014	December 31, 2013
	\$	\$
Term facility	174,326	175,000
Revolving facility	54,768	54,563
Deferred financing charges	(1,116)	(1,301)
	227,978	228,262

Credit facilities

During the first quarter of 2014, the Company converted CA\$30,500 from its Term facility to US\$27,938. The remaining amount of this facility is in Canadian dollars. The Revolving facility is entirely in US dollars, representing an amount of US\$51,300 as at June 30, 2014 (US\$51,300 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 June 30, 2014, all debt covenant requirements and exemptions 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 Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – 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	87,232	616	-	-	87,232	616
Transfer from Class B Shares to Class A Shares	758,258	1,207	(758,258)	(1,207)	-	-
As at June 30, 2014	47,911,594	394,870	20,039,750	31,889	67,951,344	426,759
As at December 31, 2012	35,368,114	274,011	21,207,964	33,748	56,576,078	307,759
Stock options exercised	53,833	331	-	-	53,833	331
Transfer from Class B Shares to Class A Shares	69,714	111	(69,714)	(111)	-	-
As at June 30, 2013	35,491,661	274,453	21,138,250	33,637	56,629,911	308,090

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.

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 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 and is therefore included in accounts receivable as at June 30, 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.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

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For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

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

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 \$3,065.

Dividends

During the six-month period ended June 30, 2014, the Company declared dividends of \$14,845 (\$0.22 per share) on Class A Shares and Class B Shares (\$10,185 for the six-month period ended June 30, 2013 (\$0.18 per share)) and \$267 on holdback shares.

Components of accumulated other comprehensive income includes:

	June 30, 2014	December 31, 2013
	\$	\$
Unrealized gain on available-for-sale financial assets	285	201
Share of other comprehensive income of joint venture	215	243
Unrealized exchange differences on translating financial statements of foreign operations	1,716	1,472
	2,216	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 June 30,		For the six-month periods ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Net earnings available to shareholders for the periods	7,671	3,364	10,349	4,950
Weighted average shares outstanding – basic	68,311,698	56,612,164	68,291,608	56,594,221
Effect of dilutive share-based awards	1,026,963	520,216	1,049,596	432,496
Weighted average shares outstanding – diluted	69,338,661	57,132,380	69,341,204	57,026,717
Basic and diluted earnings per share	0.11	0.06	0.15	0.09

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

9. Earnings per share (continued)

For the three and six-month periods ended June 30, 2014, the calculation of hypothetical conversions does not include 548,000 stock options (612,900 and 1,232,722 for the three and six-month periods ended June 30, 2013) with an anti-dilutive effect.

10. Share-based payments

(a) Stock option plan:

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

		June 30, 2014
	Number of Class A Share options	Weighted-average exercise price
		\$
Outstanding – December 31, 2013	2,942,522	8.12
Granted	100,000	13.89
Exercised	(87,232)	5.30
Forfeited	(32,176)	8.10
Outstanding – June 30, 2014	2,923,114	8.40
Options exercisable – June 30, 2014	1,067,671	6.83

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2014	2013	2014	2013
Dividend yield (%)	2.93	4.22	2.93	4.22
Risk-free interest rate (%)	2.09	1.70	2.09	1.70
Expected life (years)	7.5	7.5	7.5	7.5
Expected volatility for the share price (%)	44	45	44	45
Weighted-average fair values (\$)	4.71	2.19	4.71	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.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

10. Share-based payments (continued)

An expense of \$291 and \$589 was recorded during the three and six-month periods ended June 30, 2014, respectively for the stock option plan (\$309 and \$612 for the three and six-month periods ended June 30, 2013)

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

The following table summarizes the outstanding PSU awards as at June 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

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 six-month period ended June 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	-	-
Outstanding – June 30, 2014	1,407,821	307,692

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 six-month period ended June 30, 2014 was evaluated at \$675 while the January 1, 2014 grant was evaluated at \$2,811. 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.

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.

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Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

10. Share-based payments (continued)

An expense of \$30 and \$1,523 was recorded during the three and six-month periods ended June 30, 2014, respectively for the different PSU plans (nil for the three and six-month periods ended June 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. 3,433 RSU were forfeited between the grant date and June 30, 2014. As at June 30, 2014, the Company had 430,696 RSUs issued and outstanding.

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

	For the six-month periods ended June 30,	
	2014	2013
	\$	\$
Changes in non-cash operating working capital items		
Accounts receivable	4,029	(3,017)
Prepaid expenses	(470)	(573)
Accounts payable and accrued liabilities	(4,618)	(1,172)
Amount due to related companies	1,019	(235)
	(40)	(4,997)

The following are non-cash items: issuance of shares of \$1,830, subscription receipts receivable of \$3,065 (current and non-current), subscription receipts obligation of \$3,065 (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 \$5,462 (2013 – (\$895)).

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(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

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 June 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 \$8,157 as at June 30, 2014 and \$5,890 as at December 31, 2013, while the fair value is \$8,442 as at June 30, 2014 and \$6,096 as at December 31, 2013. The unrealized gain of \$285 as at June 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.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

13. Fair value of financial instruments (continued)

The Company measures fair value of the subscription receipts receivable of \$3,065 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 six-month periods ended June 30, 2014, the Company recorded a charge of \$360 and \$472 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
	June 30, 2014
	\$
Increase/decrease of 5% of performance fees	152
Increase/decrease of 5% of forecasted earnings before income taxes, depreciation and amortization	243
Increase/decrease of 1% of the discount rate	115

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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Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

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 \$276 and \$815 for the three and six-month periods ended June 30, 2014, 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 June 30		For the six-month periods ended June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Base management and performance fees	7,015	10,009	17,526	19,284
Interest on long-term debt	1,953	1,688	3,905	3,031

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 June 30, 2014 and December 31, 2013.

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Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

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 June 30, 2014	For the six-month period ended June 30, 2014	As at June 30, 2014
	\$	\$	\$
Canada	42,469	79,341	517,258
United States of America	13,251	26,342	155,874

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. Subsequent events

On August 12 2014, the Board of Directors declared a dividend of \$0.12 per share to shareholders of record as of August 25, 2014 and payable on September 22, 2014.

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