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**IGM**  
Financial

IGM FINANCIAL INC. SECOND QUARTER REPORT  
FOR THE SIX MONTHS ENDED JUNE 30, 2005

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#### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally.

They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. The Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

#### NON-GAAP FINANCIAL MEASURES

This report may also contain non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to “Earnings before interest and taxes (EBIT)” and “Earnings before interest, taxes, depreciation and amortization (EBITDA)”. Non-GAAP financial measures are used to provide management, investors and investment analysts with additional measures to assess earnings performance.

However, these non-GAAP financial measures do not have a standard meaning and are not directly comparative to similar measures used by other companies and may not be directly comparable to any prescribed GAAP measure. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

# FINANCIAL HIGHLIGHTS

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2005	2004	CHANGE	2005	2004	CHANGE
Net income (\$ millions)	\$ 167.9	\$ 152.6	10.0%	\$ 328.6	\$ 300.5	9.4%
Diluted earnings per share	0.63	0.57	10.5	1.23	1.13	8.8
Return on equity				19.7%	19.8%	
Dividends per share	0.3225	0.2750	17.3	0.6450	0.5500	17.3

(\$ millions)

## Mutual funds

### Investors Group

Sales	\$ 1,254	\$ 1,064	17.9%	\$ 2,906	\$ 2,625	10.7%
Net sales (redemptions)	40	(71)	N/M	468	315	48.4
Assets under management				46,922	42,536	10.3

### Mackenzie

Sales	1,894	1,633	16.0	4,171	3,654	14.1
Net sales	207	219	(5.3)	553	562	(1.7)
Assets under management				38,949	35,847	8.7

### Investment Planning Counsel<sup>(1)</sup>

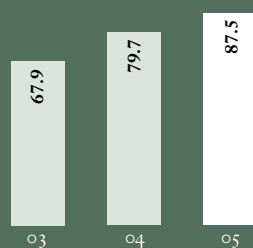
Sales	94	71	N/A	226	71	N/A
Net sales	55	49	N/A	138	49	N/A
Assets under management				1,679	1,326	26.6

### Combined mutual fund assets under management<sup>(2)</sup>

Insurance in force (face amount)				36,029	34,513	4.4
Securities operations assets under administration				7,615	6,626	14.9
Mortgages serviced				5,874	6,217	(5.5)
Employees				3,251	3,175	2.4%

## MUTUAL FUND ASSETS UNDER MANAGEMENT

As at June 30 (\$ billions)



## NET INCOME

For the six months ended June 30 (\$ millions)



## DIVIDENDS PER SHARE

For the six months ended June 30 (cents)



<sup>(1)</sup> From date of acquisition or as at June 30, 2005.

<sup>(2)</sup> Adjusted for \$36 million in inter-segment assets (2004 - \$29 million).

# REPORT TO SHAREHOLDERS

## TO OUR SHAREHOLDERS

Interim consolidated financial statements for the three and six months ended June 30, 2005 are presented with this report.



### FINANCIAL RESULTS

Net income for the three months ended June 30, 2005 was \$167.9 million, compared to \$152.6 million in 2004. Earnings per share were 63 cents compared to 57 cents, an increase of 10.5%.

For the six months ended June 30, 2005 net income was \$328.6 million compared to \$300.5 million in 2004. Earnings per share were \$1.23 compared with \$1.13 in 2004, an increase of 8.8%.

Gross revenues for the three months ended June 30, 2005 were \$579.2 million, compared to \$523.5 million in the prior year. Gross revenues for the six months ended June 30, 2005 were \$1.15 billion, compared to \$1.04 billion last year. Operating expenses were \$336.1 million for the quarter and \$676.9 million for the six months, compared with \$304.2 million and \$608.7 million, respectively, in 2004.

### INVESTORS GROUP'S OPERATIONS

Mutual fund sales for the second quarter were \$1.25 billion compared to \$1.06 billion in the prior year. For the quarter, mutual fund net sales were \$40 million compared to net redemptions of \$71 million in 2004 and net redemptions of long-term mutual funds (excluding money market funds) were \$17 million compared to net redemptions of \$92 million in 2004.

Year-to-date mutual fund sales were \$2.9 billion compared to \$2.6 billion in the prior year and mutual fund net sales were \$468 million compared to \$315 million a year ago. Net sales of long-term funds were \$351 million compared to \$243 million in the prior year.

Investors Group's twelve month trailing redemption rate (excluding money market funds) was 9.1% at the end of the quarter, down from 9.6% at the same time last year. The corresponding rate at June 30, 2005 for all other members of the Investment Funds Institute of Canada (IFIC) was 16.5%.

Investors Group's mutual fund assets under management at June 30, 2005 were \$46.9 billion, an increase of 10.3%, compared to \$42.5 billion at June 30, 2004.

The number of Investors Group Consultants was 3,537 at June 30, 2005 compared to 3,207 at June 30, 2004, an increase of 10.3%.

#### **MACKENZIE FINANCIAL'S OPERATIONS**

Mackenzie Financial recorded mutual fund sales of \$1.9 billion for the second quarter compared to \$1.6 billion for the same quarter last year. Mutual fund net sales for the period were \$207 million, compared to \$219 million in the prior year. Net sales of long-term funds (excluding money market and managed yield funds) were \$231 million for the quarter, compared with \$191 million in 2004.

Year-to-date mutual fund sales were \$4.2 billion compared to \$3.7 billion in the prior year. Mutual fund net sales were \$553 million compared to \$562 million in the prior year. Net sales of long-term funds (excluding money market and managed yield funds) were \$599 million for the period compared to \$597 million in 2004.

Mackenzie Financial's twelve month trailing redemption rate for long-term funds was 14.7% at the end of June 2005, compared to 13.5% at the end of June 2004. The corresponding rate at June 30, 2005 for all other members of IFIC was 15.9%.

Mackenzie Financial's mutual fund assets under management at June 30, 2005 were \$38.9 billion, an increase of 8.7%, compared to \$35.8 billion one year ago. Total assets under management were \$45.9 billion as at June 30, 2005 compared to \$39.9 billion at June 30, 2004, an increase of 15.1%.

#### **INVESTMENT PLANNING COUNSEL**

IGM Financial Inc. acquired Investment Planning Counsel on May 10, 2004. At acquisition date, Investment Planning Counsel had \$7.3 billion of assets under administration and \$1.3 billion of Counsel funds under management. Since the date of acquisition, Investment Planning Counsel has continued to operate independently from Investors Group and Mackenzie Financial and focus on growing its distribution network and improving its products and services for advisors and their clients. At June 30, 2005, assets under administration were

\$8.3 billion and Counsel funds under management were \$1.7 billion.

#### **INDUSTRY OVERVIEW**

Recent improvement in equity markets, particularly the TSX, has buoyed investor confidence, however, income and balanced funds continue to capture a significant portion of sales and net sales. On June 29, 2005, tax legislation was enacted which eliminated foreign content restrictions on registered plan investments. As a result, RSP clone funds are no longer required for clients to maintain a desired investment weight in foreign investments.

IFIC reported stronger net sales of long-term funds on a year-to-date basis and for the second quarter of 2005 compared to a year ago. Net sales of long-term funds for the industry, for the six months ended June 30, 2005, were \$13.8 billion compared to \$13.0 billion in the prior year, an increase of 6.1%. Net sales of long-term funds for the industry, in the second quarter, were \$4.3 billion compared to \$2.5 billion in 2004, an increase of 68.7%. IFIC reported that as at June 30, 2005, mutual fund assets had increased by 10.7% year-over-year to \$526.9 billion. During the second quarter, total mutual fund assets under management increased by 2.7%, or \$13.6 billion.

#### **DIVIDENDS**

The Board of Directors has declared a quarterly dividend of \$0.359375 per share on the Company's 5.75% Non-Cumulative First Preferred Shares, Series "A" payable on September 30, 2005 to shareholders of record on August 30, 2005 and has declared an increase of 2.25 cents per share in the quarterly dividend from 32.25 cents to 34.5 cents per share on the Company's common shares payable on October 28, 2005 to shareholders of record on September 26, 2005.

On behalf of the Board of Directors,



Murray J. Taylor  
Co-President and  
Chief Executive Officer



Charles R. Sims  
Co-President and  
Chief Executive Officer

August 4, 2005

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*The Management's Discussion and Analysis (MD&A) presents management's view of the operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three and six months ended June 30, 2005, compared with the same periods in 2004, and should be read in conjunction with the 2004 IGM Financial Inc. Annual Report and the 2005 IGM Financial Inc. First Quarter Report to Shareholders filed on [www.sedar.com](http://www.sedar.com). Commentary in the MD&A as at and for the three and six months ended June 30, 2005 is as of August 3, 2005.*

### FORWARD-LOOKING INFORMATION

*This report may contain forward-looking statements about IGM Financial, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements.*

## IGM FINANCIAL INC.

### Summary of Consolidated Operating Results

Net income for the three months ended June 30, 2005 was \$167.9 million compared to \$152.6 million in 2004. Diluted earnings per share were 63 cents compared with 57 cents in 2004, an increase of 10.5%.

Net income for the six months ended June 30, 2005 was \$328.6 million compared to \$300.5 million in 2004. Diluted earnings per share were \$1.23 compared with \$1.13 in 2004, an increase of 8.8%.

**TABLE I: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**

(\$ millions)	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2005	2004	2005	2004
EBITDA – Non-GAAP Measure	\$ 340.5	\$ 308.0	\$ 667.6	\$ 611.2
Commission amortization	(65.0)	(55.5)	(127.5)	(109.5)
Amortization of capital and intangible assets	(5.7)	(5.4)	(11.4)	(10.8)
Interest expense on long-term debt and dividends on preferred shares	(26.8)	(27.8)	(53.3)	(55.7)
Income before income taxes and non-controlling interest	243.0	219.3	475.4	435.2
Income taxes	(74.5)	(66.5)	(145.7)	(134.5)
Non-controlling interest	(0.6)	(0.2)	(1.1)	(0.2)
Net income – GAAP	\$ 167.9	\$ 152.6	\$ 328.6	\$ 300.5

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

THREE MONTHS ENDED JUNE 30 (\$ millions)	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
	2005	2004	2005	2004	2005	2004	2005	2004
Fee income	\$ 291.7	\$ 269.8	\$ 215.7	\$ 204.5	\$ 24.2	\$ 12.0	\$ 531.6	\$ 486.3
Net investment income and other	37.0	28.6	4.4	4.0	6.2	4.6	47.6	37.2
	328.7	298.4	220.1	208.5	30.4	16.6	579.2	523.5
Operating expenses								
Commissions	79.3	66.2	84.0	79.8	14.5	7.8	177.8	153.8
Non-commission	67.1	61.2	61.0	62.2	7.7	3.3	135.8	126.7
	146.4	127.4	145.0	142.0	22.2	11.1	313.6	280.5
<b>EBIT</b>	<b>\$ 182.3</b>	<b>\$ 171.0</b>	<b>\$ 75.1</b>	<b>\$ 66.5</b>	<b>\$ 8.2</b>	<b>\$ 5.5</b>	<b>265.6</b>	<b>243.0</b>
Interest expense							22.6	23.7
Income before income taxes and non-controlling interest							243.0	219.3
Income taxes							74.5	66.5
Income before non-controlling interest							168.5	152.8
Non-controlling interest							0.6	0.2
<b>Net income</b>							<b>\$ 167.9</b>	<b>\$ 152.6</b>
SIX MONTHS ENDED JUNE 30 (\$ millions)								
Fee income	\$ 576.2	\$ 540.1	\$ 427.1	\$ 413.3	\$ 51.8	\$ 11.0	\$ 1,055.1	\$ 964.4
Net investment income and other	73.4	62.2	8.6	7.8	15.2	9.5	97.2	79.5
	649.6	602.3	435.7	421.1	67.0	20.5	1,152.3	1,043.9
Operating expenses								
Commissions	155.1	130.9	166.7	158.9	31.7	7.8	353.5	297.6
Non-commission	134.1	128.1	128.9	133.1	15.5	2.3	278.5	263.5
	289.2	259.0	295.6	292.0	47.2	10.1	632.0	561.1
<b>EBIT</b>	<b>\$ 360.4</b>	<b>\$ 343.3</b>	<b>\$ 140.1</b>	<b>\$ 129.1</b>	<b>\$ 19.8</b>	<b>\$ 10.4</b>	<b>520.3</b>	<b>482.8</b>
Interest expense							44.9	47.6
Income before income taxes and non-controlling interest							475.4	435.2
Income taxes							145.7	134.5
Income before non-controlling interest							329.7	300.7
Non-controlling interest							1.1	0.2
<b>Net income</b>							<b>\$ 328.6</b>	<b>\$ 300.5</b>

Shareholders' equity was \$3.3 billion as at June 30, 2005, up from \$3.2 billion at December 31, 2004. Return on average common equity for the six months ended June 30, 2005 was 19.7% compared with 19.8% in 2004. The quarterly dividend per common share of 32.25 cents in the second quarter was unchanged from the first quarter, however it represented an increase of 2.25 cents or 7.5% from 30 cents in the fourth quarter of 2004.

#### NON-GAAP FINANCIAL MEASURES

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are non-GAAP financial measures. EBIT and EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is discussed further on page 16 of the MD&A. These non-GAAP financial measures do not have standard meanings and are not directly comparable to any GAAP measure or to similar measures used by other companies.

The reconciliation of non-GAAP results to reported results in accordance with GAAP related to EBITDA is provided in Table 1. The reconciliation of non-GAAP results to reported results in accordance with GAAP related to EBIT is provided in Table 2.

#### REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure, are:

- Investors Group
- Mackenzie
- Corporate and Other.

Management measures and evaluates the performance of these segments based on EBIT as shown in Table 2. Discussion of segment operations for Investors Group and Mackenzie is contained on pages 8 to 16.

Earnings before interest and taxes for Corporate and Other, the segment which includes operating results for Investment Planning Counsel, net investment income earned on unallocated investments and other income as well as inter-segment eliminations, were \$8.2 million for the three months ended June 30, 2005 compared to \$5.5 million in 2004, an increase of \$2.7 million. Earnings before interest and taxes related to Investment Planning Counsel, which was acquired May 10, 2004, increased \$2.9 million and accounted for the increase in Corporate and Other for the three months ended June 30, 2005.

For the six month period, earnings before interest and taxes for Corporate and Other were \$19.8 million

compared to \$10.4 million in 2004, an increase of \$9.4 million resulting from:

- The inclusion of Investment Planning Counsel's earnings before interest and taxes for the entire six months in 2005 compared with the period from May 10 to June 30, 2004 accounted for an increase of \$6.4 million.
- The elimination of certain provisions, established as a result of previous acquisitions, which were no longer required accounted for an increase in income of \$4.2 million.

Certain items reflected in Table 2 are not allocated to segments:

- *Interest expense* – Represents both the interest cost on the remaining debt issued pursuant to the Mackenzie acquisition and dividends paid on the outstanding preferred shares, which have been reclassified from equity to liabilities (refer to Note 1 of the interim Consolidated Financial Statements on page 26 of this report). Interest expense on long-term debt totalled \$17.4 million and \$34.6 million for the three and six month periods ended June 30, 2005 compared with \$18.5 million and \$37.3 million in 2004. The decrease in expense in both periods was due to the repayment of the remaining \$175 million balance of the Floating Bankers' Acceptance related to the Mackenzie acquisition in the fourth quarter of 2004. Dividends paid on preferred shares were \$5.2 million and \$10.3 million for the three and six month periods in both 2005 and 2004.
- *Income taxes* – The effective income tax rate was 30.7% and 30.6% for the three and six month periods ended June 30, 2005, compared with 30.3% and 30.9% respectively in 2004 as shown in Table 3.

The statutory tax rate declined marginally in 2005 compared with 2004 in both the three and six month periods. As well, there were no significant changes in income and expense items which affect the effective tax rate in these periods. Tax planning may allow the Company to record lower income taxes in the current period and, as well, income taxes recorded in prior periods may be adjusted in the current period to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in Other items. Management monitors the status of its income tax filings, and regularly assesses the overall adequacy of its provision for income taxes.

TABLE 3: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2005	2004	2005	2004
Income taxes at federal and provincial statutory rates	35.98%	36.19%	35.97%	36.17%
Effect of:				
Dividend income	(0.20)	(0.21)	(0.20)	(0.20)
Net capital gains and losses	(0.71)	(0.51)	(0.76)	(0.87)
Share of earnings of affiliate	(2.75)	(3.00)	(2.75)	(3.02)
Preferred dividends paid	0.79	0.89	0.81	0.89
Other items	(2.45)	(3.02)	(2.42)	(2.06)
Effective income tax rate	30.66%	30.34%	30.65%	30.91%

## INVESTORS GROUP

### Assets Under Management

The level of assets under management is influenced by three factors: sales, redemptions and investment returns. The changes in assets under management in 2005 compared with 2004 are summarized in Table 4.

For the three months ended June 30, 2005, sales of Investors Group mutual funds through its Consultant network were \$1.3 billion, an increase of 17.9% from 2004. Mutual fund redemptions totalled \$1.2 billion for the same period, an increase of 7.0% from 2004. Investors Group's twelve month trailing redemption rate for long-term funds decreased to 9.1% at June 30, 2005 from 9.6% at June 30, 2004 and remains well below the corresponding redemption rate of 16.5% for all other members of the Investment Funds Institute of Canada (IFIC). Net sales of Investors Group mutual funds were \$40 million compared with net redemptions of \$71 million in 2004.

Sales of long-term funds were \$1.0 billion for the three months ended June 30, 2005, compared with \$848 million in 2004. Net redemptions of long-term funds were \$17 million compared to net redemptions of \$92 million in 2004.

For the six months ended June 30, 2005, sales of Investors Group mutual funds through its Consultant network were \$2.9 billion, an increase of 10.7% from 2004. Mutual fund redemptions totalled \$2.4 billion for the same period, an increase of 5.6% from 2004. Net sales of Investors Group mutual funds were

\$468 million compared with net sales of \$315 million in 2004, an increase of 48.4%.

Sales of long-term funds were \$2.4 billion for the six months ended June 30, 2005, compared with \$2.1 billion in 2004. Net sales of long-term funds, as reported to IFIC, were \$351 million compared to net sales of \$109 million in 2004. Certain sales of long-term funds in the first quarter of 2004, sourced through Investors Group's Solutions Banking<sup>†</sup> loan programs, were deposited and held in the Investors Canadian Money Market Fund on a one-day basis and then transferred into long-term mutual funds. Including these sales, the sales and net sales of long-term funds for the six months ended June 30, 2004 would have been \$2.2 billion and \$243 million, respectively.

At June 30, 2005, 39% of Masterseries<sup>™</sup> funds measured by the Morningstar<sup>†</sup> fund ranking service had four or five star ratings, compared to 43% at March 31, 2005 and 41% at December 31, 2004. At June 30, 2005, 74% of Masterseries<sup>™</sup> funds had a rating of three stars or better. This compares with 75% at March 31, 2005 and 72% at December 31, 2004. These results are higher than the Morningstar<sup>†</sup> universe of 32% for four and five star funds and 68% for three, four and five star funds. Morningstar Ratings<sup>†</sup> are an objective, quantitative measure of a fund's historical risk-adjusted long-term performance relative to other funds in its category within the mutual fund industry.

Investors Group's mutual fund assets under management were \$46.9 billion at June 30, 2005, an increase of \$4.4 billion or 10.3% from June 30, 2004. The twelve month increase in assets from June 30, 2004 reflects net market appreciation of \$4.0 billion and net sales of mutual funds totalling \$371 million. Mutual fund assets under management increased by \$1.4 billion

or 3.1% and by \$2.4 billion or 5.4% during the three and six month periods ended June 30, 2005. The increase in assets in both periods resulted from net market appreciation and net sales as shown in Table 4. The increase in assets in the industry for the twelve months ended June 30, 2005 was 10.7% and for the three and six month periods were 2.7% and 5.9%, respectively.

## Consultant Network

Investors Group is focused on growing its distribution network by attracting and training new Consultants as well as retaining existing Consultants. This is discussed more fully in the Investors Group Review of the Business beginning on page 29 of the MD&A contained in the 2004 IGM Financial Inc. Annual Report. As at June 30, 2005, the number of Consultants totalled 3,537. This compares with 3,503 at March 31, 2005, 3,496 at December 31, 2004 and 3,207 one year ago

and represents a year over year increase of 10.3% in the Consultant Network.

Due to the growth in its Consultant Network and the strength of its field management team, Investors Group announced that three additional regional offices will be opened in Calgary, Edmonton and Toronto by the end of the third quarter of 2005. In addition, three divisional offices will be converted to full regional office status during the third quarter of 2005.

TABLE 4: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2005	2004	CHANGE	2005	2004	CHANGE
Sales	\$ 1,253.7	\$ 1,063.5	17.9%	\$ 2,906.0	\$ 2,624.7	10.7%
Redemptions	1,213.7	1,134.1	7.0	2,437.7	2,309.2	5.6
Net sales (redemptions)	40.0	(70.6)	N/M	468.3	315.5	48.4
Market and income	1,374.1	(68.7)	N/M	1,944.1	1,316.3	47.7
Net change in assets	1,414.1	(139.3)	N/M	2,412.4	1,631.8	47.8
Beginning assets	45,508.1	42,675.3	6.6	44,509.8	40,904.2	8.8
Ending assets	\$ 46,922.2	\$ 42,536.0	10.3%	\$ 46,922.2	\$ 42,536.0	10.3%
Consists of:						
Investors Masterseries™				\$ 40,462.2	\$ 36,455.1	11.0%
IG Mackenzie				1,979.9	1,452.5	36.3
Partner funds				4,004.9	4,213.2	(4.9)
iProfile™ funds				475.2	415.2	14.5
				\$ 46,922.2	\$ 42,536.0	10.3%
Average daily assets	\$ 46,016.2	\$ 42,445.7	8.4%	\$ 45,559.7	\$ 42,382.1	7.5%

## Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the three and six month periods ended June 30, 2005 compared with 2004 are presented in Table 5.

### FEE AND NET INVESTMENT INCOME

For the three months ended June 30, 2005, management fee income increased by \$18.0 million to \$224.4 million, reflecting the increase of 8.4% in average daily mutual fund assets during the quarter compared with 2004. For the six months ended June 30, 2005, management fee income increased by \$29.7 million to \$441.7 million. This increase reflects the increase of 7.5% in average daily mutual fund assets during 2005 compared with 2004, offset in part by a reduction in management fees due to one less calendar day in the first half of 2005 compared with 2004. Management fee income represents 196 basis points of average mutual fund assets in both the three and six month periods in 2005, unchanged from 2004.

Investors Group earns administration fees for providing administrative services to its mutual funds through certain of its subsidiaries and trusteeship

services to its mutual funds through Investors Group Trust Co. Ltd. Administration fees totalled \$41.3 million for the three months ended June 30, 2005, up from \$40.9 million in 2004. Fees for the six months ended June 30, 2005 were \$84.1 million, compared to \$80.8 million in 2004. Increases in trustee fees and other service fees in the three and six month periods resulted from growth in average mutual fund assets in 2005 compared to 2004. For the three month period, fee increases were offset in part by a decrease of \$0.4 million in fees charged to the mutual funds for administrative services. For the six month period, fees charged to the mutual funds for administrative services increased by \$1.2 million.

Distribution fees are earned from:

- Redemption fees on mutual funds sold with a back-end load feature. In 2003, Investors Group revised redemption fee rates on mutual funds sold subject to a deferred sales charge. Fees charged range from 5.5% in the first year reducing to nil after seven years. Previously, redemption fee rates ranged from 3.0% in the first year reducing to nil after six years.

TABLE 5: OPERATING RESULTS – INVESTORS GROUP

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2005	2004	CHANGE	2005	2004	CHANGE
<b>Fee and net investment income</b>						
Management	\$ 224.4	\$ 206.4	8.7%	\$ 441.7	\$ 412.0	7.2%
Administration	41.3	40.9	1.0	84.1	80.8	4.1
Distribution	26.0	22.5	15.6	50.4	47.3	6.6
Net investment income and other	37.0	28.6	29.4	73.4	62.2	18.0
	328.7	298.4	10.2	649.6	602.3	7.9
<b>Operating expenses</b>						
Commissions	35.4	28.1	26.0	68.7	55.4	24.0
Asset retention bonus and premium	43.9	38.1	15.2	86.4	75.5	14.4
Non-commission	67.1	61.2	9.6	134.1	128.1	4.7
	146.4	127.4	14.9	289.2	259.0	11.7
<b>EBIT</b>	<b>\$ 182.3</b>	<b>\$ 171.0</b>	<b>6.6%</b>	<b>\$ 360.4</b>	<b>\$ 343.3</b>	<b>5.0%</b>

- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking<sup>†</sup>, an arrangement with the National Bank of Canada.

Distribution fee income of \$26.0 million for the three months ended June 30, 2005 increased by \$3.5 million or 15.6% from \$22.5 million in 2004. For the six month period, distribution fee income of \$50.4 million increased by \$3.1 million or 6.6% from \$47.3 million in 2004. Combined distribution fee revenue from insurance, securities and banking operations increased in both the three and six month periods in 2005. Redemption fee income of \$7.8 million and \$15.6 million for the three and six month periods increased by \$0.6 million and \$0.3 million, respectively, due to higher redemptions subject to deferred sales charges in 2005 compared to 2004.

Net investment income represents the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates and debt incurred to finance its investment in Great-West Lifeco. Net investment income and other totalled \$37.0 million for the three months ended June 30, 2005, an increase of \$8.4 million from \$28.6 million in 2004 due to increases in gains on the sale of securities, revenues related to mortgage banking activities and increases in other income, including the recovery of prior years' commodity taxes paid.

For the six months ended June 30, 2005, net investment income and other totalled \$73.4 million, an increase of \$11.2 million from \$62.2 million in 2004 due to higher gains on the sales of securities and increases in other income, including the recovery of prior years' commodity taxes paid and a reduction in provisions established for the exit of certain activities. These increases were offset in part by a decrease in revenues related to mortgage banking activities.

#### OPERATING EXPENSES

Investors Group incurs commission expense in connection with the distribution of its financial services and products, particularly its mutual funds. Commissions are paid on the sale of these products and will fluctuate with the level of sales. Commission expense for the three months ended June 30, 2005

increased by \$7.3 million to \$35.4 million compared with \$28.1 million in 2004. For the six months ended June 30, 2005, commission expense increased by \$13.3 million to \$68.7 million from \$55.4 million in 2004.

The increase in commission expense for both the three and six month periods was due to:

- Increase in amortization of commissions totalling \$6.3 million for the three months and \$12.6 million for the six months related to prior years sales. This increase reflects the impact from the change in estimate, effective April 1, 2001, which increased the term of amortization on sales commissions to 72 months.
  - Increase in amortization of commissions of \$0.4 million for the three months and \$0.6 million for the six months related to higher commission payments in 2005 compared with 2004. The increase in commission payments results from higher mutual fund sales.
  - Increase of \$0.6 million for the three month and \$0.1 million for the six month period in other compensation related to mutual fund operations, insurance, mortgage and banking products.
- The asset retention bonus (ARB) and premium (ARP) expenses, which are based on the level of assets under management, are comprised of the following:
- ARB which is paid monthly and is based on the value of assets under management. ARB expense increased by \$4.2 million to \$38.3 million for the three month period and \$8.0 million to \$75.4 million for the six month period as a result of the increase in assets under management as well as Consultants qualifying at higher rates.
  - ARP which is a deferred component of compensation designed to promote Consultant retention. The ARP, which is related to assets under management at each year-end, increased by \$1.6 million in the three month period in 2005 to \$5.6 million. For the six month period ARP increased \$2.9 million to \$11.0 million.

Non-commission expenses totalled \$67.1 million for the three months ended June 30, 2005 compared with \$61.2 million in 2004, representing an increase of \$5.9 million or 9.6%. For the six month period, non-commission expense totalled \$134.1 million compared with \$128.1 million in 2004, an increase of \$6.0 million

or 4.7%. The increase in both periods was primarily due to:

- Increases in expenses related to the administration of Investors Group's mutual funds due in part to increased transactional volumes.
- Increases in Consultant network support costs as a result of increased activity levels.
- The amortization of capital expenditures related to the single shareholder system. Investors Group and Mackenzie merged their shareholder systems in November 2003, while preserving the integrity and privacy of their respective client bases.

These increases were offset by reductions in expenses arising from:

- Decreases in sub-advisory fees in the six month period as a result of the renegotiation of fees related to certain mandates which offset the impact of increases in these assets under management.
- Expense reduction of \$1.7 million in the first quarter of 2005 arising from a change in estimate related to credit losses on Consultant financing programs.

Investors Group continues to benefit from the impact of synergies related to the transition work completed with Mackenzie. In addition, management continues to focus on both control of discretionary expenses and expense reductions beyond the opportunities created by the transition activities.

## MACKENZIE

### Assets Under Management

Mackenzie's mutual fund assets under management were \$38.9 billion at June 30, 2005, an increase of \$1.6 billion from \$37.3 billion as at December 31, 2004, and an increase of \$3.1 billion from \$35.8 billion as at June 30, 2004. Mackenzie's total assets under management at June 30, 2005 were \$45.9 billion, an increase of \$3.5 billion from \$42.3 billion at December 31, 2004, and an increase of \$6.0 billion from \$39.9 billion as at June 30, 2004. The changes in assets under management are summarized in Table 6.

For the three month period ended June 30, 2005, gross sales of Mackenzie's mutual funds were \$1.9 billion, an increase of 16.0% from \$1.6 billion in the comparative period last year. This compares to an overall industry increase in mutual fund sales of 15.7%. Redemptions of mutual funds for these same periods were \$1.7 billion and \$1.4 billion respectively, resulting in net sales of mutual funds of \$207 million for the three month period ended June 30, 2005 as compared to net sales of mutual funds of \$219 million in the three month period ended June 30, 2004. Net sales of long-term funds were \$231 million in the three month period ended June 30, 2005, as compared to net sales of long-term funds of \$191 million in the corresponding period last year.

For the six month period ended June 30, 2005, gross sales of Mackenzie's mutual funds were \$4.2 billion, an increase of 14.1% from \$3.7 billion in the comparative

period last year. This compares to an overall industry increase in mutual fund sales of 11.4%. Redemptions of mutual funds in the current period were \$3.6 billion as compared to redemptions of \$3.1 billion in the six month period ended June 30, 2004. Net sales of mutual funds for the six month period ended June 30, 2005 were \$553 million, as compared to net sales of \$562 million in the comparative period last year. Net sales of long-term funds were \$599 million for the six month period ended June 30, 2005, as compared to net sales of long-term funds of \$597 million in the comparative period last year.

As at June 30, 2005, Mackenzie's twelve month trailing redemption rate for long-term funds was 14.7% as compared to 13.5% in the corresponding period last year. One of the factors contributing to this is the increase in the proportion of Mackenzie's mutual fund units no longer subject to a redemption fee. The twelve month trailing redemption rate for long-term funds for all other members of IFIC increased to 15.9% at June 30, 2005 from 14.3% in the corresponding period last year.

In the three month period ended June 30, 2005, net market appreciation resulted in mutual fund assets increasing by \$553 million as compared to an increase of \$245 million in the corresponding period last year. In the six month period ended June 30, 2005, net

market appreciation resulted in mutual fund assets increasing by \$1.1 billion as compared to an increase of \$1.5 billion in the corresponding period last year.

At June 30, 2005, 66% of the assets in Mackenzie's funds had a four or five star Morningstar<sup>†</sup> rating and 88% had a rating of three stars or better. This compares to 69% and 87% respectively at December 31, 2004, and to the Morningstar<sup>†</sup> universe of 49% for four and five star and 84% for three stars or better as at June 30, 2005.

Mackenzie also provides investment management services to private and institutional accounts. The assets in these accounts as at June 30, 2005 were \$6.8 billion, a 70.0% increase from \$4.0 billion in the corresponding period last year and include:

- \$2.0 billion for Investors Group, an increase of \$0.5 billion over the corresponding period last year.
- \$1.9 billion for Great-West Life and London Life, affiliates of Mackenzie, an increase of \$0.3 billion from \$1.6 billion as at June 30, 2004.
- \$2.9 billion in other mandates, including \$1.9 billion for management services to a fund distributed by Waddell & Reed in the United States, which increased by \$1.4 billion from the corresponding period last year.

As well, Mackenzie's structured products totalled \$173 million as at June 30, 2005, an increase of \$140 million as compared to June 30, 2004.

TABLE 6: CHANGES IN ASSETS UNDER MANAGEMENT – MACKENZIE

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2005	2004	CHANGE	2005	2004	CHANGE
<b>Mutual Funds</b>						
Sales	\$ 1,894.2	\$ 1,633.1	16.0%	\$ 4,170.8	\$ 3,654.2	14.1%
Redemptions	1,687.3	1,414.6	19.3	3,618.3	3,092.0	17.0
Net sales	206.9	218.5	(5.3)	552.5	562.2	(1.7)
Market and income	553.4	244.9	126.0	1,098.5	1,514.8	(27.5)
Net change in assets	760.3	463.4	64.1	1,651.0	2,077.0	(20.5)
Beginning assets	38,188.9	35,383.5	7.9	37,298.2	33,769.9	10.4
Ending assets	\$ 38,949.2	\$ 35,846.9	8.7%	38,949.2	35,846.9	8.7
<b>Private and Institutional Clients</b>						
Investors Group				1,952.3	1,449.0	34.7
Great-West Life / London Life				1,854.8	1,590.6	16.6
Other				2,950.9	936.8	215.0
				6,758.0	3,976.4	70.0
<b>Structured Products</b>				173.4	32.9	427.1
<b>Total</b>				\$ 45,880.6	\$ 39,856.2	15.1%
Average daily mutual fund assets	\$ 38,441.8	\$ 35,625.0	7.9%	\$ 38,167.6	\$ 35,315.2	8.1%

## Segment Operating Results

Mackenzie's earnings from operations before interest and taxes for the three and six month periods ended June 30, 2005 compared with 2004 are presented in Table 7.

### FEE AND NET INVESTMENT INCOME

The majority of Mackenzie's revenues are earned from the management services it provides as fund manager to the Mackenzie mutual funds. In addition to Mackenzie's retail priced mutual funds, it also offers various series of these funds with lower management fees that are designed for fee-based programs, fund-of-fund products or large institutional accounts. In return for lower management fees, depending on the specific series of the mutual fund, Mackenzie is not required to pay trailer fees or selling commission on these funds.

Management fees were \$174.2 million for the three month period ended June 30, 2005, an increase of \$12.6 million or 7.8% from \$161.6 million in the comparative period last year. This increase was attributed to the 7.9% increase in Mackenzie's average mutual fund assets under management, the growth in its private and institutional accounts and the fact that there was one additional business day in the current quarter

versus the comparative quarter last year. This was partially offset by a decline in the average mutual fund management fee rate due to a shift in asset mix.

For the six month period ended June 30, 2005, management fees increased \$18.1 million or 5.6% to \$340.2 million from \$322.1 million in the comparative period last year. The increase in management fees was driven by the year over year growth in Mackenzie's assets under management. The overall increase in management fees was less than the growth in assets under management because of the shift in asset mix from retail priced funds to non-retail priced funds, which results in a lower effective management fee rate. In addition, there was one fewer business day in the current period versus the comparative period last year.

Administration fees include the following main components:

- Operating expenses charged to funds.
- Fees earned from administering labour sponsored funds.
- Asset allocation fees.
- RSP clone fund counter party revenue.
- Trustee and other administration fees generated from the MRS Group account administration business.

TABLE 7: OPERATING RESULTS – MACKENZIE

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2005	2004	CHANGE	2005	2004	CHANGE
<b>Fee and net investment income</b>						
Management	\$ 174.2	\$ 161.6	7.8%	\$ 340.2	\$ 322.1	5.6%
Administration	33.3	34.2	(2.6)	68.9	72.4	(4.8)
Distribution	8.2	8.7	(5.7)	18.0	18.8	(4.3)
Net investment income and other	4.4	4.0	10.0	8.6	7.8	10.3
	220.1	208.5	5.6	435.7	421.1	3.5
<b>Operating expenses</b>						
Commissions	38.3	37.1	3.2	76.3	74.8	2.0
Trailer fees	45.7	42.7	7.0	90.4	84.1	7.5
Non-commission	61.0	62.2	(1.9)	128.9	133.1	(3.2)
	145.0	142.0	2.1	295.6	292.0	1.2
<b>EBIT</b>	<b>\$ 75.1</b>	<b>\$ 66.5</b>	<b>12.9%</b>	<b>\$ 140.1</b>	<b>\$ 129.1</b>	<b>8.5%</b>

Administration fees declined by \$0.9 million from \$34.2 million in the comparative period to \$33.3 million in the three month period ended June 30, 2005. The decrease in administration fees is attributed to a reduction of \$0.7 million in administration fees and RSP clone fund counter party revenue earned by the MRS Group and lower asset allocation revenue at Mackenzie.

In the six month period ended June 30, 2005, administration fees were \$68.9 million as compared to \$72.4 million in the comparative period last year. The decrease in administration fees is attributed to a \$1.3 million decline in operating expenses charged to funds consistent with the decline in expenses incurred by Mackenzie on behalf of its mutual funds, and a reduction of \$2.1 million in account administration and clone fund counter party revenue earned by the MRS Group.

During the second quarter, the VenGrowth labour sponsored funds terminated their administration agreements with Mackenzie. Mackenzie will continue to administer the VenGrowth Funds until the completion of the transition to the successor administrator, which is scheduled to be on or before October 8, 2005, but which may be extended for up to three months.

On June 29, 2005, tax legislation was enacted which eliminated the foreign content restrictions applicable to registered investment plans. As a result of this change in tax legislation, RSP clone funds are no longer necessary to achieve an appropriate level of foreign content in RRSPs. Accordingly, Mackenzie's RSP clone funds were terminated on July 8, 2005 and investors in these funds received the equivalent value of their investments in the corresponding underlying mutual funds. Investors Group is also proposing to terminate its RSP clone funds as discussed on page 20 in the Regulatory Environment section of this report. Prior to this change in tax legislation being enacted, M.R.S. Trust Company earned a fee for acting as the counter party to the forward contracts that the Mackenzie and Investors Group RSP clone funds purchased in order to create their RRSP eligibility. Accordingly, M.R.S. Trust will no longer have clone fund counter party revenue as a source of administration fees.

Mackenzie earns distribution fee income upon redemption of mutual fund units sold on a deferred sales charge basis. Fees charged range from 5.5% in the first year and decrease to zero after seven years. Distribution

fee income decreased \$0.5 million to \$8.2 million in the three month period ended June 30, 2005 from \$8.7 million in the comparative period last year. Distribution fee income in the six month period ended June 30, 2005 was \$18.0 million, a decrease of \$0.8 million from \$18.8 million in the comparative period last year. The decreases in both periods were due to period over period declines in the absolute level of redemptions of units that are subject to a redemption fee.

Net investment income and other represents the net interest margin from M.R.S. Trust Company's lending and deposit operations. Net investment income in the three month period ended June 30, 2005 was \$4.4 million, an increase of \$0.4 million as compared to \$4.0 million in the corresponding period last year. Net investment income was \$8.6 million in the six month period ended June 30, 2005, an increase of \$0.8 million from \$7.8 million in the comparative period last year. These increases are due to changes in the composition of M.R.S. Trust's lending and deposit portfolios and the widening of the net interest margin.

#### OPERATING EXPENSES

Mackenzie's operating expenses increased 2.1% and 1.2% respectively in the three and six month periods ended June 30, 2005 as compared to the corresponding periods last year.

Mackenzie pays selling commissions to the dealers that sell its funds on a deferred sales charge basis. Commission expense, which represents the amortization of deferred selling commissions, was \$38.3 million in the three month period ended June 30, 2005 as compared to \$37.1 million in the previous year. Commission expenses in the six month period ended June 30, 2005 was \$76.3 million, as compared to \$74.8 million in the same period in 2004. Mackenzie amortizes deferred selling commissions over a maximum period of seven years from the date of original purchase of the applicable units.

Trailer fees are paid to dealers to compensate them for providing ongoing support to investors in Mackenzie's mutual funds. Trailer fees are calculated as a percentage of assets under management and vary depending on the fund type and whether the fund was purchased on a front-end basis or on a deferred sales charge basis. In addition, trailer fees are not paid on certain non-retail series of mutual funds and institutional assets.

Trailer fees paid to dealers were \$45.7 million in the three month period ended June 30, 2005, an increase of \$3.0 million or 7.0% from \$42.7 million in the corresponding period last year. Trailer fees in the six month period ended June 30, 2005 were \$90.4 million as compared to \$84.1 million in 2004. Trailer fees as a percentage of average mutual fund assets under management decreased to 47.7 basis points in the current quarter as compared to 48.1 basis points in the corresponding period last year and decreased to 47.5 basis points in the six month period ended June 30, 2005 as compared to 47.8 basis points in the same period last year. The increase in trailer fees in both the three and six month periods ended June 30, 2005 is due to the period over period growth in average mutual fund assets under management and the decrease in the average trailer fee rate. The decline in the average trailer fee rate is attributed to an increase in the proportion of Mackenzie's mutual fund assets that are in non-retail series of Mackenzie mutual funds, for which Mackenzie does not pay trailer fees thereon.

Non-commission expenses decreased \$1.2 million to \$61.0 million in the three month period ended June 30, 2005 from \$62.2 million in the comparative period last year. Non-commission expenses in the six month period ended June 30, 2005 were \$128.9 million, a decrease of \$4.2 million from \$133.1 million in the comparative period in 2004. A component of the non-commission expenses incurred by Mackenzie is related to the administration of its mutual funds. These expenses, which are recovered from Mackenzie's mutual funds, declined in the six month period ended June 30, 2005 as compared to the corresponding period last year. This decrease largely resulted from continued cost synergies and efficiencies being realized from the transition work with Investors Group. Non-commission expenses also include non-recoverable costs incurred by Mackenzie in the marketing and management of its mutual funds. Mackenzie reevaluated its marketing and sales programs resulting in lower expenses in both the three and six month periods ended June 30, 2005 as compared to the corresponding periods in 2004.

## IGM FINANCIAL INC. Consolidated Financial Position

IGM Financial's on-balance sheet assets totalled \$6.6 billion at June 30, 2005 compared to \$6.5 billion at December 31, 2004.

The Company's securities holdings were \$110.7 million at June 30, 2005, a decrease of \$15.6 million or 12.4% from December 31, 2004. The fair value of the Company's portfolio exceeded cost by \$114.0 million at June 30, 2005 compared with \$127.8 million at December 31, 2004.

Loans, including mortgages and personal loans, increased by \$114.2 million to \$610.9 million at June 30, 2005 and represent 9.3% of total assets, compared to 7.7% at December 31, 2004. The increase is comprised of \$79.8 million in residential loans related to the Company's mortgage banking operations, which are designated for sale to third parties on a fully serviced basis, and \$34.4 million in mortgages and personal loans related to the Company's intermediary activities.

## Consolidated Liquidity and Capital Resources

### LIQUIDITY

IGM Financial's operating liquidity is required for:

- Financing ongoing operations, including the funding of selling commissions.
- Temporarily financing mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.

- Payment of quarterly dividends on its outstanding common shares.
- Maintaining liquidity requirements for regulated entities.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled \$340.5 million for the three months ended June 30,

2005 compared to \$308.0 million in 2004, and represents an increase of 10.6%. EBITDA totalled \$667.7 million for the six months ended June 30, 2005 compared to \$611.2 million for the same period in 2004, an increase of 9.2%.

In addition to IGM's current balance of cash and short-term investments in excess of the operating liquidity requirements described above, other potential sources of liquidity include the Company's portfolio of securities and lines of credit. As at June 30, 2005, the market value of the marketable securities in its portfolios and those of its unregulated subsidiaries was \$211.8 million. The Company maintains operating lines of credit totalling \$210 million with various Schedule A Canadian chartered banks, of which \$50 million represented committed lines of credit.

IGM Financial's demonstrated ability to raise funds in domestic debt and equity markets is also a source of liquidity.

#### CASH FLOWS

Table 8 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which form part of the interim Consolidated Financial Statements for the three and six month periods ended June 30, 2005 and is on page 25 of this report.

Operating activities, before payment of commissions, generated \$245.7 million and \$402.6 million during the three and six month periods ended June 30, 2005, as compared to \$154.6 million and \$303.7 million in 2004. Cash commissions paid of \$80.7 million and \$193.6 million in the three and six month periods increased from \$69.6 million and \$169.7 million in 2004 and reflect the increase in mutual fund sales over 2004 levels.

Financing activities during the quarter ended June 30, 2005 compared to the same period in 2004 related primarily to:

- A decrease of \$39.8 million in deposits and certificates in 2005 compared to \$50.1 million in 2004 related to changes in the demand deposit levels.
- The payment of regular common share dividends which increased to \$85.4 million in 2005 from \$72.6 million in 2004 as a result of increases in the Company's common share dividends.
- The purchase of 210,000 common shares in 2005 under IGM Financial's normal course issuer bid at a cost of \$7.7 million. No shares were purchased in the three month period ended June 30, 2004.

Other activity in the three month period in 2004 related to the repayment of \$23.0 million in long-term debt assumed on the acquisition of Investment Planning Counsel in May 2004.

**TABLE 8: CASH FLOWS**

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2005	2004	CHANGE	2005	2004	CHANGE
Operating activities						
Before payment						
of commissions	\$ 245.7	\$ 154.6	58.9%	\$ 402.6	\$ 303.7	32.6%
Commissions paid	(80.7)	(69.6)	(15.9)	(193.6)	(169.7)	(14.1)
Net of commissions paid	165.0	85.0	94.1	209.0	134.0	56.0
Financing activities	(131.2)	(145.7)	10.0	(184.0)	(217.1)	15.2
Investing activities	(19.4)	(117.2)	83.4	(77.6)	(183.6)	57.7
Increase (decrease) in cash and cash equivalents	14.4	(177.9)	108.1	(52.6)	(266.7)	80.3
Cash and cash equivalents, beginning of period	798.0	880.5	(9.4)	865.0	969.3	(10.8)
Cash and cash equivalents, end of period	\$ 812.4	\$ 702.6	15.6%	\$ 812.4	\$ 702.6	15.6%

Financing activities during the six months ended June 30, 2005 compared to the same period in 2004 related primarily to:

- A decrease of \$9.8 million in deposits and certificates in 2005 compared to \$37.2 million in 2004 related to changes in both the demand and term deposit levels.
- The payment of regular common share dividends which increased to \$164.8 million in 2005 from \$140.0 million in 2004 as a result of increases in the Company's common share dividends.
- The purchase of 324,700 common shares in 2005 under IGM Financial's normal course issuer bid at a cost of \$12.0 million. In 2004, 642,000 shares were purchased at a cost of \$23.0 million.

Other activity in the six month period in 2004 related to the repayment of \$23.0 million in long-term debt assumed on the acquisition of Investment Planning Counsel in May 2004.

Investing activities during the quarter ended June 30, 2005 compared to the same period in 2004 related primarily to:

- Securities purchases of \$15.5 million and securities sales with proceeds of \$26.8 million in 2005 compared with \$24.7 million and \$35.5 million respectively in 2004.
- Increases in residential mortgages related to the Company's mortgage banking operations of \$110.0 million compared to an increase of \$59.9 million in 2004, offset by securitizations of \$82.8 million in the second quarter of 2005 compared to nil in 2004.

Investing activities during the six months ended June 30, 2005 compared to the same period in 2004 related primarily to:

- Securities purchases of \$15.8 million and securities sales with proceeds of \$56.2 million in 2005 compared with \$54.6 million and \$60.9 million respectively in 2004.
- Increases in residential mortgages related to the Company's mortgage banking operations and personal loans related to the Company's intermediary operations of \$243.6 million compared to an increase of \$130.4 million in 2004, offset by securitizations of \$131.5 million in 2005 compared to \$10.2 million in 2004.

Other activity in the six month period in 2004 related to the acquisition in May 2004 of Investment Planning Counsel, net of cash and cash equivalents assumed, which totalled \$63.9 million.

#### **Contractual Obligations**

There have been no material changes in the contractual obligations of the Company from those reported at December 31, 2004.

#### **Liquidity Requirements**

Liquidity requirements for M.R.S. Trust and Investors Group Trust Co. Ltd., both of which are federally regulated trust companies, are established by their respective Boards of Directors. As at June 30, 2005, liquidity for both companies was in excess of these requirements.

#### **Off-Balance Sheet Arrangements**

- *Securitizations* – There were no changes to the Company's liquidity management practices related to securitizations during the three month period ended June 30, 2005. During the three months ended June 30, 2005, the Company entered into securitization transactions through its mortgage banking operation with proceeds of \$82.8 million as discussed in Note 2 to the interim Consolidated Financial Statements. Securitized loans serviced at June 30, 2005 totalled \$583.2 million and the fair value of the Company's retained interest was \$18.5 million. This compares with \$593.2 million and \$19.7 million, respectively at December 31, 2004.
- *Derivative Contracts* – There have been no changes in the Company's policies and procedures with respect to the use of derivative instruments during the quarter ended June 30, 2005. In addition, there has not been a significant change during the second quarter of 2005 in either the notional amount outstanding or in the exposure to credit risk, which is limited to the current fair value of those instruments which are in a gain position.

#### **CAPITAL RESOURCES**

To achieve its strategic objectives, the Company requires a strong capital base. The Company's capital management objective is to preserve the quality of its financial position by establishing and maintaining a solid capital base and a strong balance sheet.

TABLE 9: FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS – CARRYING VALUE

<i>(\$ millions)</i>	JUNE 30 2005	DECEMBER 31 2004
<b>Assets</b>		
Cash and cash equivalents	\$ 812.4	\$ 865.0
Securities	110.7	126.3
Loans	610.9	496.7
Account and other receivables	179.2	172.6
	<b>\$ 1,713.2</b>	<b>\$ 1,660.6</b>
<b>Liabilities</b>		
Deposits and certificates	\$ 701.2	\$ 711.0
Other financial liabilities	479.2	494.6
Long-term debt	1,225.0	1,226.8
Preferred shares	360.0	360.0
	<b>\$ 2,765.4</b>	<b>\$ 2,792.4</b>

Shareholders' equity increased to \$3.3 billion as at June 30, 2005 from \$3.2 billion at December 31, 2004. Changes in common share capital are reflected in Note 3 to the interim Consolidated Financial Statements. Preferred shares of \$360 million and long-term debt of \$1.23 billion remained at year end 2004 levels.

## Outlook

### MUTUAL FUND INDUSTRY ASSETS

As at June 30, 2005, mutual fund industry assets in Canada totalled \$526.9 billion, an increase of 2.7% from \$513.3 billion at March 31, 2005 and 5.9% from \$497.3 billion at December 31, 2004. The \$13.6 billion increase during the second quarter of 2005 reflects an estimated \$11.1 billion increase from net market appreciation which represented 2.2% of March 31, 2005 assets, net sales of \$3.5 billion and a reduction of \$1.0 billion in assets resulting from two companies which are no longer reporting their mutual fund assets through IFIC. The \$29.6 billion increase in industry assets from December 31, 2004 reflected an estimated \$17.7 billion increase from net market appreciation,

### FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Changes in both the carrying values and fair values of financial instruments did not have a significant impact on the financial condition of the Company for the quarter ended June 30, 2005. In addition, there were no significant changes in the risks related to these financial instruments and in the policies and procedures designed to manage these risks during the period.

which represented 3.5% of year-end 2004 industry assets, net sales of \$12.9 billion and the exclusion of \$1.0 billion in assets no longer reported to IFIC as discussed above.

### ACQUISITION OF INVESTMENT PLANNING COUNSEL

On May 10, 2004, the Company paid \$74.6 million in cash and issued 734,796 common shares, for total consideration of \$99.0 million, including transaction costs, to acquire a 74.7% interest in Investment Planning Counsel.

This acquisition has expanded the Company's presence in the independent financial planning channel.

Investment Planning Counsel is the fifth largest financial planning firm in Canada with close to 600 financial planners, and had mutual fund assets under management of \$1.7 billion (Counsel Group of Funds Inc.) and total assets under management and administration of \$8.3 billion at June 30, 2005. The transaction was structured to maintain the entrepreneurial character of Investment Planning Counsel and was consistent with the Company's strategy of owning leading businesses in both manufacturing and distribution within the advice segment of the financial services industry. Investment Planning Counsel is operating as a separate entity and is being managed by its pre-acquisition leadership team.

#### REGULATORY ENVIRONMENT

##### Elimination of Foreign Content Restrictions

Tax legislation which eliminated the foreign content restrictions applicable to investments by registered plans in foreign property was enacted into law on June 29, 2005. As a result of this change in tax legislation, the continued existence of RSP clone funds is no longer necessary.

These RSP clone funds were originally created to provide clients having investments made through tax-deferred retirement plans, such as RRSPs and RRIFs, with a means to increase their exposure to international markets without exceeding the foreign content restriction which existed prior to June 29, 2005. This was achieved because the performance of the RSP clone funds tracked the performance of other foreign equity mutual funds (underlying mutual funds) primarily through the use of forward contracts having returns based upon the performance of the underlying mutual funds, while most of the assets of the RSP clone funds were invested in short-term Canadian money market securities.

In early July, 2005, Mackenzie's RSP clone funds were terminated and investors in these funds received

the equivalent value of their investments in the corresponding underlying mutual funds. Investors Group and Investment Planning Counsel are also proposing to terminate their RSP clone funds and pay out the RSP clone fund assets to their investors in the form of units of the RSP clone funds' underlying mutual funds, subject to unitholder approval.

Investors in the Mackenzie, Investors Group and Investment Planning Counsel RSP clone funds will benefit from the wind-up of the funds through more efficient administration and a corresponding reduction, and in some cases the elimination, of certain costs and expenses.

#### RISK FACTORS

##### Market Risk

Risks related to performance of the equity markets and changes in interest rates can have a significant impact on the level and mix of mutual fund assets under management and sales. In addition, these factors can result in increased redemptions of mutual funds.

##### *Redemption Rates*

Redemption rates for long-term funds are summarized in Table 10.

IGM Financial provides Consultants and independent financial advisors with superior levels of service and support and a broad range of investment products – based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships and, as a result, the Company has been able to maintain redemption rates that are among the lowest in the industry. The increase in Mackenzie's redemption rate at June 30, 2005 compared with 2004 was discussed on page 12 of this report.

TABLE 10: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

AS AT JUNE 30	2005	2004
IGM Financial Inc.		
Investors Group	9.1%	9.6%
Mackenzie	14.7%	13.5%
Investment Planning Counsel	9.9%	N/A
Mutual Fund Industry <sup>(1)</sup>	16.7%	14.9%

<sup>(1)</sup> Excludes Investors Group, Mackenzie and Investment Planning Counsel from date of acquisition.

The mutual fund industry and financial advisors are committed to educating Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility our Consultants and independent financial advisors play a key role assisting investors maintain perspective and focus on their long-term objectives.

#### **Distribution Risk**

*Investors Group Consultant Network* – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's trust in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and

business prospects. Investors Group is focused on growing its distribution network, as previously discussed on page 9 of this report.

*Mackenzie* – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's portfolio of financial products is recognized as one of the most innovative and unique in the industry. This, combined with strong performance, marketing, educational and service support, has made Mackenzie one of Canada's leading companies serving independent financial advisors.

## **Accounting Estimates and Policies**

#### **CHANGES IN ACCOUNTING POLICIES**

There were no changes in accounting policies adopted in the second quarter of 2005. Changes in accounting policies adopted effective January 1, 2005 are disclosed in Note 1 of the interim Consolidated Financial Statements on page 26 of this report.

#### **SUMMARY OF CRITICAL**

#### **ACCOUNTING ESTIMATES**

There were no changes in the nature of the Company's critical accounting estimates in the second quarter of 2005.

## **Other Information**

#### **RELATED PARTY TRANSACTIONS**

There were no changes to the types of related party transactions entered into by the Company during the quarter ended June 30, 2005. For further information on transactions involving related parties, see Notes 5 and 19 of the Consolidated Financial Statements in the 2004 IGM Financial Inc. Annual Report.

#### **SEDAR**

Additional information relating to IGM Financial Inc., including the Company's most recent financial statements and Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

#### **OUTSTANDING SHARE DATA**

Outstanding shares of the Company as at June 30, 2005 of 264,516,140 are disclosed in Note 3 – Share Capital in the notes to the interim Consolidated Financial Statements. Outstanding shares of the Company as at August 3, 2005 totalled 264,559,314.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF INCOME

<i>(unaudited)</i> <i>(in thousands of dollars, except shares and per share amounts)</i>	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2005	2004	2005	2004
<b>Fee and net investment income</b>				
Management	\$ 406,462	\$ 371,701	\$ 797,112	\$ 736,781
Administration	75,396	75,768	154,881	153,796
Distribution	49,756	38,892	103,092	73,827
Net investment income and other	47,548	37,121	97,173	79,482
<b>Total fee and net investment income</b>	<b>579,162</b>	<b>523,482</b>	<b>1,152,258</b>	<b>1,043,886</b>
<b>Operating expenses</b>				
Commission expense	177,865	153,802	353,481	297,624
Non-commission expense	135,727	126,692	278,513	263,493
Interest expense <i>(Note 1)</i>	22,557	23,707	44,930	47,604
<b>Total operating expenses</b>	<b>336,149</b>	<b>304,201</b>	<b>676,924</b>	<b>608,721</b>
Income before income taxes and non-controlling interest	243,013	219,281	475,334	435,165
Income taxes	74,498	66,535	145,668	134,530
Income before non-controlling interest	168,515	152,746	329,666	300,635
Non-controlling interest	584	160	1,040	160
<b>Net income</b>	<b>\$ 167,931</b>	<b>\$ 152,586</b>	<b>\$ 328,626</b>	<b>\$ 300,475</b>
Average number of common shares <i>(in thousands) (Note 6)</i>				
– Basic	264,557	264,331	264,601	264,251
– Diluted	266,306	265,960	266,334	265,847
Earnings per share <i>(in dollars) (Note 6)</i>				
– Basic	\$ 0.63	\$ 0.58	\$ 1.24	\$ 1.14
– Diluted	\$ 0.63	\$ 0.57	\$ 1.23	\$ 1.13

*(See accompanying notes to interim consolidated financial statements.)*

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	SIX MONTHS ENDED JUNE 30	
	2005	2004
<b>Balance, beginning of period</b>		
As previously reported	\$ 1,668,006	\$ 1,414,705
Change in accounting policy	–	(1,093)
As restated	1,668,006	1,413,612
Net income	328,626	300,475
Common dividends	(170,676)	(145,409)
Common share cancellation excess <i>(Note 3)</i>	(10,228)	(19,449)
Other	(5,654)	(166)
<b>Balance, end of period</b>	<b>\$ 1,810,074</b>	<b>\$ 1,549,063</b>

*(See accompanying notes to interim consolidated financial statements.)*

## CONSOLIDATED BALANCE SHEETS

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	JUNE 30 2005	DECEMBER 31 2004
<b>Assets</b>		
Cash and cash equivalents	\$ 812,389	\$ 864,990
Securities	110,662	126,310
Loans	610,872	496,652
Investment in affiliate	505,873	490,716
Deferred selling commissions	916,809	850,791
Other assets	361,458	371,717
Intangible assets	899,865	900,444
Goodwill	2,372,782	2,371,591
	<b>\$ 6,590,710</b>	<b>\$ 6,473,211</b>
<b>Liabilities</b>		
Deposits and certificates	\$ 701,185	\$ 710,950
Other liabilities	552,207	605,017
Future income taxes	458,132	422,848
Long-term debt	1,225,010	1,226,795
Preferred shares <i>(Note 3)</i>	360,000	360,000
	<b>3,296,534</b>	<b>3,325,610</b>
<b>Shareholders' Equity</b>		
Share capital <i>(Note 3)</i>	1,478,012	1,475,405
Contributed surplus	6,090	4,190
Retained earnings	1,810,074	1,668,006
	<b>3,294,176</b>	<b>3,147,601</b>
	<b>\$ 6,590,710</b>	<b>\$ 6,473,211</b>

*(See accompanying notes to interim consolidated financial statements.)*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2005	2004	2005	2004
<b>Operating activities</b>				
Net income	\$ 167,931	\$ 152,586	\$ 328,626	\$ 300,475
Adjustments to determine net cash from operating activities				
Future income taxes	4,675	17,092	35,284	39,958
Commission amortization	64,971	55,470	127,578	109,526
Amortization of capital and intangible assets	5,702	5,449	11,400	10,764
Changes in operating assets and liabilities and other	2,439	(75,988)	(100,254)	(157,002)
	245,718	154,609	402,634	303,721
Commissions paid	(80,672)	(69,610)	(193,596)	(169,733)
	165,046	84,999	209,038	133,988
<b>Financing activities</b>				
Net decrease in deposits and certificates	(39,801)	(50,076)	(9,765)	(37,247)
Repayment of long-term debt	-	(23,044)	(1,785)	(24,829)
Issue of common shares	1,678	51	4,299	7,934
Common dividends paid	(85,373)	(72,629)	(164,758)	(139,972)
Common shares purchased for cancellation	(7,742)	-	(12,041)	(22,975)
	(131,238)	(145,698)	(184,050)	(217,089)
<b>Investing activities</b>				
Acquisition of Investment Planning Counsel, less cash and cash equivalents acquired	-	(63,872)	-	(63,872)
Acquisition of additional interest in Investment Planning Counsel	(344)	-	(641)	-
Purchase of securities	(15,523)	(24,715)	(15,833)	(54,644)
Proceeds from the sale of securities	26,798	35,522	56,208	60,861
Net increase in loans	(110,033)	(59,948)	(243,642)	(130,410)
Proceeds from securitizations <i>(Note 2)</i>	82,786	-	131,489	10,190
Additions to capital assets	(3,133)	(4,207)	(5,170)	(5,773)
	(19,449)	(117,220)	(77,589)	(183,648)
Increase (decrease) in cash and cash equivalents	14,359	(177,919)	(52,601)	(266,749)
Cash and cash equivalents, beginning of period	798,030	880,485	864,990	969,315
<b>Cash and cash equivalents, end of period</b>	<b>\$ 812,389</b>	<b>\$ 702,566</b>	<b>\$ 812,389</b>	<b>\$ 702,566</b>
Cash	\$ 67,726	\$ 44,588	\$ 67,726	\$ 44,588
Cash equivalents	744,663	657,978	744,663	657,978
	\$ 812,389	\$ 702,566	\$ 812,389	\$ 702,566

(See accompanying notes to interim consolidated financial statements.)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005 (Unaudited) (In thousands of dollars, except shares and per share amounts)

These interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2004 as set out on pages 60 to 84 of the 2004 Annual Report. Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

### 1. Summary of significant accounting policies

These interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2004 except as noted below.

#### FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

Effective for fiscal years beginning on or after November 1, 2004, CICA 3860, Financial Instruments – Disclosure and Presentation was amended to require obligations that can be settled at the issuer's option by issuing a variable number of the issuer's own equity instruments to be presented as liabilities rather than equity. On January 1, 2005, the Company adopted the amended standard retroactively with restatement of prior periods. The Company's preferred shares were reclassified from Shareholders' Equity to Liabilities and the preferred dividends were reclassified to Interest expense in the Consolidated Statements of Income. The change does not have any impact on earnings per share or net income available to common shareholders since preferred dividends were previously deducted from net income in determining net income available to common shareholders.

#### VARIABLE INTEREST ENTITIES (VIES)

Accounting Guideline 15 – Consolidation of Variable Interest Entities (VIEs), effective for annual and interim periods beginning on or after November 1, 2004, requires consolidation of VIEs by the primary beneficiary. The Company completed a review of all of the VIEs in which it has a variable interest and has determined that there are no VIEs requiring consolidation under this guideline except with respect to the Company's Employee Share Purchase Plan compensation trust. The Company is considered the primary beneficiary of the Employee Share Purchase Plan compensation trust. However, the consolidation of this trust does not have a significant impact as both the assets (IGM Financial Inc. shares) and the liabilities (the obligation to deliver IGM Financial Inc. shares to the participants) of the trust offset each other in the Share Capital section of the Consolidated Balance Sheets.

### 2. Securitizations

During the second quarter, the Company securitized \$83.2 million (2004 – nil) of residential mortgages through sales to commercial paper conduits that in turn issued securities to investors and received net cash proceeds of \$82.8 million (2004 – nil). The Company's retained interest in the securitized loans was valued at \$2.7 million (2004 – nil). A pre-tax gain on sale of \$1.5 million (2004 – nil) was recognized and reported in Net investment income and other in the Consolidated Statements of Income.

During the six months ended June 30, 2005, the Company securitized \$132.1 million (2004 – \$10.3 million) of residential mortgages through sales to commercial paper conduits that in turn issued securities to investors and received net cash proceeds of \$131.5 million (2004 – \$10.2 million). The Company's retained interest in the securitized loans was valued at \$4.1 million (2004 – \$0.3 million). A pre-tax gain on sale of \$2.3 million (2004 – \$0.1 million) was recognized and reported in Net investment income and other in the Consolidated Statements of Income.

### 3. Share capital

#### ISSUED AND OUTSTANDING

	JUNE 30, 2005		DECEMBER 31, 2004	
	SHARES	STATED VALUE	SHARES	STATED VALUE
First preferred shares, Series A <i>(Note 1)</i>	14,400,000	\$ 360,000	14,400,000	\$ 360,000
Common shares				
Balance, beginning of period	264,598,380	\$ 1,475,405	264,089,791	\$ 1,446,063
Issued on acquisition of Investment				
Planning Counsel	–	–	734,796	24,366
Issued under Stock Option Plan	242,460	4,420	529,893	9,138
Purchased for cancellation	(324,700)	(1,813)	(756,100)	(4,162)
Balance, end of period	264,516,140	\$ 1,478,012	264,598,380	\$ 1,475,405

#### NORMAL COURSE ISSUER BID

The Company commenced a normal course issuer bid, effective for one year, on February 23, 2005. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares outstanding as at February 18, 2005. In the second quarter, 210,000 shares were purchased at a cost of \$7.7 million and, during the six months ended June 30, 2005, 324,700 shares were purchased at a cost of \$12.0 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

On February 22, 2004, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.2 million or 5% of its common shares outstanding as at January 31, 2004. As at June 30, 2004, 642,000 shares were purchased at a cost of \$23.0 million and the premium paid to purchase the shares in excess of the stated value was charged to Retained earnings. No shares were purchased during the second quarter of 2004.

### 4. Stock-based compensation

	JUNE 30 2005	DECEMBER 31 2004
Common share options		
– Outstanding	8,870,567	7,243,068
– Exercisable	3,280,357	2,752,397

In the first quarter of 2005, the Company issued 1,920,800 (2004 – 1,262,500) options to employees and nil (2004 – 88,750) options to non-employees. In the second quarter of 2005 the Company did not issue options to employees (2004 – 260,000). A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of options granted during the six months ended June 30, 2005 has been estimated at \$7.76 per option (2004 – \$7.19) using the Black-Scholes option pricing model, based on the following assumptions: (i) risk-free interest rate of 4.04% (2004 – 4.01%), (ii) expected option life of six years (2004 – six years), (iii) expected volatility of 25.00% (2004 – 25.00%) and (iv) expected dividend yield of 3.42% (2004 – 3.28%).

The Company recorded compensation expense related to its stock option program of \$1.1 million (2004 – \$0.8 million) in the second quarter and \$2.0 million (2004 – \$1.3 million) for the six months ended June 30, 2005.

## 5. Employee future benefits

The Company recorded pension and other post-retirement benefits expense as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2005	2004	2005	2004
Pension expense	\$ 220	\$ 51	\$ 408	\$ 101
Other post-retirement benefits expense	972	903	1,944	1,806
Total	\$ 1,192	\$ 954	\$ 2,352	\$ 1,907

## 6. Earnings per common share

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2005	2004	2005	2004
<b>Earnings</b>				
Net income	\$ 167,931	\$ 152,586	\$ 328,626	\$ 300,475
<b>Number of common shares (in thousands)</b>				
Average number of common shares outstanding	264,557	264,331	264,601	264,251
Add:				
– Potential exercise of outstanding stock options	1,749	1,629	1,733	1,596
Average number of common shares outstanding				
– Diluted basis	266,306	265,960	266,334	265,847
<b>Earnings per common share (in dollars)</b>				
Basic	\$ 0.63	\$ 0.58	\$ 1.24	\$ 1.14
Diluted	\$ 0.63	\$ 0.57	\$ 1.23	\$ 1.13

In certain circumstances, the preferred shares are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

## 7. Segmented information

THREE MONTHS ENDED JUNE 30 2005	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
<b>Fee and net investment income</b>				
Management	\$ 224,362	\$ 174,230	\$ 7,870	\$ 406,462
Administration	41,301	33,304	791	75,396
Distribution	26,040	8,173	15,543	49,756
Net investment income and other	36,967	4,411	6,170	47,548
	328,670	220,118	30,374	579,162
<b>Operating expenses</b>				
Commissions	79,371	84,019	14,475	177,865
Non-commission	67,054	61,004	7,669	135,727
	146,425	145,023	22,144	313,592
Earnings before undernoted	\$ 182,245	\$ 75,095	\$ 8,230	265,570
Interest expense				22,557
Income before income taxes and non-controlling interest				243,013
Income taxes				74,498
Income before non-controlling interest				168,515
Non-controlling interest				584
Net income				\$ 167,931

THREE MONTHS ENDED JUNE 30 2004	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
<b>Fee and net investment income</b>				
Management	\$ 206,415	\$ 161,635	\$ 3,651	\$ 371,701
Administration	40,974	34,197	597	75,768
Distribution	22,458	8,668	7,766	38,892
Net investment income and other	28,585	3,942	4,594	37,121
	298,432	208,442	16,608	523,482
<b>Operating expenses</b>				
Commissions	66,214	79,846	7,742	153,802
Non-commission	61,201	62,146	3,345	126,692
	127,415	141,992	11,087	280,494
Earnings before undernoted	\$ 171,017	\$ 66,450	\$ 5,521	242,988
Interest expense				23,707
Income before income taxes and non-controlling interest				219,281
Income taxes				66,535
Income before non-controlling interest				152,746
Non-controlling interest				160
Net income				\$ 152,586

7. Segmented information *(continued)*

SIX MONTHS ENDED JUNE 30 2005	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	\$ 441,696	\$ 340,163	\$ 15,253	\$ 797,112
Administration	84,140	68,932	1,809	154,881
Distribution	50,400	17,953	34,739	103,092
Net investment income and other	73,379	8,624	15,170	97,173
	649,615	435,672	66,971	1,152,258
Operating expenses				
Commissions	155,108	166,721	31,652	353,481
Non-commission	134,112	128,898	15,503	278,513
	289,220	295,619	47,155	631,994
Earnings before undernoted	\$ 360,395	\$ 140,053	\$ 19,816	520,264
Interest expense				44,930
Income before income taxes and non-controlling interest				475,334
Income taxes				145,668
Income before non-controlling interest				329,666
Non-controlling interest				1,040
Net income				\$ 328,626
Identifiable assets	\$ 1,454,251	\$ 2,198,644	\$ 565,033	\$ 4,217,928
Goodwill	1,347,781	943,550	81,451	2,372,782
Total assets	\$ 2,802,032	\$ 3,142,194	\$ 646,484	\$ 6,590,710

In the second quarter, the Company finalized the allocation of goodwill related to the acquisition of Investment Planning Counsel.

7. Segmented information *(continued)*

SIX MONTHS ENDED JUNE 30 2004	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
<b>Fee and net investment income</b>				
Management	\$ 412,048	\$ 322,123	\$ 2,610	\$ 736,781
Administration	80,844	72,355	597	153,796
Distribution	47,258	18,803	7,766	73,827
Net investment income and other	62,202	7,785	9,495	79,482
	602,352	421,066	20,468	1,043,886
<b>Operating expenses</b>				
Commissions	130,945	158,937	7,742	297,624
Non-commission	128,120	133,069	2,304	263,493
	259,065	292,006	10,046	561,117
Earnings before undernoted	\$ 343,287	\$ 129,060	\$ 10,422	482,769
Interest expense				47,604
Income before income taxes and non-controlling interest				435,165
Income taxes				134,530
Income before non-controlling interest				300,635
Non-controlling interest				160
Net income				\$ 300,475
Identifiable assets	\$ 1,445,177	\$ 2,164,596	\$ 452,287	\$ 4,062,060
Goodwill	1,346,245	923,590	124,579	2,394,414
<b>Total assets</b>	<b>\$ 2,791,422</b>	<b>\$ 3,088,186</b>	<b>\$ 576,866</b>	<b>\$ 6,456,474</b>

## SHAREHOLDER INFORMATION

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### STOCK EXCHANGE LISTING

**Toronto Stock Exchange**  
Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:  
Common Shares: IGM  
First Preferred Shares, Series A: IGM.PRA

### ANALYST CONTACT

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### WEBSITES

Visit our websites at  
[www.igmfinc.com](http://www.igmfinc.com)  
[www.investorsgroup.com](http://www.investorsgroup.com)  
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