

# Interim Condensed Consolidated Financial Statements of FIERA CAPITAL CORPORATION

For the three and six-month periods ended June 30, 2017 and 2016  
(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	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Revenues</b>				
Base management fees	102,401	68,804	198,709	132,219
Performance fees	1,202	2,318	1,734	2,690
Other revenues (Note 8 and 16)	5,746	3,861	9,480	6,358
	<b>109,349</b>	<b>74,983</b>	<b>209,923</b>	<b>141,267</b>
<b>Expenses</b>				
Selling, general and administrative expenses	87,346	53,289	164,498	106,083
External managers	451	743	1,347	1,626
Depreciation of property and equipment	956	824	1,887	1,655
Amortization of intangible assets	10,900	8,464	21,835	16,009
Acquisition costs	1,659	2,054	3,377	5,762
Restructuring, integration and other costs (Note 6)	4,851	3,894	5,927	4,412
	<b>106,163</b>	<b>69,268</b>	<b>198,871</b>	<b>135,547</b>
Earnings before under-noted items	3,186	5,715	11,052	5,720
Realized (gain) loss on investments	(8)	(2)	(12)	14
Loss on disposal of intangible assets (Note 7)	371	-	371	-
Interest on long-term debt and other financial charges	1,388	2,536	3,937	4,926
Accretion and change in fair value of purchase price obligations (Note 8)	1,289	694	2,597	1,398
Gain on acquisition of control of investment in joint venture	-	(5,827)	-	(5,827)
Net change in fair value of derivative financial instruments (Note 8)	439	(265)	67	(619)
Gain on disposal of investment in joint ventures	-	-	-	(15,013)
Revaluation of assets held-for-sale	-	-	-	7,921
Share of earnings of joint ventures	-	-	-	(77)
Earnings (loss) before income taxes	(293)	8,579	4,092	12,997
Income tax expense (recovery)	(797)	276	(765)	782
<b>Net earnings for the periods</b>	<b>504</b>	<b>8,303</b>	<b>4,857</b>	<b>12,215</b>
<b>Net earnings attributable to :</b>				
Company's shareholders	877	7,901	5,305	15,181
Non-controlling interest	(373)	402	(448)	(2,966)
	<b>504</b>	<b>8,303</b>	<b>4,857</b>	<b>12,215</b>
Net earnings per share (Note 11)				
Basic	0.01	0.11	0.07	0.21
Diluted	0.01	0.11	0.06	0.21

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

# Fiera Capital Corporation

## Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

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

(Unaudited)

(In thousands of Canadian dollars)

	Three-month periods		Six-month periods	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net earnings for the periods	504	8,303	4,857	12,215
Other comprehensive income:				
Items that may be reclassified subsequently to earnings:				
Unrealized (loss) gain on available-for-sale financial assets (net of income taxes of (\$1) and (\$4) for the three and six-month periods ended June 30, 2017, respectively and income taxes of (\$10) and \$14 for the three and six- month periods ended June 30, 2016, respectively)	8	58	25	(96)
Reclassification of loss on disposal of investments (net of income tax recovery of \$1 in 2016)	-	-	-	11
Cash flow hedges (Note 8)	(103)	-	(103)	(509)
Unrealized exchange losses on translating financial statements of foreign operations	(6,942)	(302)	(9,182)	(7,745)
Other comprehensive (loss) income for the periods	(7,037)	(244)	(9,260)	(8,339)
<b>Comprehensive income (loss) for the periods</b>	<b>(6,533)</b>	<b>8,059</b>	<b>(4,403)</b>	<b>3,876</b>
<b>Comprehensive income attributable to:</b>				
Company's shareholders	(6,160)	7,657	(3,955)	6,842
Non-controlling interest	(373)	402	(448)	(2,966)
	<b>(6,533)</b>	<b>8,059</b>	<b>(4,403)</b>	<b>3,876</b>

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, 2017	As at December 31, 2016
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	32,212	40,110
Restricted cash	959	660
Investments	5,012	8,972
Accounts receivable	96,212	116,401
Prepaid expenses and other assets	13,941	6,547
	<b>148,336</b>	<b>172,690</b>
Non-current assets		
Goodwill (Note 7)	517,193	541,030
Intangible assets (Note 7)	427,260	458,760
Property and equipment	17,757	18,398
Deferred charges	1,465	1,688
Long-term receivable	47	27
Derivative financial instruments (Note 8)	1,548	-
Deferred income taxes	980	562
	<b>1,114,586</b>	<b>1,193,155</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	62,760	89,160
Dividends payable	-	249
Purchase price obligations (Note 8)	14,020	13,470
Puttable financial instrument liabilities (Note 8)	-	5,500
Restructuring provisions (Note 6)	359	1,879
Derivative financial instruments (Note 8)	3,460	1,861
Current portion of long-term debt (Note 9)	525	1,283
Amounts due to related companies	1,652	1,058
Client deposits	155	155
Deferred revenues	346	120
	<b>83,277</b>	<b>114,735</b>
Non-current liabilities		
Long-term debt (Note 9)	431,606	429,140
Purchase price obligations (Note 8)	21,570	21,498
Long-term restructuring provisions (Note 6)	715	715
Cash settled share-based liabilities	4,879	4,243
Other non-current liabilities	3,268	2,694
Deferred lease obligations	3,285	3,479
Lease inducements	4,170	4,612
Derivative financial instruments (Note 8)	103	-
Deferred income taxes	9,494	15,394
	<b>562,367</b>	<b>596,510</b>
<b>Equity attributable to:</b>		
Company's shareholders	546,584	566,236
Non-controlling interest	5,635	30,409
	<b>552,219</b>	<b>596,645</b>
	<b>1,114,586</b>	<b>1,193,155</b>

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

# Fiera Capital Corporation

## Interim Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended June 30,

(Unaudited)

(In thousands of Canadian dollars)

	Share Capital	Restricted and hold back shares	Contributed surplus	(Deficit) Retained earnings	Accumulated other comprehensive income	Equity attributable to Company's shareholders	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2016</b>	<b>582,134</b>	<b>1,848</b>	<b>16,285</b>	<b>(62,129)</b>	<b>28,098</b>	<b>566,236</b>	<b>30,409</b>	<b>596,645</b>
Net earnings for the period	-	-	-	5,305	-	5,305	(448)	4,857
Other comprehensive income (loss)	-	-	-	-	(9,260)	(9,260)	-	(9,260)
<b>Comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,305</b>	<b>(9,260)</b>	<b>(3,955)</b>	<b>(448)</b>	<b>(4,403)</b>
Share-based compensation expense	-	-	3,640	-	-	3,640	113	3,753
Conversion of hold back shares (Note 10)	3,566	(3,566)	-	-	-	-	-	-
Performance and restricted share units settled (Note 10)	10,381	-	(6,074)	-	-	4,307	-	4,307
Stock options exercised (Note 10)	1,887	-	(454)	-	-	1,433	-	1,433
Extinguishment of puttable financial instrument liabilities (Note 8)	-	-	2,747	-	-	2,747	-	2,747
Net change in non-controlling interest	-	-	-	-	-	-	(24,439)	(24,439)
Dividends	-	-	-	(27,824)	-	(27,824)	-	(27,824)
<b>Balance, June 30, 2017</b>	<b>597,968</b>	<b>(1,718)</b>	<b>16,144</b>	<b>(84,648)</b>	<b>18,838</b>	<b>546,584</b>	<b>5,635</b>	<b>552,219</b>
<b>Balance, December 31, 2015</b>	<b>467,134</b>	<b>3,662</b>	<b>11,056</b>	<b>(35,528)</b>	<b>28,614</b>	<b>474,938</b>	<b>(4,910)</b>	<b>470,028</b>
Net earnings for the period	-	-	-	15,181	-	15,181	(2,966)	12,215
Other comprehensive income (loss)	-	-	-	-	(8,339)	(8,339)	-	(8,339)
<b>Comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,181</b>	<b>(8,339)</b>	<b>6,842</b>	<b>(2,966)</b>	<b>3,876</b>
Issuance of shares	1,815	-	-	-	-	1,815	-	1,815
Shares issued as part of a business combination	75,076	-	-	-	-	75,076	-	75,076
Conversion of hold back shares	2,718	(2,718)	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	10,278	10,278
Call option	-	-	1,419	-	-	1,419	-	1,419
Share-based compensation expense	-	-	3,522	-	-	3,522	-	3,522
Performance share units settled	-	-	(4,237)	-	-	(4,237)	-	(4,237)
Stock options exercised	1,547	-	(291)	-	-	1,256	-	1,256
Shares purchased for cancellation	(1,306)	-	-	(353)	-	(1,659)	-	(1,659)
Dividends	-	-	-	(21,593)	-	(21,593)	(1,574)	(23,167)
<b>Balance, June 30, 2016</b>	<b>546,984</b>	<b>944</b>	<b>11,469</b>	<b>(42,293)</b>	<b>20,275</b>	<b>537,379</b>	<b>828</b>	<b>538,207</b>

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)

	2017	2016
	\$	\$
<b>Operating activities</b>		
Net earnings for the periods	4,857	12,215
Adjustments for:		
Depreciation of property and equipment	1,887	1,655
Amortization of intangible assets	21,835	16,009
Amortization of deferred charges	292	352
Loss on disposal of intangible assets	371	-
Accretion and change in fair value of purchase price obligations	2,597	1,398
Lease inducements	(308)	(301)
Deferred lease obligations	(89)	1,786
Share-based compensation expense	3,753	3,522
Cash settled share-based compensation expense	5,848	2,587
Restructuring, integration and other costs	(1,520)	2,739
Interest on long-term debt and other financial charges	3,937	4,926
Net change in fair value of derivative financial instruments (Note 8)	67	(619)
Settlement of derivative financial instrument	(74)	-
Income tax expense (recovery)	(765)	782
Income tax paid	(9,460)	(9,698)
Share of earnings of joint ventures	-	(77)
Gain on disposal of investment in joint venture	-	(15,013)
Revaluation of assets held-for-sale	-	7,921
Gain on acquisition of control of investment in joint venture	-	(5,827)
Realized and unrealized gain on financial instruments	(1,079)	-
Realized (gain) loss on investments	(12)	14
Other non-current liabilities	897	547
Changes in non-cash operating working capital items (Note 13)	(6,957)	(10,954)
<b>Net cash generated by operating activities</b>	<b>26,077</b>	<b>13,964</b>
<b>Investing activities</b>		
Business combinations (2016 - less cash acquired of \$2,848)	-	(112,353)
Proceeds from disposal of investment in joint venture	-	20,000
Settlement of purchase price adjustments and obligations (Note 5)	(3,431)	(1,321)
Investments, net	4,859	611
Purchase of property and equipment	(1,347)	(2,753)
Purchase of intangible assets	(976)	(516)
Settlement of puttable financial instrument liabilities (Note 8)	(2,753)	-
Long-term receivable	(20)	241
Deferred lease obligations	-	331
Deferred charges	(90)	(237)
Restricted cash and clients deposits	(324)	1,956
<b>Net cash used in investing activities</b>	<b>(4,082)</b>	<b>(94,041)</b>
<b>Financing activities</b>		
Settlement of share-based compensation	(894)	(4,237)
Dividends	(28,073)	(23,365)
Issuance of share capital	1,433	2,948
Shares purchased for cancellation	-	(1,659)
Purchase of non-controlling interest	(6,492)	-
Long-term debt, net	13,241	101,959
Interest paid on long-term debt	(8,076)	(4,071)
Financing charges	(37)	(828)
<b>Net cash generated by (used in) financing activities</b>	<b>(28,898)</b>	<b>70,747</b>
Net decrease in cash and cash equivalents	(6,903)	(9,330)
Effect of exchange rate changes on cash denominated in foreign currencies	(995)	(1,298)
Cash and cash equivalents – beginning of periods	40,110	25,725
<b>Cash and cash equivalents – end of periods</b>	<b>32,212</b>	<b>15,097</b>

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

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

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### 1. Description of Business

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

The Board of Directors (the “Board”) approved the interim condensed consolidated financial statements for the three and six-month periods ended June 30, 2017 on August 10, 2017.

### 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, 2016, 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 years ended December 31, 2016 and December 31, 2015.

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



# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

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### 3. Adoption of new IFRS

The following revised standards are effective for annual periods beginning on January 1, 2017 and their adoption did not have an impact on the amounts reported or disclosures made in these financial statements.

#### *Amendments to IAS 7 – Statement of cash flows*

In January 2016, the IASB published amendments to IAS 7 – *Statement of cash flows*. The amendments are intended to improve information provided to users of financial statements about an entity's financing activities. The adoption of these amendments will result in additional disclosures in the annual consolidated financial statements.

#### *Amendments to IAS 12 – Income taxes*

In January 2016, the IASB published amendments to IAS 12 – *Income taxes*. The amendments are intended to clarify the recognition of deferred tax assets where an asset is measured at fair value and that fair value is below the asset's tax base.

#### *Annual improvements to IFRS (2014-2016) cycle*

In December 2016, the IASB published annual improvements on the 2014-2016 cycle. The pronouncement contained amendments to clarify the scope of IFRS 12 – *Disclosure on interests in other entities*.

### 4. IFRS issued but not yet adopted

#### *IFRS 9 – Financial Instruments*

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

#### *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.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

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### 4. IFRS issued but not yet adopted (continued)

In April 2016, the IASB issued clarifications to IFRS 15 which provide clarity on revenue recognition related to identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property and provide some transition relief for modified contracts and completed contracts. Adoption of IFRS 15 is mandatory for annual periods beginning on or after January 1, 2018. Entities have the choice of full retrospective application, or prospective application with additional disclosures. Early adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

#### IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases*. It supersedes the IASB's current lease standard, IAS 17, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. This new standard will come into effect for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted only for entities also applying IFRS 15 – *Revenue from Contracts with Customers*. The Company is evaluating the impact of this standard on its consolidated financial statements.

#### Amendments to IFRS 2 – *Share-based payments*

In June 2016, the IASB published amendments to IFRS 2 – *Share-based payments*. The amendments clarify the classification and measurement of share-based payment transactions. The amendments will come into effect for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 5. Business combinations

#### Charlemagne Capital Limited (“Charlemagne Capital”)

On December 14, 2016, the Company acquired all of the issued and outstanding shares of Charlemagne Capital. During the three-month period ended March 31, 2017, the Company adjusted the purchase price allocation by increasing the accounts payable and accrued liabilities by US\$275 (CA\$361) with a corresponding increase to goodwill.

The revised preliminary purchase price allocation is as follows:

	\$
Cash	11,605
Short-term investments	6,880
Other current assets	7,423
Property and equipment	94
Goodwill (nil deductible for tax purposes) <sup>(1)</sup>	8,884
Intangible assets	45,537
Accounts payable and accrued liabilities	(15,018)
Deferred income taxes	(7,638)
Non-controlling interest	(3,712)
	<b>54,055</b>

<sup>(1)</sup> During the three-month period ended June 30, 2017, the Company adjusted the purchase price allocation by decreasing the non-controlling interest by CA\$17,813 and recorded a corresponding decrease to goodwill.

	\$
Purchase consideration	
Cash consideration	52,983
Forward foreign exchange contracts	1,072
	<b>54,055</b>

The Company expects to finalize the accounting for this acquisition within twelve months of the acquisition date.

#### Apex Capital Management Inc. (“Apex”)

On March 7, 2017, the Company paid US\$1,171 (CA\$1,568) related to the post-closing purchase price adjustments in connection with the 2016 acquisition of Apex.

#### Samson Capital Advisors LLC (“Samson”)

The purchase price consideration for the 2015 acquisition of Samson included an initial amount of up to US\$4,175 payable over three years if certain targets are achieved. On March 13, 2017, the first target was met and the Company paid US\$1,391 (CA\$1,863).

#### Fiera Properties Limited (“Fiera Properties”)

On March 7, 2017, the Company purchased 1,500,000 Fiera Properties’ class B shares held by a departing minority management shareholder which increased the Company’s ownership interest in Fiera Properties to 50.93% of class B shares. Concurrently with the transaction, the Company granted Axia Investment Inc. (“Axia”), another shareholder of Fiera Properties, a call right which gives Axia the right to acquire up to 50% of the purchased class B shares from the Company within six months from the date of the transaction based on the same valuation.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 5. Business combinations (continued)

On May 5, 2017, the Company purchased 1,500,000 Fiera Properties' class B shares held by the sole remaining minority management shareholder which increased the Company's ownership interest in Fiera Properties by 12.24% to 62.24% of class B shares. Concurrently with the transaction, the Company granted Axia, another shareholder of Fiera Properties, a call right which gives it the right to acquire up to 50% of the purchased class B shares from the Company within six months from the date of the transaction based on the same valuation.

### 6. Restructuring, integration and other costs

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Restructuring provisions related to severance	368	-	592	112
Other restructuring costs	30	3,109	176	3,109
Integration and other costs	4,453	785	5,159	1,191
	4,851	3,894	5,927	4,412

#### Restructuring

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

The change in the restructuring provisions for severance-related expenses during the six-month period ended June 30, 2017 is as follows:

	Severance
	\$
Balance, December 31, 2016	2,594
Additions during the period	592
Paid during the period	(2,112)
Balance, June 30, 2017	1,074

	As at June 30, 2017	As at December 31, 2016
Provision for severance	\$	\$
Current portion	359	1,879
Non-current portion	715	715
Total	1,074	2,594

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 6. Restructuring, integration and other costs (continued)

#### Integration

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

#### Other costs

During the three-month period ended June 30, 2017, one of the Company's subsidiaries recorded an expense of \$3,090 resulting from a trading error.

### 7. Goodwill and intangible assets

	Goodwill	Indefinite life Asset management contracts	Finite-life			Total
			Asset management contracts	Customer relationships	Other	
	\$	\$	\$	\$	\$	\$
<b>For the six-month period ended June 30, 2017</b>						
Opening carrying amount	541,030	9,125	83,593	348,677	17,365	458,760
Business combinations	(17,227)	-	-	-	-	-
Additions	-	-	-	-	432	432
Disposals	-	-	-	-	(1,897)	(1,897)
Disposals – accumulated amortization	-	-	-	-	526	526
Amortization for the period	-	-	(6,338)	(12,964)	(2,533)	(21,835)
Foreign exchange difference	(6,610)	(99)	(1,257)	(6,967)	(403)	(8,726)
<b>Carrying amount</b>	<b>517,193</b>	<b>9,026</b>	<b>75,998</b>	<b>328,746</b>	<b>13,490</b>	<b>427,260</b>
<b>Balance, June 30, 2017</b>						
Cost	501,615	8,548	122,988	392,146	23,839	547,521
Accumulated amortization and impairment	(1,918)	-	(46,618)	(79,355)	(11,173)	(137,146)
Foreign exchange difference	17,496	478	(372)	15,955	824	16,885
<b>Carrying amount</b>	<b>517,193</b>	<b>9,026</b>	<b>75,998</b>	<b>328,746</b>	<b>13,490</b>	<b>427,260</b>

During the three-month period ended June 30, 2017, the Company derecognized an other intangible asset with a carrying amount of \$1,371 for proceeds of \$1,000 which are recorded in accounts receivable. The Company recognized a loss on disposal of intangible assets of \$371 in the three-month period ended June 30, 2017.

### 8. Financial instruments

#### Fair value

#### Investments

The cost of investments recorded as available-for-sale is \$1,190 as at June 30, 2017 (\$1,027 as at December 31, 2016) and the fair value is \$1,252 as at June 30, 2017 (\$1,060 as at December 31, 2016).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

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### 8. Financial instruments (continued)

The unrealized gain on investments was \$54 (net of income taxes of \$8) as at June 30, 2017 (\$29 (net of income taxes of \$4) as at December 31, 2016), is reflected in accumulated other comprehensive income (loss). The cost of investments recorded at fair value through profit or loss is \$4,012 as at June 30, 2017 (\$7,946 as at December 31, 2016) and the fair value is \$3,760 as at June 30, 2017 (\$7,912 as at December 31, 2016). The unrealized gain of \$925 was recognized in other revenues during the six-month period ended June 30, 2017.

#### *Puttable financial instrument liabilities*

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

#### *Derivative financial instruments*

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

The fair value of derivatives that are not traded on an active market is determined using valuation techniques which maximize the use of observable market inputs such as interest rate yield curves as well as available information on market transactions involving other instruments that are substantially the same, discounted cash flows analysis or other techniques, where appropriate. To the extent practicable, valuation techniques incorporate all factors that market participants would consider in setting a price and they are consistent with accepted economic methods for valuing financial instruments.

The Company determines the fair value of foreign exchange forward contracts by calculating the difference between the forward exchange rates at the measurement date and the contractual forward price for the residual maturity of the contract. The Company determines the fair value of its cross currency and interest rate swap contracts by applying valuation techniques.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 8. Financial instruments (continued)

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

	For the three-month period ended June 30, 2017	For the six-month period ended June 30, 2017	As at June 30, 2017				
			Fair value		Notional amount: term to maturity		
			Asset	(Liability)	Less than 1 year	From 1 to 5 years	Over 5 years
	\$	\$	\$	\$	\$	\$	\$
<b>Foreign exchange contracts</b>							
a) Forward foreign exchange contracts – held for trading	259	896	1,303	(344)	36,651	-	-
b) Cross currency swaps – held for trading	(1,987)	(1,794)	-	(3,116)	153,000	-	-
<b>Interest rate contracts</b>							
c) Swap contracts – held for trading	1,548	1,753	1,548	-	-	100,000	-
d) Swap contracts – cash flow hedges <sup>(1)</sup>	-	-	-	(103)	-	219,311	-

<sup>(1)</sup> An unrealized loss of \$103 for the three and six-month periods ended June 30, 2017 is recorded in accumulated other comprehensive income (loss).

	For the three-month period ended June 30, 2016	For the six-month period ended June 30, 2016	As at December 31, 2016				
			Fair value		Notional amount: term to maturity		
			Asset	(Liability)	Less than 1 year	From 1 to 5 years	Over 5 years
	\$	\$	\$	\$	\$	\$	\$
<b>Foreign exchange contracts</b>							
a) Forward foreign exchange contracts – held for trading	335	1,384	323	(260)	52,509	-	-
b) Cross currency swaps – held for trading	-	-	-	(1,322)	100,000	-	-
<b>Interest rate contracts</b>							
c) Swap contracts – held for trading	265	619	-	(279)	95,850	-	-

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 8. Financial instruments (continued)

Financial statement presentation:

	As at June 30, 2017	As at December 31, 2016
	\$	\$
Current derivative financial instrument assets <sup>(1)</sup>	1,303	323
Non-current derivative financial instrument assets	1,548	-
Current derivative financial instrument liabilities	(3,460)	(1,861)
Non-current derivative financial instrument liabilities	(103)	-

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

#### a) Forward foreign exchange contracts – held for trading

On December 23, 2016, the Company entered into a series of average rate forward foreign exchange contracts to manage the currency fluctuation risk associated with estimated revenues, for the year ending December 31, 2017, denominated in US dollars. Forward foreign exchange contracts are recognized at fair value at the date the contracts are entered into and are subsequently remeasured to their fair value through profit or loss at the end of each reporting period. As at June 30, 2017, the fair value of the derivative financial asset related to these contracts is \$1,183 (\$323 as at December 31, 2016).

The net impact of these contracts on the consolidated statements of earnings, for the three and six-month periods ended June 30, 2017 and 2016 is presented in the table below.

	For the three-month period ended June 30, 2017	For the six-month period ended June 30, 2017	For the three-month period ended June 30, 2016	For the six-month period ended June 30, 2016
	Net gain (loss) on derivatives	Net gain (loss) on derivatives	Net gain (loss) on derivatives	Net gain (loss) on derivatives
	\$	\$	\$	\$
Other revenues	543	818	335	1,384
Interest on long-term debt and other financial charges	20	42	-	-
<b>Total gain</b>	<b>563</b>	<b>860</b>	<b>335</b>	<b>1,384</b>

One of the Company's subsidiaries enters into foreign exchange contracts to manage its exposure to foreign exchange rates. As at June 30, 2017, the fair value of these contracts is a derivative financial asset of \$120 and a derivative financial liability of \$344. (liability of \$260 as at December 31, 2016). The contracts mature at various dates between July 2017 and June 2018.



# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 8. Financial instruments (continued)

The net impact of these contracts on the consolidated statements of earnings, for the three and six-month periods ended June 30, 2017 is presented in the table below.

	For the three-month period ended June 30, 2017	For the six-month period ended June 30, 2017
	Net gain (loss) on derivatives	Net gain (loss) on derivatives
	\$	\$
Other revenues	(313)	22
Other comprehensive income	9	14
<b>Total gain (loss)</b>	<b>(304)</b>	<b>36</b>

#### b) Cross currency swaps – held for trading

Under the terms of the Company's revolving facility (Note 9), the Company can borrow either in US dollars based on US base or LIBOR rates plus 2.25% or in Canadian dollars based on CDOR plus 2.25% (the same credit spread). To benefit from interest cost savings, the Company has effectively created a synthetic equivalent to a Canadian dollar revolving facility at CDOR plus 2.02% on CA\$153,000 (CA\$100,000 as at December 31, 2016) by borrowing against the US dollar revolving facility, the equivalent of CA\$153,000 (US\$115,500) (CA\$100,000 (US\$73,500) as at December 31, 2016) at Libor plus 2.25%, and swapping it into CDOR plus 2.02% with a one-month cross currency swap. The contract is effective June 30, 2017 and matures July 31, 2017.

This strategy provides cost savings without currency risk since the terms of the US LIBOR financing and the cross currency swap are exactly matched (US dollar notional amount, LIBOR rate, trade and maturity dates).

The fair value of the cross currency swap contracts is a liability of \$3,116 as at June 30, 2017 (liability of \$1,322 as at December 31, 2016). This fair value is offset by the equivalent changes in fair value in Canadian dollars on the amount drawn on the US dollar revolving facility specifically for this transaction of US\$115,500 (US\$73,500 as at December 31, 2016).

The net impact of these contracts on the consolidated statements of earnings, for the three and six-month periods ended June 30, 2017 is presented in the table below.

	For the three-month period ended June 30, 2017	For the six-month period ended June 30, 2017
	Net gain (loss) on derivatives	Net gain (loss) on derivatives
	\$	\$
Net change in fair value of derivative financial instruments	(1,987)	(1,820)
Interest on long-term debt and other financial charges	-	26
<b>Total loss</b>	<b>(1,987)</b>	<b>(1,794)</b>

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 8. Financial instruments (continued)

#### c) Interest rate swap contracts – held for trading

On May 1, 2012, the Company entered into an interest rate swap contract to manage the interest rate fluctuations on its revolving facility denominated in Canadian dollars. The contract consisted of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 1.835%. Interest was settled on a monthly basis. The interest swap matured on April 3, 2017 and an amount of \$74 was paid as settlement for this contract.

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

The fair value of the interest rate swap contract is an asset of \$1,548 as at June 30, 2017 (liability of \$279 as at December 31, 2016). The gain or loss on interest rate swap contracts is recorded in net change in fair value of derivative financial instruments in the consolidated statements of earnings.

The impact of these contracts on the consolidated statements of earnings, for the three and six-month periods ended June 30, 2017 and 2016 is presented in the table below.

	For the three-month period ended June 30, 2017	For the six-month period ended June 30, 2017	For the three-month period ended June 30, 2016	For the six-month period ended June 30, 2016
	Net gain (loss) on derivatives	Net gain (loss) on derivatives	Net gain (loss) on derivatives	Net gain (loss) on derivatives
	\$	\$	\$	\$
Net change in fair value of derivative financial instruments	1,548	1,753	265	619
<b>Total gain</b>	<b>1,548</b>	<b>1,753</b>	265	619

#### d) Interest rate swap contracts – Cash flow hedges

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

These contracts are designated as cash flows hedges and satisfy the requirements for hedge accounting. The effective portion of changes in the fair value of these contracts are recognized in other comprehensive income and accumulated in a hedging reserve. The fair value of the interest rate swap contracts designated as cash flow hedges is a liability of \$103 as at June 30, 2017.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 8. Financial instruments (continued)

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

The Company remains exposed to fluctuations in the US base or Libor rates on the difference between the US dollar revolving facility and the notional amount of the US dollar interest rate swap contract. The drawings in US dollars on the term and revolving facilities are US\$125,000 and US\$184,894 respectively as at June 30, 2017 (US\$125,000 and US\$65,781 respectively as at December 31, 2016).

Financial instruments by category:

	As at June 30, 2017				
	Loans and receivables	Available-for-sale	FVTPL <sup>(1)</sup>	Financial liabilities at amortized cost	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and cash equivalents	32,212	-	-	-	32,212
Restricted cash	959	-	-	-	959
Investments					
Investment funds under the Company's management	-	1,252	3,760	-	5,012
Accounts receivable	96,212	-	-	-	96,212
Long-term receivable	47	-	-	-	47
Derivative financial instruments <sup>(2)</sup>	-	-	2,851	-	2,851
<b>Total</b>	<b>129,430</b>	<b>1,252</b>	<b>6,611</b>	<b>-</b>	<b>137,293</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	-	-	-	62,760	62,760
Purchase price obligations	-	-	35,590	-	35,590
Derivative financial instruments	-	-	3,563	-	3,563
Amounts due to related companies	-	-	-	1,652	1,652
Client deposits	-	-	-	155	155
Long-term debt	-	-	-	432,131	432,131
<b>Total</b>	<b>-</b>	<b>-</b>	<b>39,153</b>	<b>496,698</b>	<b>535,851</b>

<sup>(1)</sup> Fair value through profit or loss ("FVTPL").

<sup>(2)</sup> Includes \$1,303 presented in prepaid expenses and other assets on the interim condensed consolidated statements of financial position.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 8. Financial instruments (continued)

	As at December 31, 2016				
	Loans and receivables	Available-for-sale	FVTPL	Financial liabilities at amortized cost	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and cash equivalents	40,110	-	-	-	40,110
Restricted cash	660	-	-	-	660
Investments					
Investment funds under the Company's management	-	1,060	7,514	-	8,574
Other securities and investments	-	-	398	-	398
Accounts receivable	116,401	-	-	-	116,401
Long-term receivable	27	-	-	-	27
Derivative financial instruments <sup>(1)</sup>	-	-	323	-	323
<b>Total</b>	<b>157,198</b>	<b>1,060</b>	<b>8,235</b>	<b>-</b>	<b>166,493</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	-	-	-	89,160	89,160
Purchase price obligations	-	-	34,968	-	34,968
Puttable financial instrument liabilities	-	-	5,500	-	5,500
Derivative financial instruments	-	-	1,861	-	1,861
Amounts due to related companies	-	-	-	1,058	1,058
Client deposits	-	-	-	155	155
Long-term debt	-	-	-	430,423	430,423
<b>Total</b>	<b>-</b>	<b>-</b>	<b>42,329</b>	<b>520,796</b>	<b>563,125</b>

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

#### Fair value hierarchy

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

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

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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

### 8. Financial instruments (continued)

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

	As at June 30, 2017			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Financial assets</b>				
Investments				
Investment funds under the Company's management	-	5,001	11	5,012
Derivative financial instruments	-	2,851	-	2,851
<b>Total financial assets</b>	-	<b>7,852</b>	<b>11</b>	<b>7,863</b>
<b>Financial liabilities</b>				
Purchase price obligations			35,590	35,590
Derivative financial instruments	-	3,563	-	3,563
<b>Total financial liabilities</b>	-	<b>3,563</b>	<b>35,590</b>	<b>39,153</b>

	As at December 31, 2016			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Financial assets</b>				
Investments				
Investment funds under the Company's management	-	8,574	-	8,574
Other securities and investments	-	389	9	398
Derivative financial instruments	-	323	-	323
<b>Total financial assets</b>	-	<b>9,286</b>	<b>9</b>	<b>9,295</b>
<b>Financial liabilities</b>				
Purchase price obligations		-	34,968	34,968
Puttable financial instrument liabilities	-	5,500	-	5,500
Derivative financial instruments	-	1,861	-	1,861
<b>Total financial liabilities</b>	-	<b>7,361</b>	<b>34,968</b>	<b>42,329</b>

#### Level 3

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

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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

### 8. Financial instruments (continued)

Reconciliation of Level 3 fair value measurements:

	As at June 30, 2017		
	Investment funds under the Company's management	Purchase price obligations	Total
	\$	\$	\$
Fair value as at December 31, 2016	9	(34,968)	(34,959)
Settlement of purchase price obligations	-	1,863	1,863
Total realized and unrealized gains included in other revenues	2	-	2
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(2,597)	(2,597)
Total realized and unrealized gains included in other comprehensive income	-	112	112
<b>Fair value as at June 30, 2017</b>	<b>11</b>	<b>(35,590)</b>	<b>(35,579)</b>

	As at June 30, 2016		
	Investment funds under the Company's management	Purchase price obligations	Total
	\$	\$	\$
Fair value as at December 31, 2015	-	(42,235)	(42,235)
Settlement of purchase price obligations	-	1,321	1,321
Adjustment to purchase price obligations recorded in goodwill	-	35	35
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(1,398)	(1,398)
Total realized and unrealized gains included in other comprehensive income	-	327	327
<b>Fair value as at June 30, 2016</b>	<b>-</b>	<b>(41,950)</b>	<b>(41,950)</b>

A reasonable change in unobservable inputs would not result in a significant change in the fair value of purchase price obligations.

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

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 9. Long-term debt

	As at June 30, 2017	As at December 31, 2016
	\$	\$
Credit facility		
Term facility	162,212	167,838
Revolving facility	270,278	262,323
Other facilities	1,150	2,039
Deferred financing charges	(1,509)	(1,777)
	432,131	430,423
Less current portion	(525)	(1,283)
Non-current portion	431,606	429,140

#### Credit Facility

On May 31, 2016, the Company entered into the Fourth Amended and Restated Credit Agreement (“Credit Agreement”) which includes a term facility and a revolving facility (together, the “Credit Facility”).

##### *Term facility*

The Credit Agreement includes a US\$125,000 term (non-revolving) facility for which there are no minimum repayments until May 31, 2019, the date at which the full amount drawn on the term facility is repayable.

The total amount drawn on the term facility as at June 30, 2017 is US\$125,000 (CA\$162,212) (US\$125,000 (CA\$167,838) as at December 31, 2016).

##### *Revolving facility*

The Credit Facility includes a CA\$300,000 senior unsecured revolving facility that can be drawn on in Canadian or US dollars at the discretion of the Company. Under the terms of the Credit Agreement, there are no minimum repayments on the revolving facility, until March 25, 2020, the date at which the full amount drawn on the revolving facility is repayable in full.

As at June 30, 2017, the total amount drawn on the revolving facility was comprised of CA\$30,341 and US\$184,894 (CA\$239,937) (CA\$174,000 and US\$65,781 (CA\$88,323) as at December 31, 2016).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

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### 9. Long-term debt (continued)

Under the terms of the Credit Agreement, the Company must satisfy certain restrictive covenants on the Credit Facility including minimum financial ratios. These restrictions include maintaining a maximum ratio of Funded Debt to EBITDA and a minimum interest coverage ratio. EBITDA, a non-IFRS financial measure, is defined in the Credit Agreement as consolidated earnings before interest, income taxes, depreciation, amortization, non-recurring and one-time expenses related to acquisitions and other non-cash items. As at June 30, 2017 and December 31, 2016, all restrictive covenants under the Credit Agreement were met.

#### Other Facilities

As at June 30, 2017, one of the Company's subsidiaries has an outstanding bank loan in the amount of \$1,019 of which quarterly payments of CA\$131 are required (respectively \$1,281 and CA\$131 as at December 31, 2016). The loan bears interest at prime plus 0.25% to 0.50% which is based on the ratio of senior debt to EBITDA (a non-IFRS financial measure defined in the loan agreement), and matures on June 30, 2019. All debt covenant requirements were met as at June 30, 2017 and December 31, 2016.

During the three-month period ended June 30, 2017, this subsidiary amended its credit agreement to include a leasing facility. As at June 30, 2017, an amount of CA\$131 was drawn on a lease-back loan with the bank.

This subsidiary also has a line of credit with a dollar limit of CA\$750. It bears interest at prime plus up to 0.25% which is also based on the ratio of senior debt EBITDA and has no fixed maturity date. As at June 30, 2017, the amount drawn by the subsidiary on the line of credit is nil (nil as at December 31, 2016).

Another subsidiary of the Company has a line of credit with a dollar limit of CA\$800. It bears interest at prime plus 2.75% and has no fixed maturity date. As at June 30, 2017, the amount drawn by the subsidiary on the line of credit is nil (\$758 as at December 31, 2016).



# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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

### 10. 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, 2016	60,800,655	550,609	19,810,903	31,525	80,611,558	582,134
Conversion of hold back shares	353,928	3,566	-	-	353,928	3,566
Stock options exercised	180,121	1,887	-	-	180,121	1,887
Transfer from Class B Shares to Class A Shares	20,278	32	(20,278)	(32)	-	-
Issuance of shares	1,085,232	10,381	-	-	1,085,232	10,381
<b>As at June 30, 2017 <sup>(1)</sup></b>	<b>62,440,214</b>	<b>566,475</b>	<b>19,790,625</b>	<b>31,493</b>	<b>82,230,839</b>	<b>597,968</b>
As at December 31, 2015	51,536,848	435,551	19,847,577	31,583	71,384,425	467,134
Conversion of hold back shares	277,578	2,718	-	-	277,578	2,718
Issuance of shares	159,011	1,815	-	-	159,011	1,815
Shares issued as part of a business combination	5,775,075	75,076	-	-	5,775,075	75,076
Stock options exercised	265,403	1,547	-	-	265,403	1,547
Shares purchased for cancellation	(154,500)	(1,306)	-	-	(154,500)	(1,306)
As at June 30, 2016	57,859,415	515,401	19,847,577	31,583	77,706,992	546,984

<sup>(1)</sup> Includes 4,950,066 (5,775,075 as at December 31, 2016) Class A Shares held in escrow in relation with the Apex acquisition, 338,124 (338,124 as at December 31, 2016) Class A Shares held in escrow in relation with the Fiera Private Lending (formerly "Centria Commerce") acquisition, and 157,018 (154,111 as at December 31, 2016) restricted shares held in escrow in relation to the restricted share plan.

#### Conversion of hold back shares

As part of the acquisition of Samson, the Company committed to issue 353,928 Class A Shares eighteen months following the closing of the acquisition on October 30, 2015. The commitment was considered an equity component and was recorded in Restricted and Hold back shares at a discounted value of CA\$3,566. On May 1, 2017, 353,928 Class A Shares were issued and an amount of CA\$3,566 was transferred from Restricted and Hold back shares to Share Capital in the statements of changes in equity.

In October 2013, as part of the acquisition of Bel Air Investment Advisors LLC and its affiliate Bel Air Securities LLC (collectively "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. During the second quarter of 2016, the third tranche amounting to 277,578 Class A Shares were issued and a value of CA\$2,718 was transferred from Restricted and Hold back shares to Share Capital in the statements of changes in equity.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

### 10. Share capital and accumulated other comprehensive income (continued)

#### Transfers

During the six-month period ended June 30, 2017, 20,278 Class B Shares were converted into 20,278 Class A Shares on a one-for-one basis (2016 – nil).

#### Issuance of shares

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

During the six-month period ended June 30, 2016, on the same day as the conversion of the third tranche of the hold back shares into share capital in connection with a related agreement, the Company issued 149,469 Class A Shares to National Bank of Canada (“National Bank”) for cash proceeds of \$1,830 less issuance costs of \$138. These shares were issued upon the exercise by National Bank of its anti-dilution rights, as defined in the Investor Rights Agreement. In addition, the Company issued 9,542 Class A Shares from treasury at a cost of \$123 for performance share units that vested during the six-month period ended June 30, 2016.

#### Dividends

During the six-month period ended June 30, 2017, the Company declared dividends on Class A shares and Class B shares totalling \$27,706 (\$0.34 per share) (\$21,403 for the six-month period ended June 30, 2016 (\$0.30 per share)) and \$118 on hold back shares (\$190 for the six-month period ended June 30, 2016).

#### Accumulated other comprehensive income (loss)

The components of accumulated other comprehensive income (loss) includes:

	As at June 30, 2017	As at December 31, 2016
	\$	\$
Unrealized gain on available-for-sale financial assets	54	29
Cash flow hedges – Effective portion of change in fair value	(103)	-
Unrealized exchange differences on translating financial statements of foreign operations	18,887	28,069
	<b>18,838</b>	<b>28,098</b>

# Fiera Capital Corporation

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(Unaudited)

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

### 11. Earnings per share

Basic and diluted earnings per share and 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,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net earnings attributable to the Company's shareholders for the periods	877	7,901	5,305	15,181
Weighted average shares outstanding – basic	81,854,126	73,999,160	81,563,081	72,945,840
Effect of dilutive share-based awards and contingent consideration payable in shares	2,660,504	627,571	2,644,882	632,753
Weighted average shares outstanding – diluted	84,514,630	74,626,731	84,207,963	73,578,593
Basic earnings per share	0.01	0.11	0.07	0.21
Diluted earnings per share	0.01	0.11	0.06	0.21

For the three and six-month periods ended June 30, 2017, the calculation of hypothetical conversions does not include 1,484,379 stock options (1,261,686 for the three and six-month periods ended June 30, 2016) with an anti-dilutive effect.

### 12. Share-based payments

a) Stock option plans:

A summary of the changes that occurred in the Company's stock option plans during the six-month periods ended June 30, 2017 and 2016, is presented below:

	2017		2016	
	Number of Class A Share options	Weighted-average exercise price	Number of Class A Share options	Weighted average exercise price
		\$		\$
Outstanding – beginning of periods	2,799,345	10.25	3,040,225	9.58
Granted	347,000	13.64	41,259	13.33
Exercised	(180,121)	7.96	(265,403)	4.73
Forfeited	(20,645)	13.44	-	-
Outstanding – end of periods	2,945,579	10.76	2,816,081	10.09
Options exercisable – end of periods	989,901	7.73	1,103,440	7.74

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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### 12. Share-based payments (continued)

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2017	2016	2017	2016
Dividend yield (%)	5.05	-	5.05	4.63
Risk-free interest rate (%)	1.32	-	1.32	1.08
Expected life (years)	7.20	-	7.20	7.50
Expected volatility for the share price (%)	30.10	-	30.10	40.87
Weighted-average fair values (\$)	2.15	-	2.15	3.12
Share-based compensation expense (\$)	352	331	673	672

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

#### b) Deferred share unit ("DSU") plan

The Company recorded an expense of \$6 and \$21 during the three and six-month periods ended June 30, 2017 for the DSU Plan ((\$6) and \$25 for the three and six-month periods ended June 30, 2016). As at June 30, 2017, the Company had a liability of \$213 related to this plan (\$192 as at December 31, 2016).

#### c) Restricted share unit ("RSU") plan

The Company recorded an expense of \$3,873 and \$4,633 during the three and six-month periods ended June 30, 2017 for the RSU Plan (\$648 and \$1,971 for the three and six-month periods ended June 30, 2016). As at June 30, 2017, the Company had a liability totalling \$3,464 related to this plan (\$3,081 as at December 31, 2016). As at June 30, 2017 there were 395,618 RSUs outstanding (456,303 as at December 31, 2016).

#### d) Restricted share unit plan – cash

The Company recorded an expense of \$490 and \$934 during the three and six-month periods ended June 30, 2017 for this plan (nil for the three and six-month periods ended June 30, 2016). As at June 30, 2017, the Company had a liability totalling \$1,479 related this plan (\$549 as at December 31, 2016).

#### e) Restricted share plan

The Company recorded an expense of \$184 and \$362 during the three and six-month periods ended June 30, 2017 for the restricted share plan (\$381 and \$734 for the three and six-month periods ended June 30, 2016).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

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

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### 12. Share-based payments (continued)

#### f) Performance share unit ("PSU") plan

PSU plan applicable to business units ("PSU plan applicable to BU")

The Company recorded an expense of \$1,782 and \$2,605 during the three and six-month periods ended June 30, 2017 for the PSU plan applicable to BU (\$1,038 and \$2,124 for the three and six-month periods ended June 30, 2016). For the three and six-month periods ended June 30, 2017, the expense is entirely attributable to equity-settled grants. For the three and six-month periods ended June 30, 2016, the expense attributable to equity-settled grants is \$1,038 and \$2,139, respectively and cash-settled grants is nil and (\$15), respectively.

During the three and six-month periods ended June 30, 2017, the total award value granted to eligible employees under the Company's PSU plans applicable to business units was nil and \$6,566 (nil for the three and six-month periods ended June 30, 2016). During the three and six-month periods ended June 30, 2017, no PSU applicable to business units vested. A total of 253,242 and 730,285 Class A Shares were issued during the three and six-month periods ended June 30, 2017 relating to PSUs vested in 2016.

During the three and six-month periods ended June 30, 2016, nil and 244,878 PSUs vested and were settled. The Company settled the vested PSUs by paying \$4,237 in cash in lieu of issuing Class A Shares. The Company treated the transaction as a repurchase of an equity interest and recorded a deduction in the amount of \$4,237 in contributed surplus. The settling of these PSUs in cash was due to exceptional circumstances. The Company's management has the intention to settle the remaining tranches by issuing shares.

#### PSU plan

The Company recorded an expense of \$324 and \$732 during the three and six-month periods ended June 30, 2017 for this PSU plan (\$135 and \$583 for the three and six-month periods ended June 30, 2016). For the three and six-month periods ended June 30, 2017, the expense is entirely attributable to cash-settled. For the three and six-month periods ended June 30, 2016, the expense is attributable to equity-settled grants for an amount of nil and (\$23), respectively and to cash-settled grants for an amount of \$135 and \$606, respectively. A total of 37,705 and 73,030 Class A Shares were issued during the three and six-month periods ended June 30, 2017 relating to PSUs vested in 2016 and \$475 was paid in cash (9,542 Class A Shares issued during the three and six-month periods ended June 30, 2016).

#### g) Stock option plans in the Company's subsidiaries

Two of the Company's subsidiaries have a stock option plan which is based on the shares of the respective subsidiary entity. These plans are accounted for as cash-settled plans. The Company's subsidiaries stock option expense in the statements of consolidated net earnings for the three and six-month periods ended June 30, 2017 was \$406 and \$575, respectively (nil for the three and six-month periods ended June 30, 2016). The cash settled share-based liability is \$1,759 in the statements of financial position as at June 30, 2017 (\$1,297 as at December 31, 2016).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

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

	For the six-month periods ended June 30,	
	2017	2016
	\$	\$
<b>Changes in non-cash operating working capital items</b>		
Accounts receivable	19,003	1,334
Prepaid expenses and other assets	(7,504)	737
Accounts payable and accrued liabilities	(19,004)	(11,217)
Amounts due to related companies	594	(828)
Deferred revenues	(46)	(980)
	<b>(6,957)</b>	<b>(10,954)</b>

The changes in non-cash working capital for accounts payable and accrued liabilities exclude the difference between current income tax expense of \$5,688 (2016 – \$9,120) and income taxes paid of \$9,460 (2016 – \$9,698) for a net impact of (\$3,772) (2016 – (\$578)). The following are non-cash items: during the six-month period ended June 30, 2017, the Company issued Class A Shares of \$10,381 as settlement for PSUs and RSUs which vested in 2016 and 2017, \$2,747 of puttable financial instrument liabilities were extinguished with an offset to equity and the issuance of Class A Shares related to the Samson acquisition of \$3,566 .

### 14. Capital management

The Company's capital comprises share capital, (deficit) retained earnings and long-term debt, less cash and cash equivalents. The Company manages its capital to ensure there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance and to maintain compliance with regulatory requirements and certain restrictive covenants required by the lender of the debt. As at June 30, 2017, the Company and one of its subsidiaries have complied with their respective calculations of excess working capital as required by National Instrument 31-103 *Registration Requirements and Exemptions* which is calculated on a non-consolidated basis. The Company and its subsidiaries have complied with their restrictive debt covenants under the various credit facilities.

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

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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### 15. Contingent liabilities

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

### 16. Related party transactions

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

One of the related shareholders has significant influence over the Company since it is entitled to appoint two of the four directors of the Company that the holders of Class A Shares are entitled to elect, as long as it holds, directly or indirectly, at least 20% of the outstanding Class A Shares and Class B Shares, together, on a non-diluted basis. At June 30, 2017, this shareholder held 20.7% of the Company's issued and outstanding shares (20.0% as at June 30, 2016). This related shareholder is the lead arranger to the Company's Credit Facility and is the counterparty to the derivative financial instruments presented as being with a related entity in the table below.

At June 30, 2017, the other related shareholder has significant influence over the Company since it indirectly owns Class B Special Voting Shares representing approximately 8.8% of the Company's issued and outstanding shares (9.3% as at June 30, 2016) and pursuant to the terms of a shareholders' agreement between this related shareholder and an entity related to the Company, the related shareholder is entitled to appoint two of the eight directors of the Company that the holders of Class B Shares are entitled to elect. In order to maintain the rights described above, the related shareholder is required to maintain a minimum ownership level in the Company and a specified minimum level of assets under management.

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Base management and performance fees and other revenues	14,256	12,847	25,602	24,855
Selling, general & administrative expenses				
Reference fees	410	377	819	756
Other	93	621	215	1,209
Interest on long-term debt	3,932	2,678	7,624	4,654
Acquisition costs	252	-	252	-
Net change in fair value of derivative financial instruments	439	(265)	67	(619)

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

# Fiera Capital Corporation

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### 17. Segment reporting

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

Geographical information:

Revenues:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Canada	56,376	47,517	108,039	88,171
United States of America	40,243	25,540	77,647	49,027
Europe and other	12,730	1,926	24,237	4,069

Non-current assets:

	As at June 30,	As at December 31,
	2017	2016
	\$	\$
Canada	521,164	531,459
United States of America	397,704	422,304
Europe and other	44,807	66,113

Revenues are attributed to countries on the basis of the customer's location. As at June 30, 2017, non-current assets exclude deferred income taxes of \$980 and financial instruments of \$1,595 (\$562 and \$27 respectively as at December 31, 2016).

### 18. Subsequent events

Dividends declared

On August 10, 2017, the Board declared a quarterly dividend of \$0.18 per share to shareholders of record as at August 23, 2017 and payable on September 20, 2017.









