

Interim Consolidated Financial Statements of FIERA CAPITAL CORPORATION

For the three-month and nine-month periods ended September 30, 2013 and 2012 (unaudited)



The Interim Consolidated Financial Statements have not been reviewed by the Company's external auditors



FIERACAPITAL

The Power of Thinking. Optimal performance. Intelligent innovation.

Fiera Capital Corporation

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Fiera Capital Corporation

Interim Consolidated Statements of Earnings

For the three and nine months ended

(Unaudited)

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

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	\$	\$	\$	\$
Revenue				
Base management fees	34,197	25,837	96,595	67,370
Performance fees	723	525	1,138	727
Other revenue	191	37	772	91
	35,111	26,399	98,505	68,188
Expenses				
Selling, general and administrative expenses	22,682	16,278	61,970	43,418
External managers	554	713	1,637	1,536
Depreciation of property and equipment	326	228	973	675
Amortization of intangible assets	4,384	3,599	12,918	8,061
Acquisition costs	1,662	3	3,695	3,374
Restructuring provisions and other costs (Note 7)	270	611	1,442	6,766
	29,878	21,432	82,635	63,830
Earnings before loss (gain) on disposal of investments, Interest on long term debt and other financing charges, accretion on purchase price obligations and changes in fair value of derivative financial instrument and share of (earnings) loss of joint ventures	5,233	4,967	15,870	4,358
Loss (gain) on disposal of investments	-	-	98	(8)
Interest on long term debt and other financing charges	1,742	1,076	4,902	1,934
Accretion on purchase price obligations	960	625	2,202	1,245
Changes in fair value of derivative financial instrument	1,338	(1,395)	(300)	864
Share of (earnings) loss of joint ventures	(907)	(93)	(691)	43
Earnings before income taxes	2,100	4,754	9,659	280
Income taxes	606	1,746	3,465	1,169
Net earnings (loss) for the period	1,494	3,008	6,194	(889)
Net earnings (loss) attributable to :				
Company's shareholders	1,508	3,008	6,458	(889)
Non-controlling interest	(14)	-	(264)	-
	1,494	3,008	6,194	(889)
Net earnings (loss) per share (Note 13)				
Basic	0.03	0.05	0.11	(0.02)
Diluted	0.03	0.05	0.11	(0.02)

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

Fiera Capital Corporation

Interim Consolidated Statements of Comprehensive Income

For the three and nine months ended

(Unaudited)

(In thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	\$	\$	\$	\$
Net earnings (loss) for the period	1,494	3,008	6,194	(889)
Other comprehensive income:				
Items that may be reclassified subsequently to earnings:				
Unrealized (loss)gain on available-for-sale financial assets (net of income taxes)	(28)	5	35	10
Reclassification of loss on disposal of investments	97	-	97	-
Share of other comprehensive income of joint ventures	144	31	188	58
Other comprehensive income for the period	213	36	320	68
Comprehensive income for the period	1,707	3,044	6,514	(821)
Comprehensive income attributable to:				
Company's shareholders	1,721	3,044	6,778	(821)
Non-controlling interest	(14)	-	(264)	-
	1,707	3,044	6,514	(821)

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

Fiera Capital Corporation

Interim Consolidated Balance Sheets

(Unaudited)

(In thousands of Canadian dollars)

	As at September 30, 2013	As at December 31, 2012	As at September 30, 2012
	\$	\$	\$
Assets			
Current assets			
Cash	3,728	6,016	3,820
Cash in escrow	101,547	-	-
Funds held for clients	154	297	198
Investments	6,289	6,532	4,519
Accounts receivable	34,332	29,888	26,889
Advance to a joint venture	342	342	467
Prepaid expenses	1,406	874	902
	147,798	43,949	36,795
Non-current assets			
Deferred charges	528	402	407
Deferred income taxes	1,228	1,364	65
Advance to a related shareholder	1,605	-	-
Investment in joint ventures	7,776	6,879	6,384
Property and equipment	4,685	5,200	3,735
Intangible assets (Note 9)	234,085	180,230	174,456
Goodwill (Note 9)	282,139	278,750	276,988
	679,844	516,774	498,830
Liabilities			
Current liabilities			
Bank loan (Note 10)	-	9,800	-
Accounts payable and accrued liabilities	18,149	16,501	13,487
Restructuring provisions	1,333	1,764	2,393
Amount due to related companies	2,241	2,003	811
Purchase price obligations	10,500	-	-
Client deposits	154	297	198
Prepaid management fees	616	928	8
	32,993	31,993	16,897
Non-current liabilities			
Deferred lease obligations	598	599	542
Lease inducements	941	1,052	1,043
Deferred income taxes	19,681	20,264	18,740
Long term restructuring provisions	193	312	325
Value of option granted to non controlling interest	7,562	-	-
Long term debt (Note 11)	175,100	107,521	107,500
Purchase price obligations	40,792	56,503	53,885
Derivative financial instrument (Note 8)	1,191	1,491	864
Other long-term liabilities	-	-	233
Subscription receipts (net of issuance cost)	101,301	-	-
	380,352	219,035	200,029
Equity			
Share capital, contributed surplus, (deficit) and accumulated other comprehensive income	298,698	297,739	298,801
Non-controlling interest	8,092	-	-
Initial value of option granted to non-controlling interest	(7,298)	-	-
Total non-controlling interest	794	-	-
	299,492	297,739	298,801
	679,844	516,774	498,830

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

Approved by the Board

Jean-Guy Desjardins, Director

Sylvain Brosseau, Director

Fiera Capital Corporation

Interim Consolidated Statements of changes in Equity

For the three and nine months ended

(Unaudited)

(In thousands of Canadian dollars)

	Share Capital	Contributed surplus	(Deficit) Retained earnings	Accumulated other comprehensive income	Total	Related to Non Controlling Interests	Total Equity
As at September 30, 2011	\$ 135,587	\$ 1,703	\$ 3,530	\$ 17	\$ 140,837	\$ -	\$ 140,837
Stock based compensation expense	-	180	-	-	180	-	180
Stock options exercised	-	-	-	-	-	-	-
Net earnings	-	-	829	-	829	-	829
Dividends	-	-	(2,926)	-	(2,926)	-	(2,926)
Change in other comprehensive income	-	-	-	19	19	-	19
As at December 31, 2011	135,587	1,883	1,433	36	138,939	-	138,939
Stock based compensation expense	-	729	-	-	729	-	729
Stock options exercised	912	(194)	-	-	718	-	718
Shares issued as part of the business combination	170,487	-	-	-	170,487	-	170,487
Shares issued as part of the employee share purchase plan	718	-	-	-	718	-	718
Net earnings	-	-	(889)	-	(889)	-	(889)
Dividends	-	-	(11,969)	-	(11,969)	-	(11,969)
Change in other comprehensive income	-	-	-	68	68	-	68
As at September 30, 2012	307,704	2,418	(11,425)	104	298,801	-	298,801
Stock based compensation expense	-	267	-	-	267	-	267
Stock options exercised	55	(17)	-	-	38	-	38
Net earnings	-	-	3,086	-	3,086	-	3,086
Gain on dilution	-	-	112	-	112	-	112
Dividends	-	-	(4,526)	-	(4,526)	-	(4,526)
Change in other comprehensive income	-	-	-	(39)	(39)	-	(39)
As at December 31, 2012	307,759	2,668	(12,753)	65	297,739	-	297,739
Stock based compensation expense	-	1,069	-	-	1,069	-	1,069
Stock options exercised	568	(122)	-	-	446	-	446
Shares issued as settlement for the purchase price obligations	8,500	-	-	-	8,500	-	8,500
Net earnings (loss)	-	-	6,458	-	6,458	(264)	6,194
Gain on dilution	-	-	18	-	18	-	18
Dividends	-	-	(15,852)	-	(15,852)	-	(15,852)
Change in other comprehensive income	-	-	-	223	223	-	223
Transfer of loss to earnings	-	-	-	97	97	-	97
Non-controlling interest	-	-	-	-	-	8,356	8,356
Initial value of option granted to non-controlling interest (Note 5)	-	-	-	-	-	(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 Consolidated Financial Statements.

Fiera Capital Corporation

Interim Consolidated Statements of Cash Flows

For the three and nine months ended
(Unaudited)
(In thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	\$	\$	\$	\$
Operating activities				
Net earnings (loss)	1,494	3,008	6,194	(889)
Adjustments for:				
Depreciation of property and equipment	326	228	973	675
Amortization of intangible assets	4,384	3,599	12,918	8,061
Amortization of deferred charges	87	74	240	168
Amortization of financing charges	63	28	177	56
Accretion of purchase price obligations	608	625	2,202	1,245
Lease inducements	(37)	(34)	(111)	(107)
Deferred lease obligations	(9)	72	(1)	173
Share-based compensation	457	309	1,069	729
Interest expense	1,680	1,110	4,711	1,934
Changes in fair value of derivative financial instrument	1,338	(1,395)	(300)	864
Income tax expense	606	2,589	3,465	2,012
Income tax paid	(2,227)	(55)	(4,829)	(1,405)
Share of (earnings) loss from joint ventures	(907)	(93)	(691)	43
Loss (gain) on disposal of investments	-	-	98	-
Prepaid management fees	(110)	-	(312)	-
Other	-	(7)	(34)	(10)
Changes in non-cash operating working capital items (Note 15)	1,408	(3,880)	(4,277)	(8,076)
Net cash generated by operating activities	9,161	6,178	21,492	5,473
Investing activities				
Business combinations (Note 5)	-	-	(10,698)	(85,553)
Investment	311	(3,500)	311	(3,500)
Purchase of property and equipment	(153)	(231)	(458)	(476)
Reduction payment of the purchase price of intangible assets (Note 6)	3,903	(222)	(48,203)	(342)
Investment in joint ventures	-	-	-	(5,000)
Lease inducements	-	-	-	88
Advance to a related company of a shareholder	395	-	(1,605)	-
Advance to a joint venture	-	-	-	(467)
Deferred charges	(3)	-	(366)	-
Net cash generated by (used in) investing activities	4,453	(3,953)	(61,019)	(95,250)
Financing activities				
Bank Loan	-	-	(9,800)	-
Dividends	(5,667)	(4,525)	(15,852)	(11,969)
Issuance of share capital	202	-	446	1,436
Issuance of subscription receipts	105,146	-	105,146	-
Issuance cost	(3,845)	-	(3,845)	-
Long term debt	(3,900)	-	68,100	108,000
Interest paid on long term debt	(1,680)	(1,110)	(4,711)	(1,934)
Financing charges	6	-	(698)	(556)
Net cash generated by (used in) in financing activities	90,262	(5,635)	138,786	94,977
Net (decrease) increase in cash	103,876	(3,410)	99,259	5,200
Cash – beginning of period	1,399	7,230	6,016	(1,380)
Cash – end of period	105,275	3,820	105,275	3,820

Cash include bank overdraft

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

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

1. Description of Business

Fiera Capital (“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.

Fiera Capital is registered in the categories of exempt market dealer and portfolio manager in all Provinces and Territories of Canada and as an investment adviser with the *US Securities and Exchange Commission*. 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).

2. Basis of presentation

These Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are interim consolidated financial statements since they do not include all disclosures required under IFRS for annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company 2012 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these financial statements.

These interim consolidated financial statements were approved for issue by the Board of Directors on November 7, 2013.

These interim consolidated financial statements were prepared by Fiera Capital’s management and were not examined by the Company’s Auditors.

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

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

3. Change in accounting policies

The Company adopted the following Accounting Standards of the IFRS. The Company determined that these standards had no significant impact on the interim consolidated financial statements.

IAS 1 – Presentation of Financial Statements

In June 2011, the International Accounting Standard Board (“IASB”) amended IAS 1 – *Presentation of Financial Statements*, providing guidance on items contained in other comprehensive income and their classification within other comprehensive income. As a result of adopting the amendments to IAS 1, we have grouped items within our Interim Consolidated Statements of Comprehensive Income by those that will be reclassified subsequently to the net earnings and those that will not be reclassified to net earnings.

IFRS 7 (Revised) – Financial Instruments: Disclosures

On December 16, 2011 the IASB issued common disclosure requirements that are intended to help investors and other users to better assess the effects or potential effect of offsetting arrangements on a company’s balance sheet. The new requirements are set out in *Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*.

IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under previous IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation-Special Purpose Entities*, and part of IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11 – Joint Arrangements

IFRS 11, *Joint Arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint venture is accounted for using the equity method of accounting, whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under previous IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturer*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities* establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward previous disclosures and also introduces significant additional disclosures that address the nature of, and risks associated with, an entity’s interests in other entities.

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

3. Change in accounting policies (continued)

IFRS 13 – Fair Value Measurement

IFRS 13, *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under previous IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

4. Accounting policies

The significant accounting policies used in the preparation of these interim consolidated financial statements are described below.

Basis of measurement

These interim consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities held at fair value through profit or loss and available-for-sale investments, which have been measured at fair value as discussed under “Financial Instruments”.

Accounting standards issued but not yet applied

In May 2013, IASB amended IAS 36 – *Impairment of Assets*, providing guidance on recoverable amount disclosures for non-financial assets. The amendments to IAS 36 must be applied retrospectively for annual periods beginning on or after January 1, 2014.

In June 2013, IASB amended IAS 39 – *Financial Instruments: Recognition and Measurement*, providing guidance on novation of over-the-counter derivatives and continued designation for hedge accounting. The amendments to IAS 39 must be applied retrospectively for annual periods beginning on or after January 1, 2014.

The adoption of these IFRS amendments is not expected to have a significant impact on the financial statements.

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

4. Accounting policies (continued)

IFRS 9 – Financial Instruments

IFRS 9 *Financial instruments* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments Recognition and measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward previous requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This project has now been completed. However, as part of the Limited Amendments to IFRS 9 project, on 24 July 2013 the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open pending the finalisation of the impairment and classification and measurement requirements. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

5. Business combinations

GMP Capital Inc.

On May 1st, 2013, the Company closed the transaction with GMP Capital Inc. (“GMP”) to acquire selected alternative asset management funds of GMP Investment Management including flagship funds pertaining to the GMP Diversified Alpha Fund and the Canadian ABCP Fund, both representing in aggregate \$633,000 in Assets Under Management (“AUM”). The transaction enables Fiera Capital to expand its alternative strategies, an investment area that has been experiencing significant momentum over the past few years in the North American marketplace and that will continue to grow in the future. The acquisition provides clients of the Company with enhanced product innovation and offerings, with customized investment solutions that meet their objectives. Under the terms of the agreement, key members of GMP Investment Management’s team joined a newly created Fiera Capital subsidiary, Fiera Quantum L.P. in which management owns a 45% interest. The purchase price includes a \$10,750 cash consideration paid at closing plus an amount payable at the end of each of the next three years equal to 25 per cent of the performance fees generated based on the acquired assets, subject to certain minimum AUM thresholds.

As part of the GMP business combination, the key members of the GMP investment management’s team have the option to sell all but not less than all of their interest in Fiera Quantum L.P. on the last business day of the 36 month following the closing of the purchase of the GMP assets by Fiera Quantum L.P. This option shall be paid in cash or by Fiera Capital Class A shares, at the option of Fiera Capital, and was accounted for as a liability applied in reduction of the shareholders’ equity.

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

5. Business combinations (continued)

The transaction was accounted for as a business combination using the acquisition method and accordingly the assets and liabilities were recorded at their estimated fair value at the acquisition. During the quarter ended September 30, 2013, the Company completed the purchase price allocation based on management's best estimates as follows:

	\$
Intangible assets	18,570
Goodwill	3,441
Deferred income taxes	(1,555)
Value of option granted to non-controlling interest	(7,298)
Non-controlling interest	(8,356)
Initial value of option granted to non-controlling interest	7,298
	(1,058)
	12,100
Purchase consideration	\$
Cash consideration	10,750
Purchase price obligation	1,350
	12,100

The impact of this acquisition for the nine months ended September 30, 2013 on the base management fees and the net loss are as follows:

	\$
Base management fees	2,848
Performance fees	296
Net loss	(1,132)

If the business combination had occurred on January 1, 2013, the Company's consolidated base management fees and net earnings would have been as follows:

	\$
Base management fees	98,876
Performance fees	1,138
Net earnings	6,885

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, interest on long term debt and the elimination of the acquisition costs, as well as related tax effects.

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

5. Business combinations (continued)

Canadian Wealth Management Group Inc.

On November 30, 2012, Fiera Capital acquired 100 % of the shares of Canadian Wealth Management Group Inc. ("CWM") from Société Générale Private Banking, a Calgary-based subsidiary of Société Générale Private Banking. The amount of the transaction was \$ 7,150 in cash payment at closing and a contingent payment of \$ 2,000 in December 2013 if a certain level of AUM is achieved.

During the quarter ended June 30, 2013, Fiera Capital completed the purchase price allocation shown below based on management's best estimates. The Company received a reimbursement of \$52 from Société Générale Private Banking as part of the purchase price adjustment and accordingly the amount was applied in reduction of goodwill.

As at the acquisition date, the estimated fair value of the identifiable assets acquired and liabilities are as follows:

	\$
Cash	310
Other current assets	1,219
Property and equipment	1,337
Intangible assets	7,452
Goodwill	1,710
Accounts payable and accrued liabilities	(1,318)
Amount due to seller	(660)
Deferred income taxes	(952)
	9,098

	\$
Purchase consideration	
Cash consideration	7,098
Purchase price obligation	2,000
	9,098

Natcan Investment management Inc.

On April 2, 2012 Fiera Capital and National Bank of Canada ("National Bank" or the "Bank") announced the closing of the transaction under which Fiera Capital acquired substantially all of the assets of Natcan Investment Management Inc. ("Natcan") from the Bank under the following conditions:

The Bank, through Natcan, received 19,732,299 Class A subordinate voting shares of Fiera Capital with an assigned value of \$170,487, a cash payment of \$85,553 and future instalments amounting to \$74,500 payable over time after the closing, unless certain minimum assets under management thresholds are not satisfied by National Bank or its affiliates.

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

5. Business combinations (continued)

At the transaction date, the share purchase consideration was accounted for using a value of \$8.64 per share.

The 19,732,299 Class A Shares over which the Bank exercises control and direction represent approximately 56% of the issued and outstanding Class A Shares and 35% of the total number of Class A Shares and Class B special voting shares in the capital of Fiera Capital issued and outstanding at the time of the transaction. The Bank also received an option to acquire additional Class A Shares of Fiera Capital at a market price determined on the day of exercise, equal to 2.5% of total shares outstanding at the end of September in each of 2013 and 2014. If the options are fully exercised, the Bank will own 40% of the outstanding shares of Fiera. The Bank will also be entitled to protect its ownership in Fiera pursuant to anti-dilution rights.

The acquisition of the Natcan business adds to our established earnings base, bringing additional research and portfolio management depth, and enhances an already strong platform, positioning us for future growth.

The transaction was accounted for as a business combination using the acquisition method; accordingly the assets and liabilities are recorded at their estimated fair values at the acquisition date as follows.

	\$
Other current assets	332
Property and equipment	193
Deferred charges	365
Intangible assets	132,302
Goodwill	186,518
Accounts payable and accrued liabilities	(332)
Deferred income taxes	(10,698)
	308,680

Purchase consideration	\$
Cash consideration	85,553
Purchase price obligations	52,640
Share capital issued	170,487
	308,680

Goodwill is attributable to the significant synergies expected as a result of the acquisition of Natcan. A small portion of the goodwill will be tax deductible.

Management of Fiera Capital has identified certain intangible assets acquired from Natcan, which have been accounted for separately from goodwill. These intangibles include asset management contracts with National Bank of Canada and its affiliates (which have a seven-year life and a three-year renewal period) valued at \$84,800 and customer relationships valued at \$47,500.

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

6. Intangible acquisitions

In December 2012, Fiera Capital announced that it had reached an agreement with UBS Global Asset Management (Canada) Inc. (UBS) to purchase the latter's Canadian Fixed Income, Canadian Equity and Domestic Balance account business for maximum cash consideration of \$52,000. At closing, which occurred on January 31, 2013, an amount of \$40,200 was paid to UBS and an amount of \$11,800 was placed in escrow.

During the three months period ended June 30, 2013, certain assets under management thresholds were not met. Therefore, the total purchase price was reduced by \$3,900 to a net revised amount of \$48,100. During the quarter ended September 30, 2013, the Company received the \$3,900 from the escrow agent. The remaining \$7,900 under escrow was released and paid by the escrow agent on July 31, 2013 to UBS.

The Company financed its business combination and the assets acquisition by extending its long term debt in the amount of \$61,250 which represents the amount paid for the UBS acquisition and the 2012 CWM business combination.

7. Restructuring provisions and other costs

With respect to the current and past business combinations, the Company recorded restructuring provisions and costs related to the termination of certain employees in order to integrate the different businesses.

During the three months and nine months ended September 30, 2013 no restructuring provision was recorded (\$4,309 for the three and nine months ended September 30, 2012) and integration costs of the business combinations and special bonuses totalling \$ 270 for the three months and \$1,442 for the nine months ended September 30, 2013 (\$2,457 for the three and nine months ended September 30, 2012) were recorded. The recorded aggregate amounts are \$270 for the three months ended September 30, 2013 and \$1,442 for the nine months ended September 30, 2013 (\$6,766 for the three and nine months ended September 30, 2012).

8. Financial instruments

The Company, through its financial assets and financial liabilities, has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk, currency risk and liquidity risk.

The Company's business is the management of investment assets. The key performance driver of the Company's ongoing results is the level of assets under management. The level of assets under management are directly tied to investment returns and the Company's ability to retain existing assets and attract new assets.

The Company's interim consolidated balance sheets include a portfolio of investments. The value of these investments are subject to a number of risk factors. While a number of these risks also affect the value of client assets under management, the following discussion relates only to the Company's own portfolio of investments.

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

8. Financial instruments (continued)

The Company's exposure to potential losses from its financial instrument investments is due primarily to market risk, including equity market fluctuation risk, credit risk, interest rate and liquidity risk. The following analysis provides a measurement risk as at September 30, 2013.

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how these exposures are currently managed.

Equity market fluctuation risk

Fluctuations in the value of equity securities affect the level and timing of recognition of gains and losses on equity and mutual fund and pool fund securities in the Company's portfolio and causes changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock and bond markets and, consequently, the value of the available-for-sale financial assets held.

The Company manages its investment portfolio with a medium risk mandate. Its particular expertise is investment management and, as part of its daily operations, it has resources to assess and manage the risks of a portfolio. The Company's portfolio of equity and equity-related securities as at September 30, 2013, comprises mutual fund and pool fund investments under its management. Mutual fund investments comprise a well-diversified portfolio of Canadian investments. Mutual fund and pool fund units have no specific maturities.

A 10% change in the fair value of the Company's equity and equity-related holdings has an impact of increasing or decreasing other comprehensive income by \$629 for the nine months ended September 30, 2013, and \$452 for the nine months ended September 30, 2012 respectively.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party.

The credit risk on cash, funds held for clients and investments is limited because the counterparties are chartered banks with high-credit ratings assigned by national credit-rating agencies.

The Company's principal financial assets which are subject to credit risk are cash, investments and accounts receivable. The carrying amounts of financial assets on the interim consolidated balance sheets represent the Company's maximum credit exposure at the interim consolidated balance sheets dates.

Fiera Capital Corporation

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(Unaudited)

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8. Financial instruments (continued)

The Company's credit risk is attributable primarily to its trade receivables. The amounts disclosed in the interim consolidated balance sheets are net of allowance for doubtful accounts, estimated by the Company's management based on previous experience and its assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits with the exception of National Bank and related companies which represent 23% as at September 30, 2013 (21% as at December 31, 2012 and 22% as at September 30, 2012).

Interest rate risk

The Company's interest rate risk arises from long-term debt and bank loan. Long-term debt and bank loan issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting debt from floating rates to fixed rates. The Company obtained its long-term debt at a floating rate and swapped it into fixed rates that are lower than those available if the Company borrowed at fixed rates directly. Under the interest rate swap, the Company agrees with the counterparty to exchange, at specified intervals, the difference between the fixed contract rate and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations to meet its requirements.

The Company generates enough cash from its operating activities and has sufficient available financing through its bank loan to finance its activities and to respect its obligations as they become due.

Fair value

Determination of 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 fair value of cash, funds held for clients, accounts receivable, bank loan, accounts payable and accrued liabilities, 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 \$6,204 as at September 30, 2013, \$6,580 as at December 31, 2012 and \$4,492 as at September 30, 2012, while the fair value is \$6,289 as at September 30, 2013, \$6,532 as at December 31, 2012 and \$4,519 as at September 30, 2012. The unrealized gain (loss) of \$85 as at September 30, 2013 (\$48) as at December 31, 2012 and \$27 as at September 30, 2012 are reflected in other comprehensive income.

Fiera Capital Corporation

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(Unaudited)

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(In thousands of Canadian dollars)

8. Financial instruments (continued)

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

Derivative financial instruments consist primarily of interest rate swap contracts and foreign exchange forward contract. The Company determines the fair value of its derivative financial instruments using the bid or ask price, as appropriate, in the most advantageous active market to which the Company has immediate access. When there is no active market for a derivative financial instrument, the Company determines the fair value by applying valuation techniques, using 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.

The carrying amount of derivative financial instruments is as follows:

	Liabilities		
	September 30, 2013	December 31, 2012	September 30, 2012
	\$	\$	\$
Derivative financial instruments classified as fair value through profit or loss			
Interest rate swap agreement	185	1,491	864
Foreign exchange forward contract	1,006	-	-
	1,191	1,491	864

Fiera Capital Corporation

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(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

9. Goodwill and Intangible Assets

	Goodwill	Indefinite life Asset management contracts	Finite life			Total
			Asset management contracts	Customer relationship	Other	
	\$	\$	\$	\$	\$	\$
At September 30, 2011						
Cost	90,470	6,170	-	45,280	5,021	56,471
Accumulated amortization	-	-	-	(3,658)	(2,064)	(5,722)
Net book value	90,470	6,170	-	41,622	2,957	50,749
Three month period ended December 31, 2011						
Opening	90,470	6,170	-	41,622	2,957	50,749
Additions	-	-	-	-	8	8
Amortizations	-	-	-	(566)	(318)	(884)
Closing	90,470	6,170	-	41,056	2,647	49,873
As at December 31, 2011						
Cost	90,470	6,170	-	45,280	5,029	56,479
Accumulated amortization	-	-	-	(4,224)	(2,382)	(6,606)
Net Book	90,470	6,170	-	41,056	2,647	49,873
Nine month period ended September 30, 2012						
Opening	90,470	6,170	-	41,056	2,647	49,873
Additions	-	-	-	-	342	342
Business combination	186,518	-	84,800	47,500	2	132,302
Amortizations	-	-	(4,240)	(2,886)	(935)	(8,061)
Closing	276,988	6,170	80,560	85,670	2,056	174,456
As at September 30, 2012						
Cost	276,988	6,170	84,800	92,780	5,373	189,123
Accumulated amortization	-	-	(4,240)	(7,110)	(3,317)	(14,667)
Net Book	276,988	6,170	80,560	85,670	2,056	174,456
Three month period ended December 31, 2012						
Opening	276,988	6,170	80,560	85,670	2,056	174,456
Additions	-	-	-	-	1,986	1,986
Business combination	1,762	-	-	7,405	47	7,452
Amortizations	-	-	(2,120)	(1,218)	(326)	(3,664)
Closing	278,750	6,170	78,440	91,857	3,763	180,230
At December 31, 2012						
Cost	278,750	6,170	84,800	100,185	6,711	197,866
Accumulated amortization	-	-	(6,360)	(8,328)	(2,948)	(17,636)
Net book value	278,750	6,170	78,440	91,857	3,763	180,230
Nine month period ended September 30, 2013						
Opening net book value	278,750	6,170	78,440	91,857	3,763	180,230
Additions	-	-	-	48,100	103	48,203
Business combination	3,389	-	-	18,570	-	18,570
Amortization for the period	-	-	(6,360)	(5,671)	(887)	(12,918)
Closing net book value	282,139	6,170	72,080	152,856	2,979	234,085
At September 30, 2013						
Cost	282,139	6,170	84,800	166,855	6,814	264,639
Accumulated amortization	-	-	-	(13,999)	(3,835)	(30,554)
Net book value	282,139	6,170	72,080	152,856	2,979	234,085

¹ During the 15 months ended December 31, 2012, the Company disposed of software which had an accounting cost of \$695 and accumulated amortization of \$695.

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

10. Bank loan

The Company has an unsecured authorized revolving facility of \$20,000 bearing interest at prime rate plus a premium varying from 0% to 1 % or at banker's acceptance rate plus a premium rate varying from 1% to 2%, maturing in March 2017. The covenants are the same as the long term debt.

11. Long Term debt

	September 30, 2013	December 31, 2012	September 30, 2012
	\$	\$	\$
Unsecured loan bearing interest at prime rate plus a premium varying from 0% to 1% or at banker's acceptance rate plus a premium varying from 1.00 % to 2.00 % (1,25 % as at September 30, 2013) maturing on March 31, 2017, repayable in quarterly instalments of \$3,375 starting in June 2015 up to March 2017	176,100	108,000	108,000
Deferred financing charges	(1,000)	(479)	(500)
	175,100	107,521	107,500

Under the terms of the loan agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios. These restrictions are composed of ratio funded debt to EBITDA as described below and interest coverage ratios.

EBITDA, a non IFRS measure is defined in the loan agreement 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 and shall include various items.

As at September 30, 2013, all debt covenant requirements and exemptions have been respected.

The principal repayments required over the next years are as follows:

Years	\$
2015	10,125
2016	13,500
2017	152,475

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

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(In thousands of Canadian dollars)

12. Subscription receipts

On September 18, 2013, the Company issued under a private placement 9 781 000 subscription receipts at a price of \$10.75 per receipt for an aggregate amount of \$101,301, net of issuance cost of \$3,845. Proceeds were placed in escrow until the closing of the Bel Air Investment Advisor LLC and its affiliates Bel Air Securities LLC and Wilkinson O' Grady and Co. Inc. business combination (see note 18). Upon the completion of the acquisitions on October 31, 2013, subscription receipts were automatically exchanged, on a one-for-one basis, for 9 781 000 Class A subordinate voting shares.

13. 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 months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	\$	\$	\$	\$
Net earnings (loss) for the periods	1,508	3,008	6,458	(889)
Weighted average shares outstanding – basic	56,896,795	56,569,578	56,696,187	49,897,263
Effect of dilutive stock options	520,215	338,168	539,723	414,679
Weighted average shares outstanding – diluted	57,417,010	56,907,746	57,235,910	50,311,942
Basic and diluted earnings (loss) per share	0.03	0.05	0.11	(0.02)

For the three and nine months ended September 30, 2013, the calculation of hypothetical conversions does not include options (1,351,565 in September 30, 2012) with an anti-dilutive effect.

The subscription receipts were excluded from the calculation of the weighted average number shares outstanding.

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

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14. Share-based payments

The following table presents transactions that occurred during the nine months ended September 30, 2013 under the Company's share-based plan.

	September 30, 2013	
	Number of class A shares	Weighted-average exercise price \$
Outstanding – December 31, 2012	2,290,393	6.92
Granted	375,000	7.41
Exercised	(107,674)	4.15
Outstanding – September 30, 2013	2,557,719	7.11
Options exercisable – September 30, 2013	772,077	6.28

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

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Dividend yield (%)	-	-	4.22	3.79
Risk-free interest rate (%)	-	-	1.70	1.91
Expected life (years)	-	-	7.5	7.5
Expected volatility for the share price (%)	-	-	45	47
Weighted-average fair values (\$)	-	-	2.19	2.88
Share-based compensation expense (\$)	457	307	1,069	420

The expected volatility is based on the historical volatility of the Company's share price. The risk-free interest 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.

15. Additional information relating to interim consolidated statement of cash flows

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	\$	\$	\$	\$
<i>Changes in non-cash operating working capital items</i>				
Accounts receivable	(1,427)	(1,671)	(4,444)	(9,906)
Prepaid expenses	42	372	(531)	(6)
Accounts payable and accrued liabilities	2,182	(354)	1,010	289
Amount due to related companies	473	377	238	811
Restructuring provisions	138	(2,604)	(550)	736
	1,408	(3,880)	(4,277)	(8,076)

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months period ended September 30, 2013 and 2012

(In thousands of Canadian dollars)

16. Capital management

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

In order to maintain its capital structure, the Company may issue new shares or proceed to the issuance or repayment of debt and acquire or sell assets to improve its financial performance and flexibility.

In order to be in compliance with Canadian securities administration regulations the Company is required to maintain a minimum capital of \$100 as defined in Regulation 31-103, respecting Registration Requirements and Exemptions.

17. Related party transactions

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

	For the three months ended September 30		For the nine months ended September 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Base management fees	9,098	9,218	28,281	20,114

These transactions were made in the normal course of business and are measured at the fair market value, which is the amount of consideration established and agreed to by the related parties. Bank loan, long term debt and derivative financial instruments are amounts due to a shareholder and their related companies as at September 30, 2013, December 31, 2012 and September 30, 2012.

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18. Subsequent Events

On October 31, 2013, the Company closed the transaction with Los Angeles, California based Bel Air Investment Advisors, LLC as well as its affiliate Bel Air Securities LLC, (collectively "Bel Air"), and New York based investment manager Wilkinson O'Grady & Co., Inc. ("Wilkinson O'Grady") to acquire a prominent U.S. wealth management firm and, separately, a global asset manager as part of its strategy to expand into the U.S. market. The transaction enables Fiera Capital to increase its growth potential in the U.S. private wealth market.

Under the terms of the agreement, the purchase price for Bel Air price of US\$ 125,000 (CAD\$ 130,563) includes US\$ 112,239 (CAN\$ 117,233) paid in cash and US\$ 9,760 (CAD\$ 10,194) worth of new Fiera Capital Class A subordinate voting shares to be issued over a 32-month period following closing and a purchase price obligation of US\$ 3,001 (CAN\$ 3,136). An amount of US\$ 14,640 (CAN\$ 15,291) of the cash consideration will be held in escrow for a period of three years

The Purchase price for Wilkinson O'Grady of US\$ 31,250 (CAD\$ 32,641) includes US\$ 29,687 (CAD\$ 31,008) paid in cash and US\$ 1,563 (CAD\$ 1,633) worth of new Fiera Capital Class A subordinate voting shares (which reflects the roll-over of senior employee ownership in Wilkinson O'Grady into newly issued Fiera Capital Class A subordinate voting shares).

The Company financed the transaction by extending its long term debt for an amount of \$52,509 and by the proceeds received from the subscription receipts disclosed in note 12. The subscription receipts will be exchanged on a one for one basis for 9 781 000 class A subordinate voting shares for a net amount of \$101,301 after issuance costs.

Both transactions will be accounted for as business combinations using the acquisition method and the assets and liabilities will be recorded at their estimated fair value at the acquisition as follows:

Bel Air

	\$
Cash	7,153
Other current assets	8,653
Properties and equipment	569
Intangible assets	51,739
Goodwill	66,537
Accounts payable and accrued liabilities	(4,088)
	130,563
	\$
Purchase consideration	117,233
Cash consideration	3,136
Purchase price obligation	10,194
Share capital	130,563

Fiera Capital Corporation

Notes to Interim Consolidated Financial Statements

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(In thousands of Canadian dollars)

18. Subsequent Events (continued)

Wilkinson O'Grady

	\$
Cash	831
Other current assets	8,375
Properties and equipment	700
Intangible assets	13,970
Goodwill	9,581
Accounts payable and accrued liabilities	(816)
	32,641

Purchase consideration	\$
Cash consideration	30,988
Share capital	1,653
	32,641

If the two business combinations had occurred on January 1, 2013, the Company's consolidated base management fees and net earnings (loss) would have been as follows:

	\$
Base management fees	134,312
Performance fees	1,138
Net earnings	11,015

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined businesses over nine months 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, interest on long term debt and the elimination of the acquisition costs, as well as related tax effects.

On November 7, 2013, the Board of directors declared a quarterly dividend of \$0.10 per share to shareholders of record as of November 20, 2013 and payable on December 18, 2013.

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