SAVARIA CORPORATION

Management's Report

For the Three and Twelve-Month Periods Ended December 31, 2012

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1. Basis of Presentation

This management's report is designed to assist the reader in better understanding the business of Savaria Corporation and its key financial results. It notably discusses the Corporation's financial position and operating results for the three and twelve-month periods ended December 31, 2012 in comparison with those for the corresponding periods of fiscal 2011. It also provides a comparison of its statements of financial position as at December 31, 2012 and 2011. Unless otherwise indicated, the terms "the Corporation" and "Savaria" refer to Savaria Corporation and its subsidiaries.

Prepared in accordance with *National Instrument 51-102 – Continuous Disclosure Obligations*, this report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2012. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and the management's report have been reviewed by Savaria's Audit Committee and approved by its Board of Directors.

This management's report was prepared as of March 28, 2013. Additional information, including the Annual Information Form, is available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements and Disclaimer

Certain statements in this management's report may be forward-looking. Forward-looking statements involve known and unknown risks, uncertainties or other factors that may cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The reader is warned against the risk of giving excessive credibility to these forward-looking statements.

3. Compliance with International Financial Reporting Standards

The Corporation's financial statements have been prepared in accordance with IFRS. However, the Corporation uses non-IFRS such as EBITDA, EBITDA per share, working capital, current ratio, book value per share, cash per share and total net debt to invested capital ratio for analysis purposes to measure its financial performance. EBITDA means earnings before interest, income taxes, depreciation and amortization ("EBITDA") while EBITDA per share means EBITDA per average diluted number of common shares outstanding. Reconciliation between net income and EBITDA is provided in Section 9, *Summary of Quarterly Results*. Working capital is defined as the result of current assets less current liabilities while the current ratio is defined as the result of current assets divided by current liabilities. Book value per share corresponds to the result of shareholders' equity divided by the number of shares outstanding at the end of each quarter and cash per share corresponds to the result of cash divided by the number of shares outstanding at the end of each period.

Total net debt to invested capital ratio is the result of the total of long-term debt less the net result of cash and bank loans ("numerator") divided by the total of shareholders' equity and the numerator.

Although management, investors and analysts use these measures to evaluate the Corporation's financial and operating performance, they have no standardized definition in accordance with IFRS and should not be

regarded as an alternative to financial information prepared in accordance with IFRS. These measures may therefore not be comparable to similar measures reported by other companies.

4. Business Overview

Savaria Corporation's operations are divided into two reportable segments: *Accessibility* and *Adapted Vehicles.* Business in the first segment is conducted by four of the Corporation's subsidiaries. The *Accessibility* segment designs, manufactures, distributes and installs products meeting the needs of people with mobility challenges, primarily stairlifts, vertical and inclined platform lifts and elevators for home and commercial use. In addition, our plant located in China assembles accessibility product components and finished products for the benefit of the Corporation's subsidiaries and for the sale of products on the Asian and European markets. The Corporation ranks as North America's leader in the accessibility industry. Its expanded product line is offered through a network of some 600 retailers located primarily in North America. The *Adapted Vehicles* segment converts and adapts mini-vans, also for people with mobility challenges. Annualized revenues for the *Accessibility* segment amount to $53 million ("M"), whereas those in the *Adapted Vehicles* segment amount to $14 M, bringing aggregate revenues to $67 M. Analyses in this report cover the two business segments unless expressly stated otherwise.

Headquartered in Laval, Quebec, Savaria has five other facilities, including a 125,000-square-foot plant purchased on April 13, 2012 in Brampton, Ontario, into which Savaria transferred its Brampton operations. It also has a 70,000-square-foot plant in Montreal, Quebec, and a 35,000-square-foot plant in Huizhou, China.

During fiscal 2012, Savaria's revenues were recorded in the United States (44%), Canada (45%) and, to a lesser extent, outside North America (11%). The Corporation has some 360 employees and its shares are listed on the Toronto Stock Exchange under the symbol SIS.

5. Business Context

A Fast-Growing Market due to the Unprecedented Aging of the Population

Equipment designed for the accessibility market is sold to wheelchair users and to elderly people with mobility challenges for whom stairs and raised building entrances are major obstacles. The number of people requiring accessibility products will therefore steadily grow as the population continues to age.

The population is aging at an accelerated pace, as shown by a study titled *An Aging World: 2008*, published by the U.S. Census Bureau in July 2009.

In 2008, the number of people aged 65 and over was estimated at 506 million worldwide, representing 7% of the world's total population. Another 870,000 people worldwide turned 65 every month. Based on projections for ten years hence, this increase will reach 1.9 million people per month.

Consequently, the number of people requiring accessibility equipment will grow, for several reasons. First, the older population is growing and people's life expectancy increasing, with the result that some eleven countries now have an average life expectancy of 80. Secondly, seniors are increasingly well-off and will hence have the means to adapt their own homes in order to remain there. Finally, the family structure and care of aging people are changing, increasingly requiring accessibility equipment to be installed in these people's homes and public buildings.

Furthermore, the U.S. Census Bureau expects the number of disabled people to grow twice as fast as the country's population overall. In fact, it forecasts that an additional 500,000 Americans annually will suffer from a disability, bringing their total to 35.4 million by 2030.

These fundamental changes will definitely have a major impact on the demand for accessibility products. What's more, because of the aging population and high cost of living in institutions for people with mobility challenges, various public and private organizations in both the United States and Canada could reimburse the cost of such devices, as is common today in some European countries.

Along with demographic factors, the demand for accessibility products is also affected by economic conditions and the strength of home and institutional construction.

As regards the North American competitive context, there remain two main companies that offer a similar product line to Savaria. In November 2012, Savaria's main competitor ceased its U.S. operations, which should allow it to increase its market share. Since 85% of the Corporation's products are custom-made, large-scale manufacturing and imports are not a serious threat. Although competing products are of a high quality and sold at competitive prices, Savaria stands apart for its operational flexibility, the reliability and safety of its products and the quality of its after-sales service.

The retail market, for its part, is highly fragmented. More than 1,000 outlets sell accessibility products in North America.

6. Vision, Mission and Strategy

Our Vision

Lead the North American market for personal mobility products with exceptional design, quality manufacturing and optimized distribution of the widest offering in the industry. Develop and maintain a customer-driven culture with customers, end-users and employees. Strategically expand around the world in order to grow revenues and optimize purchasing power.

Our Mission

We design, engineer, manufacture and market high-quality reliable and customized accessibility products and elevators that improve personal well-being and mobility. We aspire to always provide a business culture and environment based on customer-driven principles, teamwork and mutual respect.

Our Strategy

Savaria's strategy consisting in providing its 600 distributors and its Canadian direct sales centres with the most extensive product selection in the industry, while offering the most reliable and safest products ever.

The acquisition of Concord London and Savaria Lifts in 2010 enabled Savaria to increase its foothold in the Canadian direct sales market in the *Accessibility* segment. Today, Savaria has a direct presence in Montreal, Toronto, Calgary and Edmonton. Now that the integration phase of these acquisitions is complete, the focus is now on increasing revenue in these markets. In addition, Savaria offers two new accessibility products, specifically platform lifts ─ Delta, for straight staircases, and Omega, for curved staircases ─ that will contribute to the achievement of this objective.

As for the *Adapted Vehicles* segment, the acquisition of Freedom and Liberty, also completed in 2010, expanded our offering of conversion models. A rear entry model is now available along with the side and dual entry models already offered through Van-Action.

Implementing this strategy will allow us to increase our revenue in North America.

7. Fourth Quarter and Fiscal 2012 Highlights

Revenue up 9% for fourth quarter, 2 % for the year

For 4th quarter of 2012, revenue is up 9.2% for a total of $17.9 M, compared with $16.4 M for same quarter previous year. For fiscal 2012, revenue is up 2.2% for a total of $66.7 M, compared with $65.3 M for previous fiscal year. Those quarter and annual revenue results are the highest in the history of Savaria.

Operating income up 22% for fourth quarter, down 14% for the year

Operating income increased to $1.3 M for 4th quarter 2012 compared to $1 M same quarter previous year. For fiscal 2012, operating income decreased 14% or $465,000 to the amount of $2.9 M compared to $3.4 M for the previous year. Were it not for moving costs of $1 M to relocate Brampton's plant during 3rd quarter, operating income would have been $3.9 M for fiscal 2012.

EBITDA up 57% for fourth quarter, down 12% for the year

The Corporation's EBITDA amounted to approximately $1.8 M for the 4th quarter of 2012 compared to $1.1 M same quarter previous year, and totalled $4.5 M for fiscal 2012, compared to $5.1 M for fiscal 2011. The decrease is mostly the result of the moving costs of $1 M.

8. Overview of the Last Three Years

Selected financial information for the last three years is presented in the table below.

(in thousands, except per-share amounts and percentages)	**2012**	2011	2010
Revenue	**$66,734**	$65,274	$65,236
Gross margin as a % of revenue	***27.1%***	*27.9%*	*27.9%*
Operating costs	**$14,135**	$14,838	$14,252
Operating costs as a % of revenue	***21.2%***	*22.7%*	*21.8%*
Operating income	**$2,930**	$3,395	$4,394
As a % of revenue	***4.4%***	*5.2%*	*6.7%*
EBITDA [(1)]	**$4,488**	$5,076	$5,415
EBITDA per share – basic and diluted	**$0.19**	$0.22	$0.24
Gain (loss) on foreign change	**$(69)**	$137	$(256)
Net income	**$1,578**	$2,001	$2,568
Earnings per share – basic and diluted	**$0.07**	$0.09	$0.12
Dividend declared per share	**$0.094**	$0.102	$0.084
Weighted average number of common shares outstanding – diluted	**23,116**	23,246	22,314
Total assets	**$49,380**	$42,413	$47,350
Long-term debt (including non-current portion)	**$19,083**	$12,861	$13,392
Total liabilities	**$30,156**	$22,268	$25,272
Equity	**$19,224**	$20,145	$22,078

[(1)] Reconciliation of EBITDA with net income provided in Section 9

The Corporation's revenue, which was stable in 2010 and 2011, rose 2.2% in 2012.

The gross margin, which remained stable in 2010 and 2011, at 27.9%, decreased to 27.1% in 2012, mainly due to the unfavorable impact of the variation in the effective exchange rate of the U.S. dollar against the Canadian dollar.

As for operating income, it was down in 2011 compared to 2010 due to an increase in operating expenses. In 2012, these expenses have returned to a level below that of 2010. On the other hand, moving expenses of $1 M, related to the relocation of the Brampton plant, had an adverse effect on operating income in 2012.

Besides the above-mentioned factors, fluctuations in the gain (loss) on foreign exchange and changes in the valuation of restructured notes (formerly, ABCP investments) and the change in the fair value of a put option linked to a loan at preferential rate had a significant impact on net income for the last three years. Indeed, the Corporation suffered losses on foreign exchange of $256,000 and $69,000 respectively in 2010 and 2012, while it recorded a foreign exchange gain of $137,000 in 2011. Regarding the variation in the evaluation of restructured notes and a put option, the Corporation recorded a net loss of $49,000 in 2010 and a net gain of $64,000 in 2011 and of $86,000 in 2012. The income tax expense also had a significant impact on net income. An adjustment to accounting estimates relating to income taxes in 2011 had a negative impact on the effective tax rate in 2011 compared to 2010 and 2012. The effective tax rate has therefore gone up from 25.8% in 2010 to 30.5% in 2011 and down to 26.6% in 2012.

Total assets significantly increased in 2012 following the acquisition of a building during the year while it decreased in 2011 primarily due to a decrease in the level of trade and other receivables and cash. The long-term debt, which had slightly decreased in 2011, increased by $6.2 M in 2012 following the signing of a loan agreement related to the acquisition of a building and the renegotiation of existing debt. Similarly, total liabilities, which had decreased by $3 M in 2011 primarily due to the partial reimbursement of notes payable related to business acquisitions in 2010 and the reduction in bank loans, increased by $7.9 M in 2012.

Lastly, equity went from $22.1 M in 2010 to $20.1 M in 2011 and $19.2 M in 2012. The decrease of $921,000 in 2012 ($1.9 M in 2011) is primarily explained by the declaration of a dividend in the amount of $2.2 M ($2.4 M in 2011) that exceeded total comprehensive income that was in the amount of $1.2 M ($585,000 in 2011).

9. Summary of Quarterly Results

Selected financial information for the last eight quarters is presented in the following table.

(in thousands, except per-share amounts and percentages – unaudited)	**2012**				2011			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	**$17,865**	$16,166	$17,472	$15,231	$16,358	$17,395	$16,008	$15,513
Gross margin as a % of revenue	***26.5%***	*26.1%*	*27.9%*	*27.8%*	*28%*	*29.5%*	*25%*	*29.1%*
Operating costs [1]	**$3,457**	$3,501	$3,663	$3,514	$3,549	$3,825	$3,689	$3,775
As a % of revenue	***19.4%***	*21.7%*	*21%*	*23.1%*	*21.7%*	*22%*	*23.1%*	*24.3%*
Operating income	**$1,269**	$(135)	$1,090	$706	$1,037	$1,307	$316	$735
As a % of revenue	***7.1%***	*(0.8)%*	*6.2%*	*4.6%*	*6.3%*	*7.5%*	*2%*	*4.7%*
Gain (loss) on foreign exchange	**$48**	$(151)	$65	$(31)	$(178)	$513	$51	$(249)
Net income	**$952**	$(425)	$691	$360	$398	$1,286	$140	$177
Earnings per share – basic and diluted	**$0.04**	$(0.02)	$0.03	$0.02	$0.02	$0.05	$0.01	$0.01
EBITDA [2]	**$1,806**	$62	$1,601	$1,019	$1,147	$2,332	$788	$809
EBITDA per share – basic and diluted	**$0.08**	$0.003	$0,07	$0.04	$0.05	$0.10	$0.03	$0.04
Dividend declared per share	**-**	-	-	$0.094	-	-	-	$0.102
Weighted average number of common shares outstanding– diluted	**23,132**	23,145	23,126	23,197	23,230	23,279	23,451	22,671

[1] "Operating costs" include: administrative expenses, selling expenses, engineering expenses and research and development expenses.

[2] Reconciliation of EBITDA with net income provided in the following table.

Revenue for the 4th quarter of 2012 is at the highest level in the last eight quarters, while revenue of the 3rd quarter of 2012 was low for that period of the year due to a temporary shutdown at the Brampton plant to allow the transfer of operations to the newly-acquired building. Revenue for second quarter of 2011 was also abnormally low due to a low level of orders and an unfavorable average exchange rate. Revenue for 3rd quarter of 2011 had returned to a normal level for the period of the year despite a negative average exchange rate, while revenue for the 4th quarter of 2011 was down mainly due to lower orders in the *Adapted Vehicles* segment. Note that revenue in the first quarter of a fiscal year is generally lower than other quarters due to the seasonality of orders.

The gross margin remained at an average of 27.1% in 2012 and 27.9% in 2011.

There has been an improvement in operating expenses; they represent an average of 21.2% of revenue in 2012, compared to an average of 22.7% in 2011. This improvement is also reflected in terms of dollars with quarterly charges lower in 2012 compared to the corresponding quarters in 2011.

Reconciliation of EBITDA with Net Income

As mentioned in Section 3, although EBITDA is not recognized according to IFRS, it is used by management, investors and analysts to assess the Corporation's financial and operating performance.

Reconciliation between net income and EBITDA is provided in the table below.

(in thousands of dollars – unaudited)	**2012**					2011				
	Total	**Q 4**	Q 3	Q 2	Q 1	Total	Q 4	Q 3	Q 2	Q 1
Net income	**$1,578**	**$952**	$(425)	$691	$360	$2,001	$398	$1,286	$140	$177
Plus: Interest on long-term debt	**732**	**210**	204	194	124	569	139	149	138	143
Interest expense and banking fees	**96**	**28**	23	20	25	181	25	26	87	43
Income tax expense	**571**	**222**	(141)	340	150	877	237	488	40	112
Depreciation of fixed assets	**789**	**201**	235	176	177	688	150	185	183	170
Amortization of intangible assets	**752**	**196**	176	188	192	792	204	201	205	182
Less: Interest Income	**30**	**3**	10	8	9	32	6	3	5	18
EBITDA	**$4,488**	**$1,806**	$62	$1,601	$1,019	$5,076	$1,147	$2,332	$788	$809

The following section provides a detailed analysis of operating results for the 4th quarter of 2012, in comparison with the same quarter of 2011, and of fiscal 2012 year-to-date in comparison with the previous year. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2012 and 2011, available on SEDAR's website at www.sedar.com.

10. Operating Results

Certain data on results for the 4th quarter (three months) and the fiscal year ended December 31, 2012 (twelve months) are presented in the following tables.

Gross margin

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2012	2011	% Change	**2012**	2011	% Change
Revenue	**$17,865**	$16,358	9.2%	**$66,734**	$65,274	2.2%
Cost of sales	**$13,137**	$11,773	11.6%	**$48,679**	$47,041	3.5%
Gross margin	**$4,728**	$4,585	3.1%	**$18,055**	$18,233	(1)%
As a % of revenue	***26.5%***	*28%*	*n/a*	***27.1%***	*27.9%*	*n/a*

Revenue for the 4th quarter of 2012 was up by $1.5 M or 9.2% from the revenue recorded for same quarter previous year despite an unfavourable variation of foreign exchange to the amount of $620,000. Revenue of the *Accessibility* segment is up 16.7%, from $12.5 M for the 4th quarter of 2011 to $14.6 M for the 4th quarter of 2012, while revenue of the *Adapted Vehicles* segment is down 15.4% from $3.8 M for the 4th quarter of 2011 to $3.2 M for the 4th quarter of 2012. For fiscal 2012, revenue was up 2.2% from $65.3 M in 2011 to $66.7 M in 2012. The adverse effect on revenue from variation in foreign exchange rates is $935,000. Revenue of the *Accessibility* segment is up 4.3% from $50.3 M in 2011 to $52.5 M in 2012, while revenue of the *Adapted Vehicles* segment is down $709,000 or 4.7% from $15 M in 2011 to $14.2 M in 2012.

The proportion of revenue from the United States on total revenue increased significantly during the 4th quarter of 2012 compared to the 4th quarter of 2011 from 37.4% to 46.4%, while the proportion of domestic revenue has declined from 51.4% to 43.4%. Revenue from outside North America has declined in percentage but remains stable in dollars, from 11.2% to 10.2% for a total of $1.8 M for each of the quarters. For the twelve-month period, revenue from the United States increased from 41.3% or $27 M to 44.1% or $29.4 M. Revenue in Canada is down from 47.9% or $31.3 M to 45.4% or $30.3 M. Revenue from outside North America is stable, from 10.8% of revenue in 2011 to 10.5% in 2012 for a total of $7 M for each of the two years.

Gross margin is up by $143,000 for the 4th quarter of 2012 compared to the corresponding quarter of 2011. In percentage of revenue, gross margin went from 28% for the 4th quarter of 2011 to 26.5% for the 4th quarter of 2012. For the twelve-month period, the gross margin is slightly down, from 27.9% to 27.1%, a decrease of $178,000. The unfavorable impact of the variation in the effective foreign exchange rate of the U.S. dollar against the Canadian dollar explains the decrease in gross margin for the 4th quarter and the year.

The proportion of purchases from the subsidiary Savaria Huizhou and other suppliers in Asia increased to 35.3% of purchases of raw materials of the subsidiary Savaria Concord in 2012, while it was 28.9% for 2011.

Operating Income

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2012	2011	% Change	**2012**	2011	% Change
Operating costs	**$3,457**	$3,549	(2.6)%	**$14,135**	$14,838	(4.7)%
As a % of revenue	***19.4%***	*21.7%*	*n/a*	***21.2%***	*22.7%*	*n/a*
Other costs	**$2**	$-	100%	**$990**	$-	100%
Operating income	**$1,269**	$1,037	22.4%	**$2,930**	$3,395	(13.7)%
As a % of revenue	***7.1%***	*6.3%*	*n/a*	***4.4%***	*5.2%*	*n/a*

The proportion of operating costs relative to revenue decreased in the 4th quarter of 2012 compared to the same period in 2011 and for the twelve months of 2012. These costs are down $92,000 for the 4th quarter of 2012 and $703,000 for the four quarters of 2012 compared to the corresponding periods in 2011 due to tighter spending control, and savings due to the relocation of the Brampton plant in the building acquired in April 2012.

On the other hand, moving expenses of $1 M for the relocation are recorded as other costs in 2012.

The combination of the increase in gross margin and decrease of operating costs in the 4th quarter had a favourable effect on operating income of $232,000. For the twelve-month period, a favourable variation in operating costs partially offsets the decline in gross margin and the increase in other costs, resulting in an unfavourable variation in operating income of $465,000 or 13.7%.

Net Income

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2012	2011	% Change	**2012**	2011	% Change
Net finance costs	**$95**	$402	(76.4)%	**$781**	$517	51.1%
Income before income tax	**$1,174**	$635	85.2%	**$2,149**	$2,878	(25.3)%
Income tax expense	**$222**	$237	(6.3)%	**$571**	$877	(34.9)%
Net income	**$952**	$398	139%	**$1,578**	$2,001	(21.1)%
EBITDA	**$1,806**	$1,147	57.5%	**$4,488**	$5,076	(11.6)%

Net financial expenses were down $307,000 in 4th quarter of 2012 compared to 4th quarter of 2011. This decrease was primarily due to a favourable variation in foreign exchange gains and losses of $226,000 and in the fair value of the restructured notes and put option of $158,000, partially offset by an increase in interest expense of $74,000. For the twelve-month period, net financial expenses are up $264,000. This increase is primarily due to an unfavourable variation in foreign exchange gains and losses of $206,000 and an increase in interest expense of $78,000, partially offset by a favourable variation in the fair value of the restructured notes and the put option of $22,000. Foreign exchange gains and losses mainly stem from the conversion, at the end of period rate, of monetary items denominated in U.S. dollars.

The effective income tax rate for the 4th quarter of 2012 is 18.9% compared to the combined corporate rate of 25.3% and the effective rate for the corresponding period of 2011 of 37.4%; this variation is mainly due a non-taxable gain on the evaluation of the restructured notes. The effective tax rate for 2012 is 26.6% compared to the combined corporate rate of 25.3% and the effective rate for 2011 of 30.5%. The variation compared to 2011 was primarily due to adjustments to accounting estimates relating to income tax in 2011, offset by a favourable variation in partially deductible or non-deductible expenses.

Hedge Accounting

In conformity with the hedging policy adopted by the Board of Directors, the Corporation uses foreign exchange contracts to reduce the risks related to currency fluctuations. It applies hedge accounting, which allows the recognition of gains, losses, revenues and expenses from derivative financial instruments in the same period as those related to the hedged item. Foreign exchange contracts are recognized at their fair value in the statement of financial position according to their maturity date. Unrealized gains and losses not recognized as net income are recorded in *Accumulated other comprehensive income*.

As at December 31, 2012, the Corporation no longer held any foreign exchange contracts. On the other hand, a $620,000 gain before taxes realized on the sale of foreign exchange contracts before maturity was recorded in *Accumulated other comprehensive income* and will be reversed to net income between now and May 2015 depending on the hedging period of each contract.

Coverage of interest rates

The Corporation signed a financing agreement in April 2012 comprising of a refinancing of four long-term debts into one to the amount of $7 M, and the issue of a new debt to the amount of $9.6 M, of which $8.6 M has been disbursed in April 2012 and $1 M in October 2012. Since those debts bear interest at variable rates, the Corporation decided to enter into interest rate swap transactions to minimize its risk related to changes in interest rates. It therefore has signed a first swap agreement related to a capital amount of $7 M with a fixed interest rate of 3.48%, and a second swap agreement related to a capital amount of $9.6 M with a fixed interest rate of 3.58%, both for a 5-year period.

As with currency hedges, the Corporation applies hedge accounting, which enables the recording of unrealized gains and losses related to the derivative financial instrument to *Accumulated other comprehensive income*, while fair value is recorded in the statement of financial position. As at December 31, 2012, the unrealized loss on the interest rate swaps amounts to $291,000 and is reflected on the statement of financial position under *Derivative financial instruments* of Non-current liabilities.

11. Financial Position

Changes between Statements of Financial Position

The following table shows the key changes in the statements of financial position between December 31, 2012 and December 31, 2011, along with the principal explanations of such changes:

(in thousands of dollars, except percentages and explanations of changes)	December 31		Change	Explanation of Changes
	2012	2011		
Current assets				
Cash	**$1,993**	$3,931	(49.3)%	See explanations regarding changes in cash flows in Section 12, *Cash Flows*
Restricted cash	**$ -**	$400	(100)%	Following the signing of a new financing agreement with its financial institution, the Corporation is no longer required to maintain a minimum cash balance.
Trade and other receivables	**$11,592**	$9,120	27.1%	Increase in trade receivables (+$2.4 M) partially due to an increase in revenue, decrease in the exchange rate used for the conversion of U.S. dollar denominated receivables (-$105 K), and increase in sales tax and other receivables (+$140 K).
No. of days in receivables	**57**	59	(3.4)%	-
Inventories	**$12,800**	$14,371	(10.9%)	Reduction in inventory level at the Brampton plant following the relocation and a better management of minimum quantities.

(in thousands of dollars, except percentages and explanations of changes)	December 31		Change	Explanation of Changes
	2012	2011		
Non-current assets				
Restricted cash	**$ -**	$700	(100)%	Following the signing of a new financing agreement with its financial institution, the Corporation is no longer required to maintain a minimum cash balance.
Fixed assets	**$11,792**	$1,741	577%	Additions (+$10.9 M, including $10.3 M for the Brampton building), depreciation (-$789 K) and disposals (-$52 K).
Intangible assets	**$2,138**	$2,797	(23.6)%	Amortization (-$752 K) and increase (+$93 K).
Current liabilities				
Trade and other payables	**$7,518**	$6,123	22.8%	Increase in accounts payable ($+1.4 M) partially due to an increase in purchases related to the increase in revenue, decrease in salaries and benefits payable ($-31 K).
Derivative financial instruments	**$117**	$ -	100%	Unrealized losses on interest rate swaps related to the new loans.
Current portion of long-term debt	**$3,619**	$4,877	(25.8)%	See explanations under "Long-term debt".

(in thousands of dollars, except percentages and explanations of changes)	December 31		Change	Explanation of Changes
	2012	2011		
Working capital	**$14,550**	$16,377	(11.2)%	Decrease in Cash (- $1.9 M), increase in Trade and other receivables (+ $2.5 M), decrease in inventories (- $1.6 M), increase in Trade and other payables (- $1.4 M) and decrease in the Current portion of long-term debt (+ $1.3 M)
Current ratio	**2.05**	2.19	(6.4)%	See above.
Non-current liabilities				
Long-term debt	**$15,464**	$7,984	93.7%	New debt related to the purchase of the Brampton building (+$9.6 M), repayment of four loans (-$7.8 M) replaced by one single loan (+$7 M), regular payment of the debt ($-1.9 M), partial payment of notes payable related to 2010 acquisitions ($-724 K) and other minor variations.
Derivative financial instruments	**$174**	$ -	100%	Unrealized losses on interest rate swaps related to the new loans.
Shareholders' equity	$19,224	$20,145	(4.6)%	Net income (+$1.6 M), share issue (+$66 K), share repurchase (-$76 K), declared dividend (-$2.2 M) and variation in accumulated other comprehensive income (-$359 K).

As at December 31, 2012, Savaria benefited from a sound financial position, with total assets of $49.4 M, compared with $42.4 M as at December 31, 2011, and total liabilities of $30.2 M, compared with $22.3 M as at December 31, 2011.

Available Sources of Financing

(in thousands of dollars)	December 31,	
	2012	2011
Credit facilities:		
Authorized	**$5,000**	$2,500
Loans	**(3,225)**	(75)
Unused credit	**$1,775**	2,425
Cash	**5,218**	3,931
Total	**$6,993**	$6,356

As shown above, the Corporation had total available funds of $7 M as at December 31, 2012, providing the flexibility to meet its potential obligations in the near term.

In March 2012, the Corporation entered into the following financial agreement with its financial institution:

- Long-term debt of $9.6 M, of which $8.6 M has been disbursed in April 2012 and $1 M in October 2012: The loan, used to finance the purchase of the Brampton, Ontario building, is amortized over 180 months and provides for monthly payments of $53,000 in principal plus interest at a rate fixed for five years of 3.58%, according to an interest rate swap agreement as mentioned in Section 10;

- Refinancing of four long-term debts into one debt to the amount of $ 7 M: The terms of the agreement provide for an amortization period of 84 months with monthly principal payments of $83,000 plus interest, at a rate fixed for five years of 3.48%, also according to an interest rate swap agreement. In addition, the Corporation is no longer required to maintain a minimum cash balance.

- Line of credit of $5 M: The Corporation has replaced its old lines of credit totalling $2.5 M by one, to the amount of $5 M.

Also, during fiscal year 2012, the Corporation has established a process of consolidation of bank accounts of the parent company and its subsidiaries, resulting in debit and credit balances being presented on a net basis in the cash.

The Corporation minimizes its exposure to fluctuations in interest rates by keeping most of its debt at fixed rate (see *Coverage of interest rates* in Section 10 for details).

Furthermore, the Corporation can incur potential risks of loss on foreign exchange contracts for up to a maximum of $4.5 M over a maximum hedging period of 36 months. This amount is the maximum amount of unrealized losses, as defined by the bank, that foreign exchange contracts held by the Corporation can represent at one time; however, beyond an amount of $3.3 M, the bank could realize the collateralized security to cover such risk.

As at December 31, 2012, the Corporation's total net debt to invested capital ratio stood at 47.1% (28.2% as at December 31, 2011). The increase is due to the net inflow of new long-term debt of $6.2 M as outlined above.

Other Data and Ratios

(in thousands of dollars, except per-share amounts – unaudited)	December 31,		Change
	2012	2011	
Book value per share	**$0.84**	$0.88	(4.5)%
Cash per share	**$0.09**	$0.17	(47.1)%
Market capitalization	**$35,739**	$36,152	(1.1)%

The book value per share and cash per share were down as at December 31, 2012 from December 31, 2011, mainly due to the declaration of a dividend that exceeded total comprehensive income for the year. Market capitalization is also decreased due to a decline in share value of the Corporation, which went from $1.58 as at December 31, 2011 to $1.56 as at December 31, 2012.

At the date the Management report was issued, the Corporation had 23,212,864 ordinary shares and 1,056,250 options outstanding.

12. Cash Flows

The following table presents certain cash flow data for the 4th quarter and for the year.

(in thousands of dollars)	3 Months (Unaudited)		12 Months	
	2012	2011	**2012**	2011
Net cash from operating activities	**$1,284**	$3,478	**$4,854**	$4,371
Net cash used in investing activities	**$(264)**	$(455)	**$(9,981)**	$(607)
Net cash (used in) from financing activities	**$(1,786)**	$(894)	**$3,189**	$(5,874)

The Corporation's cash flows from operating activities is down by $2.2 M for the 4th quarter of 2012 and up by $483,000 for year 2012 over the corresponding periods of previous year. The 4th quarter difference is due mainly to a $3.2 M unfavourable variation in the net changes in non-cash operating items, partly offset by a favourable variation in operating results (as explained in section 10). For the year, the difference also stems from an unfavourable variation in operating results and of non-cash operating items of $840,000, partially offset by foreign exchange contracts cashed in advance in the amount of $786,000.

The Corporation's cash flows used in investing activities is down by $191,000 in the 4th quarter of 2012 and up by $9.4 M for the twelve-month period compared to the same periods previous year. The variation in the 4th quarter is mainly due to a decrease in purchases of fixed and intangible assets of $437,000. For the twelve-month period, the variation is mainly due to an increase in acquisitions of fixed and intangible assets of $9.9 M, partially offset by a favourable change in restricted cash of $700,000.

In regard to financing activities, Savaria's cash flows used in financing activities is up by $892,000 in the 4th quarter of 2012 over the same quarter of 2011, due mainly to a $2 M unfavourable variation in the reimbursement of bank loans, partially offset by an increase in the cashing of new long-term debt of $1 M. For the year, the Corporation's cash flows used in financing activities is up by $9.1 M due to higher cashing of new long-term debt of $14 M and a favourable variation in bank loans of $1.8 M, offset by a larger reimbursement of the long-term debt of $7 M.

13. Significant Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are the measurement of the fair value of financial instruments, including derivatives and investments in restructured notes and the goodwill.

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swap arrangements is estimated by discounting the difference between the contractual interest rate and market rates over the value of the loans.

Please refer to section 20 *Risks and Uncertainties - Measurement Uncertainty*, for details on the estimation of investments in restructured notes.

The recoverable amount of goodwill is estimated at the same time each year, or more frequently if there are indications of impairment. For the purposes of assessing impairment of goodwill, goodwill acquired through business acquisitionres is allocated to the cash generating unit ("CGU") or group of CGUs, expected to benefit from the synergies of the acquisition. Each CGU or group of CGUs to which the goodwill is allocated shall represent the lowest level at which goodwill is monitored for internal management purposes and should not be, before allocation of goodwill, greater than an operationnal segment. The recoverable amounts of these CGUs are based on their value in use. They are determined by discounting the future cash flows generated by the continued use of the units. The calculation of value in use is based on the following key assumptions:

- Cash flows are projected over a period of five years based on past experience and actual operating results using a constant growth rate of 2% for the Accessibility segment, and nil for the Adapted vehicles segment;

- The anticipated annual revenue growth included in the cash flow projections are based on the business plan;

- A high and low pre-tax discount rate of 12,1% and 11% percent (13.1% and 11.9% in 2011) is applied in determining the recoverable amount of the unit. The discount rate used is based on past experience and industry average weighted average cost of capital, which is based on a possible range of debt leveraging of 42% at a market interest rate of 3.5%;

- The values assigned to the key assumptions represent management's assessment of future trends in the accessibility industry and are based on both external sources and internal sources (historical data).

These estimates are based on management's knowledge of current events and on the measures the Corporation could take in the future. Actual results may differ from these estimates.

14. New Accounting Policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing the consolidated financial statements at this date.

IFRS 9 - *Financial Instruments*

IFRS 9 (2009) replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost;

  or

- financial assets measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in net income except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 (2010) provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to net income at a later date.

IFRS 9 (2010) added guidance to IFRS 9 (2009) on the classification and measurement of financial liabilities, and this guidance is consistent with the guidance in IAS 39 except as described below.

Under IFRS 9 (2010), for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in OCI, with the remainder of the change recognized in net income. However, if this requirement creates or enlarges an accounting mismatch in net income, the entire change in fair value will be recognized in net income. Amounts presented in OCI will not be reclassified to net income at a later date.

IFRS 9 (2010) also added the requirements of IAS 39 for the derecognition of financial assets and liabilities to IFRS 9 without change.

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Corporation intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

IFRS 10 - *Consolidated Financial Statements*

IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities* ("SPE"). IAS 27 (2008) survives as IAS 27 (2011) *Separate Financial Statements*, only to carry forward the existing accounting requirements for separate financial statements.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

The Corporation intends to adopt IFRS 10, including the amendments issued in June 2012, in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.

IFRS 13 - *Fair Value Measurement*

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on net income or other comprehensive income.

IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Corporation intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Corporation does not expect IFRS 13 to have a material impact on the financial statements.

Amendments to IAS 1 - *Presentation of Financial Statements*

The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.

The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Corporation does not expect the amendments to IAS 1 to have a material impact on the financial statements.

Amendments to IAS 19 - *Employee Benefits*

The amendments have an impact on termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and when the entity can no longer withdraw the offer of the termination benefits.

The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Corporation does not expect the amendments to IAS 19 to have a material impact on the financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle – Various standards

The new cycle of improvements contains amendments to standard IAS 34 *Interim Financial Reporting, Segment assets and liabilities*, with consequential amendments to other standards and interpretations.

The Corporation intends to adopt the amendments to the standards in its financial statements for the annual period beginning on January 1, 2013. The Corporation does not expect the amendments to the standards to have a material impact on the financial statements.

15. Internal Control over Financial Reporting

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Corporation are in charge of establishing and maintaining disclosure controls and procedures, as defined by *Multilateral Instrument 52-109* of the Canadian Securities Administrators.

An evaluation has been conducted to measure the effectiveness of controls and procedures used for the preparation of reporting documents. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were effective and well designed at the close of the fiscal year ended December 31, 2012 and, more specifically, that the design of such controls and procedures provides reasonable assurance that they are advised of material information relating to the Corporation during the period in which these reporting documents are prepared.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Corporation are in charge of establishing and maintaining an adequate internal control system in regard to financial reporting.

Management has evaluated the effectiveness of internal control over financial reporting using the criteria defined in the integrated internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, management as well as the Chief Executive Officer and the Chief Financial Officer concluded, as at December 31, 2012, that the Corporation's internal control over financial reporting was effective in that it provides reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements for disclosure purposes in accordance with IFRS.

Changes to Internal Control over Financial Reporting

No changes in the Corporation's internal control over financial reporting occurred during fiscal 2012 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

16. Contractual Obligations

In addition to the debts appearing in the statement of financial position, the Corporation has concluded lease agreements for the rental of certain premises and entered into operating leases for rolling stock and office equipment for a total of $2,202,000 ($1,827,000 in 2011).

The following table details the Corporation's commitments for the coming years:

(in thousands of dollars)	**Total**	2013	2014	2015	2016	2017	After 2017
Long-term debt obligations	**$22,977**	$4,149	$3,673	$2,090	$2,002	$2,101	$8,962
Capital leases	**80**	37	28	15	-	-	-
Operating leases	**2,202**	780	654	615	142	10	1
Total contractual obligations	**$25,259**	$4,966	$4,355	$2,720	$2,144	$2,111	$8,963

17. Off-Balance Sheet Arrangements

Other than the operating leases considered in the previous section, *Contractual Obligations*, Savaria did not enter into any off-balance sheet arrangements during fiscal 2012.

18. Related-Party Transactions

The Corporation recorded an amount of $41,000 ($84,000 in 2011) for services rendered by an entity whose officer is a director of the Corporation. These transactions occurred in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the Corporation and the related parties.

19. Financial Instruments

The Corporation periodically uses various financial instruments to manage the risk related to exchange rate fluctuations. It does not hold or issue derivative financial instruments for speculative or trading purposes. Derivative financial instruments are subject to standard credit conditions, financial controls, risk management and monitoring procedures.

Fair Value of Financial Instruments

(in thousands of dollars)	Assets and liabilities Presented at Fair Value	Assets and Liabilities Presented at Amortized Cost	**Total**	**Fair Value**
Financial assets				
Cash	$ -	$1,993	**$1,993**	**$1,993**
Trade and other receivables	-	10,999	**10,999**	**10,999**
Long-term loans	-	535	**535**	**511**
Long-term investments in restructured notes	1,401	-	**1,401**	**1,401**
Put option	64	-	**64**	**64**
Total financial assets	$1,465	$13,527	**$14,992**	**$14,968**
Financial liabilities				
Trade and other payables	-	7,518	**7,518**	**7,518**
Derivative financial instruments	291	**-**	**291**	**291**
Long-term debt	-	19,083	**19,083**	**19,139**
Total financial liabilities	$291	$26,601	**$26,892**	**$26,948**

Financial Instrument-Related Risks

The analysis of financial-instrument related risks is provided in the next section, *Risks and Uncertainties*.

20. Risks and Uncertainties

The Corporation is confident about its long-term future outlook. Nevertheless, the risks and uncertainties described below could have an impact on its ability to implement its strategic plan and to achieve its growth objectives. The following factors should be considered in assessing the Corporation's future outlook.

Financial Risk Factors

The Corporation is engaged in an industry exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. In order to minimize the potential adverse effects on its financial performance, the Corporation uses derivative financial instruments to hedge currency risks and interest rate risks. Treasury is managed centrally to allow for the identification, evaluation and hedging of financial risks.

(a) Currency Risk

Currency risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency.

The Corporation realizes approximately 53% (50% in 2011) of its revenues in foreign currencies and accordingly is exposed to market risks related to foreign exchange fluctuations. Major exchange rate fluctuations could have a significant impact on its revenue and consequently on its gross margin. The Corporation partially compensates for these risks by purchasing materials in U.S. dollars and using derivative financial instruments such as foreign exchange forward contracts. These contracts are contracts under which the Corporation is obligated to sell U.S. dollars at a fixed rate.

Management has implemented a policy to manage foreign exchange risk against the Corporation's functional currency. The objective of the policy is to minimize the risks related to foreign currency transactions, more specifically in U.S. dollars, in order to protect the gross margin from significant fluctuations in the Canadian dollar against foreign currencies and to avoid management speculation on currency values. The Corporation manages this risk exposure by entering into foreign exchange forward contracts. Pursuant to the policy, a maximum of 75% of anticipated net inflows in U.S. dollars must be hedged.

Gains and losses on financial instruments designated as cash flow hedges are recognized in the Corporation's results in the same period as the underlying transactions. Changes in the fair value of non-designated financial instruments are recognized immediately.

As required pursuant to accounting standards, unrealized gains or losses on foreign exchange contracts designated as cash flow hedges at end-of-period dates must be presented, net of taxes, in other comprehensive income. As at December 31, 2012, the Corporation posted a positive amount of other comprehensive income of $463,000 ($593,000 as at December 31, 2011). The amount of gain or loss actually realized on foreign exchange contracts will depend on the value of the Canadian dollar at the time each contract is cashed-in.

Gains (losses) on U.S. dollar denominated monetary items are recognized in Finance income (costs). Major exchange rate fluctuations could have a material impact on the translation of these U.S. dollar denominated monetary items and, accordingly, on Finance income (costs) and net income.

(b) Interest Rate Risk

Interest rate risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Corporation's interest rate risk arises from its long-term loans, long-term investments, bank loans and long-term debt. Investments and borrowings issued at variable rates expose the Corporation to cash flow interest rate risk, whereas investments and borrowings issued at fixed rates expose the Corporation to fair value interest rate risk.

The Corporation's debts bear interest at variable rates. The Corporation analyzes interest rate risk exposure on a continuous basis and examines its renewal and refinancing options in order to minimize risks. Along this line, the Corporation signed interest rate swap agreements in April 2012. It signed a first swap agreement related to a capital amount of $7 M with a fixed interest rate of 3.48%, and a second swap agreement related to a capital amount of $9.6 M with a fixed interest rate of 3.58%, both for a 5-year period. These derivatives were designated as hedges for accounting purposes. The total balance of loans covered by the swap agreements was $15,471,000 at December 31, 2012 (none at December 31, 2011). As at December 31, 2012, the Corporation shows a debit amount of $213,000 in accumulated other comprehensive income (none at December 31, 2011).

Interest income and expenses are recognized in Finance income (costs). A major change in interest rates would not have a significant impact on net income but would result in an increase or decrease of "Other comprehensive income (loss)".

(c) Price Risk

The Corporation's products include hundreds of components manufactured by some 100 suppliers around the world. The price of such components can vary and affect the Corporation's profit margins. However, the Corporation's flexible business model enables it to change supplier if required in order to minimize this risk. The Corporation does not make use of derivative products on the price of materials.

The Corporation, through its Chinese subsidiary, is increasing its purchasing volume in Asia to benefit from a better quality-price value. The Corporation analyzes each part individually to determine the best procurement source while considering various factors, including manufacturing cost.

(d) Credit Risk

Cash is held or issued by financial institutions with a superior-quality credit rating. Hence, the Corporation considers that the risk of non-performance of such instruments is negligible.

The Corporation provides credit to its clients in the normal course of business. It carries out credit checks on its clients on a continual basis and minimizes its credit risks by conducting its operations with a wide variety of clients in several industries.

Trade receivables are presented on the statement of financial position net of an allowance for doubtful accounts. The allowance is based on the Corporation's best estimate as to the probability of collecting uncertain accounts. Uncertainty regarding the collection of accounts may derive from various indicators, including deterioration in the credit-worthiness of a client or an abnormal delay in payment of past-due invoices. Management regularly reviews client accounts, ensures that past-due accounts are followed up and evaluates the relevance of its allowance for doubtful accounts.

(e) Liquidity Risk

Liquidity risk represents the risk that the Corporation will not be able to meet its obligations as they fall due. Management assesses its liquidity risk on a continual basis to ensure that it has sufficient liquidity to meet its obligations.

During fiscal 2012, Savaria concluded a $9.6 M financing agreement to finance the acquisition of a building, and a $7 M financing agreement to replace four loans. Although the Corporation conducted these financing transactions during the year, there can be no assurance that additional funds might be available under terms and conditions deemed acceptable by the Corporation.

To ensure that sufficient liquidity is available to meet current obligations, the Corporation maintains similar payment terms with its clients as it has with its suppliers. The Corporation has sufficient credit facilities available to make up for temporary lapses in the synchronization of inflows and outflows of funds.

Savaria is involved in an industry subject to various risks and uncertainties. Its operating results and financial position could therefore be adversely affected by the aforementioned financial risks, as well as by the various factors described below. Those risks are not the only ones to which the Corporation is exposed. Thus, its business could potentially be affected by additional risks and uncertainties that are currently unknown or deemed rather insignificant.

Economic Conditions

The purchase of elevators is often a discretionary expense and, accordingly, sensitive to economic fluctuations and conditions in the housing market. The Corporation takes measures to control its expenses and to adjust it personnel in order to adapt working hours to its order backlog.

Warranties

In the normal course of business, the Corporation assumes certain maintenance and repair costs under warranties offered on its products. The warranties cover a period of three (3) to thirty-six (36) months, depending on the product. Warranty provisions are established on the basis of estimates and assumptions. These provisions are based on management's past experience. If such estimates and assumptions prove inaccurate in the future, the effective costs to respect product warranties could differ from those recorded.

Tax Credits

Savaria benefits from research and development tax credits as well as apprenticeship tax credits. These could be affected by any legislative change.

Deferred Tax Assets

Subsequent to the acquisition of Liberty in 2010, deferred tax assets were recognized as it is more likely than unlikely that Liberty's loss carry-forwards will be utilized. A significant reduction in the expected revenue for the *Adapted Vehicles* segment could prevent all the losses from being used prior to their expiry.

Competition

The North American accessibility industry consists of about ten companies in fierce competition. However, Savaria ranks as North America's leader in the accessibility industry. Its large size provides it with major

advantages, including: a high profile, an extensive distribution network, economies of scale and many foreign suppliers.

Dependence on the U.S. Market

In 2012, the percentage of Savaria's revenue recorded in the United States totalled 44% (41% in 2011). The Corporation's profitability could therefore be affected by any major event having a negative impact on the U.S. economy or the trade relations between Canada and the United States (the reader is referred to *Economic Conditions* above).

To reduce the risk associated with economic conditions in the United States, the Corporation is expanding its sales territory in Canada.

Environment

Management believes that the Corporation's operations are in full compliance with environmental legislation.

Lawsuits

Various claims and legal proceedings have been initiated against the Corporation in the normal course of business. Although the outcome of these proceedings cannot be determined with certainty, management estimates that any payments resulting from their outcome are not likely to have a material negative impact on the Corporation's consolidated financial statements.

The Corporation has received a claim with respect to the non-payment of a note payable related to the acquisition of Freedom. The Corporation has instituted a counter-claim with respect to this same transaction. The outcome of these claims cannot be determined at this time.

Measurement Uncertainty

The Corporation holds investments in restructured notes subsequent to the conversion of asset-backed commercial paper ("ABCP"). Such investments undergo a year-end valuation.

The fair value estimate of the restructured notes has been calculated based on information provided by BlackRock Canada Ltd., the asset administrator, and other publicly available information.

Using this information, the Corporation was able to determine the key characteristics of each class of restructured notes received: face value, credit rating, interest rate, projected interest payments and maturity date. The Corporation then estimated the return that a prospective investor would require for each class of notes ("Required Yield") in order to calculate the net present value of the future cash flows for each class using the Required Yield as the discount factor.

These notes are subject to uncertainty as to their eventual cash value. Although management believes that its valuation technique is appropriate under the circumstances, changes in significant assumptions could materially affect the value of the restructured notes in upcoming periods. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates.

For further details about risk factors, the reader is also referred to the Annual Information Form available on SEDAR's website at www.sedar.com.

21. Outlook

During the last year, several events have contributed to the Corporation's financial success, which enables us to look to 2013 with excitement. It started with the first sales on the North American market of the *Omega* inclined platform lift, for curved staircases, and the *Delta*, for straight staircases; the relocation of Brampton's operations in July, which will result in annual savings of close to $1 million; the first major order won by our Chinese subsidiary, for the delivery of 27 *Omega* platform lifts to equip the train stations on Hainan Island; and finally, our main North American competitor ceased operations last November, which will potentially enable us to increase our market share. These events will have a positive impact for years to come.

During the third quarter of 2013, we plan to introduce a new product: a stairlift for curved staircases. This product has currently reached its final design phase and will grow our accessibility products offering.

Our Adapted Vehicles segment reported a record-high net income in 2012, and we expect 2013 will reflect the past year.

Ultimately, our strong balance sheet will allow us to further product development and enable us to develop new markets.

March 28, 2013